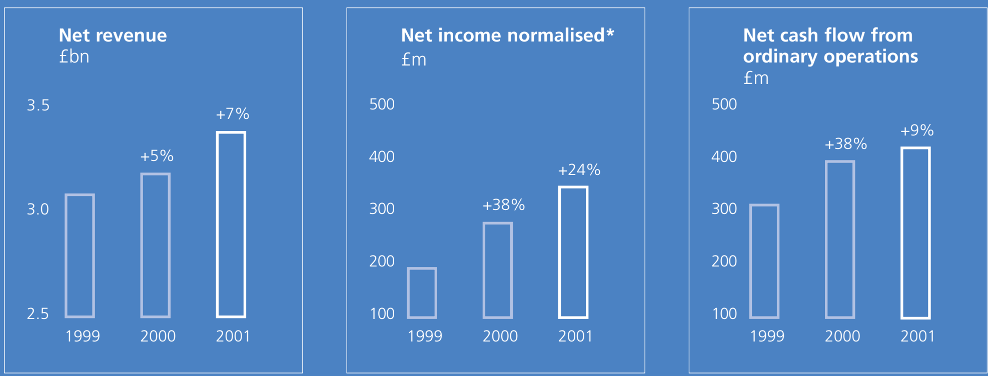
Reckitt Benckiser

Annual Report & Accounts 2001

fresh ideas…

Reckitt Benckiser is about passionately delivering better solutions in household and health & personal care to customers and consumers, wherever they may be, for the ultimate purpose of creating shareholder value.



* Normalised excludes non-operating items

Our brands, our business

Geographic contribution

Reckitt Benckiser has truly global reach with operations in 60 countries and sales in some 180 countries. This geographical reach creates opportunity both for globalising our major initiatives and for building global brands while reducing specific market risk.

	Net Revenues change at constant exchange rates		**Operating profit** change at constant exchange rates		**Operating margin** change basis points
Western Europe	+7%	£1,390m	+15%	£297m	+150bps
North America	+6%	£1,073m	+16%	£158m	+140bps
Latin America	+4%	£229m	-40%	£3m	-120bps
Asia Pacific	+21%	£397m	+175%	£22m	+250bps
Rest of World	+14%	£341m	+27%	£28m	+30bps

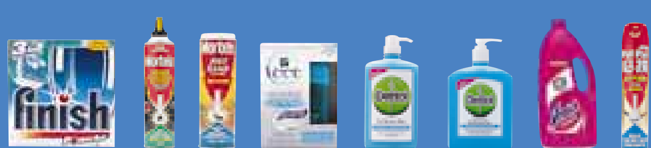
Products launched in 2001

Innovation is a key driver of Reckitt Benckiser's above industry average growth as it both grows the categories in which we compete and our shares within categories by providing consumers with better solutions to their household and health & personal care needs. We show below a selection of our launches across the world in 2001.

Western Europe

North America


Latin America



Asia Pacific

Rest of World

Surface Care

23

Net revenue %

2001	£m
Net revenues	807

Profile of category
Five product groups. Disinfectant cleaners both clean and disinfect surfaces, killing 99.9% of germs. Lavatory cleaners offer specialised cleaning and disinfecting for the toilet bowl and cistern. General purpose cleaners are ideal for many household surfaces, particularly in the bathroom and kitchen. Specialty cleaners are designed for specific tasks - from cleaning ovens to removing limescale. Finally, polishes and waxes clean and shine hard surfaces such as furniture and floors.

Key brands
Disinfecting Lysol, Sagrotan, Pine-O-Cleen
Lavatory Harpic, Lysol
General Purpose Veja, St.Marc
Specialty Easy-Off, Mop & Glo, Brasso, Lime-A-Way, Destop, Cillit
Polishes & Waxes Poliflor, Old English, O'Cedar, Mr. Sheen

Market position
Number one worldwide in disinfectant cleaning and lavatory cleaning. Number one in Brazil with Veja, in the USA with Easy-Off and in Eastern Europe with Cillit.

Major markets
All major markets including leading positions in North America, Western Europe, Brazil, Australia and South Africa.

New products launched
Old English, Mr. Sheen, O'Cedar furniture wipes. Glassex,Windolene and Glass Plus glass wipes. In-bowl liquids for Cling and Harpic. Harpic Powerfoam and Tabs, Veja alcohol gel. Cillit 2-in-1 limescale remover.

Fabric Care

25

Net revenue %

2001	£m
Net revenues	875

Profile of category
This category consists of seven product groups used for cleaning and treating all fabrics. At the core of the category are products used before, during or after the main laundry wash cycle in addition to laundry detergents. Fabric treatment products remove stains from clothes, carpets and upholstery. They are sold as pre-soakers, pre-treaters, in-wash boosters and carpet/upholstery cleaners in a selection of forms including liquids, gels, solids, tablets and sprays. Fine fabric products are specially formulated for washing delicate fabrics. Water softeners protect the machine and laundry against the build-up of limescale and other deposits. Fabric softeners come in liquids or sheets for softening and freshening fabrics. Ironing aids help make ironing more convenient and finally laundry detergents clean clothes in the main wash.

Key brands
Fabric Treatment Vanish, Spray'n Wash, Resolve, Napisan, Oxyclean
Fine Fabric Woolite
Water Softener Calgon
Fabric Softener Quanto, Flor
Laundry Detergent Dosia

Market position
Number one worldwide in fabric treatment, fine fabric, water softener and carpet cleaner categories.

Major markets
55 countries worldwide, including leading positions in North America, Western Europe, Eastern Europe and Australia.

New products launched
Vanish Tabs Plus fabric treatment, Resolve Steam Machine and Resolve Spot Magic Carpet Cleaner; Vanish Powershot, Calgon Gel, Woolite Color Protector.

Dishwashing

13

Net revenue %

2001	£m
Net revenues	449

Profile of category
Products used in automatic dishwashing machines. The main product is detergent for cleaning dishes in the main wash cycle and sold in an increasing range of formats: powder, liquid, gels, double action, PowerBall, 2-in-1 tabs and 3-in-1 tabs. Other products include rinse agents, decalcifier salts, dishwasher cleaners and deodorisers.

Key brands
Calgonit, Finish, Electrasol, Jet Dry.

Market position
Number one worldwide in automatic dishwashing.

Major markets
33 countries worldwide including market leaders in Western Europe (number one in Germany, UK, Spain, Italy, Greece), Australia New Zealand and Eastern Europe, and number two in North America.

New products launched
Calgonit PowerBall 3-in-1 combining detergent, rinse agent and salt action in a single tab. Finish Mint Fresh deodoriser, Electrasol 2-in-1 in USA. Jet-Dry citrus vinegar and baking soda rinse agent.

Home Care

14

Net revenue %

2001	£m
Net revenues	497

Profile of category
Air Care products freshen or add fragrance to the air in a growing range of formats including aerosols, gels, solids, electricals and candles. Used in more and more domestic situations, not only for freshening or fragrance, but increasingly to create ambience.

Pest Control products offer solutions to domestic infestation, minimising the threat of disease by insects and pests. The category includes rodenticide and insecticide products - in formats such as coils, mats, baits, traps, vapourisers and sprays - to prevent infestation and to kill pests.

Key brands
Air Care Air Wick, Wizard, Haze
Pest Control d-Con, Mortein, Shieldtox, Target, Rodasol, Pif Paf, Tiga Roda
Shoe Care Nugget, Cherry Blossom

Market position
Number two worldwide in air care and shoe care and number three in pest control.

Major market
60 countries worldwide. Air care is predominantly in Western Europe, North America and Australia New Zealand. Pest control is mainly focused on Asia Pacific, Middle East & Africa and Latin America. Leadership in rodenticide in North America.

New products launched
Mortein Outdoor Barrier Spray, Ant Sand and Mortein Ultra All Insect Killer. Air Wick Click Spray and Wizard Crystal Air.

Health & Personal Care

12

Net revenue %

2001	£m
Net revenues	412

Profile of category
Products that relieve or solve common personal or health problems, protecting against infection and improving wellbeing. Antiseptics kill germs and prevent infection. Depilatories remove unwanted body hair with creams and waxes. Denture care cleans and improves the performance of dentures. Our range of over-the-counter health products include analgesics for pain relief and treatments for colds and flu, sore throats and coughs and gastro-intestinal products for heartburn and constipation.

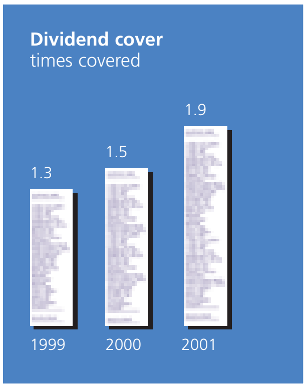
Key brands
Antiseptics Dettol
Depilatories Veet, Immac
Denture Care Kukident, Steradent
Analgesics cold/flu Disprin, Lemsip, Bonjela
Gastro-Intestinals Gaviscon, Senokot, Fybogel

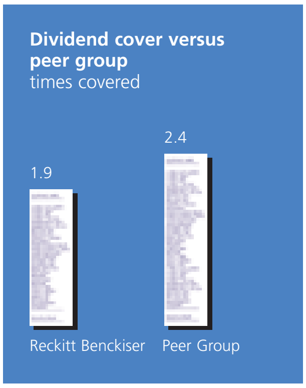
Market position
Dettol is the world leader in antiseptics bought for use at home. We are also the world leader in depilatories.

Major market
Analgesics cold/flu have strong leadership positions in UK, South Asia and Australia. Gastro-intestinals have major positions in the UK, Italy, Turkey, Australia, Africa and Asia.

New products launched
Veet Wax Aquasystem, Veet Cream with soft touch spatula. Dettol sensitive skin soap. Lemsip vapo-patches and Lemsip Non-Decongestant Formula in the UK.

Dettox
HARPIC
Lysol
NEW
Woolite
RESOLVE
Vanish
Calgon
Electrasol
finish
Calgonit
AIR WICK
Veet





I am very pleased to have assumed the chairmanship of Reckitt Benckiser. The Company is clearly in good shape, with a strongly motivated and excellent management team, a clear strategy to deliver sustained growth, and another year of outstanding financial and business results achieved.

This has been reflected in another year of good share price performance relative to weak equity markets around the world, delivering positive total returns of 13% to shareholders in contrast to a return of -14% on the FTSE 100 and -12% on the S&P 500. We also judge our performance relative to our industry peer group, almost all of which are US owned multinationals, and we have maintained our outperformance of this group since the creation of Reckitt Benckiser at the end of 1999.

2001 Results & Dividend

The results of the Company were strong, clearly ahead of the industry as a whole and the peer group. Net revenues rose by 7%, operating profits rose by 16%, and normalised net income rose by 24%. Normalised diluted earnings per share were 47.1 pence, 21% higher than a year ago.

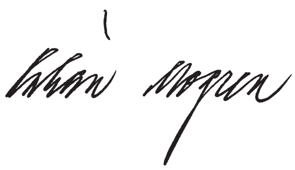
The Board continues with its policy, clearly communicated on the creation of Reckitt Benckiser in 1999, to hold the dividend payment at its present level until the dividend cover reaches the levels of other companies in our industry. The Directors therefore propose a final dividend of 12.8 pence a share, making a total dividend for the year of 25.5 pence per share. The final dividend, if approved at the Annual General Meeting, will be paid on 22 May 2002 to shareholders on the register on 1 March 2002.

The Board

Alan Dalby retired as Chairman and a Director of the Company at the conclusion of the Annual General Meeting in 2001. He has contributed much to the creation of Reckitt Benckiser plc and has left the Company in good shape. We wish him well in retirement and thank him for all he has done for the Company. John Rose and Jean-Claude Larréché also retired from the Board at that time and we thank them both for their contributions.

Outlook

Reckitt Benckiser is now focused on delivering profitable growth both in the short and the long term. This requires active, energetic and excellent management combined with an appropriate culture. I believe Reckitt Benckiser has a strong management team and a high performance culture throughout the organisation that brings commitment to delivering outstanding results through focus on the right strategy, intelligent risk taking and strong teamwork. That is a powerful combination. It is also evident that the whole Company has a clear focus on the need for innovation, to bring better solutions to consumers, to reduce the cost of doing business and to do it better. Ultimately these will drive growth in both sales and profits. This report to shareholders shows many of the different ways in which innovation is helping to drive Reckitt Benckiser forward towards its ambitious targets.



Dr. Håkan Mogren Chairman

We believe our strategy and organisation is set up to deliver sustainable growth with or without merger synergies.

At Reckitt Benckiser, we believe our charge is simple: to give consumers new and better products for their household cleaning and health and personal care needs. We have committed to do that in a way that improves the financial returns for the Company and its shareholders.

Against these objectives, 2001 was a very good year. We launched a record number of new and improved products; products like our 3-in-1 Calgonit or Finish dishwasher detergent, eliminating the need for a separate rinse agent and salt; Veet Aqua, a radically different and much more convenient and effective depilatory wax providing women with truly smoother skin for longer; or Air Wick Crystal Air, an air freshener that is at last good looking, providing better, longer lasting freshness due to its patented slow release formula.

2001 was also a good year from a financial point of view. Net revenues for the year grew 7% to £3,439m. Normalised net income grew well ahead of the industry at 24% to £340m with normalised fully diluted EPS up by 21% to 47.1 pence. Net cashflow generation grew by 9% as we improved profits and cut net working capital.

So, did our 2001 success just come from easy merger benefits, as some maintain? We do not believe so. First, 2001 merger benefits were relatively small compared to the prior year. However, more importantly we believe our strategy and organisation are set up to deliver sustainable growth with or without merger synergies.

Let me remind you what our strategy aims to achieve, as it will guide our efforts in 2002 as it has in 2001.

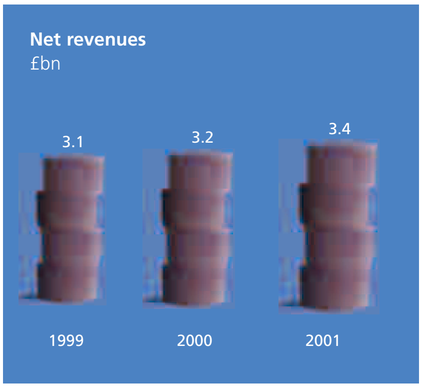
Strategy

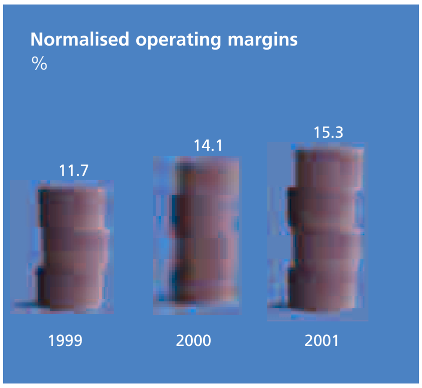
Deliver above industry average net revenue growth.

2001 saw us delivering 7% organic net revenue growth as acquired and divested net revenues cancelled each other out. This growth was well ahead of the peer group. How was this achieved? Can it be repeated?

We target to achieve above industry average growth by focusing on the high growth categories in which we hold strong, market-leading positions.

Categories like Automatic Dishwashing, Fabric Treatment, Air Care, Pest Control and Depilatories are all examples of categories growing much faster than the industry average. By investing in continuous innovation and geographical expansion of





Our success in innovation is largely because of our systematic consumer driven focus.

these categories, we drive growth hard and further strengthen our leading global positions in these categories.

Our success in investing in innovation is largely because of our systematic consumer driven focus on innovation and our tight financial management of product launches. This year's report highlights some of the key aspects of our approach to innovation.

We complement this organic growth with add-on acquisitions like the ones we have completed in early 2001 in Korea and Indonesia. These acquisitions provided critical mass entry platforms in two Asian markets and also strengthened our global positions in key categories like Fabric Treatment and Pest Control. Both acquisitions are doing well and were already marginally accretive to net income in 2001.

Expand Operating Margins

2001 saw operating margins expand from 14.1% to 15.3% due to a substantial increase in gross margins and good fixed cost control. This is exactly what we also target for in the future. Cost reduction in the supply chain and higher margin innovations are the key drivers to gross margin expansion.

Our Squeeze program strips out unnecessary costs by redesigning our products without taking away from the consumer offering. Squeeze has contributed to substantial supply savings and will continue to do so, as with our focus on innovation, more new products will have to be cost optimised. Our newly launched X-trim program is a pure supply chain optimisation program. It takes costs out by changing sourcing and physical distribution and through internet-enabled purchasing via electronic exchanges to optimise input costs.

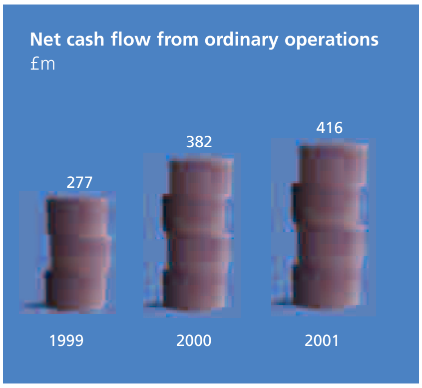
Improve Cash Generation

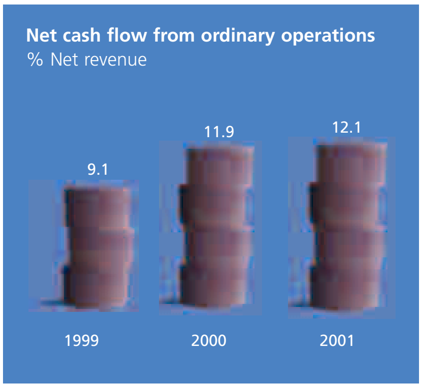
2001 saw net cashflow from ordinary operations grow by 9% to £416m. Profit increases and a substantial improvement in net working capital were the key contributors. We are now consistently converting more than 10% of net revenues into net cashflow from operations. We believe our systematic, disciplined and incentivised approach in this area is unique. While our performance is already excellent, we believe there is further room to improve cash generation and cash return on investment in the business.

