HEALTH ▸ HYGIENE ▸ HOME

Healthier Happier Stronger

Reckitt Benckiser Group plc

Annual Report and Financial Statements 2012

Contents

Strong Performance as Refreshed Strategy Delivers

I am pleased to report that our Company delivered a strong performance in 2012, with results coming both from the world's emerging markets and also a return to growth in the developed markets of Europe and North America.

The Company announced a refreshed strategy last year, which sees it focusing its brand portfolio on the faster growth and higher margin consumer health and hygiene categories, and redeploying its resources to deliver a more evenly balanced revenue stream from emerging and developed markets. The Company's results for 2012 are a testament to the quality of this strategy and the speed with which management has moved in support of it.

Like-for-like[1] sales (net revenue) growth was up +5% (both excluding and including RB Pharmaceuticals), adjusted operating profit[2] grew +6% and adjusted diluted earnings per share[2] was 264.4p which is +7% versus 2011.

Acquisitions, Disposals and Cash

The Company made some strategic acquisitions in support of the health and hygiene focus, strengthening the Company's health care capabilities in Latin America and China. Additionally, the Company made its first move into the largest consumer health care category in the world with the acquisition of Schiff Nutrition International, Inc. (Schiff) and its leading US brands in the vitamins, minerals and supplements market. There were also a few disposals of non core assets. Net debt at the end of 2012, after paying for dividends, net acquisitions and organisation restructuring, stood at £2,426m (2011: £1,795m).

Your Board proposes an increase in the final dividend of +11%, taking it to 78p per share, and bringing the total dividend for 2012 to 134p (which is +7% versus 2011).

Social Responsibility

The Company reached its goal of reducing its carbon emissions per dose of product by 20% several years ahead of plan. It has now set a further goal for 2020 of reducing this by a further third, reducing its water impact by a third and ensuring that a third of sales comes from more sustainable products than previously existed.

Additionally the Company has increased its support of Save the Children by 60% which has enabled a significant expansion of their work in bringing health through hygiene to many more vulnerable children, especially those under five years of age.

Board of Directors

Since the Annual General Meeting (AGM) held 3 May 2012 we have changed the Company's Chief Financial Officer (CFO). On 12 February 2013 Liz Doherty stepped down from the Board and Adrian Hennah was appointed. The Board's many thanks go to Liz for her contributions to Reckitt Benckiser (RB) during her tenure, and we welcome Adrian to the Company. Adrian was previously CFO of Smith & Nephew PLC, the international medical devices company. Adrian is also a Non-Executive Director of Reed Elsevier. There have been no other Board changes.

The Board conducted its regular reviews of the Company's brands, geographic area and functional performance together with detailed reviews of its human resources. The Board also completed its annual assessment of corporate governance including Board performance, corporate responsibility, and reputational and business risk.

AGM Resolutions

The resolutions, which will be voted upon at our AGM of 2 May 2013 are fully explained in the Notice of Meeting. I encourage all our Shareholders to attend our AGM.

Thanks

On behalf of the Board, I would like to thank Rakesh Kapoor and his leadership team for their excellent management of the business and nurturing of its employee culture that drive such excellent results both commercially and in corporate responsibility. Many thanks go to our employees globally for their achievement in delivering such a strong year for RB.

My thanks go also to my Board colleagues for their continued commitment and guidance. The Board is grateful for the support of our Shareholders and we thank you for your ongoing confidence in our Company.

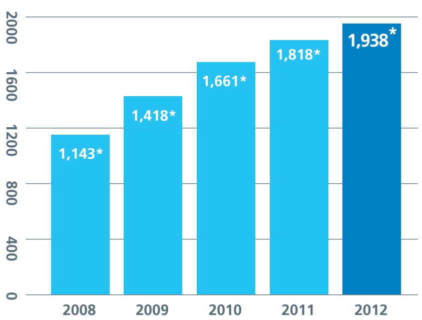
The strategy the Company is pursuing is, in your Board's view, the right one and the management team has our utmost confidence.

Adrian Bellamy Chairman

1 Like-for-like growth excludes the impact of changes in exchange rates, material acquisitions and disposals.

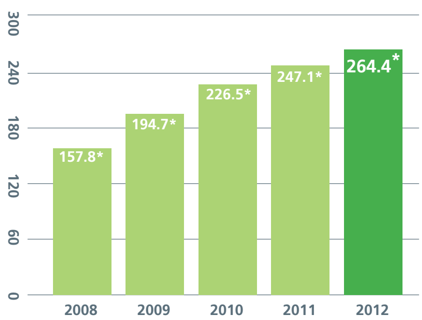
2 Adjusted results exclude exceptional items.

Adjusted net income £m



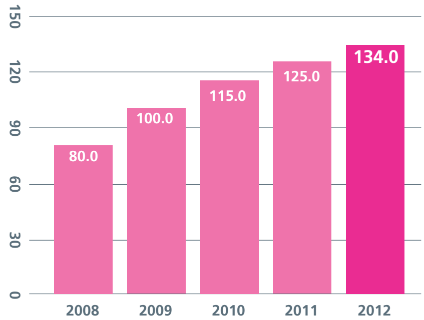
*adjusted to exclude the impact of exceptional items and tax effects thereon

Diluted earnings per share pence



*adjusted to exclude the impact of exceptional items and tax effects thereon

Declared dividend per share pence



Outperformance continues

RB has once again met or exceeded its targets.

- Like-for-like net revenue grew +5% to £9,567m.
- Excellent growth in emerging market areas of LAPAC[1] & RUMEA[1];
- ENA[1] performance improved progressively and now back to growth over the year. The last quarter was +3% growth like-for-like.
- Health & hygiene Powerbrands Durex, Gaviscon, Strepsils, Dettol, Lysol, Harpic and Finish led the growth.
- Suboxone film reached 64% volume share of the US market.
- Operating margins[2] increased by +70 bps, ahead of target.
- Adjusted net income[2] grew +7% (+10% constant); adjusted diluted earnings[2] per share of 264.4p (+7%).
- Strong cash flow took net debt to £2,426m after dividends, acquisitions and restructuring.

These results are very encouraging and give us confidence that we have the right business strategy, the right organisation, the right growth platforms and the right culture to deliver our long-term goals.

£9,567m
our net revenue in 2012

£2,570m
adjusted operating profit in 2012

2013 targets

- Net revenue growth of 5-6% at constant exchange rates, excluding RB Pharmaceuticals.
- Maintain operating margin[2], excluding RB Pharmaceuticals.

For 2012 our health and hygiene revenues were 68% of our core[3] geographic portfolio (67% in 2011) and LAPAC and RUMEA were 44% of our core[3] geographic portfolio (42% in 2011). This strategic reshaping of our portfolio is ahead of schedule and we have accelerated two of our medium-term KPIs from 2016 to 2015.

Medium-term KPIs

- Health and hygiene revenues to be 72% of core[3] net revenue by end of 2015.
- LAPAC and RUMEA combined to be equal in net revenue size to ENA by end of 2015.
- Achieve 200 bps pa of net revenue growth on average above our market growth.
- Achieve moderate operating margin expansion (excluding RB Pharmaceuticals).

1 Latin America, North Asia, South East Asia, and Australia and New Zealand (LAPAC), Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa (RUMEA), Europe and North America (ENA)

2 Adjusted to exclude the impact of exceptional items

3 Core includes health, hygiene, home and portfolio brands

Healthier lives
Happier homes
Stronger business

HEALTH

HYGIENE

HOME

2012 was a seminal year for RB. We announced our new vision and purpose, and laid out a strategy to deliver our second decade of market outperformance.

Our vision is a world where people are healthier and live better.

Our purpose is to make a difference by giving people innovative solutions for healthier lives and happier homes.

To do something, we need to stand for something. Our vision and clear purpose inspires everything we do. In the fast changing, consumer-led global world we live in, our purpose inspires our people to deliver health, hygiene and home products of superior quality, value and convenience, and creates demand for suppliers who rely on our success, and employment and wealth creation across the more than 60 countries in which we operate. Our purpose also inspires us to work in over 40 countries with mums, children and health-workers educating them on practices to improve hygiene and so health.

The success of our strategy enables us also to give more to society by improving the sustainability of our products and by funding life-saving health and hygiene programmes through our global partnership with Save the Children.

In the early part of 2012, we rapidly reorganised ourselves and our resources behind our new strategy. As a result, we made very good progress across a number of areas.

Rakesh Kapoor Chief Executive

Powerbrands focus

A key pillar of RB's strategy is to deliver outperformance – growth ahead of the rate prevailing in our markets – through a disproportionate focus on 19 Powerbrands in the ***health, hygiene and home*** categories.

Representing the potent core of our total portfolio, these Powerbrands are in health: Durex, Gaviscon, Nurofen, Mucinex, Scholl and Strepsils. In hygiene: Bang, Clearasil, Dettol, Finish, Harpic, Lysol, Mortein and Veet. In home: Air Wick, Calgon, Vanish and Woolite. And French's in Food. Mostly they are the global No.1 or No.2 brand in their category.

In 2012 our Powerbrands together delivered 70% of our net revenue.

All our Powerbrands have significant potential for future growth through increased penetration, consumption and category expansion within markets where they already have a presence.

As an example, even in the world's most developed and highly penetrated markets, dishwashers are present in less than 65% of homes, compared with washing machines which are present in well over 90%.

In emerging markets the opportunities are even greater. The Powerbrands also have potential for growth through rollout into countries where we do not yet have a Powerbrand presence. On average, our Powerbrands are present in only 50 markets of the near 200 available. That represents a sizeable opportunity for long-term growth.

Within our three categories it is health and hygiene that take precedence. They are faster growing across the world and offer higher margin opportunities. Our medium-term goal is to grow our health and hygiene categories faster so they become 72% of our core by 2015. By the end of 2012 they represented 68%.

Good health is the key to happiness.

Hygiene is the foundation of healthy living.

Home is the centre of family life.

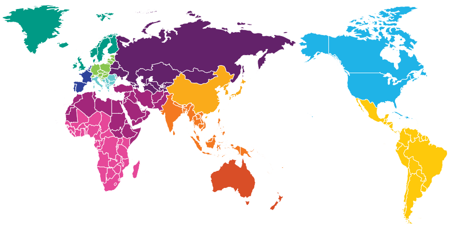
Food French's remains an important Powerbrand and continues to be run as a broadly stand-alone business.

Better

Finish has had a very strong year in the US with a gain of +190 bps of market share in 2012. This was driven by the hard-hitting 'Finish Revolution' campaign celebrating the consumer momentum as millions switched to Finish after experiencing the superior results it provided.

Powermarkets focus

AREAS



LAPAC

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

RUMEA

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

ENA

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

Another key pillar of our strategy is

A FOCUS ON POWERMARKETS

Our brands are marketed and sold in nearly 200 markets across the world, but we know that the vast majority of our global growth will come from a few key areas.

We have identified 16 Powermarkets, in both developed and emerging countries.

Here we have a strong presence and an ability to win.

A FOCUS ON EMERGING MARKETS

We see seven major consumer clusters, each of which have Powermarkets within them. Consumers within these clusters have significant similarities in how they use, choose and buy consumer goods and so it makes sense to group them together.

We take a consumer-centric view of the world and we organise ourselves around our seven consumer clusters.

The first three of these consumer clusters are the consumers of Latin America, North Asia and South Asia – which we group together into one organisational structure named ***LAPAC***. The next three clusters are Russia and CIS, Middle East and North Africa, and sub-Saharan Africa – and we group these three together into one organisational structure ***RUMEA***. The seventh consumer cluster comprises Europe and North America. Across these two markets there are many similarities in behaviours, in brand development and in how the retail trade is organised. Hence ***ENA*** forms the third geographic organisational structure.

Our new medium-term goal is to grow the emerging market areas of LAPAC and RUMEA faster so that by 2015 they together represent 50% of our core revenues, equal in size to ENA. At the end of 2012 they represented 44%.

Closer

An innovative crowd-sourcing global campaign by Durex attracted 1.4 million users in six weeks and resulted in a global pack design. The Naked Box campaign has won Gold at an award festival in China.

Stronger business

INVESTMENT IN INNOVATION & BRAND EQUITY

Delivering innovative products that meet consumer needs is a cornerstone of our success. We invest significantly in bringing new ideas to consumers.

We have one of the highest innovation rates within the industry.

As important as providing great innovations that give more benefits and convenience to consumers is investing in education and communication on how to get the most from our products. It forms part of what we call ***brand equity investment (BEI).***

This also comprises advertising in both traditional and digital media, and also investment in extensive consumer and professional education and information campaigns, such as new mother programmes, in-school hand washing and hygiene programmes, pharmacist education programmes and health professionals development programmes.

Combined, these activities build the equity of, and trust in, our brands. This enables us to enjoy enduring relationships with our consumers.

