Reckitt Benckiser
HEALTH · HYGIENE · HOME

Annual Report and
Financial Statements 2011

Innovating for a healthier future

Contents

Chairman's Statement

Strong Performance

I am pleased to report that the Company delivered a strong performance in 2011, beating the targets set for both net revenue (sales) and net income (profit) growth. This was despite the tough conditions in many parts of the global economy.

The Company achieved total net revenue growth of +13% at constant exchange rates, profit growth (adjusted net income) of +11% at constant exchange rates and a net cash inflow of £1,581m. We also achieved market share growth with most of our Powerbrands.

A Year of Management Change

It is testament to the Company's strong focus on its people and succession planning that this performance was delivered in a year of major change in executive leadership.

Bart Becht, Chief Executive Officer (CEO) for the last 16 years of RB and Benckiser before, retired from the business. The Board appointed Rakesh Kapoor as the new CEO and the change took place on 1 September 2011. Rakesh is a 25-year career veteran of Reckitt Benckiser and has come up through the organisation via the marketing, sales and general management functions. When he was general manager of the UK business, it delivered the best performance that the business has ever enjoyed. Immediately prior to being appointed CEO, he was the Executive Vice President of the category development organisation and our chief marketer on the Executive Committee.

The Board was unanimous in its choice of Rakesh as he has the necessary drive, strategic thinking and operational experience, coupled with an intimate understanding of and capability to continue to grow Shareholder value. His close involvement in the drivers of success at RB and significant achievements to date were reassurance that the excellent performance for which the Company has become renowned was set to continue. That has been demonstrated with the 2011 results.

The Board would like to sincerely thank Bart for his outstanding leadership over all the years he has been our CEO. He led the Company to excellent performance which has benefitted all Shareholders as well as the consumers whom the Company serves. It is a credit to his leadership that we were so well placed in terms of succession and depth of senior management strength. Bart leaves the Company in great shape for a successful future.

Cash

In 2011 the net revenue growth of the business has been leveraged into strong growth in profit and cash flow. This has allowed the Company to pay down more of its debt created by the SSL International plc and Paras Pharmaceuticals Limited acquisitions. The Company is in strong financial health. The cash generation also enables the Board to propose a final dividend of 70 pence. This brings the dividend for the year to 125 pence, an increase of 9% over 2010.

Strategy

As Rakesh outlines in his statement in this Report, the Company under his leadership has reshaped its strategy. This was carried out in recognition of the fact that the world's consumer economies have changed significantly in the last few years. In honing the strategy to take note of those changes, management's aim is to ensure continued out-performance. In the process of reshaping the strategy, management has also defined a new vision and purpose for the Company, consistent with the opportunities and challenges that lie ahead. The new vision and purpose of the Company and the strategy it is now pursuing are, in the Board's view, fundamentally sound and will contribute to the growth of Shareholder value.

Corporate Governance

The Board recognises its important governance responsibilities including the annual re-election of Directors, Board diversity, externally facilitated evaluation of the Board's performance and succession planning. The Company's actions in these areas, amongst others, are detailed in my Corporate Governance Statement and the Corporate Governance Report on pages 22 to 27.

In addition to the activities set out in the Corporate Governance Report, the Board also conducted its regular reviews of the performance and results of the business. This includes reviews with management on strategy, brands, geographic area and functional performance together with detailed reviews of its human resources, corporate responsibility and reputation, controls and business risks.

Annual General Meeting Resolutions

The resolutions to be voted on at our AGM on 3 May 2012 are fully explained in the Notice of Meeting.

I encourage all our Shareholders to attend the AGM.

Thanks

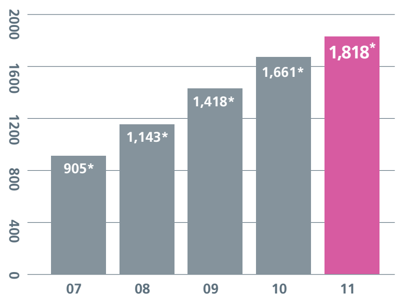
On behalf of the Board, I would like to thank our new CEO, Rakesh Kapoor, and his executive team for their excellent leadership of the business. I also want to thank all our employees globally for their commitment to delivering such a strong performance.

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 new management team of our Company has the Board's utmost confidence in its ability to lead the Company to continued success.

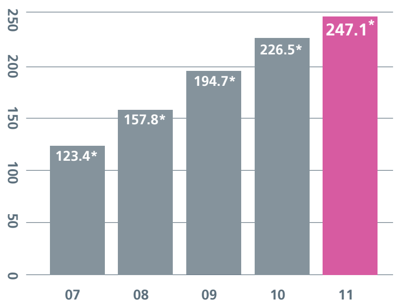
Adrian Bellamy Chairman

Adjusted net income £m



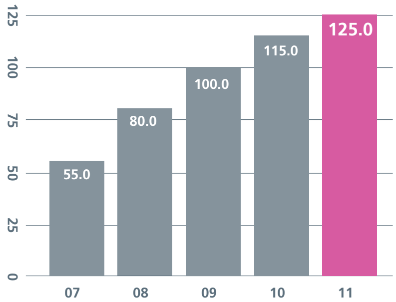
*Adjusted to exclude the impact of exceptional items and tax effects thereon. Refer note 8 of the financial statements for further detail.

Diluted earnings per share pence



*Adjusted to exclude the impact of exceptional items and tax effects thereon. Refer note 8 of the financial statements for further detail.

Declared dividend per share pence



2011 was Reckitt Benckiser's 12th consecutive year of high quality growth, and another year in which RB beat its targets.

- Total net revenue grew +13%[1] to £9,485m – ahead of the +12% target.
- Excellent growth in emerging markets and Powerbrands Dettol, Nurofen, Mucinex, Strepsils, Gaviscon and Harpic.
- Like-for-like growth, excluding acquisitions, of +4%[1].
- Recently acquired SSL grew net revenue by +6%[1] to £843m like-for-like.
- Suboxone film captured a 48% volume share of the US market.
- Adjusted net income grew +11%[1] to £1,818m – ahead of the +10% target.
- Strong cash flow took net debt down to £1,795m.

In 2012 we are targeting total Company net revenue growth excluding RB Pharmaceuticals of 200 basis points (bps) above our market growth rate. We expect the market to grow at 1-2%. 2012 will be a year of higher investment, but we still aim to maintain our operating margins[2].

Rakesh Kapoor Chief Executive

£9,485m
our net revenue in 2011

£2,487m
adjusted operating profit in 2011

125.0p*
dividend per share

1 At constant exchange rates
2 Excluding RB Pharmaceuticals

* Includes final 2011 dividend of 70p recommended by the Board

Rakesh Kapoor Chief Executive

Strong foundation. Healthy future.

2011 was a great achievement, but we will not be complacent. The world around us is going through seismic shifts in consumer and economic terms, and we must reshape our strategy to be ahead of these changes to ensure continued out-performance. To deliver tomorrow, we need to reshape today.

The new RB strategy is anchored in a **vision** of a world where people are healthier and live better. This gives RB a compelling **purpose:** to make a difference by giving people innovative solutions for healthier lives and happier homes.

RB has a brand portfolio and a footprint that makes it uniquely placed to do this and, in so doing, to deliver great growth and continued strong Shareholder returns.

A reshaped strategy

RB has been a great growth story over much of the past decade, consistently out-performing our market growth and delivering one of the best results in our industry. As the world changes we need to make sure that we have the right strategy to continue our out-performance track record for the next decade.

Global economic development is changing fundamentally. Countries once viewed as 'developing' markets are now showing rapid and stable GDP growth that outstrips the developed world and will continue doing so over the coming decade. With it, hundreds of millions of new consumers are entering the consumption economy – consumers who are now financially capable and ready for our products. The health and hygiene of the family and the home as a germ-free safe haven is a big and growing consumer need. Our brands are trusted icons all round the world in this sphere. Combined with the changing demographics we see great opportunities in health, hygiene and home.

HEALTH

Good health is the key to happiness.

RB health care brands provide trusted, innovative solutions that help people live healthier, more fulfilling lives.

HYGIENE

Hygiene is the foundation of healthy living.

RB hygiene brands help promote both personal hygiene for wellbeing and home hygiene to create a safe haven for you and your family.

HOME

Home is the centre of family life.

RB home care brands help you take pride in creating a home that your family will love being in together.

Powerbrands focus

HEALTH, HYGIENE, HOME

3 new

Powerbrand categories

BRAND EQUITY

£100m

incremental investment in innovation and brand equity building in 2012

Higher focus on Powerbrands in Health and Hygiene

The core of RB's strategy will continue to be our focus on Powerbrands, disproportionately supported with high rates of innovation and brand equity investment. Within this, we will be intensifying our investment behind our Powerbrands in the higher growth, higher margin categories of health and hygiene. Since these brands enjoy greater trust and consumer loyalty this focus will also be financially attractive and more sustainable over time. Therefore, while our past identity was based on 'household cleaning', our future will now be in 'health, hygiene and home'.

Brand equity building is paramount

RB's relentless focus on building brands with great equity will increase with an additional £100m being invested in innovation and brand equity building in 2012. We believe the 'media spend percentage of net revenue' metric no longer portrays the complete picture of brand building activity. Therefore in 2013 we will be introducing a new 'brand equity building' metric, which will cover traditional media plus digital and social media, and education programmes and medical marketing.

FOOD

French's remains an important Powerbrand – inspired by our new vision and purpose. The food business will continue to be run as a broadly stand alone business.

RB PHARMACEUTICALS

RB Pharmaceuticals remains a key contributor to growth and profit. It will continue to support conversion to Suboxone film in the US, progress the new product development (NPD) pipeline and maximise the growth of Suboxone around the world.

Both RB Pharmaceuticals and Food will be reported separately from the core* categories.

* Core is health, hygiene, home and portfolio brands

Powermarkets focus

Higher focus on Powermarkets

In addition to our highly successful 'Powerbrands' strategy, we have identified 16 'Powermarkets' for increased focus and investment, most of which are in emerging markets. These are markets where we see the highest absolute growth potential and where we already have a good platform on the ground to take advantage of that potential. These markets will be the spearheads of growth in the neighbouring geographic region and will attract a disproportionate deployment of talent and financial resources.

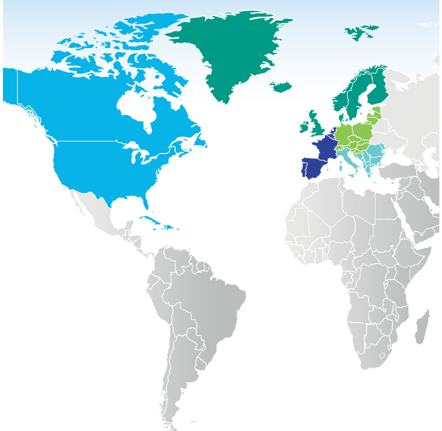
A new organisation structure will drive strategy

To deliver accelerated growth we are going to substantially increase our focus on six of the world's highest growth geographic clusters of consumers. These are built around the emerging markets of Brazil, Russia, India, China (BRIC), as well as Africa and the Middle East – the latter two market cluster opportunities are also very significant. We have created two new Area organisations to manage these high-growth emerging market clusters, instead of just one. The first Area is called LAPAC and covers Latin America, North Asia, South East Asia, and Australia and New Zealand. The second Area is called RUMEA and covers Russia & CIS, Middle East, North Africa, Turkey, and Sub-Saharan Africa.

Developed markets remain important, even if the economies are growing more slowly. They continue to represent significant growth opportunities but need to be tackled differently. We are seeing increasingly homogenous consumer, trade and competitive environments in developed markets. Therefore we will manage them as one Area called ENA, comprising North America, Central Europe, Northern Europe, Southern Europe and Western Europe. North America will now be led by a senior, fully dedicated management team. The Europe regions and North America will report into one Area lead to drive increased speed to market and to get scale efficiencies to drive higher growth.

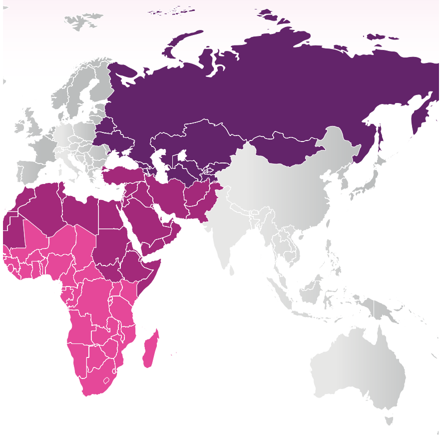
This new geographic focus will be driven by a redeployment of investment and management abilities. Currently we have 36% of our management focused on the 6 billion consumers in emerging markets, versus 64% focused on the 0.9 billion consumers in developed markets. This will shift significantly and we have located our leadership of these Areas in the respective market, effective 1 January 2012, so that we can be even more responsive to consumer and customer needs and faster in execution.

ENA



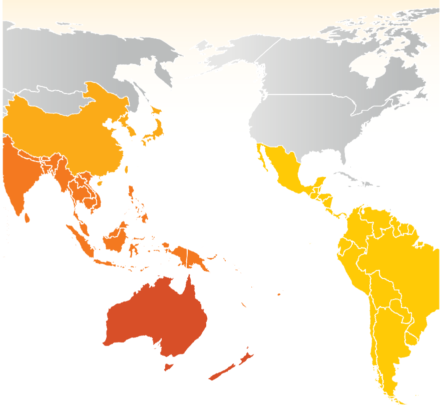
- North America
- Central Europe
- Northern Europe
- Southern Europe
- Western Europe

RUMEA



- Russia & CIS
- Middle East, North Africa & Turkey
- Sub-Saharan Africa

LAPAC



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

NET REVENUE GROWTH* TARGET

200bps

a year, on average, ahead of the global market growth across RB's categories and geographies

CATEGORY TARGET

72%

of core** Company net revenues from Health and Hygiene by 2016

GEOGRAPHIC TARGET

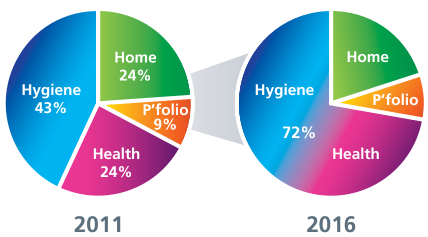
50%

of core** Company net revenues from LAPAC and RUMEA by 2016

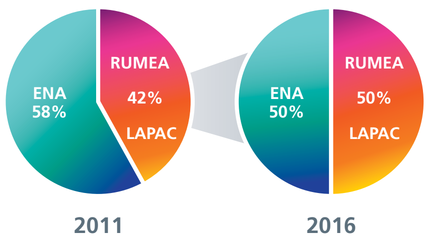
Progress and expansion

Medium term KPIs

Health and Hygiene to be 72% of core net revenue by 2016**



Emerging market areas to be 50% of core net revenue by 2016**



New medium term performance indicators

To transparently monitor our progress against our strategy, we have set three medium term (five year) key performance indicators.

- Growth* in net revenue of 200 bps a year, on average, ahead of the global market growth across RB's categories and geographies.
- Above average growth in health and hygiene so that they become 72% of core** Company net revenues by 2016 (currently 67%); on average an increase of 1% per year.
- Above average growth in LAPAC and RUMEA so that they become 50% of core** Company net revenues by 2016 (currently 42%).

Margin expansion strategy

While we will increase investment we also aim to deliver steady operating margin* expansion in the medium term. We will achieve this through gross margin expansion, fixed cost containment and specific projects to extract cost. As an example, the newly merged ENA Area is expected to save £30m from 2013. A roll out of an enterprise resource planning system (ERP) is expected to yield savings of at least £10m per year from 2014 onwards.

Part of this saving will be used to fuel reinvestment behind the Powerbrands and Powermarkets. In addition, volume leverage and greater scale will further contribute to operating margin expansion, particularly in the emerging market Areas of RUMEA and LAPAC.

* Total Company excluding RB Pharmaceuticals (RBP)

** Core is health, hygiene, home and portfolio brands

Results and responsibility

Our new vision and purpose is a call to action to increase our commitment beyond the commercial, to the planet's environment and those most vulnerable in our society.

We are about to reach our goal with Save the Children of creating a 'Million Brighter Futures' through our fundraising since we started the partnership in 2003. In the area of environment, we have already delivered 75% of our 2020 Carbon footprint reduction target.

So, in light of our new vision and purpose we will be reviewing and renewing both our commitment to our global partnership with Save the Children in health and hygiene and our environmental focus. We will decide the most relevant and impactful programmes for us to pursue in the years ahead.

SAVE THE CHILDREN

1 million brighter futures
are being created

ENVIRONMENTAL TARGET

75%
of our 2020 Carbon footprint reduction target delivered

Competitive advantage

RB people & culture – our sustainable competitive advantage
Through all of this, I know that it is our culture and the passion of our people that is and will be our greatest competitive advantage. RB people are entrepreneurial, innovative, internationally diverse, dynamic and driven by a strong sense of ownership.

The performance of our Company is underpinned by our people's ability not to submit to difficult market conditions, but to excel by responding in innovative ways and not to miss a beat of performance delivery even during a period of considerable change.

I thank our employees for everything they have done and fully count on them in support of our purpose and the success of our business.

Confidence in the future

RB can look to 2012 and beyond with great confidence. We have had a strong 2011 despite tough conditions, and our new vision, purpose and reshaped strategy will set us on the right path for continued out-performance in the years ahead.

Rakesh Kapoor
Chief Executive

Annual Report and Financial Statements 2011

This review for the financial year ended 31 December 2011 conforms to the Business Review required under the Companies Act 2006. It should be read in conjunction with the rest of this Annual Report, the Group's latest Sustainability Report and the Group's website (www.rb.com).

This review details the performance of the business under the geographical segments and category structure in place during 2011 and prior periods.

Our reshaped strategy and new reporting segments and category structure are detailed on pages 3 to 8.

NATURE, OBJECTIVES AND STRATEGIES OF THE BUSINESS

Reckitt Benckiser is one of the world's leading manufacturers and marketers of branded products in household, health & personal care, selling a comprehensive range through over 60 operating companies into nearly 200 countries. In 2011, nearly three-quarters of net revenue was generated by brands that are either market leader or ranked second in their markets.

Reckitt Benckiser's 2011 vision was to deliver better consumer solutions in household, health & personal care for the ultimate purpose of creating Shareholder value.

In summary the strategy of the business pursued in 2011 was:

- Identify and operate in under-penetrated household, health & personal care categories which exhibit potential for superior growth.
- Have a disproportionate focus on our 19 Powerbrands to realise our vision, drive above 'industry average' growth and strengthen their global market positions.
- Transform the above 'industry average' net revenue growth into attractive profits and cash flow.

The Group also sought to complement these objectives with targeted strategic and financially compelling acquisitions.

During 2010, the Group announced the acquisition of SSL International plc (SSL) and in April 2011 completed the acquisition of Paras Pharmaceuticals Limited (Paras). These transactions provide a step change in the Group's global health & personal care business, a key driver of the Group's net revenue and profit growth.

The integration of SSL has progressed well with cost synergies of £85m achieved during the year, well above the ingoing target of £50m, due to the benefits being realised ahead of schedule.

The acquisition of Paras has created a material consumer health care business in India, with the addition of a number of strong and leading brands. These are complementary to the Group's existing portfolio, and include such products as Moov topical analgesic pain ointment, D'Cold cold/flu remedy, Dermicool for prickly heat and Krack medicated skin treatment for cracked heels. The integration of this acquisition is also progressing in line with targets.

PERFORMANCE OF THE BUSINESS IN 2011

The results include the business of SSL from 1 November 2010, and Paras from 1 April 2011, their respective dates of acquisition. Operating profit is not separately disclosed for SSL or Paras as, in the view of the Directors, it is not practicable to identify their operating profit due to their integration into the commercial infrastructure of Reckitt Benckiser.

Where appropriate, the term 'like-for-like' describes the performance of the business on a comparable basis, excluding the impact of major acquisitions, disposals, discontinued operations and foreign exchange. Like-for-like analysis excludes the impact of SSL for the full year and Paras.

Where appropriate, the term 'base business' represents the Europe, North America & Australia and Developing Markets geographic areas, and excludes RB Pharmaceuticals.

Where appropriate, the term 'adjusted' excludes the impact of exceptional items.

2011 net revenue increased at +12%, +13% at constant exchange rate (constant), to £9,485m, with like-for-like growth of +4% for the Group and +4% like-for-like for the base business, both at constant.

The gross margin declined by –90 bps to 59.7%, largely as a result of benefits from cost optimisation programmes and a positive transaction impact from foreign exchange, more than offset by higher input costs and promotional spend. Total marketing was higher, and pure media spend rose +8% (+9% constant) to a level of 10.4% of net revenue. On an adjusted basis, operating profit was ahead +11% (+13% constant) to £2,487, with the adjusted operating margin down –20 bps to 26.2% due to RB Pharmaceuticals. Operating profit as reported was £2,395m, +12% higher than last year (+14% constant) owing to an exceptional pre-tax charge of £92m taken in respect of the acquisition of SSL and Paras. For the base business, adjusted operating profit rose +16% (+17% constant) to £1,969m, equating to a +60 bps improvement in the margin.

Net finance expense was £19m (2010: net finance income of £6m), with strong free cash flow generation during the year partly offset by the payment in respect of the acquisition of Paras in April. The 2011 net finance expense includes a £4m exceptional charge in respect of financing costs associated with the acquisition of SSL (2010: £3m). The underlying effective tax rate was 26% (2010: 26%).

Net income attributable to Shareholders was £1,745m, an increase of +11% (+13% constant) versus 2010; on an adjusted basis, net income was up +9% (+11% constant). Diluted earnings per share of 237.1 pence was +11% higher on a reported basis; on an adjusted diluted basis, the growth was +9% to 247.1 pence.

STRUCTURE OF GROUP OPERATIONS

The Group structures its business through a matrix of a centralised category development organisation, global sales organisation, supply organisation and support functions (finance, human resources and information services), combined with three area organisations: Europe; North America & Australia; and Developing Markets, plus RB 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 research and development (R&D) and consumer and market research), for implementation by the area organisation.

The supply function is responsible for all procurement (raw and packaging materials and services), production and logistics globally, and is directly responsible for the operation of the Group's 53 production facilities worldwide. Facilities are located in Europe (17 facilities), North America (five), Australia and New Zealand (one). The remaining facilities spread across Asia (21), Latin America (four), and Africa Middle East (five) include a small number of facilities in higher risk labour and social environments.

Information Services (IS) is responsible for the Group's global systems infrastructure and global systems, including the Group's chosen enterprise resource planning (ERP) system and its associated programmes.

SEGMENTAL PERFORMANCE AT CONSTANT EXCHANGE RATES

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).

2011 total net revenue increased 15% (-1% like-for-like) to £4,009m. Within health care Nurofen, Strepsils and Gaviscon delivered a strong result, supported by such new initiatives as Nuromol and Strepsils Warm. Growth in personal care was driven by the continued roll-out of the Dettol No-Touch Hand Soap System, which continues to deliver an encouraging result. Surface care grew from Dettol and Harpic. The result in home care was boosted by such recent initiatives as the Air Wick 100% natural propellant spray and Air Wick Freshmatic Odour Detect as well as continued growth in candles. The largest factor in the decline in fabric care was continued weakness in laundry detergents and fabric softeners in Southern Europe. Heavy promotional and media investment continues behind Vanish to protect volume share against competition.

Adjusted operating profit was ahead +10% to £908m; while the adjusted operating margin decreased –100 bps, due to a combination of increased investment in price and promotion and higher input costs, partially offset by SSL synergies.

North America & Australia (NAA). The area covers the markets of North America (USA, Canada), Australia and New Zealand.

2011 total net revenue increased +5% (+3% like-for-like) to £2,402m. Growth came from health & personal care, dishwashing and food. The increase in health & personal care was driven by Mucinex, which benefited from the Q3 rollout of Mucinex Fast Max. In dishwashing, Finish Quantum and All-in-1 tablets and gel packs contributed to an excellent performance. The increase in food came from the consumer brands French's Mustard and Frank's Red Hot Sauce, which was supported by additional marketing activity.