Organisation and People

While our strategy positions us well, what makes us truly unique is the quality of our people, their attitude and the incentives we provide them to focus on the right priorities. Combining their commitment and motivation, and the culture and processes that we have put in place to enable them to give their best, makes for a very powerful management team.

We believe Reckitt Benckiser people are extraordinary in what they can and regularly do achieve. We start by attracting, training and retaining top quality individuals. Our values are embedded deeply in the organisation, ensuring people work together on a common agenda, using common language and processes, and work in strong and effective teams. We ensure clear alignment throughout the Company on our goals. Having selected the right people, given them suitable tools and common cultural values, we then allow them the freedom to succeed. It is that freedom within a defined framework that makes working at Reckitt Benckiser uniquely rewarding.





£3,439m

Net revenues for the year grew 7% to £3,439m

+24%

Net income normalised grew well ahead of the industry at 24% or £65m to £340m

We have also continued to build our very performance-oriented compensation system. This system drives both in year performance, through the annual bonus system, and long-term alignment to shareholder value through the long-term incentive system. The benefit can be seen in the exceptional commitment of the people, the high quality of output in terms of new products and in the strong financial performance of the Company. Our compensation system is absolutely integral to our future success.

Our Future

We will target to sustain our growth and performance by doing more of what has worked so far, and by doing it even better. Our advantage lies in our focus on higher growth niche categories, in our operating margin programs, in our cash generation capabilities, and in the quality of our people and the processes and incentives which focus them on results. Our management team has already established a track record for consistent delivery of value to shareholders. It is now a very experienced team, but it retains its determination and hunger for further success and is highly motivated.

We are proud of what has been achieved so far and we are thankful to our shareholders for their continuing support through turbulent times for investment. We believe that consistent and sustainable above average growth will richly reward shareholders and employees in the future. We have started down a very exciting path together and we look forward to more of the same in 2002.

What makes us truly unique is the quality of our people, their attitude and the incentives we provide them to focus on the right priorities.

Bart Becht Chief Executive Officer

£416m

2001 saw net cashflow from ordinary operations grow by 9% to £416m

ideas in the air

We create an ambience in which ideas (and innovative people) flourish.

Our people are chosen for their creativity and flair. We look for independent minds, not corporate clones.

Each of us (not just the marketing people) has an innovative way of thinking. "What if....?" "Why don't we...?" "We could try...?" "Has anyone thought of...?" We have a restless, questioning culture.

Whatever a person's job description, creativity is part of the job. We've created a culture that thrives on new ways of thinking. It's a challenging, edgy culture, where innovation wins and the status quo generally loses out.

Our culture may be innovative, but it's not airy-fairy. We adopt hard-nosed practical processes to monitor ideas and make sure the right ones win through.

Never has innovation been so disciplined. Or so valued.

We encourage sensible risk-taking. We follow our instincts. Entrepreneurship is a feature on everyone's appraisal form, whoever they are.

We reward opportunists. People who grasp an idea, then go for it.

Throughout the process, we don't care who thought of the idea first. We're far more concerned with where it goes.

Innovation?

It's nothing special

"A quote on innovation? That's difficult. I can't separate it from everything else we do. Innovation is embedded into our processes. It's just a habit, I suppose. All I know is that innovation is at the heart of our successes in Air Care."

Fernando Alegria Global Category Director, Air Care

2-50...

Working across all functions and categories, our Squeeze 2-50 team takes an innovative approach to cutting costs that don't add value.

In the USA we've teamed up with Hoover, the leader in the North American floor care products market to develop innovative variants of Lysol disinfectant and Old English polish. These are specially formulated for use with the Hoover Floor Mate, a new machine that vacuums, scrubs and dries.

Our recruitment procedures, incentives schemes and appraisal systems have one overriding aim: to favour entrepreneurial creative thinking leading to business improvement.

Someone in Research & Development. The keen young man at our strategic partner. That girl in Doc Martens at the consumer research group. Helen at the second idea generation session. Who knows where the idea for Air Wick Crystal Air originally came from? We're more concerned with where an idea goes than where it comes from.

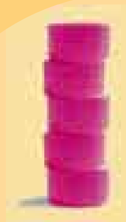
In Air Care, there are always fresh ideas in the pipeline. We launch an innovative new product. Then we launch another. Then another. We bring a bright idea to market. We quickly follow it up. Innovation is not a one-off event but a continuous process.

Crystal Air is one of a long line of innovations. It features a perfumed gel, embedded in the crystal, that gradually releases its fragrance into the room. Crucially, it looks attractive. Consumers don't feel the need to hide it away. Aesthetically and functionally, it's an innovative idea.

With Air Wick electrical plug-ins we plugged in to a technical innovation that allows users to adjust the fragrance level.

Another opportunity for innovation is to take technology from one market and apply it to another. We found the microspray technology for Air Wick Clickspray in the pharmaceutical industry. The spray is concentrated, so when it's released the particles stay suspended in the air for longer.

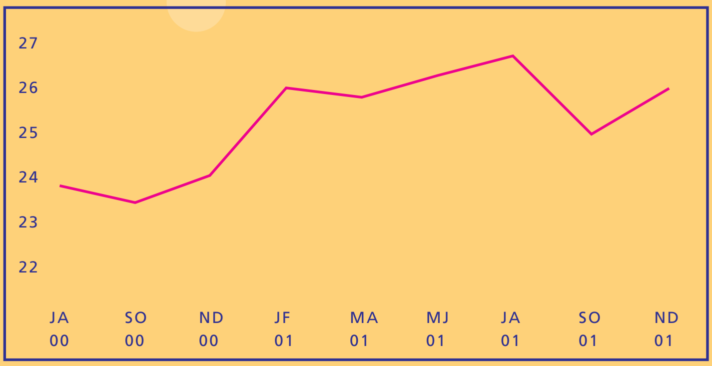
And to prove that innovation never stands still we're launching a uniquely-designed Air Wick product for the car.



No one receives a bonus for writing theoretical studies, however thoughtful or erudite. Bonuses are paid for getting products to market.

Our long-term planning focuses on our new product pipeline and likely market conditions, not on irrelevant figures and economic indices.

Air Care Western Europe Value share %



fast on our feet

In the world of fast-moving consumer goods, we move faster - but with more finesse.

At Reckitt Benckiser, we manage to be both speedy and strategically accurate. We believe that decisions can't wait. We also believe that decisions need to be right.

Actually, being fast (but not furious) is not enough. We want to be first. Our experience tells us that 'first-mover-advantage' counts for a lot.

Not content to be fast and first, we also aim to be multi-faceted. We have an ability to do six or seven things at once. Launching half a dozen products simultaneously is second nature to us.

It helps that our procedures are designed to get things moving, not get in the way. Our processes channel everyone's efforts in the right direction. We make a decision. Then we make it happen.

Our focus on speed doesn't mean we compromise on quality or thoroughness. Our structured approach and our passion for detail means we aim to get it right first time. And we never compromise on quality.

So our people are quick. Our innovations are on time. And our performance is at least on target.

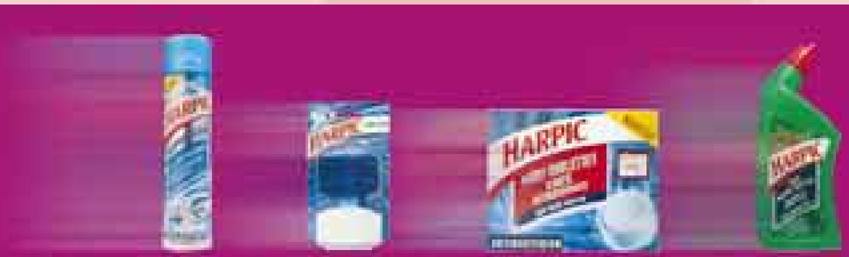
SPEED KILLS

Jan 2000 Jan 2001

0

"Just the facts. We were first to market with glass wipes, first with toilet wipes, first with furniture wipes and first with floor wipes. And we'll be first to market with ....No, I'm not giving our plans away."

John Honey Category Group Director, Surface Care



Combine the trust and reassurance of the Harpic brand with our impatience and 'Let's get a move on' attitude, and anything can happen. What happened? Harpic limescale remover, Harpic foam, Harpic tabs and Harpic wipes, in quick succession.

Taking over a Korean company gave us access to a new market and the opportunity to launch new products into Korea and neighbouring markets.




Feb 2002
World leaders

Speed is a key driver of our business success. We were first to market with wipes in many segments, like furniture, glass and toilet care. As a result, we are now world leaders in wipes. Not bad for a product range that didn't exist 18 months ago. All with no capital investment. And all through our existing sales force.

We didn't invent impregnated wipes. However, such minor details didn't stop us becoming market leader in impregnated wipes.

Sometimes, having a trusted brand name is more important than having a factory. With the Glassex brand, the product formulation and outsourced manufacturing capacity, we were able to invent the market for glass wipes. With first mover advantage, we became the clear leader.

A single-minded focus on speed gives us the freedom to buy-in resources we don't have in-house. As far as we're concerned, the 'Not invented here' syndrome doesn't exist. Instead, we believe that 'Developed here' is what matters.

Demonstrating this commitment, we planned other launches. We took the Harpic name, developed new product technology so the wipes could be flushed away and created the market for toilet wipes.

Mr Sheen wasn't far behind. With help from our R&D department and a contract packer, we were first to market with furniture wipes. Then came floor wipes. First again.

As these 'firsts' show, our culture encourages rapid transfer of learning across categories and geographies. And our speed aims to have no limits.

Ten Eastern European countries.
Three markets.
Twenty products.
Time between decision to launch and products on sale: 4 months.

To achieve fast-track development of an electrical Air Care diffuser we appointed a Product Champion. The product is now in 32 countries.

Suspecting that a rival product was about to be marketed, our Pakistan fabric care team launched Robin Liquid Blue in 3 weeks.


Veet

reflecting real life

Our R&D people don't spend all day in their labs.

Our marketeers don't sit for hours at their desks.

Our production people don't live in their factories.

They get out. They find out what's happening in the real world.

To a man, and woman, they're curious. Inquisitive. To be honest, they're a bit nosey. They want to know what people get up to in their bathroom, their kitchen and their utility room. Even their bedroom. There are no 'no-go' areas. Not even the toilet is out of bounds.

Away from the home, they're fascinated by the way people shop. Do men buy personal products for women? Do women look at the back of a pack at the store, when they get home, or never? Do they keep dishwasher tablets under the sink or up on a shelf?

Our people care passionately about the trivialities of everyday life. The quirky habits. The little idiosyncrasies. In fact, they care passionately about people.

Listening to people. Watching people. Gaining insights about people.

Why insights? Because insights lead to ideas. And ideas are our raw materials.

no-one's idea

AND EVERYONE'S

"The idea for Veet Aqua came from consumer brainstorm sessions. Maybe. Or did it come from a visit to a consumer's home? Not sure. Anyway, it evolved from listening to consumer complaints. 'I hate razors.' 'Waxing is good, but microwaving is bad – who has a microwave in the bathroom?' We listened to the problems and found a solution"

Monique Cumin Category Marketing Manager, Personal Care, Innovation

We knew from talking to consumers that spreading on Veet with a spatula was also a bit of a bother. It's either too much or too little. And that's how the roll-on was born.

3.2.1.

Why do people buy dishwashers? To save time. To simplify their lives. So why complicate things with separate salt, rinse aid and cleaner? Why indeed? This simple consumer insight led to Finish / Calgonit 3-in-1. Simple.

The insight: Dyes run in the wash. Colours transfer. The brainwave: Throwaway sheets that attract dyes. The product: Woolite Color Protection.

Fill the bottle with hot water from the tap. Wait three minutes and the wax is ready. Roll it on, as the Veet fragrance wafts around your bathroom. Gently remove the wax. You're hairless. Keep the container and buy an economical refill. What could be simpler? At the moment, nothing. But we're working on it.

Women are still searching for the perfect method of hair removal. And so are we.

Veet Aqua is a step forward. It evolved from listening to consumers. In research sessions and home meetings, the message was clear. "Waxing is great. It leaves a long-lasting result. Pity it's so inconvenient."

We got the message. At the time, Veet had to be warmed in a microwave. Hardly convenient.

As the category team pondered the problem, someone somewhere reminded us of the Bain Marie (we were in France). It's a 2-in-1 cooking utensil in which the food stays dry while it's gently warmed by hot water. Our R&D man left the meeting with a twinkle in his eye. We were onto something.

Inventing a product that could be heated in hot water, not a microwave, was a breakthrough. (Don't bathrooms have hot water?)

However, we knew from talking to consumers that spreading on Veet with a spatula was also a bit of a bother. It's either too much or too little. And that's how the roll-on was born.

No microwave. No spatula. Two consumer insights. One innovative new product.

Even the world's leading water-softener and limescale preventer can be improved. That's what consumers told us. Our response? Calgon Gel.

z z z z Z

"Sniffles stop my child sleeping. Rubs and drops help, but they're messy." With this insight, we created Lemsip Vapo patches that release soothing vapours.


3in1
Calgonit
PowerBall

We hate sending out a truck that's half-empty or leaving cash in one bank account when it could earn more interest in another. We can't bear the thought of printing more packs than strictly necessary.

We get a real buzz from driving costs out of the system. To us, knocking out costs is as exciting as building sales.

It's no surprise, then, that we deploy our usual spirit of no-holds-barred creativity to the task. (Actually, we deploy creativity to everything we do.)

Applying innovative thinking to normally humdrum processes such as purchasing and production can yield some unexpected results. Costs melt away. Overheads disappear. Complex systems become simple.

Of course, creative thinking alone cannot always cut costs. Sometimes the application of technological brainpower is also required. By harnessing the power of the internet, for instance, we've made a step change in our multi national procurement.

Our suppliers may find us demanding but the happiness of our shareholders is what's important to us.

packed with efficiency

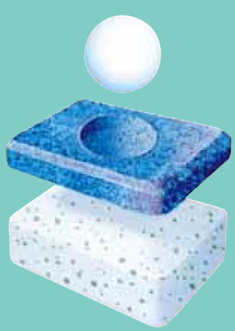
We hate waste. We hate paying a penny or a cent more for goods and services than we need to.

NEU NOUVEAU NIEUW NUEVO NOVO NEO

Calg

"Neu. Nouveau. Nieuw. Nuevo. Novo. Neo. New Calgonit 3-in-1 features 6 European languages on one pack. No longer need we supply different packs to different European countries. This means greater efficiency. And greater cost savings."

Jose M Chao Diaz
Supply Cluster Director (Central Europe & Iberia)



The New Calgonit PowerBall 3-in-1 combines detergent, rinse agent and salt in a single tab.

The blue-white tab gives a perfect clean result. The unique white pearl contains rinse agent for a brilliant shine. The integrated salt function prevents limescale deposits.

Automatic Dishwashing Western Europe Value share %

Our Uni-model packaging project has cut costs by arriving at a limited number of packs for our liquid products. The result? Solid savings.

Our European Cash Management System makes sure our spare cash always earns the best interest. Sounds simple. Saves hundreds of thousands of pounds.

gonit 3-in-1

(Actually it's 6 in 1)

Automatic dishwashers are more or less the same around the world. Dishes, glasses and plates are more or less the same. So why can't dishwasher tablets and packs be the same? Different product formulations? Settle on one. Different languages? Print every language on every pack. Easy. Job done. (If only it was that simple.)

If Europe can introduce a single currency, surely we can introduce a single Calgonit product and pack?

That was the simple premise behind our Calgonit harmonisation programme. Before it got off the ground, each country had its own format and its own pack. This proliferation led to extra costs in formulation, primary and secondary packaging, logistics and marketing.

Critically, we knew that this European state of affairs would slow down the launch of new Calgonit 3-in-1.

We put together a project team of specialists from many functions and many countries. R&D, production, supply and marketing were all represented.

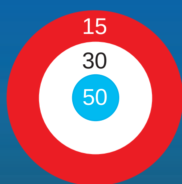
Overcoming many complications, they developed a consistent formulation and just two pack variants. Calgonit for Germany, Austria, Switzerland, Netherlands, Greece, Portugal, Spain, France and Belgium. Finish for Italy, UK, Finland, Ireland and Israel.

Naturally, we've cut costs. Importantly, we've added flexibility. We were able to launch in Greece within 4 weeks, simply by shipping-in product from France. Now, if a Dutch wholesaler needs urgent stock, we send it from Belgium. Isn't harmony a wonderful thing?

In the USA, we're introducing a computerised bid process to improve the efficiency of our truck transportation. We're aiming to carry $ 5 –7 million less costs.

www.

Transora is an Internet-based cross-industry initiative to make purchasing more efficient. We've used it to buy office, laboratory and factory supplies, saving up to 10% in some cases. As a founding partner, we were the first to sign up in both the USA and Europe.



Project Squeeze 2-50 squeezes out costs. Our target is savings of £50m a year by the end of 2002. We are on track to hit our target, having saved £15m in the first year and over £30m by the end of year two.

The quality of our earnings is supported by our strong cash flow. Our net cash flow from operations rose 20 basis points to 12.1% as a percentage of net revenues in 2001 and represented over 120% of normalised net income.

COLIN DAY
Chief Financial Officer

Net revenues grew by 7% (6% at constant exchange) to £3,439m (2000 £3,202m). Net revenues from continuing operations grew by 7% (6% constant) to £3,357m (£3,131m).

Operating profit increased 16% (14% constant) to £525m (£451m). Gross margins rose 80 bps to 49.6% (48.8%). Further investment in marketing with media investment over 10% higher, offset by tight controls on fixed costs, resulted in operating margins increasing by 120 bps to 15.3% (14.1%).

