THE REPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

WE ARE **PASSIONATE** ABOUT DELIVERING BETTER SOLUTIONS IN HOUSEHOLD CLEANING AND HEALTH & PERSONAL CARE TO CUSTOMERS AND CONSUMERS, WHEREVER THEY MAY BE, FOR THE ULTIMATE **PURPOSE** OF CREATING SHAREHOLDER VALUE.

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THE REPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

REPORT OF THE DIRECTORS

The Directors submit their fifty-third Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2005.

Review of the activities and development of the Group's business
The principal activities continue to be the manufacture and sale of household and healthcare products.

A review of the results for the year ended 31 December 2005 and of the year's activities appears under the Financial Review on pages 7 to 9 and in the income statement on page 20. The Directors endorse the content of that review.

In July 2005, the Directors resolved to pay an interim dividend of 18p per ordinary share (2004 16p). The dividend was paid on 29 September 2005. The Directors are recommending a final dividend for the year of 21p per share (2004 18p), which, together with the interim dividend, makes a total for the year of 39p per share (2004 34p). The final dividend, if approved by the shareholders, will be paid on 25 May 2006 to ordinary shareholders on the register at the close of business on 3 March 2006.

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

Research and development
The Group continues to carry out research and development in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on research and development in 2005 amounted to £63m (2004 £62m).

Acquisitions and disposals
As detailed in Note 29 to the accounts, in October 2005 the Group entered into an agreement with Boots Group plc to purchase the Boots Healthcare International business. Following regulatory clearance this transaction completed on 31 January 2006.

There have been no material disposals during the year.

Employees
During 2005, the Group employed an average of 20,300 (2004 19,900) people worldwide, of whom 1,400 (2004 1,300) were employed in the UK. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

It is essential to the continued improvement in efficiency and productivity throughout the Group that each employee understands the Company's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the management process. A continuing programme of training and development reinforces the Group's commitment to employee involvement.

The Board encourages employees to become shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Sharesave schemes across the world now give more employees the opportunity to acquire shares in the Company by means of regular savings. Following the approval of shareholders at the AGM held in May 2005, new Sharesave schemes were launched worldwide during the Summer of 2005.

Share capital
Details of changes to the ordinary shares issued, and of options and awards granted, during the year are set out in Note 20 to the accounts.

As described in the Chairman's statement on page 3 in the separately published Shareholders' Review and Summary Financial Statement 2005 a rolling share buy back programme has continued throughout 2005. Details of market purchases made, under the authority given to the Directors by shareholders at the Annual General Meeting held on 5 May 2005 to make such purchases up to a maximum of 72,500,000 shares, are given in Note 20 on page 40.

A resolution seeking to renew this authority will be put to shareholders at the Annual General Meeting (AGM) on 4 May 2006.

Directors
Information regarding the Directors of the Company who were serving on 31 December 2005 and those serving at the date of this report is set out on page 15 in the separately published Shareholders' Review and Summary Financial Statement 2005. Further biographical details of all Directors are available from the Company's website.

During the year there were the following changes to the Board of Directors. Ana Maria Llopis and Hans van der Wielen resigned at the conclusion of the AGM held on 5 May 2005. Graham Mackay and Gerard Murphy joined the Board as Non-Executive Directors on 25 February 2005 and 20 June 2005 respectively. As Dr Murphy's appointment was made subsequent to the date of the 2005 AGM, he will offer himself for election at this year's AGM.

Bart Becht and Peter Harf retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

George Greener has served on the Board for more than nine years and under the Combined Code, is therefore obliged to offer himself for re-election on an annual basis. Dr Greener has advised that he will not be offering himself for re-election at the AGM in 2006 and accordingly will step down from the Board at the conclusion of the AGM.

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 the Directors' service agreements are given on page 15.

Corporate governance
The Company recognises the importance of high standards of corporate governance. It understands, supports and has applied the principles set out in the Combined Code on Corporate Governance, as issued in July 2003, and has complied with the great majority of the detailed provisions contained in the Code. The ways in which the Company applies these principles, and the few provisions with which the Company does not consider that it is appropriate to comply, are set out in the appropriate sections of this Annual Report and Financial Statements.

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

The Board has identified Kenneth Hydon as the senior independent Non-Executive Director in accordance with provision A.3.3 of the Combined Code. The majority of Non-Executive Directors are independent, as recommended by the Combined Code. Judith Sprieser stepped down as Chief Executive of Transora, the consumer goods e-commerce exchange, in March 2005. The Board has always viewed Ms Sprieser as independent. Three of the Non-Executive Directors are not considered to be independent for all purposes: Adrian Bellamy, as Chairman of the Board, Peter Harf, because of the shareholding he represents and George Greener, since he has served as a Director for more than nine years.

The Company's policy is to allow Executive Directors one external directorship. As disclosed in the Directors' Remuneration Report, an exception has been made in the case of Colin Day and he has two external directorships, both on the boards of other FTSE100 companies which is not in accordance with Code provision A.4.5. The Board has made this exception on the basis that it is satisfied that Mr Day will continue to be able to devote sufficient time to the Company to fulfil his duties as CFO.

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

The Board meets a minimum of five times a year and will meet further as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. In 2005, there were five regular meetings. A statement of the Directors' attendance at these Board meetings, and at meetings of Board Committees on which they served during the year, is shown in Table 2 at the end of this report. In compliance with Code provision A.1.3 the Chairman holds a session with other Non-Executive Directors at the conclusion of each formal Board meeting without the Executive Directors present. The Chairman and other Non-Executive Directors devote sufficient time to the Company.

During the year the Board has carried out a formal evaluation of its performance and that of its Committees and individual Directors in accordance with Code provision A.6.1. The Board analysed responses from all Board members to a detailed questionnaire. Kenneth Hydon, as the senior independent Non-Executive Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues with input from both Executive Directors. The Nomination Committee has primary responsibility for reviewing the performance of individual Directors and in addition to this review process, the Chairman carried out an evaluation of the performance of individual Directors by face-to-face, one-on-one interviews. The Board is of the view that it is best placed to carry out such evaluations, without the need to employ the services of an outside consultancy, and that this is an appropriate and cost-effective procedure. The performance of the CEO, and of other members of the Executive Committee, is regularly reviewed by the Remuneration Committee of the Board.

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

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

Non-Executive Directors receive appropriate briefings on the Company and its operations around the world when they are appointed to the Board. They are encouraged to visit the Company's offices and factories, whenever the opportunity presents itself, where they can be briefed on the local business operations. The Board endeavours to hold one meeting each year at one of the operating units. Full, formal and tailored induction processes are put in place on appointment to the Board which retain flexibility to allow the new Director to have input to the induction process so that areas of particular interest to that Director can be accommodated.

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

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

The Executive Committee manages the day-to-day operations of the Company. Individual Executive Committee members hold global responsibility for specific operating functions including category development, supply, finance, human resources and information services. The three Area Executive Vice Presidents covering Europe, North America/Australia, and Developing Markets are also members of the Committee.

Committees of the Board
The Company has established three Committees of the Board, the terms of reference of which are available on the Company's website and upon request.

Audit Committee
The Audit Committee, chaired by Peter White, comprises three Non-Executive Directors. All members are independent Non-Executive Directors which complies with provision C.3.1 of the Combined Code. Kenneth Hydon has recent and relevant financial experience, having been Financial Director of Vodafone Group plc until July 2005. Gerard Murphy was appointed to the Audit Committee in July 2005. The Committee monitors the adequacy and effectiveness of the internal controls, compliance procedures and the Group's overall risk framework (including the Group's whistleblowing arrangements). It reviews the interim and full year financial statements before submission to the full Board and makes recommendations to the Board regarding the auditors and their terms of appointment. It reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. The CFO and other senior management attend by invitation. The Group's external auditors and the Group's Vice President, Internal Audit attend meetings and have direct access to the Committee. In evaluating its performance during the year, the Committee analysed responses from all Committee members to a detailed questionnaire.

Remuneration Committee
The Remuneration Committee, chaired by Judith Sprieser, meets regularly to review remuneration policy for Directors and senior Executives. The Committee also has responsibility for making decisions on the Chairman's remuneration. The Committee comprises three members, of whom two are considered independent as defined by the standards of the Combined Code. Accordingly the Company does not comply with provision B.2.1 of the Combined Code. Adrian Bellamy is not considered independent as he is the Chairman of Reckitt Benckiser plc. The Board is satisfied that the personal integrity and experience of Mr Bellamy makes him a highly effective member of the Board and the Remuneration Committee.

Nomination Committee
The Nomination Committee is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board of Directors. Upon recommendation of the Nomination Committee during 2005 two new Non-Executive Director appointments were made to the Board: Graham Mackay on 25 February 2005 and Gerard Murphy on 20 June 2005.

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

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

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

Throughout the year the Group has had in place an ongoing process for identifying, evaluating and managing the significant risks and opportunities faced by the Group and the Board has performed a specific assessment of internal control for the purpose of this Annual Report. The Group's control environment is supported by a Code of Business Conduct and a range of policies on corporate responsibility. Other key elements within the internal control structure are summarised as follows:

- The Board and management – the Board continues to approve strategy and performs an advisory and supervisory role with the day-to-day management of the Company being undertaken by the Executive Committee. The CEO and other Executive Committee members have clearly communicated the Group vision, strategy, operating constitutions, values and business objectives across the Group.
- Organisational structure – the Group operates three area management organisations, Europe, North America/Australia and Developing Markets and centralised functions covering category management, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control are embedded in the responsibilities of line Executives.
- Budgeting – there is an annual planning process whereby detailed operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and are reviewed by the Board on an annual basis.
- Management reporting – there is a comprehensive system of management reporting. The financial performance of operating units and the Group as a whole is monitored against budget on a monthly basis and is updated by periodic forecasts. Area and functional Executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities.
- Risk management – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented. To this end, key corporate risks include the ongoing development of the new product pipeline, protection of intellectual property, financial and business controls in emerging markets and continuing recruitment and retention of high-quality management.
- Operating unit controls – each operating unit maintains internal controls, which are appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of the Group are entered into after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects.
- Monitoring – the effectiveness of internal controls is monitored regularly through a combination of management review, self-assessment and internal and external audit. The results of external and internal audit reviews are reported to and considered by the Audit Committee, and actions are taken to address significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of internal control on behalf of the Board.

The Board confirms that reviews of the appropriateness and effectiveness of the system of internal control throughout the financial year have been satisfactorily completed in compliance with provision C.2.1 of the Combined Code. In particular major risks have been identified and ongoing monitoring procedures are in place.

Group policy in respect of non-audit services provided by external auditors

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

The external auditors report to the Audit Committee on the actions they take to comply with professional and regulatory requirements and with best practice designed to ensure their independence from the Group, including periodic rotation of the lead engagement audit partner. Details of non-audit services are set out in Note 3 on page 25.

Social, environmental and ethical (SEE) matters and reputational risk

The Board regularly considers and takes account of the significance of social, environmental and ethical (SEE) matters and their potential risks to the business of the Company, including reputational risk. The Board undertakes a formal review of such matters at least annually. Additionally, the Board's Audit Committee undertakes regular review of the arrangements for, and effectiveness of, risk management and internal audits; SEE matters and reputational risks are included within this.

The CEO is the Board member with specific responsibility for SEE matters. As part of established management processes, responsible functions report directly to the CEO on a regular basis. Key areas of control and performance are independently reviewed and verified by internal and external organisations, including Internal Audit, both as part of the Company's established management processes and in support of its annual non-financial reporting (which can be found on the Company's corporate website, at: www.reckittbenckiser.com).

The Board has concluded that there are limited material risks to the Company's short- and long-term value arising from SEE matters other than potential reputational issues common to enterprises with well-known brands.

The issues of potential reputational risk considered by the Board include:

- Industry sector/product safety risks: The household products and health & personal care sectors have a number of product and ingredient issues relating to concerns voiced over the long-term effects of household chemicals on human health and the environment. The Company has comprehensive management processes in place to ensure that our products are both suitable and safe for their intended use. Additionally, regulatory compliance and product safety issues are actively addressed by both national and regional industry associations, including those in Europe and North America/Australia. For example, the HERA (Human and Environmental Risk Assessment) project, established in 1999, is a voluntary industry programme of publicly available risk assessments on ingredients of household cleaning products (see: www.heraproject.com). As part of our commitment to make continual improvements in the environmental sustainability of our products and processes we have a number of programmes, above and beyond regulatory requirements, to systematically remove specific ingredients from Company product formulas and packaging specifications globally. Recent programmes include: the removal of nitro and polycyclic (artificial) musks from fragrances; the replacement of PVC packaging (where presently feasible); the replacement of formaldehyde preservatives; the removal of NPEs (Nonyl Phenol Ethoxylates)/APEs (Alkyl Phenol Ethoxylates) from fragrances and surfactants; and removing monoethylene series glycol ethers from use as solvents in fragrances and cleaning products.
- Supply chain risks: Most product 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 suppliers. The Company's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements / labour standards and health, safety and environmental management, in line with international guidelines, for both the Company and its suppliers. Management processes in place include Group, Area and Regional monitoring and auditing of compliance with the GMS requirements, including the external audit of our third-party manufacturers.

- Product quality risks: Failures in product quality controls could potentially lead to damage to the reputation of, and trust in, the Company's brands. The Company has established quality management processes, including Group, Area and Regional Quality Assurance functions that work with and monitor product quality globally.

The Board believes that it receives adequate information and training on SEE matters and associated potential reputational risks through its annual review of such matters. Further information on SEE matters is available in the Company's annual Sustainability Report, available at: www.reckittbenckiser.com

Corporate responsibility
Information on the Company's management of corporate responsibility issues is provided on page 11 in the separately published Shareholders' Review and Summary Financial Statement.

Relations with shareholders
The Board is committed to effective communication between the Company and its shareholders. The Executive Directors, with the Senior Vice President and the Manager, Investor Relations, meet regularly with institutional shareholders and financial analysts, in Europe and North America, to discuss matters relating to the Company's business strategy and current performance issues. The Board receives regular monthly reports from the CEO which include updates on the share price development, major buyers and sellers of shares and on investor views, including analyst reports on the industry and specifically on the Company. Feedback on presentations and roadshow meetings with institutional investors is presented to the Executive Directors following twice-yearly roadshows in Europe and North America. The Chairman is available to discuss governance and strategy with major shareholders should such a dialogue be requested. During the year the Chairman and the senior independent Non-Executive Director have met with shareholders in satisfaction of Code Provision D.1.1. The Company believes that it is important that it makes key Executives available, including the senior independent Non-Executive Director, if required, to discuss matters of concern with its shareholders.

The Company's Annual General Meeting is used as the main opportunity for the Directors to communicate with private investors.

Policy on the payment of creditors
It is the Company's policy to follow the CBI Prompt Payers' Code. This policy requires the Company to agree the terms of payments with its suppliers, to ensure that those suppliers are aware of those terms and to abide by those terms. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU. As at 31 December 2005 and 31 December 2004 the Company did not have any amounts due to its suppliers.

Directors' responsibilities
The following statement, which should be read in conjunction with the Auditors' Reports set out on pages 16 and 50, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements. The Directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year, and of the profit or loss for the year.

The Directors consider that, in preparing the financial statements on pages 17 to 59 including the information on Directors' remuneration on pages 10 to 15, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are also responsible for ensuring that reasonable procedures are being followed for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Going concern
The Directors, having made appropriate enquiries, are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Audit
The Directors, having made appropriate enquiries, state that:

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

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

International Financial Reporting Standards (IFRS)
The Group has adopted IFRS for its financial reporting for the year ended 31 December 2005 as required by EU and UK legislation. As required by IFRS 1, reconciliations of previously published United Kingdom Generally Accepted Accounting Practice (UK GAAP) equity and net income to the equivalent IFRS numbers contained in this Annual Report are presented in Note 27 on page 46, with explanations of the adjustments in Note 28 on page 47.

Charitable and political donations
Donations to charitable organisations in the UK amounted to £568,000 (2004 £496,000). No political donations were made (2004 nil).

AGM
The notice convening the fifty-third AGM of the Company to be held on Thursday, 4 May 2006 at 11.15 a.m. at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN is contained in a separate document for shareholders.

Employee Share Plans
As referred to in the Directors' Remuneration Report on page 11, your Board is seeking approval for the adoption of a new Long-Term Incentive Plan, further details of which appear in the Notice of AGM.

Articles of Association
A recommendation to amend Article 95 of the Company's Articles of Association, to increase the amount of Directors' fees (being fees paid to the Non-Executive Directors) that may be paid from £750,000 per annum to £1,000,000 per annum, is also to be proposed to shareholders at the forthcoming AGM. Further details appear in the Notice of AGM.

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

Other information
As at 1 March 2006 the Company had received the following notices of substantial interests (3% or more) in its ordinary share capital:

JAB Investments BV: 111,105,415 shares (15.4% of the issued ordinary share capital).

Legal & General Investment Management Limited: 22,859,954 shares (3.2% of the issued ordinary share capital).

