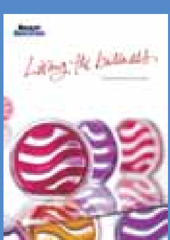
Living the business.

Annual Report & Accounts 2002

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

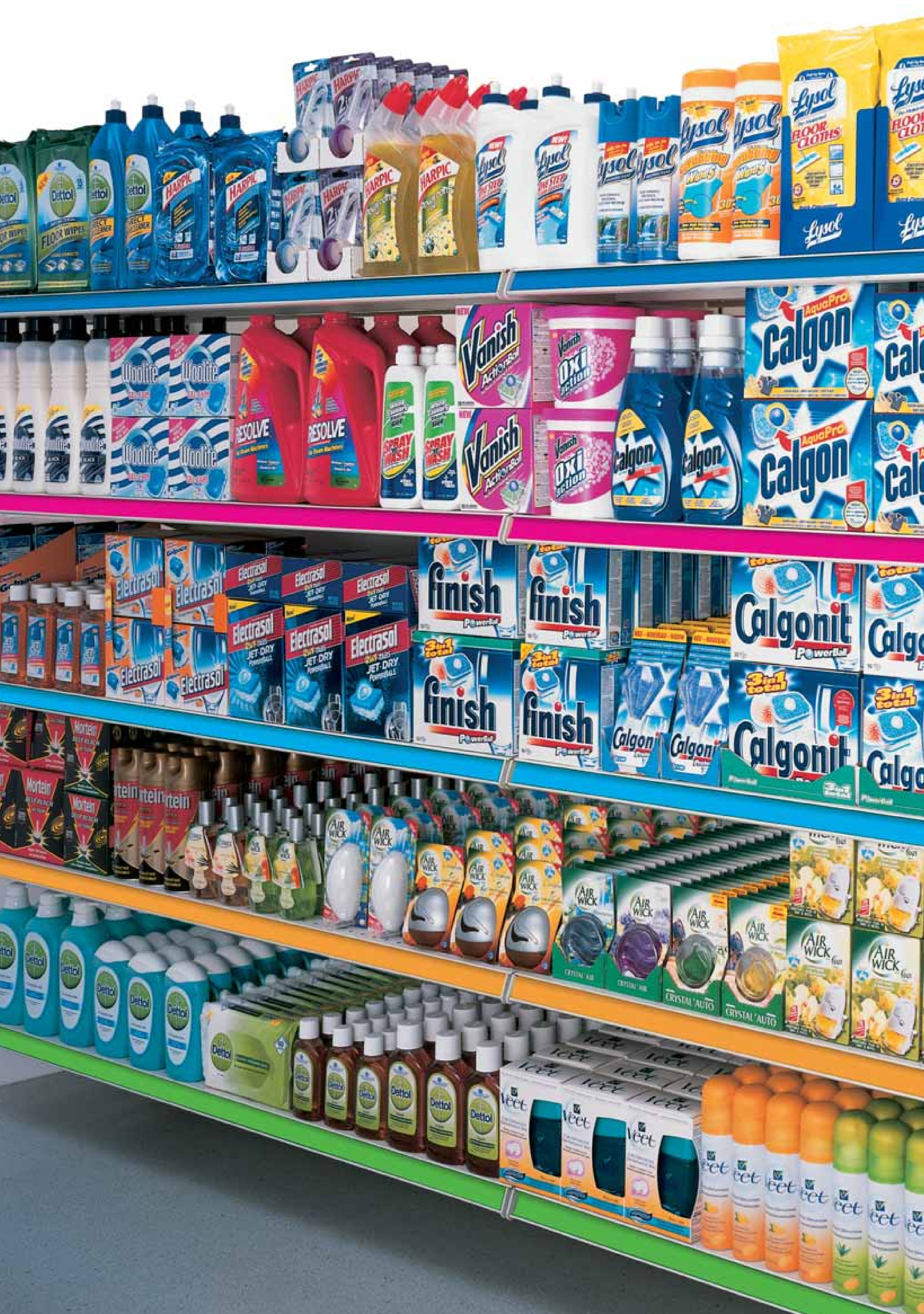
	2002 £m	2001* £m	change %
Net Revenues	**3,531**	3,439	+3
Operating profit	**577**	525	+10
Profit before tax	**545**	498	+9
Profit after tax	**408**	340	+20
Diluted earnings per share	**55.7p**	47.1p	+18
Dividend per share	**25.5p**	25.5p	

* normalised, as reported in 2001



Living the business achieves some surprising results. By examining and re-examining the way we made Crystal'Air we saved £2 million a year in production costs. How? See page 21

Contents


Dettol
FLOOR WIPES
HARPIC
Lysol
FLOOR CLOTHS
Woolite
RESOLVE
SPRAY 'n WASH
Vanish
Oxi action
Calgon
AquaPro
Electrasol
JET-DRY
finish
Calgonit
PowerBall
Mortein
AIR WICK
CRYSTAL AIR
Veet

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	+8%	£1,513m	+14%	£339m	+100bps
North America	+8%	£1,109m	+19%	£179m	+140bps
Latin America	-4%	£167m	–	(£1m)	-190bps
Asia Pacific	+3%	£401m	+52%	£35m	+320bps
Rest of World	+12%	£328m	+4%	£25m	-40bps

Products launched in 2002

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 in 2002.

Harpic 2in1 combines an air freshener using our hyperscent technology with Harpic's legendary cleaning power.

Launching across Western Europe in 2002/03.

Vanish Powershot provides immediate cleaning power on spots and stains on carpets, shooting cleaning power to the heart of the stain.

Launched in North America and Europe in 2002.

Calgonit Protector helps prevent corrosion of glassware in the wash cycle in automatic dishwashing, another world first.

Launching across Western Europe in 2002/03.

Air Wick Decosphere is a new decorative liquid wick air freshener that smells great and looks contemporary.

Launching in Western Europe and North America in 2002/03.

Veet Mousse is a more convenient chemical depilatory that is easy to apply and wash off.

Launched globally in 2002.

Surface Care

22

Net revenue %

2002	£m
Net revenues	769

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. All 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

Disinfectant Lysol, Sagrotan, Pine-O-Cleen
Lavatory Harpic, Lysol
All 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 the USA with Lysol.

Major markets

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

Fabric Care

25

Net revenue %

2002	£m
Net revenues	895

Profile of category

This category consists of five 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. Garment Care 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
Garment Care Woolite
Water Softener Calgon
Fabric Softener Quanto, Flor
Laundry Detergent Dosia

Market position

Number one worldwide in garment care and water softener categories.

Major markets

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

Dishwashing

14

Net revenue %

2002	£m
Net revenues	490

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, decalcifying salts, dishwasher cleaners, deodorisers and glass corrosion protectors.

Key brands

Calgonit, Finish, Electrasol, Jet Dry.

Market position

Number one worldwide in Automatic Dishwashing.

Major markets

37 countries worldwide including market leaders in Western Europe, Australia New Zealand and Eastern Europe, and number two in North America.

Home Care

15

Net revenue %

2002	£m
Net revenues	537

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
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, Shoe Care and Pest Control.

Major markets

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.

Health & Personal Care

13

Net revenue %

2002	£m
Net revenues	455

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
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 markets

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

Reckitt Benckiser continued to deliver against its vision in 2002, reporting strong growth in net revenues, profits and cash flow generated from delivering more and better products to consumers. The Company has a strong management team, a clear and focused strategy to generate sustained growth, and an absolute commitment to delivering shareholder value.

The Company had a further year of good share price performance in difficult stock markets. As you can see in the Report on Directors' remuneration, Reckitt Benckiser has delivered superior shareholder returns consistently since the merger that created the Group in 1999, and did so again in 2002. Our total shareholder return of 23% compared with negative returns for major market indices in the UK and USA, and compared favourably with our industry peer group.

2002 Results & Dividend

The results of the Company were again strong, at the top end of the industry peer group. Net revenues rose by 7% at constant exchange (3% at actual) while normalised net income rose by 20% to £408m, meaning net income has now more than doubled in the three years since the merger.

The Board has continued the policy, clearly communicated when Reckitt Benckiser was created in 1999, of holding the dividend payment at its present level until the 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. Dividend cover on this basis is 2.3 times compared to a peer group average of between 2.3 and 2.5 times. This final dividend, if approved at the Annual General Meeting, will be paid on 21 May 2003 to shareholders on the register on 28 February 2003.

The AGM

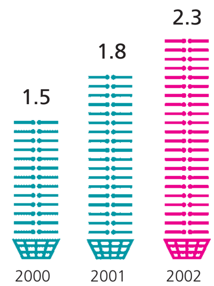
The agenda for the Annual General Meeting on 7 May 2003 contains the normal resolutions seeking adoption of the accounts, approval of the final dividend, re-election of Directors and appointment of the auditors. It also delivers on our pledge to shareholders last year that there would be a vote to approve the Report on Directors' remuneration. Given the importance of our incentive system in aligning the interests of management and shareholders, we hope shareholders will endorse the policy.

Outlook

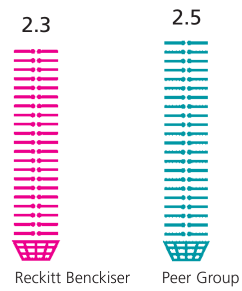
Reckitt Benckiser has a clear strategy to deliver value to shareholders based on sustained growth in net revenues, margins, profits and cash flow.

Sustaining Reckitt Benckiser's past performance requires a committed management team, aligned behind common objectives and sharing a winning culture. I believe that Bart and his team are strongly committed to delivering outstanding results to build on the success of the past few years. I trust that shareholders will continue to enjoy the fruits of their hard work in the years ahead.

Dr. Håkan Mogren Chairman



Dividend cover
times covered (adjusted)



Dividend cover versus peer group times covered

Reckitt Benckiser pursues a simple vision: delivering better solutions to consumer needs in household cleaning and health and personal care in order to generate increased shareholder value.

How would you describe the year?
2002 was another good year of growth and record results. It was especially good for better consumer solutions, as we rolled out a record number of new and better products.

Can you give some examples?
Finish 3-in-1 Total or Vanish Action Ball with much better cleaning performance in automatic dishwashing and fabric treatment.

Air Wick Click Spray and Crystal'Auto, more convenient and aesthetically pleasing air fresheners for the bathroom and the car.

Veet Mousse, combining the performance of a depilatory cream with the ease of use of a mousse.

New products launched in the past three years now represent 32% of our net revenues, up substantially in the past two years. Our target is to hit 40% by the end of 2004 and we're well on track to get there.

What do innovations do for the business?
The success of our innovations creates growth and expands the leadership positions of our top 15 Power Brands, the core focus of the organisation. 2002 saw good market share gains on these brands. As a result, net revenues on the top 15 Power Brands grew 9%, well ahead of the Company average and our Power Brands now represent 46% of the total Company net revenues compared to 40% in 2001. We target them to be at 50% by 2005.

What about the overall figures?
We exceeded our financial targets for 2002. Net revenues for the year grew by 7% at constant exchange to £3,531m. Reported growth was 3%, affected by adverse exchange rates. Normalised net income grew by 20% to £408m. Net cash flow generation grew by 38% as we further improved profits, cut net working capital and improved our cash management.

We believe our consistent delivery is due to having a clear vision, a good team, a strong culture and a clear strategy. What is encouraging is that the good 2002 results are part of a long-term track record of delivering strong results.

So what is your strategy?
It has two components. First, we aim to deliver above industry average net revenue growth. We target to achieve this growth by focusing on the high growth categories in which our top 15 Power Brands hold market-leading positions.

Many of our core categories, like Air Care, Depilatories, Automatic Dishwashing and Disinfection, grow faster than the industry average. Where this growth is combined with good economics and we have an attractive market position, we will drive growth hard through innovation and marketing investment.

Yes, but every company talks about innovation.
Maybe, but innovation for us is a systematic part of our growth model for the business, driven by our focus on consumer understanding and insight. Our success is not down to a few lucky big hits, but to many carefully planned incremental improvements across our portfolio. We have a systematic approach and clear visibility of the business impact of the innovation pipeline which gives us confidence that the model is sustainable.

You mentioned marketing investment?
Yes. We invest strongly in good consumer communication through media and other marketing programmes in products where we see strong growth opportunities and good margins. During 2002 we increased our media investment by 12% and it is now, at around 11% of net revenues, one of the highest in the industry. This communication not only connects strongly with our consumers, driving growth, but also builds long-term consumer loyalty, strengthening brand equity.

+3%

Net revenues for the year grew 3% (7% at constant rates) to £3,531m

+20%

Normalised net income grew well ahead of the industry at 20% to £408m

+38%

2002 saw net cash flow from ordinary operations grow by 38% to £576m

Reckitt Benckiser is already a rewarding company in which to work and to invest. Our wish is that we make it even more so in the years ahead.

You said your strategy had two components?
That's right. Secondly, we aim to leverage our net revenue growth into even stronger net income growth and strong cash generation through improving operating margins and cash flow management.

In 2002 we further improved our operating margins, from 15.3% to 16.3%. This was due to a substantial improvement in gross margins and good fixed cost controls. This is our continuing model for the business. We drive gross margins through higher margin innovations, through reducing costs in raw and packaging materials over time, and through our cost optimisation programmes.

What about cash flow?
Our business is highly cash generative. We have relatively low levels of capital investment, while we continue to increase cash flow from the business through optimising net working capital and our cash management systems. As a result, we have further increased net cash flow in 2002, driven down net debt and net interest charges, and substantially strengthened the financial position of the Company.

Every company needs a vision. What's yours?
Our vision is to affect the daily lives of people all around the world by giving them better products. For us, work is not a nine-to-five obligation. It colours our lives at home, in the supermarket, while travelling. We do truly live our business. Throughout this review, you'll see many examples of how our lives influence and inspire our work.

Reckitt Benckiser people seem passionate about their work. Why?
We recruit carefully, and embed our values deeply inside the Company. This ensures that we work together in strong teams on aligned objectives using commonly understood processes and a shared language. Within our overall framework we also trust our people to succeed and give them the freedom to do so. That trust is why working for Reckitt Benckiser is uniquely rewarding.

We also put a heavy emphasis on winning. This explains not just our very performance oriented compensation system, but also our need for high quality people with passionate commitment.

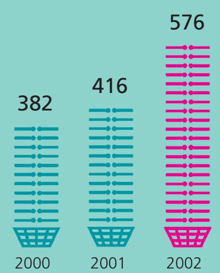
What about the future?
We are confident our business will sustain growth based on living our vision, further strengthening our team and implementing our strategy better each year. We have an advantage in our focus on strong market positions in high growth categories, our systematic approach to innovation, our ongoing cost optimisation programmes and our winning culture.

We were rewarded in 2002 by further positive total shareholder return in another demanding year for stock markets in general. Our goal is to continue to reward our shareholders, including many of our employees, for their loyalty by delivering consistent financial and business improvement. Reckitt Benckiser is already a rewarding company in which to work and invest. Our wish is that we make it even more so in the years ahead.

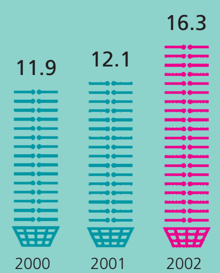
Bart Becht Chief Executive Officer

Net revenues £bn

Operating margins %



Net cash flow from ordinary operations £m



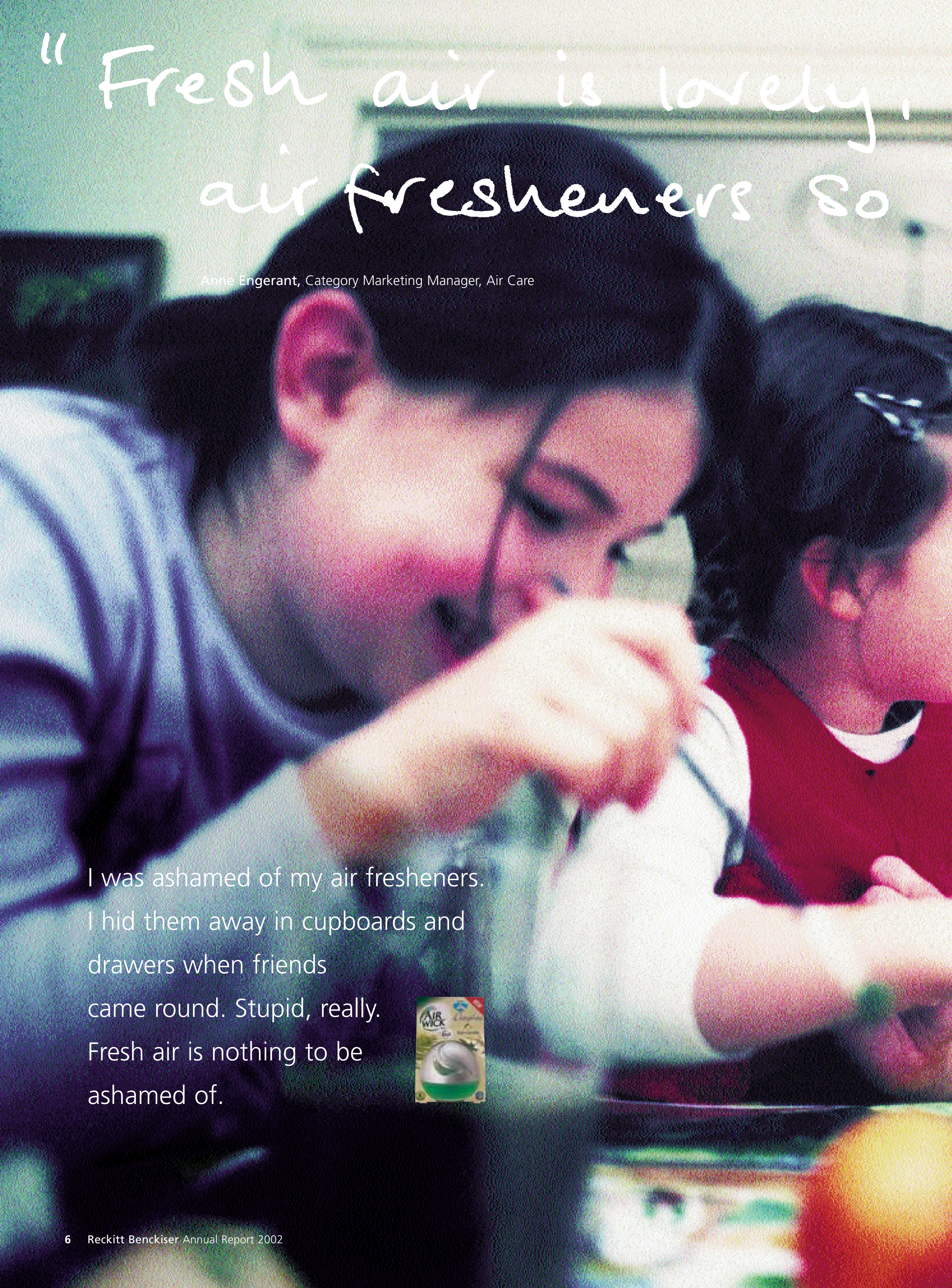
Net cash flow from ordinary operations
% Net revenue

Most directors and managers take running their business seriously. Not us. We don't run the business, we live the business.