Net income was £356m (£314m). Normalised net income grew 24% (22% constant) to £340m (£275m). Net interest expense of £51m (£60m) was reduced due to strong cash inflow over the year. The overall tax rate for the period was 28.3% (29.5%).

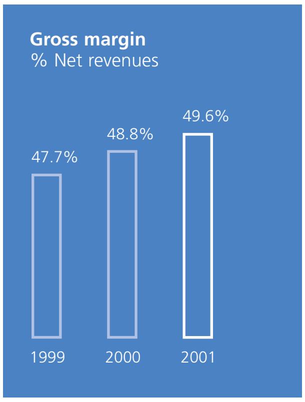
Category Review at constant exchange rates

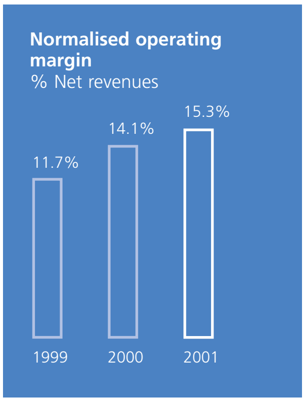
Fabric Care Net revenues grew 6% to £875m. Calgon grew strongly in Eastern Europe and there were early but encouraging results from the launch of Calgon Gel across Western Europe. Fabric Treatment benefited from good market share performance in Western Europe, North America and Australia New Zealand. Laundry detergent grew strongly in Western Europe offsetting the significant impact of deteriorating price conditions in China.

Surface Care Net revenues grew 5% to £807m. Lysol disinfectant cleaner consolidated its share gains in both spray and wipes segments in North America. The roll-out of surface care wipes into entirely new markets is working well with share gains in furniture and glass cleaners. Harpic lavatory care benefited from a number of initiatives, including an in-bowl gel, Powerfoam and tablets.

Dishwashing Net revenues grew 7% to £449m. The launch of Calgonit 3-in-1 across Western Europe continues to be an outstanding success, with strong net revenue growth and share gains across the region. In North America, the new Electrasol 2-in-1 showed good results. The category also showed good growth in Asia Pacific and Rest of World.

Home Care Net revenues grew 35% to £497m due to very strong growth in Air Care and Pest Control, further helped by the contribution of the two acquisitions in Asia. Air Care saw further substantial growth behind the success of Wizard electricals in North America where market share more than tripled its level of early 2000. In Western Europe, Air Care grew strongly behind Air Wick Crystal Air and the re-launch of electricals. Finally, the category was successfully launched in Eastern Europe. Growth in Pest Control came from market share gains of Mortein in Australia behind recent innovations, and the roll-out of the category in China and Eastern Europe.





There were encouraging results from the launch of Calgon Gel across Western Europe

Air Wick Click spray is being rolled out in Western Europe

Health & Personal Care Net revenues grew 8% to £412m. The main growth drivers were Depilatories and Antiseptics. Depilatories grew behind the success of the new Veet Aqua in Europe. The category was rolled out in Turkey and to new markets in Latin America. Dettol antiseptic grew strongly in Asia and Africa Middle East behind new products like Dettol Hygienic Showerfoam, Talc and a new soap for sensitive skin. The Health Care business has performed increasingly well, finishing the year strongly.

Total Household Net revenues grew 9% to £3,222m (£2,928m). Other household net revenues declined marginally.

Food Net revenues were 3% behind last year at £208m due to higher trade spend to defend the leading market share position of French's Mustard against competitive launches, and to slowing food service industry sales.

Geographic Analysis at constant exchange rates

Western Europe: 40% of net revenues

Net revenues grew by 7% to £1,390m. This very strong performance was due to the success of Automatic Dishwashing, Fabric Treatment, Air Care, Depilatories and Lavatory Care. The successful launch of Calgonit 3-in-1 in Automatic Dishwashing has resulted in record market shares in several major European markets. Air Wick Crystal Air has been a major success across the region. Veet Aqua has driven growth in Depilatories. New product launches, notably Harpic Powerfoam and in-bowl gel have driven strong growth in Lavatory Care. Operating margins increased by 150 bps to 21.4% behind better leveraging of fixed cost, partially offset by higher marketing investment. Operating profits increased by 15% to £297m.

North America: 31% of net revenues

Net revenues grew 6% to £1,073m. The growth came from the continuing success of Air Care and Surface Care plus the Electrasol 2-in-1 launch in Automatic Dishwashing. In Air Care, Wizard electricals continued to substantially increase net revenues and market share. Lysol disinfecting cleaner continued to gain share in spray and wipes. Electrasol 2-in-1 performed well. Food was slightly behind 2000 due to defensive trade spend on French's Mustard and slowing food service industry sales. North American operating margins expanded 140 bps to 14.7% (13.3%) due to substantial reductions in fixed costs, partly offset by higher listing fees due to an increase in the number of new initiatives in 2001. Operating profit increased 16% to £158m.

Latin America: 7% of net revenues

Net revenues grew 4% in FY to £229m. Growth came from the continuing success of Veja Surface Care supported by the roll-out of the Pest Control and Depilatory categories. Economic and market conditions deteriorated during the year in Brazil and Argentina. Operating margin weakened by 120bps as higher dollar denominated costs of goods could not be offset by local price increases. Operating profit was £3m (£6m).

Asia Pacific: 12% of net revenues

Net revenues grew 21% to £397m including a £73m contribution from the acquisitions in Korea and Indonesia. On continuing operations, net revenues declined 2%. There was strong growth in Australia New Zealand, offset by softening conditions in certain Asian markets and a weak performance in China. Operating margins on continuing operations improved by 190 bps to 4.9% (3.0%). Including acquisitions, regional operating margins increased by 250 bps to 5.5%. Operating profits increased substantially to £22m (£10m), of which £6m came from the acquisitions.

Rest of World: 10% of net revenues

Net revenues grew 14% to £341m. There was good growth in both Eastern Europe and Africa Middle East. In Eastern Europe the growth was driven by the roll-out of Air Care, Pest Control and Furniture Care, by strong growth behind Calgonit 2-in-1 Automatic Dishwashing, and by strong growth for Calgon Water Softener. In Africa Middle East, growth came mainly from Dettol behind the re-launch of liquid and soap, fabric

Net borrowings at the year end were £467m, a reduction of £128m due to strong cash inflow.

Growth came from Fabric Treatment behind the roll out of Vanish.

Lysol continued to consolidate share gains in both spray and wipes segments.

treatment behind the roll-out of Vanish in South Africa and from Health Care. Operating margins rose by 30 bps to 8.2% with higher gross margins benefiting from Squeeze programs partly offset by increased marketing investment and the currency impact in South Africa towards the year end. Operating profit increased 27% to £28m.

Financial Review

Non-Operating Items The non-operating profit of £24m (2000 profit of £56m relating to a number of disposals) primarily relates to disposals in 2001 of Dr Becher in Germany and the European Firelighter business, offset by costs of closing the India joint venture and adjustments relating to a previous disposal.

Net Interest The net interest expense of £51m (£60m) was lower due to strong cash inflow over the past year, reducing the level of net borrowings, offset by the £132m cash cost of the two acquisitions.

Tax Rate The tax rate for the period was 28.3% (29.5%).

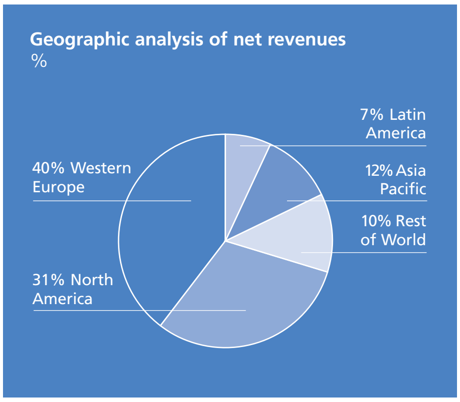
Net Working Capital (defined as net current liabilities excluding current asset investments, cash and short term borrowings) reduced by £120m at the year end to minus £158m (minus £38m at the 2000 year end) ahead of the Company's three year target to reduce net working capital by £250m by end 2002.

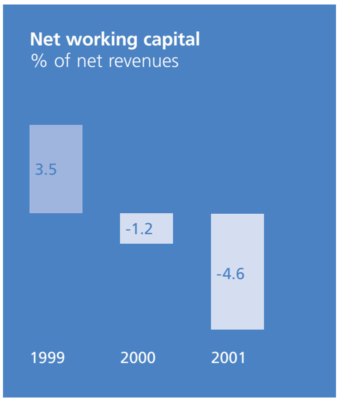
Cash Flow Operating cash flow increased 20% to £603m due to higher operating profit and significantly lower cash expense on reorganisation. Interest payments were lower at £50m (£74m) while net capital expenditure was slightly higher at £101m (£96m). As a result of these, normalised net cash flow from ordinary operations (defined as normalised operating cash flow less interest, tax and capex) was £416m, an increase of £34m on 2000. Cash conversion, (defined as normalised net cash flow as percentage of net revenues) was 12.1%, an improvement of 20 bps on last year.

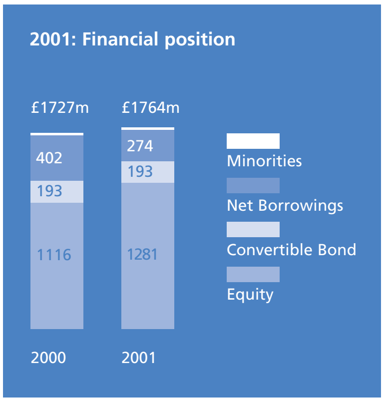
Net cash spent on acquisitions and disposals was £56m (£81m net proceeds). Dividends of £179m (£177m) were paid to shareholders. Cash inflow before use of liquid resources and financing was therefore £160m (£169m).

Net Borrowings at the year end were £467m (year end 2000 £595m) a reduction of £128m due to strong cash inflow, offset by the acquisitions. Net borrowings consisted of debt of £453m (£535m) and the convertible capital bond of £193m (same) offset by cash and short-term investments of £179m (£133m).

Balance Sheet At the end of 2001, the Group had shareholders' funds of £1,281m (£1,116m), an increase of 15%. Net borrowings were £467m (£595m). Total Capital Employed in the business was £1,764m (£1,727m) an increase of 2%.







This financed fixed assets of £2,342m (£2,173m) consisting of tangible assets of £575m (£535m) and intangible assets of £1,767m (£1,638m). Net current liabilities (excluding short-term borrowings, cash and investments) increased to £158m (£38m) - the Company's measure of balance sheet net working capital referred to above.

Exchange rate differences taken to reserves have reduced net assets by £29m.

The Company's financial ratios improved significantly during the year. Interest cover normalised was 10.3 times (7.5 times). Net borrowings represented 26% of capital employed (34%), treating the convertible bonds as borrowings.

Dividends The Board of Directors recommends a final dividend of 12.8 pence to give a full year total of 25.5 pence, unchanged and in line with the previously communicated policy of maintaining absolute dividends until cover reaches the average of the international industry peer group. This full year dividend is covered 1.9 times by normalised net income for the year (1.5 times).

The ex-dividend date was 27 February 2002 and the dividend will be paid on 22 May subject to approval at the AGM on 7 May, to shareholders on the register at the record date of 1 March.

Treasury objectives, policies and strategies

The Group's treasury policy seeks to ensure that appropriate financial resources are available for the development of the Group's businesses while managing its currency, interest rate and counterparty risk. 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.

During 2001, new systems and procedures were implemented based on the 2000 treasury objectives, policy and strategy review. These systems and procedures enable the GTC to better manage Group objectives and monitor compliance with Group policy.

The Board 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 Executive Committee and is subject to periodic independent reviews and audits, both internal and external.

Debt

In 2001, the Company extended its short-term bilateral credit facilities with high quality international banks. 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 2001, the Group had, in addition to its long term debt of £460m (£483m), committed borrowing facilities totalling £900m (£850m), of which £434m (£425m) exceeded twelve months' maturity. Of the total facilities at the year-end £40m (£0m) were utilised. The committed borrowing facilities, together with available uncommitted facilities, 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 an investment grade credit rating. There are limits on the amounts that may be placed with a single borrower. These policies were applied consistently throughout the year.

During 2001, new systems and procedures were implemented based on the 2000 treasury objectives, policy and strategy review.

French's mustard maintained market leadership in the USA

Dettol antiseptic grew strongly in Asia and Africa Middle East behind new products like Dettol Hygienic Showerfoam, Talc and the new soap for sensitive skin.

Financial risk management

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 underlying net assets of its foreign subsidiaries.

The Group policy is to align interest costs and operational profit of the Group's major currencies in order to provide some protection against the effects of exchange rate fluctuations on total shareholders' funds. The Group undertakes borrowings and other hedging methods, primarily currency swaps, in the currencies of the countries where most of its assets are located. Translation exposure arising on foreign currency profit after tax is not covered other than through the alignment of currency earnings and interest to provide a partial hedge.

As at 31 December 2001, 70% (75%) of the Group's financial liabilities were in currencies other than Sterling, including 35% (46%) being denominated in US Dollars. The balance was made up of mainly Euro borrowings. All the Group's major currency net assets exceeded the borrowings in the corresponding individual currencies.

Transaction risk

It is the Group's policy to manage its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittance of foreign currency dividends. The local business units use 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 the spot and forward markets.

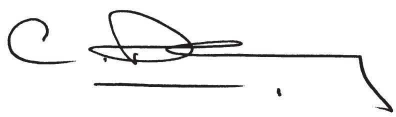
Interest rate risk

The interest rate profile of the financial liabilities of the Group as at the end of 2001 is shown in note 26 to the accounts. The Group manages its interest rate exposure by maintaining 40-100% of its gross financial liabilities at fixed rates for more than one year and used a combination of fixed rate debt and interest rate swaps to achieve this objective. At the end of 2001, the Group had 57% (50%) of financial liabilities at fixed rates, of which 28% (24%) related to the convertible capital bonds.

Financial instruments and derivatives

Note 26 to the accounts analyses the recognised and potential gains and losses on the Group's financial instruments as at the end of 2001, as if they had been sold back to the relevant markets at that date. Derivative financial instruments are only being used for hedging purposes in relation to underlying financial exposures. Derivative instruments are used in liquid financial markets with high quality investment grade counterparties.

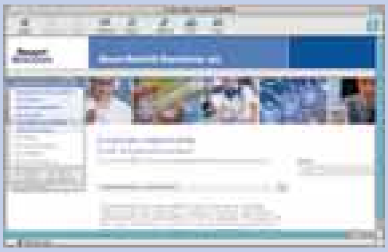
Accounting policies relating to the use of derivatives are described on page 31.



COLIN DAY Chief Financial Officer

These principles are important in maintaining and building the reputation of Reckitt Benckiser as a responsible and trustworthy business partner, employer and corporate citizen.

Reckitt Benckiser has developed a comprehensive range of policies and programs in the areas of corporate and social responsibility. These are mainly communicated through our corporate website where they can be accessed at www.reckittbenckiser.com/about/corporate.cfm.



www.reckittbenckiser.com/about/corporate.cfm

Environmental report 2000

Code of Business Conduct

Our Code of Business Conduct ensures that management and employees across the Group have a clear understanding of principles that are important in conducting our business, guiding all employees as to the ethical values the Company wants to uphold. These principles are an important factor in maintaining and building the reputation of Reckitt Benckiser as a responsible and trustworthy business partner, employer and corporate citizen.

During 2001, the Code was introduced to all our operating companies. A system of internal compliance monitoring has been introduced as part of the year-end reporting process.

The Code is available on the website.

Environmental Policy, Reporting and Programs

Reckitt Benckiser is committed to running its business in a responsible, environmentally sound and sustainable manner. The Company has adopted an Environmental Policy and has recently produced its first environmental report, incorporating targets for corporate environmental performance.

During 2001 the Company has completed its first global environmental review to collect company-wide data on the environmental impact of its products, systems, processes and business. The Company has appointed a dedicated Environmental Director, reporting to the Chief Executive Officer who is the designated director with responsibility for environmental performance. The Company participates in the Business in the Environment Index of Corporate Environmental Engagement.

Details of the policy and the full report can be accessed through the corporate website.

Community Involvement

Reckitt Benckiser recognises its responsibility to the communities in which it operates and seeks to support and enrich these communities through its Community Programs. The Company has adopted a global Community Involvement Policy governing its activities in these areas. The Company also produces periodic reports on its Community Involvement for internal communication, and these reports are made available publicly through the corporate website.

In 2001 major projects included a support program for the victims of the 11 September tragedies in New York and Washington both in cash aid and in services and free products. In the UK, Reckitt Benckiser entered a partnership with Home Start, the leading volunteer network supporting families with small children in the home. This program involved fund raising activities at our UK locations, and close involvement with adopted local schemes. Reckitt Benckiser's total community support worldwide in 2001 was in the region of $1m, excluding employee contributions and time. In the UK the donation to charitable organisations was £320,000.

The Community Involvement Policy and the latest Community Involvement Report can be found on the website.

Other Policies

Reckitt Benckiser has developed other policies governing its activities in areas of corporate, social and community concern and responsibility.

• **Product Safety.** This policy commits the Company to supplying safe products to consumers and understanding all issues involving safety associated with our products. The Company monitors all product safety issues to ensure compliance with the policy and is actively engaged in a program to remove ingredients or packaging that raise safety concerns.

• **Health & Safety.** This policy, reflecting our primary concern for the health and safety of our employees, aims to maintain a safe workplace in all locations. The Company is implementing a system of internal reporting and monitoring of Health & Safety to ensure compliance with the policy.

• **Animal Testing.** Reckitt Benckiser will not use animal testing on any of its products or raw materials unless indicated by national or international regulatory authorities. We actively support the development, validation, use and acceptance of alternative methods that reduce, refine or replace the use of animals in product safety evaluation.

The detailed policies are available through the corporate website at www.reckittbenckiser.com

We have a truly multi national team, where no single culture dominates. We believe that combining talented people with different professional and cultural backgrounds in action oriented teams gives us a real competitive edge.