MFS Investment Management: 22,038,694 shares (3.1% of the issued ordinary share capital).

By order of the Board
Elizabeth Richardson
Company Secretary
103-105 Bath Road
Slough, Berks SL1 3UH

20 March 2006

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

	1 March 2006	**31 December 2005**	31 December 2004
Adrian Bellamy	**14,130**	**14,130**	12,770
Bart Becht	**996,731**	**996,731**	963,314
Colin Day	**249,591**	**249,591**	190,296
George Greener	**3,041**	**3,041**	2,701
Peter Harf	**841,303**	**841,303**	840,860
Kenneth Hydon	**3,643**	**3,643**	3,303
Graham Mackay	**373**	**373**	–
Gerard Murphy	**178**	**178**	–
Judith Sprieser	**1,850**	**1,850**	1,401
Peter White	**2,041**	**2,041**	1,701

Notes
1. No person who was a Director (or a member of a Director's family) on 31 December 2005 had any notifiable share interests in any subsidiary of the Company.
2. The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

Table 2 – Attendance at meetings
In 2005, there were five formal Board meetings, three Audit Committee meetings, four Remuneration Committee meetings (one held by telephone conference in accordance with the Articles of Association) and three Nomination Committee meetings. In addition to the five formal Board meetings, there was one written resolution of the Board during the year (not included in the table below). Written resolutions are required to be signed by all Directors on the Board. Attendance by individual Directors at Board meetings and at meetings of Committees on which they sit is given in the table below.

Number of meetings attended

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		5		4	3
Peter Harf		5			3
Bart Becht		5			3
Colin Day		5			
George Greener	(a)	5		1	
Kenneth Hydon		5	3		
Ana Maria Llopis (resigned 5 May 2005)	(b)	2	1		
Graham Mackay (appointed 25 February 2005)	(c)	3		3	
Gerard Murphy (appointed 20 June 2005)	(d)	2	1		
Judith Sprieser		5		4	3
Peter White		5	3		3
Hans van der Wielen (resigned 5 May 2005)	(e)	1	1		

Notes
(a) George Greener resigned from the Remuneration Committee on 25 February 2005 and attended all meetings of the Committee prior to his resignation.

(b) Ana Maria Llopis resigned from the Board and the Audit Committee on 5 May 2005. She attended all meetings of the Board and the Audit Committee prior to her resignation.

(c) Graham Mackay was appointed to the Board and the Remuneration Committee on 25 February 2005. He attended three Board meetings (of the four held) and all meetings of the Remuneration Committee subsequent to his appointment.

(d) Gerard Murphy was appointed to the Audit Committee on 22 July 2005 and attended all subsequent meetings of the Committee. He attended two Board meetings (of the three held) subsequent to his appointment on 20 June 2005.

(e) Hans van der Wielen resigned from the Board and the Audit Committee on 5 May 2005. He attended one Board meeting (of the two held) and all meetings of the Committee prior to his resignation.

FINANCIAL REVIEW 2005

2005 was another year of solid progress exceeding our earlier targets. Growth came across all regions and was strongly driven by new products like Cillit/Easy-Off Bang, Finish 4in1, Air Wick Freshmatic and Vanish Oxi Action Max. Benefiting from strong cost containment, operating margin reached our 20% target.

Net revenues grew by 8% (6% constant) to £4,179m.

Operating profit increased 12% (10% constant) to £840m. Gross margin increased 10bps to 54.9% as a result of higher margin new products, and savings from ongoing cost optimisation programmes offsetting significantly higher input costs. Media investment increased 3% and represented 11.9% of net revenues (2004 12.4%). Other marketing investment increased ahead of the rate of net revenue growth due to a shift in marketing mix towards other forms of consumer marketing. Operating margins increased by 80bps to 20.1% due to gross margin expansion and particularly to tight control of fixed costs more than offsetting higher marketing investment.

Net income for the year increased 16% (14% constant) to £669m. Net interest received of £36m (2004 £9m) was due to the strong cash inflow over the past year increasing the level of net funds after higher dividend payments and share buy backs, and the conversion of the Convertible Capital Bonds. The underlying tax rate for the period is 26% before non-recurring tax credits of £16m arising from favourable tax settlements.

Fully diluted EPS increased 17% to 90.0p.

GEOGRAPHIC ANALYSIS AT CONSTANT EXCHANGE

Europe – 51% of net revenues

Net revenues grew by 4% to £2,135m. Growth came from key recent product introductions. In Fabric, growth was due to the success of Vanish with Vanish Oxi Action Max and Vanish Dual Power. In Surface Care, growth came from Cillit Bang. In Automatic Dishwashing, growth was due to Finish/Calgonit 4in1. Home Care increased due to the successful launch of Air Wick Freshmatic. Health & Personal Care saw strong growth for the healthcare portfolio due to the roll-out of Gaviscon in Europe. Operating margins were 60bps ahead of last year at 23.5% due to tight control of costs offsetting higher marketing investment, resulting in operating profits increasing by 6% to £502m.

North America and Australia – 31% of net revenues

Net revenues increased 5% to £1,281m. In Fabric Care, Spray ’n Wash Dual Power Fabric Treatment and Resolve Dual Power carpet cleaner grew sales. In Surface Care increases came from growth for Lysol disinfectant spray, and the launch of Easy-Off Bam. In Automatic Dishwashing increases came due to the success of Electrasol with Jet Dry Action. In Home Care, Air Care grew following the launch of Air Wick Freshmatic, and in Health & Personal Care, Veet depilatories and prescription drug Suboxone were the principal contributors to growth. Food increased net revenues due to the launch of Cattleman’s BBQ sauce in retail and to continued growth for French’s yellow mustard and gains for Frank’s Red Hot sauce. Operating margins were 90bps higher at 21.1%, due to substantially higher input costs reducing gross margins offset by tight control of fixed costs. As a result operating profits increased 9% to £270m.

Developing Markets – 18% of net revenues

Net revenues grew 12% to £763m. There was strong growth in all categories. In Fabric Care, growth came following the roll-out of Vanish Oxi Action Fabric Treatment products. In Surface Care, increases came from the success of Easy-Off Bang. Pest Control grew strongly with the launch of Mortein Power Booster coils. Health & Personal Care grew due to the continuing roll-out of Veet in new markets and strong growth for the Dettol range of Personal Care products. Operating margins expanded 250bps to 8.9%, resulting in operating profits increasing by 55% to £68m.

Corporate

The Group has restated the allocation of central costs between area and corporate operating profit in order to allocate in full the corporate overheads to the three operating areas. This presentation best reflects the commercial reality of the business, showing where the profit is earned and reflecting the support provided by the corporate centre to the three operating areas. Accordingly the corporate line is removed from disclosure, as it is nil. The Group total is not affected by this change. 2004 has been restated to provide consistent comparatives.

CATEGORY REVIEW AT CONSTANT EXCHANGE RATES

Fabric Care. Net revenues grew 2% to £1,113m largely due to the success of Vanish Oxi Action, the Company’s Fabric Treatment franchise and Calgon water softener, offset to some extent by softness in laundry detergent and fabric softeners. Key drivers of growth included the roll-out of Vanish Oxi Action Max, Vanish Dual Power and continued growth for Vanish carpet cleaners.

Surface Care. Net revenues grew 9% to £871m. The major growth driver was the roll-out of Bang under the Cillit brand in Europe, and the Easy-Off brand in North America and Developing Markets. The Dettol and Lysol disinfecting range, particularly disinfectant spray, grew in Europe, North America and Developing Markets.

Dishwashing. Net revenues grew 6% to £579m due to strong growth in Automatic Dishwashing. Growth came from the success of Finish/Calgonit 4in1 in Europe, initial sales of Finish/Calgonit Quantum in early launch markets and from Electrasol with Jet Dry Action in North America.

Home Care. Net revenues grew 8% to £628m with strong growth for both Air Care and Pest Control. Air Care grew behind the launch of Air Wick Freshmatic in Europe, North America and certain Developing Markets. Pest Control growth was driven by Mortein Power Booster coils and a strong pest season in the Southern Hemisphere.

Health & Personal Care. Net revenues grew 9% to £662m with growth across all segments. Veet depilatories continue to benefit from the continuing roll-out in Developing Markets and growth in North America. Dettol antiseptics grew behind the Personal Care range in Developing Markets. Healthcare products benefited from the continuing roll-out of Gaviscon in Europe. Suboxone continues to grow strongly as distribution builds in North America.

Core Household. Grew net revenues 6% to £3,853m.

Food. Net revenues grew 2% to £195m with continued growth for French’s yellow mustard and gains for Frank’s Red Hot sauce.

REVIEW OF FINANCIAL ITEMS

Basis of comparison: constant exchange. Movements of exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts comparatives to exclude such movements and show the underlying growth.

Convertible Capital Bonds. On 31 March 2005 the holders of 40m 9.5% Convertible Capital Bonds exercised their conversion rights to convert their Bonds into 8.1m fully paid ordinary shares of Reckitt Benckiser plc. The effect of this is to reduce borrowings by £31m (thereby increasing the Company’s net funds position) and increase the number of shares in issue by 8.1m.

Net interest. The net interest income of £36m (2004 £9m) was due to strong cash generation over the past year increasing the net funds and the impact of conversion of the Convertible Capital Bonds reducing interest payable by £7m.

Tax. The underlying tax rate for the period was 26% but the charge was reduced by non-recurring credits of £16m relating to recent settlements of long-outstanding tax cases.

FINANCIAL REVIEW 2005 Continued

Net working capital. Net working capital (defined as inventories, short-term receivables and short-term liabilities, excluding borrowings, Convertible Capital Bonds and provisions) decreased further at the year end by £95m compared to year end 2004 to minus £616m.

Cash flow. Operating cash flow increased to £823m, due to higher operating profit. Net working capital improvements were lower than 2004 as many of the Group's businesses reached optimal levels.

Net cash flow from operations increased to £758m. Net interest received was £34m (2004 £8m) while tax payments decreased by £32m.

Capital expenditure was slightly lower than prior year at £78m (£83m). Proceeds from disposals of fixed assets were £17m (£9m).

Net funds. At the year end net funds were £887m (2004 £632m), an improvement of £255m due to strong operating cash inflow and the conversion of £31m of Convertible Capital Bonds, but after higher dividend payments and share buy backs. The Company's net funds position consisted of cash of £978m (£308m) and short-term investments of £77m (£570m) offset by borrowings of £168m (£246m).

Balance sheet. At the end of 2005, the Group had shareholders' funds of £1,856m (£1,580m), an increase of 17%. Net funds were £887m (2004 £632m). Total capital employed in the business was £969m (£948m) an increase of 2%.

This finances assets of £2,343m (2004 £2,212m) of which £485m (£481m) is tangible fixed assets, the remainder being intangible assets, goodwill, deferred tax and other receivables. The Company maintains negative net working capital (defined as current assets less current liabilities excluding cash, investments and borrowings) of £616m (2004 £521m), has current provisions of £4m (2004 £4m) and has long-term liabilities other than borrowings of £754m (2004 £739m).

The Company's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 36.0% (2004 36.5%).

Dividends
The Directors recommend a final dividend of 21p per share, an increase of 17%, to give a full year dividend of 39p per share, an overall increase of 15%. The dividend, if approved by shareholders at the AGM on 4 May 2006, will be paid on 25 May to shareholders on the register on 3 March. The ex dividend date will be 1 March 2006.

Share buy back programme
During 2005, the Group purchased 17.445m shares for cancellation at a cost of £300m as part of its ongoing share buy back programme. The Company has confirmed its intention to repurchase a further £300m of its own shares during 2006.

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

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

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

FOREIGN EXCHANGE RISK

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

The Group's policy is to align interest costs and operational 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, primarily currency swaps, in the currencies of the countries where most of its assets are located.

As at 31 December 2005, 92% (2004 80%) of the Group's financial liabilities were in currencies other than Sterling, including 77% (2004 46%) being denominated in US Dollars. All the Group's major currency net assets exceeded the borrowings in the corresponding individual currencies.

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

INTEREST RATE RISK
The Group has both interest-bearing assets and interest-bearing liabilities. The Group manages its interest expense rate exposure and may use a combination of fixed-rate debt and interest rate swaps. At the end of 2005, the Group had 85% (2004 66%) of financial liabilities at fixed rates. None (2004 13%) of the Group's financial liabilities related to the Convertible Capital Bonds which matured in March 2005. The Group manages its interest rate exposure on its gross financial assets by using a combination of fixed rate term deposits and forward rate agreements.

CREDIT RISK
The Group has no significant concentrations of credit risk. Financial instrument 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 better. 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 Company 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 2005, the Group had, in addition to its long-term debt of £80m (2004 £129m), committed borrowing facilities totalling £2,250m (2004 £750m), of which £750m exceeded 12 months' maturity. Of the total facilities at the year end, £1m (2004 £26m) 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.

Funds over and above those required for short-term working capital purposes by the overseas businesses were generally remitted to the corporate centre. The Group used 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.

Colin Day
Chief Financial Officer

20 March 2006

DIRECTORS' REMUNERATION REPORT

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 but at least three times each year. The Committee comprised three members in 2005, of whom two are considered independent by the standards of the Combined Code.

Judith Sprieser has served as Chairman of the Committee since June 2004. She joined the Committee in November 2003.

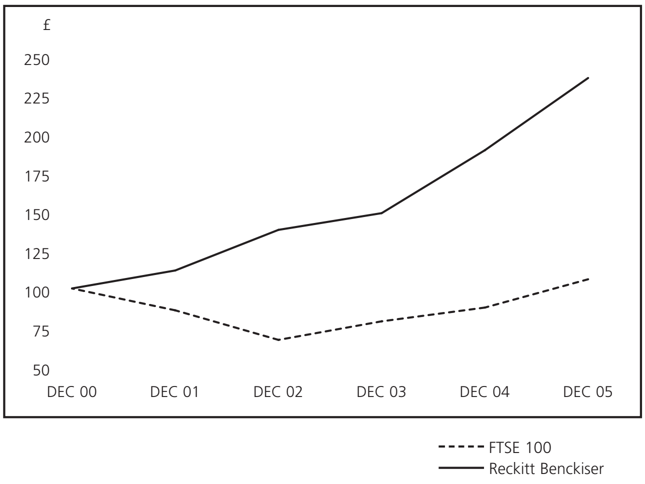
Graham Mackay joined the Committee in February 2005, succeeding Dr George Greener who served on the Committee from 1996 to 2005.

Adrian Bellamy has served on the Committee since 1999. As Chairman he is not considered independent for the purposes of the Combined Code. The Board takes the view that shareholders' interests are best met by the Chairman serving on the Committee, a view it notes has increasing support within the UK institutional investor community. The conclusion of the Financial Reporting Council consultation process on this element of the Combined Code is expected in April 2006. The Board is also satisfied that his personal integrity and experience makes him a highly effective member of the Remuneration Committee.

As well as reviewing Executive Directors' base salaries and benefits, the Committee determines the incentive arrangements that will apply. It aims to set challenging and demanding performance targets and to ensure that incentive awards at the end of each year fully reflect the Company's performance.

Policy on remuneration
The Committee's overriding objective is to ensure that Reckitt Benckiser's remuneration policy encourages, reinforces and rewards the delivery of outstanding shareholder value. This approach has been a key ingredient in Reckitt Benckiser's success. The graphs below show that the Company has outperformed both the UK FTSE 100 and the US remuneration peer group in terms of Total Shareholder Return (TSR) over the last five years.

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



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

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

The second principle is to align the interests of Executive Directors and senior Executives with those of shareholders through a variable, performance based compensation policy and the Company's share ownership policy.

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

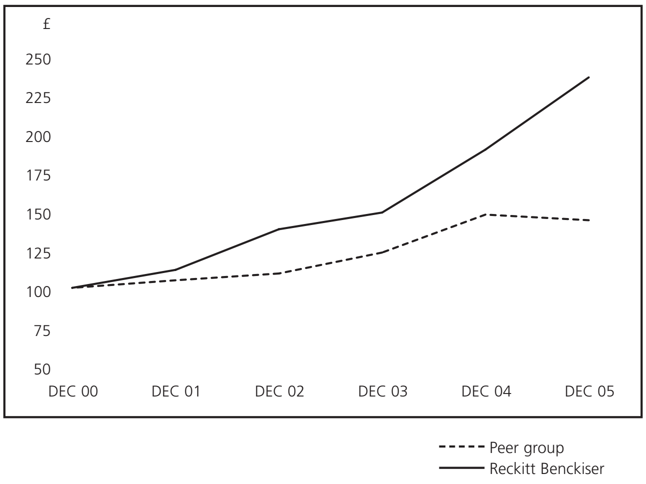
To balance the management's orientation between the achievement of short- and long-term business measures, the Committee believes that longer-term share-based incentives are also appropriate.

In broad terms, if the Group achieves its target levels of performance, the variable elements will amount to over 80% of Executive Directors' total remuneration. If performance is unsatisfactory, then no cash bonuses will be paid and long-term incentives will not vest.