It's not that we're obsessed with work. We're not. We're obsessed with consumers. More than most businesses, ours depends on an observation of real consumers. By understanding how people go about the day-to-day business of living, we can make their lives better and enrich our business.

Day in, day out, we look for ways to help people deal with their household duties and health and personal care needs in a way that achieves better results or saves time, effort or money.

To us, achieving these aims is not just our job. It's our life.



" Fresh air is lovely, air fresheners so."

Anne Engerant, Category Marketing Manager, Air Care

I was ashamed of my air fresheners. I hid them away in cupboards and drawers when friends came round. Stupid, really. Fresh air is nothing to be ashamed of.


so why are
unlovely?"

If only air fresheners could smell of fresh air, not chemicals. In the living room, a subtle fragrance would surely be better than an overpowering smell.

Anne Engerant, Category Marketing Manager, Air Care

They didn't look very attractive. They didn't smell very attractive. The previous generation of air fresheners didn't have a lot going for them.

The attitude of our own people was typical. Somehow, we didn't want to be caught using one. We'd furtively bring out the air freshener when no-one was looking then hide it away.

Our French team looking (and sniffing) at the problem resolved to develop an air freshener that no-one would be ashamed of. Clearly, it had to be a premium product. The consumer insights pointed them in the direction of an eye-pleasing, nose-pleasing combination. The better it looked, the more it would be used.

I might use an air freshener in the living room, but I store it in the cloakroom.

Intense work on fragrance intensity
The team decided to build on the traditional liquid wick segment with a much improved version. The new product would need to deliver a high quality scent and allow the fragrance intensity to be varied. (Ten months later they were glad they opted for adjustability - our competitors didn't).

After many months of work, the R&D team developed four fragrances that met the target for long-lasting strength. Fitting the 'ambience creation' product positioning, these were 'Fern and Lily', 'Vanilla and Orchids', 'Mango and Lime' and the rather less fruity or floral 'Anti Tobacco'.

Glass + plastic = fresh air
At the same time, our packaging people came up with a frosted glass bottle that continuously releases fragrances through vents in its plastic dome. Twisting the dome cap adjusts the amount of fragrance released.

Our team coined the name 'Decosphere' for the new product. (It's decorative and spherical). In pre-launch tests, people liked the circular shape and the frosted glass and said they'd use it all around the house. They loved the fragrances.

Post-launch, the sales figures show that Decosphere has the whiff of success.

Solid tablets are easy to use but fine fabrics need a liquid detergent. Any ideas?

It's not enough to make a carpet stain disappear. I need to see it disappear.

Modern cars are crammed with computer technology. So why are car air fresheners made of cardboard?

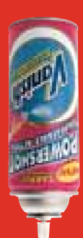
A liquid tablet

Bath time was the source of our inspiration. Bath pearls melt in warm water, releasing their gel into the bath, so could a Woolite pearl melt in the washing machine? We experimented with different plastic films and different Woolite formulations. After a few setbacks we developed a capsule that wasn't affected by the liquid inside but quickly dissolved in contact with warm water outside. We called the product Woolite gel caps. Consumers called it a breakthrough.

Robert Rutledge
Category Marketing Manager, Garment Care

Getting to the bottom of carpet stains

People feel emotionally stained by a stained carpet. They need immediate relief. They need to see the stain disappear. Fast. They need Vanish Carpet Powershot. An aerosol, it shoots foam to the base of the stain, creating a chemical reaction that lifts the stain out of the carpet. Not only does the product work, it provides a visual demonstration that it works. No wonder it sells.



George Zarifi
Category Director, Fabric Treatment and Carpet Cleaners

From Room to Vroom

Our consumer surveys revealed an intriguing insight: while advanced technology in cars speeds ahead, car air fresheners have been left behind. For many people, their car is an extension of their home, so the car seemed a natural place to extend our air freshener franchise. Building on the success of Crystal'Air, we developed Crystal'Auto. Launched in France, it's now gaining sales across Europe.

Fernando Alegria
Global Category Director, Air Care

"To stop glasses becoming cloudy in the dishwasher, add glass."

Bruce McCarthy, Category Marketing Manager, Automatic Dishwashing

Hard water in dishwashers can cause limescale build-up on glasses. This can be removed with salt and rinse-aid. Soft water can cause glass corrosion. This can't be removed but at least it can now be prevented.

Apart from water softness, glass corrosion depends on the glass, the temperature and cleanliness of the water, the length of the cycle and the type of dirt. Preventing further corrosion depends on us.

Bruce McCarthy, Category Marketing Manager, Automatic Dishwashing

We worked with many of the world's leading glass manufacturers on the development of Calgonit Protector. All were happy to endorse our product. In Austria, we've been running a TV commercial featuring a glass manufacturer's testimonial.

Our R&D people fight glass corrosion with glass. They've developed a special glass with a higher component of zinc ions. This zinc-laden glass dissolves in the wash cycle and prevents further corrosion. We can't explain how it works because it's top secret. (And very complicated). Anyway, this soluble glass slowly dissolves over about 50 washes, protecting glassware from cloudiness.

Reflecting its function, we call this new product Calgonit Protector. Its crystal-shaped pack hangs in the dishwasher tray, allowing water to flow through holes in the back. As the glass dissolves, it deposits itself on the glasses in the dishwasher, stopping them becoming scratched or corroded. It works by taking the negative, damaging elements out of the water so they can't cause corrosion. Clever stuff. In fact, it's so clever we've patented the use of the raw material for this purpose.

Our trials showed that the product has no negative effects on glass, china or people. To confirm its safety we sent it away to a third party institute who gave it the all-clear. The glass is contained in a cage so that even if it got bumped or cracked no large pieces could fall out. Any glass that came away from the cage would dissolve instantly.

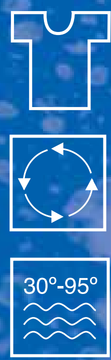
The new product also received a thumbs-up from retailers. As a genuine innovation, it's created an entirely new market without taking up much shelf space. So far, we've launched Calgonit Protector in Central Europe, using a TV commercial that explains the problems of glass corrosion and the solution we provide. Initial sales have been good, proving that every cloudy glass has a silver lining.

A new scale of protection

Most people know that Calgon protects washing machines from limescale deposits. Fine, but what protects the laundry? Limescale makes laundry stiff and rough, so over time fabrics lose their original suppleness. The answer is Calgon AquaPro. Before we found this solution, however, we faced many questions. We developed and tested over 100 formulations before we achieved the right dual-action balance. Many extra raw materials were needed and it was a challenge to make the new tablet dissolve quickly. After many trials, however, we developed a product that protects the washing machine and the laundry. It also protects the Calgon brand franchise.

" Why have the same idea twice? Better to have it once and use it twice. "

John Honey, Category Group Director, Surface Care



Limescale deposits during the wash cycle can damage the laundry as well as the washing machine.

Calgon AquaPro's dual action benefit protects both.

It can be used in any type of wash cycle, in temperatures ranging from a cool 30° to a very hot 95°.

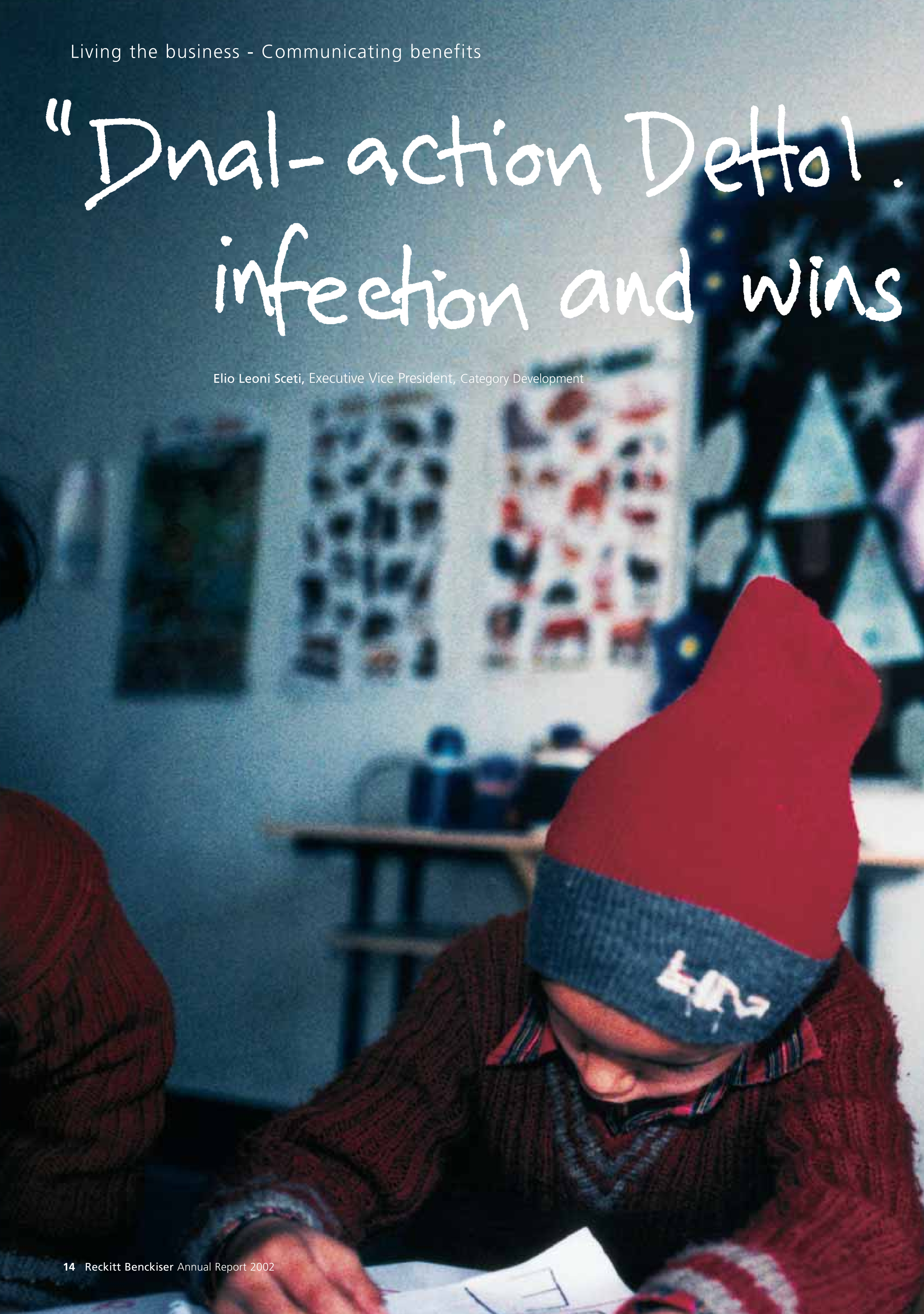
When air freshening met surface cleaning

There are no walls between our core categories, just open doors. With no barriers, ideas flow freely. Harpic 2in1 is an example. Using Hyperscent technology, it freshens air in bathrooms and loos. At the same time, exploiting Harpic's legendary cleaning power, it keeps toilet bowls clean and healthy. In two ways, it shows that we don't care where ideas come from, only where they go.

Actual size

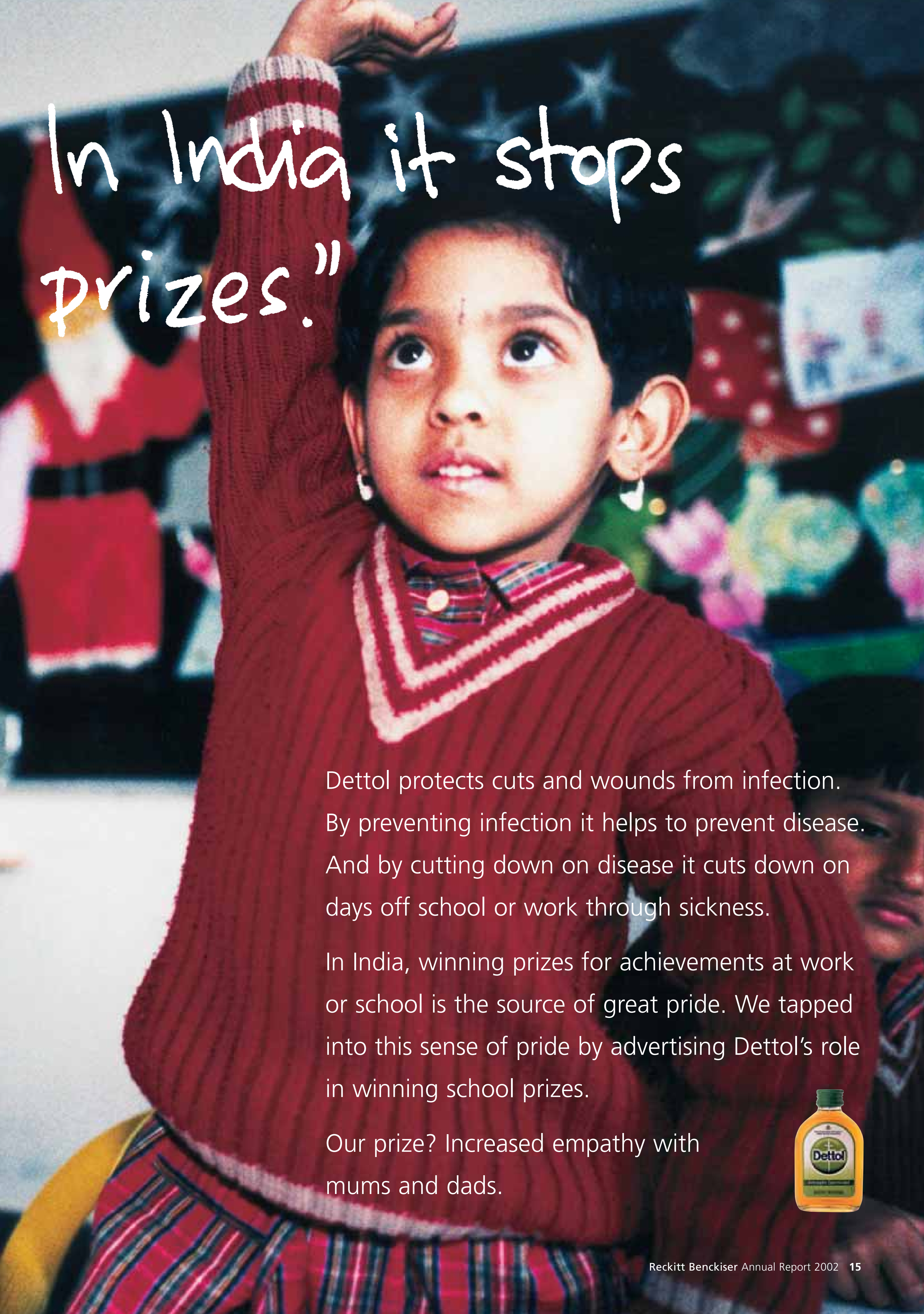
A story of concentration and innovation

Trawling the world for innovations, our new technology group found something special in Japan: a plastic capsule-container that dissolves in water. Immediately we saw its potential in Automatic Dishwashing. We developed a concentrated dishwash gel that delivered top performance in a capsule small enough to fit in a dishwasher tray. Consumer response, once we'd convinced them that it really would melt, was good. We decided to mount our first-ever global launch in dishwashing. America and Europe are welcoming the innovation with open trays.



"Dual-action Dettol infection and wins

Elio Leoni Sceti, Executive Vice President, Category Development



In India it stops prizes.”

Dettol protects cuts and wounds from infection. By preventing infection it helps to prevent disease. And by cutting down on disease it cuts down on days off school or work through sickness.

In India, winning prizes for achievements at work or school is the source of great pride. We tapped into this sense of pride by advertising Dettol’s role in winning school prizes.

Our prize? Increased empathy with mums and dads.

Understanding the needs and aspirations of your market is a key duty of the marketer. We take this duty seriously, by getting under the skin (hopefully protected by Dettol) of our consumers.

Elio Leoni Sceti, Executive Vice President, Category Development

Our understanding of the Indian consumer has driven Dettol sales up 30% since mid-year. Dettol's TV commercial shows a family celebrating the dad's pay rise and the child's school prize. Both came about through good attendance, with no time off for illness. Clearly, the family used Dettol to protect themselves from infection.

In America, meanwhile, we used a similar insight to promote Lysol, another germ prevention product. Here, our intuition was backed up by quantifiable data. An authoritative study proved that an effective disinfecting regime in schools reduced illness among pupils. These published results allowed us to claim that using Lysol cuts down the number of school days lost.

Surface similarities. And differences
Similar advertising routes for two different brands. In an era of global marketing, why haven't we harmonised these brands? The fact is that although the end benefit of Dettol and Lysol is the same (protecting the family against germs) the way they deliver this benefit is different.