The Board is responsible for the overall stewardship of the Company on behalf of shareholders. The Executive Committee is responsible for the day to day management of the Company and reflects the overall management structure.

Dr Håkan Mogren (57) ‡#
Was appointed a Non-Executive Director in 2000 and became Non-Executive Chairman in May 2001. He is Deputy Chairman of AstraZeneca PLC. He is also Non-Executive Vice-Chairman of Gambro AB, Non-Executive Director of Investor AB and Chairman of the Research Institute of Industrial Economics, a Director of Norsk Hydro ASA and Chairman of Affibody AB.

Bart Becht (45) #
Joined the Board in 1999 on his appointment as Chief Executive Officer of the Company. He was Chief Executive of Benckiser Detergents, subsequently Benckiser NV since 1995 and Chairman of Benckiser's Management Board from May 1999.

Adrian Bellamy (59) ‡
Was appointed a Non-Executive Director of the Company in 1999 and the Senior Non-Executive Director in 2001. He is a Director of several public and private companies in the USA and Executive Chairman of The Body Shop International Plc.

Dieter Meuderscheid (66) *
Was appointed a Non-Executive Director of the Company in 1999. He is a member of the Advisory Board of Joh. A. Benckiser GmbH.

Hans van der Wielen (58) *
Was appointed a Non-Executive Director of the Company in 1999. He is President and Chief Executive Officer of Koninklijke Numico N.V. and is also a Director of several other Dutch companies.

Dr Peter Harf (55) ‡#
Chairman of the Remuneration Committee, joined the Board as a Non-Executive Director in 1999 and is the Deputy Chairman. He is the Chairman of Coty Inc. and a Director of Brunswick Corporation. He is Chief Executive Officer of Joh. A. Benckiser GmbH.

Dr George Greener (56) ‡
Was appointed a Non-Executive Director in 1996. He is Chairman of British Waterways and The Big Food Group plc and sits on a number of other boards.

Colin Day (46)
Joined Reckitt Benckiser in September 2000 from Aegis Group Plc where he was Group Finance Director from 1995. He is a Non-Executive Director of easyJet plc as well as the Bell Group Plc.

Peter White (60) *#
Chairman of the Audit Committee, was appointed a Non-Executive Director in December 1997. He was previously Group Chief Executive of Alliance & Leicester plc.

Dr Ana Maria Llopis (51) *
Was appointed a Non-Executive Director in November 1998. She is Chief Executive Officer of Coverlink Razona, a leading internet consulting company in Spain.

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









Frank Ruether (49, German)
Senior Vice President, Human Resources. Joined Benckiser in July 1996 as Personnel Director and was appointed SVP Human Resources in March 1997. He was previously with Mars, 1986-1996, as Director of Compensation & Benefits (Europe).

Frank is responsible for human resources management, remuneration and benefits, organisational development, and graduate and other recruitment programs.

Ken Stokes (46, American)
Executive Vice President, Americas. Joined Benckiser in 1989 as marketing director in the USA, and then served as General Manager of UK and Spain, before being appointed EVP for Western Europe in 1997. He was previously with the Clorox Company, Wilson Sporting Goods and McKinsey & Company.

Ken is responsible for North America (Household and Food), Latin America and Australia New Zealand.

Freddy Caspers (40, German)
Executive Vice President, Rest of World. Joined Benckiser in January 1998 as EVP for Eastern Europe. He previously served in PepsiCo in a variety of international sales and marketing assignments.

Freddy is responsible for Eastern Europe, Africa Middle East and Asia.

Alain Le Goff (49, French)
Executive Vice President, Supply. Was appointed EVP for Operations at Benckiser in October 1996. He joined the company in 1986, serving as Industrial Director in France, Monaco, Germany and as logistics director for the group. He was previously with Lesieur.

Alain is responsible for the global supply chain including procurement, manufacturing, warehousing and logistics. Also responsible for management of Squeeze and X-trim gross margin enhancement programs.

Erhard Schoewel (53, German)
Executive Vice President, Western Europe. Joined Benckiser in January 1979 and served as General Manager of Germany and of Propack Europe (private label). He was General Manager of Italy 1995-1996. From 1996 to 1999, he was EVP, Central Europe. He was previously with PWA Waldhof.

Erhard is responsible for Western European markets. Also responsible for Global Sales organisation.

Bart Becht (45, Dutch)
Chief Executive Officer. Joined Benckiser in 1988 and served as General Manager in Canada, the UK, France and Italy before being appointed Chief Executive of Benckiser Detergents, subsequently Benckiser NV, in 1995. He was appointed Chief Executive Officer of Reckitt Benckiser following the merger in December 1999. He was previously with Procter & Gamble both in the USA and Germany.

Bart is an Executive Director of Reckitt Benckiser plc and Chairman of the Executive Committee.

Elio Leoni Sceti (36, Italian)
Executive Vice President, Category Development. Joined Benckiser in 1992 serving in various marketing roles and as General Manager of Germany and Italy. Following the merger in 1999, Elio was promoted to SVP, North American Household and was appointed EVP, Category Development in July 2001. Elio was previously with Procter & Gamble in Italy and France.

Elio is responsible for global category management, research & development, media and market research.

Colin Day (46, British)
Chief Financial Officer. Joined Reckitt Benckiser in September 2000 from Aegis Group Plc where he was Group Finance Director from 1995. Prior to that he was at Kodak, British Gas, De La Rue Group plc and ABB Group.

Colin is responsible for financial controls and reporting, treasury, tax, corporate development, legal affairs and internal audit. Executive Director of Reckitt Benckiser plc.

Tony Gallagher (46, British)
Senior Vice President, Information Servies. Joined Benckiser in September 1997. He was previously CEO of InfoSol, a systems integration and consulting company in the Middle East. Prior to that, he was at Integraph and Mitel.

Tony is responsible for global information systems and services and telecommunications. Also responsible for the roll-out of new total management systems such as JD Edwards.

Report of the Directors

The Directors submit their forty-ninth Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2001.

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 2001 and of the year's activities appears under the Operating & Financial Review. The Directors endorse the content of that review.

In August 2001, the Directors resolved to pay an interim dividend of 12.7p per ordinary share (2000 12.7p). The dividend was paid on 18 September 2001. The Directors are recommending a final dividend for the year of 12.8p per share (2000 12.8p), which, together with the interim dividend, makes a total for the year of 25.5p per share (2000 25.5p). The final dividend, if approved by the shareholders, will be paid on 22 May 2002 to ordinary shareholders on the register at the close of business on 1 March 2002.

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 2001 amounted to £50m (2000 £46m).

Acquisitions and disposals
During the course of 2001, the following material acquisition and disposal activities took place.

In March 2001, the acquisition of the Korean company, Oxy, and its household business was completed.

In April 2001, the acquisition of the Mosquito Coil Group, an Indonesian pest control business, was completed.

In April 2001, the disposal of the European firelighter business took place.

In August 2001, the disposal of Dr Becher, the institutional and professional cleaning business, in Germany was completed.

Employees
During 2001, the Group employed an average of 22,400 (2000 18,900) people worldwide, of whom 1,300 (2000 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. Under the Employee Share Participation Scheme in the UK, employees may elect to take all or part of certain bonuses in shares. Sharesave schemes across the world now give more employees the opportunity to acquire shares in the Company by means of regular savings.

Share capital
Details of changes to the ordinary shares issued and of options and rights granted during the year are set out in note 21 to the accounts.

Directors
Information regarding the Directors of the Company who were serving on 31 December 2001 is set out on page 20.

Alan Dalby retired as Chairman and Jean-Claude Larréché and John Rose retired as Directors at the 2001 Annual General Meeting.

Ana Maria Llopis, Adrian Bellamy and Hans van der Wielen retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

A statement of Directors' interests in the share capital of the Company is included in the Report on Directors' Remuneration on page 28.

Details of the Directors' service agreements are given on page 25.

Corporate governance
The Company recognises the importance of high standards of corporate governance. It understands, supports and has applied throughout 2001 the principles set out in the Combined Code 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 Accounts.

The Board comprises eight Non-Executive Directors including Dr Håkan Mogren, the Chairman, who has the responsibility for managing the Board, and two Executive Directors, Bart Becht, the Chief Executive Officer and Colin Day, the Chief Financial Officer. 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 carries out a strategy-setting, advisory and supervisory role and accepts ultimate responsibility for the conduct of the Company's business. The Chief Executive Officer, together with the other members of his Executive Committee, provides the day-to-day management of the Company.

The Board has identified Adrian Bellamy as the senior independent Non-Executive Director in accordance with provision A.2.1 of the Combined Code. The majority of Non-Executive Directors are independent as recommended by the Combined Code. In this context two of the Non-Executive Directors, Peter Harf and Dieter Meuderscheid, are not considered to be independent for all purposes because of the shareholdings they represent.

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.6.2 of the Combined Code.

The Board meets 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. The performance of the Chief Executive Officer 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. 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 Chief Executive Officer 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 Western Europe, Americas and Rest of World are also members of the Committee.

Committees of the Board

Audit Committee

The Audit Committee, chaired by Peter White, comprises four Non-Executive Directors. The Committee monitors the adequacy and effectiveness of the internal controls and compliance procedures, 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. The Chief Financial Officer 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.

Remuneration Committee

The Remuneration Committee meets regularly to review remuneration policy for Directors and senior executives. The Committee comprises four Non-Executive Directors, under the Chairmanship of Peter Harf. As described above, Peter Harf is not independent as recommended by provision B.2.1 of the Combined Code.

Nomination Committee

The Nomination Committee is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board of Directors. The Committee comprises the Chairman, who also chairs the Committee, the Chief Executive Officer and two Non-Executive Directors.

Internal control

The Board acknowledges that it has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, and has established a control structure designed to manage the achievement of business objectives. The system complies with the Turnbull Committee 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 – as set out above the Board performs a strategy-setting, advisory and supervisory role with the day to day management of the Company being undertaken by The Executive Committee. The Chief Executive Officer 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, Western Europe, Americas and Rest of World and centralised functions covering category management, supply, sales, finance & 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 fiscal year are prepared and are reviewed by the Board. Long-term business plans are also prepared and 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 D.2.1 of the Combined Code. In particular major risks have been identified and ongoing monitoring procedures are in place.

Corporate responsibility

For the Company's range of policies covering the areas of corporate responsibility, please refer to the separate report on page 19.

Relations with shareholders

The Board is committed to effective communication between the Company and its shareholders. The Directors and the Senior Vice President Investor Relations meet regularly with institutional shareholders and financial analysts, in Europe and the USA, to discuss matters relating to the Company's business strategy and current performance issues. The Company believes that it is important that it makes its key executives available, whenever possible, 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. At the Annual General Meeting of the Company held in 2001, the

Report of the Directors (continued)

Chairman indicated the level of proxies received on all the resolutions before the meeting, while not quoting the numbers for each individual resolution as recommended by provision C.2.1 of the Code. There were no material differences in the number of proxies received for individual resolutions at the meeting.

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 2001 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' report set out on page 29, 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 30 to 55 including the information on Directors' remuneration on pages 25 to 28, 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.

Charitable and political donations
Contributions to charitable organisations in the UK amounted to £320,000 (2000 £346,000). No political donations were made (2000 nil).

Annual General Meeting
The notice convening the forty-ninth Annual General Meeting of the Company to be held on Tuesday, 7 May 2002 at 11.15 am at The Renaissance London Heathrow Hotel, Bath Road, Heathrow, Hounslow, Middlesex TW6 2AQ, is contained in a separate document for shareholders.

Other information
As at 19 February 2002 the Company had received the following notice of a substantial interest (3% or more) in its ordinary share capital:

Joh. A. Benckiser GmbH: 102,830,415 shares (16.2% of the issued share capital as of 31 December 2001).

Joh. A. Benckiser GmbH became interested in the single Special Voting Share of 10p in the Company on 3 December 1999. The Special Voting Share is registered in the name of JAB Trustee Company Limited. The Special Voting Share carries the right to exercise 68,275,000 votes at General Meetings of the Company. Joh. A. Benckiser GmbH is entitled to require JAB Trustee Company Limited to exercise the votes attaching to the Special Voting Share in accordance with its instructions. Joh. A. Benckiser GmbH is also interested in 13,655,000 A shares in Reckitt Benckiser Holdings BV which it is entitled to exchange for 68,275,000 new ordinary shares in the Company at any time until 30 September 2005. Joh. A. Benckiser GmbH would therefore, assuming full exchange, be interested in 24.4% of the enlarged ordinary share capital of the Company.

By order of the Board

Jonathan H Jones
Company Secretary
103-105 Bath Road, Slough, Berks SL1 3UH

19 February 2002

Report on Directors' remuneration

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, senior executives and other key personnel. The remuneration principles established for this senior group of employees provide the framework for the remuneration packages of all other executives.

The Committee comprises four Non-Executive Directors under the Chairmanship of Dr Peter Harf, the Deputy Chairman. It meets as necessary, but at least three times each year. Executive Directors may be invited to attend meetings of the Committee, but will not be present during any discussion of their own pay and conditions.

As well as reviewing Executive Directors' base salaries, 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
Reckitt Benckiser competes for management skills and talent in the same international market place as its major competitors, most of which are based in the USA. In order to attract and retain the best available people, the Company has adopted a policy of executive remuneration based on US standards. Total compensation for Executive Directors and other senior executives will be benchmarked against the upper quartile of a peer group comprising Reckitt Benckiser's direct competitors.

The Reckitt Benckiser compensation system has been designed to foster the delivery of outstanding shareholder value. Accordingly, pay-at-risk is a major element of total compensation for all senior executives. The overall compensation for all senior executives will comprise three principal elements; base salary, annual cash bonus and share incentives. The annual cash bonus is closely linked to the achievement of profitable growth and targets in asset management, geared to above average industry performance. Very good to excellent results will deliver higher bonus payments. In addition, a significant element of equity linked remuneration ensures close alignment of the financial interests of key members of management with those of shareholders.

Base salaries
Base salaries are normally reviewed annually with effect from 1 January. Increases are determined by reference to market factors and individual performance.

Annual cash bonus
For 2002, the Executive Directors will participate in an annual cash incentive plan under which they may receive 100% (CEO), 75% (CFO) of base salary for on-target performance and up to 3.6 times the target bonuses for outstanding performance. Performance against demanding pre-determined financial targets is used to determine the level of any incentive earned. Performance measures include net revenue and net income growth. Similar incentive arrangements are used for other key executives worldwide.

Long-term incentives
Long-term incentives will take the form of a mix of share options and restricted shares under annual grants. With the exception of the initial grants of restricted shares made in 1999 which vest according to share price growth, incentives will only vest following the achievement of pre-determined performance criteria linked to earnings per share growth over a period of three consecutive years within the five years following the date of grant.

The scheme rules do not permit option prices to be fixed at a discount to market price. The Committee may change the performance criteria and vesting conditions in the future at its discretion.

Service agreements
Executive Directors have service agreements which can be terminated by the Company on six months' notice with a lump sum termination payment amounting to the aggregate of one and one-half times base salary and two times the average of the bonuses received in respect of the two financial years completed most recently before the termination. The Committee is aware that the term of this agreement is longer than the one year recommended by provision B.1.7 of the Combined Code, but considers it appropriate having regard to previous contracts of current Executive Directors. The Committee will, however, review market practice when appointing any new Executive Director from outside the Company with the intention that a one year agreement will apply.

Remuneration policy for Non-Executive Directors.
The remuneration for Non-Executive Directors consists of fees for their services in connection with Board and Board committee meetings. Their fees are determined by the Board as a whole and reviewed annually. In addition to basic fees payable, Non-Executive Directors, other than the Chairman, receive an additional £5,000 per annum for the Chairmanship of the Audit Committee and the Remuneration Committee.

Non-Executive Directors do not have service agreements, 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. Certain Non-Executive Directors of Benckiser were in the past awarded options and restricted shares which are still outstanding.

External appointments
Executive Directors of the Company may accept one appointment as a Non-Executive Director of another company. Such appointments must be approved by the Board. Directors are permitted to retain fees for Non-Executive appointments.

Directors' remuneration in 2001
Table 1 shows the total remuneration paid to all those people who served as Directors of the Company during 2001.

Report on Directors' remuneration (continued)

Table 1

	Notes	2001 Salary and fees £000	2001 Benefits in kind £000	2001 Other payments £000	2001 Total £000	2000 Total £000
Chairman						
Alan Dalby (resigned 10 May 2001)		**60**	**–**	**–**	**60**	164
Dr Håkan Mogren (appointed as Chairman 10 May 2001)	1	**146**	**–**	**–**	**146**	3
Executive Directors						
Bart Becht	2	**756**	**73**	**2,658**	**3,487**	2,693
Colin Day	3	**339**	**13**	**882**	**1,234**	328
Non-Executive Directors						
Dr Peter Harf (Deputy Chairman)		**45**	**–**	**–**	**45**	45
Adrian Bellamy		**40**	**–**	**–**	**40**	40
Dr George Greener		**40**	**–**	**–**	**40**	40
Prof Jean-Claude Larréché (resigned 10 May 2001)		**15**	**–**	**–**	**15**	40
Dr Ana Maria Llopis		**40**	**–**	**–**	**40**	40
Dieter Meuderscheid		**40**	**–**	**–**	**40**	40
John Rose (resigned 10 May 2001)		**15**	**–**	**–**	**15**	40
Peter White		**45**	**–**	**–**	**45**	45
Hans van der Wielen		**40**	**–**	**–**	**40**	40
Total		**1,621**	**86**	**3,540**	**5,247**	3,558

Notes

1 Dr Håkan Mogren's fees of £146,000 for the year comprise £15,000 for non-executive director fees for the period ended 9 May 2001 and £131,000 for fees paid as Chairman from 10 May 2001. Dr Mogren was appointed to the Board on 29 November 2000.