GENERATING SHAREHOLDER VALUE

We invest significantly behind our brands and innovation. Through our new focus on health and hygiene, and by maintaining relentless control over costs, we have created opportunities to expand our gross margins – already high within the industry. This drives the virtuous cycle of making increased funds available for reinvestment and growth, ultimately flowing through to improved profits.

We run a lean and fast-moving organisation that can convert profit into cash efficiently through both cash and net working capital management.

In 2012, we also returned cash to Shareholders through the buy back of 14,991,643 of our shares.

M&A

Our strategy is firmly organic growth. We consider acquisitions where they offer a strategic opportunity to further accelerate growth and create Shareholder value. These might be high-potential brands in adjacent categories or companies which strengthen our existing platform in a certain market.

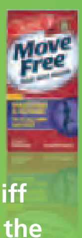
In 2012 we acquired Schiff. This gave us a powerful entry into the large and growing global vitamins, minerals and supplements market.

This is one of the largest consumer health care categories in the world and we now have a strong platform in the US – the world's largest market in this category – from which to grow in this new area.

We also used M&A to strategically strengthen our health platforms and capabilities in the emerging markets of China and Brazil.

We acquired China's Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products and entered into a collaboration agreement with Bristol-Myers Squibb in Latin America.

Fitter



With the acquisition of Schiff in the US we have entered the large and growing global vitamins, minerals and supplements market. This is one of the largest consumer health care categories in the world.

CATEGORY KPI

72%

of core[1] Company net revenues from health and hygiene by end of 2015

GEOGRAPHIC KPI

50%

of core[1] Company net revenues from LAPAC and RUMEA (equal to ENA) by end of 2015

NET REVENUE GROWTH KPI

200bps

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

[1] Core is health, hygiene, home and portfolio brands.

RB PHARMACEUTICALS

RB Pharmaceuticals, as a pioneer of innovative prescription treatments for chronic diseases of addiction, introduced Suboxone sublingual film in 2010. The popularity of the sublingual film meant that by the end of 2012 it had a 64% market share. The sublingual film has patent protection until at least 2020. Based on the enhanced benefits of the sublingual film and the significant reduction in unintended paediatric exposure due to its unit-dose child resistant packaging, RB Pharmaceuticals are voluntarily withdrawing their Suboxone tablets from the US market on 18 March 2013.

TALENTED, GLOBAL EMPLOYEES

Our strategy is supported by hugely talented and driven people from around the world. Their diverse backgrounds and mix of nationalities foster creativity and a culture of innovative thinking in every market. We have a highly geared, performance-driven remuneration structure for our leadership team.

***Our people take a fresh view of what is possible in a market, what value they can create for consumers and how they can deliver healthier lives and happier homes*.**

Then they take often radically different approaches to deliver it. We grant them the freedom to operate, to decide and to create; entrepreneurship is in their blood. This is combined with a high drive for achievement, a strong sense of ownership and a willingness to partner with anyone who can help deliver for consumers.

My thanks go to all our employees and contractors all over the world who have contributed to our success in 2012.

Smarter

Dettol South Africa changed the game of hand washing which was dominated by soap bars by successfully introducing the automatic liquid hand washing system No-Touch. The launch strengthened the No.1 position of Dettol in the category.

Our wider responsibilities

Our focus on performance applies as much to our wider societal responsibility as it does to our financial parameters.

In 2012, in line with our vision and purpose, we announced our new sustainability strategy, having achieved our ambitious carbon reduction target significantly earlier than originally planned. In 2011 alone, our carbon reductions took the equivalent of 2.4m cars off the road. We planted an additional 371,000 trees in 2012 keeping our manufacturing effectively carbon neutral, and were recognised as a leader in the Carbon Disclosure Project.

For 2020 we have set ourselves another stretch target of reducing our water impact by a third, reducing our carbon emissions per dose of product by a further third and ensuring that a third of our net revenue comes from more sustainable products.

We are also focused on reducing child mortality. Our global partnership with Save the Children sees us delivering funds, products and education programmes to reduce the number of children who die under the age of five.

In 2012, we gave £3.5m supporting Save the Children health and hygiene programmes in over 40 countries, up from £2.2m in 2011. Since our partnership began in 2003 we have reached nearly 900,000 children and families.

In 2013, we are expanding our sights.

We are now partnering with Save the Children to deliver a vision of stopping preventable deaths from diarrhoea – one of the world's biggest killers of children under five.

Confidence in the future

Despite continued tough trading conditions in many parts of the world, RB is confident about 2013 and has set a target of achieving 5-6% net revenue growth at constant exchange rate, excluding RB Pharmaceuticals. I am confident that our vision, purpose and strategy will continue to take us on the right path for continued outperformance in the years ahead.

Rakesh Kapoor Chief Executive

Stronger

Our Save the Children partnership helped fund health and hygiene programmes in 40 countries, and reached nearly 325,000 children and families in 2012.

Annual Report and Financial Statements 2012

This review for the financial year ended 31 December 2012 conforms to the Business Review required under the Companies Act 2006 (2006 Act). It should be read in conjunction with the rest of this Annual Report, the Group's latest Sustainability Report and the Group's website (www.rb.com).

This review details the performance of the business under the new geographical segments and category structure in place during 2012. Prior periods have been restated to enable comparability.

NATURE, OBJECTIVES AND STRATEGIES OF THE BUSINESS

RB is one of the world's leading manufacturers and marketers of branded products in health, hygiene and home, selling a comprehensive range through over 60 operating companies into nearly 200 countries. In 2012, nearly three-quarters of net revenue was generated by brands that are either market leader or ranked second in their markets.

RB's vision is a world where people are healthier and live better. RB's purpose is to make a difference by giving people innovative solutions for healthier lives and happier homes.

In summary the strategy of the business pursued in 2012 was:

- Target health and hygiene Powerbrands: Continue the successful Powerbrands strategy but increase focus and investment on higher growth, higher margin health and hygiene brands, in addition to home.
- Target fast growing markets: Prioritise 16 Powermarkets for disproportionate investment and growth. A significant number of these markets are emerging markets.
- New organisation structure: Redeploy resources to increase focus on, and investment in, emerging markets.
- Target medium-term operating margin expansion: Continue the strategy of steady margin expansion whilst increasing investment behind brand equity building activities.

RB set three medium-term (five-year) key performance indicators (KPIs) in relation to the new strategy in 2012, with two of these now accelerated as discussed on page 2 of the Chief Executive's Statement.

1) 200 bps of net revenue growth above market growth on average each year.
2) Emerging market areas to be 50% of 'core' net revenue by 2016.
3) Health and hygiene net revenue to be 72% of 'core' net revenue by 2016.

The Group also sought to complement these objectives with the exit of certain non core businesses and targeted strategic and financially compelling acquisitions.

In February 2012 the Group announced its intention to undertake a strategic review of its private label business. This resulted in the withdrawal from the business during 2012.

In March 2012 the Group announced the sale of its non core Paras personal care business.

The Group announced the acquisition of Schiff in Q4 2012. This transaction provides a powerful entry into the large and growing global vitamins, minerals and supplements (VMS) market. This market is the largest consumer health care sector in which the Group operates. It is an ideal addition to RB's new strategic focus in global health and hygiene, and provides immediate scale in VMS in the US.

PERFORMANCE OF THE BUSINESS IN 2012

The results include the business of Schiff from 14 December 2012, the date of acquisition.

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

Where appropriate, the term 'base business' includes ENA, LAPAC, RUMEA and Food. Base business excludes RB Pharmaceuticals.

Where appropriate, the term 'core' includes health, hygiene, home and portfolio brands.

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

2012 net revenue increased at +4% at constant exchange rate (constant), to £9,567m, with like-for-like growth of +5% for the Group and +5% like-for-like for the base business.

Total gross margin increased by +50 bps to 57.9%, benefiting from cost optimisation programmes, pricing and positive mix. Investment behind brand equity building activities (BEI) was 12.7% of net revenue (excluding RB Pharmaceuticals), 70 bps higher than the previous year. Within this, pure media spend rose +9% (constant) to a level of 11.7% of net revenue (excluding RB Pharmaceuticals). On an adjusted basis, operating profit was ahead +3% (+6% constant) to £2,570m, with the adjusted operating margin +70 bps to 26.9% due in part to the early achievement of planned cost savings. Operating profit as reported was £2,435m, +2% higher than last year (+5% constant). The Group took an exceptional pre-tax charge of £135m in respect of material one-off acquisitions and restructuring. For the base business, adjusted operating profit rose +3% (+7% constant) to £2,034m, equating to a +70 bps improvement in the operating margin.

Net finance expense was £15m (2011: £19m). Strong free cash flow generation during the year was offset by the payment for the acquisition of Schiff in December, and share repurchases of £535m. The effective tax rate was 24% (2011: 26%), the decrease was due to a 2% reduction in the UK corporate tax rate, associated deferred tax benefits, and the favourable settlement of certain tax cases.

Net income attributable to Shareholders was £1,829m, an increase of +5% (+8% constant) versus 2011; on an adjusted basis, net income was up +7% (+10% constant). Diluted earnings per share of 249.5p was +5% higher on a reported basis; on an adjusted diluted basis, the growth was +7% to 264.4p.

STRUCTURE OF GROUP OPERATIONS

The Group structures its business through a matrix of a centralised category development, global sales, supply and support functions (finance, human resources and information services), combined with three area organisations: ENA, LAPAC and RUMEA, plus Food and RB Pharmaceuticals. The central category development function is responsible for Powerbrand strategies, brand equity programmes and best practices, and new product development (including research and development (R&D) and consumer and market research), for implementation by the area organisations.

The supply function is responsible for all procurement (raw and packaging materials and services), production and logistics globally, and is directly responsible for the operation of the Group's 45 production facilities worldwide. Facilities are located in Europe (16 facilities) and North America (six). The remaining facilities spread across Asia (16), Latin America (four), and Africa Middle East (three) include a small number of facilities in higher risk labour and social environments.

Information services is responsible for the Group's global systems infrastructure and global systems, including the Group's enterprise resource planning (ERP) systems.

SEGMENTAL PERFORMANCE AT CONSTANT EXCHANGE RATES

The three geographical areas are responsible for local execution of marketing and sales programmes:

ENA. This area covers the regions of North America, Northern Europe (UK, Ireland and Scandinavia), Central Europe (Germany, Austria, Switzerland, Poland, Hungary, Czech Republic, Slovakia, Adriatics), Southern Europe (Italy, Greece, Romania) and Western Europe (France, Spain, Portugal, Netherlands, Belgium). 2012 total net revenue was £4,678m, with like-for-like growth of +1%. We continue to witness difficult market conditions in many parts of Europe. Despite this the new organisation delivered a consistently improving performance through the year, supported with higher levels of BEI. Additionally, the second half witnessed a higher incidence of flu than in the comparable period.

Growth in our health platform was driven by Durex, Gaviscon, Mucinex and Strepsils. Hygiene brands of Dettol, Lysol and Finish performed strongly, particularly in Europe behind Dettol No-Touch, and in the US behind Finish Quantum and All-in-1 gel packs and tablets. In the home category, Air Wick achieved good growth in the second half driven by a strong performance from the newly launched Filter & Fresh and Black Edition candles.

Adjusted operating profit was £1,156m, an increase of +3% (constant). The adjusted operating margin increased +80 bps, with increased BEI more than offset by gross margin and fixed cost improvements. A large part of the improvements arose from the early achievement of planned cost savings. This has brought forward some of the planned cost savings originally targeted for 2013.

LAPAC. This area covers the markets of Latin America (including Brazil, Mexico, Chile, Argentina, the Andean Pact and Central America), North Asia (China, Korea, Japan, Taiwan, Hong Kong), South East Asia (India, Malaysia, Thailand, Singapore, Philippines, Indonesia, Sri Lanka) and Australia and New Zealand.

2012 total net revenue increased to £2,327m, with like-for-like growth of +11%. Growth came from Latin America, North Asia and South East Asia, driven by distribution expansion, innovation and increasing penetration. In health, all Powerbrands grew, with exceptionally strong performances from Durex in China, Scholl in Japan, Paras brands in India and Gaviscon roll outs in a number of markets. In hygiene, Dettol, Lysol, Harpic and Veet delivered strong growth from initiatives such as Dettol Daily Care and Re-energize, and Power Plus in Harpic. Vanish and Air Wick performed well in the home category.

Adjusted operating profit increased +17% to £464m. Adjusted operating margin was +100 bps higher at 19.9%. Increased investment behind BEI was more than offset by good gross margin, volume leverage and fixed cost containment.

RUMEA. This area covers the regions of Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa.

2012 net revenue of £1,404m was ahead +8% on like-for-like basis (+7% total), driven by strong growth in Russia and CIS. In health, growth was driven by Durex, Gaviscon, and Strepsils. Hygiene Powerbrands Dettol, Finish, Harpic and Veet performed particularly well supported by initiatives such as Dettol Daily Care and Re-Energize. Air Wick performed well in the home category with growth driven by Freshmatic and Aqua Mist.