The final principle underlying the Committee's remuneration policy is to create a global Executive team through a cost-effective international transfer programme.

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

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



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

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

The approach to reviewing the base salaries of Executive Directors is the same as that for other employees. Base pay increases for Executive Directors from 1 January 2006 were 4%, in line with typical base pay increases for Executives in Reckitt Benckiser.

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

For 2006, as in 2005, the Executive Directors will participate in the annual cash bonus scheme under which they may receive 100% (CEO) and 75% (CFO) of base salary for achieving target performance. For the achievement of outstanding performance, which the Board sets at a level approximately double the industry median, the bonus potential is 360% (CEO) and 270% (CFO) of base salary.

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

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

Long-term incentives comprise a mix of share options and restricted shares. Both the levels and combination of share options and restricted shares have been reviewed with reference to competitive market data and the associated cost of share provision.

The Committee benchmarks total remuneration for Executives against the 75th percentile of its peer group. In carrying out the benchmarking exercise, the Company's long-term incentives and those of the peer group are valued using a standard valuation methodology which is widely accepted and enables "like for like" comparisons. The award levels of long-term incentives for Executives are then determined by calculating the difference between the Executive's target total cash compensation and upper quartile total remuneration among the Company's peer group.

While performance conditions for the vesting of long-term incentive awards are not typical practice among Reckitt Benckiser's peer group, the Committee believes that the vesting of options and restricted share awards should be subject to the satisfaction of appropriate performance conditions.

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

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

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

The vesting schedule for the options and restricted shares rewards superior performance. For 2006, the Committee has set the same targets and levels of awards as in the previous year, having regard to: the industry context in which the Company operates, sensible expectations of what will constitute performance at the top of the peer group, and factors specific to the Company.

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

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

During 2005, the Committee again considered the views of a number of UK institutional shareholders in respect of whether the performance target should provide for re-testing. 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 re-tested in respect of awards made in 2005 and for any future grants. As a result, if any target has not been met three years after the date of grant, any remaining shares which have not vested will lapse.

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

Shareholders will be asked at the 2006 AGM to approve a consolidation and simplification of the current plans rules under which grants for Executive Directors and other employees can be made.

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

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

Individual/Group	Ownership requirement
CEO (1)	400,000 shares
CFO/EVPs (6)	200,000 shares
Other senior Executives (29)	50-75,000 shares

Executives, including those newly-recruited or promoted into senior Executive positions, are allowed eight years to reach these targets.

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

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

Bart Becht's Company pension contribution was 30% of pensionable pay during 2005. A further annual contribution of 20% of pensionable pay was also paid in 2005 to take account of the uncompetitive nature of his pension contributions since his appointment as Chief Executive Officer. This additional contribution has now ceased. Colin Day's standard Company pension contribution was 25% of pensionable pay in 2005.

In 2006, only Bart Becht is immediately affected by the new lifetime limit brought about by the proposed UK tax changes effective from April 2006. The Committee has decided that the most cost-effective approach is to maintain his current pension commitment, and to make pension contributions in excess of the lifetime allowance into a funded and unapproved pension arrangement.

Service agreements
For newly-appointed Executive Directors, termination payments, including compensation paid during any notice period, will not exceed 12 months' pay. Service contracts will be rolling and terminable on six months' notice. Contracts will also provide liquidated damages of six months' base salary plus an amount equal to one times the average bonus paid (if any) in the two years up to termination. Any bonus earned will be included in the termination payment on the basis that a high proportion of pay is related to performance and that in the event of termination for poor performance it is unlikely that any bonus will have been paid.

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

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

Adrian Bellamy's annual fee as Chairman in 2005 was £240,000, and the net proceeds of £40,000 of this fee were used to acquire shares in the Company which he is obliged to retain until he steps down from the Board.

Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Board committee meetings. In 2005, the basic level of fees was £60,000. Of this, £10,000 must be used to acquire shares in the Company and these shares must be retained until the Non-Executive Director steps down from the Board. In addition to the basic fees payable, Non-Executive Directors received an additional £10,000 and £15,000 per annum respectively for their Chairmanship of the Remuneration Committee and Audit Committee – see Table 1.

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

Fee levels are reviewed every two years, with the Board taking external advice on best practice and competitive levels, taking into account the responsibilities and time commitment of each Non-Executive Director. The next review is in 2006.

External appointments
Executive Directors of the Company may accept one appointment as a Non-Executive Director of another company. The Board must approve such appointments and any exceptions. An exception has been agreed in the case of Mr Day. Directors are permitted to retain fees for Non-Executive appointments.

Bart Becht does not currently serve as a Non-Executive Director on any other board. Colin Day received a fee of £37,500 for serving as a Non-Executive Director on the Board of easyJet plc until end September, 2005. From his date of appointment in July 2005, he received a fee of £19,960 for serving as a Non-Executive Director on the Board of Imperial Tobacco plc and a fee of £21,825 for serving as a Non-Executive Director of WPP Group plc.

The process of the Committee
The Committee has formally appointed Towers Perrin as its external adviser and, during the year, they have provided advice to the Board on Executive compensation levels, structure and design and issues relating to retirement benefits.

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

Throughout 2005, the Company complied with the provisions of the Combined Code published in 2003 relating to the design of performance-related remuneration (except where noted above). The contents of this report also comply with the Directors' Remuneration Report Regulations 2002.

Approved by the Board on 20 March 2006 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

The information on pages 13 to 15 (except where labelled) comprises the auditable disclosures of the Report on Directors' Remuneration.

In 2005, Reckitt Benckiser continued to perform very well against its peers. It exceeded the annual targets for acceptable performance set by the Board, while not exceeding the maximum stretch targets designed to achieve maximum bonus payments. Bonus payments for Executive Directors (excluding payments for personal performance made to Colin Day in 2004) accordingly increased by an average of 2%.

Remuneration disclosures

Table 1

	Notes	**Base salary and fees £000**	**Bonus £000**	**Benefits in kind £000**	**Other payments £000**	**Pension contributions £000**	**2005 Total £000**	2004 Total £000
Chairman								
Adrian Bellamy	1	**240**					**240**	220
Executive Directors								
Bart Becht	2	**843**	**2,193**	**99**	**303**	**418**	**3,856**	3,633
Colin Day	2	**369**	**720**	**34**	**72**	**90**	**1,285**	1,696
Non-Executive Directors								
Peter Harf	3	**60**					**60**	50
George Greener	3	**60**					**60**	48
Kenneth Hydon	3	**60**					**60**	48
Graham Mackay (appointed 25 February 2005)	3	**51**					**51**	–
Gerard Murphy (appointed 20 June 2005)	3	**32**					**32**	–
Ana Maria Llopis (resigned 5 May 2005)	3	**21**					**21**	48
Judith Sprieser	3	**70**					**70**	50
Peter White	3	**75**					**75**	63
Hans van der Wielen (resigned 5 May 2005)	3	**21**					**21**	48
Total		**1,902**	**2,913**	**133**	**375**	**508**	**5,831**	5,904

Notes

1. Mr Bellamy's fees as Chairman for 2005 were £240,000. These fees include £40,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by Mr Bellamy while in office.
2. The remuneration reported under "Other payments" in respect of Mr Becht and Mr Day relates to a non-pensionable cash supplement related to the unapproved element of their pension (2004 £265,000 and £67,000 respectively).
3. Non-Executive Director fees include £10,000 (gross), 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 plc as defined by schedule 6 of the Companies Act were £5,323,000 (2004 £5,415,000).
5. The aggregate gains made by the Directors on the exercise of share options and restricted shares during the year were £12,334,700 (2004 £5,035,290). The gains are calculated based on the market price at the date of exercise for share options and exercise/vesting of restricted shares, although the shares may have been retained.
6. The total emoluments of the highest paid Director (excluding pension contributions) were £3,438,497 (2004 £3,231,648).

The 2005 remuneration package for Executive Directors comprised base salary, annual cash incentive bonus, long-term incentives in the form of share options and restricted shares, non-pensionable cash supplement, pension contributions, fully-expensed company car (or cash equivalent) and health insurance, and school fees and tax advice in the case of the Chief Executive Officer.

Pensions

Mr Becht and Mr Day are both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a standard company contribution rate of 30% of pensionable pay for Mr Becht (2004 30%) and 25% for Mr Day (2004 25%). The supplement of 20% of pensionable pay to Mr Becht in 2005 (2004 20%) ceased to be paid from 2006.

DIRECTORS' REMUNERATION REPORT Continued

Table 2 – Directors' options and restricted share awards

Table 2 sets out each Director's options over or rights to ordinary shares of the Company under the Company's various share option and restricted share schemes. The middle market price of the ordinary shares at the year end was £19.20 and the range during the year was £15.19 to £19.25.

Executive options and restricted shares	Notes	Grant date	At 01.01.05	Granted during the year	Exercised/ vested during the year	At 31.12.05	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Bart Becht										
Options	1	29.09.99	1,200,000			1,200,000	7.040			May 03 – Dec 09
	2	22.12.99	100,000			100,000	5.538			May 03 – Dec 09
	2	18.12.00	500,000			500,000	8.819			May 04 – Dec 10
	2	17.12.01	1,000,000			1,000,000	9.504			May 05 – Dec 11
	2	22.11.02	1,000,000			1,000,000	11.186			May 06 – Nov 12
	2	08.12.03	800,000			800,000	12.760			May 07 – Dec 13
	2	06.12.04	800,000			800,000	15.470			May 08 – Dec 14
	2	05.12.05		800,000		800,000	18.100			May 09 – Dec 15
Restricted shares	2	22.12.99	80,000			80,000		5.810		May 03 – Dec 09
	2	18.12.00	200,000		200,000	0		8.800	17.15	May 04 – Dec 10
	2	17.12.01	400,000		400,000	0		9.700	16.92	May 05 – Dec 11
	2	22.11.02	400,000			400,000		10.960		May 06 – Nov 12
	2	08.12.03	400,000			400,000		12.800		May 07 – Dec 13
	2	06.12.04	400,000			400,000		15.370		May 08 – Dec 14
	2	05.12.05		400,000		400,000		18.160		May 09 – Dec 15
Colin Day										
Options	2	18.12.00	100,000		100,000	0	8.819		16.65	May 04 – Dec 10
	2	17.12.01	200,000			200,000	9.504			May 05 – Dec 11
	2	22.11.02	200,000			200,000	11.186			May 06 – Nov 12
	2	08.12.03	160,000			160,000	12.760			May 07 – Dec 13
	2	06.12.04	160,000			160,000	15.470			May 08 – Dec 14
	2	05.12.05		160,000		160,000	18.100			May 09 – Dec 15
Restricted shares	2	17.12.01	80,000		80,000	0		9.700	16.92	May 05 – Dec 11
	2	22.11.02	80,000			80,000		10.960		May 06 – Nov 12
	2	08.12.03	80,000			80,000		12.800		May 07 – Dec 13
	2	06.12.04	80,000			80,000		15.370		May 08 – Dec 14
	2	05.12.05		80,000		80,000		18.160		May 09 – Dec 15

Sharesave scheme	Grant date	At 01.01.05	Granted during the year	Exercised during the year	At 31.12.05	Option price (£)	Exercise period
Bart Becht	15.09.00	2,777			2,777	6.616	Feb 08 – Jul 08
Colin Day	28.09.01	1,967			1,967	8.412	Feb 07 – Jul 07

Notes

1. For compound average annual growth (CAAG) in earnings per share over a three year period of 6%, 9%, 12% and 15%, the percentage of options vesting under the initial grant on 29 September 1999 is 40%, 60%, 80% and 100% respectively. This grant vested 100% on 7 May 2003 but is exercisable as to one-third of the grant from that date, the second one-third exercisable from 1 January 2004 and the final one-third from 1 January 2005.

2. Vesting of options and restricted shares 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 options and restricted shares granted in Dec 99 and Sep 00	6	9	12	15
CAAG for options and restricted shares granted in Dec 00	6	8	10	12
CAAG for options and restricted shares granted in Dec 01, Nov 02, Dec 03, Dec 04 and Dec 05)	6	7	8	9

3. The grant made in December 2001 vested in full following the the Company's Annual General Meeting in May 2005. The Company exceeded its target compound average annual growth (CAAG) in earnings per share over a three year period from 2002 to 2005 of 9%.

Table 3 – Service contracts for Executive Directors

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

Table 4 (not auditable)

In 2005, members of the Executive Committee (nine) received around 40%, senior Executives (next 30) around 20% and other Executives (next 350) around 40% of the total awards made under the long-term incentive plans. The total grants have resulted in 0.99% of issued share capital being used for discretionary long-term incentive plans in 2005 and 6.1% over a rolling ten-year period from 1995 to 2005.

See table below.

Shares placed under option in all schemes in the last ten years, less lapsed

	Total (millions)
Discretionary Plans	
Reckitt Benckiser Executive Plans	41.2
Reckitt & Colman Executive Plans	2.7
Share Ownership Policy Plan	0.2
Employee	
Sharesave UK	1.3
Sharesave US	2.0
Sharesave Overseas	2.7
Share Participation Scheme	0.2
Total	**50.3**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RECKITT BENCKISER plc

We have audited the Group financial statements of Reckitt Benckiser plc for the year ended 31 December 2005 which comprise the Group income statement, the Group statement of total recognised income and expense, the Group balance sheet, the Group cash flow statement, and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Reckitt Benckiser plc for the year end 31 December 2005 and on the information in the Directors' Remuneration Report that is described as being audited.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Report of the Directors is not consistent with the Group financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Directors' Remuneration Report and transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Report of the Directors (including the statements on corporate governance), the Financial Review 2005 and the unaudited part of the Directors' Remuneration Report.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of affairs of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended; and
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 March 2006

Notes
The maintenance and integrity of the Reckitt Benckiser website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

ACCOUNTING POLICIES

Accounting policies for the year ended 31 December 2005
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 International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as endorsed by the European Commission (EC) for use within the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through the Group income statement. A summary of the Group's more important accounting policies is set out below.

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

The Group has adopted IFRS 1: First-time Adoption of IFRS for these financial statements, and has applied the following relevant optional exemptions from full retrospective application of IFRS:

- Business combinations before the date of transition have not been restated; and
- Cumulative translation differences have been set to zero at the date of transition.

The following optional exemptions were not applied:

- The requirements of IFRS 2: Share-Based Payment were applied to all share awards that had not vested as at 1 January 2004; and
- The Group has applied IAS 32: Financial Instruments: Disclosure and Presentation and IAS 39: Financial Instruments: Recognition and Measurement with effect from the transition date.

The other optional exemptions available in IFRS 1 were not applicable to the Group.

The 2004 comparatives included within these financial statements are based on those published in the 2004 Annual Report, as restated for IFRS. Reconciliations between the previously published UK GAAP numbers and the restated IFRS numbers are set out in Note 27 to these financial statements.

Basis of consolidation
The accounts of the Group represent the consolidation of Reckitt Benckiser plc and its subsidiary undertakings. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

Inter-company transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results and net assets of the Group's subsidiary in Zimbabwe have been excluded from the consolidated Group results. This is on the basis that the Group does not consider the Zimbabwean business to be a subsidiary due to the loss of power to govern the financial and operating policies of the Zimbabwean business due to the restrictions on remitting funds out of the country. Results for 2004 and 2005, and the balance sheets as at 31 December 2004 and 31 December 2005, were insignificant.

The impacts of IFRSs issued but not yet effective at the balance sheet date would not have a significant impact on these financial statements.

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 Company's functional currency.

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

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

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

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

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

	2005 full year	2004 full year
Average rates:		
£/Euro	**1.4621**	1.4730
£/US Dollar	**1.8192**	1.8330
Closing rates:		
£/Euro	**1.4525**	1.4152
£/US Dollar	**1.7187**	1.9181

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

Freehold buildings: not more than 50 years;
Leasehold land and buildings: the lesser of 50 years or the life of the lease; and
Owned plant and equipment: not more than 15 years. 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.

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

An acquired brand is only recognised on the balance sheet as an intangible asset where it is supported by a registered trade mark, is established in the marketplace, brand earnings are separately identifiable, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase consideration of an acquired business between the underlying fair values of the tangible assets, goodwill and brands acquired.

Brands are not generally amortised, as it is considered that their useful economic lives are not limited. This policy 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.

The Directors also review the useful economic life of brands annually, to ensure that the judgement that their economic lives are not limited is still appropriate. If a brand is considered to have a finite life, its remaining carrying value is amortised over that period.

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

Acquired computer software licences are capitalised at cost. These costs are amortised over three years.

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. During 2005 £4m (2004 nil) of development expenditure has been assessed as meeting the requirements of IAS 38 and so has been capitalised within other intangible assets.

Impairment of assets
Assets that have indefinite lives are tested annually for impairment. All assets are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If an asset's carrying value exceeds its recoverable amount an impairment loss is recognised in the income statement. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is calculated with reference to the future cash flows expected to be generated by an asset (or group of assets where cash flows are not identifiable to specific assets). The discount rate used in brand impairment reviews is based on the Group's weighted average cost of capital including, where appropriate, an adjustment for the specific risks associated with the relevant asset.