2 The remuneration reported under "Other payments" in respect of Mr Becht relates to payments made under the Reckitt Benckiser Annual Performance Plan (£2,509,650), contributions made to his pension plan (£123,900), and a Share Participation Scheme bonus (£24,375) of which £8,000 was taken in shares.

3 The remuneration reported under "Other payments" in respect of Mr Day relates to payments made under the Reckitt Benckiser Annual Performance Plan (£779,220), contributions made to his pension plan (£94,584), and a Share Participation Scheme bonus (£8,192) of which £8,000 was taken in shares. Mr Day was appointed to the Board on 4 September 2000.

4 The total emoluments of the Directors of Reckitt Benckiser plc as defined by Schedule 6 of the Companies Act were £5,029,000 (2000 £3,437,000).

5 The aggregate gains made by the Directors on the exercise of share options during the year were £5,785,436 (2000 £5,690,000). The aggregate gains made by the Directors on the exercise of restricted share awards were £nil (2000 £545,000).

6 The total emoluments of the highest paid director (excluding pension contributions) were £3,363,000 (2000 £2,595,000).

The 2001 remuneration package for Executive Directors comprised base salary, annual cash incentive bonus, long-term incentives in the form of share options and restricted shares, pension contributions, fully-expensed company car (or cash equivalent) and health insurance.

Pensions

Mr Becht and Mr Day are both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a company contribution rate of 17.5% of pensionable pay for Mr Becht and 25% for Mr Day. Mr Day's contributions were backdated to September 2000 when he was appointed to the Board. Contributions in respect of Mr Becht and Mr Day are shown in Table 1 above. Mr Day's interim membership of the Reckitt & Colman Pension Fund (UK Fund) ceased on 5 April 2001 and the accrued entitlement under that plan has been rolled over into the Reckitt Benckiser Executive Pension Plan.

Directors' options and restricted share awards

Table 2 sets out each Directors' options over or rights to ordinary shares of the Company under the Company's various share option and restricted share schemes. Where appropriate, the weighted average prices have been shown. The middle market price of the ordinary shares at the year end was 1,000p and the range during the year was 1,080p to 803p. The option price or weighted option price of options granted at prices below the middle market price at the year end are shown separately.

Table 2

Executive options and restricted shares	Options and restricted shares at 1 January 2001	Granted during the year	Exercised during the year	Market price at exercise	Options and restricted shares at 31 December 2001	Option price	Exercise period
Bart Becht							
– Options	3,550,000					592.5p[1]	Jan 98 - Dec 10
		1,000,000				950.4p	May 05 - Dec 11
			750,000	960.1p		190.5p	
					3,800,000	761.4p[1]	Jan 99 - Dec 11
– Restricted shares	540,000						Jul 00 - Dec 11
		400,000					May 05 - Dec 11
					940,000	–	July 00 - Dec 11
Adrian Bellamy							
– Options	4,495[2]		4,495	932.5p	–	635.0p	–
Colin Day							
– Options	145,000					867.0p[1]	Sep 03 - Dec 10
		200,000				950.4p	May 05 - Dec 11
					345,000	915.3p[1]	Sep 03 - Dec 11
– Restricted shares	116,000						Sep 03 - Dec 10
		80,000					May 05 - Dec 11
					196,000	–	Sep 03 - Dec 11
Peter Harf							
– Options	375,000[3]				375,000	589.3p[1]	Jan 99 - Dec 03
Hans van der Wielen							
– Options	4,495[2]				4,495	676.6p	May 99 - May 03

Sharesave scheme	Options at 1 January 2001	Granted during the year	Options at 31 December 2001	Option price	Option exercise period
Bart Becht	2,777		2,777	661.6p	Feb 08 - Jul 08
Colin Day		1,967	1,967	841.2p	Feb 07 - Jul 07

(1) Weighted average price.

(2) Awards to Supervisory Board Directors of Benckiser N.V. at the Annual General Meeting held in 1998.

(3) Non-Executive Deputy Chairman Peter Harf's options were granted to him over Benckiser N.V. B Shares prior to the merger of Benckiser N.V. with Reckitt & Colman plc.

Notes

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

2 Executive Share Options are awarded at an exercise price determined on grant and payable on exercise following satisfaction of performance criteria.

3 Restricted share awards entitle the recipient to receive shares at no cost following satisfaction of performance criteria.

Report on Directors' remuneration (continued)

Table 3

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:

	31 December 2001	31 December 2000
Bart Becht	**703,624**	595,386
Adrian Bellamy	**8,380**	8,380
Colin Day	**68,673**	40,000
George Greener	**2,000**	1,000
Peter Harf	**657,240**	657,240
Ana Maria Llopis	**1,175**	1,175
Dieter Meuderscheid	**32,910**	32,910
Håkan Mogren	**–**	–
Peter White	**1,000**	1,000
Hans van der Wielen	**9,270**	9,270

Notes

1 Mr Meuderscheid also owns one Benckiser N.V. B Share.

2 Except as shown, no person who was a Director (or a member of a Director's family) on 31 December 2001 had any notifiable share interests in any subsidiary of the Company.

3 There were no changes in Directors' interests in shares of the Company or its subsidiary undertakings from 1 January 2002 to 19 February 2002.

4 The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

Independent auditors' report to the members of Reckitt Benckiser plc

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement, the consolidated statement of total recognised gains and losses, the reconciliation of movements in total shareholders' funds, the accounting policies and the related notes, as well as the disclosures in respect of Directors' remuneration, options and interests in shares of the Company.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 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 or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Chairman's Statement, the Chief Executive's Review, the Operating and Financial Review and the Report of the Directors.

We review whether the Corporate Governance statements reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if they do 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 Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London
19 February 2002

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 convention
The accounts are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

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

Basis of consolidation
The accounts of the Group represent the consolidation of Reckitt Benckiser plc and its subsidiary undertakings. The accounts of subsidiary undertakings which do not conform with Group policies are adjusted on consolidation in order that the Group accounts may be presented on a consistent basis. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

Benckiser N.V. Shareholders
The merger of Reckitt & Colman plc and Benckiser N.V. was completed on 3 December 1999. At the time of the merger Benckiser N.V. had two classes of shares; Benckiser A Common Shares ("A shares") and Benckiser B Shares ("B shares").

Under the terms of the merger, the A shareholder agreed to exchange its A shares for an equal number of A shares in Reckitt Benckiser Holdings BV. Under a Shareholders' Agreement, each Reckitt Benckiser Holdings A Share is equivalent to five Reckitt Benckiser plc ordinary shares in terms of dividend and capital rights and, through issue of a special share, voting rights.

Under the Merger Agreement, the A shareholder has a right to exchange its Reckitt Benckiser Holdings BV A Shares, at any time until 30 September 2005, into new Reckitt Benckiser plc shares on the basis of five new Reckitt Benckiser plc ordinary shares for each Reckitt Benckiser Holdings BV A share.

In order for the consolidated accounts to present a true and fair view, it is necessary to differ from the presentational requirements of the Companies Act 1985 by including amounts attributable to the A shareholder in the capital and reserves section of the consolidated balance sheet. The Companies Act would require presentation of the capital and reserves attributable to the A shareholder as minority interests, but this presentation would not give a true and fair view of the Shareholders' Agreement, under the terms of which the A shareholder in substance ranks equally with the ordinary shareholders of Reckitt Benckiser plc.

Adoption of new accounting policies and requirements
The transitional rules of Financial Reporting Standard (FRS) 17 (Retirement benefits) require certain disclosures to be made in these accounts. The full requirements of the FRS, which will change the basis for accounting for retirement benefits, will be implemented in 2003.

FRS 18 (Accounting policies) has been adopted in preparing these accounts; adoption involved a review of the Group's accounting policies and estimation techniques to establish that, where a choice of treatment is available, the most appropriate policy or technique is used. Adoption of FRS 18 did not require any change in accounting policies or estimation techniques although some additional information on the Group's accounting policies is given below.

FRS 19 (Deferred taxation) will be adopted in 2002. The impact on the 2001 financial statements will be shown as a prior year adjustment in 2002.

The Urgent Issues Task Force (UITF) has issued three abstracts relating to Employee Share Schemes, UITF 17 (revised), 25 and 30. The requirements of these abstracts have been adopted in the preparation of these financial statements. The Group has taken advantage of the exemption offered by UITF 17 (revised) not to apply the requirements of the UITF to Inland Revenue approved SAYE schemes. The adoption of these requirements did not have a material impact on the reported financial position or results.

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. Exchange differences arising in the accounts of individual undertakings are included in the profit and loss account except that, where foreign currency borrowing has been used to finance equity investments in foreign currencies, exchange differences arising on the borrowing are dealt with through reserves to the extent that they are covered by exchange differences arising on the net assets represented by the equity investments.

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 year.

Exchange differences arising on the translation of accounts into Sterling are recorded as movements on reserves.

The accounts of subsidiaries operating in hyper-inflationary environments are adjusted where possible to reflect current price levels before being translated into Sterling.

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

	2001	2000
Average rates:		
£/Euro	**1.6074**	1.6417
£/US Dollar	**1.4404**	1.5260
Closing rates:		
£/Euro	**1.6353**	1.5843
£/US Dollar	**1.4546**	1.4935

Net revenues
Net revenues are defined as the amount invoiced to external customers during the year. That is gross sales net of trade discounts and customer allowances and exclusive of VAT and other sales-related taxes. Net revenues are recognised at the time products are dispatched to customers.

Pension commitments
The cost of providing pensions to employees who are members of defined contribution schemes is charged to the profit and loss account as contributions are made.

For defined benefit schemes, the cost of providing benefits is charged to the profit and loss account on a systematic basis, so as to spread the cost over the average service lives of the employees in the schemes. Actuarial surpluses and deficits arising are allocated over the average expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities.

Post-retirement benefits other than pensions
The cost of providing post-retirement benefits other than pensions is determined on a consistent actuarial basis and charged to the profit and loss account. To the extent that such costs do not equate to the cash contribution, a provision or prepayment is constituted in the balance sheet.

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

Stocks
Stocks are stated at the lower of cost or net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses and is arrived at by the "first in-first out" method.

Deferred taxation
Deferred tax is accounted for at the rate of tax at which reversal is expected in respect of timing differences, including those arising on obligations relating to pensions and other post-retirement benefits, between profit as computed for taxation purposes and profit as stated in the accounts, other than those differences which are expected to continue for the foreseeable future.

Intangible fixed assets
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 market place, 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 amortised, as it is considered that their useful economic lives are not limited. Their carrying values are reviewed annually by the Directors to determine whether there has been any permanent impairment in value and any such reductions in their values are taken to the profit and loss account. The impairment review involves a comparison of the book amount with the higher of the recoverable amount and the value in use. The value in use is measured with reference to discounted cash flows based on future revenue and margin projections. The discount rate used in the 2001 brand impairment review was based on the Group's weighted average cost of capital including, where appropriate, an adjustment for the risks associated with the relevant market.

In accordance with FRS 10 (Goodwill and Intangible Assets), as from 4 January 1998, goodwill arising on acquisitions is capitalised and amortised on a straight line basis over periods not exceeding 20 years in line with the Directors' view of their useful economic lives. Goodwill written off to reserves prior to this date has not been reinstated.

The profit or loss arising on the disposal of businesses acquired is recognised in the accounts after taking into account any goodwill arising on acquisition which has not been previously written off in the profit and loss account.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation. Except for freehold land, the cost of properties, 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 10 years or less; motor vehicles and computer equipment over five years or less.

Leased plant and equipment: assets held under finance leases are capitalised at fair value and are included in tangible fixed assets at fair value. Each asset is depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within creditors.

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate.

Operating leases
Operating lease rentals are charged against profit on a straight line basis over the period of the lease.

Derivatives
The Group primarily uses cross currency swaps, interest rate swaps and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are accounted for as hedges when designated as such at the inception of the contract.

Cross currency swaps are used to hedge the Group's currency net assets and to reduce the interest cost of borrowings in certain currencies. The net exchange gains or losses on cross currency swaps are recorded on the balance sheet. The movements in the balance sheet values are recorded in reserves to the extent that they hedge foreign currency net assets.

Interest rate swaps and the interest rate swap element of cross currency swaps are not revalued to fair value or shown in the Group's balance sheet but are disclosed in the fair value table in note 26. Interest differentials are recognised by accruing the net interest payable/receivable in the profit and loss account.

Gains and losses on forward foreign exchange contracts are offset against the foreign exchange gains and losses on hedged financial assets and liabilities. Where the instrument is used to hedge against future transactions, gains and losses are deferred until the transaction occurs.

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 profit and loss account over the period to which the performance criteria relate. Additional employer costs in respect of options and awards are charged to the profit and loss account over the same period. 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 an appropriate accrual made.

Group profit and loss account

for the year ended 31 December 2001

	Notes	**2001 £m**	2000 £m
Net revenues	1		
Continuing operations		**3,357**	3,131
Acquisitions		**73**	–
		3,430	3,131
Discontinued operations		**9**	71
		3,439	3,202
Cost of sales	2	**(1,734)**	(1,640)
Gross profit	2	**1,705**	1,562
Net operating expenses	2	**(1,180)**	(1,111)
Operating profit	1		
Continuing operations		**518**	433
Acquisitions		**6**	–
		524	433
Discontinued operations		**1**	18
Operating profit		**525**	451
Non-operating items:			
Profit on disposal of businesses (discontinued operations)	25	**24**	56
Profit on ordinary activities before interest		**549**	507
Interest payable less receivable	5	**(33)**	(42)
Coupon on convertible capital bonds	5	**(18)**	(18)
Profit on ordinary activities before taxation		**498**	447
Tax on profit on ordinary activities	6	**(141)**	(132)
Profit on ordinary activities after taxation		**357**	315
Attributable to equity minority interests		**(1)**	(1)
Profit for the year	22	**356**	314
Dividends (including non-equity preference dividends)	7	**(179)**	(178)
Retained profit for the year		**177**	136
Earnings per ordinary share	8		
On profit for the year, basic		**50.8p**	45.2p
On profit for the year, diluted		**49.2p**	44.1p
On adjusted profit, diluted		**47.1p**	38.8p

Group and parent company balance sheets

as at 31 December 2001

	Notes	Group 2001 £m	Group 2000 £m	Parent 2001 £m	Parent 2000 £m
Fixed assets					
Intangible assets	9	**1,767**	1,638	**–**	–
Tangible assets	10	**575**	535	**–**	–
Investments	11	**–**	–	**1,227**	1,223
		2,342	2,173	**1,227**	1,223
Current assets					
Stocks	12	**219**	245	**–**	–
Debtors due within one year	13	**586**	622	**132**	41
Debtors due after more than one year	14	**148**	148	**1,742**	1,446
Investments	15	**90**	39	**37**	16
Cash at bank and in hand		**89**	94	**10**	3
		1,132	1,148	**1,921**	1,506
Current liabilities					
Creditors due within one year:					
Borrowings	16	**(186)**	(245)	**(11)**	(6)
Other	17	**(1,111)**	(1,053)	**(173)**	(440)
		(1,297)	(1,298)	**(184)**	(446)
Net current (liabilities)/assets		**(165)**	(150)	**1,737**	1,060
Total assets less current liabilities		**2,177**	2,023	**2,964**	2,283
Non-current liabilities					
Creditors due after more than one year:					
Borrowings	16	**(267)**	(290)	**(144)**	(141)
Other	18	**(156)**	(129)	**(1,982)**	(1,086)
Convertible capital bonds	16, 19	**(193)**	(193)	**–**	–
		(616)	(612)	**(2,126)**	(1,227)
Provisions for liabilities and charges	20	**(264)**	(279)	**–**	–
Equity minority interests		**(16)**	(16)	**–**	–
Net assets		**1,281**	1,116	**838**	1,056
Capital and reserves					
Called up share capital (including non-equity capital of £5m)	21	**71**	71	**71**	71
Shares to be issued	21	**7**	7	**–**	–
Share premium account	22	**182**	165	**182**	165
Merger reserve	22	**142**	142	**–**	–
Profit and loss account	22	**879**	731	**585**	820
Total shareholders' funds (including non-equity shareholders' funds of £5m)		**1,281**	1,116	**838**	1,056

Approved by the Board on 19 February 2002

Håkan Mogren
Director

Bart Becht
Director

Group cash flow statement

for the year ended 31 December 2001

Reconciliation of operating profit to operating cash flows

	2001 £m	2000 £m
Operating profit	**525**	451
Depreciation and amortisation	**74**	78
Other non-cash movements	**–**	(4)
Purchase of Reckitt Benckiser N.V. B shares	**–**	(6)
Decrease/(increase) in stocks	**26**	(4)
Decrease in debtors	**12**	6
(Decrease)/increase in creditors and provisions	**(13)**	98
Reorganisation and merger integration costs paid	**(21)**	(117)
Cash flow from operating activities	**603**	502

Cash flow statement

	Notes	2001 £m	2000 £m
Cash flow from operating activities		**603**	502
Return on investments and servicing of finance	23a	**(50)**	(74)
Taxation		**(57)**	(67)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(111)**	(106)
Disposal of tangible fixed assets		**10**	10
		(101)	(96)
Acquisitions and disposals			
Acquisition of businesses	24	**(102)**	(3)
Cash acquired with subsidiary undertakings	24	**7**	–
Disposal of businesses	25	**39**	84
		(56)	81
Equity dividends paid		**(179)**	(177)
Cash inflow before use of liquid resources and financing		**160**	169
Management of liquid resources	23b	**(55)**	68
Financing	23c	**(119)**	(190)
(Decrease)/increase in cash in year	23d	**(14)**	47

Reconciliation of net cash flow to movement in debt

	Notes	2001 £m	2000 £m
(Decrease)/increase in cash in year		**(14)**	47
Cash outflow from decrease in debt	23d	**136**	208
Cash outflow/(inflow) from increase/(decrease) in liquid resources	23d	**55**	(68)
Changes in net debt resulting from cash flows		**177**	187
Conversion of convertible capital bonds		**–**	1
Loans acquired with subsidiary		**(37)**	–
Translation differences		**(12)**	(47)
Movement in net debt in year		**128**	141
Net debt at beginning of year (including convertible capital bonds)		**(595)**	(736)
Net debt at end of year (including convertible capital bonds)	23d	**(467)**	(595)

Reconciliation of operating cash flow to net cash flow from ordinary operations

	2001 £m	2000 £m
Operating cash flow (excluding reorganisation and merger integration costs paid)	**624**	619
Return on investments and servicing of finance	**(50)**	(74)
Taxation	**(57)**	(67)
Capital expenditure (net)	**(101)**	(96)
Net cash flow from ordinary operations	**416**	382

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

Consolidated statement of total recognised gains and losses

	2001 £m	2000 £m
Profit for the year	**356**	314
Net exchange movements on foreign currency translation	**(29)**	21
Total recognised gains and losses relating to the year	**327**	335

Net exchange losses on net foreign currency borrowings of £12m (2000 £47m) have been offset in reserves against exchange gains and losses on net investments in overseas subsidiaries. Tax on foreign exchange differences booked to reserves is not material.