The second half saw the upscheduling of certain Nurofen products in Russia, an increased promotional environment and some operational and socio-political challenges in certain markets. These headwinds will continue through 2013 but we remain confident about the underlying strength of the business.

Adjusted operating profit increased by +3% to £290m. This resulted in a -80 bps decline in the adjusted operating margin to 20.7%. This was due to adverse FX impacting gross margin and increased investment in both BEI and the new area structure, to support the business and to drive future growth.

The Group also has two non core businesses: RB Pharmaceuticals and Food.

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

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

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

RB Pharmaceuticals recently announced its voluntary discontinuation of Suboxone tablets in the US due to increasing concerns with paediatric exposure. The Group has recently been made aware that two manufacturers have received approval to produce generic Suboxone tablets in the US. The approval of generic tablets has been anticipated since the loss of orphan status in October 2009. Whilst the Group remains confident in the success of its patient-preferred Suboxone film, we do expect that increased price pressure will lead to a material reduction in sales revenue in the US.

2012 net revenue increased +10% to £837m. Growth came from continued strong volume growth in the US. This was offset by dilution from the increased film penetration, which is a lower priced product, and government price reductions in a number of European markets. Conversion from tablets to film in the US continued to increase with market volume share at the end of 2012 of 64%, up from 48% at the end of 2011, creating a significantly more sustainable business.

Operating profit increased +3% (constant) to £536m. The operating margin was down -400 bps to 64.0%, due to lower margins of the film variant, downward pricing pressure in Europe, and second half increase in BEI for advertising and marketing programmes to increase patient awareness about the film and treatment. We also increased investment in the clinical pipeline. We expect this gradual increase in investment to continue into 2013 and beyond as we build a strong, sustainable growth business.

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

2012 net revenue increased +2% to £321m underpinned by continued growth in French's Mustard and Frank's Red Hot Sauce. The second half was flat due to weaker US market conditions and increased private label activity, particularly around French's Fried Onions. Our core French's Mustard and Frank's Red Hot franchises remain strong.

Operating margins fell by -80 bps to 28.7% due to adverse mix and input costs.

THE GROUP'S BRAND PORTFOLIO, MARKET POSITION AND PERFORMANCE

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

These leading positions include:

Health

The health category consists of products that relieve or solve common health problems.

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

2012 Results excluding RB Pharmaceuticals

In light of the announcement of generic competition to Suboxone in the US, the Group provides the following information relating to the performance of the business in 2012 excluding RB Pharmaceuticals.

	RB ex RB Pharmaceuticals £m	%	RB Pharmaceuticals £m	%	Total RB £m	%
Net revenue	8,730	+5%*	837	+10%*	9,567	+5%*
Adjusted operating profit	2,034	+7%**	536	+3%**	2,570	+6%**
Adjusted operating margin		+23.3%		64.0%		+26.9%

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

Net revenue increased to £2,068m, with like-for-like growth of +6%. Higher incidences of cold and flu in Q4 drove improved performances of our seasonal brands Mucinex and Strepsils. The non-seasonal Powerbrands performed well particularly Durex, Paras brands and Gaviscon. Growth in Nurofen was impacted by upscheduling of certain products in Russia. New initiatives such as Performax Intense condoms, plus increased distribution in China, drove Durex growth, and the roll out of Double Action in a number of emerging markets strengthened performance from Gaviscon.

Hygiene

- No.1 worldwide in antiseptic liquids with the Powerbrand Dettol.
- No.1 worldwide in depilatory products with the Powerbrand Veet.
- No.1 worldwide in automatic dishwashing (products used in automatic dishwashers) with the Powerbrand Finish.
- No.2 worldwide in pest control with the Powerbrand Mortein, the Group's international brand, supported by local brand franchises.
- No.3 worldwide in acne treatment with the Powerbrand Clearasil.
- No.1 worldwide in the overall surface care category due to leading positions across disinfectant cleaners, non-disinfectant multipurpose cleaners, lavatory care, speciality cleaners and polishes & waxes.
- No.1 worldwide in disinfectant cleaners (products which both clean and disinfect surfaces, killing 99.9% of germs) with the Powerbrand Lysol in North America and the surface care products in the Dettol range outside North America.
- No.2 worldwide in lavatory care with Lysol in North America and the Powerbrand Harpic across Europe and emerging markets.
- The Group has a number of local leading brands in non-disinfectant multipurpose cleaners, speciality cleaners and polishes & waxes.

Net revenue increased +6% (like-for-like) to £3,682m, driven by strong growth in the Dettol/Lysol franchise across all three of our areas. New initiatives such as Dettol Daily care and Re-Energize in emerging markets and the recently launched Lysol No-Touch Kitchen System in ENA underpinned this strong performance. Finish continues to perform well in a number of markets globally, and particularly in the US where Quantum and All-In-1 tablets and gel packs have gained market share. Veet delivered good growth behind initiatives such as the Veet Easy Wax Electrical Roll-On. Harpic enjoyed very strong growth in LAPAC and RUMEA by driving category penetration via consumer education and increased distribution, backed by the continued success of Harpic Power Plus and Harpic Hygienic blocks in all geographies.

Home

- No.2 worldwide in air care with the Powerbrand Air Wick.
- No.1 worldwide in fabric treatment (products to remove stains from clothes, carpets and upholstery) with the Powerbrand Vanish around the globe, and Resolve/Spray 'n Wash in North America.
- No.1 worldwide in water softeners (products to prevent limescale build-up on washing machines and laundry) with the Powerbrand Calgon.
- No.2 worldwide in garment care (laundry cleaning products for delicate garments) with the Powerbrand Woolite.

Net revenue increased to £1,966m with like-for-like growth of +2%. Growth came from Vanish where there has been excellent growth in a number of emerging market countries, combined with more stable market shares in ENA where we have lapped competitive entries. Growth was also driven by Air Wick which produced a good performance behind Freshmatic, candles and 'Flip & Fresh'.

Portfolio

- The Group has a number of local market positions in laundry detergents and fabric softeners (for example, in Spain, Italy, certain East European markets and Korea).
- The Group also had a small private label business, which principally provided laundry detergents to major multinational retailers in Europe. This business was discontinued during the year.
- No.2 worldwide in shoe care with such brands as Cherry Blossom and Nugget.

Net revenue was £693m, with like-for-like growth of +1%. This growth was reduced by the withdrawal from the private label business where all contracts have now been terminated.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

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

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

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

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

Technological change and product improvement can be a key determinant of the Group's success. RB's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Group maintains a large category development organisation (including market and consumer research, R&D and marketing/sales best practice) to fuel the innovation pipeline and share category success factors and learnings. The Group invested £171m in R&D in 2012 (2011: £153m). While the Group believes R&D to be a key contributor to innovative new products, it does not believe it to be the dominant performance indicator for innovation success.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

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

The Group has a comprehensive set of policies and procedures designed to govern its business methods and practices and protect its reputation. These cover, inter alia, a comprehensive Code of Conduct, an Environment Policy, a Global Manufacturing Standard, a Product Safety Policy including compliance with regulatory and product quality requirements. Internal controls on environmental, social, and governance (ESG) matters and reputational risk are further outlined in pages 14 to 16 of this Report.

RESOURCES

The major resources required by the business are an adequate supply of the raw and packaging materials consumed by the Group's products and the necessary funds for developing new products and reinvestment in advertising and promoting those brands. The other principal resource is management. The Group considers that its primary raw materials, such as bulk chemicals (including a number of petrochemicals, plastics, pulp, metal cans etc), are generally in adequate global supply. The cost of these items fluctuates from time to time but not at levels that seriously impinge on the ability of the Group to supply its products or generate profit. The Group is profitable and cash generative. The Group believes that its ability to reinvest in supporting and building its brands is a significant competitive advantage.

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

The supply of strong management for the Group remains more than adequate. This is attributable to the Group's culture and its highly performance oriented remuneration policy, based on paying for excellent performance. The Group believes that its ability to attract and retain the excellent management it needs to continue its success depends critically on this system. The Group trains and develops its management pipeline through formal training programmes focusing on three areas – leadership skills, functional skills and general skills – and through a deliberate policy of training on the job. The Group has 23 formal training modules for middle management and Top400 international managers (Top400).

During 2012, the Group ran over 64 courses on these modules, training over 933 people. Management is international and is trained through rotation in international postings both in countries and in the Group's central functions. Succession planning is a critical management discipline and is reviewed annually (at least) by the full Board and the Executive Committee.

The Group closely monitors and tracks its Top400. This is the core management team of the business and is a diverse group, consisting of over 40 nationalities. Over 60% of the Top400 is working in a country that is not their original domicile, consistent with the Group's policy to develop a multinational management team. Turnover within this Top400 group in 2012 was 8%, which the Group considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2012 saw 57 promotions, 78 moves, and 27 external recruits. The Group ended the year with a low level of vacancies within the Top400 of 14, or around 3% of the measured group.

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

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

RELATIONSHIPS AND PRINCIPAL RISKS

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

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

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

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

Given the combination of the financial strength and geographic spread of the Group, its range of brands and products, and its low level of reliance on individual key customers and suppliers, the Directors consider that its exposure to specific events which would materially adversely affect the Group's ability to deliver its strategic objectives is low.

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

Market Risks

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

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

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

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

Operational Risks

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

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

Key senior management may leave the Group, or management turnover increase significantly.

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

The combination of the Group's recently initiated strategic business reorganisation and ERP programmes could result in sub-optimal implementations and reduced focus due to conflicting demands for management attention.

A governance structure has been put in place to ensure that milestones are clearly set and key objectives are tracked and followed up appropriately. Senior business leadership and professional programme management resources have been appointed to help deliver the programmes and ensure alignment and coordination between the various workstreams.

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

The Group has disaster recovery plans in place which are tested periodically. It also invests in security measures and anti-virus software to safeguard against this threat. Maintenance of current systems throughout the execution of the ERP programme implementation is an ongoing priority.

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

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

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

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

Non-compliance with the 2011 UK Bribery Act.

A comprehensive prevention programme was put in place in 2011, including the refreshing of the Group's Code of Conduct, the issuing of a new anti-bribery policy to all employees and an extension of the annual online training undertaken by employees to include a mandatory test on the new policy. This programme has been built on and reinforced through 2012.

If intensity or scale of acquisitions and disposals activity distracts management focus or undermines the control environment.

The 2010 SSL acquisition has been fully and successfully integrated. Recent acquisitions and disposals have been relatively smaller, largely focused on single categories/countries and at a pace to allow rapid integration. Group and area management oversee and provide additional resources to ensure continued local management focus and the maintenance of robust controls.

Financial Risks

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

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

Government authorities have become more aggressive in levelling punitive fines for historic breaches of law.

The Group is proactive in addressing legal risks and responds to government authorities in a forthright and cooperative manner. When appropriate, the Group will present a robust defence to allegations it has breached applicable regulations or laws. The Board seeks to provide adequately for such legal exposures, whilst recognising that there is now a higher level of residual risk than has previously been the case.

COMPLIANCE AND ROUTINE RISKS

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

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

Financial Risk Management

The Group's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity.

The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

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

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

Foreign Exchange Risk

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

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

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

Market Price Risk

Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods such as oil-related, and a diverse range of other, raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not viewed as being a material risk. The Group is not exposed to equity securities price risk.

Interest Rate Risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group monitors its interest expense rate exposure on a regular basis. The Group manages its interest rate exposure on its gross financial assets by using fixed rate term deposits.

Credit Risk

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

Liquidity Risk

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with available uncommitted facilities and central cash and 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 are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or above.

Capital Management

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

In maintaining an appropriate capital structure and providing returns for Shareholders, in 2012 the Company has provided returns to Shareholders in the form of dividends, the current details of which are included in the Financial Review for the year on page 17, and the establishment of a share buy back programme.

The Group monitors net debt (total borrowings less cash and cash equivalents; short-term available for sale financial assets and financing derivative financial instruments) and at the year end the Group had net debt of £2,426m (2011: £1,795m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Details of numerical disclosures relating to the Group's financial risk management are included in note 14 to the financial statements on pages 59 to 63.

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

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

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

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

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

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

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

Sustainability Focus Areas

The Group has identified the material sustainability issues for the business, following Accountability's 5-Part Materiality Test and the GRI Technical Protocol on Applying the Report content Principles. This process includes an assessment of the Group's potential sustainability risks, the issues of greatest concern for the Group's stakeholders, the issues that society has identified as important through regulation and international standards and those issues covered by our existing policies and commitments.