Lysol is focused on surface applications. The original disinfectant spray has spawned a range of household cleaning products including kitchen cleaners, toilet cleaners and wipes. Dettol, on the other hand (or foot, face, etc) is generally applied to the skin. It's used to treat cuts and wounds. About half Dettol's sales come from personal hygiene products such as soap, shower foam and hand wash.

Interestingly, Dettol's brand franchise can be stretched to cover Surface Care but Lysol wouldn't be accepted as a skin treatment. In the UK and the Middle East, for instance, Dettol's skincare heritage has been the launching pad for a successful move into Surface Care. As we look to expand our germ protection franchise, we're well aware that a brand's credibility is a fragile property. We'll never jeopardise that hard-won credibility for the sake of extra sales.

As well as the original antiseptic liquid, the Dettol range of personal care products includes soap, shower gel, talc and personal wipes.

FACT. Lysol, Dettol and Pine-O-Cleen kill 99.9% of bacteria in 30 seconds.

One advertising idea. Three brands

'Facts of Life' is an advertising vehicle that communicates our germ-killing story. Depending on the region, we use versions of the concept for Lysol, Dettol and Pine-O-Cleen. Obviously, each brand has its own nuances, but our consumer research shows that the idea works well for all three. And with TV production costs an unwelcome fact of life, we seek savings wherever we can.

Proof that Electrasol is ahead of its time

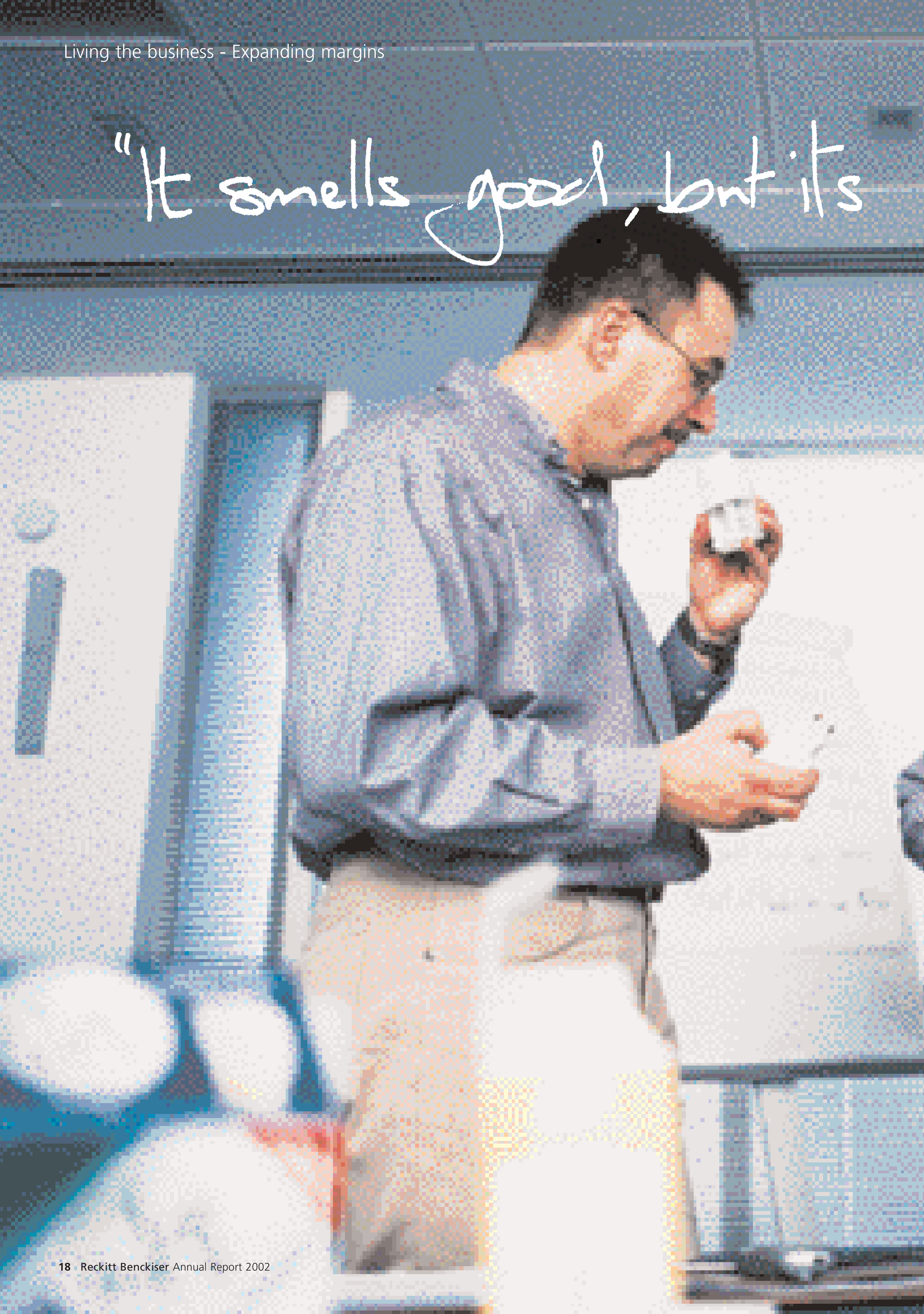
The message for North America is simple. We need to show viewers how the gel cap variant takes dishwashing into the 21st century. Looking at possible spokespeople for the brand, one name kept cropping up: THE JETSONS™, popular stars of their own animated series. They have the right credentials as they already live in the future. All our research suggests that this fictional family will generate real sales.

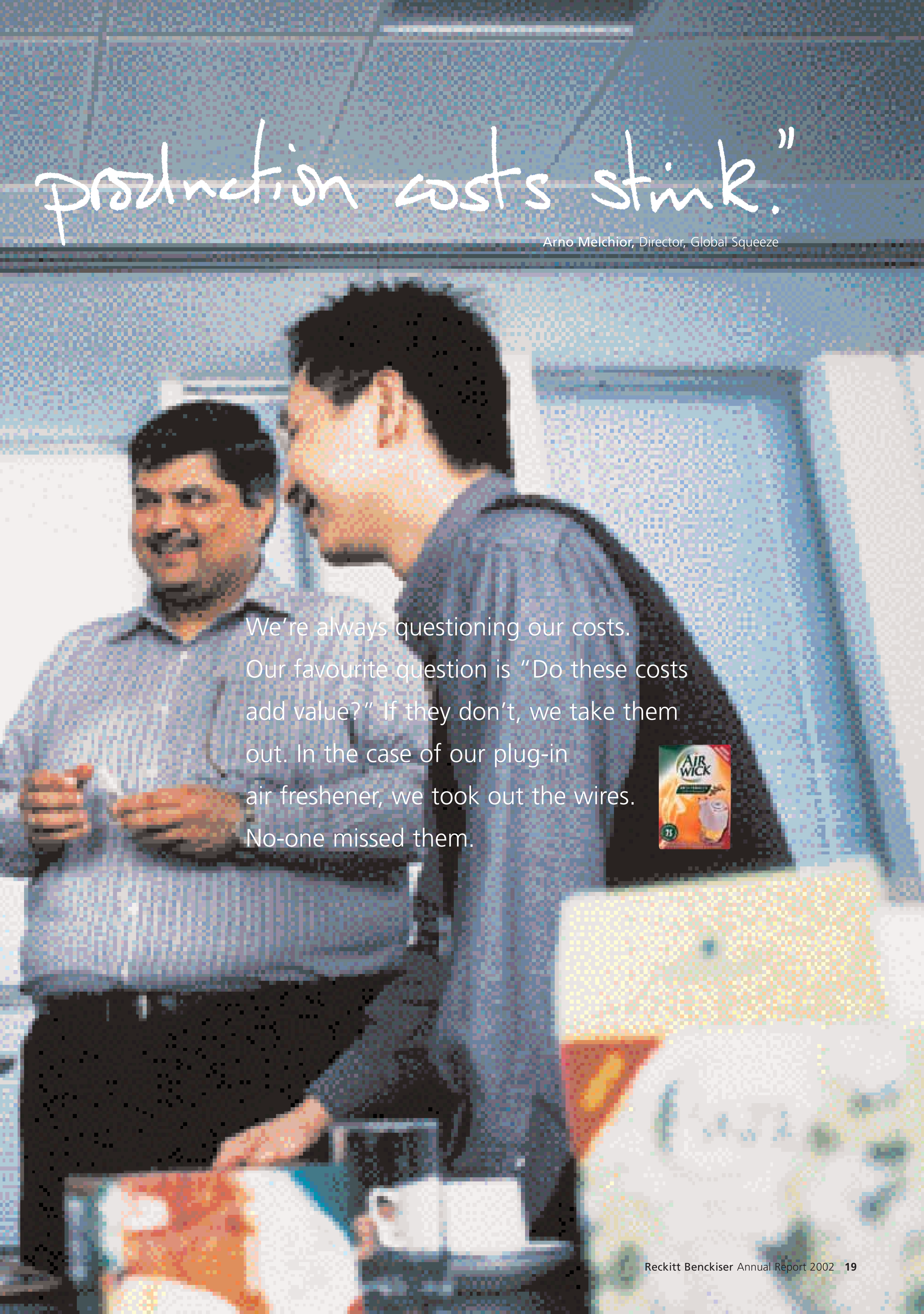
Veet removes growth. Media drives growth

Veet is a convenient and effective depilatory. It's just one of our Power Brands benefiting from increased media support. We believe in weighty consumer communication through media and other marketing channels for products with good growth opportunities and good margins. It drives growth and strengthens our brands. That's why we increased our media to sales ratio by 100 basis points to around 11%(a double digit increase) during 2002.

Old name becomes a hazy memory

The greater number of brand names, the more fragmented the marketing effort. After a long programme of international research, we're dropping Haze and putting all our resources behind the Air Wick brand. Our consumer research confirmed that the name had positive associations, linking back to our old-established, respected brand. Air Care is our fastest growing category and focusing on Air Wick will allow us to drive the growth in this dynamic market.


"It smells good, but it's



production costs stink."

Arno Melchior, Director, Global Squeeze

We're always questioning our costs. Our favourite question is "Do these costs add value?" If they don't, we take them out. In the case of our plug-in air freshener, we took out the wires. No-one missed them.

We believe that it's important to get innovative new products to market fast, if not first. Sometimes this means that their manufacturing costs are higher than necessary. No problem – we take a second look.

Arno Melchior, Director, Global Squeeze

Our Air Wick plug-in was a hit with consumers. People liked its fragrant freshness. To our 'Squeeze' hit-squad, however, it was a different story. After one look at the product, they were on the scent of savings. Like many new products, it had been slightly over-engineered. The team took it apart to see which bits added value to the consumer and which bits were a waste of space. And money.

Naturally they worked closely with our manufacturing partners. The aim was to cut production costs of the electrical assembly by half. (We enjoy giving our suppliers a challenge). Meeting this objective required some bold decisions and some basic re-working of the product's innards. By simplifying the plug-in's construction, the team also found a way to simplify its cost structure. Take out parts and you take out the cost.

Cutting costs doesn't mean cutting corners. The revamped version still has an adjustment mechanism to vary the flow of fragrance. It still delivers optimum performance. It's also more aesthetically pleasing, although our Squeeze team were more excited by the look of the new cost structure.

Putting the heating mechanism direct to the plug reduced raw material costs and manufacturing costs. It also reduced the size of the product so it became less obtrusive in the home. (Funnily enough, changes we make to squeeze costs often squeeze better performance, and better consumer satisfaction, out of the product). With a smaller product we could simplify the pack. We removed the inner sleeve, saving costs and trees, and ended up with a neat, compact package. A simple divider separated the plug-in from the refill.

Less is more. Removing the non-essentials has produced a product that's preferred by our retailers (less bulk, same price) and our consumers. It proves that our focus on gross margin improvement is not just about cost-cutting, it's about value-enhancement. Our 'Squeeze' programme has now beaten its stringent targets for three consecutive years. Just when everyone thinks there are no more savings to be found, we find more.

X-Trim is a programme to optimise costs in our supply chain through better purchasing, scheduling and logistics.

"Cut your costs and win a prize."

We're so fervent about cost-cutting that we're inviting our suppliers to join in. We want them to join our crusade by taking part in an easy-to-enter competition. The rules are simple. A group of suppliers put forward their ideas for cost-cutting (passing on their savings to us – we're not daft) and the best idea wins a star prize. The prize is a share of the total saving we make with the whole group of suppliers.

" Most suppliers actively support our cost-cutting efforts. After all, they want to remain suppliers."

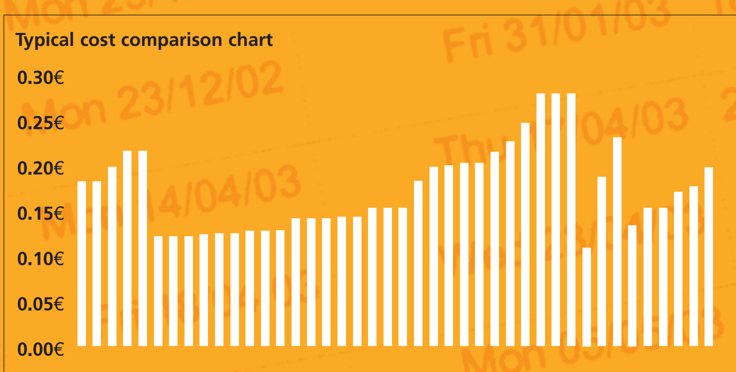
Alain Le Goff, Executive Vice President, Supply

Squeezing £2 million from fresh air

Squeeze is our programme to drive out costs that don't add value. We change and standardise designs and specifications without any consumer-perceived reduction in quality. Looking closely at Crystal'Air, we found £2 million of annual savings by streamlining the production process through automation and waste reduction. This created a simpler product with better shelf impact and better performance. Consumers preferred the new-look product and we preferred the new-look gross margin.

Going…going…online

For a forward-looking company, our method of purchasing raw materials can be a bit backward. We use reverse auctions. Our e-auctions start when we post our requirements on the internet. Online, various suppliers then bid to meet this order, suggesting a price. We tell all the bidders the lowest price and give them one hour to beat it. Normally, the price drops during that hour. Often there's a flurry of activity during the last five minutes, as suppliers cut their prices to get our business.



The quality of our profits is supported by our strong cash flow. Our net cash flow from ordinary operations rose to 16.3% as a percentage of net revenues in 2002, and represented 141% of net income.


COLIN DAY
Chief Financial Officer

Net revenues grew by 3% (7% constant) to £3,531m. Net revenues from continuing operations rose by 3% (7% constant) to £3,518m.

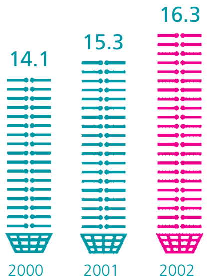
Operating profit increased 10% (12% constant) to £577m. Gross margins rose 290 bps to 52.5% as a result of higher margin new products, favourable purchase prices on raw and packaging materials, savings from the Squeeze programme and first year savings from the X-Trim programme. Marketing investment, particularly media, increased substantially. Operating margins increased by 100 bps to 16.3%.

Net income was £408m. Normalised net income grew 20% (22% constant). Net interest expense of £32m (2001 £51m) was lower due to the strong cash inflow over the past year reducing the level of net borrowings. The underlying tax rate for the year on the normalised taxable profit was 27%.

Category Review at constant exchange rates

Fabric Care Net revenues grew 5% to £895m driven by a strong performance in fabric treatment and garment care. In fabric treatment, the in-wash segment benefited from the rollout of Vanish Action Ball in Western Europe and a strong performance on the base business in Korea. Additionally, the carpet cleaner segment grew strongly behind the success of Vanish Powershot spot and stain treater both in North America and

Gross margin
% Net revenues



Operating margin
% Net revenues

Veet grew behind the success of Veet Mousse and Veet Aquasystem in Western Europe.

Dishwashing grew 11% benefiting from the successful launch of 3-in-1 Total across Europe.

Western Europe. In garment care, Woolite grew strongly in North America and Europe behind better marketing execution on the base brand and the success of Woolite Black.

Surface Care Net revenues grew 4% to £769m. The main growth drivers were lavatory care, disinfectant cleaners and specialty cleaners, partially offset by declines on multipurpose cleaners in Latin America due to weaker market conditions. In lavatory care, growth came behind the success of the Lysol liquid in-toilet-bowl device in North America, Harpic wipes and a better base Harpic business in Western Europe. In disinfectant cleaners, the growth was due to the roll-out of Lysol and Dettol floor wipes, the early benefit of Lysol and Dettol rapid dry floor cleaner and growth behind the base Lysol disinfectant spray brand.

Dishwashing Net revenues grew 11% to £490m benefiting from the success of the launch of Finish/Calgonit 3-in-1 Total across Europe and the 2-in-1 product in North America. The recent launch of gel caps in Western Europe and North America has been well received and initial sales are encouraging, while Calgonit Protector is providing incremental growth.

Home Care Net revenues grew 14% to £537m due to continuing success of Air Care somewhat offset by Pest Control. Air Care has seen further substantial growth behind the success of Air Wick electrical oils and Crystal'Air in North America. In Western Europe growth has come from Crystal'Air and Electricals, and the more recent innovations of Crystal'Auto and Click Spray. Pest Control was lower than last year in Asia and Latin America due to weaker market conditions and the effect of wholesaler consolidation in India.

Health & Personal Care Net revenues grew 13% to £455m. The main growth drivers were depilatories, antiseptics and Health Care. Depilatories grew behind the success of Veet Mousse and the Veet Aquasystem in Western Europe and the launch of Veet in the USA. Dettol antiseptic performed well, most notably in Africa/Middle East. The Health Care business performed strongly with notable growth on Gaviscon in the UK and Continental Europe.