Reconciliation of movements in total shareholders' funds

	2001 £m	2000 £m
Total recognised gains and losses relating to the year	**327**	335
Ordinary dividends	**(179)**	(178)
Ordinary shares allotted on exercise of options and conversion of convertible capital bonds	**17**	20
Purchase of Reckitt Benckiser N.V. B shares	**–**	(6)
Net increase in shareholders' funds	**165**	171
Total shareholders' funds at beginning of year	**1,116**	945
Total shareholders' funds at end of year	**1,281**	1,116

There is £5m (2000 £5m) of non-equity shareholders' funds included within total shareholders' funds.

Notes to the accounts

1 Segmental analyses

Analyses by geographical area and product segment of net revenues, operating profit and capital employed are set out below. The figures for each geographic area show the net revenues and profit made by, and the net operating assets owned by, companies located in that area.

	Net revenues		Operating profit		Operating margin	
Net revenues and operating profit – by geographical area	**2001 £m**	2000 £m	**2001 £m**	2000 £m	**2001 %**	2000 %
Continuing operations (including acquisitions)						
Western Europe	**1,390**	1,279	**297**	254	**21.4**	19.9
North America	**1,073**	962	**158**	128	**14.7**	13.3
Latin America	**229**	239	**3**	6	**1.3**	2.5
Asia Pacific	**397**	335	**22**	10	**5.5**	3.0
Rest of World	**341**	316	**28**	25	**8.2**	7.9
Corporate	**–**	–	**16**	10	**–**	–
	3,430	3,131	**524**	433	**15.3**	13.8
Discontinued operations						
Western Europe	**7**	50	**1**	11	**14.3**	22.0
Asia Pacific	**2**	19	**–**	6	**–**	31.6
Rest of World	**–**	2	**–**	1	**–**	50.0
	3,439	3,202	**525**	451	**15.3**	14.1

Net revenues represent the sales made to third-party customers based on the country in which the order is received. They would not be materially different if based on the country in which the customer is located. Continuing operations – Asia Pacific includes net revenues of £73m and operating profit of £6m in respect of businesses acquired in 2001.

	Net revenues		Operating profit		Operating margin	
Net revenues and operating profit – by product segment	**2001 £m**	2000 £m	**2001 £m**	2000 £m	**2001 %**	2000 %
Continuing operations (including acquisitions)						
Household and Health & Personal Care	**3,222**	2,928	**466**	383	**14.5**	13.1
Food	**208**	203	**42**	40	**20.2**	19.7
Corporate	**–**	–	**16**	10	**–**	–
	3,430	3,131	**524**	433	**15.3**	13.8
Discontinued operations						
Household and Health & Personal Care	**9**	71	**1**	18	**11.1**	25.4
	3,439	3,202	**525**	451	**15.3**	14.1

Continuing operations – Household and Health & Personal Care include net revenues of £73m and operating profit of £6m in respect of businesses acquired in 2001.

Segmental analyses have been prepared for operating profit as the Directors consider these to be more meaningful than analyses based on profit before tax. Corporate relates to headquarters and global costs and income which cannot be specifically allocated to the above geographical areas and product segments. As a result of a review of the allocation of Corporate overheads, the segmental analyses for 2000 operating profit have been restated in order to make the allocation consistent with that for 2001. This restatement had no impact on total operating profit.

	Net revenues	
Additional information – net revenues by product group	**2001 £m**	2000 £m
Continuing operations (including acquisitions)		
Fabric Care	**875**	814
Surface Care	**807**	764
Dishwashing	**449**	413
Home Care	**497**	371
Health & Personal Care	**412**	382
Core Business	**3,040**	2,744
Other Household	**182**	184
	3,222	2,928

1 Segmental analyses continued

Capital employed – by geographical area	2001 £m	2000 £m
Western Europe	**253**	310
North America	**1,244**	1,203
Latin America	**82**	74
Asia Pacific	**205**	95
Rest of World	**57**	41
Corporate	**(77)**	4
	1,764	1,727

Asia Pacific includes capital employed of £92m in respect of businesses acquired in 2001.

Capital employed – by product segment	2001 £m	2000 £m
Household and Health & Personal Care	**1,719**	1,588
Food	**122**	135
Corporate	**(77)**	4
	1,764	1,727

Household and Health & Personal Care includes capital employed of £92m in respect of businesses acquired in 2001.

Capital employed comprises	2001 £m	2000 £m
Fixed assets	**2,342**	2,173
Current assets	**1,132**	1,148
Creditors due within one year	**(1,297)**	(1,298)
Creditors due after more than one year	**(616)**	(612)
Provisions for liabilities and charges	**(264)**	(279)
Add back: Net debt	**467**	595
	1,764	1,727

Capital employed is calculated for segmental analysis purposes on total assets less liabilities and after excluding net debt. The Directors consider this to be more meaningful than analyses based on net assets.

2 Analysis of cost of sales and net operating expenses

	2001 Continuing £m	2001 Acquisitions £m	2001 Sub-total £m	2001 Discontinued £m	2001 Total £m	2000 Continuing £m	2000 Discontinued £m	2000 Total £m
Cost of sales	**(1,684)**	**(44)**	**(1,728)**	**(6)**	**(1,734)**	(1,595)	(45)	(1,640)
Gross profit	**1,673**	**29**	**1,702**	**3**	**1,705**	1,536	26	1,562
Distribution costs	**(869)**	**(10)**	**(879)**	**(1)**	**(880)**	(837)	(3)	(840)
Administrative expenses:								
Research and development	**(50)**	**–**	**(50)**	**–**	**(50)**	(46)	–	(46)
Other	**(270)**	**(15)**	**(285)**	**(1)**	**(286)**	(253)	(5)	(258)
Total administrative expenses	**(320)**	**(15)**	**(335)**	**(1)**	**(336)**	(299)	(5)	(304)
Other net operating income	**34**	**2**	**36**	**–**	**36**	33	–	33
Net operating expenses	**(1,155)**	**(23)**	**(1,178)**	**(2)**	**(1,180)**	(1,103)	(8)	(1,111)

3 Auditors' remuneration

The remuneration of the Group's auditors for audit services amounted to £1.8m (2000 £1.9m). This amount included £0.3m (2000 £0.3m) relating to the audit of the parent company.

The remuneration of the Group's auditors for non-audit services amounted to £1.7m (2000 £2.2m). This included other audit and assurance services of £0.4m (2000 £0.6m), taxation services of £0.7m (2000 £0.7m) and other services of £0.6m (2000 £0.9m). Of this £0.9m (2000 £1.2m) was incurred in the UK.

Notes to the accounts (continued)

4 Employees

a) Staff costs

	2001 £m	2000 £m
The total employment costs were:		
Wages and salaries	**324**	301
Social security costs	**51**	44
Pension costs net of pensions credits	**15**	10
Post-retirement benefits other than pensions	**6**	6
	396	361

Details of Directors' emoluments are included in the Report on Directors' Remuneration on pages 25 to 28.

b) Staff numbers

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

	2001 000s	2000 000s
Western Europe*	**5.1**	5.1
North America	**2.5**	2.5
Latin America	**2.6**	2.6
Asia Pacific	**8.4**	4.9
Rest of World	**3.8**	3.8
	22.4	18.9

*Included in Western Europe are 1,300 (2000 1,300) UK employees.

c) Pension schemes

The Group operates a number of pension schemes around the world which are principally of the funded type. The Group's most significant defined benefit schemes are both funded by the payment of contributions to separately administered trust funds. The principal data for these schemes are as follows:

	UK	**US**
Date of actuarial review	5.4.01	1.1.01
Valuation method used	Projected Unit	Projected Unit
Amortisation method used	Straight Line	Straight Line
Number of years over which surplus is spread	12	13
Market value of scheme assets	£609m	£144m
Assumptions:		
Rate of return on investments/discount rate	7.3%p.a.	7.5%p.a.
Earnings increases	4.5%p.a.	5.0%p.a.
Pensions increases	2.5%p.a.	n/a
Dividend increases	3.5%p.a.	n/a
Rate of inflation	2.5%p.a.	4.0%p.a.
Level of funding	114%	113%

The pension cost credited to the profit and loss account, calculated in accordance with the advice of professionally qualified independent actuaries, is made up as follows:

	UK		**US**	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Regular cost	**4**	4	**4**	–
Variations from regular cost	**(4)**	(4)	**(5)**	(3)
Net pension credit	**–**	–	**(1)**	(3)

Debtors due after more than one year includes a prepayment of £59m (2000 £59m) in respect of the excess funding of the UK scheme and £5m (2000 £8m) in respect of other schemes. Provisions include £14m (2000 £19m) in respect of the above US schemes and £37m (2000 £34m) in respect of other schemes.

Surpluses and deficits are spread over the average remaining service lives of the current employees.

4 Employees continued

d) Post-retirement benefits other than pensions

Certain retired employees and dependants in the UK and the US are eligible to receive medical and prescription benefits paid for by the Group and provision for this is included in provisions for liabilities and charges.

In the UK, the Group pays the annual subscriptions to a private health plan for certain senior personnel and their dependants after retirement. There will be no further additions to the number of current employees eligible for post-retirement health benefits. The amounts involved in the UK scheme are not material.

In the major US scheme, salaried participants become eligible for retiree health care benefits after they reach a combined 'age and years of service rendered after age 40' figure of 70, although the age must be a minimum of 55. The cost of this scheme is accrued over the full service life of the employees.

Details of the major US scheme are as follows:

	2001 £m	2000 £m
Gross provision	**106**	98
Tax relief	**(37)**	(34)
Net provision	**69**	64
Annual cost charged to profit and loss account	**6**	6
Assumptions:		
Liability discount rate	**7.5% p.a.**	8.0%p.a.
Medical cost inflation	**12.0%-5.0%p.a.**	5.0%p.a.
Number of current employees potentially eligible	**1,229**	1,162
Number of eligible retirees	**2,907**	2,863

e) Retirement benefit schemes – FRS 17 disclosure

The disclosures below are provided in accordance with the transitional requirements of FRS 17 – Retirement benefits. The Group intends to fully adopt FRS 17 for the year ended 31 December 2003 in accordance with the requirements of the FRS. The FRS requires recognition of the value of the assets and liabilities arising from an employer's retirement benefit obligations, the operating costs of providing those benefits and the adequate disclosure of these items.

The Group operates a number of pension schemes around the world which are principally of the funded type. The Group's two most significant defined benefit schemes are both funded by the payment of contributions to separately administered trust funds.

For the UK scheme, a full actuarial valuation was carried out at 5 April 2001 and updated at 31 December 2001. For the US scheme, a full actuarial valuation was carried out at 1 January 2001 and updated at 31 December 2001. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries as at 31 December 2001 were:

	UK	**US**
Rate of increase in salaries	4.5%	5.0%
Rate of increase in pension payments	2.5%	–
Discount rate	6.0%	7.0%
Inflation assumption	2.5%	–
Long-term expected rate of return on:		
Equities	8.0%	10.0%
Bonds	5.5%	7.0%
Other	5.5%	–

The assets in the scheme as at 31 December 2001 were:

	UK £m	**US £m**	**Other £m**	**Total £m**
Equities	334	84	37	455
Bonds	229	46	9	284
Other	11	–	6	17
Total market value of assets	574	130	52	756
Present value of scheme liabilities	(490)	(144)	(225)	(859)
Scheme surplus/(deficit)	84	(14)	(173)	(103)
Related deferred tax (liability)/asset	(25)	5	58	38
Net pension asset/(liability)	59	(9)	(115)	(65)

Other represents post retirement benefits other than pensions and the total of Group defined benefits pension schemes not material for individual disclosure. As shown in Note 20 to the accounts, the Group has provisions totalling £163m to cover retirement benefit liabilities.

Notes to the accounts (continued)

4e) Retirement benefit schemes – FRS 17 disclosure continued

If the above amounts were recognised in the financial statements, the Group's shareholders' funds at 31 December 2001 would be as follows:

	2001 £m
Shareholders' funds as presented	**1,281**
SSAP 24 retirement benefits net liability	**61**
Shareholders' funds excluding SSAP 24 retirement benefits net liability	**1,342**
FRS 17 retirement benefits net liability	**(65)**
Shareholders' funds including FRS 17 retirement benefits net liability	**1,277**

5 Interest payable less receivable and coupon on convertible capital bonds

	2001 £m	2000 £m
Interest receivable and similar income:		
On short-term deposits	**14**	12
Interest payable and similar charges:		
On bank loans and overdrafts	**(17)**	(30)
On other borrowings	**(30)**	(24)
	(33)	(42)
Coupon on convertible capital bonds (note 19)	**(18)**	(18)

Of the interest payable and similar charges, £6m relates to borrowings repayable after more than five years (2000 £10m).

6 Tax on profit on ordinary activities

	2001 £m	2000 £m
UK corporation tax at 30% (2000 30%)	**13**	20
UK deferred tax	**–**	(4)
Total UK tax	**13**	16
Overseas tax	**129**	110
Overseas deferred tax	**(1)**	6
	141	132

Significant items which reduce/(increase) the tax charge from the standard rate of UK corporation tax are as follows:

	2001 £m	2000 £m
Amortisation of intangible assets	**27**	32
Utilisation of tax losses	**13**	3
Surplus tax losses and other timing differences	**(26)**	(57)
Disallowable reorganisation and merger integration costs	**–**	3

7 Dividends

	2001 £m	2000 £m
Dividends on equity ordinary shares:		
Interim – 12.7p per share (2000 12.7p)	**89**	88
Proposed final, payable 22 May 2002 – 12.8p per share (2000 12.8p)	**90**	90
Charged to profit and loss account	**179**	178
Preference dividends (non-equity) – £0.2m (2000 £0.2m)	**–**	–
Total dividends for the year	**179**	178

As described on page 30, in order for the consolidated accounts to show a true and fair view, amounts attributable to the class A shareholder of Reckitt Benckiser Holdings BV ("A shareholder") have been included in the capital and reserves section of the balance sheet. On the same basis, the dividends attributable to the A shareholder have been included within the Group profit and loss account.

8 Earnings per share

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:

	2001			2000		
	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	**356**	**700,389,601**	**50.8**	314	695,737,827	45.2
Dilution for Executive options outstanding	**–**	**9,235,337**		–	6,296,053	
Dilution for Employee Sharesave Scheme options outstanding	**–**	**1,133,304**		–	159,633	
Dilution for convertible capital bonds outstanding*	**13**	**38,964,597**		13	39,100,746	
On a diluted basis	**369**	**749,722,839**	**49.2**	327	741,294,259	44.1

*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 and the assumption of the issue of shares on conversion of bonds.

Five times the number of Reckitt Benckiser Holdings BV A shares have been included in the calculations of the weighted average number of shares, in order to present the effect of the Shareholders' Agreement, under the terms of which the position of the holder of the Reckitt Benckiser Holdings BV A shares is in substance the same as if it held five new Reckitt Benckiser plc ordinary shares for every Reckitt Benckiser Holdings BV A share held.

The reconciliation of profit for the year and earnings per share on the shares in issue between unadjusted and adjusted EPS calculation bases is as follows:

	2001			2000		
	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
Basic earnings per share	**356**	**700,389,601**	**50.8**	314	695,737,827	45.2
Non-operating items	**(24)**	**–**		(56)	–	
Related taxation (including deferred taxation)	**8**	**–**		17	–	
	340	**700,389,601**	**48.6**	275	695,737,827	39.5
Impact of dilution	**13**	**49,333,238**		13	45,556,432	
On an adjusted, diluted basis	**353**	**749,722,839**	**47.1**	288	741,294,259	38.8

The Directors believe that a diluted earnings per share, adjusted for the distorting effects of non-operating items after the appropriate tax amount, provides the most meaningful measure of earnings per ordinary share in comparing the performance of the business over time.

9 Fixed assets – intangible assets

Group	**Brands £m**	**Goodwill £m**	**Total £m**
Cost			
At 1 January 2001	1,600	61	1,661
Additions	111	15	126
Exchange adjustments	8	1	9
At 31 December 2001	**1,719**	**77**	**1,796**
Accumulated impairment charges and amortisation			
At 1 January 2001	(16)	(7)	(23)
Impairment charges/amortisation for the year	(2)	(4)	(6)
At 31 December 2001	**(18)**	**(11)**	**(29)**
Net book amounts			
At 1 January 2001	1,584	54	1,638
At 31 December 2001	**1,701**	**66**	**1,767**

The amount originally stated for brands represents the fair value at the date of acquisition of brands acquired since 1985. For all acquisitions made since the adoption of FRS 10, goodwill is being amortised on a straight line basis over 20 years, being at least the period over which the Directors estimate that the value of the underlying business is expected to exceed the value of the underlying assets.

The impairment/amortisation charge for the year ended 31 December 2000 was £5m.