Strategic Sustainability Priorities

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

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

In September 2012, the Group announced a new approach to sustainability, in support of the Group's new vision, purpose and business strategy. This approach includes three key targets. By 2020, the Group aims to achieve:

- 1/3 reduction in water impact per dose of product; and
- 1/3 further reduction in carbon footprint per dose of product; and
- 1/3 of net revenue from more sustainable products.

These three high-level goals are supported by a number of functional goals. The Group focuses on a number of specific topics to deliver against the strategic priorities. These include, but are not limited to:

Supply Chain Responsibility

Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers. The Group's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for the Group's own manufacturing sites and, from the end of 2012, third party manufacturers and suppliers. Management processes and controls in place include Group, area and regional monitoring and assessment of compliance with the GMS (and other) requirements.

Key Issues with Potential to have Material Impacts on the Business

Environment
- Resource availability and use
- Water quantity and quality
- Greenhouse gas (GHG) emissions reduction
- Waste management
- Natural raw materials sourcing
- Operational environment, regulatory compliance
- Product (and packaging) use and disposal
- Pollution (including contaminated land)
- Energy use efficiency
- Carbon offsetting
- Product regulation
- Sustainable product innovations

Social
- Occupational health & safety
- Human rights and labour practices
- Responsible and ethical supply chain
- Impacts of demographic change
- Transparency on products and ingredients
- Consumer behaviour change
- Talent attraction
- Employee engagement
- Charitable donations/philanthropy

Governance
- Sustainability
- Corporate governance
- Bribery and corruption
- Code of conduct
- Product quality and compliance

Climate Change

The effects of climate change could disrupt the Group's supply chain by affecting the Group's ability to source raw materials, manufacture products and distribute products. Due to the Group's industry sectors and product categories the GHG emissions originating from energy use at its direct operations are of medium-to-low impact in comparison to those of other similarly sized companies, as assessed for example in recent reports of the independent Carbon Disclosure Project (CDP, www.cdproject. net); specifically, the GHG emissions from the Group's global manufacturing operations are circa 270,000 tonnes CO_2-equivalents per annum.

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

Health & Safety Management

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

Progress

The Group's most recent Sustainability Report, published on 31 May 2012, describes the progress made in key sustainability topics. This includes:

- At the end of 2011, the fourth year of the Group's Carbon20 programme, the total carbon footprint of the Group (measured per dose of product) reduced by 21% (26% including the former SSL business). This reduction in carbon emissions per dose means the Group met and exceeded its Carbon20 target for 2020 eight years ahead of schedule;
- Planting 5.4m native trees in Canada by the end of 2011 (including 865,000 in 2011) which equates to an offset that effectively makes the Group's manufacturing carbon neutral (2006-2011);
- A 43% reduction in manufacturing energy per unit of production (2000-2011);
- A 48% reduction in GHG emissions from manufacturing sites (2000-2011);
- A 16% reduction per unit of production in water use (2000-2011);
- A 7% reduction per unit of production of waste (2000-2011);
- A 92% reduction in accident rates since 2001, including a 3% reduction in lost working day accident frequency between 2010 and 2011;
- Regrettably, in 2012, one RB employee lost his life while working for RB. The lessons learned have been communicated across the Group. There were no RB employee fatalities in 2010 and 2011;
- Continued support of the international charity Save the Children, reaching 175,000 children in 2011 (total 775,000 since 2003) and reaching over 40,000 women and 230,000 other community members in 2011.

The sustainability and corporate responsibility section on the Group's website (www.rb.com/ Ourresponsibility) and its annual Sustainability Reports (available at www.rb.com) provide further information on its policies, systems and procedures for managing sustainability matters and the risks and opportunities that may arise from them, including: the extent to which it complies with those policies, systems and procedures; KPIs; and its sustainability programmes, targets and progress. The Group reports in line with the Global Reporting Initiative's Sustainability Reporting Guidelines – Version 3.0 (GRI G3 – www.globalreporting. org) and a Content Index and Application Level Table are provided in the Sustainability Report. Selected data in the annual Sustainability Report is assured by external auditors. For more information refer to the latest Report, released 31 May 2012, at www.rb.com/sustainability-report2011.

FINANCIAL REVIEW

Basis of Preparation: The financial information is prepared in accordance with IFRSs as endorsed by the EU and IFRSs as issued by the International Accounting Standards Board, with applicable parts of the 2006 Act and with the accounting policies set out in note 1 on pages 43 to 46.

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

Net Revenue: Net revenue was £9,567m (2011: £9,485m), an increase of +1%.

Net Finance Expense: Net finance expense was £15m (2011: £19m), reflecting the acquisition of SSL and Paras. The 2011 net finance expense includes a £4m exceptional charge in respect of financing costs associated with the acquisition of SSL.

Tax: The effective tax rate was 24% (2011: 26%). The decrease was due to a 2% reduction in the UK corporate tax, associated deferred tax benefits, and the favourable settlement of certain tax cases.

Net Working Capital: A new definition of net working capital, a key component of the Group's focus on cash generation, has been used in 2012. This excludes corporate tax and other provisions. It is therefore a much closer proxy to RB's true commercial net working capital performance. Comparatives have been restated on a consistent basis. Net working capital (inventories, trade and other receivables and trade and other payables) was minus £700m in line with the 31 December 2011 level.

Cash Flow: Cash generated from operating activities was £2,423m (2011: £2,430m) and net cash flow from operations was £1,735m (2011: £1,581m). Net interest paid was £7m (2011: £13m) and tax payments were £528m (2011: £677m). Capital expenditure was lower than the prior year at £177m (2011: £205m). Acquisition of businesses of £877m related to the acquisition of Schiff, and other minor acquisitions.

Net Debt: At the end of the year net debt was £2,426m (2011: £1,795m), an increase of £631m. This reflected net cash flow from operations of £1,735m, offset by the acquisition of Schiff and other minor acquisitions for £877m (net of cash acquired), and the payment of two dividends totalling £916m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to meet liquidity needs.

Exceptional Items: A total pre-tax exceptional charge of £135m has been incurred during the year in respect of the following:

- Remaining restructuring costs in respect of the acquisition of SSL; and
- Costs associated with the new strategy and private label business closure costs; and
- Acquisition costs associated with the acquisition of Schiff and other acquisitions.

In 2011 an exceptional pre-tax charge of £96m was incurred, of which £92m is reflected in reported operating profit and £4m is included in net interest. In 2012 the £135m pre-tax charge is reflected in reported operating profit.

Balance Sheet: At the end of 2012, the Group had total equity of £5,922m (2011: £5,781m), an increase of +2%. Net debt was £2,426m (2011: £1,795m) and total capital employed in the business was £8,348m (2011: £7,576m).

This finances non-current assets of £12,023m (2011: £11,188m), of which £737m (2011: £732m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets, retirement benefit surplus and other receivables. The Group has net working capital of minus £700m (2011: minus £701m), current provisions of £128m (2011: £60m) and long-term liabilities other than borrowings of £2,668m (2011: £2,642m).

The Group's financial ratios remain strong. Return on Shareholders' funds (net income divided by total Shareholders' funds) was 31.0% on a reported basis and 32.8% on an adjusted basis (2011: 30.3% on a reported basis and 31.6% on an adjusted basis).

Dividends: The Board recommends a final dividend of 78p per share (2011: 70p), an increase of +11%, to give a full year dividend of 134p per share (2011: 125p), an overall increase of +7%. The dividend, if approved by Shareholders at the AGM on 2 May 2013, will be paid on 30 May to Shareholders on the register at the record date of 22 February. The ex-dividend date is 20 February and the last date for election for the share alternative to the dividend is 8 May. The final dividend will be accrued once approved by Shareholders.

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

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

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

PROSPECTS

We continue to target net revenue growth on average +200 bps per annum above our market growth, and moderate operating margin expansion (excluding RB Pharmaceuticals) in the medium-term. In 2012 we discontinued our private label business, and sold a number of small non core brands. 2013 will benefit from a number of acquisitions. Together they will have a net impact of c. +100 bps on net revenue. Taking these into account, we are targeting in 2013:

- Net revenue growth of +5-6%*; and
- Further increased investment in our brands (BEI); and
- Maintain operating margins**.

These targets exclude RB Pharmaceuticals.

* At constant rates including acquisitions and disposals/withdrawal from private label and other minor items, excluding RB Pharmaceuticals.

** Adjusted to exclude the impact of exceptional items.

Post Balance Sheet Event

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

On 10 February 2013, the Group entered into a three-year collaboration agreement with Bristol-Myers Squibb, for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. The Group will make an upfront cash payment of $482m (c.£300m) to enter into the arrangement which also includes personnel, supply contracts and an option to acquire legal title to the related intellectual property at the end of the collaboration period for a multiple of earnings. The transaction will be accounted for as a business combination and the Directors are in the process of revaluing the assets and liabilities acquired to fair value, including the value of any acquired intangible assets.

Cautionary Note Concerning Forward Looking Statements

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

ANNUAL KEY PERFORMANCE INDICATORS

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

KPI	2012	2011	Comments
Net revenue growth % like-for-like growth of net revenue at constant exchange rates	+5%	+4%	Measures the increase in sales of the Group
Powerbrands % of total net revenue from 19 Powerbrands	70%	70%	Measures the growth and importance of the Group's flagship brands
Gross margin % Gross profit as % of total net revenue	57.9%	57.4%	Measures the resources available for reinvestment or profit growth
Brand Equity Investment (BEI) BEI as % of total net revenue	12.7%	12.0%	Measures the rate of reinvestment in the Group's brands
Operating margin %** Operating profit** as % of total net revenue	26.9%	26.2%	Measures the profitability of the Group
Earnings per share (fully diluted)** % change in earnings per share (fully diluted)**	264.4p +7%	247.1p +9%	Measures the increase in profit per share of the Group
Net cash flow from operations See page 42	£1,735m +10%	£1,581m +14%	Measures how the Group converts its profits into cash
Net working capital (defined as inventories, trade and other receivables and trade and other payables) as % of total net revenue	-£700m -7.3%	-£701m -7.4%	Measures the ability of the Group to finance its expansion and release cash from working capital
Management turnover	8%	13%	% of Top400 management that have left the Group
% of total net revenue (excl. RB Pharmaceuticals) in No.1 or No.2 brand positions	71%	71%	Measures the health of the Group's brand market positions

** Adjusted to exclude the impact of exceptional items.

THE BOARD OF DIRECTORS

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

Richard Cousins (British) ‡
Was appointed a Non-Executive Director of the Company in October 2009. He is CEO of Compass Group plc, the world's largest catering company. He was until 2006 CEO of BPB plc, having held a number of positions with that company since 1990. He is a former Non-Executive Director of P&O and HBOS.

Dr Peter Harf (German) #
Joined the Board as a Non-Executive Director in 1999 and is the Deputy Chairman. He served as Chairman of the Remuneration Committee until June 2004. Peter has been the CEO of Parentes Holding SE (formerly Joh. A. Benckiser), a privately held investment company, since 1988 and a Director of Coty Inc since 1996. He has been the Chairman of Labelux since 2008 and Chairman of the non-profit DKMS foundation since 1991.

Adrian Hennah (British)
Joined the Company in January 2013 as CFO Designate, and was appointed as Director and CFO on 12 February 2013. He joined following six years at Smith & Nephew plc as CFO. Previously he was CFO at Invensys for four years and spent 18 years at GlaxoSmithKline plc, where he held a number of senior management and financial roles. Adrian has also previously worked at PwC (then Price Waterhouse) in audit and consultancy. He is a Non-Executive Director of Reed Elsevier PLC, and a member of the Supervisory Board of Reed Elsevier NV.

Kenneth Hydon (British) * #
Was appointed a Non-Executive Director in December 2003 and Chairman of the Audit Committee in November 2006. He is a Fellow of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers. He was the Senior Independent Non-Executive Director between February 2005 and November 2006. He retired as CFO of Vodafone Group plc in July 2005 and is a Non-Executive Director of Pearson plc. Kenneth retired from the Board of the Royal Berkshire NHS Foundation Trust in April 2012 and from the Board of Tesco PLC in February 2013.

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

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

Graham Mackay (British/South African) ‡ #
Was appointed a Non-Executive Director in February 2005 and the Senior Independent Director in November 2006. He is the Executive Chairman of SABMiller plc, one of the world's largest brewers. He will become Non-Executive Chairman of SABMiller in July 2013. He joined the then South African Breweries Limited in 1978 and has held a number of senior positions within that group. He joined the Board of Philip Morris International Inc in October 2008.

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

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

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

EXECUTIVE COMMITTEE

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

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

Freddy Caspers (German)
EVP, LAPAC (until 30 June 2013). Joined in 1997 as EVP for Eastern Europe. Previously at PepsiCo and Johnson & Johnson. He held various roles in Europe, US, Eastern Europe, Turkey and the global head office. Freddy is responsible for Latin America, North Asia, South East Asia, and Australia and New Zealand, and is headquartered in Singapore.