Geographic Analysis at constant exchange

Western Europe: 43% of net revenues
Net revenues grew by 8% to £1,513m. This strong performance was due to the success of Automatic Dishwashing, Air Care, Depilatories, Garment Care and Health Care. The launch of Finish/Calgonit 3-in-1 Total in Automatic Dishwashing has resulted in good growth, enhanced towards the end of the year by Calgonit Protector and initial sales of gel caps. Air Wick Crystal'Auto and Click Spray were successfully launched across the region, building on the continuing growth of Crystal'Air and electricals. Veet Mousse, supported by further growth for the Veet Aquasystem, has driven growth in depilatories. Garment care growth came behind innovations such as Woolite Black and new fragrance variants. Health Care grew strongly due to the success of Gaviscon in the UK and Continental Europe. Operating margins increased by 100 bps to 22.4% due to substantial gross margin expansion, resulting from higher margin new products, lower input costs and Squeeze and X-Trim initiatives, offset by significant increases in marketing investment. Operating profits increased by 14% to £339m.

North America: 32% of net revenues
Net revenues grew 8% to £1,109m. The growth came mainly from the continuing success of Air Care and Automatic Dishwashing. In Air Care, growth came behind Air Wick Electricals and Crystal'Air. The launch of Electrasol PowerBall 2-in-1 has continued to increase net revenues in Automatic Dishwashing and towards the year-end the launch of Electrasol Gelpacs was well received. The Lysol disinfecting range performed well behind the liquid in-toilet-bowl device, the roll-out of floor wipes, the introduction of Rapid Dry floor cleaner and growth of the base disinfectant spray brand. Woolite fine fabric grew strongly behind growth of the core Woolite brand and the launch of Woolite Black. Food net revenues were ahead of last year by 3%. North American operating margins expanded 140 bps to 16.1% due to significant

Food net revenues were ahead due to growth for French's mustard which strengthened market leadership in the USA.

Early benefit from Lysol One Step Floor Cleaner contributed to growth in Surface Care. Also available as Dettol Rapid Dry across Europe and other markets.

Fabric Treatment growth benefited from the launch of Vanish Action Ball which now gives the consumer the power of soaking, the best way to remove stains, in the main wash cycle of the machine.

gross margin expansion, arising from new products, lower input costs and Squeeze and X-Trim benefits, offset by marketing investment. Operating profits increased 19% to £179m.

Latin America: 5% of net revenues
Net revenues declined 4% to £167m. Adverse market conditions in Argentina and Brazil were compounded by rapidly rising costs of imported materials due to substantial currency devaluation. These factors have been seen increasingly across the whole region including Mexico. The crisis in Venezuela impacted towards the end of the year. Due to the lower volumes and the exchange rate impact on input costs, operating margin deteriorated. The operating loss was £1m (2001 profit of £3m).

Asia Pacific: 11% of net revenues
Net revenues grew 3% to £401m. Excluding the effect of the 2001 acquisitions, net revenues declined marginally, but saw a strong recovery by the region in H2. In China, the business achieved reduced operating losses on the planned lower net revenue base. Net revenues in India were impacted by soft market conditions, competitive issues and organisational changes during H1, but improved substantially in H2 post reorganisation. Elsewhere, net revenues progressed largely due to strong results in Australia New Zealand and in Korea. Operating margins improved by 320 bps to 8.7% helped by the acquisitions, lower input costs, and further Squeeze savings. Operating profits increased 52% to £35m.

Rest of World: 9% of net revenues
Net revenues grew 12% to £328m. Growth came across both Eastern Europe and Africa/Middle East. In Eastern Europe the growth was driven by Calgonit Automatic Dishwashing, Vanish fabric treatment and Veet depilatories. In Africa/Middle East, growth came mainly from Dettol, due to higher investment, from Air Care, behind the introduction of Crystal'Air, from Harpic in lavatory care, and from Health Care. Operating margins were slightly below last year at 7.6% affected by economic conditions in Turkey. Operating profits increased 4% to £25m.

Financial Review

Non-operating Items There were no non-operating items in 2002 (£24m profit on disposal in 2001).

Net Interest The net interest expense of £32m (2001 £51m) was lower due to strong cash inflow over the past year reducing the level of net borrowings.

Tax The underlying tax rate for the period was 27% (2001 28%). In addition, there was a non-recurring release of tax provisions of £8m relating to a recent tax settlement, which reduced the effective rate for the year to 25%.

Net Working Capital (defined as stock, short-term debtors and short-term creditors excluding borrowings) reduced at the year end by £185m to minus £491m.

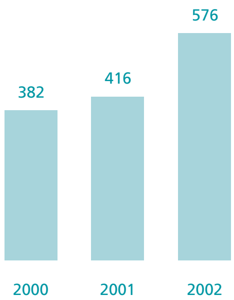
Cash Flow Operating cash flow increased 25% to £752m, due to higher operating profit and net working capital improvements. Net interest payments were lower at £30m (£50m). Capital expenditure was lower at £99m (£111m), offset by proceeds from disposal of fixed assets of £34m (£10m).

Tax paid increased to £102m (£57m). After these items, net cash flow from ordinary operations increased by 38% to £576m. Cash conversion (net cash flow from operations as a percentage of net revenue) increased to 16% from 12% in 2001.

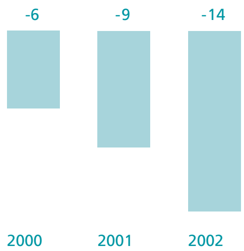
Net Borrowings at the year-end were £105m (£467m), a reduction of £362m due to strong operating cash inflow, working capital release and improved cash management. Net borrowings consisted of the convertible capital bond of £193m (£193m) offset by net funds of £88m (2001: borrowings of £274m). This latter figure is made up of borrowings of £331m (£453m), offset by cash of £40m (£89m) and short-term investments of £379m (£90m).

Balance Sheet At the end of 2002, the Group had shareholders' funds of £1,201m (£1,034m restated), an increase of 16%. Net borrowings were £105m (£467m). Total capital employed in the business was £1,313m (£1,517m), a decrease in capital employed of 13%.

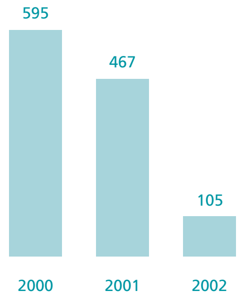
The Company's financial ratios improved significantly during the year. Interest cover



Net cash flow from ordinary operations (£m)



Net working capital
% of net revenues



Net Debt (£m)

was 18 times (2001 normalised 10.3 times). Net borrowings represented 8% of capital employed (31%), treating the convertible bond as borrowings.

Dividends The Directors recommend a final dividend of 12.8 pence per share, unchanged, to give a full year dividend of 25.5 pence per share, also unchanged. This is in line with the previously communicated policy to maintain the dividend payout until the cover reached the average of the industry peer group. This dividend will be covered 2.3 times by net income for the year 2002. This compares to an industry peer group average of 2.3 to 2.5 times cover. The dividend, if approved by shareholders at the AGM on 7 May 2003, will be paid on 21 May to shareholders on the register on 28 February. The ex dividend date was 26 February 2003.

Share Capital On 19 and 23 December 2002, the holder of A shares in Reckitt Benckiser Holdings BV exercised its right to exchange the 13,655,000 A shares into Reckitt Benckiser plc ordinary shares. Accordingly, 63,000,000 shares and 5,275,000 shares were issued and admitted to the Official List on 27 December 2002 and 31 December 2002 respectively. The rights attached to the special voting share ceased following exchange, and the share will be cancelled in due course.

Basis of Comparatives

For clarity in evaluating the underlying performance of the business, the following terminology is used.

• FRS 19 Restatement In the financial statements, comparatives for 2001 have been restated following implementation of FRS 19 'Deferred Tax'. The effect of the restatement was to reduce net income by £24m (from £340m to £316m) in the full year 2001.

The reconciliation between the financial statements and the normalised and previously reported numbers used in the results commentary is set out in the reconciliation table below.

• Normalised In the detailed commentary comparisons are made with 2001 results before restatement for FRS 19 and before non-operating items. This is designated the "Normalised" basis as management believes it best equates to the underlying growth of the business.

• Actual The actual results in the financial statements below include 2001 fully restated for FRS 19 and non-operating items.

• Continuing Operations Excludes net revenues and operating profit relating to businesses sold or deconsolidated during the course of 2001 or 2002. These are individually disclosed in the profit and loss account. There were no disposals in 2002. Zimbabwean operations have been deconsolidated from 1 July 2002 as detailed on page 40.

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

Reconciliation of Net Income

	2001 £m	2002 £m	change %
Normalised Net Income as previously reported	**340**	**408**	**+20**
Non-operating Items after Tax	16		
Total Net Income as previously reported	**356**	**408**	**+15**
FRS 19 Restatement	(24)		
Actual Net Income Restated to Statutory Basis 2002	**332**	**408**	**+23**
Actual Net Income Restated to Statutory Basis 2002 excluding non-operating items	**316**	**408**	**+29**

Treasury systems and procedures implemented in previous years have been further improved enabling better management of group objectives and monitoring policy compliance.

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.

Treasury systems and procedures implemented in previous years have been further improved enabling better management of group objectives and monitoring policy compliance.

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 2002, 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 2002, the Group had, in addition to its long term debt of £418m (£460m), committed borrowing facilities totalling £900m (£900m), of which £430m (£434m) exceeded twelve months' maturity. Of the total facilities at the year-end £44m (£40m) were utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

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

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 2002, 62% (70%) of the Group's financial liabilities were in currencies other than Sterling, including 37% (35%) 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 2002 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 uses a combination of fixed rate debt and interest rate swaps to achieve this objective. At the end of 2002, the Group had 78% (57%) of financial liabilities at fixed rates, of which 36% (28%) 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 2002, 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 41.

COLIN DAY Chief Financial Officer

In 2002 Reckitt Benckiser entered the FTSE4Good index series for Socially Responsible Investment and took part in the first Corporate Responsibility Index of UK Business in the Community.

Reckitt Benckiser has a comprehensive range of policies and programmes to promote and drive further improvements in corporate social responsibility. These are mainly communicated through our corporate website where they can be accessed at www.reckittbenckiser.com

www.reckittbenckiser.com/about/corporate.cfm

Environmental Report 2002

Code of Business Conduct

Our Code of Business Conduct ensures that management and employees across the Group have a clear understanding of the principles that are important in conducting our business, and guides 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.

A system of internal compliance monitoring with the Code occurs as part of the year-end reporting process.

The Code is available on our website.

Environment

Reckitt Benckiser is committed to running its business in a responsible, environmentally sound and sustainable manner. The Company has an Environmental Policy, Group and site specific Environmental Management Systems, and public targets for performance improvement. Reckitt Benckiser has recently produced its second environmental report.

During 2002 the Company took part in UK Business in the Environment's seventh Index of Corporate Environmental Engagement and was placed first in its sector, and 29th out of the 85 FTSE 100 companies taking part. We also participated in the Carbon Disclosure Project, organised by 35 institutional investors representing assets in excess of US$4.5 trillion. The Company has a global Environmental Director, reporting to the Chief Executive Officer.

Details 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 them through its Community Programmes. The Company has a Community Involvement Policy governing its activities in these areas and produces periodic community involvement reports for internal communication, that are also made available publicly.

In 2002, major projects included the launch of the Dettol Trust for Aids in South Africa, the first consumer product to create a trust to raise funds to support children affected by HIV/Aids. In the UK, major programmes include continuing work with Home Start, the leading volunteer network supporting families, and a new programme with Weston Spirit for three years to establish a centre for disadvantaged young people in Slough. Reckitt Benckiser's total community support worldwide is around $1million excluding employee contributions. In the UK, the donation to charitable organisations was £320,000.

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

Other Policies

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

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

• **Health & Safety** Reckitt Benckiser aims to maintain a safe workplace in all locations. The Company has a system of internal reporting and auditing of Health & Safety performance to ensure compliance with the policy and has a global Health and Safety Director reporting to the Chief Executive Officer.

• **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 (58) ‡#
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, a Director of Norsk Hydro ASA and Chairman of Affibody AB.

Bart Becht (46) #
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. He is a Non-Executive Director of Prudential plc.

Adrian Bellamy (61) ‡
Was appointed a Non-Executive Director of the Company in 1999 and the Senior Non-Executive Director in 2001. He is Executive Chairman of The Body Shop International Plc, Chairman of Gucci Group NV and a Director of The Gap, Inc, The Robert Mondavi Corporation and Williams-Sonoma, Inc.

Dieter Meuderscheid (67) *
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 (59) *
Was appointed a Non-Executive Director of the Company in 1999. He was President and Chief Executive Officer of Koninklijke Numico N.V. until May 2002. He is also Chairman of Pink Roccade and a Director of Gouda Vuurvast.

Dr Peter Harf (56) ‡#
Chairman of the Remuneration Committee, joined the Board as a Non-Executive Director in 1999 and is the Deputy Chairman. He is Chairman of Coty Inc. and a Director of Interbrew and the Brunswick Corporation. He is Chief Executive Officer of Joh. A. Benckiser GmbH.

Dr George Greener (57) ‡
Was appointed a Non-Executive Director in 1996. He is Chairman of British Waterways and The Big Food Group Plc. He is also a Non-executive Director of Fleming Investment Trust plc.

Colin Day (47)
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 (61) *#
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 (52) *
Was appointed a Non-Executive Director in November 1998. She is Executive Vice-President of the Financial and Insurance Markets at Indra, the leading Spanish IT consulting firm, which acquired Razona in February 2002, where she was Chairman and CEO until its full integration in October 2002. She has recently been appointed a Non-Executive Director of British American Tobacco PLC.

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









Elio Leoni Sceti (37, 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.

Ken Stokes (47, 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 (41, 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 (50, 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 programmes.

Erhard Schoewel (54, 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.

Bart Becht (46, 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.

Frank Ruether (50, 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, and organisational development.

Colin Day (47, 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 (47, British)
Senior Vice President, Information Services. 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.

Report of the Directors

The Directors submit their fiftieth Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2002.

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 2002 and of the year's activities appears under the Operating and Financial Review on pages 22 to 26, and in the profit and loss account on page 42. The Directors endorse the content of that review.

In August 2002, the Directors resolved to pay an interim dividend of 12.7p per ordinary share (2001 12.7p). The dividend was paid on 17 September 2002. The Directors are recommending a final dividend for the year of 12.8p per share (2001 12.8p), which, together with the interim dividend, makes a total for the year of 25.5p per share (2001 25.5p). The final dividend, if approved by the shareholders, will be paid on 21 May 2003 to ordinary shareholders on the register at the close of business on 28 February 2003.

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 2002 amounted to £54m (2001 £50m).

Acquisitions and disposals
Acquisitions and disposals are detailed in notes 24 and 25 to the accounts.

Employees
During 2002, the Group employed an average of 22,300 (2001 22,400) people worldwide, of whom 1,300 (2001 1,300) were employed in the UK. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

Share capital
Details of changes to the ordinary shares issued and of options and awards 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 2002 is set out on page 28.

Peter Harf, Bart Becht and Dieter Meuderscheid 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 38.

Details of the Directors' service agreements are given on page 38.

Corporate governance
The Company recognises the importance of high standards of corporate governance. It understands, supports and has applied throughout 2002 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 a minimum of five times a year and will meet further as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. In 2002, in addition to the five regular meetings, there were two held by telephone conference. 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, Rest of World and centralised functions covering category management, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control are embedded in the responsibilities of line executives.

• Budgeting – there is an annual planning process whereby detailed operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and 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.

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

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

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

Corporate responsibility

For the Company's range of policies covering the areas of corporate responsibility, please refer to the separate report on page 27.

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

Report of the Directors (continued)

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.

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 2002 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 39, 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 42 to 67 including the information on Directors' remuneration on pages 33 to 38, 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 (2001 £320,000). No political donations were made (2001 nil).

Auditors
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company (special notice having been received) will be proposed at the Annual General Meeting.

Annual General Meeting
The notice convening the fiftieth Annual General Meeting of the Company to be held on Wednesday, 7 May 2003 at 11.15 a.m. 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 7 March 2003 the Company had received the following notices of substantial interests (3% or more) in its ordinary share capital:

1. JAB Investments BV: 146,105,415 shares (20.7% of the issued share capital.

2. Putnam Investment Management LLC / The Putnam Advisory Company LLC: 27,916,815 shares (3.96% of the issued share capital).

3. Legal & General Investment Management Ltd: 21,242,741 shares (3.01% of the issued share capital).

By order of the Board

Elizabeth Richardson
Company Secretary
103-105 Bath Road, Slough, Berks SL1 3UH

7 March 2003

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

The Committee 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.

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
The Committee's overriding objective is to ensure that Reckitt Benckiser's remuneration policy encourages, reinforces and rewards the delivery of outstanding shareholder value. This approach has been a key ingredient to the success of Benckiser, and now Reckitt Benckiser. The graphs below show that the Company has, since the merger in 1999, outperformed both the UK FTSE 100 and the US remuneration peer group in terms of Total Shareholder Return (TSR).

Shareholders have, twice in the last four years, had an opportunity to vote on the remuneration policy, first at the time of the merger, and last year as part of the vote on the Company's long-term incentive policy and, in both cases, gave strong support. Shareholder approval of the remuneration policy is being sought again this year. The core principles on which this policy is based are described below.

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

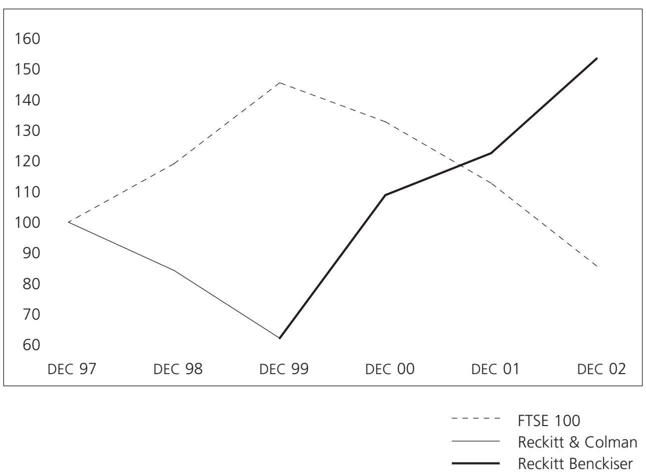
The second principle is that variable pay is, and will continue to be, the major element of our current Executive Directors' and senior executives' total compensation package. Accordingly, the Executive Directors' compensation package comprises, in addition to base salary, an annual cash bonus and share based equity incentives. Highly leveraged annual cash bonuses, linked to the achievement of key business measures within the year, are designed to stimulate the achievement of outstanding annual results. To balance the management's orientation between the achievement of short and long-term business measures, and focus them directly on increasing shareholder value, the Committee believes that share-based incentives are also appropriate.