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

Trade receivables
Trade receivables are initially recognised at fair value. If there is objective evidence that the Group will not be able to collect the full amount of the receivable an impairment is recognised through the income statement. 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 effective interest rate. The amount of any impairment is recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprises 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.

Convertible Capital Bonds
The Group's Convertible Capital Bonds have been accounted for as a compound financial instrument. The equity component of the Bond was calculated as the excess of the issue proceeds over the present value of the future interest and principal payments discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. Transaction costs relating to the issue of the bonds were allocated proportionately to the equity and liability components. The interest recognised in the income statement is calculated using the effective interest rate method.

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

Income tax
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, when the income tax is also then recognised directly in equity.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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.

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 project 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 the statement of recognised income and expense (SORIE).

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 shares at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to the retained earnings reserve. Additional employer costs in respect of options and awards are charged to the income statement account over the same period with the credit included in creditors. Where awards are contingent upon future events (other than continued employment) 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.

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

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

Where the Group has the positive intent and ability to hold a financial instrument until its maturity, the instruments are stated at amortised cost less any impairment losses recognised in the income statement.

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

Financial instruments classified as held for trading are recognised/derecognised by the Group on the date it commits to purchase/sell the instrument. Financial instruments held to maturity are recognised/derecognised on the day they are transferred to/by the Group.

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

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

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

Capital transactions
When the Group repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are 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.

Acquisition of minority interests
The Group has booked the cost of acquiring minority interests in Group companies directly to equity, as permitted by IFRS 3.

Derivative financial instruments and hedging activity
The Group primarily uses forward rate agreements and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value 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. The Group designates derivatives as either a hedge of a highly probable forecast transaction (cash flow hedge) or a hedge of net investment in foreign operations.

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

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

   Amounts recognised in equity 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 equity at that time remains in equity, 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 equity is immediately transferred to the income statement.

2. Derivatives classified as net investment hedges; the effective portion of any changes in fair value is recognised in equity. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

3. Derivatives that do not qualify for hedge accounting; these are classified as 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.

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

- Estimates of future business performance and cash generation supporting the net book value of intangible assets at the balance sheet date;
- The continuing enduring nature of the Group's brands supporting the assumed indefinite useful lives of these assets;
- Long-term rates of return, inflation rates and discounted 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;
- 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;
- 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.
- 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.

GROUP INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Net revenues	1	**4,179**	3,871
Cost of sales	2	**(1,886)**	(1,750)
Gross profit		**2,293**	2,121
Net operating expenses	2	**(1,453)**	(1,372)
Operating profit	1	**840**	749
Finance income		**50**	38
Finance expense		**(14)**	(29)
Net finance income	5	**36**	9
Profit on ordinary activities before taxation		**876**	758
Tax on profit on ordinary activities	6	**(207)**	(181)
Profit for the year		**669**	577
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity holders of the parent		**669**	577
Profit for the year		**669**	577
Earnings per ordinary share			
On profit for the year, basic	7	**92.0p**	80.7p
On profit for the year, diluted	7	**90.0p**	77.1p
Dividend per ordinary share	8	**36.0p**	30.0p
Total dividends for the year	8	**262**	216

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Profit for the year		**669**	577
Net exchange adjustments on foreign currency translation		**85**	(43)
Actuarial gains and losses	4	**(14)**	(76)
Movement of deferred tax on pension liability		**(3)**	22
Net hedged gains and losses taken to reserves		**(1)**	–
Net gains/(losses) not recognised in income statement		**67**	(97)
Total recognised income/(expense) relating to the year		**736**	480
Attributable to equity minority interests		**–**	–
Attributable to ordinary equity shareholders of the parent		**736**	480
		736	480

GROUP BALANCE SHEET

As at 31 December 2005

	Notes	2005 £m	2004 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	9	**1,766**	1,663
Property, plant and equipment	10	**485**	481
Deferred tax assets	19	**77**	58
Other receivables		**15**	10
		2,343	2,212
Current assets			
Inventories	11	**270**	258
Trade and other receivables	12	**545**	504
Available for sale financial assets	13	**77**	570
Cash and cash equivalents	14	**978**	308
		1,870	1,640
Total assets		**4,213**	3,852
LIABILITIES			
Current liabilities			
Borrowings	15	**(88)**	(86)
Provisions	16	**(4)**	(4)
Trade and other payables	17	**(1,225)**	(1,135)
Tax liabilities		**(206)**	(148)
Convertible Capital Bonds	15	**–**	(31)
		(1,523)	(1,404)
Non-current liabilities			
Borrowings	15	**(80)**	(129)
Deferred tax liabilities	19	**(377)**	(349)
Retirement benefit obligations	4	**(261)**	(253)
Provisions	16	**(10)**	(11)
Tax liabilities		**(85)**	(98)
Other non-current liabilities	18	**(21)**	(28)
		(834)	(868)
Total liabilities		**(2,357)**	(2,272)
Net assets		**1,856**	1,580
EQUITY			
Capital and reserves			
Share capital	20	**76**	76
Share premium account	21	**479**	405
Capital redemption reserve	21	**4**	2
Merger reserve	21	**142**	142
Equity component of Convertible Capital Bonds	21	**–**	9
Hedging reserve	21	**(1)**	–
Foreign currency translation reserve	21	**42**	(43)
Retained earnings	21	**1,113**	986
		1,855	1,577
Equity minority interest	22	**1**	3
Total equity		**1,856**	1,580

Approved by the Board on 20 March 2006.

Adrian Bellamy
Director

Bart Becht
Director

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005 £m	2004 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Operating profit	**840**	749
Depreciation	**82**	85
Amortisation and impairment	**9**	12
(Gain)/loss on sale of plant, property and equipment	**(8)**	8
Increase in inventories	**(1)**	(36)
Increase in trade and other receivables	**(30)**	(3)
Increase in payables and provisions	**18**	63
Share award expense	**36**	32
Other non-cash movements	**–**	4
Cash generated from operations	**946**	914
Interest paid	**(16)**	(30)
Interest received	**50**	38
Tax paid	**(157)**	(189)
Net cash generated from operating activities	**823**	733
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant, property and equipment and intangible assets	**(78)**	(83)
Disposal of plant, property and equipment and intangible assets	**17**	9
Acquisition of businesses	**(4)**	(1)
Maturity of short-term investments	**493**	38
Net cash generated by investing activities	**428**	(37)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**36**	30
Share purchases	**(300)**	(283)
Repayments of borrowings	**(66)**	(87)
Dividends paid to the Company's shareholders	**(262)**	(216)
Net cash used in financing activities	**(592)**	(556)
Net increase in cash and cash equivalents	**659**	140
Cash and cash equivalents at beginning of period	**301**	163
Exchange gains/(losses)	**9**	(2)
Cash and cash equivalents at end of period	**969**	301
Cash and cash equivalents comprises		
Cash and cash equivalents	**978**	308
Overdrafts	**(9)**	(7)
	969	301
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS		
Net cash generated from operating activities	**823**	733
Net purchases of plant, property and equipment	**(65)**	(69)
Net cash flow from operations	**758**	664

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

NOTES TO THE ACCOUNTS

1 SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's geographical and product group segments. The primary segment, geographical areas, is based on the Group's management and internal reporting structure. The individual operations based in the countries within each geographic segment are considered to have similar operational risk and generate a similar level of financial return for the Group.

Inter-segment revenues are charged according to internally agreed pricing terms that are designed to be equivalent to an arm's length basis, and have been consistently applied throughout 2004 and 2005.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities comprises headquarter items that are not specifically attributable to one segment and there is no reasonable basis available to allocate them.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Primary Segment by Geographical Areas

For management purposes the Group is currently organised into three operating areas: Europe; North America, Australia and New Zealand (NAA); and Developing Markets and geographical segmental information is presented on this basis. Segment revenue is based on the geographic location of the Group's customers and segment assets are based on the geographic location of the assets.

2005	**Europe £m**	**NAA £m**	**Developing Markets £m**	**Elimination £m**	**Total £m**
Total gross segment net revenues	2,177	1,282	771	(51)	4,179
Inter-segment revenues	(42)	(1)	(8)	51	–
Net revenues	**2,135**	**1,281**	**763**	**–**	**4,179**
Operating profit	**502**	**270**	**68**	**–**	**840**

2004	Europe £m	NAA £m	Developing Markets £m	Elimination £m	Total £m
Total gross segment net revenues	2,066	1,198	653	(46)	3,871
Inter-segment revenues	(34)	(2)	(10)	46	–
Net revenues	2,032	1,196	643	–	3,871
Operating profit	466	242	41	–	749

The profits arising on inter-segment sales are insignificant.

Other items included analysed by primary segment are as follows:

2005	**Europe £m**	**NAA £m**	**Developing Markets £m**	**Unallocated £m**	**Group £m**
Segment assets	**1,113**	**1,333**	**523**	**1,244**	**4,213**
Segment liabilities	**(768)**	**(382)**	**(234)**	**(973)**	**(2,357)**
Capital expenditure	**48**	**14**	**13**	**3**	**78**
Depreciation and amortisation	**62**	**17**	**9**	**3**	**91**
Other non-cash movements	**8**	**5**	**4**	**19**	**36**

2004	Europe £m	NAA £m	Developing Markets £m	Unallocated £m	Group £m
Segment assets	1,171	1,190	461	1,030	3,852
Segment liabilities	(789)	(314)	(186)	(983)	(2,272)
Capital expenditure (including acquisitions)	55	14	14	–	83
Depreciation and amortisation	66	20	10	1	97
Other non-cash movements	6	4	3	23	36

There are no reconciling items between net revenues and operating profit shown above and those shown in the income statement. There are no reconciling items between the segment assets and liabilities shown above and those shown in the balance sheet. There is no material difference between geographic segments determined on a customer location basis and a location of assets basis.

NOTES TO THE ACCOUNTS Continued

1 SEGMENTAL REPORTING (CONTINUED)

Secondary Segment – by Product Groups

The Secondary Segment presents the Group's results in the product groups. The product groups are Fabric Care, Surface Care, Dishwashing, Home Care, Health & Personal Care, making up core business together with Other Household and Food. Unallocated relates to headquarter assets for which there is no reliable method for allocating to any specific product group.

	Net revenues		Assets		Capital expenditure	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Fabric Care	**1,113**	1,064	**942**	917	**20**	24
Surface Care	**871**	773	**952**	876	**15**	18
Dishwashing	**579**	542	**366**	368	**10**	12
Home Care	**628**	564	**458**	432	**11**	13
Health & Personal Care	**662**	599	**403**	397	**16**	14
Core Business	**3,853**	3,452	**3,121**	2,990	**72**	81
Other Household	**131**	139	**3**	4	**–**	–
Household Health & Personal Care	**3,984**	3,681	**3,124**	2,994	**72**	81
Food	**195**	190	**92**	81	**3**	2
Unallocated	**–**	–	**997**	777	**3**	–
	4,179	3,871	**4,213**	3,852	**78**	83

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2005 £m	2004 £m
Cost of sales	**(1,886)**	(1,750)
Gross profit	**2,293**	2,121
Distribution costs	**(1,161)**	(1,076)
Administrative expenses:		
Research and development	**(63)**	(62)
Other	**(256)**	(260)
Total administrative expenses	**(319)**	(322)
Other net operating income	**27**	26
Net operating expenses	**(1,453)**	(1,372)

All results relate to continuing operations.

Depreciation charges by income statement line	**2005 £m**	2004 £m
Within		
Cost of sales	**66**	62
Distribution costs	**4**	3
Administrative expenses:		
Research and development	**3**	3
Other	**9**	17
Total administrative expenses	**12**	20
Total depreciation charge (Note 10)	**82**	85

Amortisation charge by income statement line

Amortisation and impairment charges (Note 9) of £9m in 2005 (2004 £12m) are included within Administrative Expenses: Other in the income statement.

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES (CONTINUED)
Total foreign exchange differences of less than £1m (2004 less than £1m) have been recognised in profit 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.

Pension costs by income statement line	2005 £m	2004 £m
Within		
Cost of sales	**6**	4
Distribution costs	**5**	5
Administrative expenses:		
Research and development	**2**	1
Other	**12**	12
Total administrative expenses	**14**	13
Total net pensions costs (Note 4d)	**25**	22

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 the SORIE.

3 AUDITORS' REMUNERATION
During the year, the following services were provided by the Group's auditors:

	2005 £m	2004 £m
Audit services – statutory audit	**2.2**	2.1
– audit related regulatory reporting	**0.4**	0.2
Tax services – compliance services	**0.1**	0.4
– advisory services	**0.5**	0.5
Other services – internal audit	**0.1**	0.1
	3.3	3.3

Also included above are fees paid in respect of non-audit services in the UK of £0.4m (2004 £0.7m).

4 EMPLOYEES

(a) Staff costs	2005 £m	2004 £m
The total employment costs, including Directors, were:		
Wages and salaries	**436**	408
Social security costs	**78**	77
Net pension costs	**17**	16
Post-retirement benefits other than pensions	**8**	6
	539	507

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 10 to 15, which forms part of the financial statements.

Compensation awarded to key management (including directors):

	2005 £m	2004 £m
Salaries and short-term employee benefits	**10**	10
Post-employment benefits	**1**	1
Share-based payment	**15**	13
	26	24

There were no other long term benefits (2004 £nil) or termination benefits (2004 £nil) paid to key management in 2005.

(b) Staff numbers
The average number of people employed by the Group, including Directors, during the year was:

	2005 000s	2004 000s
Europe*	**8.4**	7.4
North America and Australia	**3.1**	3.1
Developing Markets	**8.8**	9.4
	20.3	19.9

*Included in Europe are 1,400 (2004 1,300) UK employees.

(c) Share-based remuneration
The Group has adopted the optional transitional arrangement permitted by IFRS 1 which allows companies previously disclosing the fair value charge to adopt IFRS 2 fully retrospectively to all options granted but not fully vested by the reporting date. Accordingly all such share awards that were not fully vested as at 31 December 2005 and 31 December 2004 are included in the tables below which analyse the IFRS charge for 2005 and 2004. 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.

NOTES TO THE ACCOUNTS Continued

4 EMPLOYEES (CONTINUED)

Table 1: Fair value of awards with options outstanding at 31 December 2005 and 2004.

	Grant date	Exercise price £	Performance period	Black-Scholes model assumptions: Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk free interest rate %	Fair value of one award £
Share Options – 1999 Share Option Plan									
2002	17 December 2001	9.504	2002-04	9.70	25	2.7	4	4.50	1.954
2003	22 November 2002	11.186	2003-05	10.96	25	2.7	4	4.50	2.054
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.462
2005	06 December 2004	15.47	2005-07	15.37	23	2.3	4	4.88	2.991
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.334
Restricted Shares – Restricted Share Plan									
2002	17 December 2001	–	2002-04	9.70	25	2.7	4	4.50	8.644
2003	22 November 2002	–	2003-05	10.96	25	2.7	4	4.50	9.791
2004	08 December 2003	–	2004-06	12.80	24	2.6	4	4.50	11.493
2005	06 December 2004	–	2005-07	15.37	23	2.3	4	4.88	13.920
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.376

The charge for 2005 in respect of share-based remuneration under IFRS 2 is as set out below:

Table 2: Share awards expense 2005

	Grant date	Fair value of one award £	Movement in number of options: Options outstanding at 1 January 2005 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2005 number	Total fair value of grant as at 31 December 2005 £m	IFRS charge for 2005 £m
Share Options – 1999 Share Option Plan									
2002	17 December 2001	1.954	4,474,625	–	(14,200)	(1,398,420)	3,062,005	6.0	–
2003	22 November 2002	2.054	5,581,750	–	(84,000)	–	5,497,750	11.3	3.6
2004	08 December 2003	2.462	4,529,500	–	(186,000)	–	4,343,500	10.7	3.3
2005	06 December 2004	2.991	4,991,500	(214,000)	(45,500)	–	4,732,000	14.2	4.6
2006	05 December 2005	3.334	–	4,765,000	–	–	4,765,000	15.9	–
Restricted Shares – Restricted Share Plan									
2002	17 December 2001	8.644	1,967,218	–	(4,500)	(1,962,718)	–	–	–
2003	22 November 2002	9.791	1,780,862	–	(22,131)	–	1,758,371	17.0	5.6
2004	08 December 2003	11.493	2,157,146	–	(74,621)	–	2,082,525	23.9	7.7
2005	06 December 2004	13.920	2,260,750	(122,750)	(28,376)	–	2,109,624	29.4	9.7
2006	05 December 2005	16.376	–	2,382,500	–	–	2,382,500	39.0	–
Other Share Awards									
UK SAYE	Various	Various	611,885	271,478	(31,329)	(162,308)	689,726	n/a	0.4
US SAYE	Various	Various	761,947	259,238	(101,617)	(105,270)	814,298	n/a	0.8
Overseas SAYE	Various	Various	551,304	1,475,508	(60,993)	(222,482)	1,743,337	n/a	0.2
SOPP	Various	Various	106,000	10,000	–	(16,000)	100,000	n/a	0.2
Total									36.1

Table 3: Share awards expense 2004

	Grant date	Fair value of one award £	Movement in number of options: Options outstanding at 1 January 2004 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2004 number	Total fair value of grant as at 31 December 2004 £m	IFRS charge for 2004 £m
Share Options – 1999 Share Option Plan									
2002	17 December 2001	1.954	4,641,675	4,900	(171,950)	–	4,474,625	8.7	2.7
2003	22 November 2002	2.054	6,216,750	–	(635,000)	–	5,581,750	11.5	3.4
2004	08 December 2003	2.462	4,585,500	–	(56,000)	–	4,529,500	11.2	3.7
2005	06 December 2004	2.991	–	4,991,500	–	–	4,991,500	14.9	–
Restricted Shares – Restricted Share Plan									
2002	17 December 2001	8.644	2,057,795	–	(90,577)	–	1,967,218	17.0	5.1
2003	22 November 2002	9.791	1,933,606	–	(152,744)	–	1,780,862	17.4	5.3
2004	08 December 2003	11.493	2,184,000	–	(26,854)	–	2,157,146	24.8	8.3
2005	06 December 2004	13.920	–	2,260,750	–	–	2,260,750	31.5	–
Other Share Awards									
UK SAYE	Various	Various	828,873	–	(52,155)	(164,833)	611,885	n/a	0.7
US SAYE	Various	Various	1,763,537	–	(248,628)	(752,962)	761,947	n/a	1.1
Overseas SAYE	Various	Various	1,289,708	51,799	(82,989)	(707,214)	551,304	n/a	0.9
SOPP	Various	Various	170,000	36,000	–	(100,000)	106,000	n/a	1.3
Total									32.5

Options outstanding at 31 December 2005 that could have been exercised at that date were 8,642,965 (2004 8,806,883).