Adjusted operating profit increased +10% to £652m: the operating margin was +130 bps higher at 27.1%.

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).

2011 net revenue was ahead +24% (+13% like-for-like) to £2,312m. By category, health & personal care continued to grow well with good growth coming from Dettol, Strepsils, Gaviscon and Veet. The increase in fabric care was driven by Vanish, while Harpic and Veja were the key drivers in surface care. In home care, both air care and pest control contributed to its performance.

Adjusted operating profit increased by +48% to £399m. This resulted in a +270 bps improvement in the operating margin to 17.3%.

Pharmaceuticals. RB Pharmaceuticals is responsible for the development of the Group's Subutex and Suboxone prescription drug business. Both products are based on Buprenorphine for treatment of opiate dependence. Suboxone is a more advanced product compared to Subutex, as it has substantially better protection against abuse by the opioid-dependent population. In the US, Suboxone lost the exclusivity afforded by its orphan drug status on 8 October 2009.

On 31 August 2010, the Group announced that it had received approval from the US Food and Drug Administration for its New Drug Application to manufacture and market Suboxone sublingual film. Suboxone sublingual film has been developed through an exclusive agreement with MonoSol Rx, utilising its proprietary PharmFilm® technology, to deliver Suboxone in a fast-dissolving sublingual film.

As with all prescription drugs, the protection of the business has a finite term unless replaced with new treatments or forms.

As a result of the loss of exclusivity in the US, up to 80% of the revenue and profit of the Suboxone tablet business in the US might be lost in the year following the launch of generic competitors, with the possibility of further erosion thereafter. However, in the event of generic competition to the Suboxone tablet, the Group expects that the Suboxone sublingual film will help to mitigate the impact.

2011 total net revenue grew +6% to £762m. The patent-protected Suboxone sublingual film continued to grow, and by the end of December had captured a 48% volume share of the total market and has further strengthened its position as market leader, ahead of tablets. The North America business net revenue declined -2% to £587m of which the film generated £249m. In Europe and rest of the world, the result was helped by the buy back of the sales and distribution rights in the majority of countries in July 2010. Adjusted operating profit for the total RB Pharmaceuticals business increased +1% to £518m. The operating margin was down -400 bps to 68.0%, largely due to the lower margins on the film variant and the impact of higher rebates primarily relating to Medicaid.

THE GROUP'S BRAND PORTFOLIO, MARKET POSITION AND PERFORMANCE

The Group benefits from many very strong market positions for its brand portfolio. The Group has leading positions in selected household, health & personal care categories. These positions derive from the strength of the Group's leading brands, described as Powerbrands, which are the flagship brands in the Group's five major categories and on which the Group focuses the majority of its efforts and investment. The Group also has other portfolio brands which play a role as builders of scale in local markets.

These leading positions include:

Health & Personal Care

The health & personal care category consists of products that relieve or solve common personal and health problems. The Group's strength in this category was further enhanced by the acquisition of SSL.

- No.1 worldwide in antiseptic liquids with the Powerbrand Dettol.
- No.1 worldwide in depilatory products with the Powerbrand Veet.
- No.1 worldwide in medicated sore throat products with the Powerbrand Strepsils.
- No.1 worldwide in condoms for both safe and more pleasurable sex, with the Powerbrand Durex.
- No.2 worldwide in cold/flu (including decongestants) with the Powerbrand Mucinex.
- No.3 worldwide in acne treatment with the Powerbrand Clearasil.
- Leading positions in analgesics and upper gastro-intestinal products in Europe and Australia with the Powerbrands Nurofen and Gaviscon.
- Leading positions in footcare and comfort footwear in many markets outside North America and Latin America, with the Powerbrand Scholl.
- The Group also has local leading positions in denture care, dry skin care and cold/flu products.

In 2011 net revenue increased +37% to £3,156m or on a like-for-like basis +8%. In health care, the result was driven by very good growth for Nurofen, Mucinex, Strepsils and Gaviscon, boosted by such new initiatives as Strepsils Warm and Mucinex Fast Max. In personal care, Dettol continued to grow well in both Developing Markets, and in Europe where the continued roll-out of the No-Touch Hand Soap System has been very encouraging.

Fabric Care

- No.1 worldwide in fabric treatment (products to remove stains from clothes, carpets and upholstery) with the Powerbrand Vanish, around the globe and Resolve/Spray 'n Wash in North America.
- No.1 worldwide in garment care (laundry cleaning products for delicate garments) with the Powerbrand Woolite.
- No.1 worldwide in water softeners (products to prevent limescale build-up on washing machines and laundry) with the Powerbrand Calgon.
- The Group has a number of local market positions in laundry detergents and fabric softeners (for example, in Spain, Italy, certain East European markets and Korea). The Group also has a small private label business, which principally provides laundry detergents to major multi-national retailers in Europe.

In 2011 net revenue declined –5% to £1,503m, predominantly driven by continued weakness in laundry detergents and fabric softeners in Southern Europe. The Group continues to invest aggressively to protect the market position of Vanish against other competitor launches and intensive promotional activity. As a result market share trends are improving.

Surface Care

- No.1 worldwide in the overall surface care category due to leading positions across disinfectant cleaners, non-disinfectant multi-purpose cleaners, lavatory care, speciality cleaners and polishes/waxes.

2011 Results excluding RB Pharmaceuticals

In light of the likelihood of generic competition to Suboxone tablets, the Group provides the following information relating to the performance of the business in 2011 excluding RB Pharmaceuticals.

	RB ex RB Pharmaceuticals £m	RB ex RB Pharmaceuticals %	RB Pharmaceuticals £m	RB Pharmaceuticals %	Total RB £m	Total RB %
Net revenue	8,723	+4%*	762	+6%*	9,485	+4%*
Adjusted operating profit	1,969	+17%**	518	+1%**	2,487	+13%**
Adjusted operating margin		22.6%		68.0%		26.2%

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

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

In 2011 net revenue grew +3% to £1,422m. There was good growth in Dettol/Lysol and Veja, with a strong result for Harpic being boosted by Power Plus and Max Power toilet liquids.

Home Care

- No.2 worldwide in air care with the Powerbrand Air Wick.
- No.1 worldwide in pest control with the Powerbrand Mortein, the Group's international brand, supported by local brand franchises like d-Con in North America.
- No.2 worldwide in shoe care with such brands as Cherry Blossom and Nugget.

In 2011 net revenue increased +5% to £1,204m. In air care, the result was supported by the launch of Air Wick 100% natural propellant spray and Air Wick Freshmatic Odour Detect, with continued good growth in candles. In pest control, a strong season and growth in automatic sprays contributed to the performance.

Dishwashing

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

Net revenue increased +3% to £896m. The performance was led by the continued success of Finish Quantum and All-in-1.

Total Household and Health & Personal Care

In 2011 net revenue was ahead by +14% to £8,408m.

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

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

2011 net revenue grew +7% to £315m with a very good performance across the consumer portfolio, in particular further growth of French's Mustard and Frank's Red Hot Sauce. Adjusted operating profit increased +13% to £95m.

Pharmaceuticals. Refer page 11.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

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

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

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

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

Technological change and product improvement can be a key determinant of the Group's success. Reckitt Benckiser's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Group maintains a large category development organisation (including market and consumer research, R&D and marketing/sales best practice) to fuel the innovation pipeline and share category success factors and learning. The Group invested £133m in R&D in 2011. While the Group believes R&D to be a key contributor to innovative new products, it does not believe it to be the dominant performance indicator for innovation success.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

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

The Group has a comprehensive set of policies and procedures designed to enforce and protect its reputation and govern its business methods and practices. These cover, inter alia, a comprehensive Code of Conduct, an Environment Policy, a Global Manufacturing Standard, a Product Safety Policy including compliance with all regulatory requirements and product quality. Internal controls on environmental, social, governance (ESG) matters and reputational risk are further outlined in pages 14 to 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 Group's products and the necessary funds for developing new products and reinvestment in advertising and promoting those brands. The other principal resource is management.

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

Supply constraints do exist in the Group's supply chain from time to time. These normally arise due to unexpected demand for new products or the time delay involved in stepping up production of new items to the levels required to supply many millions of units internationally. The Group's supply chain is deliberately relatively well spread in terms of geography and technology, such that the reliance on any one facility is minimised. However, there are a number of facilities that remain critical to the Group's supply chain, where major interruption to normal working could involve disruption to supply. The Group's suppliers are similarly deliberately well spread in terms of geography and supplied items, but there are nonetheless some risks to continuity of supply arising from some specialised suppliers both of raw materials and of third party manufactured items.

The supply of strong management for the Group remains more than adequate. This is attributable to the Group's culture and its highly performance-oriented remuneration policy, based on paying for excellent performance. The Group believes that its ability to attract and retain the excellent management it needs to continue its success depends critically on this system. The Group trains and develops its management pipeline through formal training programmes focusing on three areas – leadership skills, functional skills and general skills – and through a deliberate policy of training on the job. The Group has 25 formal training modules for middle management and Top 400 international managers (T400). During 2011, the Group ran over 80 courses on these modules, training over 652 people. Management is international and is trained through rotation in international postings both in countries and in the Group's central functions. Succession planning is a critical management discipline and is reviewed annually (at least) by the full Board and the Executive Committee.

The Group closely monitors and tracks its T400. This is the core management team of the business and is a diverse group, consisting of 47 nationalities. Over 59% of the T400 is working in a country that is not their original domicile, consistent with the Group's policy to develop a multi-national management team. Turnover within this T400 group in 2011 was 13.4%, which the Group considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2011 saw 71 promotions, 59 moves including five moves from the SSL companies, and 31 external recruits. The Group ended the year with a low level of vacancies within the T400 of 12, or around 2.5% of the measured group.

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

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

RELATIONSHIPS AND PRINCIPAL RISKS

The Group's key external relationships are broadly based with no single customer accounting for more than 10% of net revenue and the top ten customers accounting for less than one quarter of net revenue. Although these customers continue to become more concentrated in their chosen markets, the Group's wide geographical spread and diversity of product lines provides a natural balance.

Equally, the Group sources its raw and packaging materials and finished goods from a wide variety of predominantly international chemical and packaging companies and co-packers. No single supplier accounts for more than 5% of Cost of Goods Sold (COGS) and the Group's global purchasing function balances the need for competitive pricing with continuity of supply.

The Group's brand portfolio is also broadly based with the most significant Powerbrand accounting for only 9% of net revenue. Each brand in turn is founded on a variety of appropriate technology platforms which drive a steady stream of product development. The individual brands are self-supporting and independent of the Reckitt Benckiser corporate brand, and each other. This reduces the potential for any brand reputation damage to impact across a broader front.

The financial stability of the Group is assured through a combination of a low level of leverage, as borrowings to finance acquisitions are paid down rapidly through strong cash flows, and a stable Shareholder base.

Given the combination of the financial strength and geographic spread of the Group, its range of brands and products, and its low level of reliance on individual key customers and suppliers, the Directors consider that its exposure to 'black swan' type events affecting the whole group is low.

The principal and specific risks that are, in the opinion of the Directors, those that pose the most significant threat to the delivery of the Group's strategic objectives are as follows:

Market Risks

Competition, economic conditions and customer consolidation translates into increasing pressure on pricing and promotion levels and market growth rates, especially in Europe.

The Group seeks to mitigate this risk through active category, brand and customer relationship management programmes supported by ongoing investment into new product development.

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

The Group has developed a new and patented sublingual film delivery method for this product which partially mitigates the risk exposure from the expected generic variant entry against tablets.

Operational Risks

Business continuity plans prove insufficient to protect the business in the face of a significant and unforeseen supply disruption.

Suppliers of key raw and packaging materials, co-packers of finished product and the Group's manufacturing facilities and key technologies are risk assessed for their potential impact on supply disruption for branded products. Business continuity plans are in place throughout the Group and major sites are routinely and independently assessed towards achievement of a highly protected site status.

The successful integration into the Group of businesses acquired with non-controlling interests through recent acquisitions.

The Group will seek to exercise management control and/or purchase the outstanding shares in a business with non-controlling interests at the appropriate time, thereby ensuring continuity of key management and the achievement of the strategic goals for that business. A dedicated project team is assembled to integrate the businesses and, where appropriate, to quickly divest non-core businesses.

Key senior management leave the Group, or management turnover increases significantly.

The Group structures its reward programme to attract and retain the best people. The formal succession planning process continues to evolve with plans being reviewed and updated regularly for key positions and individuals.

Non-delivery of expected benefits from the Group ERP programme.

A strong and independent governance structure has been put in place. This should ensure that achievement of agreed milestones and key objectives are tracked and followed up appropriately. Senior business employees are appointed to lead the team to achieve the stated business benefits.

The combination of the Group's strategic reorganisation, and the systems and operational changes, could result in sub-optimal implementations and reduced focus due to conflicting demands for management attention.

A senior programme leader reporting directly to the CEO will ensure proper clarity and documentation of the new operating model as well as alignment and co-ordination between the programme workstreams.

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

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

Product quality failures could potentially result in the undermining of consumer confidence in the Group's products and brands.

The Group has a comprehensive set of policies, processes and systems to manage and monitor quality assurance, including an appropriately resourced global quality audit team.

Regulatory decisions and changes in the legal and regulatory environment could limit business activities.

The Group has an ongoing regulatory excellence programme. It employs senior regulatory and legal specialists at a Group, regional and local level who are responsible for setting policies and ensuring that all employees are aware of, and comply with, both Group policies and with the laws and regulations relevant to their roles.

Compliance with the 2011 UK Bribery Act.

A comprehensive prevention programme has been put in place, including the refreshing of the Group's Code of Conduct, the issuing of a new anti-bribery policy to all employees and an extension of the annual online training undertaken by all employees to include a mandatory test on the new policy.

Financial Risks

Tax authorities are becoming more aggressive in disputing historically accepted tax structures and pursuing compensation for retroactive changes to tax law.

The Group is proactive in responding to tax authorities, either through robust defence or through negotiated settlement. The Board of Directors consider that tax exposures are adequately provided for, whilst recognising that an element of risk will always remain.

COMPLIANCE AND ROUTINE RISKS

In order to manage the more numerous and routine risks, the Group maintains a complete and robust governance framework. This consists of a full set of policies, processes and systems covering all aspects of compliance, both with international and local laws, as well as with the Group's stated minimum control standards.

Management provides primary assurance by driving risk compliance through their respective area, regional or functional responsibility. This is done through regular and detailed business reviews. Secondary assurance is provided independently through a combination of internal and external audit covering all aspects of the Group's operations.

Financial Risk Management

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

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

Foreign Exchange 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.

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

Market Price Risk

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 viewed as being a material risk.

Interest Rate Risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group manages its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group manages its interest rate exposure on its gross financial assets by using fixed rate term deposits.

Credit Risk

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

Liquidity Risk

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

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

Capital Management

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

In maintaining an appropriate capital structure and providing returns for Shareholders, in 2011 the Company has provided returns to Shareholders in the form of dividends, current details of which are included in the Financial Review for the year on page 16.

The Group monitors net debt (total borrowings less cash and cash equivalents; short-term available for sale financial assets and financing derivative financial instruments) and at the year end the Group had net debt of £1,795m (2010: net debt of £2,011m). The Group does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Details of numerical disclosures relating to the Group's financial risk management are included in note 15 to the Financial Statements on pages 58 to 62.

Environmental, Social and Governance (ESG) Matters and Reputational Risks

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

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

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

Our Director of Global Sustainability, Environment, Health and Safety manages the sustainability programme on a day-to-day basis. Our Senior Vice President (SVP) of Corporate Communications and Affairs is secretary to the Group's Executive Committee. She is responsible for the Group's community involvement and much of the Group's external stakeholder engagement. The R&D function includes the Regulatory, Safety & Environmental (RSE) services group, which is responsible for ensuring that our products meet regulatory requirements and are safe for their intended use. Our SVP Human Resources (HR) and the global HR function manage the Group's human resources, employee remuneration and benefits, employment practices, organisational development, training and elements of health and safety (eg. stress management).

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

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

Sustainability Focus Areas

The Group has identified the material sustainability issues for the business. This process includes an assessment of the ways in which the Group's activities materially impact the environment, society and the economy (see panel, bottom right), any potential sustainability risks, the issues of greatest concern for the Group's stakeholders, the issues that society has identified as important through regulation and international standards and those issues covered by existing policies and commitments, such as the Carbon20 programme.

Strategic Sustainability Priorities

The aspects the Group has identified are common to many FMCG companies with well-known brands and are essentially determined by the Group's industrial sectors (household, health & personal care) and the products the Group manufactures and sells. The Group's strategic priorities remain:

1. To achieve continual improvement in our overall environmental performance, focusing on those issues where we can make a significant difference; and
2. To manage our business in a socially and ethically responsible manner.

The Group focuses on a number of specific topics to deliver against the strategic priorities. These include, but are not limited to:

Supply Chain Responsibility

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

Climate Change

The effects of climate change could disrupt the Group's supply chain by affecting its ability to source raw materials, manufacture products and distribute products. Due to the Group's industry sectors and product categories the Greenhouse Gas (GHG) emissions originating from energy use at its direct operations are of medium-to-low impact, in comparison to those of other similarly-sized companies. This is as assessed for example in recent reports of the independent Carbon Disclosure Project (CDP, www.cdproject.net); specifically, the GHG emissions from the Group's global manufacturing operations are circa. 250,000 tonnes CO_2-equivalents per annum.

The Group has taken a leadership position with regard to its products' total Carbon footprint, by seeking to understand, measure and reduce the GHG emissions generated by all stages in the product lifecycle for its global product portfolio. This includes amongst other things: the raw and packaging materials provided by its suppliers; the Group's own direct manufacturing and other operations; transportation of both raw materials and finished products; the retail sale of its products; consumers' use of its products; and the disposal/recycling of those products and their packaging. The Group publicly launched this initiative in November 2007, comprising its Carbon20 programme and the target to reduce its global products' total Carbon footprint across their complete lifecycle by 20% per dose by 2020, versus a 2007 baseline (www.Carbon20.info).

Health and Safety Management

Accidents caused through a failure of the Group's safety management systems could potentially lead to loss of life for one or more of the Group's employees. The Group maintains an external certification to OHSAS 18001 for the Group's management of health and safety issues.

Progress to Date

The Group's most recent Sustainability Report, published in October 2011, describes the progress made in key sustainability topics. This includes:

- By 2010, the third year of the Group's Carbon20 programme, the total Carbon footprint of the Group (measured per dose of product) reduced by 15%. This 15% reduction in carbon emissions per dose means the Group has achieved three-quarters of its Carbon20 target for 2020 in the third year of the programme;
- Planting 4.5 million native trees in Canada. This equates to an offset that effectively makes the Group's manufacturing carbon neutral;
- A 39% reduction in manufacturing energy per unit of production since 2000;
- A 45% reduction in greenhouse gas emissions from manufacturing sites since 2000;
- A 17% reduction per unit of production in water use since 2000;
- A 19% reduction per unit of production of waste since 2000;
- No RB employee fatalities in 2010;

Significant Aspects of our Sustainability Programme

Environmental

- Energy use/air emissions and their contribution to climate change
- Raw material use and supply chain sustainability
- Water use and discharges
- Waste and packaging reduction, re-use and recycling
- Product use and product/packaging disposal
- Indirect supply chain impacts

Social & Ethical

- Products which improve hygiene and health
- Product safety and quality
- Health and safety at work
- Employment practices and human rights
- A responsible and ethical supply chain
- Community involvement
- Ethical business conduct

Economic

- Economic value and cash value added, generated and shared with employees, Shareholders and society
- Indirect economic impact

- A 90% reduction in accident rates since 2001, including a 3% reduction in lost working day accident frequency between 2009 and 2010; and
- Continued support of the international charity Save the Children, saving 150,000 lives in 2010 (making a total of 600,000 since 2006) and benefiting over 21,000 children in 2010 through the Group's direct funding of the Save the Children Emergency Fund.

The corporate responsibility section on the Group's website (www.rb.com/Our-responsibility) and the Group's annual Sustainability Reports (available at www.rb.com) provide further information on the Group's policies, systems and procedures for managing sustainability matters and the risks and opportunities that may arise from them, including: the extent to which the Group complies with those policies, systems and procedures; Key Performance Indicators (KPIs); and its sustainability programmes, targets and progress. The Group reports in line with the Global Reporting Initiative's Sustainability Reporting Guidelines – Version 3.0 (GRI G3 – www.globalreporting.org). A Content Index and Application Level Table is provided at www.rb.com. Selected data in the annual Sustainability Report is assured by external auditors. For more information refer to the latest report, released October 2011, at www.rb.com/our-responsibility/environment.

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 41 to 44.

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 £19m (2010: net finance income £6m), reflecting the net debt position of the Group during 2011. The 2011 net finance expense includes a £4m exceptional charge in respect of financing costs associated with the acquisition of SSL.

Tax: The underlying effective tax rate was 26% (2010: 26%).

Net Working Capital: (Inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) of minus £910m represented a £15m decline compared to the 31 December 2010 level, due mainly to an increase in inventories and a decrease in tax liabilities.

Cash Flow: Cash generated from operating activities was £2,430m (2010: £2,215m) and net cash flow from operations was £1,581m (2010: £1,386m). Net interest paid was £13m (2010: net interest received £8m) and tax payments decreased by £2m to £677m (2010: £679m) following the settlement of a number of outstanding matters in 2010. Capital expenditure was lower than the prior year at £205m (2010: £367m), due to the buy back of the remaining sales, marketing and distribution rights to Suboxone, Subutex and Temgesic in Europe and the rest of the world and the investment in certain health & personal care brands from Combe Incorporated taking place in 2010.

Net Debt: At the end of the year net debt was £1,795m (2010: net debt £2,011m), a decrease of £216m. This reflected net cash flow from operations of £1,581m, offset by the acquisition of Paras for £448m (net of cash acquired) in April, and the payment of two dividends totalling £873m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to meet liquidity needs, as well as access to commercial paper and a history of strong cash flows from operations.

Exceptional Items: In 2010 a pre-tax exceptional charge of £250m was announced in respect of the acquisition of SSL and further reconfiguration of the Group. In 2011 a pre-tax charge of £96m was incurred (2010: £104m), of which £92m (2010: £101m) is reflected in reported operating profit and £4m (2010: £3m) is included in net interest. The remainder of the restructuring charge, of approximately £50m, is expected to be incurred in 2012.

Balance Sheet: At the end of 2011, the Group had Shareholders' funds of £5,781m (2010: £5,130m), an increase of +13%. Net debt was £1,795m (2010: net debt £2,011m) and total capital employed in the business was £7,576m (2010: £7,141m).

This finances non-current assets of £11,188m (2010: £10,787m), of which £732m (2010: £735m) is property, plant and 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 –£910m (2010: –£925m), current provisions of £60m (2010: £164m) and long-term liabilities other than borrowings of £2,642m (2010: £2,555m).

The Group's financial ratios remain strong. Return on Shareholders' funds (net income divided by total Shareholders' funds) was 30.3% on a reported basis and 31.4% on an adjusted basis (2010: 30.6% on a reported basis and 32.4% on an adjusted basis).

Dividends: The Board of Directors recommends a final dividend of 70 pence per share (2010: 65 pence), an increase of +8%, to give a full year dividend of 125 pence per share (2010: 115 pence), an overall increase of +9%. The dividend, if approved by Shareholders at the AGM on 3 May 2012, will be paid on 31 May to Shareholders on the register at the record date of 24 February. The ex-dividend date is 22 February and the last date for election for the share alternative to the dividend is 10 May. The final dividend will be accrued once approved by Shareholders.

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

During 2011, one case has been settled with the German Federal Cartel Office for €24m.

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.

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

PROSPECTS

2012 will be a year of transition and investment for RB, the details of which are explained on pages 3 to 8. We continue to be committed to out-performing our market's growth and therefore target the following:

- Net revenue growth (excluding RB Pharmaceuticals) of +200 bps versus our market growth. We expect market growth in 2012 to be 1-2%.
- Operating margins (excluding RB Pharmaceuticals) to be maintained.