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

Roberto Funari (Brazilian)
EVP, LAPAC (from 1 July 2013). Rejoined in February 2013 following two years at Imperial Tobacco where he was Group Marketing Director and Executive Committee member. In his prior 12-year career with the Group, Roberto held increasingly senior marketing and general management roles in both emerging and developed markets, including Brazil, Netherlands, South Africa and Central Europe. His last role was as Global Category Officer for fabric and home care.

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

Adrian Hennah (British)
Chief Financial Officer (CFO).

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

Rakesh Kapoor (Indian)
Chief Executive Officer (CEO).

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

The Directors submit their Annual Report and financial statements for the year ended 31 December 2012 to the members of the Company.

Principal Activities and Future Developments

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

Audited results for the period are set out on pages 39 to 74.

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

The Review of the Group's Business

The performance of the business is described in the Chairman's Statement on page 1 and the Business Review. Within the Business Review, principal risk factors are given under 'Relationships and Principal Risks' on pages 13 to 15, KPIs are given on page 17 and information on the likely future developments of the Group is under 'Prospects' on page 17 and in the Chief Executive's statement on pages 2 to 8. Information regarding environmental matters, the Company's employees and social and community issues is given on pages 15 to 16. Information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company is given on page 13 to 14.

The Group's financial risk management objectives and policies are set out on pages 14 to 15 of the Business Review and in note 14 on pages 59 to 63.

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

Dividend

In July 2012, the Directors resolved to pay an interim dividend of 56p per ordinary share (2011: 55p). The dividend was paid on 27 September 2012. The Directors are recommending a final dividend for the year of 78p per share (2011: 70p) which, together with the interim dividend, makes a total for the year of 134p per share (2011: 125p). The final dividend, if approved by the Shareholders, will be paid on 30 May 2013 to Shareholders on the register at the close of business on 22 February 2013.

Research and Development

The Group continues to carry out R&D in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2012 amounted to £171m (2011: £153m).

Acquisitions and Disposals

Information on the Company's acquisition and disposal activities during the year and up to the date of this Report is set out in the Business Review on page 10 under 'Nature, Objectives and Strategies of the Business'.

Employees

During 2012, the Group employed an average of 35,900 (2011: 37,800) people worldwide, of whom 3,700 (2011: 3,500) were employed in the UK. The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

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

Group incentive schemes reinforce financial and economic factors affecting the performance of the business. All employees typically have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations and videos are given to employees around the Group on publication of the Group's financial results. The Board encourages employees to become Shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Sharesave schemes covering most of the world give employees the opportunity to acquire shares in the Company by means of regular savings.

Directors

The following people served as Directors of the Company during the year:

Adrian Bellamy
Richard Cousins
Liz Doherty
Peter Harf
Kenneth Hydon
Rakesh Kapoor
André Lacroix
Graham Mackay
Judith Sprieser
Warren Tucker

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

Liz Doherty, who served on the Board as CFO resigned as a Director of the Company on 12 February 2013. Adrian Hennah joined the Company as CFO designate on 2 January 2013 and formally joined the Board as CFO and Executive Director on 12 February 2013.

Directors' Interests

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

Details of Directors' options to subscribe for shares in the Company are included in Table 4 on page 37 in the audited part of the Directors' Remuneration Report.

No Director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares. The details of the Directors' remuneration and service agreements are set out in the Directors' Remuneration Report on pages 31 to 37.

Environmental, Social and Governance (ESG) Matters

Information on ESG and related matters is set out in the Business Review on pages 15 to 16.

Sustainability and Corporate Responsibility

Information on the Group's management of sustainability and corporate responsibility issues is provided in the Business Review on pages 15 to 16 and in the Group's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

Policy on the Payment of Creditors

The Company has signed up to the CBI Prompt Payment Code (PP Code). The PP Code promotes best practice between the Company and its suppliers within clearly defined terms and encourages a clear process for dealing with issues. This certainty on payment and processes inspires confidence across the supply chain which benefits the Company and its suppliers. Copies of the Prompt Payment Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

Charitable Donations

The Group has continued its strategy of focusing on the Group's nominated global charity, Save the Children. During the year, donations in the UK amounted to £1,897,192 (2011: £1,576,799) of which £1,841,573 (2011: £977,849) was donated to Save the Children. The total donated to Save the Children was £3.5m (2011: £2m) including funds raised by RB companies and employees around the world.

Takeover Directive

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

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

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's Articles.

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

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

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

There are no significant agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

Corporate Governance Statement

In compliance with the Disclosure and Transparency Rules (DTR) 7.2.1, the disclosures required by DTR 7.2.2 to 7.2.7 are set out in this Report of the Directors and in the Corporate Governance Report on pages 24 to 29 which together with the Statement of Directors' Responsibilities are incorporated by reference into this Report of the Directors.

Independent Auditors

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

Share Capital

As at 31 December 2012, the Company's issued share capital consisted of 719,219,114 ordinary shares of 10p each with voting rights and 14,991,643 ordinary shares of 10p each held in Treasury. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in note 23 to the financial statements.

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

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

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

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

Allotment of Shares

The Directors were granted authority at the last AGM held in 2012 to allot shares up to a nominal amount of £21,559,809. That authority will apply until the conclusion of this year's AGM. At this year's AGM on 2 May 2013, Shareholders will be asked to grant an authority to make such allotments up to a nominal amount representing approximately one-third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM. In line with guidance issued by the Association of British Insurers, Shareholders will also be asked to grant an authority to allot shares in connection with a rights issue in favour of Shareholders up to an aggregate nominal amount representing approximately two-thirds of the issued ordinary share capital of the Company as at the latest practicable date prior to publication of the Notice of AGM. The authorities sought would, if granted, expire at the earlier of 30 June 2014 or at the conclusion of the AGM of the Company held in 2014. The Board has confirmed that, in accordance with the UK Corporate Governance Code (Code), all the Directors will submit themselves for re-election/election at this year's AGM and at future AGMs.

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

Authority to Purchase Own Shares

Shareholders approved a resolution for the Company to make purchases of its own shares at the AGM in 2012. The Directors announced their intention to commence a share repurchase programme during 2012 for the repurchase of up to 15m shares for the purpose of offsetting the dilutive impact of employee share schemes.

In accordance with that announcement and the authority granted at the AGM in 2012, market purchases of 14,991,643 of the Company's ordinary shares were made during 2012 at a total cost of £535m including stamp duty. The Directors have also announced an intention to make further market purchases of up to 6m shares during 2013. The authority granted at the AGM in 2012 remains valid until the conclusion of this year's AGM on 2 May 2013 and the Directors will seek to renew the authority to make market purchases through a resolution to be put to Shareholders at this year's AGM so that the announced purchase of up to 6m shares can be completed. This authority will be limited to a maximum of 73,400,000 ordinary shares and sets the minimum and maximum prices which may be paid. The Company's present intention is to hold shares acquired under such authority in Treasury to satisfy outstanding awards under employee share incentive plans.

Annual General Meeting

The Notice convening the sixth AGM of the Company, to be held on Thursday, 2 May 2013 at 11.15 am at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN, is contained in a separate document for Shareholders.

In accordance with the Shareholder Rights' Directive (Directive) which came into force in August 2009, the Company obtained Shareholder approval at the AGM in 2012 to call meetings, other than Annual General Meetings, on 14 clear days' notice. Prior to the implementation of the Directive, the Company was able to call meetings other than an AGM on 14 clear days' notice without obtaining Shareholder approval and, to preserve this ability, Shareholders will be asked to renew their approval by passing Resolution 20 at the AGM.

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

Substantial Shareholdings

As at 1 March 2013, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

	% of total voting rights	No of ordinary shares	Nature of holding
JAB Holdings B.V.	10.67	76,659,342	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	5.09	36,601,704	Indirect
Invesco Limited	5.00	35,901,027	Indirect

By Order of the Board
Elizabeth Richardson
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

Company registration number: 6270876

8 March 2013

Table 1 – Interests in the Share Capital of the Company

The Directors in office at the end of the year and those in office at 1 March 2013 had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	1 March 2013	31 December 2012	31 December 2011
Adrian Bellamy	21,966	21,966	20,955
Richard Cousins	2,262	2,262	587
Liz Doherty (resigned 12 February 2013)	n/a	14,000	7,000
Peter Harf	3,806	3,806	3,491
Adrian Hennah (appointed 12 February 2013)	–	n/a	n/a
Kenneth Hydon	5,337	5,337	5,154
Rakesh Kapoor (3)	281,869	281,869	244,875
André Lacroix	2,086	2,086	1,911
Graham Mackay	2,187	2,187	2,012
Judith Sprieser	3,631	3,631	3,431
Warren Tucker	1,527	1,527	1,344

Notes

1. No person who was a Director (or a Director's connected person) on 31 December 2012 and at 1 March 2013 had any notifiable share interests in any subsidiary.
2. The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.
3. As previously disclosed, includes 239,731 shares pledged as security.

The UK Corporate Governance Code (Code) issued by the Financial Reporting Council (FRC) in May 2010 was applicable to the Company throughout the financial year ended 31 December 2012. A new version of the Code, which applies to financial years beginning on or after 1 October 2012, was published by the FRC in September 2012 and, although not immediately applicable, the Board will report on early compliance where appropriate.

20 years on from Cadbury's report, effective corporate governance in UK corporations remains high on the agenda for both company boards and their Shareholders. There is increasing scrutiny and visibility of successes and failures. The Board is sensitive to recent Shareholder activism which has placed the quality of boards and the level of their rewards in the spotlight. The Board takes seriously its responsibility for balancing effective corporate governance and delivery of long-term Shareholder and stakeholder reward and Board decisions are taken in light of these considerations. I am pleased to report to you directly on RB's governance activities.

RB and Governance

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

Annual Re-elections

All the Directors submitted themselves for re-election at the 2012 AGM and will submit themselves for re-election at the 2013 AGM and at future AGMs in compliance with the Code.

Diversity

The Company operates within a corporate diversity and inclusion policy framework which is reviewed by the Executive Committee. The Davies recommendation for boards to have a minimum of 25% female representation by 2015 and the draft EU directive which sets an objective for EU-listed companies to achieve 40% representation of 'the under-represented sex' among Non-Executive Directors (by 2018 for listed companies) are aspirations which the Company considers carefully as part of its recruitment exercises.

Liz Doherty stepped down from the Board and her executive role as CFO in February 2013. The resulting Board composition is now 10% female down from 20% in 2012. The Board reiterates its view that ensuring, facilitating and driving diversity in its broadest sense has helped propel the Company's success to date and it remains its practice to ensure that the Company's Top40 executive roles, in particular, are open to fresh thinking and must include personnel from different global backgrounds who bring new ideas to the table. The Company values its freedom to retain a group of people who, collectively, have the skills, experience and insight to achieve the Company's global vision and objectives and to achieve long-term value growth without being hindered by a gender quota which does not take cognisance of the specific situation and culture of the Company. As at 12 February 2013:

- 10% of the Board is female and 50% is non-UK nationals;
- 11% of the Executive Committee is female and 78% is non-UK nationals; and
- 15% of the Top40 managers is female and 70% is non-UK nationals.

Additionally, 17.5% of the Top40 managers can be classed as black or minority ethnic. When added to the number of female Top40 managers, 32.5% of the Top40 managers come from the groups usually under-represented in similar organisations.

All RB employees understand their personal responsibility for ensuring that diversity policies and programmes are actively pursued, implemented and maintained. The Company does not set specific targets in absolute percentage terms to deter artificiality in the process; it measures progress year on year to ensure an improving picture on gender balance which contributes to the Company's growth and success. As at 1 January 2013:

- 41% of the Group's professional population of 7,640 is female; and
- 16% of the Group's Top400 population is female.

Gender balance has improved consistently across the professional population. Within the Top400, gender balance has improved with recruitment over the past 12 months.

16, 44 and 94 nationalities are represented in the Top40, Top400 and professional populations respectively.

Board Evaluation

The Code recommends that FTSE 350 companies should undertake an external evaluation at least once every three years. The 2009 to 2011 Board evaluations and the recent evaluation for the year ended 2012 were all undertaken internally. The Board reported in last year's Annual Report its intention to undertake an external evaluation in 2012. A detailed review process was undertaken by the Company Secretary and I reviewed a shortlist of external evaluation service providers. Due to Company specific circumstances including the recent change of CFO which followed the appointment of new Executive Directors in 2011, I decided, in consultation with my Board colleagues, that an internal performance evaluation would be more appropriate for the Company for 2012. The Board recognises the benefits an external evaluation can bring to Board processes and will consider the recommendations of the Code in this regard for its 2013 performance evaluations.

This situation will be reviewed in the context of a new CFO in Adrian Hennah and the potential appointment of additional Non-Executive Directors to the Board. The benefit of giving any new directors time to settle in their roles and to develop a good understanding of the Company will be weighted against the benefit to be had from an externally facilitated evaluation. A decision will be taken as to whether an externally facilitated evaluation will be of better benefit during 2013 or 2014.