4 EMPLOYEES (CONTINUED)

(c) Share-based remuneration (continued)

Notes
Scope: Executive Share Awards (including Share Options awarded under the 1999 Share Option Plan and Restricted Shares awarded under the Restricted Share Plan) are awarded to the Top 400 Management Group. Other Share Awards represent SAYE Schemes, (offered to all staff within the relevant geographic area) and a number of Executive Share Ownership Policy Plan (SOPP) awards. Individual tranches of these awards are not material for detailed disclosure therefore have been aggregated in the table above.

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

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

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

Under the terms of the Plans, early exercise is not permitted 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 2004 or 2005 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.

The weighted average share price for the year was £17.00 (2004 £14.44)

(d) Pension and other post-retirement commitments

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally of the funded type. The Group's two most significant defined benefit pension schemes (UK and US) are both funded by the payment of contributions to separately administered trust funds.

The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US retiree healthcare scheme), where salaried participants become eligible for retiree healthcare 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 2005 there were 2,816 (2004 2,765) eligible retirees and 1,470 (2004 1,517) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2005 £m	2004 £m
Defined contribution schemes	**11**	11
Defined benefit schemes (net charge)	**14**	11
Total pension costs recognised in the income statement (Note 2)	**25**	22

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2004 and updated at 31 December 2005. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2005 and updated at 31 December 2005. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the three major schemes as at 31 December 2005 were:

	2005			2004		
	UK %	**US (pension) %**	**US (medical) %**	UK %	US (pension) %	US (medical) %
Rate of increase in pensionable salaries	**4.8**	**5.0**	**–**	4.8	5.0	–
Rate of increase in pension payments and deferred pensions	**2.8**	**–**	**–**	2.8	–	–
Discount rate	**4.8**	**5.5**	**5.5**	5.3	5.8	5.8
Inflation assumption	**2.8**	**4.0**	**–**	2.8	4.0	–
Annual Medical cost inflation	**–**	**–**	**10.5-4.5**	–	–	10.5-4.5
Long-term expected rate of return on:						
Equities	**7.4**	**10.8**	**–**	7.8	10.0	–
Bonds	**4.3**	**5.0**	**–**	4.3	7.0	–
Other	**5.9**	**–**	**–**	6.1	–	–

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. For the UK scheme the mortality assumptions were based on PMA92 and PFA92 tables, with allowance for projected improvements in mortality rates in 2004. In addition, the net discount rate has been reduced by 0.25% to allow for further improvements in mortality.

4 EMPLOYEES (CONTINUED)

Impact of medical cost trends rates

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

	+1% £m	-1% £m
Effect on service cost and interest cost	1	(1)
Effect on post retirement benefit obligation	14	(11)

(d) Pension and other post-retirement commitments (continued)

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

	2005					2004				
	UK £m	**US (pension) £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Total equities	**354**	**83**	**–**	**23**	**460**	326	75	–	26	427
Total bonds	**217**	**43**	**–**	**14**	**274**	172	40	–	14	226
Total other assets	**79**	**–**	**–**	**5**	**84**	68	–	–	13	81
Fair value of plan assets	**650**	**126**	**–**	**42**	**818**	566	115	–	53	734
Present value of scheme liabilities	**(700)**	**(136)**	**(107)**	**(129)**	**(1,072)**	(625)	(113)	(92)	(153)	(983)
Net (liability)/asset recognised in the balance sheet	**(50)**	**(10)**	**(107)**	**(87)**	**(254)**	(59)	2	(92)	(100)	(249)

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

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

	2005 £m	2004 £m
Non-current asset:		
Funded scheme surplus	**7**	4
Non-current liability:		
Funded scheme deficit	**(73)**	(82)
Unfunded scheme liability	**(188)**	(171)
Retirement benefit obligation	**(261)**	(253)
Net pension liability	**(254)**	(249)

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

The amounts recognised in the income statement are as follows:

	2005					2004				
	UK £m	**US (pension) £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Current service cost	**(8)**	**(3)**	**(1)**	**(5)**	**(17)**	(7)	(3)	(1)	(4)	(15)
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	–	–
Expected return on pension scheme assets	**37**	**11**	**–**	**4**	**52**	36	9	–	3	48
Interest on pension scheme liabilities	**(33)**	**(7)**	**(5)**	**(5)**	**(50)**	(30)	(7)	(5)	(2)	(44)
Total charge to the income statement	**(4)**	**1**	**(6)**	**(5)**	**(14)**	(1)	(1)	(6)	(3)	(11)

The amounts recognised in shareholders' equity for the Group are as follows:

	2005 £m	2004 £m
Actual return less expected return on pension scheme assets	**71**	19
Experience gains and losses on scheme liabilities	**(19)**	(5)
Changes in assumptions underlying present value of scheme liabilities	**(66)**	(90)
Actuarial (loss)/gain recognised	**(14)**	(76)

4 EMPLOYEES (CONTINUED)

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

Movement in net(liability)/assets during the year	**2005** UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	**2004** UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Surplus/(deficit) at 1 January	**(59)**	**2**	**(92)**	**(100)**	**(249)**	11	(11)	(94)	(95)	(189)
Current service cost	**(8)**	**(3)**	**(1)**	**(5)**	**(17)**	(7)	(3)	(1)	(4)	(15)
Contributions	**5**	**–**	**8**	**6**	**19**	–	14	6	2	22
Past service cost	**–**	**–**	**–**	**1**	**1**	–	–	–	–	–
Other finance income	**4**	**4**	**(5)**	**(1)**	**2**	6	2	(5)	1	4
Actuarial gain/(loss)	**8**	**(13)**	**(10)**	**1**	**(14)**	(69)	(1)	–	(6)	(76)
Exchange adjustments	**–**	**–**	**(7)**	**11**	**4**	–	1	2	2	5
(Deficit)/surplus at 31 December	**(50)**	**(10)**	**(107)**	**(87)**	**(254)**	(59)	2	(92)	(100)	(249)

The actual return of plan assets was £103m (2004 £50m) for the UK scheme and £10m (2004 £11m) for the US scheme.

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

	2005 UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	**2004** UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Present value of liabilities at 1 January	**625**	**113**	**92**	**153**	**983**	529	121	94	146	890
Service cost	**8**	**3**	**1**	**4**	**16**	7	3	1	4	15
Interest cost	**33**	**7**	**5**	**5**	**50**	30	7	5	2	44
Benefits paid	**(24)**	**(17)**	**(8)**	**(11)**	**(60)**	(24)	(17)	(6)	(7)	(54)
Actuarial losses/(gains)	**58**	**13**	**10**	**4**	**85**	83	1	–	11	95
Exchange adjustments	**–**	**17**	**7**	**(26)**	**(2)**	–	(2)	(2)	(3)	(7)
Present value of liabilities at 31 December	**700**	**136**	**107**	**129**	**1,072**	625	113	92	153	983

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

	2005 UK £m	US (pension) £m	Other £m	Total £m	**2004** UK £m	US (pension) £m	Other £m	Total £m
Fair value of plan assets at 1 January	**566**	**115**	**53**	**734**	540	110	51	701
Expected rate of return	**37**	**11**	**4**	**52**	36	9	3	48
Contributions	**5**	**–**	**6**	**11**	–	14	2	16
Benefits paid	**(24)**	**(17)**	**(11)**	**(52)**	(24)	(17)	(7)	(48)
Actuarial gains/(losses)	**66**	**–**	**5**	**71**	14	–	5	19
Exchange adjustments	**–**	**17**	**(15)**	**2**	–	(1)	(1)	(2)
Fair value of plan assets at 31 December	**650**	**126**	**42**	**818**	566	115	53	734

Cumulative actuarial gains and losses recognised in equity:

	2005 £m	2004 £m
At 1 January	**(76)**	–
Net actuarial loss recognised in the year	**(14)**	(76)
At 31 December	**(90)**	(76)

History of experience gains and losses:

	2005 £m	2004 £m
Experience adjustments arising on scheme assets:		
Amount (£m)	**71**	19
Percentage of scheme assets	**8.7%**	2.6%
Experience adjustments arising on scheme liabilities:		
Amount (£m)	**(85)**	(95)
Percentage of scheme liabilities	**7.9%**	9.7%
Present value of scheme laibilities	**(1,072)**	(983)
Fair value of scheme assets	**818**	734
Net pension liability	**(254)**	(249)

Expected employer contributions to be paid to funded defined benefit schemes in 2006 are £7m (UK £5m, other schemes £2m).

NOTES TO THE ACCOUNTS Continued

5 NET FINANCE INCOME

Finance income	2005 £m	2004 £m
Interest income on cash and cash equivalents	**32**	12
Gain on available for sale financial instruments (Interest on short term deposits)	**14**	26
Gain on hedging instruments	**4**	–
Total finance income	**50**	38
Finance expense		
Interest payable on bank borrowings	**(4)**	(4)
Amortisation of issue costs of bank loans	**(1)**	(1)
Interest payable on other loans	**(8)**	(14)
Coupon on Convertible Capital Bonds (Note 15)	**–**	(7)
Interest payable on finance leases	**(1)**	(1)
Interest and similar charges payable	**(14)**	(27)
Loss on hedging instruments	**–**	(2)
Total finance expense	**(14)**	(29)
Net finance income	**36**	9

Interest payable and similar charges relating to borrowings repayable after more than five years was less than £1m (2004 less than £1m).

There are no other gains or losses from fair value adjustments recognised within finance income or expense.

6 INCOME TAX EXPENSE

	2005 £m	2004 £m
Current tax:		
UK	**33**	28
Overseas	**196**	154
	229	182
Prior year adjustments:		
Overseas	**(16)**	(14)
Total current tax	**213**	168
Deferred tax (Note 19):		
UK	**(11)**	(27)
Overseas	**5**	40
	(6)	13
Total Tax	**207**	181

Domestic income tax is calculated at 30% (2004 30%) 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:

	2005 £m	2004 £m
Profit before tax:	**876**	758
Tax at the UK corporation tax rate of 30% (2004 30%)	**263**	227
Effects of:		
Tax at rates other than the UK corporation tax rate	**(38)**	(35)
Adjustments to amounts carried in respect of unresolved tax matters	**36**	16
Tax losses	**–**	4
Withholdings and local taxes	**18**	16
Utilised tax losses	**(43)**	(26)
Adjustment in respect of prior periods	**(16)**	(14)
Other permanent differences	**(13)**	(7)
Total tax charge	**207**	181

Certain deferred tax amounts totalling £16m (2004 £111m) in respect of corporation tax losses and other timing differences have not been recognised at 31 December 2005 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other timing differences becomes reasonably certain. The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

7 EARNINGS PER SHARE

Basic

Basic Earnings per share is calculated by dividing the profit attributable to equity holders of the Company (2005 £669m (2004 £577m)) by the weighted average number of ordinary shares in issue during the period (2005 727,061,855 (2004 714,855,797)).

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 three categories of dilutive potential ordinary shares: Executive options, Employee sharesave schemes and Convertible Capital Bonds. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2005 there were 14.0m (2004 13.9m) of Executive share options not included within the dilution because the contingent performance targets had not been met.

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

	2005			2004		
	Profit for the year £m	**Average number of shares**	**Earnings per share pence**	Profit for the year £m	Average number of shares	Earnings per share pence
Profit attributable to shareholders	**669**	**727,061,855**	**92.0**	577	714,855,797	80.7
Dilution for Executive options outstanding		**13,496,383**		–	12,960,413	
Dilution for Employee Sharesave Scheme options outstanding		**726,783**		–	937,121	
Dilution for Convertible Capital Bonds outstanding*	**–**	**1,970,687**		5	25,791,345	
On a diluted basis	**669**	**743,255,708**	**90.0**	582	754,544,676	77.1

*After the appropriate tax adjustment, the profit adjustment represents the coupon on Convertible Capital Bonds. The Earnings per share impact reflects the effect of that profit adjustment and the assumption of the issue of shares on conversion of bonds.

8 DIVIDENDS

	2005 £m	2004 £m
Dividends on equity ordinary shares:		
2004 Final paid: 18.0p (2003 Final 14.0p) per share	**131**	99
2005 Interim paid: 18.0p (2004 Interim 16.0p) per share	**131**	117
Total dividends for the year	**262**	216

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2005 of 21p per share which will absorb an estimated £152m of shareholders' funds. It will be paid on 25 May 2006 to shareholders who are on the register on 3 March 2006.

NOTES TO THE ACCOUNTS Continued

9 INTANGIBLE ASSETS

Group	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2005	1,549	79	25	86	1,739
Additions	–	–	1	4	5
Disposals	(2)	–	(2)	–	(4)
Reclassifications	–	(2)	–	2	–
Exchange adjustments	104	7	1	–	112
At 31 December 2005	**1,651**	**84**	**25**	**92**	**1,852**
Accumulated impairment and amortisation					
At 1 January 2005	27	17	23	9	76
Amortisation charge	–	–	2	7	9
Disposals	–	–	(2)	–	(2)
Exchange adjustments	1	1	1	–	3
At 31 December 2005	**28**	**18**	**24**	**16**	**86**
Net book amount at 31 December 2005	**1,623**	**66**	**1**	**76**	**1,766**

Group	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2004	1,616	87	26	86	1,815
Acquisitions of business	–	5	–	–	5
Additions	–	–	1	–	1
Disposals	–	–	(2)	–	(2)
Reclassifications	3	(3)	–	–	–
Other movements	(6)	–	–	–	(6)
Exchange adjustments	(64)	(10)	–	–	(74)
At 31 December 2004	1,549	79	25	86	1,739
Accumulated impairment and amortisation					
At 1 January 2004	27	15	22	2	66
Amortisation and impairment charge	–	3	2	7	12
Disposals	–	–	(1)	–	(1)
Exchange adjustments	–	(1)	–	–	(1)
At 31 December 2004	27	17	23	9	76
Net book amount at 1 January 2004	1,589	72	4	84	1,749
Net book amount at 31 December 2004	1,522	62	2	77	1,663

As a result of the Group's adoption of IFRS, the 2004 detailed comparatives have been included.

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

The brands, 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.

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

Net book value	2005 £m	2004 £m
Indefinite life assets:		
Brands	**1,623**	1,522
Goodwill	**66**	62
Other	**31**	31
Total indefinite life assets	**1,720**	1,615
Finite life assets:		
Other	**45**	46
Software	**1**	2
Total finite life assets	**46**	48
Total net book value intangible assets	**1,766**	1,663

The annual impairment review for intangible assets is based on an assessment of each asset's value in use. Value in use is calculated from cash flow projections based on historical operating results, short term budgets, medium term business plans 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 2% – 6%). A pre-tax discount rate of 11% (2004 11%) has been used in discounting the projected cash flows. A higher rate is used where appropriate to reflect specific risks associated with the relevant asset.

9 INTANGIBLE ASSETS (CONTINUED)

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

Product group	Key brands	2005 £m	2004 £m
Fabric Care	Calgon, Vanish, Woolite	**528**	497
Surface Care	Dettol, Lysol	**627**	570
Dishwashing	Calgonit, Finish	**150**	154
Home Care	Air Wick	**207**	189
Health & Personal Care	Veet	**80**	83
Food	French's	**31**	29
Brands total		**1,623**	1,522

The impairment charge for the year ended 31 December 2005 is £nil (2004 £3m). Amortisation for the year ended 31 December 2005 is £9m (2004 £9m).