The likelihood of generic competition to Suboxone makes setting total Company (inclusive of RB Pharmaceuticals) targets impossible at this time.

Cautionary Note Concerning Forward Looking Statements

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

KEY PERFORMANCE INDICATORS

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

KPI	2011	2010	Comments
Net revenue growth % like-for-like growth of net revenue at constant exchange rates	+4%	+6%	Measures the increase in sales of the Group
Powerbrands % of total net revenue from 19 Powerbrands	70%	69%	Measures the growth and importance of the Group's flagship brands
Gross margin % Gross profit as % of total net revenue	59.7%	60.6%	Measures the resources available for reinvestment or profit growth
Media investment Media investment as % of total net revenue	10.4%	10.7%	Measures the rate of reinvestment in the Group's brands via media
Operating margin %* Operating profit* as % of total net revenue	26.2%	26.4%	Measures the profitability of the Group
EPS (fully diluted)* % change in EPS (fully diluted)*	247.1p +9%	226.5p +16%	Measures the increase in profit per share of the Group
Net cash flow See page 40	£1,581m +14%	£1,386m -23%	Measures how the Group converts its profits into cash
Net working capital (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) as % of total net revenue	-£910m -9.6%	-£925m -10.9%	Measures the ability of the Group to finance its expansion and release cash from working capital
Management turnover	13%	12%	% of T400 management that have left the Group
% of total net revenue (excl. RB Pharmaceuticals) in No.1 or No.2 brand positions	71%	73%	Measures the health of the Group's brand market positions

* Adjusted to exclude the impact of exceptional items.

THE BOARD OF DIRECTORS

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

Richard Cousins (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.

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

Dr Peter Harf (German) #
Joined the Board as a Non-Executive Director in December 1999 and is the Deputy Chairman. He served as Chairman of the Remuneration Committee until June 2004. He has been the Chief Executive Officer of Joh. A. Benckiser SE., a privately held investment company, since 1996. He has been the Chairman of Labelux since 2008 and Chairman of the non-profit DKMS Foundation since 1991.

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

Rakesh Kapoor (Indian) #
Joined the Board in September 2011 following his appointment as Chief Executive Officer of the Company. He joined Reckitt Benckiser in 1987 serving in various regional and central marketing roles. In 2001, he became SVP, Regional Director Northern Europe and was appointed EVP Category Development in 2006 with responsibility for global category management, R&D, media, market research and strategic alliances.

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

Graham Mackay (British/South African) ‡ #
Was appointed a Non-Executive Director in February 2005 and Senior Independent Director in November 2006. He joined the Nomination Committee in November 2011. He is Chief Executive Officer of SABMiller plc, one of the world's largest brewers with brewing interests or major distribution agreements in over 60 countries across six continents. He joined the then South African Breweries Limited in 1978 and has held a number of senior positions within that Group. He joined the Board of Philip Morris International Inc in October 2008.

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

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

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

EXECUTIVE COMMITTEE

Rakesh Kapoor (Indian)
Chief Executive Officer.

Heather Allen (Canadian)
Executive Vice President, Category Development. Joined in 1996 from Procter & Gamble. She undertook a number of senior marketing roles in Eastern Europe, before becoming Marketing Director USA in 1999. She was appointed General Manager Canada in 2003 and joined the global head office in the UK in 2006 as Global Category Officer germ protection, surface and personal care. She was appointed to her current role in May 2011.

Freddy Caspers (German)
Executive Vice President, LAPAC. Joined in 1997 as EVP for Eastern Europe. Previously at PepsiCo and Johnson & Johnson. He held various roles in Europe, US, Eastern Europe, Turkey and the global head office. Freddy is now responsible for Latin America, North Asia, South East Asia, and Australia and New Zealand, and headquartered in Singapore.

Salvatore Caizzone (Italian)
Executive Vice President, RUMEA.
Joined in 1996, serving in several roles in Italy, Russia & Baltics. He was SVP Africa & Middle East region for eight years before being appointed EVP, Europe. Salvatore is now responsible for Russia & CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa and headquartered in Dubai.

Liz Doherty (British)
Chief Financial Officer.

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

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

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

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

The Directors submit their Annual Report and the financial statements for the year ended 31 December 2011 to the members of the Company.

Principal Activities and Future Developments

Information on the principal activities and future developments of the Group are set out in the Business Review on pages 10 to 17 and in the Chief Executive's Statement on pages 2 to 8 respectively.

Audited results for the period are set out on pages 37 to 74.

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

The Review of the Group's Business

The performance of the business is described in the Chairman's Statement on page 1 and the Business Review. Within the Business Review, principal risk factors are given under 'Relationships and Principal Risks' on pages 13 and 14, Key Performance Indicators (KPIs) are given on page 17 and information on the likely future developments of the Group under 'Prospects' is on page 16 and in the Chief Executive's statement on pages 3 to 8. Information regarding environmental matters, the Company's employees and social and community issues is given on pages 14 to 16. Information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company is given on page 13.

The Group's financial risk management objectives and policies are set out on page 14 of the Business Review and in note 15 on pages 58 to 62.

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

Dividend

In July 2011, the Directors resolved to pay an interim dividend of 55p per ordinary share (2010: 50p). The dividend was paid on 30 September 2011. The Directors are recommending a final dividend for the year of 70p per share (2010: 65p) which, together with the interim dividend, makes a total for the year of 125p per share (2010: 115p). The final dividend, if approved by the Shareholders, will be paid on 31 May 2012 to ordinary Shareholders on the register at the close of business on 24 February 2012.

Research and Development

The Group continues to carry out R&D in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2011 amounted to £133m (2010: £125m).

Acquisitions and Disposals

Information on the Company's acquisition and disposal activities are set out in the Business Review on page 10 under 'Nature Objectives and Strategies of the Business'.

Employees

During 2011, the Group employed an average of 37,800 (2010: 27,200) people worldwide, of whom 3,500 (2010: 2,700) were employed in the UK. The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

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

Group incentive schemes reinforce financial and economic factors affecting the performance of the business. All employees typically have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations and videos are given to employees around the Group on publication of the Group's financial results.

The Board encourages employees to become Shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Sharesave schemes covering most of the world give employees the opportunity to acquire shares in the Company by means of regular savings.

Directors

The following people served as Directors of the Company during the year:
Adrian Bellamy
Bart Becht (resigned 1 September 2011)
Richard Cousins
Colin Day (resigned 8 February 2011)
Liz Doherty (appointed 8 February 2011)
Peter Harf
Kenneth Hydon
Rakesh Kapoor (appointed 1 September 2011)
André Lacroix
Graham Mackay
Judith Sprieser
Warren Tucker

Full biographical details of the current Directors are set out on page 18.

Directors' Interests

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

Details of Directors' options to subscribe for shares in the Company are included in Table 3 on page 34 in the audited part of the Directors' Remuneration Report.

No Director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares. The details of the Directors' remuneration and service agreements are set out in the Directors' Remuneration Report on pages 29 to 35.

Environmental, Social and Governance (ESG) Matters

Information on ESG and related matters is set out in the Business Review on pages 14 to 16.

Sustainability and Corporate Responsibility

Information on the Group's management of sustainability and corporate responsibility issues is provided in the Business Review on pages 14 and 15 and in the Group's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

Policy on the Payment of Creditors

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

Charitable Donations

The Group has continued its strategy of focusing on the Group's nominated global charity, Save the Children. During the year, donations in the UK amounted to £1,576,799 (2010: £774,000) of which £977,849 (2010: £610,000) was donated to Save the Children. The total donated to Save the Children was £2m (2010: £1.6m) including funds raised by Reckitt Benckiser companies and employees around the world.

Takeover Directive

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

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

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

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

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

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

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

Corporate Governance Statement

In compliance with the Disclosure and Transparency Rules (DTR) 7.2.1, the disclosures required by DTR 7.2.2 to 7.2.7 are set out in this Report of the Directors and in the Corporate Governance Report on pages 23 to 27 which together with the Statement of Directors' responsibilities are incorporated by reference into this Report of the Directors.

Auditors

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

Share Capital

As at 31 December 2011, the Company's issued share capital consisted of 728,621,602 ordinary shares of 10p with nil shares in treasury. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in note 24 to the Financial Statements.

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

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

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

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

Allotment of Shares

The Directors were granted authority at the last AGM held in 2011 to allot shares up to a nominal amount of £24,200,000. That authority will apply until the conclusion of this year's AGM. At this year's AGM on 3 May 2012, Shareholders will be asked to grant an authority to make such allotments up to a nominal amount representing approximately one-third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM. In line with guidance issued by the Association of British Insurers, Shareholders will also be asked to grant an authority to allot shares in connection with a rights issue in favour of Shareholders up to an aggregate nominal amount representing approximately two-thirds of the issued ordinary share capital of the Company as at the latest practicable date prior to publication of the Notice of AGM. The authorities sought would, if granted, expire at the earlier of 30 June 2013 or at the conclusion of the AGM of the Company held in 2013. The Board has confirmed that, in accordance with the UK Corporate Governance Code (Code), all the Directors will submit themselves for re-election/election at this year's AGM and at future AGMs.

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

Authority to Purchase own Shares

Shareholders approved a resolution for the Company to make purchases of its own shares at the AGM in 2011. Although the Directors have not used this authority as at 9 March 2012, they have announced their intention to commence a share repurchase programme during 2012 for the repurchase of up to 15 million shares for the purpose of offsetting the dilutive impact of employee share schemes.

The authority granted at the AGM in 2011 remains valid until the conclusion of this year's AGM on 3 May 2012 and the Directors will seek to renew the authority to make market purchases through a resolution to be put to Shareholders at this year's AGM so that the announced purchase of up to 15 million shares can be completed. This authority will be limited to a maximum of 72,900,000 ordinary shares and sets the minimum and maximum prices which may be paid. The Company's present intention is to hold shares acquired under such authority in treasury to satisfy outstanding awards under employee share incentive plans.

Annual General Meeting

The Notice convening the fifth AGM of the Company, to be held on Thursday, 3 May 2012 at 11.15 am at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN, is contained in a separate document for Shareholders.

In accordance with the Shareholder Rights' Directive (Directive) which came into force in August 2009, the Company obtained Shareholder approval at the AGM in 2011 to call meetings, other than Annual General Meetings, on 14 clear days' notice. Prior to the implementation of the Directive, the Company was able to call meetings other than an AGM on 14 clear days' notice without obtaining Shareholder approval and, to preserve this ability, Shareholders will be asked to renew their approval by passing Resolution 21 at the AGM.

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

Directors' Fees

An ordinary resolution in accordance with Article 86(ii) of the Articles of Association will be proposed at this year's AGM to increase the total fees payable to the Directors in any one year from £1m to £1.5m. The fees are used to pay the Non-Executive Directors and were last increased from £750,000 at the AGM held in May 2006. The next scheduled review will be in 2012 for the period from 1 January 2013. The proposal recognises the increasing role and responsibilities of Non-Executive Directors and will provide the Board with the flexibility to respond to competitive and market conditions including any need to increase the number of Non-Executive Directors on the Board. The total fees paid to the Directors for 2011 were £972,000.

Substantial Shareholdings

As at 2 March 2012, 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.	15.44	112,659,342	Indirect
Legal and General Group plc and/or its subsidiaries	3.79	27,654,162	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	5.38	39,246,022	Indirect

By Order of the Board

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

Company registration number: 6270876

9 March 2012

Table 1 – Interests in the Share Capital of the Company

The Directors in office at the end of the year and those in office at 2 March 2012 had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	2 March 2012	31 December 2011	31 December 2010
Adrian Bellamy	20,955	20,955	19,874
Richard Cousins	587	587	398
Liz Doherty (appointed 8 February 2011)	7,000	7,000	n/a
Peter Harf	3,491	3,491	743,107
Kenneth Hydon	5,154	5,154	4,965
Rakesh Kapoor (appointed 1 September 2011)	244,875	244,875	n/a
André Lacroix	1,911	1,911	1,722
Graham Mackay	2,012	2,012	1,784
Judith Sprieser	3,431	3,431	3,195
Warren Tucker	1,344	1,344	504

Notes

1. No person who was a Director (or a Director's connected person) on 31 December 2011 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.

The UK Corporate Governance Code (the Code) was issued by the Financial Reporting Council (FRC) in May 2010 to replace the Combined Code on Corporate Governance. It has been applicable to the Company from the start of the financial year ended 31 December 2011. The Code was revised to encourage greater transparency in corporate reporting with an increased focus on Board behaviour and to stimulate increased participation from Shareholders. In accordance with the Code, I am pleased to report to you directly on Reckitt Benckiser's governance activities.

RB and Governance

The Board believes that implementing and maintaining high governance standards underpin our business objectives and our drive to create and maximise Shareholder value. In addition to compliance with the best practice advice from regulatory and governance bodies, the Board ensures that high ethical standards are reflected in business behaviour and culture through the global Code of Conduct which enables management to add ethical and behavioural standards to the legal and regulatory obligations existing in the areas and communities in which we operate. All employees and contractors are required to complete an annual conduct training course which includes the review of the global Code of Conduct policy. Statistics on employee compliance are subject to review by the Audit Committee.

Annual Re-elections

In the 2010 Annual Report, the Board confirmed that it had adopted a wait and see approach to the recommendation that all Directors should submit themselves for re-election at each AGM. The majority of the Board was up for election or re-election at the AGM in 2011. The Board has resolved that all Directors will submit themselves for re-election at the 2012 AGM and future AGMs in compliance with this Code provision.

Diversity

Lord Davies of Abersoch wrote to the Chairs of all FTSE 350 companies on 24 May 2011 following his 'Women on Board's' review. One recommendation from that letter was that each FTSE 350 company should aspire to have a minimum of 25% female representation on its Board by 2015.

The Board is also conscious of the FRC recommendation that the Code be amended to require listed companies to establish a policy on boardroom diversity, including measurable objectives and annual disclosures on progress. Although the requirement to have a diversity policy has not yet been formally implemented in the Code, the Board has instructed its SVP Human Resources to develop a policy that reflects the existing strengths of Reckitt Benckiser in this area. The proposed policy will maintain our strong foundations and provide a platform for Reckitt Benckiser to build on its excellent diversity credentials.

Ensuring, facilitating and driving diversity in its broadest sense has helped drive the success of the Company to date:

- 20% of the Board is female and 50% is non-UK nationals;
- 22% of the Executive Committee is female and 78% is non-UK nationals; and
- 15% of the Top 40 managers is female and 75% is non-UK nationals.

Additionally, 13% of the Top 40 managers can be classed as Black or minority ethnic (BME). When added to the number of female Top 40 managers, 28% of the Top 40 managers come from the groups usually under-represented in most organisations. The recent appointments to the CEO and CFO roles and the addition to the Executive Committee were two females and one BME.

Board Evaluation and Succession Planning

The Code recommends that FTSE 350 companies should undertake an external evaluation at least once every three years. The 2009 and 2010 Board evaluations and the recent evaluation for the year ended 2011 were all undertaken internally. The Board recognises the benefits an external evaluation can bring to Board processes but took the decision to undertake the 2011 evaluation internally due to Company specific circumstances. Both the CEO and CFO are new appointments to the Board and an external evaluation will be of greater benefit after these Executive Directors have had an opportunity to spend at least one full year in their respective roles.

An external provider will be selected to assist with the evaluation of the Board's performance to be conducted during 2012. Information on the process and outcomes for the 2010 and 2011 evaluations is set out below.

An action arising from the 2010 Board evaluation was succession planning to the Board and senior management roles. Directors were keen to ensure that members of Reckitt Benckiser's senior management were given more external exposure. Good work is underway in this area. During 2011, Rakesh Kapoor attended results presentations and a number of investor events prior to his appointment as CEO designate. The CEO RB Pharmaceuticals, one of Reckitt Benckiser's Top 40 managers, delivered an overview of the RB Pharmaceuticals US business during the 2011 half-year results presentation. The Board has reserved to itself decisions relating to succession and succession planning to Executive Committee roles. Additional information on Reckitt Benckiser's succession planning activities is on page 13 of the Business Review.

The current Board includes Peter Harf who, as a Shareholder-nominated Director, was not independent on appointment. Both Peter and I have served for more than nine years. In addition, Judith Sprieser and Kenneth Hydon will have been on the Board for nine years by the end of the 2012 financial year. This position has to be balanced against the fact that Rakesh Kapoor, the CEO, Liz Doherty, the CFO, Richard Cousins and Warren Tucker will all have been in their roles for three years or less. It is important that the Board retains relevant knowledge and experience to continue its delivery of Shareholder value and to provide continuity and consistency in the development and application of the Company's strategic objectives. The composition of the Board is one of the key actions arising out of the 2011 Board evaluation.

As part of the review of the Board's effectiveness, the documents setting out the matters reserved for the Board and the delegations to the CEO together with the terms of reference for the Board Committees were reviewed and updated, where necessary, to ensure that they continue to reflect the spirit and emphasis of the Code, remain fit for purpose and relevant to how Reckitt Benckiser operates.

Explanation on Areas of Non-compliance (strict interpretation)

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

- I, as the Chairman, and Peter Harf, the Deputy Chairman and Shareholder-nominated Director, have both served on the Board for more than nine years and will be offering ourselves for re-election at the 2012 AGM;
- The Nomination Committee did not comprise a majority of independent Non-Executive Directors for most of 2011. The five members were Adrian Bellamy, Peter Harf, Judith Spreiser, Kenneth Hydon and the CEO. Graham Mackay, the Senior Independent Director, was appointed as an additional member of the Nomination Committee in November 2011 to increase the numbers of Non-Executive Directors Independent members of that Committee; and
- For a brief period before his resignation from the Board on 8 February 2011, Colin Day was a Non-Executive Director of two other FTSE 100 companies.

The Board has instructed me to confirm that, notwithstanding the foregoing disclosures, each Director's independence of thought and actions was assured and all decisions were taken to promote the success of Reckitt Benckiser as a whole.

Statement of Compliance with the Code

The Corporate Governance Report on pages 23 to 27 contains a summary of the Company's governance arrangements as required under the Code. Except as explained above, the Company has complied with the Code throughout the year ended 31 December 2011.

Adrian Bellamy
Chairman

9 March 2012

The Company enjoys a premium listing on the London Stock Exchange and is therefore required to produce a Corporate Governance Statement containing the information set out in this Report. The Company is subject to the Financial Reporting Council's UK Corporate Governance Code (the Code) in effect for the financial periods beginning on or after 29 June 2010. This Report sets out how the Company has applied the Main Principles of the Code throughout the year ended 31 December 2011.

A: Leadership

A.1: THE ROLE OF THE BOARD

The Board leads and controls Reckitt Benckiser's business with a Board structure 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 Reckitt Benckiser's business. The schedule of matters reserved for the Board's decision includes:

- Takeover offers and the response to any takeover approach;
- Significant acquisitions, disposals and capital expenditure projects;
- Final approval of annual budgets and corporate plans;
- Approval of financial statements and Shareholder communications;
- Treasury policies and risk management policies;
- Significant changes to borrowing facilities or foreign currency transactions; and
- Review and approval of recommendations from the Committees of the Board.

The annual review of this schedule was undertaken in November 2011 as part of the performance evaluations conducted for the 2011 financial year.

The principal activities undertaken by the Board are set out in the Business Review on pages 10 to 17.

Meetings

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

In 2011, there were five regular and two additional Board meetings. There were four Audit Committee meetings, three Remuneration Committee meetings (plus two additional meetings) and two Nomination Committee meetings. The table below sets out the attendance by individual Directors at scheduled Board and Committee meetings.

Directors' Insurance and Indemnities

The Directors benefit from the indemnity provision in the Company's Articles of Association. Each individual, who is an officer of the Company and/or of any company within Reckitt Benckiser at any time on or after 28 July 2009, benefits from a deed poll of indemnity in respect of the costs of defending claims against him or her and third party liabilities. Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense.

A.2: DIVISION OF RESPONSIBILITIES

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

The CEO is responsible for the executive management of Reckitt Benckiser's business, consistent with the strategy and commercial objectives agreed by the Board. The CEO chairs the Executive Committee and, together with the CFO, certain Group functional heads and Area EVPs he appoints to the Committee, provides the day-to-day management of the Company. Biographical details of the members of the Executive Committee are set out on page 18. The matters delegated to the CEO by the Board include:

- Power to delegate the day-to-day management of the business of the Company to each of the officers of the Executive Committee, acting individually or as a group or sub-committee;
- Power to acquire and dispose of businesses and to approve unbudgeted capital expenditure projects subject, in each case, to a £50m limit; and
- Power to instruct advisers and to instigate legal proceedings on behalf of the Company in respect of matters for which no further Board authority is required.

A.3: THE CHAIRMAN

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

Number of Scheduled Meetings Attended during 2011

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		5		3	2
Bart Becht	(a)	3			1
Richard Cousins		5		3	
Colin Day	(b)	0			
Liz Doherty		5			
Peter Harf	(c)	3			1
Kenneth Hydon		5	4		1
Rakesh Kapoor	(d)	2			1
André Lacroix		5	4		
Graham Mackay	(e)	5		3	
Judith Sprieser		5		3	2
Warren Tucker		5	4		

Notes

(a) Bart Becht attended the three Board and one Nomination Committee meetings held before his retirement on 1 September 2011.
(b) Colin Day resigned as a Director of the Company on 8 February 2011 and did not attend the meeting held on the day he resigned.
(c) Peter Harf was unable to attend one meeting due to illness and was unavoidably absent from one other meeting.
(d) Rakesh Kapoor joined the Board as CEO on 1 September 2011 and attended the two Board and one Nomination Committee meetings that were held after his appointment.
(e) There were no Nomination Committee meetings following Graham Mackay's appointment to the Committee in November 2011.

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

A.4: NON-EXECUTIVE DIRECTORS

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

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

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

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

B: Effectiveness

B.1: BOARD COMPOSITION

The Board comprises eight Non-Executive Directors including Adrian Bellamy, the Chairman, and two Executive Directors, Bart Becht, the CEO until 1 September 2011 and Rakesh Kapoor, CEO from 1 September 2011, and Colin Day, the CFO until 8 February 2011 and Liz Doherty, CFO from 8 February 2011. Information regarding the Directors serving at the date of this Report is set out on page 18. Additional biographical details are available from the Company's website.

The Board has identified Graham Mackay as the SID. The majority of Non-Executive Directors (excluding the Chairman) are independent as recommended by the Code. The Chairman, Adrian Bellamy, was independent on appointment. Peter Harf, the Deputy Chairman, is not independent by virtue of being a Shareholder-nominated Director. The Shareholder Agreement between the Company and JAB Holdings B.V. (JAB) at the time of the merger in 1999 entitled JAB to nominate Board Directors. A holding in excess of 20% or 10% of the Company's ordinary shares entitles JAB to nominate two Directors or one Director respectively. JAB's current holding is approximately 15%.

B.2: NOMINATION COMMITTEE AND BOARD APPOINTMENTS

Nomination Committee

The Nomination Committee comprises the Chairman, who also chairs the Committee, the CEO, the Deputy Chairman, the SID and the Chairs of both the Audit and Remuneration Committees. The Board has delegated authority to the Committee through its terms of reference, a copy of which is available on the Company's website.

The primary focus of the Committee is to make recommendations on:

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

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

- Consideration of the future composition of the Board; and
- Appointment of an internal candidate, Rakesh Kapoor, as the new CEO.

Board Appointments

In respect of the appointment of Liz Doherty as CFO and Executive Director, a detailed role profile was prepared before an external search consultant was engaged to prepare a shortlist of potential candidates. Only after a rigorous interview process was the appointment recommended to the Board.

Although considered, no formal external search was commissioned in respect of Rakesh Kapoor's appointment as CEO. The Board was firmly of the view that an internal candidate, with extensive experience of Reckitt Benckiser across categories, geographies and functional areas, clearly ingrained in the unique culture of the organisation was preferred. Considerable work goes into succession planning and personal development within Reckitt Benckiser and this gives Reckitt Benckiser a strong bench of talent at senior management level. An internal candidate provides a better opportunity for a smooth transition and effective handover. When coupled with the calibre of the candidate and the relevance of his experience, the Board was unanimous in the choice of Rakesh Kapoor as the ideal next CEO for the Company.