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

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

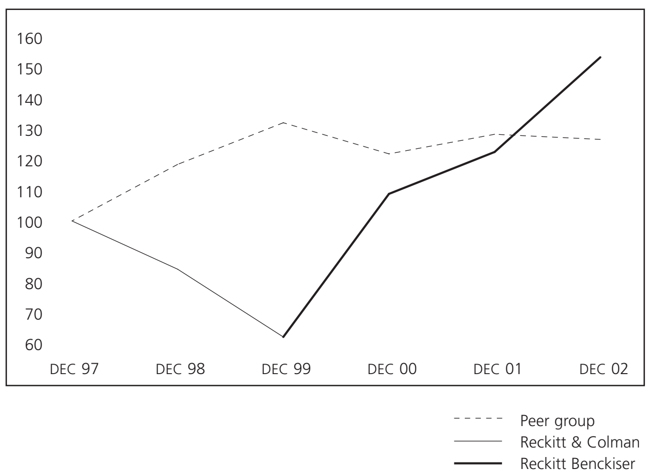
The Company believes that the remuneration package in place and the mix of fixed and variable pay within that package meets these three core principles. Therefore, it does not propose to make any significant changes in the forthcoming year. However, the Committee constantly reviews its policies and will inform shareholders of any proposed changes.

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



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

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



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

Base salaries
Base salaries are normally reviewed annually with effect from 1 January. Increases are determined by reference to a peer group, comprising our main competitors, and individual performance. Salaries for Executive Directors and other Executive Committee members are typically around the median of competitor market practice.

Annual cash bonus
The annual cash bonus is closely linked to the achievement of demanding pre-determined profitable growth and asset management targets geared to above industry performance. The specific performance measures for the forthcoming year are net revenue and net income growth. The target percentage growth rates have been set with reference to prevailing industry growth and the growth of the Company's specific peer group. Still more stretching percentage growth rates have been set above target, and the achievement of these delivers higher bonus payments for superior performance.

For 2003, as in 2002, the Executive Directors will participate in an annual cash bonus scheme under which they may receive 100% (CEO) and 75% (CFO) of base salary for achieving a performance level which is set by the Board slightly above the industry median. For the achievement of outstanding performance, which the Board sets at a level approximately double the industry median, the bonus potential is 360% (CEO) and 270% (CFO) of base salary.

Similar incentive arrangements are used for other executives world-wide.

Annual bonuses are not pensionable.

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

Long-term incentives take the form of a mix of share options and restricted shares. Both the levels and mix of share options and restricted shares are determined with reference to competitive market data and the associated cost of share provision. The Committee has not altered its grant policy under its incentive plans in the previous year. The Committee benchmarks total remuneration for executives against the 75th percentile of its peer group. In carrying out the benchmarking exercise, the Company's long-term incentives and those of the peer group are valued using the Black-Scholes valuation methodology which is widely accepted and enables 'like for like' comparisons. The award levels under the long-term incentives for the executives are then determined by calculating the difference between the executive's target total cash compensation and upper quartile total remuneration amongst the Company's peer group.

The Committee also believes that the exercise of options and vesting of restricted share awards should be subject to the satisfaction of performance conditions even though such conditions are not typical practice among Reckitt Benckiser's peer group.

As the long-term incentives are designed to encourage sustained profitable growth, they will only vest following the achievement of pre-determined performance criteria linked to earnings per share (EPS) growth. In addition to focussing the executives on real profit growth, an EPS performance condition provides the most appropriate measure of the Company's underlying performance and is a measure which the performance of the Executive Directors can directly impact. EPS is measured on an adjusted (normalised) diluted basis as shown in the Company's reported accounts as this provides an independently verifiable measure.

The vesting schedule for the options and restricted shares rewards superior performance. For 2003, the Committee set the same targets and levels of awards as in the previous year, having regard to the industry context in which the Company operates and against sensible expectations of what will constitute performance at the top of the peer group, as well as taking into account factors specific to the Company. The Committee has set the targets for initial vesting under its long-term incentive plans of an average 6% growth in EPS per annum, equivalent to a 19% growth over a three-year period, which it considers, based on past performance, to be around the industry growth average. But for exceptional performance of an average 9% growth per annum, equivalent to almost 30% over a three-year period, which would be substantially above the industry average, all the options and shares will vest.

EPS growth per annum (%)	Compound EPS growth over 3 years (%)	% of options and shares vesting
6	19.1	40
7	22.5	60
8	26.0	80
9	29.5	100

If the performance condition has not been achieved, it may be re-tested in each of the two subsequent years, based on the previous three year period. If the condition has not been met within this time, the options and restricted shares lapse. If the performance condition is met, then the option term is ten years from the date of grant.

The scheme rules do not permit option prices to be fixed at a discount to market price.

Awards under the long-term incentive plans are not pensionable.

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

In order to fulfil the Share Ownership Policy, Executive Directors and other senior executives must own the following number of shares:

Individual/Group	Ownership requirement
CEO (1)	400,000 shares
CFO/EVPs (6)	200,000 shares
Other senior executives (25)	50-75,000 shares

Executives, including those newly-recruited or promoted into senior executive positions, are allowed six years to reach these targets. If the Executive does not meet these requirements within the required time period, the Committee will not make any further option grants or awards of restricted shares to the Executive until the targets have been met. Further, if, in the Committee's opinion, an Executive is not making sufficient progress towards satisfying the requirement, then it will reduce the level of grants and awards to that Executive until improvement is demonstrated.

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

Service agreements
For newly-appointed Executive Directors, the Committee has agreed that service contracts should generally continue to be rolling and be terminable on six months' notice. Termination payments, including compensation payable during any notice period, wherever possible, should not exceed 12 months' compensation.

Existing 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 has carefully considered the level of termination payments in the light of provision B.1.7 of the Combined Code and considers them appropriate having regard to the previous contracts of the current Executive Directors. It does not believe it would be in shareholders' interests to re-negotiate these contracts – please refer to Table 4.

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

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. The Board, following recommendations from a sub-committee of the Board consisting of the CEO, Bart Becht, and the CFO, Colin Day, determines their fees. Fees are reviewed annually, with the Board taking external advice from Towers Perrin on best practice and competitive levels, taking into account the responsibilities and time commitment of each Non-Executive Director.

In addition to the 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 – see Table 1.

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

External appointments
Executive Directors of the Company may accept one appointment as a Non-Executive Director of another company. The Board must approve such appointments and any exceptions. Bart Becht's appointment as a Non-Executive Director of Prudential plc was approved by the board on 25 June 2002. Directors are permitted to retain fees for non-executive appointments.

Process of the Committee
The Committee is composed entirely of non-executive Directors. Dr Peter Harf chairs the Committee and its other members are Dr Håkan Mogren, Adrian Bellamy and Dr George Greener.

While Dr Harf is not an independent director as defined in the Combined Code, as he is a representative of a substantial shareholder, the Board believes he is well placed to chair the Committee.

Towers Perrin has been formally appointed as an external adviser to the Committee and, during the year, has provided advice to the Board on executive compensation levels, structure and design and issues relating to retirement benefits.

Internal advisers include the Chief Executive Officer, Bart Becht and the SVP HR, Frank Ruether. The CEO is not present when the Committee discusses his own remuneration.

Throughout 2002, the Company complied with the provisions of Schedule A of the Combined Code relating to the design of performance related remuneration (except where noted above). In preparing this report the Board has followed the provisions of Schedule B of the Combined Code. The contents of this report also comply with the Directors' Remuneration Report Regulations 2002.

Approved by the Board on 7 March 2003 and signed on its behalf by:

Dr Peter Harf
Director

Report on Directors' remuneration (continued)

Remuneration disclosures
In 2002, Reckitt Benckiser substantially out-performed its peers – yet the bonus paid to Executive Directors has dropped by over a third compared to 2001 when measured as a percentage of salary from 351% to 209% of base salary for the Chief Executive Officer and 263% to 157% for the Chief Financial Officer. While the Company had a net revenue growth of 3% (7% at constant rates) and a 23% increase in net income, it did not fully meet its own stretch growth goals set by the Board to the extent achieved in 2001.

Table 1
The information on pages 36 to 38 below comprises the auditable disclosures of The Report on Directors' Remuneration.

		2002						
	Notes	**Salary and fees £000**	**Bonus £000**	**Benefits in kind £000**	**Other payments £000**	**Pension £000**	**Total £000**	2001 Total £000
Chairman								
Dr Håkan Mogren		**200**	–	–	–	–	**200**	146
Executive Directors								
Bart Becht	1	**803**	**1,568**	**65**	**38**	**130**	**2,604**	3,487
Colin Day	2	**344**	**486**	**32**	**12**	**76**	**950**	1,234
Non-executive Directors								
Dr Peter Harf		**45**	–	–	–	–	**45**	45
Adrian Bellamy		**40**	–	–	–	–	**40**	40
Dr George Greener		**40**	–	–	–	–	**40**	40
Dr Ana Maria Llopis		**40**	–	–	–	–	**40**	40
Dieter Meuderscheid		**40**	–	–	–	–	**40**	40
Peter White		**45**	–	–	–	–	**45**	45
Hans van der Wielen		**40**	–	–	–	–	**40**	
Former Directors								
Alan Dalby		–	–	–	–	–	–	60
Prof Jean-Claude Larréché		–	–	–	–	–	–	15
John Rose		–	–	–	–	–	–	15
Total		**1,637**	**2,054**	**97**	**50**	**206**	**4,044**	5,247

Notes

1 The remuneration reported under "Other payments" in respect of Mr Becht relates to a Share Participation Scheme bonus (£27,837) of which £8,000 was taken in shares and a non-pensionable earnings supplement (£9,955) in relation to other contractual benefits.

2 The remuneration reported under "Other payments" in respect of Mr Day relates to a Share Participation Scheme bonus (£11,519) of which £8,000 was taken in shares.

3 The total emoluments of the Directors of Reckitt Benckiser plc as defined by Schedule 6 of the Companies Act were £3,838,225 (2001 £5,029,000).

4 The aggregate gains made by the Directors on the exercise of share options during the year were £3,377,603 (2001 £5,785,436). The unrealised gain on the vesting of restricted shares was £331,350 (2001 nil) and on exercise of share options was £963,364 (2001 nil).

5 The total emoluments of the highest paid Director (excluding pension contributions) were £2,473,975 (2001 £3,363,000).

The 2002 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, and school fees and tax advice in the case of the Chief Executive Officer.

Pensions
Mr Becht and Mr Day are both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a company contribution rate of 17.5% of pensionable pay for Mr Becht and 25% for Mr Day. Contributions of £218,484 were paid in 2001.

Contributions in respect of Mr Becht and Mr Day are shown in Table 1 above.

Table 2 – 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. The middle market price of the ordinary shares at the year end was £12.05 and the range during the year was £9.88 to £12.94.

Executive options and restricted shares	Notes	Grant date	At 1.1.02	Granted during the year	Exercised/ vested during the year	At 31.12.02	Option price (£)	Market price on award (£)	Market price on exercise/ vesting (£)	Exercise/vesting period
Bart Becht										
Options	1	1.1.98	375,000		375,000	–	4.860		11.8707	
	1	1.1.99	625,000			625,000	Euro 11.162			Dec 99-Dec 03
	2	29.9.99	1,200,000			1,200,000	7.040			May 03-Dec 09
	3	22.12.99	100,000			100,000	5.538			May 03-Dec 09
	3	18.12.00	500,000			500,000	8.819			May 04-Dec10
	3	17.12.01	1,000,000			1,000,000	9.504			May 05-Dec 11
	3	22.11.02		1,000,000		1,000,000	11.186			May 06-Nov 12
Restricted shares	2	29.9.99	60,000		30,000	30,000		7.650	11.0450	see note 2
	3	22.12.99	80,000			80,000		5.810		May 03-Dec 09
	3	18.12.00	400,000			400,000		8.800		May 04-Dec 10
	3	17.12.01	400,000			400,000		9.700		May 05-Dec 11
	3	22.11.02		400,000		400,000		10.960		May 06-Nov 12
Colin Day										
Options	3	4.9.00	45,000			45,000	8.338			Sep 03-Sep 10
	3	18.12.00	100,000			100,000	8.819			May 04-Dec 10
	3	17.12.01	200,000			200,000	9.504			May 05-Dec 11
	3	22.11.02		200,000		200,000	11.186			May 06-Nov 12
Restricted shares	3	4.9.00	36,000			36,000		8.235		Sep 03-Sep 10
	3	18.12.00	80,000			80,000		8.800		May 04-Dec 10
	3	17.12.01	80,000			80,000		9.700		May 05-Dec 11
	3	22.11.02		80,000		80,000		10.960		May 06-Nov 12
Peter Harf										
Options	4	1.1.98	250,000		250,000	6,766	5.100		11.8710	
		1.1.99	125,000			125,000	7.480			Dec 99-Dec 03
Hans van der Wielen										
Options	5	27.5.98	4,495		4,495	–	6.766		10.7130	

Sharesave scheme	Grant date	At 1.1.02	Granted during the year	Exercised during the year	At 31.12.02	Option price (£)	Exercise period
Bart Becht	15.9.00	2,777			2,777	6.616	Feb 08-Jul 08
Colin Day	28.9.01	1,967			1,967	8.412	Feb 07-Jul 07

Notes

1 These grants relate to Benckiser annual awards. Where the award has been exercised, the option price is shown in Sterling. Where the options are still to be exercised the option price remains denominated in Euro.

2 For compound average annual growth in earnings per share over a three year period of 6%, 7%, 8% and 9%, the percentage of options vesting under the initial grant on 29 September 1999 is 40%, 60%, 80% and 100% respectively. The remaining 25% of the initial restricted share grant will vest when the Reckitt Benckiser ordinary share price has been £12.32 or better for a 20 consecutive dealing day period.

3 Vesting of options and restricted shares is subject to the achievement of the following compound average annual growth (CAGR) in earnings per share over a three year period.

	Proportion of Grant Vesting (%)			
	40	60	80	100
CAGR for options and restricted shares granted in December 99 & September 00	6	9	12	15
CAGR for options and restricted shares granted in December 00	6	8	10	12
CAGR for options and restricted shares granted in December 01 & November 02	6	7	8	9

4 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.

5 Awarded to Hans van der Wielen as a Supervisory Board Director of Benckiser N.V. at the Annual General Meeting held in 1998.

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:

	7 March 2003	**31 December 2002**	31 December 2001
Bart Becht	**736,753**	**736,753**	703,624
Adrian Bellamy	**8,380**	**8,380**	8,380
Colin Day	**80,882**	**80,882**	68,673
George Greener	**2,000**	**2,000**	2,000
Peter Harf	**799,518**	**799,518**	657,240
Ana Maria Llopis	**2,975**	**1,175**	1,175
Dieter Meuderscheid	**32,910**	**32,910**	32,910
Håkan Mogren	**–**	**–**	–
Peter White	**1,000**	**1,000**	1,000
Hans van der Wielen	**9,270**	**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 2002 had any notifiable share interests in any subsidiary of the Company.

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

Table 4 – Service contracts for Executive Directors

	Date of service contract	Unexpired term	Notice period	Compensation for early termination
Bart Becht	03/12/1999	n/a	6 months	1.5 x base salary, 2 x average bonus in previous two years
Colin Day	04/09/2000	n/a	6 months	1.5 x base salary, 2 x average bonus in previous two years

Table 5 (not auditable)

In 2002, members of the Executive Committee (nine) received around 40%, senior executives (next 30) around 20% and other executives (next 350) around 40% of the total awards made under the long-term incentive plans. The total grants have resulted in 1.2% of issued share capital being used for discretionary long-term incentive plans in 2002 and 3.9% over a rolling ten-year period from 1992 to 2002. See table 5 below.

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

	Total (millions)
Discretionary Plans	
Reckitt Benckiser Executive Plans	23.14
Reckitt & Colman Executive Plans	3.99
Share Ownership Policy Plan	0.20
Employee	
Sharesave UK	0.90
Sharesave US	1.40
Sharesave Overseas	1.60
Share Participation Scheme	0.24
Total	**31.47**

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. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Report on Directors' remuneration ('the auditable part').

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Report on Directors' remuneration 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 and the auditable part of the Directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and 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 only the Chairman's Statement, the Chief Executive's Review, the Operating and Financial Review, the unaudited part of the Report on Directors' remuneration and the Report of the Directors.

We review whether the corporate governance statement reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of 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 and the auditable part of the Directors' remuneration report. 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 and the auditable part of the Report on Directors' remuneration 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 the Group as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Report on Directors' remuneration required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors
London
7 March 2003

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 The Companies Act 1985 and 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.

The results and net assets of the Group's subsidiary in Zimbabwe have been excluded from the consolidated Group results with effect from 1 July 2002, on the basis that severe long-term restrictions exist that hinder the exercise of the Group's rights over the assets employed, in particular the remittance of funds. The results for 2001 and the first half of 2002 are included within discontinued and deconsolidated operations. Results for the second half of 2002 and the balance sheet as at 31 December 2002 are insignificant (half year to 30 June 2002: net revenues of £13m, operating profit of £1m; 2001 full year: net revenues of £14m, operating profit of £2m).

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 BV A Share was 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 had 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.

On 19 and 23 December 2002, the A shareholder exercised its right to exchange the 13,655,000 A shares into Reckitt Benckiser plc ordinary shares. Accordingly, 63,000,000 shares and 5,275,000 shares were issued and admitted to the Official List on 27 December 2002 and 31 December 2002 respectively. The rights attached to the special voting share ceased following exchange, and the share will be cancelled in due course.