Other intangible assets include £4m of additions in 2005 relating to development expenditure. There are no other internally generated intangible assets in any of the classes of asset. The net book value of internally generated other intangible assets at 31 December 2005 is £4m (2004 £nil).

No borrowing costs have been capitalised as an intangible asset in 2005 (2004 £nil).

NOTES TO THE ACCOUNTS Continued

10 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2005	279	809	1,088
Additions	5	68	73
Disposals	(5)	(52)	(57)
Reclassifications	12	(12)	–
Exchange adjustments	15	26	41
At 31 December 2005	**306**	**839**	**1,145**

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2005	103	504	607
Charge for the year	11	71	82
Disposals	(4)	(46)	(50)
Exchange adjustments	5	16	21
At 31 December 2005	**115**	**545**	**660**
Net book amount at 31 December 2005	**191**	**294**	**485**

Group	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2004	279	792	1,071
Additions	4	74	78
Disposals	(5)	(44)	(49)
Reclassifications	7	(7)	–
Exchange adjustments	(6)	(6)	(12)
At 31 December 2004	279	809	1,088

Accumulated depreciation	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2004	96	467	563
Charge for the year	10	75	85
Disposals	(2)	(30)	(32)
Exchange adjustments	(1)	(8)	(9)
At 31 December 2004	103	504	607
Net book amount at 31 December 2004	176	305	481

As a result of the Group's adoption of IFRS, the 2004 detailed comparatives have been included.

Included in plant and equipment are assets held under finance leases with a net book value of £11m (2004 £14m). The depreciation charge for assets held under finance leases was £3m (2004 £4m).

Minimum lease payments for plant and equipment held under finance leases are £6m (2004 £5m) within one year and £8m (2004 £12m) in two to five years. There are no lease payments falling due after more than five years.

No revaluations have taken place in 2004 or in 2005.

The net book amount of assets in construction is £13m (2004 £23m). Assets under construction are included within plant and equipment. The reclassification from plant and equipment to land and building of £12m (2004 £7m) shows the transfer of completed assets.

The analysis of depreciation charge by income statement line is shown in Note 2.

No borrowing costs have been capitalised as plant, property and equipment in 2005 (2004 £nil).

11 INVENTORIES

	2005 £m	2004 £m
Raw materials and consumables	**68**	60
Work in progress	**12**	13
Finished goods and goods held for resale	**190**	185
Total inventories	**270**	258

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £1,761m (2004 £1,631m).

The Group inventory provision at 31 December 2005 was £23m (2004 £27m). All inventory that was provided for at 31 December 2004 was sold or otherwise disposed of during 2005.

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

12 TRADE AND OTHER RECEIVABLES – CURRENT

Amounts falling due within one year	2005 £m	2004 £m
Trade debtors	**471**	423
Less: Provision for impairment of receivables	**(12)**	(11)
Trade debtors – net	**459**	412
Other debtors	**69**	67
Prepayments and accrued income	**17**	25
	545	504

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

13 AVAILABLE FOR SALE FINANCIAL ASSETS

These investments do not meet the requirements to be classified as cash equivalents due to having maturities of greater than three months. They are, however, highly liquid assets, consisting solely of short-term deposits. The effective interest rate on these short-term deposits is 4.8% (2004 5.0%) and they have an average maturity of 156 days (2004 142 days) from inception.

14 CASH AND CASH EQUIVALENTS

	2005 £m	2004 £m
Cash at bank and in hand	**61**	51
Short-term bank deposits	**917**	236
Commercial paper	**–**	21
Cash and cash equivalents	**978**	308

The effective interest rate on short-term bank deposits and commercial paper (2004 only) is 4.7% (2004 4.9%) and these deposits have an average maturity date of 38 days (2004 34 days) from inception.

Due to foreign currency exchange restrictions £43m (2004 £30m) of cash included in cash and cash equivalents are restricted for use by the Group.

15 FINANCIAL LIABILITIES – BORROWINGS

Current	2005 £m	2004 £m
Bank loans and overdrafts (a)	**24**	76
Convertible Capital Bonds (b)	**–**	31
Notes payable	**–**	5
Finance lease obligations	**6**	5
7.09% Preferred Auction Rate Changeable Shares (c)	**58**	–
	88	117

Non-current	2005 £m	2004 £m
6.72% Notes Series F due 2007	**67**	60
7.09% Preferred Auction Rate Changeable Shares (c)	**–**	52
Finance lease obligations	**8**	12
Preference shares (d)	**5**	5
	80	129

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

(b) Convertible Capital Bonds

In March 1990, Reckitt & Colman Capital Finance Limited, a wholly owned subsidiary undertaking, issued £200,832,954 9.5% Convertible Capital Bonds 2005. The terms of the issue, adjusted for the 1994 rights issue, allowed the holders to convert the bonds into Reckitt Benckiser ordinary shares on 31 July in each of the years 1993 to 2004 at the exchange price of 496p per share (equivalent to 20.161 Reckitt Benckiser ordinary shares per 100 bonds of £1 each).

In March 2005, holders of bonds, amounting in value to £40,092,814 (2004 £151,639, 822) exercised their rights of conversion into 8,082,033 (2004 30,573,115) ordinary shares of Reckitt Benckiser plc. All outstanding bonds were converted in March 2005, giving a cumulative £200,832,954 (2004 £160,740,140) of bonds which have now been converted.

(c) During 1999 Preferred Auction Rate Changeable Shares were issued by Reckitt & Colman Holdings (USA) Inc. (now RB Holdings (USA) Inc.) supported by Reckitt Benckiser plc. The initial dividend rate is 7.09% and applies until 2006. Thereafter, the dividend rate will be determined by auction. These shares are not redeemable until the end of the initial dividend period or at the end of any subsequent dividend periods. The redemption price will be the par value of the shares plus accumulated and unpaid dividends. The dividend rate may vary under specific circumstances within the terms of issuance of the Preferred Auction Rate Changeable Shares.

(d) Preference Share Capital

Authorised, issued and fully paid	2005 Number of shares	2004 Number of shares	2005 £m	2004 £m
5% Cumulative Preference Shares of £1 each	**4,500,000**	4,500,000	**5**	5

The 5% cumulative preference shares of £1 each, which are irredeemable and were issued at par, rank in priority to the ordinary shares both as to dividend and to capital. Shareholders are entitled to receive dividends at 5% per annum on the par value of these shares on a cumulative basis; these dividends are payable biannually on 1 January and 1 July. On a winding up or repayment of capital, these shares are repayable at par or the average market value for a period prior to that event, if higher. These shares have no further rights to participate in the reserves of the Company and the non-equity capital does not carry any right to vote at any general meeting of the Company unless either: i) the dividend is six months in arrears; or ii) there is a resolution to wind up the Company or to reduce its capital; or iii) there is a resolution to alter the rights of the preference shareholders.

15 FINANCIAL LIABILITIES – BORROWINGS (CONTINUED)

Maturity of debt	2005 £m	2004 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**24**	76
Other borrowings (including the Convertible Capital Bonds) repayable:		
Within one year or on demand:		
7.09% Preferred Auction Rate Chargeable Share Series A due 2006 (b)	**58**	–
Convertible Capital Bonds	**–**	31
Other	**6**	10
Between one and two years:		
7.09% Preferred Auction Rate Chargeable Shares Series A due 2006 (b)	**–**	52
6.72% Notes Series F due 2007	**67**	–
Between two and five years:		
6.72% Notes Series F due 2007	**–**	60
Other (payable by instalments)	**8**	12
After more than five years:		
5% cumulative preference shares	**5**	5
	144	170
Gross borrowings (unsecured)	**168**	246

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available, in respect of which all conditions precedent have been met at the balance sheet date were as follows:

Undrawn committed borrowing facilities	2005 £m	2004 £m
Expiring within one year	**1,500**	–
Expiring between one and two years	**–**	–
Expiring after more than two years	**749**	724
	2,249	724

The Group's borrowing limit at 31 December 2005 calculated in accordance with the Articles of Association was £3,710m (2004 £3,392m).

NOTES TO THE ACCOUNTS Continued

16 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Other provisions £m
At 1 January 2004	20
Charged to the income statement	–
Utilised during the year	(5)
Exchange adjustments	–
At 31 December 2004	15
Charged to the income statement	–
Utilised during the year	(1)
Exchange adjustments	–
At 31 December 2005	**14**

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

	2005 £m	2004 £m
Current	**4**	4
Non-current	**10**	11
	14	15

Other provisions include provision for an onerous lease expiring in 2016 of £5m (2004 £5m). The remainder of the balance relates to various legal and other obligations throughout the Group, the majority of which are expected to be utilised over the next few years.

17 TRADE AND OTHER PAYABLES

	2005 £m	2004 £m
Trade payables	**570**	476
Other creditors	**40**	26
Other tax and social security payable	**47**	36
Fair value derivatives	**1**	4
Accruals and deferred income	**567**	593
	1,225	1,135

18 OTHER NON-CURRENT LIABILITIES

	2005 £m	2004 £m
Accruals and deferred income	**4**	4
Other creditors	**17**	24
	21	28

19 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior year reporting periods.

Deferred tax liabilities	**Accelerated capital allowances £m**	**Intangible assets £m**	**Short-term timing differences £m**	**Tax losses £m**	**Retirement benefit obligations £m**	**Total £m**
At 1 January 2004	25	419	(108)	(1)	5	340
Charged/(credited) to the income statement	(15)	(16)	67	–	(7)	29
Charged/(credited) to equity	–	–	–	–	(3)	(3)
Exchange differences	–	(13)	(4)	–	–	(17)
At 31 December 2004	10	390	(45)	(1)	(5)	349
Charged/(credited) to the income statement	9	58	(59)	–	6	14
Charged/(credited) to equity	–	–	–	–	–	–
Exchange differences	1	12	1	–	–	14
At 31 December 2005	**20**	**460**	**(103)**	**(1)**	**1**	**377**

Deferred tax assets	**Accelerated capital allowances £m**	**Intangible assets £m**	**Short-term timing differences £m**	**Tax losses £m**	**Retirement benefit obligations £m**	**Total £m**
At 1 January 2004	–	2	9	2	1	14
(Charged)/credited to the income statement	1	(4)	21	(2)	–	16
(Charged)/credited to equity	–	–	9	–	19	28
Exchange differences	–	–	–	–	–	–
At 31 December 2004	1	(2)	39	–	20	58
(Charged)/credited to the income statement	–	3	(1)	12	6	20
(Charged)/credited to equity	–	–	3	–	(3)	–
Exchange differences	–	–	–	–	(1)	(1)
At 31 December 2005	**1**	**1**	**41**	**12**	**22**	**77**

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

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

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.

NOTES TO THE ACCOUNTS Continued

20 CALLED UP SHARE CAPITAL

Ordinary shares	Authorised Number of shares	Allotted, called up and fully paid Number of shares	Authorised £m	Allotted, called up and fully paid £m
Unclassified shares of $10^{10}/_{19}$p each	220,964,056	–	23	–
Ordinary shares of $10^{10}/_{19}$p each	724,535,944	724,535,944	77	76
At 1 January 2005	**945,500,000**	**724,535,944**	**100**	**76**
Allotments		15,069,990		
Market purchases		(17,445,000)		
Unclassified shares of $10^{10}/_{19}$p each	223,339,066		24	
Ordinary shares of $10^{10}/_{19}$p each	722,160,934	722,160,934	76	76
At 31 December 2005	**945,500,000**	**722,160,934**	100	76

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

The parent company has 4,500,000 (2004 4,500,000) of 5% cumulative preference shares which are recognised as non-current borrowings by the Group. The rights, preferences and restrictions of these shares are described in Note 16.

Allotments
During the year ordinary shares were allotted as follows:

Ordinary shares of $10^{10}/_{19}$p	Number of shares	Number of shares	Consideration £m	Consideration £m
Executive Share Options	3,978,376		32	
Award of Restricted Shares	2,459,895		–	
Total under Executive Share Option and Restricted Share Schemes		6,438,271		32
Under the Senior Executive Share Ownership Policy Plan		36,000		–
Under the Savings-Related Share Option Schemes		513,686		4
On conversion of Convertible Capital Bonds		8,082,033		–
Total		**15,069,990**		**36**

Market purchases of shares
During 2005, as part of the Group's continuing share buy back programmes, the Group spent £300m repurchasing 17,445,000 shares, which were subsequently cancelled. The shares repurchased represent 2.4% of the Parent Company's called up share capital at 31 December 2005 and had a nominal value of £2m.

In the period 1 January 2006 to 1 March 2006 a further 425,000 shares have been repurchased and cancelled at a cost of £9m. These shares repurchased represent less than 0.1% of the Parent Company's called up share capital at 31 December 2005 and had a nominal value of £45,000.

Options and restricted shares granted during the year
Options and restricted shares which may vest or become exercisable at various dates between 2008 and 2014 granted during the year were as follows:

Executive share option and restricted share schemes	Price to be paid £	Number of shares under option
1999 Share Option Plan – Annual Grant	18.10	4,765,000
Restricted Share Plan – Annual Grant	–	2,382,500
Total		**7,147,500**
Savings Related Share Option Schemes	13.71	2,032,431

20 CALLED UP SHARE CAPITAL (CONTINUED)

Options and restricted shares unexercised at 31 December 2005

Options and restricted shares exercisable at various dates between 2005 and 2015 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2005**	2004
Reckitt & Colman Schemes	6.28	12.120	**230,243**	385,128
Benckiser 1997 Schemes		2.050	**150,000**	366,670
Benckiser 1998 Schemes		5.100	**121,765**	385,455
Benckiser Long-term Incentive Scheme 1999 Annual Award		7.480	**190,370**	515,985
Benckiser Initial Options Award Agreement 29 September 1999		7.040	**2,667,000**	3,587,000
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		7.220	**249,500**	460,000
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	**4,500**	4,500
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	5.538	18.100	**23,875,862**	21,679,125
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**8,825,355**	9,166,371
Reckitt Benckiser Senior Executive Share Ownership Policy Plan		–	**100,000**	106,000
			36,414,595	36,656,234

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	**2005**	2004
UK Scheme	6.470	13.710	**689,726**	611,885
Overseas Scheme	6.616	13.710	**1,743,337**	551,304
USA Scheme	8.412	13.710	**814,298**	761,947
Total			**3,247,361**	1,925,136

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

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

21 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Company									
	Share capital £m	Share premium £m	Merger reserve £m	Equity element of Convertible Bonds £m	Hedging reserve £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Minority interest £m	Total £m
Balance at 1 January 2004	**74**	**227**	**142**	**45**	**0**	**0**	**0**	**921**	**4**	**1,413**
Shares allotted under share schemes:		30								30
Shares allotted on conversion of CCBs:	4	148								152
Reduction in equity component of CCB upon conversion:				(36)						(36)
Unvested share awards:								32		32
Deferred tax on share awards:								9		9
Profit for the year:								577		577
Dividends:								(216)		(216)
Own shares repurchased:	(2)							(281)		(283)
Actuarial gains and losses:								(76)		(76)
Movement of deferred tax on pensions liability:								22		22
Transfer to capital redemption reserve:						2		(2)		–
Net exchange adjustments on foreign currency translation:							(43)			(43)
Reduction in minority interest:									(1)	(1)
Balance at 31 December 2004	**76**	**405**	**142**	**9**	**0**	**2**	**(43)**	**986**	**3**	**1,580**
Shares allotted under share schemes:	1	35								36
Shares allotted on conversion of CCBs:	1	39								40
Reduction in equity component of CCB upon conversion:				(9)						(9)
Unvested share awards:								36		36
Deferred tax on share awards:								3		3
Profit for the year:								669		669
Dividends:								(262)		(262)
Own shares repurchased:	(2)							(298)		(300)
Actuarial gains and losses:								(14)		(14)
Movement of deferred tax on pension liability:								(3)		(3)
Transfer to capital redemption reserve:						2		(2)		–
Purchase of minority interests:								(4)		(4)
Net exchange adjustments on foreign currency translation:							85			85
Reduction in minority interest:								2	(2)	–
Net hedged gains and losses taken to reserves:					(1)					(1)
Balance at 31 December 2005	**76**	**479**	**142**	**0**	**(1)**	**4**	**42**	**1,113**	**1**	**1,856**

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £110m (2004 £137m). The reserves of subsidiary undertakings have generally been retained to finance their businesses.

The credit for invested share awards relates to amounts charged to the income statement under IFRS 2 and credited to reserves.

Reserves
The merger reserve arose in 1999 following the combination of Reckitt & Colman plc and Benckiser N.V. to form Reckitt Benckiser plc. This transaction was accounted for as a merger.

The equity element of Convertible Bonds recognises the compound nature of these instruments by including an element of their total value within equity. This element has reduced to zero at 31 December 2005 following the final conversion of the bonds in March 2005 (see Note 15).