Diversity and Business Success

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

- Diversity is clearly much broader than gender and should also not be a Board only issue. It incorporates diversity of race, thought, experience, skills, understanding, perspective and age, and implementation should occur at all management levels;
- Successful companies sell their goods and services to customers regardless of gender, race, ethnic group or religion and a diverse workforce should reflect the customers. A diverse management is more in touch with its customers' demands, investors' expectations and staff concerns and provides a forum for these different perspectives to come together in devising successful business strategies; and
- Diversity is a matter of organisational culture largely set by example from the top. A Board that actively considers diversity is better able to support diversity efforts in the rest of the organisation and is equipped to identify the organisation's requirements.

Directors' Conflicts of Interest

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

B.3: COMMITMENT

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

- Confirmation that the appointment is a contract for services and details of any Committee appointments;
- Confirmation of the initial appointment term of three years terminable on one month's written notice and the expectation that the appointment will usually last for more than one term; and

- The requirement to seek the agreement of the Chairman before accepting additional commitments including other directorships and the requirement to disclose any actual or potential conflicts of interest.

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

The performance review of the Board undertaken in 2011 concluded that the Chairman and other Non-Executive Directors devote sufficient time to the Company's business.

B.4: DEVELOPMENT
Induction and Training
All new Directors are provided with a flexible induction programme tailored to accommodate individual areas of interest. The induction covers the provision of core Company related internal and external documents, meetings with key Directors and senior executives and visits to various offices and factories as appropriate.

The Board holds at least one meeting each year at one of the Company's operating units. The 2010 meeting was held in the USA and the 2011 meeting was held in India. The Board plans to visit its operating unit in Brazil during 2012. The Board also receives updates on legal, regulatory and governance matters from its internal and external advisers.

Directors are responsible for identifying their individual needs and are expected to take the necessary steps to ensure that they are adequately informed about Reckitt Benckiser and their responsibilities as Directors. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

B.5: INFORMATION AND SUPPORT
All members of the Board receive timely reports on items arising at meetings of the Board enabling due consideration of the items in advance of the meetings. Directors unable to attend a particular meeting during the year had the opportunity to review and raise any issues on the relevant briefing papers. Board members also have access to a dedicated online team room containing relevant Company information including all Board and Committee papers.

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

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

B.6: EVALUATION
Performance Evaluation
The Board maintains an ongoing review of its procedures and its effectiveness and those of its Committees throughout the year. It carries out a formal and rigorous internal evaluation of its performance, that of its Committees and those of individual Directors to assess such performance with a view to improving the effectiveness of the Board and its Committees and Reckitt Benckiser's overall performance.

For both the 2010 and 2011 Board evaluations, the Chairman identified the areas in scope for a free-form discussion. To encourage debate, open questions were provided prior to the meeting together with an invitation for thoughts on how governance processes could be improved and how the Non-Executive Directors could add value to executive management. Where appropriate, comments were submitted ahead of the meetings.

The scope of the evaluations for both years focused on strategy and the strategy review process; risk management and internal controls; succession planning; communication with management; engagement with investors and external stakeholders; Board meeting processes and professional development and training. The outcomes from each evaluation were recorded and action taken or identified as to be taken. At the 2011 Board evaluation, the outcomes and actions identified from the 2010 evaluation were reviewed and progress on each matter appropriately recorded. These outcomes and actions will also feed into the externally facilitated evaluation to be conducted in 2012 to aid benchmarking and the measurement of progress against prior years.

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

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

B.7: DIRECTORS' RE-ELECTION
In accordance with Code recommendations all the Directors will submit themselves for re-election/election at the 2012 AGM. Each Director has provided assurance that he or she remains committed to his or her role and can dedicate the necessary amount of time to attend to the Company's business. In addition, the performance evaluation undertaken by the Board was rigorous and transparent to ensure that each Director remains able to undertake his or her duties. Consequently, the Board recommends that all Shareholders vote 'for' on each of the resolutions to re-elect/elect the Directors at the 2012 AGM. The date each Director was originally appointed to the Board is included in the biographical details on page 18.

C: Accountability

C.1: FINANCIAL AND BUSINESS REPORTING
The Board is responsible for the integrity of Reckitt Benckiser's consolidated and the Company's financial statements and recognises its responsibility to present a balanced and understandable assessment of Reckitt Benckiser's position and prospects. The Board is satisfied that the financial statements, report to regulators and price-sensitive reports present a balanced and understandable assessment of Reckitt Benckiser's position and prospects.

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

Throughout the year Reckitt Benckiser has had in place an ongoing process for evaluating the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out on page 41 under Accounting Policies.

The Board agrees an engagement letter with the Auditors in respect of the full and half year results and the Auditors' statement on their work and reporting responsibilities is set out on page 36.

Information on Reckitt Benckiser's business model and strategy for generating and preserving longer term growth and delivering on the Company's stated objectives is set out in pages 2 to 8 of the Chief Executive's Statement.

The Statement of Directors' Responsibilities on page 28 details the Directors' responsibility for the financial statements and for disclosing relevant audit information to the Auditors.

The going concern statement required by the Listing Rules and the Code is set out in the Statement of Directors' Responsibilities on page 28.

C.2: RISK MANAGEMENT AND INTERNAL CONTROL
The Board has established a risk and control structure designed to manage the achievement of business objectives. It has overall responsibility for Reckitt Benckiser's system of internal control and for the effectiveness of such system. The system complies with the

Turnbull guidance on Internal Control and Risk Management and provides reasonable, but not absolute, assurance against material misstatement or loss.

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

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

- **The Board and Management –** the Board continues to approve strategy and performs an advisory and supervisory role, with the day-to-day management of the Company being undertaken by the CEO supported by the Executive Committee. The CEO and other Executive Committee members have clearly communicated Reckitt Benckiser's vision, strategy, operating constitutions, values and business objectives across Reckitt Benckiser;
- **Organisational Structure –** During the year ended 31 December 2011, Reckitt Benckiser operated four area management organisations covering Europe, North America/Australia, Developing Markets and Pharmaceuticals, and centralised functions covering category development, supply, sales, finance and legal, information services and human resources, as well as an independent internal audit team. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control systems and processes are embedded in the responsibilities of line managers;
- **Budgeting –** there is an annual planning process whereby 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 Reckitt Benckiser 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 Reckitt Benckiser is included in the Business Review on pages 13 and 14;
- **Operating Unit Controls –** each operating unit maintains a system of internal control and risk management which is appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of Reckitt Benckiser are entered into after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects; and
- **Monitoring –** the effectiveness of the system of internal control and risk management is monitored regularly through a combination of management review, self-assessment, independent review through quality assurance, environment, health & safety and regulatory audits, as well as independent internal and external audit. The results of internal and external audit reviews are reported to and considered by the Audit Committee, and actions are taken to address any significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of the system of internal control and risk management on behalf of the Board.

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

The Company is compliant with DTR 7.2.6 and the information is included in the section on 'Takeover Directive' on pages 19 to 20.

C.3: AUDIT COMMITTEE AND AUDITORS

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors: Kenneth Hydon, Chairman since 16 November 2006, André Lacroix and Warren Tucker. Kenneth Hydon, FCMA, FCCA, FCT, was CFO of Vodafone Group plc until July 2005 and Warren Tucker is CFO of Cobham plc. Therefore, they both have relevant and recent financial experience. Reckitt Benckiser's Auditors, head of Internal Audit and CFO attend meetings and have regular private meetings with and direct access to the Committee. The Chairman and CEO attended some of the meetings, other senior management attend Audit Committee meetings by invitation.

The Audit Committee:

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

During 2011 the Audit Committee:

- Increased the number of scheduled meetings from three to four and met four times;
- Agreed an improved approach to identifying, managing, mitigating and refreshing the reporting of the major risks facing the Company;
- Approved updates to the Finance Policy Manual and the treasury policies;
- Monitored the relaunch of the whistle-blowing procedures;
- Redrafted the policy for non-audit fees to the Auditors and monitored its implementation;
- Updated the Audit Committee terms of reference to reflect the Code;
- Updated and extended the annual 'Standing Agenda' to reflect the revised terms of reference and include a biannual operational 'risk and controls' review for specific areas, regions, functions and risks;
- Oversaw the change of the Head of Internal Audit;
- Reviewed the effectiveness of, and approved recommendations for, changes to the Internal Audit function;
- Approved terms of engagement and reviewed the strategy, scope and effectiveness of the Auditors;
- Received regular technical updates to keep abreast of changes in financial reporting and governance matters; and
- Reviewed the performance of the Audit Committee itself and agreed actions for improvement.

Auditors and Auditor Independence

PricewaterhouseCoopers LLP and its predecessor firms have been Reckitt Benckiser's Auditors since the merger of Reckitt & Colman plc and Benckiser N.V. in 1999, and the Company's Auditors since its formation in

2007. In the opinion of the Audit Committee, the relationship with the Auditors works well and the Committee remains satisfied with their independence and effectiveness. It has, accordingly, not considered it necessary to require the firm to tender for the audit work. It is a requirement that the audit partner responsible for audit is rotated every five years and the current lead audit partner has been in place since 2008. There are no contractual obligations restricting the Company's choice of Auditors.

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

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

The Auditors report to the Audit Committee on the actions they take to comply with professional and regulatory requirements and with best practice designed to ensure their independence from Reckitt Benckiser, including periodic rotation of the lead audit engagement partner. Details of non-audit services are set out in note 4 on page 49.

D: Remuneration

D.1: THE LEVEL AND COMPONENT OF REMUNERATION

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

The level and composition of remuneration across Reckitt Benckiser are designed to facilitate global mobility and diversity. A single employment contract is used for all employees and compensation rules apply equally to Reckitt Benckiser's Top 400 managers in all markets. Salary ranges are based on global benchmarking and Reckitt Benckiser's annual cash bonus structure, long-term incentives and other benefits such as pensions, health care and travel allowance are the same for everyone.

Details on the Company's remuneration strategy and the Directors' compensation arrangements are set out in the Directors' Remuneration Report on pages 29 to 35.

D.2: REMUNERATION COMMITTEE AND PROCEDURE

The Remuneration Committee chaired by Judith Sprieser comprises four members, of whom three, Judith Sprieser, Graham Mackay and Richard Cousins, are considered independent under the Code. The Chairman, Adrian Bellamy, who was independent on appointment but has served on the Board for more than nine years, is the fourth member of the Committee.

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

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

The Chairman of the Board and the CEO and CFO are responsible for evaluating and making recommendations to the Board on the remuneration of the Non-Executive Directors.

Members of the Remuneration Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

Detailed information on the Committee and its activities is set out in the Directors' Remuneration Report on pages 29 to 35.

E: Relations with Shareholders

E.1: RELATIONS WITH SHAREHOLDERS

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

- Formal presentations of full year and interim results and quarterly trading statements;
- Regular meetings between institutional investors and senior management to ensure that the investor community receives a balanced and complete view of Reckitt Benckiser's performance, the issues faced by Reckitt Benckiser and any issue of concern to the investors;
- Responding to enquiries from institutional Shareholders through the Company's Investor Relations team and from retail shareholders through the Company Secretary; and
- A section dedicated to Shareholders on the Company's website.

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

E.2: THE ANNUAL GENERAL MEETING

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

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with 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 2006 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 18 confirms that, to the best of their knowledge:

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 10 to 17. 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 page 14 and in note 15 to the Group financial statements.

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

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

Disclosure of Information to Auditors

The Directors, having made appropriate enquiries, state that:

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

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

By Order of the Board

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

Company registration number: 6270876

9 March 2012

Remuneration Committee Chairman's Statement

I would like to take this opportunity to review the key principles that continue to underpin our remuneration framework.

The Committee recognises that the Company continues to have a number of important, distinct characteristics that drive its success. The global nature of the business, plus its relentless focus on performance provides a clear context for the Remuneration Committee's discussions regarding executive remuneration.

I would also like to highlight some of the key decisions made by the Remuneration Committee during the year:

- There has been a rebalancing of the new CEO and CFO remuneration packages to reflect their background and experience in comparison to the previous incumbents, as well as some changes made to the overall remuneration arrangements. The overall effect of these changes is to reduce the level of target remuneration in comparison to the previous incumbents.
- The Committee has updated the CEO's termination provisions so they are now aligned with best practice and limited to a maximum of 12 months' base salary.
- The Committee has determined that the compensation clawback provision in the Company's Code of Conduct is consistent with best practice.

Further information on the above is provided in the relevant sections of this report.

Global Nature of the Business

- Reckitt Benckiser operates in over 60 countries and its brands are sold in almost 200 countries. 90% of its business is done outside the UK;
- A culture of global mobility has helped create a diverse management team. There are seven nationalities amongst the nine members of the Executive Committee, and 47 nationalities within the Top 400 executive group. Many Executives are not currently based in their country of origin;
- Global mobility helps ensure the Company's Powerbrands and functional strategies are consistently and properly implemented. The accumulated expertise helps identify market opportunities that differentiates performance from the competition; and
- The Company competes for management skills and talent in a global marketplace. Consequently, pay and performance are benchmarked against a peer group of global FMCG companies.

Focus on Performance

- Effective remuneration tools relentlessly drive above 'industry average' performance. The Company has an impressive track record of delivering on this;
- To reinforce the performance-led culture, the Company positions aggregate elements of fixed pay at or below median market levels;
- Significant opportunities exist for performance-contingent variable reward (over 85% of the total package), and the Company seeks to provide an overall opportunity exceeding that of its competitors – but only when financial performance, and the value delivered to Shareholders, exceeds that of its competitors; and
- Every Senior Executive in the Group is required to think as an owner and to act in the interests of Shareholders. Long-established personal shareholding requirements support this objective with senior individuals required to hold shares at a level that is meaningful in terms of their own net worth. For the CEO, CFO and other Executives, these shareholding requirements are significantly above the market norm (rising to around 24 x base salary). This provides a strong alignment between Executives and Shareholders and ensures that all Senior Executives have a significant interest in the long-term sustainability of the business.

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

- The annual bonus targets are genuinely challenging and higher levels of payout are only received when the Group out-performs its competitors; and
- The targets for our long-term incentives are set by reference to industry benchmark performance. Full vesting is only achieved if the Company significantly out-performs the industry benchmark. This approach continues to deliver superior performance and has given the Company a track record for delivering above industry levels of performance on a number of financial metrics. This financial performance translates directly into substantial returns for Shareholders.

Remuneration Packages for the new CEO and CFO

During 2011, Liz Doherty succeeded Colin Day as CFO and Rakesh Kapoor succeeded Bart Becht as CEO. The remuneration packages of the new incumbents were informed by the Company's remuneration philosophy, current market benchmarks and the relative experience of the individuals.

The packages for the new incumbents have resulted in an overall reduction of around 27% of the target remuneration paid to the CEO and around 15% for the CFO, when compared to the previous incumbents' packages and taking into account the fact that they are new to the role. This has arisen from a combination of a reduction in base salary, an increase in the target annual bonus opportunity, and a reduction in the long-term incentive award. More information may be obtained on each of these components of the remuneration package in the relevant sections of this report.

We acknowledge that management has been well remunerated over recent years. This is entirely consistent with the high levels of performance that have been achieved. The majority of the value delivered to incentivise employees is a direct result of superior share price performance: when Reckitt Benckiser listed in December 1999, the share price was around £6. It now stands at £31.80 at the 2011 year end. This growth significantly exceeds that of the FTSE 100 index over the same period, benefiting Shareholders as a whole. It is driven by strong underlying corporate financial performance.

Executive remuneration continues to be an important topic for investors. As Chairman of the Remuneration Committee, I speak directly with a number of our key Shareholders through the year, and meet face to face with many at least annually.

The Company's approach to remuneration is a fundamental part of its performance-driven culture, and delivers benefits to all our Shareholders.

Remuneration Committee

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

The Committee meets as necessary. In 2011 there were five meetings including one held by written resolution and one held by telephone conference. The Committee comprised four members in 2011, of whom one, Adrian Bellamy, is not considered independent since he has served on the Board for more than ten years. In accordance with the UK Corporate Governance Code 2010, the Chairman is permitted to sit on the Remuneration Committee if he was independent upon appointment as Chairman. This was the case with Adrian 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 2009.

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

Policy on Remuneration

The Committee's overriding objective is to ensure that the Group's remuneration policy encourages, reinforces and rewards the delivery of Shareholder value. It has been a key ingredient in the Group's success. The graphs below show that the Company has out-performed 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 2006 in Reckitt Benckiser would have resulted in a shareholding worth £157 on 31 December 2011, compared to £108 and £132 if invested in the FTSE 100 and peer group respectively.

The Company operates a global remuneration policy. The core principles upon 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. The Company competes for management skills and talent in the same international marketplace as its main competitors, the vast majority of which are based in the US. For this reason, 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 FMCG 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).

Variable pay is, and will continue to be, the major element of the Company's 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 achievement of short-term 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 85% of Executive Directors' total remuneration. If performance is unsatisfactory, then no cash bonuses will be paid and long-term incentives will not vest. In addition, the Remuneration Committee believes that the share ownership program obviates the need for a balancing capital measure in setting annual and long-term targets since the proportion of personal net worth that the Senior Executives have at risk in Company shares motivates them to act in manners consistent with the best interests of the rest of the Company's Shareholders.

The Company believes that the remuneration package in place (with its mix of fixed and variable pay) meets these core principles. This market-driven approach to remuneration requires regular review of policies. Changes will be discussed with Shareholders as appropriate.

Base Salaries

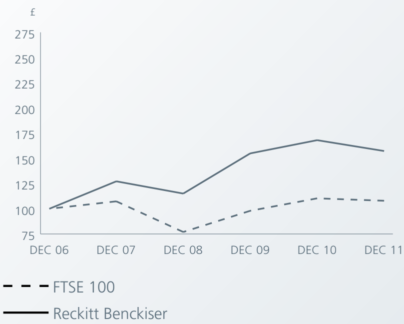
Base salaries are normally reviewed annually with effect from 1 January. Increases are determined by reference to competitive practice in the Company's remuneration peer group, individual performance and in the context of salary increases across the Group as a whole. The policy is that salaries for Executive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

The approach to reviewing the base salaries of Executive Directors is the same as that for other employees. Base pay increases for Executive Directors from 1 January 2011 were 2%, in line with typical base pay increases for Executives in Reckitt Benckiser. The base pay increase for Executive Directors from 1 January 2012 will once again be 2%, in line with typical base pay increases for the broader Senior Executive population. There is no base salary increase for Rakesh Kapoor from 1 January 2012, due to his relative tenure. Consequently, Rakesh Kapoor's base annual salary from 1 January 2012 will be £800,000 and Liz Doherty's will be £428,400.

As previously referenced, the base salaries set by the Committee for the new CEO and CFO are lower than that received by the previous incumbents as part of a broader review of the

Historical TSR performance

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

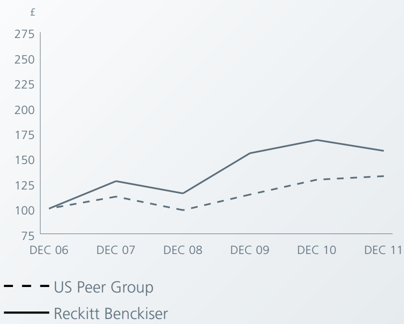


Notes

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 Schedule 8 of the Large and Medium sized Companies and Groups Regulations 2008. The index was selected on the basis of companies of a comparable size in the absence of an appropriate industry peer group in the UK.

Historical TSR performance

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



Notes

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

remuneration package. The reduction was approximately 20% for the CEO position and approximately 5% for the CFO position.

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 sets performance standards each year, with reference to prevailing growth rates in the Company's peer group, and across the FMCG 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.

Based on the Company performance (when judged against the industry and the targets that were established at the start of the financial year), the Committee has decided to make an annual bonus award at 134% of base salary for the CEO and 101% of base salary for the CFO for 2011.

For 2012, as in 2011, the Executive Directors will participate in the annual cash bonus scheme under which they may receive 120% (CEO) and 90% (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 428% (CEO) and 321% (CFO) of base salary. The bonus target opportunity for 2012 has been increased for the new incumbents as part of a broader change to the remuneration package which also sees a reduction in base salary and long-term incentive levels. The 2011 target annual bonus opportunity for the CEO was 100% of base salary, and 75% in the case of the CFO.

Similar incentive arrangements are used for other Executives worldwide. The terms and conditions of the annual cash bonus program afford the Company the right to seek redress and damages from an individual(s) who has been found to have breached the Company's Code of Business Conduct, irrespective of the position and location the individual(s) might hold, in or out of the Company, at the time the breach of the code of conduct comes to light. This includes the Company's right to require an individual to repay any costs incurred through a breach of the code of conduct from any bonus payment made in the year the breach/costs were incurred. 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 makes sure the financial interests of the Executive Directors and other key Executives are aligned with those of Shareholders. This is underpinned by a significant share ownership requirement placed on Senior Executives, with penalties for non-compliance. This is described in more detail below.

Long-term incentives comprise a mix of share options and performance shares. Both the levels and combination of share options and performance shares are reviewed annually, 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. The Company's long-term incentives (and those of the peer group) are valued using an expected value methodology (Black-Scholes). This is a widely accepted valuation and enables like-for-like comparisons.

As previously referenced, the Committee has reduced the 2012 award levels for the new incumbents in the positions of CEO and CFO. This will be reviewed annually and adjusted if appropriate in light of their performance and market place comparisons. The 2012 award level is around a third less in the case of the CEO position, and 25% less for the CFO position.

The use of performance conditions attached to the vesting of all long-term incentive awards is still a minority practice among Reckitt Benckiser's peer group. However, 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.

Long-term incentives will 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; and
- 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 2012, the Committee has set the same targets and levels of awards as in the previous year, due 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.

The Committee considers that this exceeds the industry growth average, based on past and future expected performance.

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

The Committee has decided that the performance target attached to the vesting of awards to Executive Directors, EVPs and other Senior Executives will not be subject to re-testing. This means 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. This is to emphasize the alignment of Senior Executives to the Company and its business targets.

In order to fulfill the share ownership policy, Executive Directors and other Senior Executives must own the following number of shares:

Individual/Group	Share ownership requirement
CEO (1)	600,000
CFO/EVPs (6)	200,000
Other senior executives (29)	30 – 50,000

The total number of ordinary shares held by Rakesh Kapoor at 31 December 2011 was 244,875. The total number of ordinary shares held by Liz Doherty at 31 December 2011 was 7,000.

These shareholding requirements (equating to around seven times base salary, up to around 24 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. Rakesh Kapoor and Liz Doherty have both exceeded their pro-rated target levels based on tenure.

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 the level of grants and awards will reduce, until improvement is demonstrated.

Long-term incentive awards and options that were outstanding at the end of the year are disclosed in Table 3 on page 34.

Pensions

In line with the Committee's emphasis on the importance of only rewarding the Executive Directors for creating Shareholder value, the Group operates a defined contribution pension plan: the Reckitt Benckiser Executive Pension Plan. Rakesh Kapoor and Liz Doherty are both members of this plan.

Rakesh Kapoor's Company pension contribution as CEO was 30% of pensionable pay during 2011. Liz Doherty's Company pension contribution was 17.5% of pensionable pay in 2011.

Following the introduction of the reduced Annual Allowance in the Finance Act 2011, contributions to the Plan are limited currently to £50,000 per annum, with the balance of the promised pension contribution being paid as a cash allowance in lieu.