In order for the consolidated accounts to present a true and fair view prior to the exchange, it was 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 of accounting for retirement benefits, were to be implemented in 2003, however these requirements have been postponed by the Accounting Standards Board to facilitate an orderly transition to International Accounting Standards in 2005.

FRS 19 'Deferred taxation' has been adopted in these financial statements. As this represents a change in accounting policy, prior year comparatives have been restated, as described in note 22.

The Group has presented disclosures under Financial Reporting Exposure Draft (FRED) 31 'Share-Based Payment' regarding the potential impact on the Group's results had it been issued as an FRS.

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 to reflect current price levels before being translated into Sterling.

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

	2002	2001
Average rates:		
£/Euro	**1.5893**	1.6074
£/US Dollar	**1.5036**	1.4404
Closing rates:		
£/Euro	**1.5345**	1.6353
£/US Dollar	**1.6100**	1.4546

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.

Taxation
The tax charge is based on the profit for the period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. In adopting FRS 19 as stated above, the Group has adopted the full provision basis for deferred tax. Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable.

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 net realisable value 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 2002 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.

Payments made in respect of product registration and distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands, and amortised over the expected period of depletion.

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 and 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. Termination payments made or received in respect of derivatives are taken to the profit and loss account over a period appropriate to the derivative and the underlying instrument.

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 with the credit taken directly to the profit and loss reserve. Additional employer costs in respect of options and awards are charged to the profit and loss account over the same period with the credit included in creditors. Where awards are contingent upon future events (other than continued employment) an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made. Disclosures are provided in note 4 regarding the potential impact of FRED 31. These amounts have not been charged to the profit and loss account in 2002.

Group profit and loss account

for the year ended 31 December 2002

	Notes	2002 £m	2001# £m
Net revenues	1		
Continuing operations		**3,518**	3,416
Discontinued and deconsolidated operations		**13**	23
		3,531	3,439
Cost of sales	2	**(1,678)**	(1,734)
Gross profit	2	**1,853**	1,705
Net operating expenses	2	**(1,276)**	(1,180)
Operating profit	1		
Continuing operations		**576**	522
Discontinued and deconsolidated operations		**1**	3
Operating profit		**577**	525
Non-operating items:			
Profit on disposal of businesses (discontinued operations)	25	**–**	24
Profit on ordinary activities before interest		**577**	549
Interest payable less receivable	5	**(14)**	(33)
Coupon on convertible capital bonds	5	**(18)**	(18)
Profit on ordinary activities before taxation		**545**	498
Tax on profit on ordinary activities	6	**(137)**	(165)
Profit on ordinary activities after taxation		**408**	333
Attributable to equity minority interests		**–**	(1)
Profit for the year	22	**408**	332
Dividends (including non-equity preference dividends)	7	**(181)**	(179)
Retained profit for the year		**227**	153
Earnings per ordinary share	8		
On profit for the year, basic		**58.0p**	47.4p
On profit for the year, diluted		**55.7p**	46.0p
On adjusted profit, diluted		**55.7p**	43.9p

#Restated following the adoption of FRS 19 “Deferred Tax”.

Group and parent company balance sheets

as at 31 December 2002

		Group		Parent	
	Notes	**2002 £m**	2001# £m	**2002 £m**	2001# £m
Fixed assets					
Intangible assets	9	**1,764**	1,767	**–**	–
Tangible assets	10	**525**	575	**–**	–
Investments	11	**–**	–	**1,670**	1,227
		2,289	2,342	**1,670**	1,227
Current assets					
Stocks	12	**230**	219	**–**	–
Debtors due within one year	13	**489**	586	**212**	132
Debtors due after more than one year	14	**85**	74	**2,254**	1,742
Investments	15	**379**	90	**337**	37
Cash at bank and in hand		**40**	89	**–**	10
		1,223	1,058	**2,803**	1,921
Current liabilities					
Creditors due within one year:					
Borrowings	16	**(106)**	(186)	**–**	(11)
Other	17	**(1,210)**	(1,111)	**(985)**	(173)
		(1,316)	(1,297)	**(985)**	(184)
Net current (liabilities)/assets		**(93)**	(239)	**1,818**	1,737
Total assets less current liabilities		**2,196**	2,103	**3,488**	2,964
Non-current liabilities					
Creditors due after more than one year:					
Borrowings	16	**(225)**	(267)	**(130)**	(144)
Other	18	**(163)**	(156)	**(2,443)**	(1,982)
Convertible capital bonds	16, 19	**(193)**	(193)	**–**	–
		(581)	(616)	**(2,573)**	(2,126)
Provisions for liabilities and charges	20	**(407)**	(437)	**–**	–
Equity minority interests		**(7)**	(16)	**–**	–
Net assets		**1,201**	1,034	**915**	838
Capital and reserves					
Called up share capital (including non-equity capital of £5m)	21	**78**	71	**78**	71
Shares to be issued	21	**–**	7	**–**	–
Share premium account	22	**197**	182	**197**	182
Merger reserve	22	**142**	142	–	–
Profit and loss account	22	**784**	632	**640**	585
Total shareholders' funds (including non-equity shareholders' funds of £5m)		**1,201**	1,034	**915**	838

#Restated following the adoption of FRS 19 "Deferred Tax".

Approved by the Board on 7 March 2003

Håkan Mogren
Director

Bart Becht
Director

Group cash flow statement

for the year ended 31 December 2002

Reconciliation of operating profit to cash flow from operating activities

	Notes	2002 £m	2001 £m
Operating profit		**577**	525
Depreciation and amortisation		**82**	74
Loss on sale of fixed assets		**6**	–
(Increase)/decrease in stocks		**(18)**	26
Decrease in debtors		**60**	12
Increase/(decrease) in creditors and provisions		**66**	(13)
Reorganisation and merger integration costs paid		**(21)**	(21)
Cash flow from operating activities		**752**	603

Cash flow statement

	Notes	2002 £m	2001 £m
Cash flow from operating activities		**752**	603
Return on investments and servicing of finance	23a	**(30)**	(50)
Taxation		**(102)**	(57)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(6)**	–
Purchase of tangible fixed assets		**(93)**	(111)
Disposal of tangible fixed assets		**34**	10
		(65)	(101)
Acquisitions and disposals			
Acquisition of businesses	24	**(47)**	(102)
Cash acquired with subsidiary undertakings	24	**–**	7
Disposal of businesses	25	**–**	39
		(47)	(56)
Equity dividends paid		**(181)**	(179)
Cash inflow before use of liquid resources and financing		**327**	160
Management of liquid resources	23b	**(293)**	(55)
Financing	23c	**(59)**	(119)
Decrease in cash in year	23d	**(25)**	(14)

Reconciliation of net cash flow to movement in debt

	Notes	2002 £m	2001 £m
Decrease in cash in year		**(25)**	(14)
Cash outflow from decrease in debt	23d	**74**	136
Cash outflow from increase in liquid resources	23d	**293**	55
Changes in net debt resulting from cash flows		**342**	177
Loans acquired with subsidiary		**–**	(37)
Exchange adjustments		**20**	(12)
Movement in net debt in year		**362**	128
Net debt at beginning of year (including convertible capital bonds)		**(467)**	(595)
Net debt at end of year (including convertible capital bonds)	23d	**(105)**	(467)

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

	2002 £m	2001 £m
Operating cash flow (excluding reorganisation and merger integration costs paid)	**773**	624
Return on investments and servicing of finance	**(30)**	(50)
Taxation	**(102)**	(57)
Capital expenditure (net)	**(65)**	(101)
Net cash flow from ordinary operations	**576**	416

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

Consolidated statement of total recognised gains and losses

	Notes	2002 £m	2001# £m
Profit for the year		**408**	332
Net exchange movements on foreign currency translation		**(100)**	(29)
Total recognised gains and losses relating to the year		**308**	303
Prior year adjustment	22	**(247)**	
Total recognised gains and losses since last Annual Report		**61**	

#Restated following the adoption of FRS 19 "Deferred Tax".

Net exchange gains on net foreign currency borrowings of £20m (2001 losses of £12m) 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

	Notes	2002 £m	2001# £m
Profit for the year		**408**	332
Dividends (including non-equity preference dividends)		**(181)**	(179)
Ordinary shares allotted on exercise of options and conversion of convertible capital bonds		**15**	17
Net exchange movements on foreign currency translation		**(100)**	(29)
Unvested restricted shares	22	**25**	–
Net increase in shareholders' funds		**167**	141
Total shareholders' funds at beginning of year (originally £1,281m before deducting prior year adjustment of £247m)		**1,034**	893
Total shareholders' funds at end of year		**1,201**	1,034

#Restated following the adoption of FRS 19 "Deferred Tax".

There is £5m (2001 £5m) of non-equity shareholders' funds included within total shareholders' funds.

The credit for unvested restricted shares relates to amounts charged to the current and prior year profit and loss accounts under UITF 17 and credited to reserves. In 2001, this item was included in creditors, but has now been credited to reserves to be consistent with the current year treatment. The amount is not sufficiently material to require restatement.

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 geographical area show the net revenues and profit made by, and the net operating assets owned by, companies located in that area.

Net revenues and operating profit – by geographical area	Net revenues 2002 £m	Net revenues 2001 £m	Operating profit 2002 £m	Operating profit 2001 £m	Operating margin 2002 %	Operating margin 2001 %
Continuing operations						
Western Europe	**1,513**	1,390	**339**	297	**22.4**	21.4
North America	**1,109**	1,073	**179**	158	**16.1**	14.7
Latin America	**167**	229	**(1)**	3	**(0.6)**	1.3
Asia Pacific	**401**	397	**35**	22	**8.7**	5.5
Rest of World	**328**	327	**25**	26	**7.6**	8.0
Corporate	**–**	–	**(1)**	16	**–**	–
	3,518	3,416	**576**	522	**16.4**	15.3
Discontinued and deconsolidated operations						
Western Europe	**–**	7	**–**	1	**–**	14.3
Asia Pacific	**–**	2	**–**	–	**–**	–
Rest of World	**13**	14	**1**	2	**7.7**	14.3
	3,531	3,439	**577**	525	**16.3**	15.3

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.

Net revenues and operating profit – by product segment	Net revenues 2002 £m	Net revenues 2001 £m	Operating profit 2002 £m	Operating profit 2001 £m	Operating margin 2002 %	Operating margin 2001 %
Continuing operations						
Household and Health & Personal Care	**3,314**	3,208	**535**	464	**16.1**	14.5
Food	**204**	208	**42**	42	**20.6**	20.2
Corporate	**–**	–	**(1)**	16	**–**	–
	3,518	3,416	**576**	522	**16.4**	15.3
Discontinued and deconsolidated operations						
Household and Health & Personal Care	**13**	23	**1**	3	**7.7**	13.0
	3,531	3,439	**577**	525	**16.3**	15.3

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.

Additional information – net revenues by product group	Net revenues 2002 £m	Net revenues 2001 £m
Continuing operations		
Fabric Care	**895**	874
Surface Care	**769**	800
Dishwashing	**490**	449
Home Care	**537**	492
Health & Personal Care	**455**	411
Core Business	**3,146**	3,026
Other Household	**168**	182
	3,314	3,208

1 Segmental analyses continued

Capital employed – by geographical area	2002 £m	2001# £m
Western Europe	**209**	213
North America	**901**	1,058
Latin America	**37**	81
Asia Pacific	**228**	203
Rest of World	**47**	57
Corporate	**(109)**	(95)
	1,313	1,517

Capital employed – by product segment	2002 £m	2001# £m
Household and Health & Personal Care	**1,334**	1,490
Food	**88**	122
Corporate	**(109)**	(95)
	1,313	1,517

Capital employed comprises	2002 £m	2001# £m
Fixed assets	**2,289**	2,342
Current assets	**1,223**	1,058
Creditors due within one year	**(1,316)**	(1,297)
Creditors due after more than one year	**(581)**	(616)
Provisions for liabilities and charges	**(407)**	(437)
Add back: Net debt	**105**	467
	1,313	1,517

#Restated following the adoption of FRS 19 "Deferred Tax".

Capital employed is calculated for segmental analyses 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

	2002			2001		
	Continuing £m	**Discontinued and decon-solidated £m**	**Total £m**	Continuing £m	Discontinued and decon-solidated £m	Total £m
Cost of sales	**(1,671)**	**(7)**	**(1,678)**	(1,720)	(14)	(1,734)
Gross profit	**1,847**	**6**	**1,853**	1,696	9	1,705
Distribution costs	**(947)**	**(2)**	**(949)**	(878)	(2)	(880)
Administrative expenses:						
Research and development	**(54)**	**–**	**(54)**	(50)	–	(50)
Other	**(300)**	**(3)**	**(303)**	(282)	(4)	(286)
Total administrative expenses	**(354)**	**(3)**	**(357)**	(332)	(4)	(336)
Other net operating income	**30**	**–**	**30**	36	–	36
Net operating expenses	**(1,271)**	**(5)**	**(1,276)**	(1,174)	(6)	(1,180)

3 Auditors' remuneration

The remuneration of the Group's auditors for audit services amounted to £1.8m (2001 £1.8m). This amount included £0.4m (2001 £0.3m) relating to the audit of the parent company.

The remuneration of the Group's auditors for non-audit services amounted to £1.2m (2001 £1.7m). This included other audit and assurance services of £0.4m (2001 £0.4m), taxation services of £0.6m (2001 £0.7m) and other services of £0.2m (2001 £0.6m). Of this £0.7m (2001 £0.9m) was incurred in the UK.

4 Employees

a) Staff costs

	2002 £m	2001 £m
The total employment costs were:		
Wages and salaries	**359**	324
Social security costs	**64**	51
Pension costs net of pensions credits	**14**	15
Post-retirement benefits other than pensions	**7**	6
	444	396

Details of Directors' emoluments are included in the Report on Directors' remuneration on pages 33 to 38.

b) Staff numbers

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

	2002 000s	2001 000s
Western Europe*	**5.2**	5.1
North America	**2.5**	2.5
Latin America	**2.3**	2.6
Asia Pacific	**8.7**	8.4
Rest of World	**3.6**	3.8
	22.3	22.4

*Included in Western Europe are 1,300 (2001 1,300) UK employees.

c) Share-based remuneration

The following unaudited disclosure is provided voluntarily in accordance with the proposals of FRED 31, 'Share Based Payment', to show the charge to the Group's profit and loss account in respect of share options if the proposals were adopted in these financial statements. For completeness, the cost in respect of restricted shares, which has been charged to the profit and loss account in 2002, is also shown under separate heading below.

In the period between 7 November 2002 (the issue date of the exposure draft) and the year end, the Company made grants under one share-based payment arrangement, which is described below.

Share Options – 1999 Share Option Plan

On 22 November 2002 the Company granted 6,914,000 options in total to approximately 400 employees at senior management level under the terms of the 1999 Share Option Plan. None were forfeited or exercisable at 31 December 2002. The exercise price of the options was fixed at the date of grant at £11.186, and both the options and restricted shares have a contractual life of ten years. The options and restricted shares were granted conditional upon the employees remaining in the Group's employment for three years from the date of grant. The extent of vesting depends on the earnings per share growth of the Group over the period 2003 to 2005. For compound EPS growth over that period of 6%, 7%, 8% and 9%, the percentage of options vesting is 40%, 60%, 80% and 100% respectively.

The fair value of the options was measured at grant date using the Black-Scholes model. An adjustment factor of 0.86 was applied to take account of any outcome of the performance criteria of less than 100% and lapse of options over the performance period. The model inputs were: the share price at grant date of £10.96; exercise price of £11.186 (calculated with reference to the closing prices on the five trading days preceding the grant); expected volatility of 27% (based on the historical volatility over the 24 months to December 2002); expected dividend yield of 2.24% (based on three year historical data); expected life of five years; and a risk-free interest rate of 4.5%. The contractual life of the options is ten years, but the Company expects that, once vested, five years is a more reasonable expected life. The risk-free interest rate is equal to the yield on UK government bonds available at grant date with a remaining term of five years. The resulting fair value of one option is £2.60 before the adjustment factor or £2.236 after adjustment.

Pro forma profit and loss account disclosures

The total fair value of options granted under the 2002 grant is £15m. This amount would be spread evenly over the three years from 1 January 2003 to 31 December 2005, being the performance period.

	£m
Fair value options granted: 2002 grant which would be charged in 2003	**5**

Restricted Shares – 1999 Restricted Share Plan

The Company has issued a number of tranches of restricted shares to date. These are treated as share options with a nil strike price for accounting purposes. Accordingly, under UITF 17, the intrinsic value at grant date is charged to the profit and loss account over the performance period. The total charge to the profit and loss account in 2002 in respect of previous restricted share grants was £15m.

On 22 November 2002, the Company granted 2,223,500 restricted shares in total to approximately 400 employees at senior management level under the terms of the 1999 Restricted Share Plan. None were forfeited or exercisable at 31 December 2002. The fair value of the restricted shares is taken as the intrinsic value at the grant date, being £10.96. The cost of this award, £24m, will be charged to the profit and loss account in accordance with UITF 17 over the performance period 2003 to 2005, equivalent to an annual charge of £8m in those three years.

4 Employees continued

d) Pension schemes

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. The principal data for these schemes are as follows:

	UK	**US**
Date of actuarial review	5.4.01	1.1.02
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	£130m
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%	98%

The pension cost charged/(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**	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Regular cost	**6**	4	**4**	4
Variations from regular cost	**(4)**	(4)	**(3)**	(5)
Net pension cost/(credit)	**2**	–	**1**	(1)

Debtors due after more than one year includes a prepayment of £57m (2001 £59m) in respect of the excess funding of the UK scheme and £5m (2001 £5m) in respect of other schemes. Provisions include £nil (2001 £14m) in respect of the above US schemes and £42m (2001 £37m) in respect of other schemes.