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 capital redemption reserve is required to maintain the Group's capital following the Group's market purchases and subsequent cancellations of the Company's share capital. The reserve consists of the nominal value of the shares purchased and cancelled (see Note 20).

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations that are not considered integral to the operations of the parent company, 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.

22 MINORITY INTERESTS

	2005 £m	2004 £m
At 1 January 2005	**3**	4
Acquisition of minority shareholdings	**(2)**	(1)
As at 31 December 2005	**1**	3

23 FINANCIAL INSTRUMENTS

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to risk management in the financial review and in the accounting policies.

	Liabilities £m
At 31 December 2005	
Forward foreign currency contracts – cash flow hedge	**1**

	Liabilities £m
At 31 December 2004	
Forward foreign currency contracts – cash flow hedge	4

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments designated as cash flow hedges at the balance sheet date were:

	2005 £m	2004 £m
Contracts with negative fair values		
Forward foreign currency contracts	**1**	4

There were no interest rate swaps (2004 none) held at year end.

Hedge of net investment in foreign entity

The Group has dollar denominated borrowings which it has designated as a hedge of net investment in its subsidiaries in the USA. The carrying value of the dollar borrowings at 31 December 2005 was £67m (2004 £60m). The foreign exchange loss of £7m (2004 gain of £7m) on translation of the borrowings into sterling has been recognised in foreign currency translation reserve.

Fair value of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of cash, cash equivalents, short-term investments and short-term borrowings approximate to book value.

Cashflow hedge profile

As at 31 December 2005, the Group had no material individual financial instruments classified as cashflow hedges.
The same was true as at 31 December 2004.

The Group held forward foreign exchange contracts denominated as cashflow hedges primarily in US dollars, Euros and Australian dollars. Nominal value resulting from these financial instruments was as follows.

	2005 £m	2004 £m
US Dollar	**22**	31
Euro	**11**	45
Australian dollars	**9**	10
Other	**6**	10
	48	96

These forward foreign exchange contracts were expected to mature evenly over the period January 2006 to March 2007 (2004: January 2005 to March 2006). The contracts were fully denominated as cashflow hedges.

23 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of non-current borrowings

	2005 Book value £m	2005 Fair value £m	2004 Book value £m	2004 Fair value £m
Long-term borrowings	**(75)**	**(75)**	(124)	(133)
Convertible Capital Bonds	**–**	**–**	(31)	(97)
Preference shares	**(5)**	**(5)**	(5)	(5)
Fair value of other financial assets and financial liabilities				
Long-term assets (net)	**7**	**4**	5	4
Primary financial instruments held or issued to finance the Groups operations:				
Short-term borrowings	**(88)**	**(88)**	(86)	(86)
Non-current deposits	**77**	**77**	550	550
Non-current commercial paper	**–**	**–**	20	20
Short-term deposits	**917**	**917**	255	255
Short-term commercial paper	**–**		2	2
Cash at bank and in hand	**61**	**61**	51	51

The following methods and assumptions were used to estimate the fair values shown in this note:

- Borrowings due within one year – approximates to the carrying amount due to their short maturity.
- Convertible Capital Bonds – quoted market price.
- Other borrowings due after more than one year – market value using quoted market prices for equivalent fixed rate borrowings.
- Preference shares – based on market valuations at the balance sheet date.
- Investments – approximates to the carrying amount due to their short maturity.
- Cash at bank and in hand – carrying amount used.

Maturity of financial liabilities

	2005 Debt £m	2005 Finance leases £m	2005 Other financial liabilities £m	2005 Total £m	2004 Debt £m	2004 Finance leases £m	2004 Other financial liabilities £m	2004 Total £m
In more than one year but not more than two years	**67**	**–**	**–**	**67**	52	–	–	52
In more than two years but not more than five years	**–**	**8**	**–**	**8**	60	12	–	72
In more than five years	**–**	**–**	**10**	**10**	–	–	10	10
	67	**8**	**10**	**85**	112	12	10	134

Currency and Interest rate exposure of financial liabilities

	2005 Fixed £m	2005 Floating £m	2005 Non interest bearing £m	2005 Total £m	2004 Fixed £m	2004 Floating £m	2004 Non interest bearing £m	2004 Total £m
Sterling	**6**	**3**	**5**	**14**	36	–	5	41
US Dollar	**127**	**6**	**–**	**133**	112	4	–	116
Euro	**6**	**2**	**–**	**8**	7	1	–	8
Other	**–**	**18**	**–**	**18**	–	76	–	76
	139	**29**	**5**	**173**	155	81	5	241
of which:								
Gross borrowings				**163**				241
Preference Shares				**5**				5
Other financial assets/liabilities				**5**				5
				173				**251**

23 FINANCIAL INSTRUMENTS (CONTINUED)

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 31 December 2005. With the exception of European Commission Clearance of the Boots Healthcare International acquisition (granted January 2006) all conditions precedent in respect of these facilities had been met at that date.

	Floating rate £m	Fixed rate £m	2005 Total £m	2004 Total £m
Expiring within one year	**1,500**	**–**	**1,500**	–
Expiring between one and two years	**–**	**–**	**–**	–
Expiring in more than two years	**749**	**–**	**749**	724
	2,249	**–**	**2,249**	724

The facility expiring within one year is a bridging facility arranged to facilitate the acquisition of Boots Healthcare International. The other facilities have been arranged as a contingency to cover any future funding requirements. All facilities incur commitment fees at market rates.

24 OPERATING LEASE COMMITMENTS

	2005		2004	
Group	**Land and buildings £m**	**Plant and equipment £m**	Land and buildings £m	Plant and equipment £m
Total commitments under non-cancellable operating leases due:				
Within one year	**19**	**4**	20	4
Later than one and less than five years	**58**	**2**	48	6
After five years	**50**	**–**	54	–
	127	**6**	122	10

Operating lease rentals charged to the income statement in 2005 were £21m (2004 £18m) in respect of land and buildings and £5m (2004 £7m) in respect of plant and equipment.

As at 31 December 2005, total amounts expected to be received under non-cancellable sub-lease arrangements were £14m (2004 £15m). Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2004 £1m).

25 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2005 amounted to £44m (2004 £110m), including £nil (2004 £40m) in respect of the Convertible Capital Bonds (see Note 15 to the accounts).

NOTES TO THE ACCOUNTS Continued

26 RELATED PARTY TRANSACTIONS

The Group's subsidiary in Zimbabwe (Reckitt Benckiser (Zimbabwe) (Private) Ltd) is not consolidated as noted in the accounting policies. Therefore transactions between the Group and Reckitt Benckiser (Zimbabwe) (Private) Ltd are classified as related party transactions. During 2005 Group companies sold to and purchased from Reckitt Benckiser (Zimbabwe) (Private) Ltd products and services of less than £1m (2004 less than £1m). At 31 December 2005 Group companies had receivable and payable balances with Reckitt Benckiser (Zimbabwe) (Private) Ltd of less than £1m (2004 less than £1m). There are no other related party transactions in 2005 (2004 none).

Included in the current asset other debtors (Note 12) balance at 31 December 2004 was £390,000 receivable from 3 members of key management of the Group. These loans were repaid during 2005 and there were no amounts receivable at 31 December 2005.

27 RECONCILIATION OF EQUITY AND NET INCOME UNDER UK GAAP TO IFRS

Equity	Note 28	1 January 2004 £m	31 December 2004 £m
Equity under UK GAAP		**1,470**	**1,676**
Adjustments (inclusive of taxation):			
IFRS 2: Deferred taxation on share award reserve	(a)	8	16
IAS 19: Employee benefits	(b)	(84)	(130)
IAS 32: Convertible Capital Bond	(c)	45	9
IAS 32: Preference shares	(c)	(5)	(5)
IFRS 3: Goodwill amortisation	(d)	–	2
IAS 39: Fair value of derivative instruments	(e)	(2)	(4)
IAS 10: Final/interim dividend	(h)	99	131
IAS 12: Deferred tax on acquired intangibles	(k)	(122)	(118)
Equity under IFRS		**1,409**	**1,577**

Reconciliation of net income	Note 28	Full year ended 31 December 2004 £m
Net income under UK GAAP		**586**
Adjustments (inclusive of taxation):		
IFRS 2: Share awards	(a)	(9)
IFRS 3: Goodwill amortisation	(d)	2
IAS 19: Employee benefits	(b)	(1)
IAS 39: Fair value of derivative instruments	(e)	(1)
Net income under IFRS		**577**

28 EXPLANATION OF ADJUSTMENTS FROM UK GAAP TO IFRS

(a) IFRS 2: Share-based payment
In accordance with IFRS 2, the Group has recognised an expense representing the fair value of outstanding share awards based on a Black-Scholes calculation at date of grant, spread over the vesting period. The Group has also adopted the transitional arrangement which allows companies that have previously disclosed the fair value charge to apply IFRS 2 retrospectively to all grants not vested at 1 January 2005. This approach is encouraged by the standard and gives consistency across reporting periods.

As a result of the above, an incremental charge to net income of £11m has been included in 2004. The Group has recognised a share award reserve within the profit and loss reserve in the balance sheet to reflect the cumulative charge under IFRS 2 in respect of outstanding share awards. The deferred tax impact is a debit to deferred tax of £8m at 1 January 2004, a debit of £16m at 31 December 2004, and a £2m credit to the income statement for 2004.

(b) IAS 19: Employee benefits
The Group has adopted IAS 19 by recognising in full the surplus/deficit on defined benefit schemes and other employee related liabilities in the Group balance sheet at the date of transition. The Group has included movements in the surplus/deficit within the income statement and statement of movement in equity as required by IFRS. The Group has also adopted early the amendment to IAS 19 issued on 16 December 2004 allowing all actuarial gains and losses to be taken to the SORIE in the year in which they arise.

In reversing the SSAP 24 accounting treatment and adopting IAS 19, the Group balance sheet is credited with £84m (being £109m less deferred tax of £25m) at 1 January 2004 and £130m (being £184m less deferred tax of £54m) at 31 December 2004. The impact on the income statement from reversing the SSAP 24 charge and including the IAS 19 charges is £2m in 2004, which is included within operating costs. Actuarial losses of £76m less tax of £22m are shown in the statement of movement in equity.

(c) IAS 32: Financial instruments: disclosure and presentation
IAS 32 requires that where financial instruments contain both liability and equity components, the components are classified separately on the balance sheet. The Group's Convertible Capital Bond is such an instrument and accordingly £45m and £9m representing the split between debt and equity components has been reclassified from debt to equity in the balance sheets of 1 January 2004 and 31 December 2004 respectively. These amounts are based on the fair value of the components on issue.

Additionally under IAS 32, the Group's 5% cumulative preference shares fall to be classified as debt in the balance sheet and the dividends classified as financial expense in the income statement. Accordingly, a balance sheet adjustment of £5m is reflected at 1 January 2004 and 31 December 2004, while £0.2m is reclassified in the income statement from dividends to net financial income.

(d) IFRS 3: Business combinations
IFRS prohibits the amortisation of goodwill, requiring at least annual impairment reviews to be undertaken. Accordingly, goodwill balances at 1 January 2004 are no longer subject to amortisation, resulting in a credit to net operating expenses in 2004 of £4m (£2m after tax) and an equivalent debit to goodwill at 31 December 2004.

(e) IAS 39: Financial instruments: recognition and measurement
Under IAS 39 and IFRS 1, the Group's policy is to recognise the fair value of financial derivative instruments on the balance sheet with effect from 1 January 2004. Accordingly, financial assets of £1m and financial liabilities of £3m have been recognised on the balance sheet as at 1 January 2004. As at 31 December 2004, financial liabilities of £4m were recognised, resulting in a £2m (£1m after tax) charge to financial income in 2004.

(f) IAS 17: Leases
The Group has applied the requirements of IAS 17 to its leases and accordingly has reclassified certain leases from operating to finance leases to reflect the substance of the transaction according to IFRS. The total amount of assets and liabilities added to the balance sheet in respect of finance leases is £10m each, at both 1 January 2004 and 31 December 2004.

(g) IAS 38: Intangible assets
Computer software that is not an integral part of related hardware is classified as an intangible asset under IFRS, whereas such assets were classified under tangible assets under UK GAAP. Reclassifications of £4m and £2m have been made between tangible and intangible assets at 1 January 2004 and 31 December 2004 respectively.

(h) IAS 10: Events after the balance sheet date
In accordance with IAS 10, dividends declared after the balance sheet date are not recognised as a liability in the financial statements, as there is no present obligation at the balance sheet date, as defined by IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Accordingly the final dividends for 2003 of £99m and for 2004 of £131m are de-recognised in the balance sheets for 2003 and 2004 respectively. Dividends (Note 8) for 2004 are adjusted by £32m to reflect these timing adjustments.

(i) IAS 14: Segment reporting
In accordance with IAS 14, the Group has defined its primary segment as geographical and its secondary segment as product group. Analysis of net revenues and operating profit by geographical area (primary segment) and of net revenues by product group (secondary segment) are set out in Note 1.

NOTES TO THE ACCOUNTS Continued

28 EXPLANATION OF ADJUSTMENTS FROM UK GAAP TO IFRS (CONTINUED)

(j) IAS 7: Cash flow statements
The Cash Flow Statement is presented in accordance with IAS 7. The Group's cash and investments balances are not impacted by the change of accounting basis. However, the Group has presented short-term investments separately from cash and cash equivalents as required by IAS 7. Short-term investments represent those deposits with a maturity of over three months from inception. The other adjustments do not impact the movement of cash in and out of the Group and so there are no material effects on the cash flow aside from the presentation format required by IAS 7.

(k) IAS 12: Deferred tax
Under IAS 12, deferred tax is recognised in respect of nearly all taxable temporary timing differences arising between the tax base and the book value of most balance sheet items. The application of this principle may result in the recognition of additional temporary differences when compared to UK GAAP. Accordingly the Group now recognises a net deferred tax liability of £122m at 1 January 2004, the date of transition. This adjustment does not impact the income statement.

(l) Other adjustments
Under IFRS, provisions are required to be analysed as those expected to be utilised within one year and after more than one year. Accordingly, £4m are reclassified from non-current liabilities to current liabilities as at 1 January 2005 and 31 December 2005 respectively.

For presentational purposes, the minority interest has been reclassified to equity on the face of the balance sheet.

Taxation is provided on the conversion adjustments at the appropriate rate and is separately described above where material.

29 POST BALANCE SHEET EVENTS
ACQUISITION OF BOOTS HEALTHCARE INTERNATIONAL
The Group purchased the Boots Healthcare International business from the Boots Group plc and the Boots Company plc on 31 January 2006. The initial consideration paid was £1,881m in cash. Further consideration may be payable, or there may be a refund of some of the initial consideration, as allowed for in the sale agreement with the vendors.

The purchase has been accounted for as an acquisition and the Directors are in the process of revaluing the assets and liabilities acquired to fair value, including the value of any acquired intangible assets. As a result, no amounts are available for disclosure at this time.

Further disclosure of the Boots Healthcare International acquisition will be provided in the 2006 Interim Report. This will include some provisional amounts that may not be finalised until the 2006 Annual Report and Financial Statements.

SHARE CAPITAL ISSUED SINCE 31 DECEMBER 2005.
Since 31 December 2005 the Parent Company has issued 1,204,891 ordinary shares.

FIVE YEAR SUMMARY

Income statement	2005 £m	2004 £m	2003 £m	2002# £m	2001# £m
	IFRS		UK GAAP		
Net revenues	**4,179**	3,871	3,713	3,454	3,365
Operating profit	**840**	749	679	577	525
Non-operating items	**–**	–	–	–	24
Net finance income	**36**	9	(19)	(32)	(51)
Profit on ordinary activities before tax	**876**	758	660	545	498
Tax on profit	**(207)**	(181)	(171)	(137)	(165)
Attributable to minority interests	**–**	–	–	–	(1)
Profit for the year	**669**	577	489	408	332
Ordinary dividends	**(262)**	(216)	(198)	(181)	(179)
Profit after deducting dividends	**407**	361	291	227	153
Balance sheet					
Fixed assets	**2,343**	2,212	2,248	2,289	2,342
Net current assets/(liabilities (excluding current liability provisions))	**351**	240	118	(93)	(239)
Total assets less current liabilities	**2,690**	2,448	2,366	2,196	2,103
Creditors due after more than one year: Borrowings/other	**(186)**	(255)	(292)	(388)	(423)
Convertible Capital Bonds	**–**	–	(192)	(193)	(193)
Provisions for liabilities and charges**	**(652)**	(617)	(408)	(407)	(437)
Equity minority interests	**(1)**	(3)	(4)	(7)	(16)
Total shareholders' funds	**1,855**	1,577	1,470	1,201	1,034
Statistics					
Operating profit to net revenues	**20.1%**	19.3%	18.3%	16.7%	15.6%
Total interest to operating profit (times covered)	**n/a**	n/a	35.7x	18.0x	10.3x
Tax rate	**23.6%**	23.9%	25.9%	25.1%	33.1%
Dividend cover†	**2.6x**	2.7x	2.5x	2.3x	1.9x
Adjusted basis*					
Dividend cover†	**2.6x**	2.7x	2.5x	2.3x	1.8x
Dividends per ordinary share	**36.0p**	30.0p	28.0p	25.5p	25.5p

#Restated following the adoption of FRS 5 Application Note G "Revenue Recognition".
*Adjusted basis is calculated by deducting the non-operating items from profit for the year.
†Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends.