A detailed internal evaluation was undertaken for the year ended 2012. A memo inviting open comments was circulated by the Company Secretary to the Directors approximately six weeks before the meeting and I developed a framework for the evaluation meeting from the responses. These were distilled into the key topics of corporate strategy, investor relations, risk management, offsite Board meeting, time management, advance papers to the Board and people and succession planning. These issues were subsequently discussed at the following review meeting together with a progress update on the issues highlighted at the 2011 evaluation.

Further information is set out in the performance evaluation section on page 26 of this Report.

Succession Planning

Succession planning to the Board and senior management roles was one of the actions arising from the 2010 Board evaluation and the Board has given this due attention in successive years. One key aspect is the Directors' desire to ensure that members of RB's senior management are given more Board and external exposure. Progress continues to be made in this area and part of that progress is to ensure diversity in succession planning. Progress to date is reflected in the increased number of females that have joined the Top40 and other senior management roles across the Group. Additional information on RB's succession planning activities at senior management levels is at 'Resources' on pages 12 to 13 of the Business Review.

Composition of the Board

The current Board includes Peter Harf who, as a Shareholder-nominated Director, was not independent on appointment. Both Peter and I have served on the Board for more than nine years. In addition, Judith Sprieser and Kenneth Hydon have now been on the Board for a period just exceeding nine years. Judith and Kenneth are also Chairs of the Remuneration and Audit Committees respectively. The Board is keen to ensure compliance with the recommendations of the Code but also recognises that both Kenneth and Judith have been diligent servants of the Company and continue to add value to the activities of the Company as a whole. The Company is actively looking to recruit additional Non-Executive Directors who will bring a range of diverse skills and perspective to the Board's activities but this will take time. To ensure continuity and a successful transition, the Board has decided to recommend that Judith and Kenneth be re-appointed to the Board at the 2013 AGM. The composition of the Board is one of the key actions to which I continue to give my full attention and appropriate recommendations will be made in due course.

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

Explanation on Areas of Non-compliance (strict interpretation)

The Board recognises that the objective of the Code is to facilitate management's delivery of business success in a transparent and responsible manner. The Code does not impose a rigid set of rules and recognises that certain actions and behaviours do not automatically imply poor organisational governance.

The Board has authorised an explanation for the following areas where a strict interpretation might lead to a perception of non-compliance with certain areas of the Code:

- I, as the Chairman, and Peter Harf, the Deputy Chairman and Shareholder-nominated Director, have both served on the Board for more than nine years and will be offering ourselves for re-election at the 2013 AGM; and
- Kenneth Hydon and Judith Sprieser have now been on the Board for nine years each and are currently the Chairs of the Audit and Remuneration Committees respectively. The Company continues to benefit from the skills and experience they bring to their roles and they will offer themselves for re-election at the 2013 AGM. Whilst recognising that it is important that the Board retains relevant knowledge and experience to continue its delivery of Shareholder value and to provide continuity and consistency in the development and application of the Company's strategic objectives, the Board will review Kenneth and Judith's chairmanship of the respective Committees and will continue its efforts to refresh the membership of the Board in the short-term.

The Board has instructed me to confirm that, notwithstanding the foregoing disclosures and following the detailed performance evaluation undertaken during 2012, each Director's independence of thought and actions was assured and all decisions were taken to promote the success of RB as a whole.

Statement of Compliance with the Code

The Corporate Governance Report on pages 24 to 29 contains a summary of the Company's governance arrangements as required under the Code. Except as explained above, the Company has complied with the Code throughout the year ended 31 December 2012.

Adrian Bellamy
Chairman
8 March 2013

The Company enjoys a premium listing on the London Stock Exchange and is therefore required to produce a Corporate Governance Statement containing the information set out in this Report. This Report is prepared with reference to the Financial Reporting Council's UK Corporate Governance Code (Code) in effect for the financial periods beginning on or after 29 June 2010. This Report sets out how the Company has applied the Main Principles of the Code throughout the year ended 31 December 2012.

A: Leadership

A.1: THE ROLE OF THE BOARD

The Board leads and controls RB's business with a Board structure similar to that of its key international competitor companies which are mainly based in the US. The Board approves strategy, carries out an advisory and supervisory role and accepts ultimate responsibility for the conduct of RB's business. The schedule of matters reserved for the Board's decision includes:

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

The annual review of this schedule was undertaken in November 2012 as part of the performance evaluations conducted for the 2012 financial year.

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

Meetings

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

In 2012, there were five regular Board meetings (plus one additional meeting). There were four Audit Committee meetings, four Remuneration Committee meetings (plus one additional meeting) and one Nomination Committee meeting. The table below sets out the attendance by individual Directors at scheduled Board and Committee meetings.

Directors' Insurance and Indemnities

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

A.2: DIVISION OF RESPONSIBILITIES

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

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

- Power to delegate the day-to-day management of the business of the Company to each of the Officers of the Executive Committee, acting individually or as a group or sub-committee. During the year, this power was used to establish an internal Disclosure Committee to assist the CEO and CFO with regulatory disclosure controls and procedures;
- Power to acquire and dispose of businesses and to approve unbudgeted capital expenditure projects subject, in each case, to a £50m limit; and
- Power to instruct advisers and to instigate legal proceedings on behalf of the Company in respect of matters for which no further Board authority is required.

A.3: THE CHAIRMAN

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

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

Number of Scheduled Meetings Attended during 2012

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		5		4	1
Richard Cousins		5		4	
Liz Doherty		5			
Peter Harf	(a)	4			1
Kenneth Hydon		5	4		1
Rakesh Kapoor		5			1
André Lacroix		5	4		
Graham Mackay		5		4	1
Judith Sprieser		5		4	1
Warren Tucker		5	4		

Notes
(a) Peter Harf was unavoidably absent from one meeting.

A.4: NON-EXECUTIVE DIRECTORS

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

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

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

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

B: Effectiveness

B.1: BOARD COMPOSITION

The Board comprises eight Non-Executive Directors including Adrian Bellamy, the Chairman, and two Executive Directors, Rakesh Kapoor, CEO and Liz Doherty, CFO until 12 February 2013 and Adrian Hennah, CFO from 12 February 2013. Information regarding the Directors serving at the date of this Report is set out on page 18. Additional biographical details are available from the Company's website.

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

B.2: NOMINATION COMMITTEE AND BOARD APPOINTMENTS

Nomination Committee

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

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

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

- Consideration of the current and future composition of the Board; and
- Together with the rest of the Board, the appointment of Adrian Hennah as the new CFO.

Board Appointments

In respect of the appointment of Adrian Hennah as CFO and Executive Director and the sensitivities surrounding the change in CFO within a relatively short period of time, the Company initially retained a search consultant with which it had worked previously. A list of current FTSE 100 financial directors was reviewed and a shortlist of potential candidates produced. Taking a comprehensive approach, the Company decided to invite a boutique search agency, which specialised in the City of London and private equity appointments to support the recruitment process and a desk exercise was undertaken to identify a shortlist of interested candidates. There was significant input from the existing Non-Executive Directors in the candidate identification and meetings process with only the remuneration aspects delegated to the Remuneration Committee. Furthermore, the issues leading up to the decision to change CFO were ones discussed by the full Board (excluding Liz Doherty).

Diversity and Business Success

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

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

Directors' Conflicts of Interest

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

B.3: COMMITMENT

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

- Confirmation that the appointment is a contract for services and details of any Committee appointments;
- Confirmation of the initial appointment term of three years terminable on one month's written notice and the expectation that the appointment will usually last for more than one term; and
- The requirement to seek the agreement of the Chairman before accepting additional commitments including other directorships and the requirement to disclose any actual or potential conflicts of interest.

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

The performance review of the Board undertaken in 2012 concluded that the Chairman and other Non-Executive Directors devote sufficient time to the Company's business.

B.4: DEVELOPMENT

Induction and Training

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

The Board holds at least one meeting each year at one of the Company's operating units. The 2011 meeting was held in India and the 2012 meeting was held in Brazil. The Board plans to visit its operating unit in China during 2013. The Board receives updates on legal, regulatory and governance matters from its internal and external advisers. As part of its investor relations programme, the Board received a presentation from an analyst who gave an overview of the market and general perceptions about the Company.

The Chairman has overall responsibility for ensuring that the Directors receive the information and training required for their roles and Directors are encouraged to take individual responsibility for identifying their needs and are expected to take the necessary steps to ensure that they are adequately informed about RB and their responsibilities as Directors. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

During the year, the Company became subject to an FSA enquiry which has not concluded as at the date of this Annual Report. There had been an inadvertent breach of the Listing Rules (LR) when the granting of security during 2010 over shares held by the CEO (when he was an Executive Committee member and a person discharging managerial responsibilities (PDMR) as defined by the Disclosure and Transparency Rules (DTR)) was not undertaken in accordance with the requirements of the LR and the DTR. The relevant shares were registered for the Company's dividend reinvestment plan (DRIP) and received DRIP shares for the September 2011 and May 2012 dividends automatically into the pledged shares account. In addition, a PDMR disposed of Company shares without the appropriate disclosures being made. The Company has since taken steps to tighten its disclosure controls and procedures to ensure that all relevant PDMRs remain aware of their obligations under the LR and the DTR. The Company has also established an internal Disclosure Committee to assist them in ensuring compliance with relevant regulations.

B.5: INFORMATION AND SUPPORT

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

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

Company Secretary

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

B.6: EVALUATION

Performance Evaluation

The Board maintains an ongoing review of its procedures and its effectiveness and those of its Committees throughout the year. It carries out a formal and rigorous internal evaluation of its performance, its Committees and of individual Directors with a view to improving the effectiveness of the Board and its Committees and RB's overall performance.

As disclosed in the 2011 Annual Report, it was the Board's intention to undertake its 2012 performance evaluation with support from an external facilitator. In the end it was decided that this was not appropriate for the Company for the 2012 evaluation due to the recent change in CFO and various other activities undertaken by the Company.

2012 Evaluation: Although an externally facilitated evaluation was not undertaken, the Board is assured that the internal performance evaluation of the Board and its Committees undertaken during 2012 was detailed, rigorous and effective. The process commenced with an email from the Company Secretary to all Directors inviting their comments on the effectiveness of the Board. The responses received were reviewed by the Chairman and used to develop a framework for the debate at the evaluation meeting. The range of topics was distilled into the following key topics:

- Corporate strategy: the focus was on more pre-planning for the strategy meetings including understanding management's key strategic focus which could be shared with the Board well in advance of the formal annual strategy session;
- Investor relations: additional clarity on the Company's investor relations strategy;
- Risk management: it was recognised that there was better risk control and reporting generally;
- Advance papers to the Board: more comprehensive papers in certain areas and ensuring that significant issues are not presented to the Board without prior notification;
- Offsite Board meeting: taking steps to make the most of these meetings and using them as opportunities for the Board to meet Top400 executives in less formal settings. Possibility of increased Non-Executive Director availability during the week of the offsite Board meeting;
- Time management: it was acknowledged that the Board has a limited number of meetings annually and there was discussion on whether there were opportunities to ensure that Non-Executive Directors' time was being used in the best possible way; and
- People and succession: ensuring continued Non-Executive Director exposure to Top400 executives, providing more details to all non-Nomination Committee members on succession planning and medium- to long-term succession planning for Executive Directors.

Progress Update on Items from the 2011 Evaluation: Key actions from the 2011 Board performance evaluation and progress made since then include:

- Developing Markets (now LAPAC and RUMEA): arising from the 2011 evaluation was a need to better understand the Company's China strategy for the next decade. Presentations on LAPAC took place during the year with specific attention on China. The 2013 offsite Board and strategy meetings will take place in China, allowing for a more in-depth focus.
- Investor Relations: a presentation on investor-related issues was delivered by a member of the investor community at a Board dinner which gave Board members additional insight into Company issues that were of interest to the investor community and also provided Directors with an opportunity to ask questions and gain a better understanding of issues that may impact the Company.
- Exposure of RB management below the Executive Committee to the Board: all members of the Executive Committee had an opportunity to present to the Board during the year. Additionally seven members of the Top40 and another seven colleagues from the Top400 delivered presentations to either the Audit Committee or the Board during the year.
- Product category management: the EVP, Category Development, Heather Allen, presented to the Board during the year and one of the Non-Executive Directors, Richard Cousins, spent a day with the Category Development organisation learning more about RB brands and markets.

These outcomes and actions will also feed into any externally facilitated evaluation carried out in 2013 or 2014 and will aid benchmarking and the measurement of progress against prior years.