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

e) 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:

	2002 £m	2001 £m
Gross provision	**95**	106
Tax relief	**(33)**	(37)
Net provision	**62**	69
Annual cost charged to profit and loss account	**6**	6
Assumptions:		
Liability discount rate	**7.0%p.a.**	7.5%p.a.
Medical cost inflation	**10.0%-5.0%p.a.**	12.0%-5.0%p.a.
Number of current employees potentially eligible	**1,067**	1,229
Number of eligible retirees	**3,107**	2,907

Notes to the accounts (continued)

4 Employees continued

f) Retirement benefit schemes – FRS 17 disclosure
The disclosures below are provided in accordance with the transitional requirements of FRS 17 'Retirement benefits'. 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 2002. For the US scheme, a full actuarial valuation was carried out at 1 January 2002 and updated at 31 December 2002. 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 2002 were:

	2002		2001	
	UK	**US**	UK	US
Rate of increase in salaries	**4.3%**	**5.0%**	4.5%	5.0%
Rate of increase in pension payments	**2.3%**	**–**	2.5%	–
Discount rate	**5.6%**	**6.5%**	6.0%	7.0%
Inflation assumption	**2.3%**	**–**	2.5%	–
Long-term expected rate of return on:				
Equities	**8.0%**	**10.0%**	8.0%	10.0%
Bonds	**5.1%**	**7.0%**	5.5%	7.0%
Other	**4.0%**	**–**	5.5%	–

The assets and liabilities in the scheme at 31 December 2002 were:

	2002				2001			
	UK £m	**US £m**	**Other £m**	**Total £m**	UK £m	US £m	Other £m	Total £m
Equities	**293**	**71**	**19**	**383**	334	84	37	455
Bonds	**183**	**40**	**18**	**241**	229	46	9	284
Other	**13**	**–**	**6**	**19**	11	–	6	17
Total market value of assets	**489**	**111**	**43**	**643**	574	130	52	756
Present value of scheme liabilities	**(509)**	**(138)**	**(195)**	**(842)**	(490)	(144)	(225)	(859)
Scheme (deficit)/surplus	**(20)**	**(27)**	**(152)**	**(199)**	84	(14)	(173)	(103)
Related deferred tax asset/(liability)	**6**	**10**	**50**	**66**	(25)	5	58	38
Net pension (liability)/asset	**(14)**	**(17)**	**(102)**	**(133)**	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 £148m (2001 £163m) to cover retirement benefit liabilities.

If the above amounts were recognised in the financial statements, the Group's shareholders' funds at 31 December 2002 would be as follows:

	2002 £m	2001# £m
Shareholders' funds as presented	**1,201**	1,034
SSAP 24 retirement benefits liability (net of deferred tax)	**53**	61
Shareholders' funds excluding SSAP 24 retirement benefits net liability	**1,254**	1,095
FRS 17 retirement benefits net liability	**(133)**	(65)
Shareholders' funds including FRS 17 retirement benefits net liability	**1,121**	1,030

#Restated following the adoption of FRS 19 "Deferred Tax".

Under the transitional rules of FRS 17, the following disclosures are presented to show the impact on the performance statements if the FRS had been adopted in 2002. These amounts have not been included in the primary financial statements.

Analysis of amount that would be charged to operating profit in respect of defined benefit schemes	**2002 £m**
Current service cost	**13**
Past service cost	**2**
Total operating charge	**15**

Analysis of amount that would be credited to other finance income	**2002 £m**
Expected return on pension scheme assets	**(53)**
Interest on pension scheme liabilities	**47**
Net return	**(6)**

4 Employees continued

f) Retirement benefit schemes – FRS 17 disclosure continued

Analysis of amounts that would be recognised in the statement of total recognised gains and losses	**2002 £m**
Actual return less expected return on pension scheme assets	**(136)**
Experience gains and losses on scheme liabilities	**5**
Changes in assumptions underlying present value of scheme liabilities	**14**
Actuarial loss recognised	**(117)**

Movement in surplus/(deficit) during the year	**UK £m**	**US £m**	**Other £m**	**Total £m**
Surplus/(deficit) at 1 January 2002	84	(14)	(173)	(103)
Current service cost	(6)	(3)	(4)	(13)
Contributions	–	17	8	25
Past service cost	–	(2)	–	(2)
Other finance income	11	2	(7)	6
Actuarial (loss)/gain	(109)	(28)	20	(117)
Exchange adjustments	–	1	4	5
Deficit at 31 December 2002	**(20)**	**(27)**	**(152)**	**(199)**

History of experience gains and losses	**2002 %**
Difference between expected and actual return on scheme assets as percentage of scheme assets	**(21.2)**
Experience gains and losses on scheme liabilities as percentage of present value of scheme liabilities	**(0.6)**
Actuarial loss as percentage of present value of scheme liabilities	**13.9**

A 1% movement in the assumptions used for the long-term expected rate of return on scheme assets would change the expected return on pension scheme assets for 2002 (included within other finance income above) by £5m for the UK scheme and £1m for the US scheme.

5 Interest payable less receivable and coupon on convertible capital bonds

	2002 £m	2001 £m
Interest receivable and similar income:		
On short-term deposits	**20**	14
Interest payable and similar charges:		
On bank loans and overdrafts	**(12)**	(17)
On other borrowings	**(22)**	(30)
	(14)	(33)
Coupon on convertible capital bonds (note 19)	**(18)**	(18)

Of the interest payable and similar charges, £0.5m relates to borrowings repayable after more than five years (2001 £6m).

6 Tax on profit on ordinary activities

	2002 £m	2001# £m
Current tax:		
UK corporation tax at 30% (2001 30%)	**11**	13
Foreign tax – corporation tax	**111**	129
Foreign tax – adjustment in respect of prior periods	**(8)**	–
Total current tax	**114**	142
Deferred tax:		
Origination and reversal of timing differences:		
UK	**(6)**	(8)
Overseas	**29**	31
Total deferred tax	**23**	23
Tax on profit on ordinary activities	**137**	165

#Restated following the adoption of FRS 19 “Deferred Tax”.

Of the £23m deferred tax charge for 2001, £24m arose as a prior year adjustment following the adoption of FRS 19. In 2001, the Group previously reported a £1m deferred tax credit.

Notes to the accounts (continued)

6 Tax on profit on ordinary activities continued
The current tax charge for the year is lower (2001: lower on a restated basis) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £m	2001 £m
Profit on ordinary activities before tax	**545**	498
Tax at standard rate of UK corporation tax of 30% (2001 30%)	**163**	149
Effects of:		
Adjustment for higher/(lower) tax rates on overseas earnings	**(48)**	(59)
Allowance for tax risks	**12**	58
Unutilised tax losses	**9**	8
Allowance for merger costs	**(4)**	(10)
Withholding taxes	**8**	15
Intangibles allowances in excess of amortisation	**(29)**	(28)
Utilised tax losses	**(9)**	(13)
Adjustment in respect of prior periods	**(8)**	–
Other timing differences	**15**	19
Other permanent differences	**5**	3
Total current tax (as above)	**114**	142

Certain deferred tax assets totalling £154m in respect of overseas corporation tax losses and other timing differences have not been recognised at 31 December 2002 as the likelihood of future economic benefit is not sufficiently assured. These assets would be recognised if utilisation of the losses and other timing differences becomes reasonably certain. The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

7 Dividends

	2002 £m	2001 £m
Dividends on equity ordinary shares:		
Interim – 12.7p per share (2001 12.7p)	**90**	89
Proposed final, payable 21 May 2003 – 12.8p per share (2001 12.8p)	**91**	90
Ordinary dividends	**181**	179
Preference dividends (non-equity) – £0.2m (2001 £0.2m)	**–**	–
Total dividends for the year	**181**	179

As described on page 40, in order for the consolidated accounts to show a true and fair view prior to exchange, 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:

	2002			2001#		
	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	**408**	**704,352,704**	**58.0**	332	700,389,601	47.4
Dilution for Executive options outstanding	**–**	**11,788,985**		–	9,235,337	
Dilution for Employee Sharesave Scheme options outstanding	**–**	**1,459,933**		–	1,133,304	
Dilution for convertible capital bonds outstanding*	**13**	**38,929,275**		13	38,964,597	
On a diluted basis	**421**	**756,530,897**	**55.7**	345	749,722,839	46.0

*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.

Prior to the exchange described on page 40, 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 was in substance the same as if it had held five new Reckitt Benckiser plc ordinary shares for every Reckitt Benckiser Holdings BV A share held.

8 Earnings per share continued

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:

	2002			2001#		
	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	**408**	**704,352,704**	**58.0**	332	700,389,601	47.4
Non-operating items	**–**	**–**		(24)	–	
Related taxation (including deferred taxation)	**–**	**–**		8	–	
	408	**704,352,704**	**58.0**	316	700,389,601	45.1
Impact of dilution	**13**	**52,178,193**		13	49,333,238	
On an adjusted, diluted basis	**421**	**756,530,897**	**55.7**	329	749,722,839	43.9

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.

#Restated following the adoption of FRS 19 "Deferred Tax".

9 Fixed assets – intangible assets

Group	**Brands £m**	**Goodwill and other £m**	**Total £m**
Cost			
At 1 January 2002	1,719	77	1,796
Additions	20	63	83
Reclassifications (note 24)	(10)	10	–
Exchange adjustments	(77)	(5)	(82)
At 31 December 2002	**1,652**	**145**	**1,797**
Accumulated impairment charges and amortisation			
At 1 January 2002	(18)	(11)	(29)
Impairment charges/amortisation for the year	(3)	(4)	(7)
Exchange adjustments	2	1	3
At 31 December 2002	**(19)**	**(14)**	**(33)**
Net book amounts			
At 1 January 2002	1,701	66	1,767
At 31 December 2002	**1,633**	**131**	**1,764**

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

The impairment/amortisation charge for the year ended 31 December 2001 was £6m.

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 2002	288	846	1,134
Additions	16	77	93
Disposals	(2)	(97)	(99)
Exchange adjustments	(15)	(21)	(36)
At 31 December 2002	**287**	**805**	**1,092**
Accumulated depreciation			
At 1 January 2002	(86)	(473)	(559)
Provision for the year	(10)	(65)	(75)
Disposals	–	59	59
Exchange adjustments	(1)	9	8
At 31 December 2002	**(97)**	**(470)**	**(567)**
Net book amounts			
At 1 January 2002	202	373	575
At 31 December 2002	**190**	**335**	**525**

The depreciation charge for the year ended 31 December 2001 was £70m.

The net book amounts of assets held under finance leases included in tangible assets is £1m (2001 £1m).

The net book amounts of land and buildings comprise:

Group	2002 £m	2001 £m
Freehold land	**29**	31
Freehold buildings	**142**	152
Long leaseholds	**10**	10
Short leaseholds	**9**	9
	190	202

Future capital expenditure contracted but not provided for in the accounts is £8m (2001 £15m).

Annual commitments under non-cancellable operating leases at 31 December 2002 were:

	2002		2001	
Group	**Land and buildings £m**	**Plant and equipment £m**	Land and buildings £m	Plant and equipment £m
Expiry of operating leases:				
Within one year	**5**	**6**	2	4
Between one and five years	**6**	**5**	7	3
After five years	**6**	**–**	6	–
	17	**11**	15	7

Operating lease rentals charged to the profit and loss account in 2002 were £18m (2001 £17m) in respect of land and buildings and £8m (2001 £6m) in respect of plant and equipment.

11 Investments classified as fixed assets

Parent	Shares in subsidiary undertakings £m
Cost and net book amounts	
At 1 January 2002	1,227
Additions during the year	443
At 31 December 2002	**1,670**
Listed investments	
Net book amounts at 1 January 2002	7
Net book amounts at 31 December 2002	**7**
Market value at 1 January 2002	35
Market value at 31 December 2002	**53**

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 2002, 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 (Brasil) Limitada	Household	Brazil	Ordinary 100
Reckitt Benckiser (Canada) Inc.	Household and Food	Canada	Ordinary 100
Reckitt Benckiser Deutschland AG	Household	Germany	Ordinary 100
Reckitt Benckiser España SL	Household	Spain	Ordinary 100
Reckitt Benckiser France SAS	Household	France	Ordinary 100
Reckitt Benckiser Healthcare (UK) Limited	Household	UK	Ordinary 100
Reckitt Benckiser Inc.	Household and Food	USA	Ordinary 100
Reckitt Benckiser (India) Limited	Household	India	Ordinary 93
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 will be annexed to the Company's next annual return to Companies House.

12 Stocks

Group	2002 £m	2001 £m
Raw materials and consumables	**53**	51
Work in progress	**11**	9
Finished goods and goods held for resale	**166**	159
	230	219

Notes to the accounts (continued)

13 Debtors due within one year

	Group		Parent	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Trade debtors	**404**	455	**–**	–
Amounts owed by Group undertakings	**–**	–	**210**	131
Other debtors*	**60**	96	**2**	1
Prepayments and accrued income	**25**	35	**–**	–
	489	586	**212**	132

*Other debtors at 31 December 2002 include £1,383,000 (2001 £689,000) in respect of loans to seven (2001 seven) officers of the Company.

14 Debtors due after more than one year

	Group		Parent	
	2002 £m	2001# £m	**2002 £m**	2001 £m
Amounts owed by Group undertakings	**–**	–	**2,254**	1,742
Deferred tax (note 22)	**7**	–	**–**	–
Other debtors	**6**	10	**–**	–
Prepayments and accrued income	**72**	64	**–**	–
	85	74	**2,254**	1,742

#Restated following the adoption of FRS 19 "Deferred Tax".

15 Current asset investments

	Group		Parent	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Short-term deposits	**370**	90	**337**	37
Commercial paper	**9**	–	**–**	–
	379	90	**337**	37

16 Borrowings, convertible capital bonds and maturity of debt

	Group		Parent	
a) Borrowings and convertible capital bonds	**2002 £m**	2001 £m	**2002 £m**	2001 £m
Creditors due within one year				
Bank loans and overdrafts	**104**	174	**–**	11
Other borrowings	**2**	12	–	–
	106	186	**–**	11
Creditors due after more than one year				
Bank loans	**25**	47	**–**	–
Other borrowings	**200**	220	**130**	144
	225	267	**130**	144
Convertible capital bonds (note 19)	**193**	193	**–**	–
	418	460	**130**	144
Gross borrowings	**524**	646	**130**	155

16 Borrowings, convertible capital bonds and maturity of debt continued

b) Maturity of debt	Group 2002 £m	Group 2001 £m	Parent 2002 £m	Parent 2001 £m
Bank loans and overdrafts repayable:				
Within one year or on demand	**104**	174	**–**	11
Between one and two years	**25**	24	**–**	–
Between two and five years	**–**	23	**–**	–
	129	221	**–**	11
Other borrowings (including the convertible capital bonds) repayable:				
Within one year or on demand:				
Commercial notes*	**–**	1	**–**	–
Other	**2**	11	**–**	–
Between one and two years:				
6.64% Notes Series E due 2004	**59**	–	**59**	–
Other	**1**	1	**–**	–
Between two and five years:				
6.64% Notes Series E due 2004	–	65	**–**	65
6.72% Notes Series F due 2007	**71**	–	**71**	**–**
7.09% Preferred Auction Rate Changeable Shares Series A due 2006#	**62**	69	**–**	–
Convertible capital bonds (note 19)	**193**	193	**–**	–
After more than five years:				
6.72% Notes Series F due 2007 (not payable by instalments)	**–**	79	**–**	79
Other (payable by instalments)	**7**	6	**–**	–
	395	425	**130**	144
Gross borrowings (unsecured)	**524**	646	**130**	155

*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 2002 calculated in accordance with the Articles of Association was £2,595m (2001 £2,261m restated following the implementation of FRS 19).

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	2002 £m	2001 £m
Expiring within one year	**426**	426
Expiring after more than two years	**430**	434
	856	860

Notes to the accounts (continued)

17 Creditors due within one year – other

	Group		Parent	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Trade creditors	**410**	391	–	–
Amounts owed to Group undertakings	**–**	–	**881**	81
Other creditors	**69**	33	**2**	11
Corporation tax	**136**	113	**10**	–
Other tax and social security	**34**	36	**–**	–
Dividends	**90**	90	**90**	81
Accruals and deferred income	**471**	448	**2**	–
	1,210	1,111	**985**	173

18 Creditors due after more than one year – other

	Group		Parent	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Amounts owed to Group undertakings	**–**	–	**2,442**	1,982
Other creditors	**42**	33	**–**	–
Corporation tax	**112**	120	**–**	–
Accruals and deferred income	**9**	3	**1**	–
	163	156	**2,443**	1,982

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 2002, holders of bonds amounting in value to £244,043 (2001 £125,514) exercised their right of conversion into 49,168 (2001 25,225) ordinary shares of Reckitt Benckiser plc, giving a cumulative £7,885,496 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 liabilities £m	Pensions £m	Post-retirement benefits other than pensions £m	Other provisions £m	Total £m
At 1 January 2002 as previously reported	21	50	51	112	30	264
Prior year adjustment – FRS 19	–	173	–	–	–	173
At 1 January 2002 as restated	21	223	51	112	30	437
Charged to profit and loss account	–	25	11	13	5	54
Utilised during the year	(21)	–	(22)	(8)	(17)	(68)
Exchange adjustments	–	(6)	2	(11)	(1)	(16)
At 31 December 2002	**–**	**242**	**42**	**106**	**17**	**407**

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 2002, this provision was utilised as follows:

	2002 £m	2001 £m
Employee severance	**6**	11
Building closures	**2**	5
Other costs and fees	**13**	5
Total utilisation	**21**	21

b) Other provisions

Other provisions include deferred contingent consideration of £4m (2001 £10m) in respect of acquisitions made in 2001.
It is expected that the requirement for this provision will be determined in 2003. 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

The provision for deferred tax comprises:

	2002 £m	2001# £m
Accelerated capital allowances	**34**	32
Intangibles	**277**	255
Short term timing differences	**(38)**	(21)
Losses	**(17)**	(23)
Pensions	**(14)**	(20)
	242	223

#Restated following the adoption of FRS 19 "Deferred Tax".