Notes to the accounts (continued)

10 Fixed assets – tangible assets

Group	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2001	262	844	1,106
Additions	29	82	111
Acquisition of subsidiary undertakings	16	3	19
Disposals	(14)	(69)	(83)
Exchange adjustments	(5)	(14)	(19)
At 31 December 2001	**288**	**846**	**1,134**
Accumulated depreciation			
At 1 January 2001	(81)	(490)	(571)
Provision for the year	(12)	(58)	(70)
Disposals	5	66	71
Exchange adjustments	2	9	11
At 31 December 2001	**(86)**	**(473)**	**(559)**
Net book amounts			
At 1 January 2001	181	354	535
At 31 December 2001	**202**	**373**	**575**

The depreciation charge for the year ended 31 December 2000 was £73m.

The net book amounts of assets held under finance leases included in tangible assets is £1m (2000 £1m).

The net book amounts of land and buildings comprise:

Group	2001 £m	2000 £m
Freehold land	**31**	26
Freehold buildings	**152**	139
Long leaseholds	**10**	12
Short leaseholds	**9**	4
	202	181

Future capital expenditure contracted but not provided for in the accounts is £15m (2000 £22m).

Annual commitments under non-cancellable operating leases at 31 December 2001 were:

	2001		2000	
Group	**Land and buildings £m**	**Plant and equipment £m**	Land and buildings £m	Plant and equipment £m
Expiry of operating leases:				
Within one year	**2**	**4**	3	4
Between one and five years	**7**	**3**	8	3
After five years	**6**	**–**	7	–
	15	**7**	18	7

11 Investments classified as fixed assets

Parent	Shares in subsidiary undertakings £m
Cost and net book amounts	
At 1 January 2001	1,223
Additions during the year	4
At 31 December 2001	**1,227**
Listed investments	
Net book amounts at 1 January 2001	7
Net book amounts at 31 December 2001	**7**
Market value at 1 January 2001	63
Market value at 31 December 2001	**35**

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 2001, all of which are included in the consolidated financial statements, are shown below.

	Product segment	Country of incorporation or registration and operation	Effective % of share capital held by the Group
Reckitt Benckiser (Australia) Pty Limited	Household	Australia	Ordinary 100%
Reckitt Benckiser (Brazil) Limitada	Household	Brazil	Ordinary 100%
Reckitt Benckiser (Canada) Inc.	Household and Food	Canada	Ordinary 100%
Reckitt Benckiser Deutschland AG	Household	Germany	Ordinary 99.64%
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 51%
Reckitt Benckiser Italia SpA	Household	Italy	Ordinary 100%
Reckitt Benckiser (Poland) SA	Household	Poland	Ordinary 97%
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 at 31 December 2001 will be annexed to the Company's next annual return.

12 Stocks

Group	**2001 £m**	2000 £m
Raw materials and consumables	**51**	57
Work in progress	**9**	11
Finished goods and goods held for resale	**159**	177
	219	245

Notes to the accounts (continued)

13 Debtors due within one year

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Trade debtors	**455**	487	**–**	–
Amounts owed by Group undertakings	**–**	–	**131**	40
Other debtors*	**96**	102	**1**	1
Prepayments and accrued income	**35**	33	**–**	–
	586	622	**132**	41

*Other debtors at 31 December 2001 include £689,000 (2000 £711,000) in respect of loans to seven (2000 eight) officers of the Company.

14 Debtors due after more than one year

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Amounts owed by Group undertakings	**–**	–	**1,742**	1,446
Deferred tax (note 20c)	**74**	68	**–**	–
Other debtors	**10**	13	**–**	–
Prepayments and accrued income	**64**	67	**–**	–
	148	148	**1,742**	1,446

15 Current asset investments

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Short-term deposits	**90**	39	**37**	16

16 Borrowings, convertible capital bonds and maturity of debt

	Group		Parent	
a) Borrowings and convertible capital bonds	**2001 £m**	2000 £m	**2001 £m**	2000 £m
Creditors due within one year				
Bank loans and overdrafts	**174**	122	**11**	6
Other borrowings	**12**	123	**–**	–
	186	245	**11**	6
Creditors due after more than one year				
Bank loans and overdrafts	**47**	73	**–**	–
Other borrowings	**220**	217	**144**	141
	267	290	**144**	141
Convertible capital bonds (note 19)	**193**	193	**–**	–
	460	483	**144**	141
Gross borrowings	**646**	728	**155**	147

16 Borrowings, convertible capital bonds and maturity of debt continued

b) Maturity of debt	Group 2001 £m	Group 2000 £m	Parent 2001 £m	Parent 2000 £m
Bank loans and overdrafts repayable:				
Within one year or on demand	**174**	122	**11**	6
Between one and two years	**24**	24	**–**	–
Between two and five years	**23**	49	**–**	–
	221	195	**11**	6
Other borrowings (including the convertible capital bonds) repayable:				
Within one year or on demand:				
Commercial notes*	**1**	120	**–**	–
Other	**11**	3	**–**	–
Between one and two years:				
Other	**1**	1	**–**	–
Between two and five years:				
6.64% Notes Series E due 2004	**65**	64	**65**	64
7.09% Preferred Auction Rate Changeable Shares Series A due 2006#	**69**	–	**–**	–
Convertible capital bonds (note 19)	**193**	193	**–**	–
Other	**–**	8	**–**	–
After more than five years not payable by instalments:				
7.09% Preferred Auction Rate Changeable Shares Series A due 2006#	**–**	67	**–**	–
6.72% Notes Series F due 2007	**79**	77	**79**	77
Other	**6**	–	**–**	–
	425	533	**144**	141
Gross borrowings (unsecured)	**646**	728	**155**	147

*Represents short-term notes, issued or guaranteed by Reckitt Benckiser plc in the UK and the US.

#During 1999 Preferred Auction Rate Changeable Shares were issued by Reckitt & Colman 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.

c) Borrowing facilities

The Group's borrowing limit at 31 December 2001 calculated in accordance with the Articles of Association was £2,755m (2000 £2,425m).

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	2001 £m	2000 £m
Expiring within one year	**426**	425
Expiring after more than two years	**434**	425
	860	850

Notes to the accounts (continued)

17 Creditors due within one year – other

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Trade creditors	**391**	382	**–**	–
Amounts owed to Group undertakings	**–**	–	**81**	350
Other creditors including taxation and social security	**182**	149	**11**	5
Dividends	**90**	90	**81**	81
Accruals and deferred income	**448**	432	**–**	4
	1,111	1,053	**173**	440

18 Creditors due after more than one year – other

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Amounts owed to Group undertakings	**–**	–	**1,982**	1,086
Other creditors including taxation and social security	**153**	123	**–**	–
Accruals and deferred income	**3**	6	**–**	–
	156	129	**1,982**	1,086

19 Creditors due after more than one year – 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. In July 2001, holders of bonds amounting in value to £125,514 (2000 £1,069,844) exercised their right of conversion into 25,255 (2000 215,659) ordinary shares of Reckitt Benckiser plc, giving a cumulative £7,641,453 of bonds which have now been converted into shares.

The terms of the issue, adjusted for the 1994 rights issue, allow 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). Bondholders will also have the right at maturity to convert their bonds into Reckitt Benckiser ordinary shares on similar terms as apply on each annual conversion opportunity. Insofar as these rights are not exercised and if no other action is taken, the bonds outstanding at maturity (currently 31 March 2005) will be converted into preference shares in Reckitt & Colman Capital Finance Limited and such preference shares will immediately be redeemed at 100p per bond.

Reckitt Benckiser plc may make arrangements for some or all of the ordinary shares which would otherwise arise on any conversion at maturity to be placed or purchased and for bondholders to receive out of the proceeds the same amount of cash as they would have received on a redemption of the underlying preference shares (on the basis that Reckitt Benckiser plc shall bear any shortfall, but may retain any excess, in the actual proceeds of such placing or sale as compared to such redemption amount). The trustee of the issue may also at maturity require all then outstanding bonds to be converted into Reckitt Benckiser ordinary shares and sold on behalf of bondholders if it is satisfied or advised that bondholders are likely to receive a greater cash amount on maturity as a result.

In accordance with the terms of the issue, Reckitt & Colman Capital Finance Limited may elect to give bondholders the option to extend the life of their bonds. In addition, and if it so chooses, Reckitt & Colman Capital Finance Limited may, at the same time, make arrangements for the purchase by a third party of some or all of those bonds in respect of which such option is not exercised by bondholders (on the basis that relevant bondholders would receive the same amount of cash as they would have done on redemption, with the issuer bearing any shortfall but retaining any excess). Save in certain circumstances, Reckitt Benckiser plc also has the right to exchange all outstanding bonds for Reckitt Benckiser plc redeemable preference shares with similar terms as to redemption and conversion into Reckitt Benckiser plc ordinary shares as the bonds.

20 Provisions for liabilities and charges

Group	Reorganisation and merger integration provision £m	Deferred tax £m	Pensions £m	Post-retirement benefits other than pensions £m	Other provisions £m	Total £m
At 1 January 2001	42	45	53	111	28	279
Charged to profit and loss account	–	5	5	6	7	23
Contingent deferred consideration	–	–	–	–	4	4
Utilised during the year	(21)	–	(7)	(7)	(8)	(43)
Exchange	–	–	–	2	(1)	1
At 31 December 2001	**21**	**50**	**51**	**112**	**30**	**264**

a) Reorganisation and merger integration provision

The reorganisation and merger integration provision, established in 1999, primarily related to building and factory closures, employee severance costs and asset write offs. During 2001, £21m of this provision was utilised as follows:

	2001 £m	2000 £m
Employee severance	**11**	78
Building closures	**5**	25
Other costs and fees	**5**	14
Total utilisation	**21**	117

It is expected that the residual reorganisation and merger integration provision will be utilised in 2002.

b) Other provisions

Other provisions include deferred contingent consideration of £10m in respect of acquisitions made in 2000 and 2001. The consideration is contingent upon future performance of brands which will take several years to determine. The remainder of other provisions cover litigation, disposals in previous periods and other items. Utilisation of these provisions is likely to occur over several years.

c) Deferred tax

Assets and liabilities provided and not provided for at the balance sheet date were as follows:

	2001 £m	2000 £m
Net assets recognised:		
Post-retirement benefits/pensions	**52**	50
Interest payable and losses	**22**	18
	74	68
Net liabilities provided for:		
Interest receivable	**10**	12
Miscellaneous timing differences	**40**	33
	50	45
Net assets/(liabilities) not recognised/(provided for):		
Interest payable and losses	**175**	137
Reorganisation costs	**3**	8
Accelerated capital allowances	**(28)**	(28)
Miscellaneous timing differences	**10**	3
	160	120

The above excludes the tax effect of revaluations of fixed assets (including valuations at the date of acquisition of subsidiary undertakings and businesses) and taxation which would be due on future remittances of accumulated reserves of subsidiary undertakings, except to the extent that it has been considered appropriate to provide for such amounts.

Notes to the accounts (continued)

21 Called up share capital including non-equity 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 $10\tfrac{10}{19}$p each	311,383,804	–	33	–
Ordinary shares of $10\tfrac{10}{19}$p each	634,116,196	629,720,208	67	66
At 1 January 2001	945,500,000	629,720,208	100	66
Allotments		4,395,988		–
At 31 December 2001	**945,500,000**	**634,116,196**	**100**	**66**
Special voting share of 10p*				
At 1 January 2001 and 31 December 2001	**1**	**1**	**–**	**–**
Non-equity capital – 5% Cumulative Preference Shares of £1 each†				
At 1 January 2001 and 31 December 2001	**4,500,000**	**4,500,000**	**5**	**5**

Shares to be issued#	Number of shares	£m
At 1 January 2001 and 31 December 2001	**68,275,000**	**7**

*The rights attached to the special voting share are designed to give Joh A. Benckiser GmbH (JAB) the voting rights it would have had, had it exchanged its Benckiser N.V. A shares. The special voting share has the right to exercise 68,275,000 votes at the General Meetings of the Company. This right will cease at the earlier of 30 September 2005 or the date JAB exchanges its Reckitt Benckiser Holdings BV A Shares for Reckitt Benckiser plc ordinary shares.

†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. On a winding up or repayment of capital, these shares are repayable at par on 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: (a) the dividend is six months in arrears; or (b) there is a resolution to wind up the Company or to reduce its capital; or (c) there is a resolution to alter the rights of the preference shareholders.

#The 68,275,000 shares to be issued are in respect of the 13,655,000 A shares in Reckitt Benckiser Holdings BV (the A shares) held by JAB. Under a Shareholders' Agreement, each Reckitt Benckiser Holdings BV A share is equivalent to five Reckitt Benckiser plc ordinary shares in terms of dividend and capital rights and, through the issue by Reckitt Benckiser plc of the special voting share, voting rights. Under the Merger Agreement, JAB has a right to exchange its Reckitt Benckiser Holdings BV A shares at any time into new Reckitt Benckiser plc shares on the basis of five new Reckitt Benckiser plc ordinary shares for each A share.

As stated on Page 30, in order for the consolidated accounts to show a true and fair view, the amounts attributable to the Reckitt Benckiser Holdings BV A shareholder have been included in the capital and reserves section of the consolidated balance sheet. As a result the A shares have been included in the consolidated balance sheet as if they have already been exchanged for Reckitt Benckiser plc ordinary shares, at a ratio of five Reckitt Benckiser plc shares for every A share.

Unless previously exchanged into such new Reckitt Benckiser plc ordinary shares, all the Reckitt Benckiser Holdings BV A shares then outstanding on 1 October 2005 will be entitled to, in each financial period, a fixed dividend equal to two thirds of the average dividend paid on the Reckitt Benckiser Holdings BV A shares during the two financial periods preceding 30 September 2005 in lieu of their rights to dividend under the Shareholders' Agreement and the special voting share will cease to carry votes.

During the year ordinary shares were allotted as follows:

Ordinary shares of $10\tfrac{10}{19}$p	Number of shares	Number of shares	Consideration £m	Consideration £m
Under the Share Participation Scheme		38,279		–
Under the Savings-Related Share Option Schemes		820,135		6
Executive Share Options	3,471,569		11	
Initial Award Restricted Shares	40,750		–	
Total under Executive Share Option and Restricted Share Schemes		3,512,319		11
On conversion of convertible capital bonds		25,255		–
Total		4,395,988		17

21 Called up share capital including non-equity capital continued

Options and restricted shares granted during the year

Options and restricted shares exercisable at various dates between 2005 and 2011 granted during the year were as follows:

Executive share option and restricted share schemes	Price to be paid	No of shares under option
1999 Share Option Plan – Annual Grant	950.4p	5,299,300
Restricted Share Plan – Annual Grant	–	2,255,600
Total		7,554,900
Savings-related share option schemes	841.2p	699,673

Options and restricted shares unexercised at 31 December 2001

Options and restricted shares exercisable at various dates between 2001 and 2011 are as follows:

	Price to be paid		No of shares under option	
Executive share option and restricted share schemes	From	To	**2001**	2000
Reckitt & Colman Schemes	532.4p	1212.0p	**1,939,825**	2,285,038
Benckiser 1997 Schemes		205.0p	**887,845**	3,554,535
Benckiser 1998 Schemes	466.0p	510.0p	**2,008,095**	2,351,470
Benckiser Long-term Award Plan for Supervisory Directors – 1998		676.6p	**20,220**	24,715
Benckiser Long-term Incentive Scheme 1999 Annual Award	683.0p	748.0p	**2,667,625**	2,888,875
Benckiser Initial Award Agreement 29 September 1999:				
– Options		704.0p	**4,600,000**	5,300,000
– Restricted Shares		–	**230,000**	265,000
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		722.0p	**1,220,000**	1,220,000
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	**79,000**	119,750
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	553.8p	950.4p	**8,791,375**	3,598,950
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**5,033,550**	2,859,750
			27,477,535	24,468,083

	Price to be paid		No of shares under option	
Savings-related share option schemes	From	To	**2001**	2000
UK Scheme	477.1p	841.2p	**864,583**	835,330
Overseas Scheme	647.0p	841.2p	**1,863,152**	1,721,336
USA Scheme	647.0p	841.2p	**1,394,393**	2,234,291
Total			**4,122,128**	4,790,957

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

In 1998 the Company executed an Option Agreement with Reckitt & Colman QUEST Trustee Limited, granting it an option in respect of all outstanding UK Sharesave options at the date of the Agreement (715,261 options) and any such options granted subsequent to the date of the Agreement. Between 1 January 2002 and 19 February 2002, 89,374 options were exercised under this agreement. Reckitt & Colman QUEST Trustee Limited was established in accordance with Inland Revenue guidelines to manage the taxation implications of the granting of options to UK employees. On 20 December 2001, an option to purchase 298,386 ordinary shares of $10\frac{10}{19}$p each at a price of 841.2p was granted to Reckitt Benckiser Employees' Trustees (Jersey) Limited in connection with the Reckitt Benckiser Overseas Savings Related Share Option Scheme. On 20 December 2001, an option to purchase 111,106 ordinary shares of $10\frac{10}{19}$p each at a price of 841.2p was granted to Bacon & Woodrow Trust Company (C.I.) Limited in connection with the Reckitt Benckiser USA Savings-Related Share Option Scheme. The effective grant date under both the US and Overseas schemes above was 30 November 2001.

Notes to the accounts (continued)

22 Reserves

	Group			Parent	
	Share premium £m	Merger reserve £m	Profit and loss £m	Share premium £m	Profit and loss £m
At 1 January 2001	165	142	731	165	820
Movements during the year:					
Shares allotted under share participation and option schemes	17	–	–	17	–
Profit/(loss) for the year	–	–	356	–	(69)
Ordinary dividends	–	–	(179)	–	(162)
Exchange movements on foreign currency net assets	–	–	(29)	–	(4)
At 31 December 2001	**182**	**142**	**879**	**182**	**585**

As permitted by s.230 of the Companies Act 1985, no profit and loss account is presented for Reckitt Benckiser plc.