The figures for 2001, 2002 and 2003 have not been restated following the adoption of IFRS in 2005.

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

PARENT COMPANY – INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RECKITT BENCKISER plc

We have audited the parent company financial statements of Reckitt Benckiser plc for the year ended 31 December 2005 which comprise the balance sheets. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Reckitt Benckiser plc for the year ended 31 December 2005.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the parent company financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the financial review, report on corporate social responsibility, biographies of the Board of Directors and Executive Committee. Report of the Directors, the unaudited part of the Directors' Remuneration Report, the five-year summary and shareholder information.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the parent company financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 December 2005; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 March 2006

Notes
The maintenance and integrity of the Reckitt Benckiser website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

PARENT COMPANY ACCOUNTING POLICIES

Accounting convention
The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

There is no material difference between the result disclosed as the profit for the year and the result on an unmodified historical cost basis and therefore a note of historical cost profits and losses is not included in these accounts.

Foreign currency translation
Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract.

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

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

Tangible fixed assets
Fixed asset investments are valued at cost.

Adoption of accounting standards
The Company has adopted Financial Reporting Standard (FRS) 20 'Share-based Payment' FRS 21 'Events after the balance sheet' date and FRS 25 and 26 'Financial Instruments'. 2004 comparative numbers have been restated to reflect FRS 20, FRS 21 and FRS 25.

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 shares at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to the retained earnings reserve. Additional employer costs in respect of options and awards are charged to the income statement account over the same period with the credit included in creditors. Where awards are contingent upon future events (other than continued employment) 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.

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

Where the Company has the positive intent and ability to hold a financial instrument until its maturity, the instruments are stated at amortised cost less any impairment losses recognised in the income statement.

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

Financial instruments classified as held for trading are recognised/derecognised by the Company on the date it commits to purchase/sell the instrument. Financial instruments held to maturity are recognised/derecognised on the day they are transferred to/by the Company.

Capital transactions
When the Company repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are 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.

Derivative financial instruments and hedging activity
The Company primarily uses forward rate agreements and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value 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. The Company designates derivatives as either a hedge of a highly probable forecast transaction (cash flow hedge) or a hedge of net investment in foreign operations.

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

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

   Amounts recognised in equity 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 equity at that time remains in equity, 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 equity is immediately transferred to the income statement.

2. Derivatives classified as net investment hedges; the effective portion of any changes in fair value is recognised in equity. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

3. Derivatives that do not qualify for hedge accounting; these are classified as 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.

PARENT COMPANY BALANCE SHEET

As at 31 December 2005

	Notes	2005 £m	2004# £m
Fixed assets			
Investments	1	**3,043**	2,432
Current assets			
Debtors due within one year	2	**179**	75
Debtors due after more than one year	3	**9,154**	8,660
Investments	4	**912**	715
Cash at bank and in hand		**3**	2
		10,248	9,452
Current liabilities			
Creditors due within one year	5	**(1,800)**	(412)
Net current assets		**8,448**	9,040
Total assets less current liabilities		**11,491**	11,472
Creditors due after more than one year			
Borrowings	6	**(72)**	(65)
Amounts owed to Group undertakings		**(7,753)**	(7,280)
		(7,825)	(7,345)
Net assets		**3,666**	4,127
EQUITY			
Capital and reserves			
Share capital	7	**76**	76
Share premium account	8	**479**	405
Share awards reserve	8	**18**	16
Capital redemption reserve	8	**4**	2
Profit and loss reserve	8	**3,089**	3,628
Total equity		**3,666**	4,127

#Restated following the adoption of financial reporting standards as disclosed in the Accounting Policies.

Approved by the Board on 20 March 2006.

Adrian Bellamy
Director

Bart Becht
Director

NOTES TO THE PARENT COMPANY ACCOUNTS

1 INVESTMENTS CLASSIFIED AS FIXED ASSETS

	Shares in subsidiary undertakings £m
At 1 January 2005	2,432
Acquisitions during the year	612
At 31 December 2005	**3,044**
Provision for impairment	
At 1 January 2005	–
Provided for during the year	1
At 31 December 2005	**1**
Net book amounts	
At 1 January 2005	2,432
At 31 December 2005	**3,043**

The provision for impairment for the year ended 31 December 2004 was nil.

Acquisitions of fixed asset investments relate to transactions with other subsidiaries of the Group.

Investments in subsidiary undertakings are stated at cost. As permitted by s.133 of the Companies Act 1985, where the relief afforded under s.131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Principal subsidiary undertakings
The principal subsidiary undertakings at 31 December 2005, all of which are included in the consolidated financial statements, are shown below.

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

With the exception of Reckitt Benckiser (India) Limited, none of the above subsidiaries are held directly by Reckitt Benckiser plc.

As permitted by s.231(5) of the Companies Act 1985, 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 next annual return to Companies House.

NOTES TO THE PARENT COMPANY ACCOUNTS Continued

2 DEBTORS DUE WITHIN ONE YEAR

	2005 £m	2004 £m
Amounts owed by Group undertakings	**176**	69
Other debtors	**3**	6
	179	75

3 DEBTORS DUE AFTER MORE THAN ONE YEAR

Amounts falling due after one year	2005 £m	2004 £m
Amounts owed by Group undertakings	**9,139**	8,647
Deferred tax	**15**	13
	9,154	8,660

4 CURRENT ASSET INVESTMENTS

	2005 £m	2004 £m
Short-term deposits	**912**	695
Commercial papers	**–**	20
	912	715

5 CREDITORS DUE WITHIN ONE YEAR

	2005 £m	2004# £m
Amounts owed to Group undertakings	**1,775**	363
Other creditors	**1**	–
Corporation tax	**16**	40
Other tax and social security payable	**5**	4
Accruals and deferred income	**3**	5
	1,800	412

#Restated following the adoption of financial reporting standards as disclosed in the Accounting Policies.

6 BORROWINGS

Creditors due after more than one year	2005 £m	2004[#] £m
6.72% Notes Series F due 2007	**67**	60
Preference shares	**5**	5
	72	65

[#]Restated following the adoption of financial reporting standards as disclosed in the Accounting Policies.

As required by FRS 25 the preference shares have been reclassified from share capital to borrowings.

Preference Share Capital

Authorised, issued and fully paid	2005 Number of shares	2004 Number of shares	2005 £m	2004 £m
5% Cumulative Preference Shares of £1 each	**4,500,000**	4,500,000	**5**	5

The 5% cumulative preference shares of £1 each, which are irredeemable and were issued at par, rank in priority to the ordinary shares both as to dividend and to capital. Shareholders are entitled to receive dividends at 5% per annum on the par value of these shares on a cumulative basis; these dividends are payable biannually on 1 January and 1 July. On a winding up or repayment of capital, these shares are repayable at par or the average market value for a period prior to that event, if higher. These shares have no further rights to participate in the reserves of the Company and the non-equity capital does not carry any right to vote at any general meeting of the Company unless either: i) the dividend is six months in arrears; or ii) there is a resolution to wind up the Company or to reduce its capital; or iii) there is a resolution to alter the rights of the preference shareholders.

7 CALLED UP SHARE CAPITAL

	2005 Number of shares	2004 Number of shares	**2005 £m**	2004 £m
Ordinary shares – Allotted, called up and fully paid	722,160,934	724,535,944	**76**	76

For details of the movement in ordinary shares during 2005 see Note 20 of the Group Financial Statements on page 40.

8 RESERVES

	Share premium £m	Share awards £m	Capital redemption reserve £m	Profit and loss £m
At 1 January 2005 (as previously reported)	405	12	2	3,493
Prior year adjustments (see accounting policies)	–	4	–	135
At 1 January 2005 (restated)	405	16	2	3,628
Movements during the year:				
Shares allotted under share schemes	35	–	–	–
Shares allotted under conversion of Convertible Capital Bonds	39	–	–	–
Profit for the year	–	–	–	20
Ordinary dividends	–	–	–	(262)
Net exchange movements on foreign currency translation	–	–	–	(2)
Unvested share awards	–	2	–	5
Shares repurchased	–	–	–	(298)
Transfer to capital redemption reserve	–	–	2	(2)
At 31 December 2005	**479**	**18**	**4**	**3,089**

As permitted by s.230 of the Companies Act 1985, no profit and loss account is presented for Reckitt Benckiser plc (2004 Reckitt Benckiser plc profit for the year £12m).

Reckitt Benckiser plc has £560m (2004 £597m) of its profit and loss reserve legally available for distributions.

The credit for unvested share awards relates to amounts charged to the profit and loss accounts under FRS 20 'Share-based payment'.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2005 of 21p per share which will absorb an estimated £152m of shareholders' funds. It will be paid on 25 May 2006 to shareholders who are on the register on 3 March 2006.

Other post balance sheet events are described in Note 29 of the Group financial statements.

9 SHARE-BASED REMUNERATION

Table 1: Fair value of awards with options outstanding at 31 December 2005 and 2004

Award	Grant date	Exercise price £	Performance period	Share price on grant date £ (Black-Scholes model assumptions)	Volatility %	Dividend yield %	Life years	Risk free interest rate %	Fair value of one award £
Share Options – 1999 Share Option Plan									
2002	17 December 2001	9.504	2002-04	9.70	25	2.8	4	4.50	1.954
2003	22 November 2002	11.186	2003-05	10.96	25	2.8	4	4.50	2.054
2004	08 December 2003	12.76	2004-06	12.80	24	2.7	4	4.50	2.462
2005	06 December 2004	15.47	2005-07	15.44	23	2.6	4	4.88	2.991
2006	05 December 2005	18.10	2006-08	18.16	22	2.5	4	4.69	3.334
Restricted Shares – Restricted Share Plan									
2002	17 December 2001	–	2002-04	9.70	25	2.7	4	4.50	8.644
2003	22 November 2002	–	2003-05	10.96	25	2.7	4	4.50	9.791
2004	08 December 2003	–	2004-06	12.80	24	2.6	4	4.50	11.493
2005	06 December 2004	–	2005-07	15.44	23	2.3	4	4.88	13.920
2006	05 December 2005	–	2006-08	18.16	23	2.5	4	4.69	16.376

The charge for 2005 in respect of share-based remuneration under FRS 20 is as set out below:

Table 2: Share awards expense 2005

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2005 number (Movement in number of options)	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2005 number	Total fair value of grant as at 31 December 2005 £m	IFRS charge for 2005 £m
Share Options – 1999 Share Option Plan									
2002	17 December 2001	1.954	1,000,000	–	–	–	1,000,000	2.0	–
2003	22 November 2002	2.054	1,000,000	–	–	–	1,000,000	2.1	0.7
2004	08 December 2003	2.462	800,000	–	–	–	800,000	2.0	0.7
2005	06 December 2004	2.991	800,000	–	–	–	800,000	2.4	0.8
2006	05 December 2005	3.334	–	800,000	–	–	800,000	2.7	–
Restricted Shares – Restricted Share Plan									
2002	17 December 2001	8.644	400,000	–	–	(400,000)	–	–	–
2003	22 November 2002	9.791	400,000	–	–	–	400,000	3.9	1.3
2004	08 December 2003	11.493	400,000	–	–	–	400,000	4.6	1.5
2005	06 December 2004	13.920	400,000	–	–	–	400,000	5.6	1.9
2006	05 December 2005	16.376	–	400,000	–	–	400,000	6.6	–
Other Share Awards									
UK SAYE	15 September 2000	2.481	2,777	–	–	–	2,777	0.0	0.0
Total									6.9

NOTES TO THE PARENT COMPANY ACCOUNTS Continued

9 SHARE-BASED REMUNERATION (CONTINUED)

Table 3: Share award expense 2004

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2004 number	Movement in number of options: Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2004 number	Total fair value of grant as at 31 December 2004 £m	IFRS charge for 2004 £m
Share Options – 1999 Share Option Plan									
2002	17 December 2001	1.954	1,000,000	–	–	–	1,000,000	2.0	0.7
2003	22 November 2002	2.054	1,000,000	–	–	–	1,000,000	2.1	0.7
2004	08 December 2003	2.462	800,000	–	–	–	800,000	2.0	0.7
2005	06 December 2004	2.991	–	800,000	–	–	800,000	2.4	–
Restricted Shares – Restricted Share Plan									
2002	17 December 2001	8.644	400,000	–	–	–	400,000	3.5	1.2
2003	22 November 2002	9.791	400,000	–	–	–	400,000	3.9	1.3
2004	08 December 2003	11.493	400,000	–	–	–	400,000	4.6	1.5
2005	06 December 2004	13.920	–	400,000	–	–	400,000	5.6	–
Other Share Awards									
UK SAYE	15 September 2000	2.481	2,777	–	–	–	2,777	0.0	0.0
Total									6.1

Notes

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

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

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

Under the terms of the Plans, early exercise is not permitted therefore the effect of early exercise is not incorporated into the calculation. The calculation also asssumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2004 or 2005 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.

The weighted average share price for the year was £17.00 (2004 £14.44).

10 FINANCIAL INSTRUMENTS

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the financial risk management section of the financial review and in the accounting policies.

Fair value of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of cash, cash equivalents, short term investments and short term borrowings approximates to book value.

	2005 Book value £m	**2005 Fair value £m**	2004 Book value £m	2004 Fair value £m
Long-term borrowings	**(67)**	**(69)**	(60)	(64)
Preference shares	**(5)**	**(5)**	(5)	(4)
Other long-term liabilities				
Fair value of other financial assets and financial liabilities				
Long-term assets (net)	**7**	**4**	5	4
Primary financial instruments held or issued to finance the Group's operations:				
Non-current deposits	**65**	**65**	545	545
Non-current commercial paper	**–**	**–**	20	20
Short-term deposits	**847**	**847**	150	150
Cash at bank and in hand	**3**	**3**	2	2

The following methods and assumptions were used to estimate the fair values shown in this note:

– Borrowings due within one year – approximates to the carrying amount due to their short maturity.
– Other borrowings due after more than one year – market value using quoted market prices for equivalent fixed rate borrowings.
– Preference shares – based on market valuations at the balance sheet date.
– Investments – approximates to the carrying amount due to their short maturity.
– Cash at bank and in hand – carrying amount used.

Maturity of financial liabilities	**2005 £m**	2004 £m
Between one and two years	**67**	–
Between two and five years	**–**	60
In more than five years	**10**	10
	77	70

Borrowing facilities
The Company had the following undrawn committed borrowing facilities available at 31 December 2005. With the exception of European Commission Clearance of the Boots Healthcare International acquisition (granted January 2006) all conditions precedent in respect of these facilities had been met at that date.

	Floating rate £m	**Fixed rate £m**	**2005 Total £m**	2004 Total £m
Expiring within one year	**1,500**	**–**	**1,500**	–
Expiring between one and two years	**–**	**–**	**–**	–
Expiring in more than two years	**749**	**–**	**749**	724
	2,249	**–**	**2,249**	724

The facility expiring within one year is a bridging facility arranged to facilitate the acquisition of Boots Healthcare International. The other facilities have been arranged as a contingency to cover any future funding requirements. All facilities incur commitment fees at market rates.

11 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.5m (2004 £0.5m).

SHAREHOLDER INFORMATION

Annual General Meeting
To be held on Thursday, 4 May 2006 at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex, UB3 5AN.
Every shareholder is entitled to attend and vote at the meeting.
The notice convening the meeting is contained in a separate document for shareholders.

Final dividend for the year ended 31 December 2005
To be paid (if approved) on 25 May 2006 to shareholders on the register on 3 March 2006.

Company Secretary
Elizabeth Richardson

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103-105 Bath Road
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Telephone: 01753 217800
Facsimile: 01753 217899

Registered in England
No. 527217

Auditors
PricewaterhouseCoopers LLP

Solicitors
Slaughter and May

Registrar and transfer office
If you have any queries about your shareholding, please write to, or telephone, the Company's Registrar at the following address:
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Dedicated Reckitt Benckiser shareholder helpline
Telephone: 0870 703 0118
Website: www.computershare.com

Key dates

Announcement of quarter 1 results	27 April 2006
Annual General Meeting	4 May 2006
Payment of final ordinary dividend	25 May 2006
Payment of half-yearly preference dividend	1 July 2006
Announcement of interim results	24 July 2006
Payment of interim ordinary dividend	September 2006
Announcement of quarter 3 results	24 October 2006
Payment of half-yearly preference dividend	1 January 2007
Preliminary announcement of 2006 results	February 2007
Publication of 2006 Annual Report and Accounts	April 2007
Annual General Meeting	May 2007

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