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

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

B.7: DIRECTORS' RE-ELECTION

In accordance with the Code recommendations all the Directors will submit themselves for re-election/election at the 2013 AGM. Each Director has provided assurance that he or she remains committed to his or her role and can dedicate the necessary amount of time to attend to the Company's business. In addition, the performance evaluation undertaken was rigorous and transparent to ensure that each Director remains able to undertake his or her duties. Consequently, the Board recommends that all Shareholders vote 'for' on each of the resolutions to re-elect/elect the Directors at the

2013 AGM. The date each Director was originally appointed to the Board is included in the biographical details on page 18.

C: Accountability

C.1: FINANCIAL AND BUSINESS REPORTING

The Board is responsible for the integrity of RB's consolidated and the Company's financial statements and recognises its responsibility to present a balanced and understandable assessment of RB's position and prospects. The Board is satisfied that the financial statements, report to regulators and price-sensitive reports present a balanced and understandable assessment of RB's position and prospects.

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

Throughout the year RB has had in place an ongoing process for evaluating the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts is as set out on page 43 under Accounting Policies.

The Board agrees an engagement letter with the Auditors in respect of the full and half-year results and the Auditors' statement on their work and reporting responsibilities is set out on page 38.

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

The Statement of Directors' Responsibilities on page 30 details the Directors' responsibility for the financial statements and for disclosing relevant audit information to the Auditors.

The going concern statement required by the Listing Rules and the Code is set out in the Statement of Directors' Responsibilities on page 30.

C.2: RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a risk and control structure designed to manage the achievement of business objectives. It has overall responsibility for RB's system of internal control and for the effectiveness of such system. The system complies with the Turnbull guidance on Internal Control and Risk Management and provides reasonable, but not absolute, assurance against material misstatement or loss.

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

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

- **The Board and Management –** the Board approves strategy and performs an advisory and supervisory role, with the day-to-day management of the Company being undertaken by the CEO supported by the Executive Committee. The CEO and other Executive Committee members have clearly communicated RB's vision, strategy, operating model, values and business objectives across the Group;
- **Organisational Structure –** during the year ended 31 December 2012, RB operated three area organisations covering ENA, LAPAC RUMEA together with RB Pharmaceuticals and Food, and centralised functions covering category development, supply, sales, finance and legal, information services and human resources, as well as an independent internal audit function. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control systems and processes are embedded in the responsibilities of line managers;
- **Budgeting –** there is an annual planning process whereby operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and are reviewed by the Board on an annual basis;
- **Management Reporting –** there is a comprehensive system of management reporting. The financial performance of operating units and RB as a whole are monitored against budget on a monthly basis and are updated by periodic forecasts. Area and functional executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities;
- **Risk Management –** as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented. A summary of the most significant risks faced by RB is included in the Business Review on pages 13 to 15;
- **Operating Unit Controls –** each operating unit maintains a system of internal control and risk management which is appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of RB are entered into only after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects; and
- **Monitoring –** the effectiveness of the system of internal control and risk management is monitored regularly through a combination of management review, self-assessment, independent review through quality assurance, environment, health & safety and regulatory audits, as well as independent internal and external audit. The results of internal and external audit reviews are reported to and considered by the Audit Committee, and actions are taken to address any significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of the system of internal control and risk management on behalf of the Board.

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

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

C.3: AUDIT COMMITTEE AND AUDITORS

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors: Kenneth Hydon, Chairman since 16 November 2006, (whom the Board has deemed independent notwithstanding he has served nine years on the Board), André Lacroix and Warren Tucker. Kenneth Hydon, FCMA, FCCA, FCT, was CFO of Vodafone Group plc until July 2005 and Warren Tucker is CFO of Cobham plc. Therefore, they both have relevant and recent financial experience. RB's Auditors, Head of Internal Audit and CFO attend meetings and have regular private meetings with and direct access to the Committee. The Chairman and CEO attended some of the meetings and other senior management attend Audit Committee meetings by invitation.

The Audit Committee:

- Monitors the adequacy and effectiveness of the system of internal control;
- Reviews compliance procedures and RB's overall risk framework (including the Group's whistleblowing arrangements);
- Considers reports on Internal Audit's activities, significant legal claims and regulatory issues;

- Reviews the interim and full year financial statements before submission to the full Board;
- Makes recommendations to the Board regarding the Auditors and their terms of appointment;
- Reviews and monitors the Auditors' independence and services supplied and the objectivity and the effectiveness of the audit process; and
- Considers operational risk and control presentations from management covering assurance providers, geographical and functional areas.

During 2012 the Audit Committee:

- Met four times;
- Considered detailed risk and control reviews for specific selected Group major risks;
- Reviewed local country and regional risk and control status during the overseas Board visit;
- Agreed an approach to deliver independent programme assurance for the SAP and business transformation programme and monitored delivery of that assurance;
- Approved updates to the Finance Policy Manual and the Treasury policies;
- Monitored the progress against the relaunched whistleblowing policy;
- Reviewed and updated the policy for non-audit fees to the Auditors and monitored its application;
- Reviewed and carefully considered the justification for exceeding the Company's policy on non-audit fees in 2012;
- Reviewed the Audit Committee terms of reference and the annual 'Standing Agenda';
- Reviewed the effectiveness of, and approved recommendations for changes to, the Internal Audit function;
- Approved the terms of engagement and reviewed the strategy, scope and effectiveness of the Auditors;
- Reviewed and discussed with the Auditors the findings of their work during the year;
- Received regular technical updates to keep abreast of changes in financial reporting and governance matters; and
- Reviewed the performance of the Audit Committee itself and agreed actions for improvement.

Auditors and Auditor Independence

PricewaterhouseCoopers LLP (PwC) and its predecessor firms have been the sole auditors of RB since 2000, the year after the merger of Reckitt & Colman plc and Benckiser N.V. in 1999, and the Company's Auditors since its formation in 2007. At the time of the merger, PwC were the auditors of Reckitt & Colman plc and Deloitte LLP were the auditors of Benckiser N.V. Post merger, the Audit Committee undertook a review and subsequently selected PwC as auditor for the Group for the December 2000 year end. In the opinion of the Audit Committee, the relationship with the Auditors works well and the Committee remains satisfied with their independence and effectiveness. It has, accordingly, not considered it necessary to require the firm to tender for the audit work, although this is kept under review annually. It is a requirement that the audit partner responsible for audit is rotated every five years and the current lead audit partner, who has been in place since 2008, will accordingly rotate off in 2013. There are no contractual obligations restricting the Company's choice of Auditors.

RB has a formal policy in place to safeguard Auditor independence. The Audit Committee and the CFO keep the independence and objectivity of the Auditors under review. The Committee reviews the nature and level of non-audit services undertaken by the Auditors during the year to satisfy itself that there is no impact on their independence. The Board recognises that in certain circumstances the nature of the advice required may make it more timely and cost effective to appoint the Auditors who already have a good understanding of RB.

During the year, the Company exceeded its published policy that, on an annual basis, non-audit fees are not in excess of 50% of the Group's external audit fees on an aggregate basis. The Board would like to emphasise that this is not a change in policy. The breach was a consequence of seeking PwC's tax advice as part of the Group's organisational and operational restructuring necessary to implement RB's new strategy announced earlier in the year to refocus the business into three key areas – health, hygiene and home.

Prior to awarding the contract to PwC, a detailed tender process was undertaken with the 'big four' accountancy firms followed by a series of meetings and information exchanges. PwC was selected for this one off project because its detailed knowledge of the Group made its proposal ultimately the most cost effective and time efficient for the Company. The project is closely related to work PwC has already undertaken for the Company in other key areas. The PwC tax advisory team is independent and separate from its tax audit team which undertakes the annual audit for the Company.

The work on the project is continuing and the Company does not, at this time, anticipate exceeding its stated policy on non-audit fees for 2013.

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

The Auditors report to the Audit Committee on the actions they take to comply with professional and regulatory requirements and with best practice designed to ensure their independence from RB, including periodic rotation of the audit engagement partners. Details of non-audit services are set out in note 4 on page 50.

D: Remuneration

D.1: THE LEVEL AND COMPONENT OF REMUNERATION

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

The level and composition of remuneration across RB is designed to facilitate global mobility and diversity. A similar employment contract is used and compensation rules apply equally for RB's Top400 managers in all markets. Salary ranges are based on global benchmarking and RB's annual cash bonus structure, long-term incentives and other benefits are offered across operating companies.

Details on the Company's remuneration strategy and the Directors' compensation arrangements are set out in the Directors' Remuneration Report on pages 31 to 37.

D.2: REMUNERATION COMMITTEE AND PROCEDURE

The Remuneration Committee chaired by Judith Sprieser comprises four members. As at August 2012, Judith Sprieser had served nine years on the Board. Nonetheless, pursuant to Code provision B.1.1, the Board has determined that, in its opinion, Judith Sprieser remains independent. Graham Mackay and Richard Cousins are considered independent under the Code. The fourth member of the Committee is the Chairman, Adrian Bellamy, who was independent on appointment but has served on the Board for more than nine years.

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

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

- Participation in any of the Company's bonus and long-term incentive plans; and
- The targets for any of the Company's performance-related bonus and long-term incentive plans.

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

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

Detailed information on the Committee and its activities is set out in the Directors' Remuneration Report on pages 31 to 37.

E: Relations with Shareholders

E.1: RELATIONS WITH SHAREHOLDERS

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

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

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

E.2: THE ANNUAL GENERAL MEETING

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

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with IFRSs as adopted by the EU, and the Parent Company financial statements in accordance with United Kingdom (UK) Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether IFRSs as adopted by the EU and IFRSs issued by IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the 2006 Act and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 18 confirms that, to the best of their knowledge:

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 10 to 17. The financial position of the Group and Company, its cash flows, liquidity position and borrowing facilities, as well as the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk are described in the Business Review on page 14 and in note 14 to the Group financial statements.

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

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

Disclosure of Information to Auditors

The Directors, having made appropriate enquiries, state that:

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

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

By Order of the Board

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

Company registration number: 6270876

8 March 2013

Remuneration Committee Chairman's Statement

In 2012, the subject of executive remuneration has continued to be an area of focus for shareholders and the wider public. Of particular note is the ongoing consultation by the Department for Business Innovation & Skills (BIS) on this subject and its new regulations relating to the disclosure and shareholder approval of executive remuneration.

Whilst these regulations do not come into force until RB's 2013 financial year, we have nevertheless incorporated a number of changes this year in response to the draft regulations to help make our Remuneration Report clearer and easier to understand. As set out in our Notice of AGM, there will continue to be a single advisory vote on our 2012 Directors' Remuneration Report at the 2013 AGM.

The Committee continues to believe that its approach to remuneration, although different in some respects to typical FTSE practice, is an important factor in RB's success, supporting a strong performance culture and delivering significant benefits to all Shareholders.

Central to our pay philosophy are the principles of simplicity, Shareholder alignment and pay for performance. We have positioned Executive Director fixed pay (base salary, pension and benefits) at or below median market levels, but have provided Executives with incentive opportunities that enable above-market pay for above-market performance in terms of growth, profitability and Shareholder returns. Our approach to remuneration reflects the global nature of our business. Our management team is multinational, is globally mobile and we compete for talent against a peer group of global FMCG companies.

The remuneration of our Senior Executives is heavily weighted towards long-term variable equity components (performance-vesting shares and options). This, together with our demanding executive share ownership requirements (equivalent to up to 29x salary), gives Executives a significant dependency on the long-term sustainability of our business, and helps ensure Executives think like, and act in the interests of, Shareholders.

During the year, I have taken the opportunity to speak with a number of the Company's largest Shareholders on the subject of executive remuneration. The Committee, and the Board as a whole, take very seriously the views and feedback of our Shareholders, and, although the majority of Shareholders are strongly supportive of our philosophy and policy on remuneration, we did receive some comments and concerns over the last year around Executive Director service contracts, the size of our LTIP grants, and the sole use of earnings per share in our LTIP. Our service contracts are now consistent with best practice and the Committee continues to review the structure and level of LTIP awards to ensure they continue to align with Shareholders' interests. This is covered more fully later in this Report.

Judith Sprieser
Chairman of the Remuneration Committee

Directors' Remuneration Report

The Directors' Remuneration Report has been prepared in accordance with the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and meets the relevant requirements of the Financial Services Authority's Listing Rules.

Policy on Remuneration

This section of our report describes the key components of the remuneration arrangements for Executive Directors that were in place for 2012 and which remain unchanged for 2013.

The Company operates a global remuneration policy for its Senior Executives which is reviewed every three years. The core principles on which that policy is based are as follows:

1. The remuneration structure will be simple to understand; and
2. The interests of Executive Directors and Senior Executives will be strongly aligned with those of Shareholders, with a heavy emphasis on the link between pay and performance, together with demanding executive share ownership requirements.

The targeted positioning of total remuneration will be based on international competitive practice as the Company competes for management skills and talent in broadly the same marketplace as its main competitors, the majority of which are based in the US.