The cumulative amount of goodwill written off to reserves since 1984 in respect of the acquisition of continuing businesses is £760m (2000 £760m).

The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were statutory or other restrictions on the distribution of £325m (2000 £319m) of the reserves of subsidiary undertakings at 31 December 2001.

None of the above reserves are attributable to non-equity interests.

23 Cash flow statement

a) Return on investments and servicing of finance	2001 £m	2000 £m
Interest received	**14**	12
Interest paid	**(45)**	(67)
Coupon on convertible capital bonds	**(18)**	(18)
Dividends paid to minority interests	**(1)**	(1)
	(50)	(74)

b) Management of liquid resources	2001 £m	2000 £m
Decrease in commercial paper	**–**	12
(Increase)/decrease in short-term deposits	**(55)**	56
	(55)	68

Liquid resources are current asset investments which are readily convertible into cash or traded in an active market and may be disposed of without disrupting the running of the business.

c) Analysis of changes in financing during the year	2001 £m	2001 £m	2000 £m	2000 £m
Issue of ordinary share capital		**17**		18
Debt due within one year:				
Increase in borrowing	**97**		56	
Repayments	**(207)**		(96)	
Debt due after more than one year:				
Increase in borrowing	**4**		1	
Repayments	**(30)**		(169)	
		(136)		(208)
		(119)		(190)

23 Cash flow statement continued

d) Analysis of net debt	At 1 January 2001	Cash flow	Acquisitions and disposals	Exchange differences	At 31 December 2001
Cash at bank and in hand	94	(2)	–	(3)	**89**
Overdrafts	(19)	(12)	–	1	**(30)**
	75	(14)	–	(2)	**59**
Debt due within one year	(226)	110	(37)	(3)	**(156)**
Debt due after more than one year	(290)	26	–	(3)	**(267)**
Convertible capital bonds	(193)	–	–	–	**(193)**
	(709)	136	(37)	(6)	**(616)**
Current asset investments	39	55	–	(4)	**90**
Total net debt	(595)	177	(37)	(12)	**(467)**

24 Acquisition of businesses

In March 2001, the Group acquired the assets and business of Oxy Co Ltd, a Korean household company. Total consideration was £61m in cash giving rise to no goodwill and brands of £79m.

In April 2001, the Group acquired the assets and business of the Mosquito Coil Group, an Indonesian Pest Control Business. Total consideration was £45m comprising £41m cash and £4m deferred, giving rise to goodwill of £15m and brands of £32m.

A summary of the assets and liabilities acquired and adjustments to present those assets and liabilities at fair values in accordance with Group accounting policies is as follows:

	Book value £m	Accounting policy alignments £m	Other £m	Provisional fair value to the Group £m
Tangible fixed assets	24	(5)	–	19
Stocks	11	(3)	–	8
Debtors and other current assets	16	(2)	–	14
Cash	7	–	–	7
Creditors and other current liabilities	(28)	–	(3)	(31)
Borrowings	(37)	–	–	(37)
	(7)	(10)	(3)	(20)

Accounting policy alignments reflect changes to local accounting policies to bring them into line with Group policies. Local accounting policies adjusted in this way were depreciation rates on fixed assets and estimation of provisions for obsolete inventory and for doubtful debtors. Other fair value adjustments related primarily to onerous financial contracts entered into and losses from pre-acquisition contractual arrangements.

	2001 £m	2000 £m
Net liabilities acquired	**(20)**	–
Brands capitalised	**111**	3
Goodwill capitalised	**15**	7
Cost of acquisition – cash	**106**	10
Amounts not paid in year	**(4)**	(7)
Cash acquired	**(7)**	–
Effect on cash flow	**95**	3

The acquisitions, which have been accounted for under acquisition accounting, contributed £73m to net revenues and £6m to operating profit in the period since acquisition.

Costs incurred in integrating these acquisitions were not material.

The above figures reflect a provisional assessment of the fair value of the assets and liabilities acquired. This assessment will be reviewed during 2002. The Directors do not believe that any resulting adjustments would have a material adverse impact on the Group.

Notes to the accounts (continued)

25 Non-operating items-profit on disposal of businesses

	Firelighter £m	Other disposals £m	2001 Total £m	2000 £m
Net assets disposed	**4**	**7**	**11**	9
Disposal provisions	**1**	**3**	**4**	–
Profit on disposal – discontinued operations	**23**	**1**	**24**	56
Net proceeds of disposal	**28**	**11**	**39**	65
Cash flow in respect of prior years' disposals	**–**	**–**	**–**	19
Effect on cash flow	**28**	**11**	**39**	84

The tax charge in respect of non-operating disposal profits is £8m (2000 £17m), which is included in the tax charge for the year.

26 Financial risk management

An explanation of the role that financial instruments have had during the year in managing the risks that the Group faces in its activities is set out in the Financial Review on pages 16 to 18.

Short-term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 have been excluded from all numerical disclosures in this note except for the analysis of net currency exposures.

a) Currency and interest rate exposure of financial assets and liabilities

The amounts shown below take into account the effect of currency swaps and interest rate swaps. All of the Group's foreign currency borrowings are undertaken in the currencies of countries where most of the Group's net assets are located. This is intended to provide some protection against the effects of exchange rate fluctuations on total shareholders' funds.

	Financial assets			Financial liabilities				
Year ended 31 December 2001	Floating £m	Non-interest bearing £m	Total £m	Fixed £m	Floating £m	Non-interest bearing £m	Total £m	Net financial assets/ (liabilities) £m
Sterling	**64**	**4**	**68**	**(198)**	**–**	**(5)**	**(203)**	**(135)**
US Dollar	**10**	**14**	**24**	**(127)**	**(110)**	**–**	**(237)**	**(213)**
Euro	**28**	**4**	**32**	**(54)**	**(58)**	**–**	**(112)**	**(80)**
Other	**71**	**20**	**91**	**(9)**	**(121)**	**–**	**(130)**	**(39)**
	173	**42**	**215**	**(388)**	**(289)**	**(5)**	**(682)**	**(467)**
of which:								
Cash at bank and in hand			**89**				**–**	**89**
Current asset investments*			**89**				**–**	**89**
Gross borrowings			**–**				**(646)**	**(646)**
Derivative financial instruments			**27**				**(26)**	**1**
Preference shares			**–**				**(5)**	**(5)**
Other financial assets/(liabilities)			**10**				**(5)**	**5**
			215				**(682)**	**(467)**

*Excludes the net balance on cross currency swaps of £0.6m.

26 Financial risk management continued

Year ended 31 December 2000	Financial assets Floating £m	Financial assets Non-interest bearing £m	Financial assets Total £m	Financial liabilities Fixed £m	Financial liabilities Floating £m	Financial liabilities Non-interest bearing £m	Financial liabilities Total £m	Net financial assets/ (liabilities) £m
Sterling	64	11	75	(198)	–	(5)	(203)	(128)
US Dollar	13	10	23	(124)	(246)	–	(370)	(347)
Euro	1	23	24	(73)	(55)	–	(128)	(104)
Other	20	61	81	(7)	(91)	–	(98)	(17)
	98	105	203	(402)	(392)	(5)	(799)	(596)
of which:								
Cash at bank and in hand			94				–	94
Current asset investments*			40				–	40
Gross borrowings			–				(728)	(728)
Derivative financial instruments			55				(56)	(1)
Preference shares			–				(5)	(5)
Other financial assets/(liabilities)			14				(10)	4
			203				(799)	(596)

*Excludes the net balance on cross currency swaps of (£0.6m).

Fixed rate borrowings include the convertible capital bonds, notes and guaranteed notes issued at fixed rates of interest. Interest rate swaps have been used to manage the Group's exposure to fluctuating interest rates. At 31 December 2001, the Group had outstanding five interest rate swaps with a total notional principal amount of £103m. These swaps terminate between August 2002 and November 2006, and under these agreements, the Group exchanged fixed rates of between 6.64% and 6.86% for US dollar floating rate interest. At 31 December 2001 the aggregate amount of financial liabilities at fixed rates was 57% (2000 50%) of the Group's financial liabilities. The floating rate borrowings, cash and current asset investments bear interest based on relevant national LIBOR equivalent. Non-interest bearing financial liabilities relate to long-term creditors and provisions.

Cross currency swaps have been used to manage the Group's exposure to fluctuations in certain exchange rates. At 31 December 2001, the Group had outstanding two currency swaps. It has exchanged floating rate sterling borrowings for fixed rate Australian dollar borrowings of AU$20m, expiring in January 2002, and fixed rate US dollar borrowings of $25m, expiring in April 2002.

In 2000 and 2001 all interest bearing assets were held at floating rates of interest. Non-interest bearing financial assets comprise cash and long-term debtors.

The interest rate profile of fixed rate financial liabilities is analysed below:

	31 December 2001		31 December 2000	
	Weighted average interest rate	**Weighted time fixed years**	Weighted average interest rate	Weighted time fixed years
Sterling	**9.4**	**3.2**	9.4	4.2
US Dollar	**6.7**	**3.9**	6.7	4.9
Euro	**5.7**	**3.0**	5.6	2.9
Australian Dollar	**5.3**	**0.0**	5.3	1.3
Other	**14.1**	**1.2**	14.1	2.2
Weighted average	**7.8**	**3.5**	7.9	4.1

b) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities are as follows:

	2001 £m	2000 £m
Within one year	**211**	301
Between one and two years	**25**	35
Between two and five years	**351**	314
After more than five years	**95**	149
	682	799

Notes to the accounts (continued)

26 Financial risk management continued

c) Currency exposure

The table below shows the net unhedged monetary assets and liabilities of Group companies at 31 December 2001 that are not denominated in their functional currency and therefore give rise to exchange gains and losses in the profit and loss account.

Year ended 31 December 2001	**Net foreign currency monetary assets/(liabilities)**					
Functional currency of Group operation	**Sterling £m**	**US Dollar £m**	**Euro £m**	**Australian Dollar £m**	**Other £m**	**Total £m**
Sterling	**–**	**–**	**(3)**	**(3)**	**(1)**	**(7)**
US Dollar	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Euro	**(4)**	**5**	**–**	**–**	**9**	**10**
Other	**(2)**	**(3)**	**–**	**(2)**	**–**	**(7)**
	(6)	**2**	**(3)**	**(6)**	**8**	**(5)**

Year ended 31 December 2000	Net foreign currency monetary assets/(liabilities)					
Functional currency of Group operation	Sterling £m	US Dollar £m	Euro £m	Australian Dollar £m	Other £m	Total £m
Sterling	–	7	1	1	7	16
US Dollar	–	–	–	–	–	–
Euro	(4)	5	–	–	19	20
Australian Dollar	(5)	(1)	–	–	(2)	(8)
Other	(5)	1	(10)	–	–	(14)
	(14)	12	(9)	1	24	14

d) Fair values of financial instruments

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and liabilities. The fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale.

	2001		2000	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations				
Borrowings due within one year	**(186)**	**(186)**	(245)	(245)
Borrowings due after more than one year				
Convertible capital bond	**(193)**	**(417)**	(193)	(375)
Other	**(267)**	**(309)**	(290)	(296)
Preference shares	**(5)**	**(4)**	(5)	(4)
Investments*	**89**	**89**	40	40
Cash at bank and in hand	**89**	**89**	94	94
Other financial assets/(liabilities)	**5**	**5**	4	4
Derivative financial instruments held to manage the interest rate and currency profile				
Cross currency swaps	**1**	**1**	(1)	(1)
Interest rate swaps	**–**	**5**	–	1
Derivative financial instruments held to hedge future transactions				
Forward foreign exchange contracts	**–**	**(2)**	–	3
	(467)	**(729)**	(596)	(779)

*Excludes the net balance on cross currency swaps of £0.6m (2000 (£0.6m)).

26 Financial risk management continued

d) Fair values of financial instruments continued

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 bond – quoted market prices used.
– Other borrowings due after more than one year – market value using quoted market prices for the fixed rate borrowings; approximates to the carrying value for floating rate loans.
– 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.
– Cross currency swaps, interest rate swaps, forward exchange contracts – based on market valuations at the balance sheet date.

e) Hedges

Unrecognised gains and losses on the fair values of derivatives used to hedge financial assets and liabilities are as follows:

	Gains £m	Losses £m	Total net gains/ (losses) £m
Unrecognised gains/(losses) on hedges at 1 January 2001	8	(4)	4
Arising in previous years included in 2001	(6)	4	(2)
Gains arising before 1 January 2001 not recognised in 2001	2	–	2
Gains/(losses) arising in 2001 not recognised in 2001	7	(6)	1
Unrecognised gains/(losses) on hedges at 31 December 2001	**9**	**(6)**	**3**
of which:			
Gains/(losses) expected to be recognised in 2002	4	(6)	(2)
Gains expected to be recognised in 2003 or later	5	–	5

Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

f) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

27 Contingent liabilities

Contingent liabilities, comprising guarantees relating to subsidiary undertakings, at 31 December 2001 amounted to £226m (2000 £324m), including £193m (2000 £193m) in respect of the convertible capital bond (see note 19 to the accounts).

Five-year summary

Profit and loss account	**2001 £m**	2000 £m	1999 £m	1998 £m	1997 £m
Net revenues	**3,439**	3,202	3,054	3,092	3,083
Operating profit	**525**	451	137	430	482
Non-operating items	**24**	56	(16)	(1)	(16)
Interest payable less receivable and coupon on convertible capital bonds	**(51)**	(60)	(69)	(70)	(73)
Profit on ordinary activities before tax	**498**	447	52	359	393
Tax on profit	**(141)**	(132)	(89)	(109)	(119)
Attributable to minority interests	**(1)**	(1)	–	(2)	(1)
Profit/(loss) for the year	**356**	314	(37)	248	273
Ordinary dividends	**(179)**	(178)	(153)	(127)	(98)
Retained profit/(loss) for the year	**177**	136	(190)	121	175
Adjusted operating profit*	**525**	451	357	430	463
Balance sheet					
Fixed assets	**2,342**	2,173	2,051	1,991	1,856
Net current (liabilities)/assets	**(165)**	(150)	(9)	138	123
Total assets less current liabilities	**2,177**	2,023	2,042	2,129	1,979
Creditors due after more than one year: Borrowings/other	**(423)**	(419)	(523)	(657)	(639)
Convertible capital bonds	**(193)**	(193)	(194)	(194)	(195)
Provisions for liabilities and charges	**(264)**	(279)	(362)	(236)	(214)
Equity minority interests	**(16)**	(16)	(18)	(20)	(22)
Total shareholders' funds	**1,281**	1,116	945	1,022	909
Statistics – FRS 3 basis					
Operating profit to net revenues	**15.3%**	14.1%	4.5%	13.9%	15.6%
Total interest to operating profit (times covered)	**10.3x**	7.5x	2.0x	6.1x	6.6x
Tax rate	**28.3%**	29.5%	171.2%	30.4%	30.3%
Dividend cover**	**2.0x**	1.8x	n/a	2.0x	2.8x
Adjusted basis					
Operating profit to net revenues	**15.3%**	14.1%	11.7%	13.9%	15.0%
Total interest to operating profit (times covered)	**10.3x**	7.5x	5.2x	6.1x	6.3x
Tax rate	**28.3%**	29.5%	30.8%	30.4%	29.5%
Dividend cover**	**1.9x**	1.5x	1.3x	2.0x	2.6x
Dividends per ordinary share	**25.5p**	25.5p	25.5p	25.5p	24.0p

*Adjusted operating profit is calculated by adding back the distorting effect of major exceptional items.

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

The figures above for 1997 have been compiled on the basis of information extracted from the accounts of Reckitt & Colman plc and Benckiser N.V. following adjustments made to align the accounting policies of the two Groups.

The figures above for 1998 to 2001 have been extracted from the relevant financial statements.

Shareholder information

Annual General Meeting
To be held on Tuesday, 7 May 2002 at the Renaissance London Heathrow Hotel, Bath Road, Heathrow, Hounslow, Middlesex, TW6 2AQ. 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 2001
To be paid (if approved) on 22 May 2002 to shareholders on the register on 1 March 2002.

Company Secretary
Jonathan H Jones

Registered Office
103-105 Bath Road
Slough, Berkshire SL1 3UH
Telephone: 01753 217800
Facsimile: 01753 217899
Registered in England
No. 527217

Auditors
PricewaterhouseCoopers

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
Telephone 0870 7020000
Website: www.computershare.com

Key dates

Payment of half-yearly interest on capital bonds	31 March 2002
Annual General Meeting	7 May 2002
Announcement of quarter 1 results	7 May 2002
Payment of final ordinary dividend	22 May 2002
Payment of half-yearly preference dividend	1 July 2002
Announcement of interim results	28 August 2002
Payment of interim ordinary dividend	September 2002
Payment of half-yearly interest on capital bonds	30 September 2002
Announcement of quarter 3 results	13 November 2002
Payment of half-yearly preference dividend	January 2003
Preliminary announcement of 2002 results	February 2003
Publication of 2002 Annual Report & Accounts	April 2003
Annual General Meeting	May 2003

Designed and produced by Merchant with The Workroom

Photography by Tim Hazael, Noorie Parvez, Ben Rice, Duncan Smith and Debi Treloar.

Printed by Wace who hold the ISO 14001 international standard for effective management of environmental impact including waste minimalisation and recycling.

Cover and pages 1 to 24 printed on Zanders Mega matt paper. Mega matt conforms to the Nordic Swan environmental standard. Pages 25 to 56 printed on GF Smith Profile made from ECF pulp.

By not plastic laminating the cover we have saved the 53 kg of polythene film and 213 kg of polypropylene adhesive that would have been used.

Reckitt Benckiser plc
103-105 Bath Road
Slough, Berkshire
SL1 3UH
United Kingdom

www.reckittbenckiser.com