Service Contracts

The service contract for the CEO, Rakesh Kapoor, is rolling and is terminable on 12 months' notice. The service contracts for the CFO is rolling and terminable on six months' notice. Termination payments may include payment in lieu of notice, and for Liz Doherty will provide liquidated damages of six months' base salary plus six months' bonus calculated as one half of the average of the actual bonus paid (if any) in the two years up to termination. The Committee is reviewing the CFO's contract with the objective in mind to bring it in line with the market best practices. Both contracts reflect change from the previous terms that applied to Bart Becht and Colin Day whose termination payments may include payment in lieu of notice and liquidated damages of six months' base salary plus 12 months' bonus calculated as the average of the annual bonus paid (if any) in the two years up to termination. The service contracts for current Executive Directors are detailed on Table 4 of the Directors' Remuneration Report.

Non-Executive Directors do not have service agreements, and have historically been subject to re-election by Shareholders every three years. In line with the new Governance Code guidelines, we are proposing that in future all Directors will be put up for re-election on an annual basis starting with the 2012 Annual General Meeting.

Remuneration policy for the Chairman and Non-Executive Directors

The Board, in the light of recommendations from the CEO, Rakesh Kapoor and the CFO, Liz Doherty determines the remuneration of the Non-Executive Directors.

Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Board Committee meetings. It is the policy of the Board 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. There are no plans to change this policy.

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

External Appointments

Rakesh Kapoor and Liz Doherty do not hold any 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 2011. These services are provided under separate engagement terms and the Committee are satisfied that the provision of these services does not impair Deloitte's ability to advise the Committee independently.

Internal advisers include Rakesh Kapoor, CEO, and Simon Nash, SVP Human Resources. 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 2011, the Company complied with the relevant sections of the UK Corporate Governance 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 9 March 2012 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

The following information in tables 1 to 4 on pages 32 to 35 comprises the auditable disclosures of the Directors' Remuneration Report.

Table 1 – Chairman and Non-Executive Director fee structure for 2011

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

Table 2 – Remuneration disclosures

	Notes	Base salary and fees £000	Bonus £000	Benefits in kind £000	Other payments £000	Pension contri-butions £000	2011 Total £000	2010 Total £000
Chairman								
Adrian Bellamy	1	**345**					**345**	345
Executive Directors								
Rakesh Kapoor (appointed 1 September 2011)	2	**267**	**357**	**5**	**90**	**17**	**736**	–
Bart Becht (retired 1 September 2011)	2	**684**	**917**	**11**	**236**	**76**	**1,924**	4,178
Liz Doherty (appointed 8 February 2011)	2	**375**	**377**	**1**	**109**	**48**	**910**	–
Colin Day (left 8 February 2011)	2	**47**	**47**	**5**	**1,955**	**12**	**2,066**	1,473
Non-Executive Directors								
Richard Cousins	3	**85**					**85**	85
Peter Harf	3	**90**					**90**	90
Kenneth Hydon	3	**95**					**95**	90
André Lacroix	3	**85**					**85**	85
Graham Mackay	3	**92**					**92**	92
Judith Sprieser	3	**95**					**95**	90
Warren Tucker (appointed 24 February 2010)	3	**85**					**85**	70
Total		**2,345**	**1,698**	**22**	**2,390**	**153**	**6,608**	6,598

Notes

1. Adrian Bellamy's fees as Chairman for 2011 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 Adrian Bellamy while in office.
2. The remuneration reported under 'Other payments' in respect of Rakesh Kapoor comprises: car allowance, international transfer-related benefits and the balance of the promised pension contribution paid as cash. For Bart Becht, it comprises: car allowance, international transfer-related benefits and cash in lieu of participation in the pension plan from 1 April. For Liz Doherty it comprises: car allowance, relocation benefits, and the balance of the promised pension contribution paid as cash. For Colin Day it comprises: car allowance and payment in relation to the cessation of his employment with the Company based on his historical (2003) contractual terms and Company policy (the opportunity was taken to amend the termination terms for the current Executive Directors as referenced earlier in this report on page 30, and payment is now limited to 12 months base salary for the CEO and six months base salary in addition to half of the average past two years bonus for the CFO).
3. Non-Executive Director fees include £13,500 (gross), and £14,500 (gross) in the case of Peter 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 section 412 the Companies Act were £6,455,000 (2010: £6,168,000).
5. The aggregate gross gains made by the Directors on the exercise of share options and vesting of restricted shares during the year were £10,211,160 (2010: £18,811,782). 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 Rakesh Kapoor (excluding pension contributions) were £719,000. Total emoluments of Liz Doherty (excluding pension contributions) were £862,000.

Pensions

During 2011 Rakesh Kapoor and Liz Doherty were both members of the Reckitt Benckiser Executive Pension Plan. This is a defined contribution plan, with a standard company contribution rate of 30% of pensionable pay for Rakesh Kapoor as CEO and 17.5% for Liz Doherty as CFO. Following the introduction of the reduced Annual Allowance in the Finance Act 2011, contributions to the Plan are limited currently to £50,000 per annum, with the balance of the promised pension contribution being paid as a cash allowance in lieu.

Table 3 – Directors' options and restricted share awards

Table 3 sets out each Directors' 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 £31.80 and the range during the year was £30.15 to £36.17.

Long-term incentives	Notes	Grant date	Held on appointment	Granted subsequent to appointment	Exercised/ vested subsequent to appointment	At 31.12.11	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Liz Doherty (appointed 8.2.11)										
Options	1	5.12.11		90,000		90,000	32.09			May 15–Dec 21
Performance-based restricted shares	1	9.2.11		10,000		10,000		32.70		May 2014
	1	5.12.11		45,000		45,000		32.19		May 2015
Rakesh Kapoor (appointed 1.9.11)										
Options	1	11.12.07	120,000			120,000	29.44			May 11–Dec 17
	1	8.12.08	180,000			180,000	27.29			May 12–Dec 18
	1	7.12.09	180,000			180,000	31.65			May 13–Dec 19
	1	1.12.10	180,000			180,000	34.64			May 14–Dec 20
	1	5.12.11		400,000		400,000	32.09			May 15–Dec 21
Performance-based restricted shares	1	8.12.08	60,000			60,000		27.80		May 2012
	1	7.12.09	60,000			60,000		31.80		May 2013
	1	1.12.10	60,000			60,000		34.04		May 2014
	1	5.12.11		200,000		200,000		32.19		May 2015

Sharesave Scheme	Grant date	Held on appointment	Granted subsequent to appointment	Exercised subsequent to appointment	Lapsed subsequent to appointment	At 31.12.11	Option price (£)	Market price at exercise (£)	Exercise period
Liz Doherty (appointed 8.2.11)	26.8.11		327			327	27.57		Feb 15–July 15
Rakesh Kapoor (appointed 1.9.11)	8.9.08	796				796	21.92		Feb 16–July 16

Long-term incentives	Notes	Grant date	At 01.01.11	Granted prior to cessation of directorship	Lapsed prior to cessation of directorship	Exercised/ vested prior to cessation of directorship	At date of cessation of directorship	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Bart Becht (resigned 1.9.11)											
Options	1	8.12.06	800,000				800,000	22.57			Mar 10–Dec 16
	1	11.12.07	600,000				600,000	29.44			May 11–Dec 17
	1	8.12.08	600,000				600,000	27.29			May 12–Dec 18
	1	7.12.09	600,000				600,000	31.65			May 13–Dec 19
	1	1.12.10	600,000				600,000	34.64			May 14–Dec 20
Performance-based restricted shares	1	11.12.07	300,000			300,000			29.72	34.04	May 2011
	1	8.12.08	300,000				300,000		27.80		May 2012
	1	7.12.09	300,000				300,000		31.80		May 2013
	1	1.12.10	300,000				300,000		34.08		May 2014
Colin Day (resigned 8.2.11)											
Options	1, 3	11.12.07	120,000				120,000	29.44			May 11–Dec 17
	1	8.12.08	120,000				120,000	27.29			May 12–May 13
	1	7.12.09	120,000				120,000	31.65			May 12–May 13
Performance-based restricted shares	1	11.12.07	60,000				60,000		29.72		May 2011
	1	8.12.08	60,000				60,000		27.80		May 2012
	1	7.12.09	60,000				60,000		31.80		May 2012

Sharesave Scheme	Grant date	At 01.01.11	Granted during the year	Exercised during the year	Lapsed during the year	At date of cessation of directorship	Option price (£)	Market price at exercise (£)	Exercise period
Bart Becht (resigned 1.9.11)	4.9.06	1,011				1,011	16.90		Feb 14–July 14

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 07-11	6	7	8	9

2. The grant made in December 2007 vested in full in May 2011. The Company exceeded its target compound average actual growth (CAAG) in earnings per share over a three year period (2006-2009) of 9%.

3. Subsequent to leaving employment, 60,000 restricted shares vested and 120,000 options were exercised by Colin Day, both granted on 11 December 2007.

Table 4 – Service contracts for Executive Directors

	Date of original service contract	Dates of amendment	Notice period	Compensation for early termination
Rakesh Kapoor	14 April 2011	27 February 2012	12 months	1x base salary
Liz Doherty	16 November 2010	n/a	6 months	0.5x base salary and 0.5x average bonus in previous 2 years

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 2011 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 28, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This Report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this Report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

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 2011 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 page 28, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to Shareholders by the Board on Directors' remuneration.

Other Matter

We have reported separately on the parent financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2011 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
9 March 2012

Group income statement

For the year ended 31 December	Notes	2011 £m	2010 £m
Net revenue	2	**9,485**	8,453
Cost of sales	3	**(3,823)**	(3,332)
Gross profit		**5,662**	5,121
Net operating expenses	3	**(3,267)**	(2,991)
Operating profit	2	**2,395**	2,130
Operating profit before exceptional items		**2,487**	2,231
Exceptional items	3	**(92)**	(101)
Operating profit		**2,395**	2,130
Finance income		**23**	21
Finance expense*		**(42)**	(15)
Net finance (expense)/income	6	**(19)**	6
Profit on ordinary activities before taxation		**2,376**	2,136
Tax on profit on ordinary activities	7	**(622)**	(566)
Net income		**1,754**	1,570
Attributable to non-controlling interests		**9**	2
Attributable to owners of the parent		**1,745**	1,568
Net income		**1,754**	1,570
Earnings per ordinary share			
On net income, basic	8	**239.8p**	216.5p
On net income, diluted	8	**237.1p**	213.8p

* 2011 includes a £4m exceptional charge of financial costs associated with the acquisition of SSL (2010: £3m).

Group statement of comprehensive income

For the year ended 31 December	Notes	2011 £m	2010 £m
Net income		**1,754**	1,570
Other comprehensive income			
Net exchange adjustments on foreign currency translation, net of tax	7	**(226)**	103
Actuarial (losses)/gains, net of tax	7	**(49)**	4
Gains/(losses) on cash flow hedges, net of tax	7	**3**	(2)
Other comprehensive income, net of tax		**(272)**	105
Total comprehensive income		**1,482**	1,675
Attributable to non-controlling interests		**4**	3
Attributable to owners of the parent		**1,478**	1,672
		1,482	1,675

Group balance sheet

As at 31 December	Notes	2011 £m	2010 (restated)* £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**10,258**	9,865
Property, plant and equipment	10	**732**	735
Deferred tax assets	11	**150**	146
Available for sale financial assets	12	**10**	12
Retirement benefit surplus	22	**32**	26
Other receivables		**6**	3
		11,188	10,787
Current assets			
Inventories	13	**758**	643
Trade and other receivables	14	**1,442**	1,342
Derivative financial instruments	15	**67**	37
Current tax receivables		**21**	14
Available for sale financial assets	12	**11**	11
Cash and cash equivalents	16	**639**	588
		2,938	2,635
Total assets		**14,126**	13,422
LIABILITIES			
Current liabilities			
Borrowings	17	**(2,505)**	(2,641)
Provisions for liabilities and charges	18	**(60)**	(164)
Trade and other payables	21	**(2,901)**	(2,624)
Derivative financial instruments	15	**(7)**	(10)
Current tax liabilities		**(227)**	(295)
		(5,700)	(5,734)
Non-current liabilities			
Borrowings	17	**(3)**	(3)
Deferred tax liabilities	11	**(1,772)**	(1,714)
Retirement benefit obligations	22	**(502)**	(479)
Provisions for liabilities and charges	18	**(118)**	(145)
Non-current tax liabilities		**(211)**	(209)
Other non-current liabilities	23	**(39)**	(8)
		(2,645)	(2,558)
Total liabilities		**(8,345)**	(8,292)
Net assets		**5,781**	5,130
EQUITY			
Capital and reserves			
Share capital	24	**73**	73
Share premium		**86**	59
Merger reserve	26	**(14,229)**	(14,229)
Hedging reserve	26	**(1)**	(4)
Foreign currency translation reserve	26	**110**	331
Retained earnings	26	**19,672**	18,828
		5,711	5,058
Non-controlling interests	27	**70**	72
Total equity		**5,781**	5,130

* See note 29 for further details.

The financial statements on pages 37 to 74 were approved by the Board of Directors and signed on its behalf on 9 March 2012 by:

Adrian Bellamy
Director

Rakesh Kapoor
Director

Group statement of changes in equity

For the year ended 31 December	Notes	Share capital	Share premium	Merger reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2010		72	–	(14,229)	(2)	229	17,942	4,012	2	4,014
Comprehensive income										
Net income							1,568	1,568	2	1,570
Other comprehensive income										
Actuarial gains, net of tax	7						4	4		4
Losses on cash flow hedges, net of tax	7				(2)			(2)		(2)
Net exchange adjustments on foreign currency translation, net of tax	7					102		102	1	103
Total other comprehensive income		–	–	–	(2)	102	4	104	1	105
Total comprehensive income		–	–	–	(2)	102	1,572	1,672	3	1,675
Transactions with owners										
Proceeds from share issue		1	59					60		60
Share based payments	25						62	62		62
Deferred tax on share awards							(7)	(7)		(7)
Current tax on share awards							12	12		12
Treasury shares re-issued							20	20		20
Dividends	30						(773)	(773)		(773)
Non-controlling interest arising on business combination	29								67	67
Total transactions with owners		1	59	–	–	–	(686)	(626)	67	(559)
Balance at 31 December 2010		73	59	(14,229)	(4)	331	18,828	5,058	72	5,130
Comprehensive income										
Net income							1,745	1,745	9	1,754
Other comprehensive income										
Actuarial losses, net of tax	7						(49)	(49)		(49)
Gains on cash flow hedges, net of tax	7				3			3		3
Net exchange adjustments on foreign currency translation, net of tax	7					(221)		(221)	(5)	(226)
Total other comprehensive income		–	–	–	3	(221)	(49)	(267)	(5)	(272)
Total comprehensive income		–	–	–	**3**	**(221)**	**1,696**	**1,478**	**4**	**1,482**
Transactions with owners										
Proceeds from share issue			27					27		27
Share based payments	25						61	61		61
Deferred tax on share awards							(13)	(13)		(13)
Current tax on share awards							2	2		2
Dividends	30						(873)	(873)	(7)	(880)
Non-controlling interest arising on business combination	29								1	1
Put option issued to non-controlling interest	29						(29)	(29)		(29)
Total transactions with owners		–	**27**	–	–	–	**(852)**	**(825)**	**(6)**	**(831)**
Balance at 31 December 2011		**73**	**86**	**(14,229)**	**(1)**	**110**	**19,672**	**5,711**	**70**	**5,781**

Group cash flow statement

For the year ended 31 December	Notes	2011 £m	2010 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations			
Operating profit		**2,395**	2,130
Depreciation of property, plant and equipment, and amortisation & impairment of intangible assets		**157**	144
Fair value losses/(gains)		**1**	(3)
Gain on sale of property, plant and equipment and intangible assets		**(9)**	(32)
Other non-cash movements		**–**	4
Increase in inventories		**(131)**	(50)
Increase in trade and other receivables		**(113)**	(243)
Increase in payables and provisions		**69**	203
Share award expense		**61**	62
Cash generated from operations		**2,430**	2,215
Interest paid		**(35)**	(11)
Interest received		**22**	19
Tax paid		**(677)**	(679)
Net cash generated from operating activities		**1,740**	1,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(164)**	(170)
Purchase of intangible assets		**(41)**	(197)
Disposal of property, plant and equipment		**5**	12
Disposal of intangible assets		**12**	30
Acquisition of businesses, net of cash acquired	29	**(460)**	(2,466)
Purchase of short-term investments		**(2)**	(7)
Maturity of long-term investments		**2**	8
Net cash used in investing activities		**(648)**	(2,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**27**	80
Proceeds from borrowings		**249**	2,966
Repayments of borrowings		**(400)**	(802)
Dividends paid to owners of the parent	30	**(873)**	(773)
Dividends paid to non-controlling interests		**(7)**	–
Net cash (used)/generated in financing activities		**(1,004)**	1,471
Net increase in cash and cash equivalents		**88**	225
Cash and cash equivalents at beginning of the year		**568**	334
Exchange (losses)/gains		**(22)**	9
Cash and cash equivalents at end of the year		**634**	568
Cash and cash equivalents comprise:			
Cash and cash equivalents	16	**639**	588
Overdrafts		**(5)**	(20)
		634	568
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS			
Net cash generated from operating activities		**1,740**	1,544
Net purchases of property, plant and equipment		**(159)**	(158)
Net cash flow from operations		**1,581**	1,386

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 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.

In accordance with the requirements of IFRS 3 (Revised) Business Combinations, the balance sheet at 31 December 2010 has been restated to reflect updated final fair value adjustments for the acquisition of SSL International plc made within the hindsight period. See note 29 for further details.

There were no new standards, amendments and interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1 January 2011 that were material to the Group.

Furthermore, there are no standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of Consolidation

The consolidated financial statements include the results of Reckitt Benckiser Group plc, a company registered in England and Wales, and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Reckitt Benckiser Group plc. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 included within the consolidated Group results with effect from 1 January 2011. The one-off impact on reported results is immaterial.

Operating Segments

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

Foreign Currency Translation

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

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

The financial statements of overseas subsidiary undertakings are translated into Sterling on the following basis:

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

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

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

	2011 full year	2010 full year
Average rates:		
£/Euro	**1.1525**	1.1663
£/US dollar	**1.6041**	1.5458
Closing rates:		
£/Euro	**1.1987**	1.1664
£/US dollar	**1.5543**	1.5612

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Freehold buildings: not more than 50 years;

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

Owned plant and equipment: not more than 15 years (except for environmental assets which are not more than 20 years).

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

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

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

Business Combinations

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

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

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

The consideration transferred is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition. Acquisition-related costs are expensed as incurred.

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

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

1 ACCOUNTING POLICIES (CONTINUED)

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

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

Goodwill and Intangible Fixed Assets
Goodwill on acquisitions of subsidiaries since 4 January 1998 is included in intangible assets. Goodwill written off to reserves prior to this date has not been reinstated. Goodwill is allocated to the cash generating units to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

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

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

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

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

Acquired computer software licences are capitalised at cost. These costs are amortised over a period of seven years for Enterprise Resource Planning systems and five years or less for all other software licences.

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

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

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

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

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

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

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

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

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

Bank overdrafts are included within Borrowings in the Balance Sheet.

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.

1 ACCOUNTING POLICIES (CONTINUED)

Income Tax
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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 held for Trading
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 a hedge of a highly probable forecast transaction (cash flow hedge).

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

- 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.

- 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.

1 ACCOUNTING POLICIES (CONTINUED)

Net Revenue

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

Leases

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

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

Share 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.

Dividend Distribution

Final dividends to owners of the parent are recognised as a liability in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Accounting Estimates and Judgements

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

- Estimates of future business performance and cash generation, discount rates and long-term growth rates supporting the net book amount of intangible assets at the balance sheet date (note 9);
- The determination of the carrying value of property, plant and equipment and related depreciation, and the estimation of useful economic life of these assets (note 10);
- The continuing enduring nature of the Group's brands supporting the useful lives of these assets (note 9);
- Measurement of intangible assets both in business combinations and other asset acquisitions requires the Group to identify such assets. Assumptions and estimates are made about future cash flows and appropriate discount rates to value identified intangible assets (note 29).
- 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 22);
- 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 11);
- 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 25); and
- 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 RB 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 (North America and Australia) and Developing Markets, derive their revenue primarily from the manufacture and sale of branded products in health & personal care and household cleaning, whilst RB Pharmaceuticals derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence.

A separate segment for the acquired business SSL International plc (SSL) was disclosed in 2010, the year of acquisition. Following integration SSL is now reported as part of the Group's existing geographical segments. Accordingly this has resulted in a re-allocation of assets, liabilities, revenue and expenses reported as SSL as at, and for the year ended 31 December 2010; the majority of which have now been reported under the Europe segment and within the health & personal care product group.

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

Inter-segment revenue is 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 2010 and 2011.

Reportable Segments

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2011 is as follows:

2011	**Europe £m**	**NAA £m**	**Developing Markets £m**	**RB Pharma-ceuticals £m**	**Corporate £m**	**Elimination £m**	**Total £m**
Total gross segment net revenue	**4,195**	**2,411**	**2,461**	**762**	**–**	**(344)**	**9,485**
Inter-segment revenue	**(186)**	**(9)**	**(149)**	**–**	**–**	**344**	**–**
Net revenue	**4,009**	**2,402**	**2,312**	**762**	**–**	**–**	**9,485**
Depreciation and amortisation	**76**	**33**	**33**	**15**	**–**	**–**	**157**
Operating profit – adjusted**	**908**	**652**	**399**	**518**	**10**	**-**	**2,487**
Exceptional items							**(92)**
Operating profit							**2,395**
Net finance expense							**(19)**
Profit on ordinary activities before tax							**2,376**

2010 (restated)*	Europe £m	NAA £m	Developing Markets £m	RB Pharma-ceuticals £m	Corporate £m	Elimination £m	Total £m
Total gross segment net revenue	3,609	2,324	1,950	737	–	(167)	8,453
Inter-segment revenue	(119)	(1)	(47)	–	–	167	–
Net revenue	3,490	2,323	1,903	737	–	–	8,453
Depreciation and amortisation	74	31	24	15	–	–	144
Operating profit – adjusted**	823	599	278	531	–	–	2,231
Exceptional items							(101)
Operating profit							2,130
Net finance income							6
Profit on ordinary activities before tax							2,136

* Restated for the re-allocation of SSL revenue and expenses to geographical segments.

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

Items of income and expense which are not part of the results and financial position of the reported segments, and therefore reported to the CODM outside of the individual segment financial information, are shown in the Corporate segment. For the year ended 31 December 2011 this includes a profit on disposal of intangibles and regulatory costs with a net effect of £10m (2010: a profit on disposal of intangibles offset by an expense relating to legal matters; net impact £nil).

Impairment charges of £4m (2010; £nil) are included within depreciation and amortisation for Developing Markets.

2 OPERATING SEGMENTS (CONTINUED)

The Executive Committee reviews net working capital by segment and other assets and liabilities on a Group basis. The split of assets and liabilities by segment provided to the Executive Committee is as follows:

2011	Europe £m	NAA £m	Developing Markets £m	RB Pharma-ceuticals £m	Total £m
Inventories	**336**	**187**	**233**	**135**	**891**
Trade and other receivables	**568**	**267**	**379**	**178**	**1,392**
Total segment assets	**904**	**454**	**612**	**313**	**2,283**
Trade and other payables	**(1,245)**	**(549)**	**(761)**	**(186)**	**(2,741)**

2010 (restated)*	Europe £m	NAA £m	Developing Markets £m	RB Pharma-ceuticals £m	Total £m
Inventories	336	133	185	72	726
Trade and other receivables	661	224	342	110	1,337
Total segment assets	997	357	527	182	2,063
Trade and other payables	(1,252)	(499)	(594)	(129)	(2,474)

* Restated for the re-allocation of SSL assets and liabilities to geographical segments and the fair value adjustments disclosed in note 29.