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

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 $10\frac{10}{19}$p each	240,037,023	–	25	–
Ordinary shares of $10\frac{10}{19}$p each	705,462,977	634,116,196	75	66
At 1 January 2002	945,500,000	634,116,196	100	66
Allotments		71,346,781		7
At 31 December 2002	**945,500,000**	**705,462,977**	**100**	**73**
Special voting share of 10p*				
At 1 January 2002 and 31 December 2002	**1**	**1**	**–**	**–**
Non-equity capital – 5% Cumulative Preference Shares of £1 each†				
At 1 January 2002 and 31 December 2002	**4,500,000**	**4,500,000**	**5**	**5**

Shares to be issued#	Number of shares	£m
At 1 January 2002	68,275,000	7
Allotted during year	(68,275,000)	(7)
At 31 December 2002	–	–

*The rights attached to the special voting share were 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 had the right to exercise 68,275,000 votes at the General Meetings of the Company. This right ceased when JAB exchanged its Reckitt Benckiser Holdings BV A Shares for Reckitt Benckiser plc ordinary shares in December 2002.

†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 were in respect of the 13,655,000 A shares in Reckitt Benckiser Holdings BV (the A shares) previously held by JAB. Under a Shareholders' Agreement, each A share was 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 had a right to exchange its 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 40, on 19 and 23 December 2002, JAB exercised its right to exchange the A shares into Reckitt Benckiser plc ordinary shares. Accordingly, 63,000,000 shares and 5,275,000 shares were admitted to the official list on 27 December 2002 and 31 December 2002 respectively. In order for the consolidated accounts to show a true and fair view prior to this exchange, 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 were included in the consolidated balance sheet as if they had already been exchanged for Reckitt Benckiser plc ordinary shares, at a ratio of five Reckitt Benckiser plc shares for every A share.

During the year ordinary shares were allotted as follows:

Ordinary shares of $10\frac{10}{19}$p	Number of shares	Number of shares	Consideration £m	Consideration £m
Under the Share Participation Scheme		38,384		–
Under the Savings-Related Share Option Schemes		234,660		1
Executive Share Options	2,603,069		14	
Initial Award Restricted Shares	146,500		–	
Total under Executive Share Option and Restricted Share Schemes		2,749,569		14
On conversion of convertible capital bonds		49,168		–
On exchange of Reckitt Benckiser Holdings B.V. A shares (non cash)		68,275,000		7
Total		71,346,781		22

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 2006 and 2012 granted during the year were as follows:

Executive share option and restricted share schemes	Price to be paid	Number of shares under option
1999 Share Option Plan – Annual Grant	1,118.6p	6,914,000
Restricted Share Plan – Annual Grant	–	2,223,500
Total		9,137,500

Savings-related share option schemes	953.6p	568,655

Options and restricted shares unexercised at 31 December 2002

Options and restricted shares exercisable at various dates between 2002 and 2012 are as follows:

	Price to be paid		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2002**	2001
Reckitt & Colman Schemes	594.6p	1212.0p	**1,145,371**	1,939,825
Benckiser 1997 Schemes		205.0p	**576,175**	887,845
Benckiser 1998 Schemes		510.0p	**640,335**	2,008,095
Benckiser Long-term Award Plan for Supervisory Directors – 1998		676.6p	**15,725**	20,220
Benckiser Long-term Incentive Scheme 1999 Annual Award	728.0p	748.0p	**2,411,770**	2,667,625
Benckiser Initial Award Agreement 29 September 1999:				
– Options		704.0p	**4,600,000**	4,600,000
– Restricted Shares		–	**115,000**	230,000
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		722.0p	**1,080,000**	1,220,000
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	**36,000**	79,000
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	553.8p	1,118.6p	**14,992,825**	8,791,375
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**6,946,575**	5,033,550
Reckitt Benckiser Senior Executive Share Ownership Policy Plan		–	**190,000**	–
			32,749,776	27,477,535

	Price to be paid		Number of shares under option	
Savings-related share option schemes	From	To	**2002**	2001
UK Scheme	540.6p	953.6p	**851,403**	864,583
Overseas Scheme	647.0p	953.6p	**1,776,727**	1,863,152
USA Scheme	647.0p	953.6p	**1,349,219**	1,394,393
Total			**3,977,349**	4,122,128

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 2003 and 7 March 2003, 97,609 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 17 December 2002, an option to purchase 305,757 ordinary shares of $10^{10}/_{19}$p each at a price of 953.6p was granted to Reckitt Benckiser Employees' Trustees (Jersey) Limited in connection with the Reckitt Benckiser Overseas Savings Related Share Option Scheme. On 17 December 2002, an option to purchase 92,174 ordinary shares of $10^{10}/_{19}$p each at a price of 953.6p was granted to BWCI Trust Company 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 29 November 2002. The Group has taken advantage of the exemption in UITF 17 from the need to apply the provisions of the UITF to Inland Revenue approved SAYE Schemes.

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 2002 as previously reported	182	142	879	182	585
Prior year adjustment – FRS 19	–	–	(247)	–	–
At 1 January 2002 as restated	182	142	632	182	585
Movements during the year:					
Shares allotted under share participation and option schemes	15	–	–	15	–
Profit for the year	–	–	408	–	211
Ordinary dividends	–	–	(181)	–	(172)
Net exchange movements on foreign currency translation	–	–	(100)	–	(9)
Unvested restricted shares	–	–	25	–	25
At 31 December 2002	**197**	**142**	**784**	**197**	**640**

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 (2001 £760m).

The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were statutory or other restrictions on the distribution of £422m (2001 £325m) of the reserves of subsidiary undertakings at 31 December 2002.

The credit for unvested restricted shares relates to amounts charged to the current year (£15m) and prior year (£10m) profit and loss accounts under UITF 17 and credited to reserves. In 2001, this item was included in creditors but has now been credited to reserves to be consistent with the current year treatment. The amount, which is not distributable, is not sufficiently material to require restatement.

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

Prior year adjustment

The prior year adjustment relates to the implementation of FRS 19, 'Deferred tax'. The adoption of FRS 19 has resulted in an increase in the taxation charge for 2001 of £24m and a decrease in the 2001 profit for the year of £24m. The adjustment to opening reserves as at 1 January 2001 was £223m, giving a total prior year adjustment of £247m (deferred tax asset £74m, deferred tax liability £173m) as at 31 December 2001. The impact on the 2002 profit and loss account of the implementation of FRS 19 is not materially different to the impact on the 2001 profit and loss account.

23 Cash flow statement

a) Return on investments and servicing of finance	2002 £m	2001 £m
Interest received	**23**	14
Interest paid	**(35)**	(45)
Coupon on convertible capital bonds	**(18)**	(18)
Dividends paid to minority interests	**–**	(1)
	(30)	(50)

b) Management of liquid resources	2002 £m	2001 £m
Increase in commercial paper	**(10)**	–
Increase in short-term deposits	**(283)**	(55)
	(293)	(55)

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.

23 Cash flow statement continued

c) Analysis of changes in financing during the year	**2002** £m	**2002** £m	2001 £m	2001 £m
Issue of ordinary share capital		**15**		17
Debt due within one year:				
Increase in borrowing	**22**		97	
Repayments	**(73)**		(207)	
Debt due after more than one year:				
Increase in borrowing	**–**		4	
Repayments	**(23)**		(30)	
		(74)		(136)
		(59)		(119)

d) Analysis of net debt	At 1 January 2002 £m	Cash flow £m	Exchange differences £m	At 31 December 2002 £m
Cash at bank and in hand	89	(47)	(2)	**40**
Overdrafts	(30)	22	–	**(8)**
	59	(25)	(2)	**32**
Debt due within one year	(156)	51	7	**(98)**
Debt due after more than one year	(267)	23	19	**(225)**
Convertible capital bonds	(193)	–	–	**(193)**
	(616)	74	26	**(516)**
Current asset investments	90	293	(4)	**379**
Total net debt	(467)	342	20	**(105)**

24 Acquisition of businesses

2002: In July 2002, the Group acquired an additional 42% interest in Reckitt Benckiser (India) Limited, its Indian subsidiary, for consideration of £46m cash. The corresponding reduction in minority interest was £8m. In an assessment of the fair value of the business, £19m was attributed to brands owned by the local business, for all other assets and liabilities, fair value approximated to book value. Accordingly, £19m of goodwill arose and is being amortised over 20 years. No fair value adjustments were made to the book value of the tangible net assets of the business which are shown below:

	£m
Fixed assets	10
Stocks	7
Debtors	6
Cash	18
Creditors	(20)
	21

In July 2002, the Group acquired an additional 16% interest in Reckitt Benckiser (Lanka) Limited, its Sri Lankan subsidiary, for consideration of £1m cash. The reduction in minority interest was not significant and the fair value of all assets and liabilities approximated to book value. Accordingly £1m of goodwill arose and is being amortised over 20 years.

The above acquisitions were accounted for under acquisition accounting.

2001: 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 a provisional brand value of £79m at 31 December 2001. The completion of the Directors' assessment of the fair value of the assets and liabilities acquired did not alter the provisional assessment made at 31 December 2001.

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, provisionally giving rise to goodwill of £15m and brands of £32m at 31 December 2001. Following the completion of the Directors' assessment of the fair value of the assets and liabilities acquired, the amount of brands capitalised in respect of the Indonesian business has been revised from £32m to £22m. Goodwill, and amortisation of goodwill, has been adjusted accordingly. There were no other adjustments to the fair values of the assets and liabilities acquired.

Notes to the accounts (continued)

25 Non-operating items – profit on disposal of businesses

	2002 Total £m	2001 Total £m
Net assets disposed	**–**	11
Disposal provisions	**–**	4
Profit on disposal – discontinued operations	**–**	24
Net proceeds of disposal and effect on cash flow	**–**	39

The tax charge in respect of non-operating disposal profits is £nil (2001 £8m, which was included in the tax charge for 2001).

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 24 to 26.

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 2002	**Floating £m**	**Non-interest bearing £m**	**Total £m**	**Fixed £m**	**Floating £m**	**Non-interest bearing £m**	**Total £m**	**Net financial assets/ (liabilities) £m**
Sterling	**336**	**5**	**341**	**(198)**	**–**	**(5)**	**(203)**	**138**
US Dollar	**12**	**2**	**14**	**(192)**	**(3)**	**–**	**(195)**	**(181)**
Euro	**9**	**6**	**15**	**(24)**	**(35)**	**(1)**	**(60)**	**(45)**
Other	**46**	**7**	**53**	**(1)**	**(75)**	**–**	**(76)**	**(23)**
	403	**20**	**423**	**(415)**	**(113)**	**(6)**	**(534)**	**(111)**
of which:								
Cash at bank and in hand			**40**				**–**	**40**
Current asset investments*			**379**				**–**	**379**
Gross borrowings			**–**				**(524)**	**(524)**
Preference shares			**–**				**(5)**	**(5)**
Other financial assets/(liabilities)			**4**				**(5)**	**(1)**
			423				**(534)**	**(111)**

*Excludes the net balance on cross currency swaps of £0.3m.

	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

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 2002, the Group had no outstanding interest rate swaps (2001 five interest rate swaps with a total notional principal amount of £103m). At 31 December 2002 the aggregate amount of financial liabilities at fixed rates was 78% (2001 57%) 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 2002, the Group had outstanding one (2001 two) currency swaps.

In 2002 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 2002		31 December 2001	
	Weighted average interest rate	**Weighted time fixed years**	Weighted average interest rate	Weighted time fixed years
Sterling	**9.4**	**2.2**	9.4	3.2
US Dollar	**6.8**	**3.7**	6.7	3.9
Euro	**5.7**	**2.1**	5.7	3.0
Australian Dollar	**–**	**–**	5.3	0.0
Other	**14.2**	**1.0**	14.1	1.2
Weighted average	**7.8**	**2.8**	7.8	3.5

b) Maturity of financial liabilities

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

	2002 £m	2001 £m
Within one year	**106**	211
Between one and two years	**85**	25
Between two and five years	**326**	351
After more than five years	**17**	95
	534	682

c) Currency exposure

The table below shows the net unhedged monetary assets and liabilities of Group companies at 31 December 2002 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 2002	**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	**–**	**5**	**9**	**1**	**6**	**21**
US Dollar	**(1)**	**–**	**(2)**	**–**	**(2)**	**(5)**
Euro	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Other	**(1)**	**(6)**	**3**	**–**	**–**	**(4)**
	(3)	**(1)**	**10**	**1**	**4**	**11**

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)

Notes to the accounts (continued)

26 Financial risk management continued

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.

	2002		2001	
	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	**(106)**	**(106)**	(186)	(186)
Borrowings due after more than one year				
Convertible capital bond	**(193)**	**(485)**	(193)	(417)
Other	**(225)**	**(285)**	(267)	(309)
Preference shares	**(5)**	**(4)**	(5)	(4)
Investments*	**379**	**379**	89	89
Cash at bank and in hand	**40**	**40**	89	89
Other financial (liabilities)/assets	**(1)**	**(1)**	5	5
Derivative financial instruments held to manage the interest rate and currency profile				
Cross currency swaps	**–**	**–**	1	1
Interest rate swaps	**–**	**–**	–	5
Derivative financial instruments held to hedge future transactions				
Forward foreign exchange contracts	**–**	**(3)**	–	(2)
	(111)	**(465)**	(467)	(729)

*Excludes the net balance on cross currency swaps of £0.3m (2001 £0.6m).

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.
– 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.

26 Financial risk management continued

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 2002	9	(6)	3
Arising in previous years included in 2002	(9)	5	(4)
Gains arising before 1 January 2002 not recognised in 2002	–	(1)	(1)
Gains/(losses) arising in 2002 not recognised in 2002	2	(4)	(2)
Unrecognised gains/(losses) on hedges at 31 December 2002	**2**	**(5)**	**(3)**
of which:			
Gains/(losses) expected to be recognised in 2003	2	(5)	(3)

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 for the Company and the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2002 amounted to £298m (2001 £226m), including £193m (2001 £193m) in respect of the convertible capital bond (see note 19 to the accounts).

Five-year summary

Profit and loss account	2002 £m	2001# £m	2000 £m	1999 £m	1998 £m
Net revenues	**3,531**	3,439	3,202	3,054	3,092
Operating profit	**577**	525	451	137	430
Non-operating items	**–**	24	56	(16)	(1)
Interest payable less receivable and coupon on convertible capital bonds	**(32)**	(51)	(60)	(69)	(70)
Profit on ordinary activities before tax	**545**	498	447	52	359
Tax on profit	**(137)**	(165)	(132)	(89)	(109)
Attributable to minority interests	**–**	(1)	(1)	–	(2)
Profit/(loss) for the year	**408**	332	314	(37)	248
Ordinary dividends	**(181)**	(179)	(178)	(153)	(127)
Retained profit/(loss) for the year	**227**	153	136	(190)	121
Adjusted operating profit*	**577**	525	451	357	430
Balance sheet					
Fixed assets	**2,289**	2,342	2,173	2,051	1,991
Net current (liabilities)/assets	**(93)**	(239)	(150)	(9)	138
Total assets less current liabilities	**2,196**	2,103	2,023	2,042	2,129
Creditors due after more than one year: Borrowings/other	**(388)**	(423)	(419)	(523)	(657)
Convertible capital bonds	**(193)**	(193)	(193)	(194)	(194)
Provisions for liabilities and charges	**(407)**	(437)	(279)	(362)	(236)
Equity minority interests	**(7)**	(16)	(16)	(18)	(20)
Total shareholders' funds	**1,201**	1,034	1,116	945	1,022
Statistics – FRS 3 basis					
Operating profit to net revenues	**16.3%**	15.3%	14.1%	4.5%	13.9%
Total interest to operating profit (times covered)	**18.0x**	10.3x	7.5x	2.0x	6.1x
Tax rate	**25.1%**	33.1%	29.5%	171.2%	30.4%
Dividend cover†	**2.3x**	1.9x	1.8x	n/a	2.0x
Adjusted basis*					
Operating profit to net revenues	**16.3%**	15.3%	14.1%	11.7%	13.9%
Total interest to operating profit (times covered)	**18.0x**	10.3x	7.5x	5.2x	6.1x
Tax rate	**25.1%**	33.1%	29.5%	30.8%	30.4%
Dividend cover†	**2.3x**	1.8x	1.5x	1.3x	2.0x
Dividends per ordinary share	**25.5p**	25.5p	25.5p	25.5p	25.5p

*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.

Restated following the adoption of FRS 19 'Deferred Tax'.

The figures above for 1998 to 2000 have not been restated following the adoption of FRS 19 in 2002.

Shareholder information

Annual General Meeting
To be held on Wednesday, 7 May 2003 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 2002
To be paid (if approved) on 21 May 2003 to shareholders on the register on 28 February 2003.

Company Secretary
Elizabeth Richardson

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

Auditors
PricewaterhouseCoopers LLP

Solicitors
Slaughter and May

Registrar and transfer office
If you have any queries about your shareholding, please write to or telephone the Company's Registrar at the following address:
Computershare Investor Services PLC,
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH
Telephone 0870 7020000
Website: www.computershare.com

Key dates

Payment of half-yearly interest on capital bonds	31 March 2003
Annual General Meeting	7 May 2003
Announcement of quarter 1 results	7 May 2003
Payment of final ordinary dividend	21 May 2003
Payment of half-yearly preference dividend	1 July 2003
Announcement of interim results	26 August 2003
Payment of interim ordinary dividend	September 2003
Payment of half-yearly interest on capital bonds	30 September 2003
Announcement of quarter 3 results	11 November 2003
Payment of half-yearly preference dividend	1 January 2004
Preliminary announcement of 2003 results	11 February 2004
Publication of 2003 Annual Report & Accounts	April 2004
Annual General Meeting	5 May 2004

Designed and produced by Merchant with The Workroom.

Photography by Michael Heffernan, Noorie Parvez and Duncan Smith. Edited by Howard Fletcher.

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

Printed on paper produced using elemental chlorine free virgin pulp (ECF), supplied only by manufacturers who have adopted a suitable reforestation policy.

By not plastic laminating the cover we have saved 44kg of polythene film and 175kg of polypropylene adhesive.

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

www.reckittbenckiser.com