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:

	2011 £m	2010 (restated)* £m
Inventories for reportable segments	**891**	726
Unallocated:		
Elimination of profit on inter-company inventory	**(133)**	(83)
Total inventories per the balance sheet	**758**	643
Trade and other receivables for reportable segments	**1,392**	1,337
Unallocated:		
Corporate items	**50**	5
Total trade and other receivables per the balance sheet	**1,442**	1,342
Total inventories and trade and other receivables per the balance sheet	**2,200**	1,985
Other unallocated assets	**11,926**	11,437
Total assets per the balance sheet	**14,126**	13,422
Trade and other payables for reportable segments	**(2,741)**	(2,474)
Unallocated:		
Corporate items	**(160)**	(150)
Total trade and other payables per the balance sheet	**(2,901)**	(2,624)
Other unallocated liabilities	**(5,444)**	(5,668)
Total liabilities per the balance sheet	**(8,345)**	(8,292)

* Restated for the fair value adjustments disclosed in note 29.

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

2 OPERATING SEGMENTS (CONTINUED)

Analysis of Product Groups

The Group analyses its revenue by the following product groups: health & personal care, fabric care, surface care, home care, dishwashing and other, together with Pharmaceuticals and food.

	Net revenues 2011 £m	2010 (restated)* £m
Health & personal care	**3,156**	2,318
Fabric care	**1,503**	1,576
Surface care	**1,422**	1,391
Home care	**1,204**	1,152
Dishwashing	**896**	875
Other	**227**	100
Household and health & personal care	**8,408**	7,412
Pharmaceuticals	**762**	737
Food	**315**	304
Total	**9,485**	8,453

* Restated for the re-allocation of SSL revenue to product groups.

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 predominantly in NAA; and Pharmaceuticals which is within its own reportable segment.

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

2011	**UK £m**	**US £m**	**All other countries £m**	**Total £m**
Net revenue	**685**	**2,304**	**6,496**	**9,485**
Goodwill and other intangible assets	**1,536**	**3,252**	**5,470**	**10,258**
Property, plant and equipment	**133**	**131**	**468**	**732**
Other receivables	**–**	**–**	**6**	**6**

2010	UK £m	US £m	All other countries £m	Total £m
Net revenue	621	2,344	5,488	8,453
Goodwill and other intangible assets (restated)*	1,536	3,245	5,084	9,865
Property, plant and equipment (restated)*	138	133	464	735
Other receivables	–	–	3	3

* Restated for the fair value adjustments disclosed in note 29.

The net revenue from external customers reported on a geographical basis above is measured in a manner consistent with that in the reportable segments.

Major customers are typically large grocery chains, mass market and multiple retailers. The Group's customer base is diverse with no single external customer accounting for more than 10% of net revenue, and the top ten customers accounting for less than a quarter of total net revenue.

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2011 £m	2010 £m
Cost of sales	**(3,823)**	(3,332)
Distribution costs	**(2,512)**	(2,260)
Administrative expenses:		
Research and development	**(133)**	(125)
Other	**(598)**	(543)
Total administrative expenses	**(731)**	(668)
Other net operating income	**68**	38
Exceptional items	**(92)**	(101)
Net operating expenses	**(3,267)**	(2,991)

All results relate to continuing operations.

Included within cost of sales is a fair value loss of £7m (2010: loss of £8m) transferred from the hedging reserve. Included within administrative expenses are non-exceptional re-organisation costs of £nil (2010: £8m). Total foreign exchange losses of £7m (2010: losses of £5m) 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	2011 £m	2010 £m
Within:		
Cost of sales	**106**	104
Distribution costs	**7**	6
Administrative expenses:		
Research and development	**5**	5
Other	**14**	12
Total administrative expenses	**19**	17
Total depreciation charge (note 10)	**132**	127

Amortisation and Impairment Charge by Income Statement Line

Amortisation charges of £21m in 2011 (2010: £17m) and impairment charges of £4m (2010: £nil) (note 9) are included within Administrative expenses: Other in the income statement.

Exceptional items	2011 £m	2010 £m
Restructuring	**89**	79
Acquisition-related costs	**3**	22
Total exceptional items	**92**	101

The Group incurred restructuring charges of £89m as a result of the acquisition and integration of SSL and Paras Pharmaceuticals Limited (2010: £79m). This consists primarily of redundancy and business integration costs which have been included within net operating expenses. Exceptional finance costs are shown in note 6.

Pension costs by income statement line	2011 £m	2010 £m
Within:		
Cost of sales	**10**	10
Distribution costs	**12**	10
Administrative expenses:		
Research and development	**3**	3
Other	**26**	33
Total administrative expenses	**29**	36
Total net pensions costs (note 22)	**51**	56

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.

	2011 £m	2010 £m
Fees payable to the Company's Auditor for the audit of the Company's financial statements	**1.3**	1.3
Fees payable to the Group's Auditor and network firms for other services:		
The audit of financial statements of the Company's subsidiaries pursuant to legislation	**4.1**	3.2
Other services provided pursuant to such legislation	**0.3**	0.3
Services relating to taxation	**1.5**	1.4
Services relating to information technology	**0.1**	–
All other services	**0.2**	0.1
	7.5	6.3

In addition, the Group's Auditor and its associates have provided services in relation to the audit of the financial statements of associated pension schemes of the Group at a cost of £0.2m (2010: £0.2m).

5 EMPLOYEES

(a) Staff costs	Notes	2011 £m	2010 £m
The total employment costs, including Directors, were:			
Wages and salaries		**950**	815
Social security costs		**184**	145
Net pension costs	22	**51**	56
Share based payments	25	**61**	62
		1,246	1,078

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 29 to 35, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2011 £m	2010 £m
Salaries and short-term employee benefits	**11**	12
Post-employment benefits	**1**	1
Share based payments	**22**	21
	34	34

(b) Staff numbers

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

	2011 000s	2010 000s
Europe*	**16.7**	12.3
North America and Australia	**4.0**	3.7
Developing Markets	**16.5**	10.8
RB Pharmaceuticals	**0.6**	0.4
	37.8	27.2

* Included in Europe are 3,500 (2010: 2,700) UK employees.

6 NET FINANCE INCOME/(EXPENSE)

Finance income	2011 £m	2010 £m
Interest income on cash and cash equivalents	23	21
Total finance income	23	21
Finance expense		
Interest payable on borrowings	(30)	(5)
Amortisation of issue costs of facilities	(7)	(5)
Interest payable on other loans	(1)	(2)
Discount unwind on financial liability	(3)	–
Other interest expense	(1)	(3)
Total finance expense	(42)	(15)
Net finance (expense)/income	(19)	6

Interest payable and similar charges relating to borrowings repayable after more than five years was £nil (2010: £nil). Included within amortisation of issue costs of facilities is an exceptional finance cost of £4m (2010: £3m).

7 INCOME TAX EXPENSE

	2011 £m	2010 £m
Current tax	625	653
Prior year adjustments	(8)	(60)
Total current tax	617	593
Origination and reversal of temporary differences	70	(14)
Impact of change in tax rate	(65)	(13)
Total deferred tax (note 11)	5	(27)
Total tax	622	566

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Company's profits for the year ended 31 December 2011 are taxed at an effective rate of 26.5%.

UK income tax of £161m (2010: £151m) is included within current tax and is calculated at 26.5% (2010: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2011 £m	2010 £m
Profit on ordinary activities before taxation	2,376	2,136
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	630	598
Effects of:		
Tax at rates other than the UK corporation tax rate	(9)	(9)
Adjustments to amounts carried in respect of unresolved tax matters	47	16
Utilised tax losses	(2)	(9)
Withholdings and local taxes	25	26
Adjustment in respect of prior periods	(11)	(65)
Effect of change in UK corporation tax rate	(65)	(13)
Exceptional items	2	18
Other permanent differences	5	4
Total tax charge	622	566

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

Following the enactment of legislation in the UK to reduce the corporation tax rate to 26% from 1 April 2011 and to 25% from 1 April 2012, the total tax charge in 2011 includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rates. The impact of this rate change is a £65m reduction in the tax charge in the income statement and a £2m increase in the tax charge in other comprehensive income. The proposed future reduction in the UK tax rate to 23% will be reflected when the relevant legislation is substantively enacted.

7 INCOME TAX EXPENSE (CONTINUED)

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

	2011			2010		
	Before tax £m	**Tax credit/ (charge) £m**	**After tax £m**	Before tax £m	Tax credit/ (charge) £m	After tax £m
Net exchange adjustments on foreign currency translation	**(227)**	**1**	**(226)**	103	–	103
Actuarial (losses)/gains (note 22)	**(84)**	**35**	**(49)**	(5)	9	4
Gains/(losses) on cash flow hedges	**4**	**(1)**	**3**	(2)	–	(2)
Other comprehensive income	**(307)**	**35**	**(272)**	96	9	105

	2011	2010
Current tax	**–**	–
Deferred tax (note 11)	**35**	9
	35	9

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

	2011 £m	2010 £m
Share schemes:		
Current tax	**2**	12
Deferred tax	**(13)**	(7)
	(11)	5

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent (2011: £1,745m (2010: £1,568m)) by the weighted average number of ordinary shares in issue during the year (2011: 727,628,580 (2010: 724,192,584)).

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. As at 31 December 2011, there were 4m (2010: 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 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:

	2011			2010		
	Net income £m	**Average number of shares**	**Earnings per share pence**	Net income £m	Average number of shares	Earnings per share pence
Net income attributable to owners of the parent	**1,745**	**727,628,580**	**239.8**	1,568	724,192,584	216.5
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**7,423,757**			8,264,803	
Dilution for Employee Sharesave scheme options outstanding		**780,818**			839,710	
On a diluted basis	**1,745**	**735,833,155**	**237.1**	1,568	733,297,097	213.8

8 EARNINGS PER SHARE (CONTINUED)

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:

	2011 Net income £m	2011 Average number of shares	2011 Earnings per share pence	2010 Net income £m	2010 Average number of shares	2010 Earnings per share pence
Adjusted net income attributable to owners of the parent*	**1,818**	**727,628,580**	**249.9**	1,661	724,192,584	229.4
Dilution for Executive Options outstanding and Executive Restricted Share Plan		**7,423,757**			8,264,803	
Dilution for Employee Sharesave scheme options outstanding		**780,818**			839,710	
On a diluted basis	**1,818**	**735,833,155**	**247.1**	1,661	733,297,097	226.5

* adjusted to exclude exceptional items as follows:

	2011 £m	2010 £m
Net income attributable to owners of the parent	**1,745**	1,568
Exceptional items	**92**	101
Exceptional charge included in finance expense	**4**	3
Tax effect of exceptional items	**(23)**	(11)
Adjusted net income attributable to owners of the parent	**1,818**	1,661

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

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2011	6,934	2,890	24	209	10,057
Additions	–	–	19	22	41
Arising on business combinations	305	260	–	6	571
Reclassifications	–	–	6	–	6
Exchange adjustments	(133)	(70)	(1)	(1)	(205)
At 31 December 2011	**7,106**	**3,080**	**48**	**236**	**10,470**
Accumulated impairment and amortisation					
At 1 January 2011	75	30	21	66	192
Amortisation and impairment charge	8	–	1	16	25
Exchange adjustments	(3)	–	(1)	(1)	(5)
At 31 December 2011	**80**	**30**	**21**	**81**	**212**
Net book amount at 31 December 2011	**7,026**	**3,050**	**27**	**155**	**10,258**

9 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

	Brands £m	Goodwill £m (restated)*	Software £m (restated)*	Other £m	Total £m (restated)*
Cost					
At 1 January 2010	4,432	1,685	22	125	6,264
Additions	114	–	–	83	197
Arising on business combinations	2,284	1,167	2	–	3,453
Disposals	–	–	(1)	–	(1)
Exchange adjustments	104	38	1	1	144
At 31 December 2010	6,934	2,890	24	209	10,057
Accumulated impairment and amortisation					
At 1 January 2010	70	31	22	51	174
Amortisation and impairment charge	1	–	–	16	17
Disposals	–	–	(1)	–	(1)
Exchange adjustments	4	(1)	–	(1)	2
At 31 December 2010	75	30	21	66	192
Net book amount at 31 December 2010	6,859	2,860	3	143	9,865
Net book amount at 1 January 2010	4,362	1,654	–	74	6,090

* See note 29 for further details.

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

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

The reclassification of £6m (2010: nil) shows the transfer of completed assets from plant and equipment.

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

Net book amount	**2011 £m**	2010 (restated)* £m
Indefinite life assets:		
Brands	**7,000**	6,829
Goodwill	**3,050**	2,860
Other	**36**	36
Total indefinite life assets	**10,086**	9,725
Finite life assets:		
Brands	**26**	30
Software	**27**	3
Other	**119**	107
Total finite life assets	**172**	140
Total net book amount of intangible assets	**10,258**	9,865

* See note 29 for further details.

Intangible assets are allocated to a cash generating unit (CGU) for the purposes of impairment testing. The annual impairment review for goodwill and other intangible assets is based on an assessment of each CGU's value in use. Value in use is calculated from cash flow projections based on historical operating results, short-term budgets, medium-term business plans (three 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%–2% (2010: 1%–3%)). A pre-tax discount rate of 11% (2010: 11%) has been used in discounting the projected cash flows. 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. These key assumptions are based on past performance and our experience of volumes, growth rates and prices in our key markets.

The value in use of the health & personal care CGU is the most sensitive to reasonably possible changes to key assumptions in the value in use calculation. However the following individual reasonably possible changes in assumptions (all else being equal) would not cause the health & personal care CGU's recoverable amount to be less than its carrying value:

Pre-tax discount rate	+/- 2%
Short-term growth expectations	+/- 10%
Long-term growth assumption	+/- 2%.

9 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

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

		2011			2010 (restated)*		
Product group	Key brands	**Brands £m**	**Goodwill £m**	**Total £m**	Brands £m	Goodwill £m	Total £m
Fabric care	Calgon, Vanish, Woolite	**618**	**29**	**647**	613	22	635
Surface care	Dettol, Lysol	**700**	**–**	**700**	692	–	692
Dishwashing	Finish	**182**	**–**	**182**	187	–	187
Home care	Air Wick	**195**	**–**	**195**	210	–	210
Health & personal care	Veet, Nurofen, Strepsils, Clearasil, Mucinex, Durex, Scholl	**5,232**	**3,004**	**8,236**	5,125	2,838	7,963
Food	French's	**32**	**–**	**32**	32	–	32
Other		**67**	**17**	**84**	–	–	–
Brands total		**7,026**	**3,050**	**10,076**	6,859	2,860	9,719

SSL is now reported within the health & personal care product group. A reconciliation of the 2010 health & personal care brands and goodwill net book amount is shown below:

Health & Personal Care brands and goodwill	2010 (restated) £m
Health & personal care reported in the 2010 Financial Statements	4,512
SSL reported in the 2010 Financial Statements	3,357
SSL goodwill fair value adjustments*	94
Health & personal care reported above	7,963

The impairment charge for the year ended 31 December 2011 is £4m (2010: £nil). Amortisation for the year ended 31 December 2011 is £21m (2010: £17m).

* See note 29 for further details.

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	**Plant and equipment £m**	**Total £m**
Cost			
At 1 January 2011	514	1,215	1,729
Additions	9	155	164
Arising on business combination	4	2	6
Disposals	(6)	(44)	(50)
Reclassifications	8	(14)	(6)
Exchange adjustments	(17)	(42)	(59)
At 31 December 2011	**512**	**1,272**	**1,784**
Accumulated depreciation			
At 1 January 2011	177	817	994
Charge for the year	21	111	132
Disposals	(3)	(39)	(42)
Exchange adjustments	(6)	(26)	(32)
At 31 December 2011	**189**	**863**	**1,052**
Net book amount at 31 December 2011	**323**	**409**	**732**

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings £m	Plant and equipment (restated)* £m	Total (restated)* £m
Cost			
At 1 January 2010	416	1,150	1,566
Additions	48	122	170
Arising on business combination	22	28	50
Disposals	(5)	(55)	(60)
Reclassifications	22	(22)	–
Exchange adjustments	11	(8)	3
At 31 December 2010	514	1,215	1,729
Accumulated depreciation			
At 1 January 2010	158	769	927
Charge for the year	19	108	127
Disposals	(3)	(47)	(50)
Exchange adjustments	3	(13)	(10)
At 31 December 2010	177	817	994
Net book amount at 31 December 2010	337	398	735
Net book amount at 1 January 2010	258	381	639

* See note 29 for further details.

Included in plant and equipment are assets held under finance leases with a net book amount of £3m (2010: £3m). The depreciation charge for assets held under finance leases was £2m (2010: £2m).

Minimum lease payments for plant and equipment held under finance leases are £1m (2010: £1m) within one year and £3m (2010: £1m) in two to five years. There are no lease payments falling due after more than five years (2010: £nil).

The net book amount of assets under construction is £64m (2010: £48m). Assets under construction are included within plant and equipment.

The reclassification from plant and equipment to land and buildings of £8m (2010: £22m) shows the transfer of completed assets. A further £6m was reclassified to intangible assets on completion.

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

Capital expenditure which was contracted but not capitalised at 31 December 2011 was £52m (2010: £15m).

11 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 2010	19	1,290	(163)	–	(1)	1,145
Charged/(credited) to the income statement	(1)	(2)	(21)	(7)	3	(28)
Credited to other comprehensive income	–	–	–	–	(14)	(14)
Charged directly to equity	–	–	1	–	–	1
Arising on business combination (restated)*	–	601	(23)	–	–	578
Exchange differences	1	29	4	(1)	(1)	32
At 31 December 2010 (restated)*	19	1,918	(202)	(8)	(13)	1,714
Charged/(credited) to the income statement	–	(6)	12	2	(2)	6
Credited to other comprehensive income	–	–	–	–	(19)	(19)
Charged directly to equity	–	–	2	–	–	2
Arising on business combination	–	101	–	–	–	101
Exchange differences	–	(34)	4	–	(2)	(32)
At 31 December 2011	**19**	**1,979**	**(184)**	**(6)**	**(36)**	**1,772**

11 DEFERRED TAX (CONTINUED)

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 2010	–	(20)	88	11	42	121
(Charged)/credited to the income statement	5	–	2	(6)	(2)	(1)
Charged to other comprehensive income	–	–	–	–	(5)	(5)
Charged directly to equity	–	–	(6)	–	–	(6)
Arising on business combination (restated)*	(9)	–	22	6	18	37
Exchange differences	–	–	1	(1)	–	–
At 31 December 2010 (restated)*	(4)	(20)	107	10	53	146
(Charged)/credited to the income statement	(1)	5	(15)	24	(12)	1
Credited to other comprehensive income	–	–	–	–	16	16
Charged directly to equity	–	–	(11)	–	–	(11)
Exchange differences	–	(1)	1	(2)	–	(2)
At 31 December 2011	**(5)**	**(16)**	**82**	**32**	**57**	**150**

* See note 29 for further details.

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

Certain deferred tax assets totalling £115m (2010: £227m) in respect of overseas corporation tax losses and other temporary differences have not been recognised at 31 December 2011 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes reasonably certain.

No deferred tax liability has been recognised on the unremitted earnings of overseas subsidiaries as no tax is expected to be payable on them in the foreseeable future based on the current repatriation policy of the Group.

12 AVAILABLE FOR SALE FINANCIAL ASSETS

Current

These investments of £11m (2010: £11m) do not meet the requirements to be classified as cash equivalents as they have maturities greater than three months. They are however highly liquid assets, 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 8.56% (2010: 7.36%) and they have an average maturity of 227 days (2010: 164 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 2012. 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. The movement in the fair value of auction rate securities is detailed below:

	2011 £m	2010 £m
At 1 January	**12**	16
Disposals	**(2)**	(5)
Exchange adjustments	**–**	1
At 31 December	**10**	12

13 INVENTORIES

	2011 £m	2010 (restated)* £m
Raw materials and consumables	**167**	150
Work in progress	**31**	25
Finished goods and goods held for resale	**560**	468
Total inventories	**758**	643

* See note 29 for further details.

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £3,615m (2010: £3,151m).

The Group inventory provision at 31 December 2011 was £97m (2010: £78m).

14 TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2011 £m	2010 (restated)* £m
Trade receivables	**1,294**	1,243
Less: Provision for impairment of receivables	**(47)**	(41)
Trade receivables – net	**1,247**	1,202
Other receivables	**135**	89
Prepayments and accrued income	**60**	51
	1,442	1,342

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 2011, trade receivables of £89m (2010: £86m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2011 £m	2010 £m
Up to 3 months	**89**	86

As at 31 December 2011, trade receivables of £80m (2010: £67m) were considered to be impaired. The amount of provision on 31 December 2011 was £47m (2010: £41m). 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:

	2011 £m	2010 £m
Up to 3 months	**40**	35
Over 3 months	**40**	32
	80	67

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 credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used. The other receivables do not contain impaired assets. They consist of items including reclaimable turnover tax and are from a broad selection of countries within the Group.

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

	2011 £m	2010 (restated)* £m
Sterling	**115**	110
Euro	**361**	431
US dollar	**369**	225
Other currencies	**597**	576
	1,442	1,342

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.

* Restated for the reclassification of derivative financial instruments and current tax receivable to separate captions in the balance sheet and the effect of the fair value adjustments disclosed in note 29.

15 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments by Category

At 31 December 2011	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	–	–	–	10	10	10
Short-term deposits	–	–	–	11	11	11
Trade and other receivables[1]	1,368	–	–	–	1,368	1,368
Derivative financial instruments – FX forward exchange contracts	–	67	–	–	67	67
Cash and cash equivalents	639	–	–	–	639	639

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[2]	–	–	2,504	2,504	2,504
Finance lease obligations[2]	–	–	4	4	4
Derivative financial instruments – FX forward exchange contracts	7	–	–	7	7
Trade and other payables[3]	–	–	2,795	2,795	2,795

At 31 December 2010	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Auction rate securities	–	–	–	12	12	12
Short-term deposits	–	–	–	11	11	11
Trade and other receivables (restated)*[1]	1,274	–	–	–	1,274	1,274
Derivative financial instruments – FX forward exchange contracts	–	37	–	–	37	37
Cash and cash equivalents	588	–	–	–	588	588

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[2]	–	–	2,639	2,639	2,639
Finance lease obligations[2]	–	–	5	5	5
Derivative financial instruments – FX forward exchange contracts	10	–	–	10	10
Trade and other payables (restated)*[3]	–	–	2,485	2,485	2,485

* See note 29 for further details.

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

[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] Social security liabilities and employee benefit liabilities are excluded from the trade and other payable balance as the analysis above is required only for financial instruments.

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

The fair value measurement hierarchy levels have been defined as follows:

1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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).

15 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2011 Level 2 £m	2011 Level 3 £m	2011 Total £m	2010 Level 2 £m	2010 Level 3 £m	2010 Total £m
Assets						
Assets as per the balance sheet						
Auction rate securities	**–**	**10**	**10**	–	12	12
Derivative financial instruments – FX forward exchange contracts	**67**	**–**	**67**	37	–	37
Total assets	**67**	**10**	**77**	37	12	49
Liabilities						
Liabilities as per the balance sheet						
Derivative financial instruments – FX forward exchange contracts	**7**	**–**	**7**	10	–	10
Total liabilities	**7**	**–**	**7**	10	–	10

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) Discounted cash flow analysis is used to determine the fair value for the remaining financial instruments.

As the value of the level 3 instruments at 31 December 2011 is not material, no further level 3 disclosures have been made.

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

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

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of treasury activity and individually approves significant activities. GT operates under the close control of the 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 GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2011 was £3,175m payable (2010: £3,230m payable).

15 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow hedge profile
As at 31 December 2011, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2010.

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

	2011 £m	2010 £m
Polish zloty	**53**	4
Australian dollars	**47**	42
Canadian dollars	**40**	45
US dollars	**14**	–
Swedish krona	**13**	12
Euro	**12**	96
New Zealand dollars	**11**	10
Other	**4**	130
	194	339

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

There is no ineffective portion recognised in the income statement arising from cash flow hedges (2010: £nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2011 of £3m gain (2010: £2m loss) are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship with all others held constant does not have a significant effect on the income statement or shareholders' equity. A fluctuation analysis has been performed for all currencies. The largest potential fluctuation would be in respect of forward contracts between the Euro and Polish zloty. If the Polish zloty had strengthened/weakened by 5% against the Euro, with all other variables held constant, the impact on shareholders' equity would have been less than £1m (2010: 5%: £nil). As at 31 December 2011 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 (2010: insignificant).

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

The gains and losses from fair value movements on financing derivatives recognised in finance income and expense were £nil (2010: £nil).

(b) Price risk
Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods 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 bps shift in interest rates would be a maximum increase of £10m (2010: 50 bps: £1m) or decrease of £10m (2010: 50 bps: £1m), 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 14. 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 of Directors. Derivative financial instruments are only traded with counterparties approved in accordance with the Board approved policy. Derivative risk is measured using a risk weighting method.

15 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Counterparty risk

Counterparty	2011 Credit rating	2011 Limit £m	2011 Exposure £m	2010 Credit rating	2010 Limit £m	2010 Exposure £m
Bank A	**AAA**	**300**	**100**	AAA	300	82
Bank B	**A**	**125**	**96**	A	125	26
Bank C	**AA**	**175**	**96**	AA	200	80
Bank D	**A**	**125**	**93**	A	100	52
Bank E	**A**	**125**	**86**	A	125	46
Bank F	**A**	**100**	**76**	A	125	68
Bank G	**A**	**100**	**60**	A	125	28
Bank H	**AA**	**175**	**55**	AA	200	26
Bank I	**AA**	**175**	**38**	AA	200	74
Bank J	**AA**	**175**	**18**	AA	175	15

3. Liquidity risk

Cash flow forecasting is performed by the local business units and aggregated by GT. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB + rating or better.

Borrowing facilities

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. At the end of 2011, the Group had, in addition to its long-term debt of £3m (2010: £3m), committed borrowing facilities totalling £3,600m (2010: £3,400m), of which £3,600m exceeded 12 months' maturity. Of the total facilities at the year end, £nil (2010: £400m) 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:

	2011 £m	2010 £m
Undrawn committed borrowing facilities:		
Expiring within one year	**–**	–
Expiring between one and two years	**850**	1,725
Expiring after more than two years	**2,750**	1,275
	3,600	3,000

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 2011 was £1,805m (2010: £1,389m).

The Group's borrowing limit at 31 December 2011, calculated in accordance with the Articles of Association, was £59,823m (2010: £57,861m).

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 2011	**Total £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(2,469)**	**(2,469)**	**–**	**–**	**–**
Other borrowings	**(39)**	**(36)**	**–**	**(3)**	**–**
Trade payables	**(1,002)**	**(1,002)**	**–**	**–**	**–**
Other payables	**(1,793)**	**(1,754)**	**(22)**	**(17)**	**–**

At 31 December 2010	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(2,195)	(2,195)	–	–	–
Other borrowings	(449)	(446)	(3)	–	–
Trade payables	(943)	(943)	–	–	–
Other payables (restated*)	(1,542)	(1,534)	(8)	–	–

* See note 29 for further details.

15 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2011	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Forward exchange contracts				
Outflow	**(3,175)**	**–**	**–**	**–**
Inflow	**3,242**	**–**	**–**	**–**

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

4. Capital management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments (refer note 17). Total equity includes share capital, reserves and retained earnings as shown in the consolidated balance sheet.

	2011 £m	2010 £m
Net debt (note 17)	**1,795**	2,011
Total equity	**5,781**	5,130
	7,576	7,141

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

In maintaining an appropriate capital structure and providing returns for Shareholders, in 2011 the Company provided returns to Shareholders in the form of dividends, current details of which are included in the Financial Review for the year on page 16.

The Group monitors net debt and at year end the Group had net debt of £1,795m (2010: net debt of £2,011m). The Group does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

16 CASH AND CASH EQUIVALENTS

	2011 £m	2010 £m
Cash at bank and in hand	**312**	256
Short-term bank deposits	**327**	332
Cash and cash equivalents	**639**	588

The Group operates in a number of territories, where there are either foreign currency exchange restrictions or where it is difficult for the Group to extract cash readily and easily in the short-term. As a result £67m (2010: £77m) of cash included in cash and cash equivalents is restricted for use by the Group.

17 FINANCIAL LIABILITIES – BORROWINGS

Current	**2011 £m**	2010 £m
Bank loans and overdrafts (a)	**35**	444
Commercial paper (b)	**2,469**	2,195
Finance lease obligations	**1**	2
	2,505	2,641

Non-current	**2011 £m**	2010 £m
Finance lease obligations	**3**	3
	3	3

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

(b) Commercial paper was issued in US dollars, is unsecured and bears interest based on relevant LIBOR equivalent.

17 FINANCIAL LIABILITIES – BORROWINGS (CONTINUED)

Maturity of debt	2011 £m	2010 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**35**	444
Other borrowings repayable:		
Within one year:		
Commercial paper	**2,469**	2,195
Finance leases	**1**	2
Between two and five years:		
Finance leases (payable by instalments)	**3**	3
	2,473	2,200
Gross borrowings (unsecured)	**2,508**	2,644

Analysis of net debt	2011 £m	2010 £m
Cash and cash equivalents	**639**	588
Overdrafts	**(5)**	(20)
Borrowings	**(2,503)**	(2,624)
Other	**74**	45
	(1,795)	(2,011)

Reconciliation of net debt	2011 £m	2010 £m
Net (debt) /cash at beginning of year	**(2,011)**	220
Net increase in cash and cash equivalents	**88**	225
Repayment of borrowings	**400**	802
Proceeds from borrowings	**(249)**	(2,966)
Borrowings acquired in business combination	**–**	(311)
Exchange and other movements	**(23)**	19
Net debt at end of year	**(1,795)**	(2,011)

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2010	52	72	124
Charged to the income statement	86	76	162
Arising on business combination (restated)*	–	82	82
Utilised during the year	(45)	(15)	(60)
Exchange adjustments	–	1	1
At 31 December 2010 (restated)*	93	216	309
Charged to the income statement	92	23	115
Utilised during the year	(156)	(89)	(245)
Exchange adjustments	1	(2)	(1)
At 31 December 2011	**30**	**148**	**178**

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

	2011 £m	2010 (restated)* £m
Current	**60**	164
Non-current	**118**	145
	178	309

* See note 29 for further details.

Other provisions include onerous lease provisions expiring between 2014 and 2016 of £12m (2010: £6m). The remainder of the balance relates to various legal, regulatory, environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

The restructuring provision relates to the acquisition and integration of the SSL and Paras businesses and some further restructuring of the Group, the majority of which is expected to be utilised in 2012.

19 OPERATING LEASE COMMITMENTS

	2011 £m	2010 £m
Total future minimum lease payments under non-cancellable operating leases due:		
Within one year	**41**	32
Later than one and less than five years	**92**	86
After five years	**28**	43
	161	161

Operating lease rentals charged to the income statement in 2011 were £62m (2010: £25m).

As at 31 December 2011, total amounts expected to be received under non-cancellable sub-lease arrangements were £6m (2010: £8m).

Amounts credited to the income statement in respect of sub-lease arrangements were £2m (2010: £1m).

20 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2011 amounted to £4m (2010: £21m).

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. During 2011, the Group agreed to pay a €24m fine in the settlement of an investigation by the German Federal Cartel Office involving price fixing agreements between 2005 and 2008.

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

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.

21 TRADE AND OTHER PAYABLES

	2011 £m	2010 (restated)* £m
Trade payables	**1,002**	943
Other payables	**71**	33
Other tax and social security payable	**106**	111
Accruals	**1,722**	1,537
	2,901	2,624

* Restated for the reclassification of derivative financial instruments to a separate caption in the balance sheet and the effect of the fair value adjustments disclosed in note 29.

22 PENSION AND OTHER POST-RETIREMENT COMMITMENTS

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally funded. The Group's most significant defined benefit pension schemes (UK) is funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US Retiree Health Care Scheme), where salaried participants become eligible for retiree health care benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. As at 31 December 2011 there were 2,584 (2010: 2,597) eligible retirees and 1,312 (2010: 1,552) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2011 £m	2010 £m
Defined contribution schemes	**26**	27
Defined benefit schemes (net charge)	**25**	29
Total pension costs recognised in the income statement (note 3)	**51**	56

22 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

For the largest UK scheme, a full independent actuarial valuation was carried out at 5 April 2010 and updated at 31 December 2011. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2011 and updated at 31 December 2011. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the two major schemes as at 31 December 2011 were:

	2011		2010	
	UK %	**US (medical) %**	UK %	US (medical) %
Rate of increase in pensionable salaries	**4.6**	**–**	4.6	–
Rate of increase in deferred pensions during deferment	**3.1**	**–**	3.6	–
Rate of increase in pension payments – pensioners	**3.1**	**–**	3.6	–
Rate of increase in pension payments – non-pensioners	**3.1**	**–**	3.6	–
Discount rate	**4.8**	**4.7**	5.4	5.5
Inflation assumption	**3.1**	**–**	3.6	–
Annual medical cost inflation	**–**	**5.0-90**	–	5.0-9.0
Long-term expected rate of return on:				
Equities	**8.1**	**–**	8.1	–
Bonds	**4.8**	**–**	4.7	–
Other	**6.6**	**–**	6.5	–

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:

	2011 years	2010 years
Male	**28.0**	28.0
Female	**29.8**	29.8

The average life expectancy in years of a pensioner retiring at aged 60, 15 years after the balance sheet date, is as follows:

	2011 years	2010 years
Male	**29.8**	29.8
Female	**31.7**	31.8

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 24.0 years (2010: 23.9 years) for males and 25.8 years (2010: 25.7 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	20	(16)

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

	2011				2010			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Total equities	**397**	**–**	**114**	**511**	440	–	109	549
Total bonds	**436**	**–**	**73**	**509**	366	–	66	432
Total other assets	**63**	**–**	**29**	**92**	52	–	21	73
Fair value of plan assets	**896**	**–**	**216**	**1,112**	858	–	196	1,054
Present value of scheme liabilities	**(1,092)**	**(133)**	**(357)**	**(1,582)**	(1,051)	(121)	(335)	(1,507)
Net liability recognised in the balance sheet	**(196)**	**(133)**	**(141)**	**(470)**	(193)	(121)	(139)	(453)

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

22 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

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

	2011 £m	2010 £m
Non-current asset:		
Funded scheme surplus	**32**	26
Non-current liability:		
Funded scheme deficit	**(265)**	(258)
Unfunded scheme liability	**(237)**	(221)
Retirement benefit obligation	**(502)**	(479)
Net pension liability	**(470)**	(453)

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

The amounts recognised in the income statement are as follows:

	2011				2010			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Current service cost	**(8)**	**(3)**	**(9)**	**(20)**	(8)	(3)	(9)	(20)
Expected return on pension scheme assets	**56**	**–**	**16**	**72**	44	–	14	58
Interest on pension scheme liabilities	**(55)**	**(6)**	**(16)**	**(77)**	(45)	(6)	(16)	(67)
Total charge to the income statement	**(7)**	**(9)**	**(9)**	**(25)**	(9)	(9)	(11)	(29)

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

	2011				2010			
Movement of net liability during the year	**UK £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Deficit at 1 January	**(193)**	**(121)**	**(139)**	**(453)**	(136)	(108)	(127)	(371)
Arising on business combination	**–**	**–**	**–**	**–**	(75)	–	(11)	(86)
Current service cost	**(8)**	**(3)**	**(9)**	**(20)**	(8)	(3)	(9)	(20)
Contributions	**45**	**6**	**36**	**87**	15	5	18	38
Other finance income/(costs)	**1**	**(6)**	**–**	**(5)**	(1)	(6)	(2)	(9)
Actuarial (loss)/gain	**(41)**	**(7)**	**(36)**	**(84)**	12	(6)	(11)	(5)
Exchange adjustments	**–**	**(2)**	**7**	**5**	–	(3)	3	–
Deficit at 31 December	**(196)**	**(133)**	**(141)**	**(470)**	(193)	(121)	(139)	(453)

The actual return on plan assets was a gain of £34m (2010: £77m gain) for the UK scheme. Included within contributions above are employee contributions of £1m (2010: £1m).

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

	2011				2010			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Present value of liabilities at 1 January	**1,051**	**121**	**335**	**1,507**	764	108	300	1,172
Arising on business combination	**–**	**–**	**–**	**–**	250	–	22	272
Current service cost	**8**	**3**	**9**	**20**	8	3	9	20
Interest cost	**55**	**6**	**16**	**77**	45	6	16	67
Employee contributions	**1**	**–**	**–**	**1**	-	-	-	-
Benefits paid	**(42)**	**(6)**	**(20)**	**(68)**	(37)	(5)	(18)	(60)
Actuarial losses/(gains)	**19**	**7**	**26**	**52**	21	6	9	36
Exchange adjustments	**–**	**2**	**(9)**	**(7)**	–	3	(3)	–
Present value of liabilities at 31 December	**1,092**	**133**	**357**	**1,582**	1,051	121	335	1,507

22 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

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

	2011 UK £m	2011 Other £m	2011 Total £m	2010 UK £m	2010 Other £m	2010 Total £m
Fair value of plan assets at 1 January	**858**	**196**	**1,054**	628	173	801
Arising on business combination	**–**	**–**	**–**	175	11	186
Expected rate of return	**56**	**16**	**72**	44	14	58
Contributions	**46**	**42**	**88**	15	23	38
Benefits paid	**(42)**	**(26)**	**(68)**	(37)	(23)	(60)
Actuarial (losses)/gains	**(22)**	**(10)**	**(32)**	33	(2)	31
Exchange adjustments	**–**	**(2)**	**(2)**	–	–	–
Fair value of plan assets at 31 December	**896**	**216**	**1,112**	858	196	1,054

Cumulative actuarial gains and losses recognised in other comprehensive income:

	2011 £m	2010 £m
At 1 January	**(214)**	(209)
Net actuarial loss recognised in the year (note 7)	**(84)**	(5)
At 31 December	**(298)**	(214)

History of experience gains and losses:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Experience adjustments arising on scheme assets:					
Amount	**(32)**	31	70	(191)	4
Percentage of scheme assets	**(2.9%)**	2.9%	8.7%	(26.9%)	0.5%
Experience adjustments arising on scheme liabilities:					
Amount	**(52)**	(36)	(172)	106	21
Percentage of scheme liabilities	**3.3%**	2.4%	14.7%	(10.5%)	(2.0%)
Present value of scheme liabilities	**(1,582)**	(1,507)	(1,172)	(1,011)	(1,032)
Fair value of scheme assets	**1,112**	1,054	801	710	873
Net pension liability	**(470)**	(453)	(371)	(301)	(159)

Expected employer contributions to be paid to funded defined benefit schemes in 2012 are £70m for the UK and £15m for other schemes.

23 OTHER NON-CURRENT LIABILITIES

	2011 £m	2010 £m
Accruals	**1**	2
Other payables	**38**	6
	39	8

Included in other payables is the financial liability of £34m (2010: £nil) to purchase the remaining shares of Shanghai Manon Trading Company Limited (refer note 29(c)).

24 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2011	725,853,970	73	2	–
Allotments	2,767,632	–	–	–
At 31 December 2011	**728,621,602**	**73**	**2**	–

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

The holders of ordinary shares (par value 10p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

24 SHARE CAPITAL (CONTINUED)

Allotment of ordinary shares

During the year 2,767,632 ordinary shares were allotted to satisfy vestings/exercises under the Group's various share schemes as follows:

Ordinary shares of 10p	Number of shares	Consideration £m
Executive Share Options – exercises	931,462	22
Restricted Shares Awards – vesting	1,493,061	-
Total under Executive Share Option and Restricted Share Schemes	2,424,523	22
Senior Executives Share Ownership Policy Plan – vesting	70,000	-
Savings-Related Share Option Schemes – exercises	273,109	5
Total	**2,767,632**	**27**

Market purchases of shares

During 2011, there were no repurchases of shares (2010: nil). No treasury shares have been used to satisfy vestings/exercises during the year under the Group's various share schemes (2010: 2,441,842). The balance of treasury shares held at 31 December 2011 is nil (2010: nil).

Options and restricted shares granted during the year

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

	Price to be paid £	Number of shares under option
Senior Executive Share Ownership Policy Plan	–	40,000
Long-Term Incentive Plan 2007 – share options	32.09	4,020,400
Long-Term Incentive Plan 2007 – restricted shares	–	2,010,200
Total		**6,070,600**
Savings-related share option schemes		
UK Scheme	27.57	177,850
USA Scheme	27.99	243,704
Overseas Scheme	27.99	1,132,767
Total		**1,554,321**

Options and restricted shares unvested/unexercised at 31 December 2011

Options and restricted shares which have vested or may vest at various dates between 2012 and 2020 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2011**	2010
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	9.50	18.10	**1,310,801**	1,565,075
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	**1,516,358**	1,743,730
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – restricted shares		–	**–**	1,449,177
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	34.64	**16,590,772**	13,797,292
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	**6,462,961**	5,017,134
Reckitt Benckiser Senior Executives Share Ownership Policy Plan		–	**100,000**	130,000
			25,980,892	23,702,408

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	**2011**	2010
UK Scheme	13.71	27.57	**754,823**	651,679
USA Scheme	21.24	27.99	**722,362**	653,105
Overseas Scheme	21.95	27.99	**1,975,152**	1,058,240
Total			**3,452,337**	2,363,024

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.

25 SHARE BASED REMUNERATION

The Group operates a number of incentive schemes, including a share option scheme, a restricted share scheme, and other share award schemes. All schemes are equity settled.

Executive Share Awards

Share options and restricted shares (Executive Share Awards) are awarded to the Top 400 Management Group. Executive share awards have a contractual life of ten years but vest according to the following compound average annual growth (CAAG) rates in earnings per share (EPS) over a three-year period:

CAAG 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 cost is spread over the three years of the performance period.

Other Share Awards

Other share awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Other share awards have contractual lives of either three, five or seven years and are generally not subject to any vesting criteria other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore have been aggregated in the tables below.

All outstanding Executive and Other share awards as at 31 December 2011 and 31 December 2010 are included in the tables below which analyse the charge for 2011 and 2010. 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	8 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.46
2005	6 December 2004	15.47	2005-07	15.44	23	2.3	4	4.88	2.99
2006	5 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.33
2007	8 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	8 December 2008	27.29	2009-11	27.80	25	3.1	4	2.78	4.69
2010	7 December 2009	31.65	2010-12	31.80	26	3.5	4	1.69	4.70
2011	1 December 2010	34.64	2011-13	34.08	26	4.3	4	2.16	4.49
2012	5 December 2011	32.09	2012-14	32.19	25	5.4	4	1.00	3.18
Restricted shares									
2006	5 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.38
2007	8 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	8 December 2008	–	2009-11	27.80	25	3.1	4	2.78	24.31
2010	7 December 2009	–	2010-12	31.80	26	3.5	4	1.69	27.23
2011	1 December 2010	–	2011-13	34.08	26	4.3	4	2.16	28.22
2012	5 December 2011	–	2012-14	32.19	25	5.4	4	1.00	25.30

25 SHARE BASED REMUNERATION (CONTINUED)

Table 2: Share awards expense 2011

			Movement in number of options						
Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2011 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2011 number	Total fair value of grant as at 31 Dec 2011 £m	Charge for 2011 £m
Share options									
2002	17 December 2001	1.95	22,843	–	–	(22,843)	–	–	–
2003	22 November 2002	2.05	149,811	–	–	(82,492)	67,319	–	–
2004	8 December 2003	2.46	284,000	–	–	(21,000)	263,000	1	–
2005	6 December 2004	2.99	443,450	–	–	(44,939)	398,511	1	–
2006	5 December 2005	3.33	664,971	–	–	(83,000)	581,971	2	–
2007	8 December 2006	4.23	1,743,730	–	(2,000)	(225,372)	1,516,358	6	–
2008	11 December 2007	5.99	3,213,685	1,283	(11,899)	(412,400)	2,790,669	17	–
2009	8 December 2008	4.69	3,129,345	924	(104,473)	(34,462)	2,991,334	14	4
2010	7 December 2009	4.70	3,424,162	–	(189,886)	(4,954)	3,229,322	15	5
2011	1 December 2010	4.49	4,030,100	(373,250)	(97,803)	–	3,559,047	16	6
2012	5 December 2011	3.18	–	4,020,400	–	–	4,020,400	13	–
Restricted shares									
2008	11 December 2007	27.56	1,449,177	–	(5,000)	(1,444,177)	–	–	–
2009	8 December 2008	24.31	1,427,350	–	(45,334)	(43,100)	1,338,916	33	11
2010	7 December 2009	27.23	1,589,734	–	(90,120)	(5,784)	1,493,830	41	13
2011	1 December 2010	28.22	2,000,050	(334,150)	(45,885)	–	1,620,015	46	16
2012	5 December 2011	25.30	–	2,010,200	–	–	2,010,200	51	–
Other share awards									
UK SAYE	Various	Various	651,679	321,297	(88,724)	(129,429)	754,823	n/a	1
US SAYE	Various	Various	653,105	243,704	(85,416)	(89,031)	722,362	n/a	2
Overseas SAYE	Various	Various	1,058,240	1,157,569	(186,008)	(54,649)	1,975,152	n/a	2
SOPP	Various	Various	130,000	40,000	–	(70,000)	100,000	n/a	1
Total									61
Weighted average exercise price (share options)			£28.75	£31.83	£31.14	£23.54	£29.53		

25 SHARE BASED REMUNERATION (CONTINUED)

Table 3: Share awards expense 2010

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2010 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2010 number	Total fair value of grant as at 31 Dec 2010 £m	Charge for 2010 £m
			Movement in number of options						
Share options									
2002	17 December 2001	1.95	45,743	–	–	(22,900)	22,843	–	–
2003	22 November 2002	2.05	317,130	–	–	(167,319)	149,811	–	–
2004	8 December 2003	2.46	583,118	–	–	(299,118)	284,000	1	–
2005	6 December 2004	2.99	809,631	–	–	(366,181)	443,450	1	–
2006	5 December 2005	3.33	1,396,486	–	(2,000)	(729,515)	664,971	2	–
2007	8 December 2006	4.23	3,595,059	2,000	(7,769)	(1,845,560)	1,743,730	7	–
2008	11 December 2007	5.99	3,511,053	2,000	(129,608)	(169,760)	3,213,685	19	6
2009	8 December 2008	4.69	3,324,897	–	(161,227)	(34,325)	3,129,345	15	5
2010	7 December 2009	4.70	4,020,400	–	(596,238)	–	3,424,162	16	5
2011	1 December 2010	4.49	–	4,030,100	–	–	4,030,100	18	–
Restricted shares									
2007	8 December 2006	21.02	1,677,441	1,001	(4,501)	(1,673,941)	–	–	–
2008	11 December 2007	27.56	1,606,028	1,000	(60,239)	(97,612)	1,449,177	40	13
2009	8 December 2008	24.31	1,526,521	–	(77,633)	(21,538)	1,427,350	35	11
2010	7 December 2009	27.23	1,992,700	–	(402,966)	–	1,589,734	43	14
2011	1 December 2010	28.22	–	2,000,050	–	–	2,000,050	57	–
Other share awards									
UK SAYE	Various	Various	684,155	134,141	(54,874)	(111,743)	651,679	n/a	1
US SAYE	Various	Various	831,186	146,510	(101,239)	(223,352)	653,105	n/a	2
Overseas SAYE	Various	Various	1,242,823	3,483	(147,330)	(40,736)	1,058,240	n/a	3
SOPP	Various	Various	130,000	20,000	(10,000)	(10,000)	130,000	n/a	1
Total									62
Weighted average exercise price (share options)			£25.66	£34.63	£30.44	£19.91	£28.75		

For options outstanding at year end the weighted average remaining contractual life is 5.59 years (2010: 6.14 years). Options outstanding at 31 December 2011 that could have been exercised at that date were 5,617,828 (2010: 3,308,805).

Notes

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 2011 or 2010 for the purposes of the valuation.

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

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

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

National Insurance contributions are payable in respect of certain share based payments transactions and are treated as cash-settled transactions.

Any additional terms of these shares are shown in the Directors' Remuneration Report on pages 29 to 35.

The weighted average share price for the year was £33.07 (2010: £33.75).

26 RETAINED EARNINGS AND OTHER RESERVES

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £4,137m (2010: £4,249m). The reserves of subsidiary undertakings have generally been retained to finance their businesses.

Reserves

The merger reserve relates to the 1999 combination of Reckitt & Colman plc and Benckiser N.V. and a Group reconstruction in 2007 treated as a merger under Part 27 of the Companies Act 2006.

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

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

27 NON-CONTROLLING INTERESTS

	2011 £m	2010 £m
At 1 January	**72**	2
Non-controlling interests arising on business combinations	**1**	67
Net income	**9**	2
Dividends	**(7)**	–
Net exchange adjustments on foreign currency translation, net of tax	**(5)**	1
As at 31 December	**70**	72

28 RELATED PARTY TRANSACTIONS

The Group's subsidiary in Zimbabwe (Reckitt Benckiser (Zimbabwe) (Private) Limited) is now consolidated as noted in the accounting policies. Therefore transactions between the Group and Reckitt Benckiser (Zimbabwe) (Private) Limited are no longer classified as related party transactions.

Following the acquisition of SSL, the Group has transacted with the non-controlling interest holding group of SSL-TTK Limited and TTK-LIG Limited. The Group has made sales of £1m (2010: £2m), and has paid packing charges and other charges of £1m (2010: £1m) to the minority group. At 31 December 2011 the Group had receivable balances of less than £1m (2010: £2m) and payable balances of less than £1m (2010: less than £1m) with the minority group. The Group also transacted with the non-controlling interest of OOO Medcom MP. The Group has paid rental charges of less than £1m (2010: less than £1m) to the minority group. At 31 December the Group had payable balances of less than £1m (2010: less than £1m) with the minority group.

No provision for receivables has been made in respect of these balances (2010: £nil). No bad debts arose during the period (2010: £nil) relating to these transactions.

There are no other significant related party transactions in 2011 (2010: none).

Key management compensation is disclosed in note 5a.

The principal subsidiary undertakings included in the consolidated financial statements at 31 December 2011 are disclosed in note 2 to the parent company financial statements.

29 BUSINESS ACQUISITIONS

a. Acquisition of SSL International plc (SSL)

On 29 October 2010 the Group obtained control of SSL by acquiring 100% of the issued share capital for a consideration of £2.5bn. SSL is a global manufacturer and distributor of health care products enabling the Group to increase its presence in the health & personal care sector through the acquisition. This transaction has been accounted for by the acquisition method of accounting.

The fair values of the identifiable assets and liabilities at the date of acquisition were provisionally estimated and disclosed in the 2010 Annual Report and Financial Statements. The table below sets out the movements from the provisional fair values detailed in the 2010 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 impact of valuation assessments of certain property, plant and equipment and computer software, accruals for trade related expenses and returned inventory, provisions for legal matters, onerous contracts, tax liabilities and recognition of related deferred tax assets.

These adjustments have been recorded as a prior year restatement of the balance sheet of the Group as at 31 December 2010. There is no impact to the Group income statement for the year ended 31 December 2010.

	Provisional fair values at acquisition date £m	Additional fair value adjustments £m	Final fair values at acquisition date £m
Intangible assets	2,293	(7)	2,286
Property, plant and equipment	55	(5)	50
Deferred tax assets	34	5	39
Inventories	98	(3)	95
Trade and other receivables	228	(4)	224
Cash & cash equivalents	57	–	57
Trade and other payables	(195)	(18)	(213)
Borrowings	(311)	–	(311)
Deferred tax liabilities	(601)	21	(580)
Retirement benefit obligations	(86)	–	(86)
Provisions for liabilities and charges	(30)	(52)	(82)
Non-current tax liabilities	(25)	(31)	(56)
Net assets acquired	1,517	(94)	1,423
Non-controlling interests	(67)	–	(67)
Goodwill	1,073	94	1,167
Total consideration transferred	2,523	–	2,523
Total cash consideration	2,523	–	2,523
Total consideration transferred	2,523	–	2,523

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

29 BUSINESS ACQUISITIONS (CONTINUED)

b. Acquisition of Paras Pharmaceuticals Limited (Paras)

On 11 April 2011, the Group obtained control of Paras by acquiring 100% of the issued share capital for a consideration of INR 32.7 billion (Indian rupees), approximately £455m. Paras was a privately owned Indian company with a portfolio of leading Indian over-the-counter health & personal care brands enabling the Group to advance its growth strategy in this market. This transaction has been accounted for by the acquisition method of accounting.

From the date of acquisition to 31 December 2011 the acquisition contributed £49m to net revenue. Had the acquisition taken place at 1 January 2011 the enlarged Group would show consolidated net revenue of £9,497m for the year ended 31 December 2011.

Operating profit is not separately disclosed for Paras as, in the view of the Directors, it is not practicable to identify its operating profit following its integration into the commercial infrastructure of the Group.

The table below sets out the consideration paid and the movements from the provisional fair values detailed in the June 2011 Half Year Condensed Financial Statements and the updated final fair values at acquisition date. The adjustments made to the provisional fair values at acquisition date relate to the impact of valuation assessments on inventory and the recognition of deferred tax liabilities.

These adjustments have no impact on the balance sheet of the Group as at 31 December 2010 or the Group income statement for the year ended 31 December 2010.

	Provisional fair values at acquisition date £m	Additional fair value adjustments £m	Final fair values at acquisition date £m
Intangible assets	305	–	305
Property, plant and equipment	5	–	5
Inventories	4	(1)	3
Trade and other receivables	2	–	2
Cash and cash equivalents	7	–	7
Trade and other payables	(18)	–	(18)
Deferred tax liabilities	(92)	(9)	(101)
Net assets acquired	213	(10)	203
Goodwill	242	10	252
Total consideration transferred	455	–	455
Total cash consideration	455	–	455
Total consideration transferred	455	–	455

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

The fair value of receivables is £2m and includes trade receivables with a fair value of £1m. The gross contractual amount for trade receivables due is £1m which is expected to be collectible.

Goodwill represents the growth potential of the business, the creation of a material health care business in India's large and growing health care market and the global synergies available to the Group. None of the goodwill is expected to be deductible for income tax purposes.

Intangible assets represent brands acquired. All assets and liabilities are included within the Developing Markets reportable segment.

c. Acquisition of Shanghai Manon Trading Company Limited (Manon)

On 4 February 2011 the Group acquired a 50.1% interest in Manon for cash consideration of £8m and secured a non-compete agreement for cash consideration of £6m. Manon has been determined to be a subsidiary undertaking of the Group from the date of acquisition of the initial 50.1% shareholding. Net cash acquired on acquisition was £2m.

The Group has entered into a forward contract to purchase the remaining shares of Manon. This contract created a financial liability at the date of acquisition which was valued at £29m, being the present value of forecast cash outflows related to the purchase of the remaining shares. The carrying value of the financial liability at 31 December 2011 is £34m and is included in other non-current liabilities in the Group balance sheet.

A non-controlling interest has been recognised for the remaining 49.9% shareholding.

30 DIVIDENDS

	2011 £m	2010 £m
Dividends on equity ordinary shares:		
2010 Final paid: 65.0p (2009: Final 57.0p) per share	**472**	411
2011 Interim paid: 55.0p (2010: Interim 50.0p) per share	**401**	362
Total dividends for the year	**873**	773

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 70.0p per share which will absorb an estimated £510m of Shareholders' funds. If approved by Shareholders it will be paid on 31 May 2012 to Shareholders who are on the register on 24 February 2012.

31 POST BALANCE SHEET EVENTS

Share capital issued since 31 December 2011

In the period 31 December 2011 to 2 March 2012 the parent company has issued 1,223,970 ordinary shares.

Five-year summary

Income statement	2011 £m	2010 (restated)[1] £m	2009 £m	2008 £m	2007 £m
Net revenue	**9,485**	8,453	7,753	6,563	5,269
Operating profit	**2,395**	2,130	1,891	1,505	1,233
Operating profit before exceptional items	**2,487**	2,231	1,891	1,535	1,190
Exceptional Items	**(92)**	(101)	–	(30)	43
Operating profit	**2,395**	2,130	1,891	1,505	1,233
Net finance (expense)/income	**(19)**	6	1	(31)	(24)
Profit on ordinary activities before tax	**2,376**	2,136	1,892	1,474	1,209
Tax on profit on ordinary activities	**(622)**	(566)	(474)	(354)	(271)
Attributable to non-controlling interests	**(9)**	(2)	–	–	–
Net income	**1,745**	1,568	1,418	1,120	938
Ordinary dividends	**(873)**	(773)	(648)	(441)	(358)
Net income after deducting dividends	**872**	795	770	679	580
Balance sheet					
Non current assets	**11,188**	10,787	6,891	7,228	4,426
Net current liabilities (excluding current liability provisions)	**(2,702)**	(2,935)	(1,033)	(2,189)	(946)
Total assets less current liabilities (excluding current liability provisions)	**8,486**	7,852	5,858	5,039	3,480
Liabilities due after more than one year:					
Borrowings and tax and other non-current liabilities	**(253)**	(220)	(182)	(153)	(148)
Provisions for liabilities and charges[2] (including current liability provisions)	**(2,452)**	(2,502)	(1,662)	(1,592)	(947)
Non-controlling interests	**(70)**	(72)	(2)	(2)	(2)
Total equity attributable to owners of the parent	**5,711**	5,058	4,012	3,292	2,383
Statistics					
Reported basis					
Operating profit to net revenue	**25.3%**	25.2%	24.4%	22.9%	23.4%
Total interest to operating profit (times covered)	**126.1x**	n/a	n/a	48.5x	51.4x
Tax rate	**26.2%**	26.5%	25.0%	24.0%	22.4%
Dividend cover[3]	**2.0x**	2.0x	2.2x	2.5x	2.6x
Adjusted basis[4]					
Operating profit to net revenue	**26.2%**	26.4%	24.4%	23.4%	22.6%
Total interest to operating profit (times covered)	**130.9x**	n/a	n/a	49.5x	49.6x
Dividend cover[3]	**2.1x**	2.1x	2.2x	2.6x	2.5x
Dividends per ordinary share	**120p**	107p	91p	62p	50p

[1] See note 29 of the Group financial statements for further details.

[2] Provisions for liabilities and charges includes deferred tax liabilities, retirement benefit obligations and restructuring provisions.

[3] Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends paid.

[4] Adjusted basis is calculated by deducting the exceptional items from profit for the year.

We have audited the parent company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2011 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 28, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This Report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this Report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

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 2011;
- 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 2011.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2012

Parent company balance sheet

As at 31 December	Notes	2011 £m	2010 £m
Fixed assets			
Investments	2	**14,637**	14,589
Current assets			
Debtors due within one year	3	**46**	30
Debtors due after more than one year	4	**7**	10
		53	40
Current liabilities			
Creditors due within one year	5	**(3,084)**	(2,182)
Net current liabilities		**(3,031)**	(2,142)
Total assets less current liabilities		**11,606**	12,447
Net assets		**11,606**	12,447
EQUITY			
Capital and reserves			
Called up share capital account	6	**73**	73
Share premium account	7	**86**	59
Profit and loss reserve account	7	**11,447**	12,315
Total Shareholders' funds		**11,606**	12,447

The financial statements on pages 77 to 82 were approved by the Board of Directors on 9 March 2012 and signed on its behalf by:

Adrian Bellamy
Director

Rakesh Kapoor
Director

1 PARENT COMPANY ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

As permitted by s.408 of the Companies Act 2006, no profit and loss account is presented for Reckitt Benckiser Group plc.

Foreign Currency Translation

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

Taxation

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

A net deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Fixed Assets

Fixed asset investments are stated at the lower of cost and their recoverable amount, which is determined as the higher of net realisable value and value in use. A review for the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11, 'Impairment of Fixed Assets and Goodwill'.

Employee Share Schemes

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

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

Debtors

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

Share 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 the profit and loss account to the capital redemption reserve.

Cash Flow Statement

Reckitt Benckiser Group plc has presented a Group cash flow statement in its Annual Report and Financial Statements 2011, therefore as permitted by FRS 1 (revised 1996), '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 2011	14,589
Additions during the year	48
At 31 December 2011	**14,637**
Provision for impairment:	
At 1 January 2011	–
Provided for during the year	–
At 31 December 2011	**–**
Net book amounts:	
At 1 January 2011	14,589
At 31 December 2011	**14,637**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2011, 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
Reckitt Benckiser (Australia) Pty Limited	Household, health & personal care	Australia	Ordinary 100
Reckitt Benckiser (Brasil) Limitada	Household, health & personal care	Brazil	Ordinary 100
Reckitt Benckiser (Canada) Inc.	Household, health & personal care and food	Canada	Ordinary 100
Reckitt Benckiser Deutschland GmbH	Household, health & personal care	Germany	Ordinary 100
Reckitt Benckiser España SL	Household, health & personal care	Spain	Ordinary 100
Reckitt Benckiser France SAS	Household, health & personal care	France	Ordinary 100
Reckitt Benckiser Healthcare (UK) Limited	Household, health & personal care	UK	Ordinary 100
Reckitt Benckiser LLC	Household, health & personal care and food	USA	Ordinary 100
Reckitt Benckiser Pharmaceuticals Inc.	Pharmaceuticals	USA	Ordinary 100
Reckitt Benckiser (India) Limited	Household, health & personal care	India	Ordinary 100
Reckitt Benckiser Italia SpA	Household, health & personal care	Italy	Ordinary 100
Reckitt Benckiser South Africa (Pty) Limited	Household, health & personal care	South Africa	Ordinary 100
Reckitt Benckiser Arabia FZE	Household, health & personal care	UAE (Dubai)	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

	2011 £m	2010 £m
Amounts owed by Group undertakings	**46**	30

Amounts owed by Group undertakings are unsecured, interest-free and are repayable on demand.

4 DEBTORS DUE AFTER MORE THAN ONE YEAR

	2011 £m	2010 £m
Deferred tax assets	**7**	10

Deferred tax assets consist of short-term timing differences.

5 CREDITORS DUE WITHIN ONE YEAR

	2011 £m	2010 £m
Amounts owed to Group undertakings	**3,080**	2,176
Other tax and social security	**4**	6
	3,084	2,182

Included in the amounts owed to Group undertakings is an amount of £3,064m (2010: £2,151m) which is unsecured, carries interest at LIBOR and is repayable on demand. All other amounts owed to Group undertakings are unsecured, interest–free and are repayable on demand.

6 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2011	725,853,970	73	2	–
Allotments	2,767,632	–	–	–
At 31 December 2011	**728,621,602**	**73**	**2**	**–**

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

For details of the movement in ordinary shares during 2011 see note 24 of the Group Financial Statements on page 68.

The holders of ordinary shares (par value 10p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year:				
At 1 January 2011	73	59	12,315	12,447
Loss for the year			(56)	(56)
Dividends			(873)	(873)
Shares allotted under share schemes		27		27
Capital contribution in respect of share-based payments			50	50
Share based payments			11	11
At 31 December 2011	**73**	**86**	**11,447**	**11,606**

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year:				
At 1 January 2010	72	–	13,184	13,256
Loss for the year			(178)	(178)
Dividends			(773)	(773)
Shares allotted under share schemes	1	59		60
Capital contribution in respect of share-based payments			49	49
Share based payments			13	13
Treasury shares reissued			20	20
At 31 December 2010	73	59	12,315	12,447

Reckitt Benckiser Group plc has £11,219m (2010: £12,138m) of its profit and loss reserve available for distribution.

During 2011, there were no repurchases of shares (2010: nil). No treasury shares have been used to satisfy vestings/exercises during the year under the Group's various share schemes (2010: 2,441,842). The balance of treasury shares held at 31 December 2011 is nil (2010: nil).

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 70.0p per share which will absorb an estimated £510m of Shareholders' funds if approved by the Shareholders. It will be paid on 31 May 2012 to Shareholders who are on the register on 24 February 2012.

Other post balance sheet events are described in note 31 on page 74 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 2011 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 2011 is shown in note 25 of the Group Financial Statements on pages 69 to 71.

Table 1: Share awards expense 2011

				Movement in number of options					
Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2011 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2011 number	Total fair value of grant as at 31 December 2011 £m	Charge for the period ended 2011 £m
Share options									
2007	8 December 2006	4.23	800,000	–	–	–	800,000	3	–
2008	11 December 2007	5.99	720,000	–	–	(120,000)	600,000	4	–
2009	8 December 2008	4.69	720,000	–	(26,923)	–	693,077	3	1
2010	7 December 2009	4.70	720,000	–	(66,923)	–	653,077	3	1
2011	1 December 2010	4.49	600,000	–	–	–	600,000	3	1
2012	5 December 2011	3.18	–	490,000	–	–	490,000	2	–
Restricted shares									
2008	11 December 2007	27.56	360,000	–	–	(360,000)	–	–	–
2009	8 December 2008	24.31	360,000	–	(13,462)	–	346,538	8	2
2010	7 December 2009	27.23	360,000	–	(33,462)	–	326,538	9	3
2011	1 December 2010	28.22	300,000	10,000	–	–	310,000	9	3
2012	5 December 2011	25.30	–	245,000	–	–	245,000	6	–
Other share awards									
UK SAYE	4 September 2006	6.61	1,011	–	–	–	1,011	n/a	–
Total									11
Weighted average exercise price			£28.78	£32.09	£30.40	£29.44	£29.15		

Table 2: Share awards expense 2010

				Movement in number of options					
Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2010 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2010 number	Total fair value of grant as at 31 December 2010 £m	Charge for the period ended 2010 £m
Share options									
2007	8 December 2006	4.23	960,000	–	–	(160,000)	800,000	3	–
2008	11 December 2007	5.99	720,000	–	–	–	720,000	4	1
2009	8 December 2008	4.69	720,000	–	–	–	720,000	3	1
2010	7 December 2009	4.70	720,000	–	–	–	720,000	3	1
2011	1 December 2010	4.49	–	600,000	–	–	600,000	3	–
Restricted shares									
2007	8 December 2006	21.02	480,000	–	–	(480,000)	–	–	–
2008	11 December 2007	27.56	360,000	–	–	–	360,000	10	3
2009	8 December 2008	24.31	360,000	–	–	–	360,000	9	3
2010	7 December 2009	27.23	360,000	–	–	–	360,000	10	3
2011	1 December 2010	28.22	–	300,000	–	–	300,000	9	–
Other share awards									
UK SAYE	04 September 2006	6.61	1,564	–	–	(553)	1,011	n/a	–
Total									13
Weighted average exercise price			£27.34	£34.64		£22.57	£28.78		

Further details of the share awards relating to the relevant Directors are set out in the Directors' Remuneration Report on pages 29 to 35.

For details of the contractual life, performance criteria, valuation assumptions and volatility of the share awards, please refer to note 25 of the Group financial statements.

The weighted average remaining contractual life of the outstanding options is 5.59 years (2010: 6.14 years).

The weighted average share price for the year was £33.07 (2010: £33.75).

9 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m (2010: £0.05m).

10 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within Financial Reporting Standard No. 8 'Related Party Disclosures' not to disclose related party transactions with wholly owned subsidiaries of the Reckitt Benckiser Group. There were no other related party transactions (2010: none).

11 CONTINGENT LIABILITIES

The Company has issued a guarantee to the Trustees of the Reckitt Benckiser Pension Fund covering the obligations of certain UK subsidiaries of the Group who are the sponsoring employers of the UK defined benefit pension fund. The guarantee covers any amounts due to the pension fund from these subsidiaries if they fail to meet their pension obligations.

Other contingent liabilities are disclosed in note 20 of the Group Financial Statements.

Notes

Electronic Communications

The Shareholders passed a resolution at the 2008 AGM enabling the Company's website to be used as the primary means of communication with them. Shareholders who have positively elected, or are deemed to have consented, to receiving electronic communications in accordance with the Companies Act 2006 will receive written notification whenever Shareholder documents are available to view on the Company's website.

Shareholders who have received a notice of availability of a document on the Company's website are entitled to request free of charge from the Registrar, Computershare, a hard copy of any such document at any time. Shareholders can also revoke their consent to receive electronic communications at any time by contacting Computershare.

The electronic communication arrangements provide Shareholders with the opportunity to access information in a timely manner and help the Company to reduce both its costs and its impact on the environment.

The Company's 2011 Annual Report and Notice of the 2012 AGM are available to view at www.rb.com/online-annual-report-2011. Shareholders are encouraged to visit the website for information on strategy and business performance, products and industry information as well as the Company's corporate responsibility initiatives.

The Investor Relations section of the website contains up-to-date information for Shareholders including:

- Detailed share price information;
- Financial results;
- Dividend payment dates and amounts;
- Access to Shareholder documents including the Annual Report; and
- Share capital information.

Annual General Meeting

To be held on Thursday, 3 May 2012 at 11.15 am at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex, UB3 5AN.

Every Shareholder is entitled to attend and vote at the meeting. The notice convening the meeting is contained in a separate document for Shareholders.

Shareholders who have registered for electronic communication can:

- Receive an email alert when Shareholder documents are available;
- View the Annual Report and Notice of AGM on the day they are published;
- Cast their AGM vote electronically; and
- Manage their shareholding quickly and securely online.

Final Dividend for the Year ended 31 December 2011

The Directors have recommended a final dividend of 70p per share, for the year ended 31 December 2011. Subject to approval at the 2012 AGM, payment will be on 31 May 2012 to all Shareholders on the register as at 24 February 2012.

Company Secretary

Elizabeth Richardson

Registered office

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

Registered and domiciled in England

No. 6270876

Company status

Public Limited Company

Auditors

PricewaterhouseCoopers LLP

Solicitors

Slaughter and May

Registrar and Transfer Office

The Company's Registrar, Computershare, is responsible for maintaining and updating the Shareholder register and making dividend payments.

If you have any queries relating to your shareholding please write to, or telephone, the Company's Registrar at the following address:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

Reckitt Benckiser Shareholder helpline: 0870 703 0118

Website: www.computershare.com/uk

Key Dates

Announcement of quarter 1 interim management statement	1 May 2012
Annual General Meeting	3 May 2012
Payment of final ordinary dividend	31 May 2012
Announcement of interim results	30 July 2012
Payment of interim ordinary dividend	September 2012
Announcement of quarter 3 interim management statement	24 October 2012
Preliminary announcement of 2012 results	February 2013
Publication of 2012 Annual Report and Accounts	April 2013
Annual General Meeting	May 2013

Analysis of Shareholders as at 31 December 2011

Distribution of shares by type of Shareholder	No. of holdings	Shares
Nominees and Institutional Investors	9,273	709,858,133
Individuals	15,457	18,763,469
Total	**24,730**	**728,621,602**

Size of shareholding	No. of holdings	Shares
1 – 500	14,401	3,090,906
501 – 1,000	4,492	3,297,112
1,000 – 5,000	4,158	8,531,207
5,001 – 10,000	476	3,363,579
10,001 – 50,000	550	12,422,127
50,001 – 100,000	189	13,479,148
100,001 – 1,000,000	370	128,290,976
1,000,000 and above	94	556,146,547
Total	**24,730**	**728,621,602**

'Boiler Room' Scams

Companies have become aware that their Shareholders have received phone calls or correspondence concerning investment matters. These are typically overseas-based 'brokers' who target UK Shareholders, offering to sell them what often turn out to be worthless or high-risk shares in UK or overseas investments. These operations are commonly known as 'boiler room' scams.

Shareholders who are offered unsolicited investment advice, discounted shares, a premium price for shares, or free company or research reports, should take these steps before handing over any money:

1. Get the name of the person and organisation.
2. Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the Register or if they are out of date.
5. Search the FSA's list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER:** if it sounds too good to be true, it probably is!

Using an unauthorised firm to buy or sell shares or other investments will prohibit access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

This report is part of an integrated approach to reporting our total performance. Our family of reports also includes the Annual Report Highlights, the Sustainability Report on our social and environmental responsibilities, and regularly updated corporate responsibility information at **www.rb.com**

Left: Annual Report Highlights 2011

Right: Sustainability Report 2010 (2011 Report to be published at www.rb.com)

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