Variable pay is, and will continue to be, the major element of the Company's current Executive Directors' and Senior Executives' total compensation package. Accordingly, the Executive Directors' compensation package comprises, in addition to base salary, an annual cash bonus and share-based long-term incentives. If the Group achieves its target levels of performance, the variable elements will amount to 66%-81% of Executive Directors' total remuneration. If performance is unsatisfactory, then no cash bonuses will be paid and long-term incentives will not vest. Highly-leveraged annual bonus opportunities, linked to the achievement of key business measures within the year, are designed to stimulate the achievement of outstanding annual results. Long-term incentives linked to share price and earnings per share growth are designed to reinforce Shareholder alignment.

In recent meetings with some of our largest Shareholders, we discussed the possible addition of a capital measure to balance earnings per share in our long-term incentives. Having considered the comments received from Shareholders, the Remuneration Committee (Committee) believes that the current levels of executive share ownership obviate the need for a balancing capital measure in the LTIP since the proportion of personal net worth that the Senior Executives have at risk in Company shares motivates them to act in a manner consistent with the best interests of our Shareholders.

The Company believes that the current remuneration practices (summarised in the table on page 32) meet the policy's core principles:

CEO and CFO remuneration package in 2013

Component	'Below threshold'	'Target'	'Maximum'
Base salary	Annual base salary CEO £832k, CFO £550k		
Pension	CEO 30%, CFO 25% of pensionable pay		
Other benefits	Taxable value of annual benefits provided		
Annual cash bonus (% of salary)	0%	120% CEO 90% CFO	428% CEO 321% CFO
Performance shares (% vesting)	0%	40%	100%
Share options (% vesting)	0%	40%	100%

Summary of Executive Director Remuneration Policy

Component	Objective	Operation	Opportunity in 2012	Performance measures	Changes for 2013
Variable Remuneration (incentives)					
Annual bonus	Drive performance with significant reward for over-achievement	Net revenue and net income growth targets are set by the Committee at the start of the year. At the end of the year, the Committee determines the extent to which these have been achieved. Pay-outs are in cash. Similar incentive arrangements are used for other Executives worldwide	Maximum opportunity CEO: 428% of salary CFO: 321% of salary Target opportunity CEO: 120% of salary CFO: 90% of salary	Growth in net revenue and net income	None
Share options	To incentivise and reward longer-term performance, and align the interests of Executives with those of Shareholders	Conditional grants of share options vest after three years subject to the achievement of stretching performance targets	Grants based on a fixed number: CEO: 400,000 CFO: 90,000	Awards vest on RB's 3-year average earnings per share growth: 40% vests at 6% p.a. 60% vests at 7% p.a. 80% vests at 8% p.a. 100% vests at 9% p.a.	None
Performance shares		Conditional awards of shares vest after three years subject to the achievement of stretching performance targets	Awards based on a fixed number: CEO: 200,000 CFO: 45,000		None
Share ownership guidelines	Align with Shareholder interests and reinforce long-term decision-making	Executive directors are expected to acquire a number of shares over a period of eight years and retain these until retirement from the Board	Required ownership: CEO: 600,000 shares CFO: 200,000 shares	n/a	None
Base Salary and Benefits					
Base salary	To enable the total package to support recruitment and retention	Base salaries are reviewed annually with effect from 1 January. Salary levels/increases take account of: • Competitive practice in the Company's remuneration peer group, comprising 19 international companies[1] • Individual performance • Salary increases awarded across the Group as a whole	Salaries for Executive Directors should typically be at or below the median for competitors	n/a	CEO: £832,000 (4% increase) CFO: £550,000 (from date of appoint-ment)
Pension	To provide appropriate levels of retirement benefit (calibrated to be at or around the market average for equivalent positions elsewhere)	Executive Directors receive £50,000 p.a. into the RB Executive Pension Scheme, a defined contribution scheme, and a cash allowance in lieu for the balance of the promised contribution (see right). Base salary is the only element of remuneration that is pensionable	CEO: 30% of pensionable pay CFO: 17.5% of pensionable pay	n/a	Pension for new CFO set at 25% of pensionable pay
Benefits	To provide benefits comparable to those that would be provided for an equivalent position elsewhere	Includes company car/ allowance and health care. Relocation allowances and international transfer related benefits may also be paid, if required.	CEO: £31k in 2012 CFO: £24k in 2012	n/a	None

[1] Avon, Bayer, Campbell, Church & Dwight, Clorox, Coca-Cola, Colgate-Palmolive, Danone, GSK, Henkel, Johnson & Johnson, Kimberley Clark, Kellogg, Novartis, Pepsico, Pfizer, Procter & Gamble, Sanofi and Unilever.

Service Contracts
During 2012, the Committee considered the service contract for the new CFO and agreed that it should be consistent with that of the CEO. Consequently, the service contracts for both the CEO and CFO (since Adrian Hennah joined the Board in early 2013) are now rolling and terminable on twelve months' notice. In such an event, the compensation commitments in respect of their contracts could amount to one year's remuneration based on base salary and benefits in kind and pension rights during the notice period. Termination payments may take the form of payments in lieu of notice.

External Appointments
Rakesh Kapoor does not hold any external appointments. Adrian Hennah is a Non-Executive Director of Reed Elsevier PLC and is permitted to retain the fees he receives for this appointment.

Exit Payments Policy
In the event of an Executive leaving the Company payments may be made under the annual bonus plan, as follows:

- If employment terminates by reason of voluntary resignation or for 'cause', no bonus will be made for the financial year in which employment terminates.
- In all other circumstances, any bonus due will be paid as soon as possible after the end of the relevant financial year. Any such bonus will be paid on a pro-rata basis taking account of the period actually worked.

The LTIP rules (approved by Shareholders in 2007) provide for vesting in certain circumstances in the event of an Executive leaving the Company. These provisions are in line with best practice, and more details are available in the LTIP rules.

In the event of a change of control of the Company, to the extent that any performance conditions have been satisfied (unless the Committee determines that the performance conditions should not apply) unvested LTIP awards will vest immediately. Awards will also be reduced pro-rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise.

CFO Transition
In February 2013, Adrian Hennah succeeded Liz Doherty as CFO.

In line with her contractual entitlements, a lump-sum termination payment will be paid to Liz Doherty in April 2013 totalling £705,000, which was provided for at the year end. Unvested share and option awards held by Liz Doherty will vest in accordance with the plan rules, ie they will vest to the extent that any performance conditions are satisfied based on performance to 31 December 2013 and will be reduced pro rata to take into account the proportion of the performance period not completed.

The remuneration package of Adrian Hennah is based on the Company's remuneration philosophy, current market benchmarks and his relative experience. Adrian Hennah's package (summarised below) reflects his experience both as a CFO in a large-cap listed company and of the consumer health care industry.

The package for Adrian Hennah in 2013 will be as follows:

Element	Details
Base salary	£550,000
Pension	25% of pensionable pay
Annual bonus	
Target	90% of base salary
Maximum	321% of base salary

Adrian Hennah was also granted 90,000 options and 45,000 shares under the LTIP in February 2013, with vesting subject to the Company's earnings per share growth over the three-year period starting with the 2013 financial year. The size of Adrian Hennah's LTIP grant in future years will be determined by the Committee in accordance with its regular schedule.

The Committee assessed the value of the remuneration components forfeited by Adrian Hennah as a result of his appointment to RB and agreed to grant a sign-on award of £200,000, payable on appointment, which partially replaced the value of deferred bonus awards at his prior employer. The sign-on award was contractually committed and therefore was provided for at the year end. To reflect forfeited long-term incentive awards in relation to his previous employment, in each of December 2013 and December 2014 (subject to continued employment at each relevant award date), Adrian Hennah will receive a cash lump sum equal in value to 25,000 RB shares (based on the prevailing share price on the relevant date). The net amount of each cash sum will be required to be used to purchase shares and retained as part of his share ownership obligation (200,000 shares within eight years of appointment).

Non-Executive Directors
Non-Executive Directors do not have service agreements, but are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code guidelines, all Directors are now subject to re-election annually at the AGM.

The Board, in the light of recommendations from the Chairman, CEO and CFO, determines the remuneration of the Non-Executive Directors. Fee levels are reviewed every two years, with external advice taken on best practice and competitive levels, taking into account fee levels at FTSE30 and other FTSE100 companies, and the responsibilities and time commitment of each Non-Executive Director.

Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Board Committee meetings. In addition to the basic fee, the Deputy Chairman, Senior Independent Director, and Chairs of the Audit and Remuneration Committees also receive an additional fee in recognition of their added responsibilities.

It is the policy of the Board that Non-Executive Directors are not eligible to participate in any of the Company's bonus, share option, long-term incentive or pension schemes. We do, however, pay an element of the basic fee in RB shares. The fee structures for the Chairman and Non-Executive Directors for 2012 are shown in Table 1 on page 36.

The fee structure for Non Executive Directors in 2013 is disclosed in Table 2 on page 36, and was agreed following a biennial review of Non-Executive Director fees in 2012.

Remuneration in 2012

THE PROCESS OF THE COMMITTEE

Main activities of the Remuneration Committee in 2012
In 2012 there were five meetings, including one held by written resolution. Our activities included:

- Reviewing Executive Director and other Senior Executive base salaries and benefits.
- Reviewing the global remuneration policy.
- Determining the annual cash bonus outcome for the 2011 performance year.
- Determining the vesting outcome for long-term incentives granted in December 2008 (which vested in May 2012).
- Agreeing short-term and long-term incentive arrangements for 2012, including performance targets.
- Reviewing its external, independent adviser.

The Remuneration Committee in 2012
The Remuneration Committee is responsible for determining and reviewing the terms of employment and remuneration of the Executive Directors and Senior Executives. The remuneration principles established for this senior group of employees provide the framework for the remuneration packages of all other Executives. The Committee also has responsibility for determining the remuneration of the Chairman.

The Committee comprised four members in 2012:
Judith Sprieser (Chairman)
Graham Mackay
Adrian Bellamy
Richard Cousins.

The Chairman is permitted (in accordance with the UK Corporate Governance Code 2010 (Code)) to sit on the Remuneration Committee if he was independent upon appointment as Chairman. This is the case with Adrian Bellamy.

The Committee's terms of reference are available on the Company's website.

Internal Advisers to the Committee in 2012
Internal advisers to the Committee include Rakesh Kapoor, CEO, and Simon Nash, SVP Human Resources. No individual is present when his own remuneration is being discussed. The Committee has the discretion to consider corporate performance on ESG issues when setting remuneration of Executive Directors and seeks to ensure that the incentive structure for senior management does not raise ESG risks by

inadvertently motivating irresponsible behaviour. Throughout 2012, the Company complied with the relevant sections of the Code.

Independent Advisers to the Committee in 2012

Until November 2012, Deloitte LLP was the Committee's external and independent adviser and, until that date, provided advice to the Board on executive compensation levels, structure and design. Deloitte also provided the Group with international transfer tax compliance and global mobility services and ad-hoc advice on employment/share schemes matters during 2012. These services are provided under separate engagement terms and the Committee is satisfied that the provision of these services did not impair Deloitte's ability to advise the Committee independently.

In mid-2012, the Committee conducted a review of its adviser. Having invited seven companies to submit proposals to provide independent advice to the Committee, the Committee appointed Kepler Associates as its external independent adviser from November 2012. Kepler provides no other services to the Group.

Both Deloitte and Kepler are signatories to the Code of Conduct for Remuneration Consultants.

Base Salaries

Base salaries are reviewed annually with effect from 1 January. Increases are determined by reference to competitive practice in the Company's remuneration peer group (comprising 19 international FMCG and health care companies), individual performance and in the context of pay considerations across the Group as a whole. The policy is that salaries for Executive Directors and other Executive Committee members should typically be at, or below, the median of competitor market practice.

The approach to reviewing the base salaries of Executive Directors is the same as that for other employees. Base pay increases for Executive Directors from 1 January 2012 were 2% for the CFO (in line with typical base pay increases for other Executives in RB) and 0% for the CEO. The base pay increase for Executive Directors from 1 January 2013 will be 4% for the CEO and 0% for the outgoing CFO, the increase to the CEO's salary being agreed in the context of his performance and base pay increases for the broader Senior Executive population and the wider workforce in general.

Executive	2013 salary (annualised)	2012 salary (annualised)	% increase
Rakesh Kapoor	£832,000	£800,000	4%
Liz Doherty	£428,400	£428,400	0%
Adrian Hennah	£550,000	n/a	n/a

Annual Cash Bonus

The annual cash bonus is closely linked to the achievement of demanding pre-determined targets geared to above-industry performance. The performance measures attached to the 2012 annual cash bonus plan were net revenue and net income growth. The Committee sets performance targets each year, with reference to prevailing growth rates in the Company's peer group, and across the health care and FMCG industries more broadly. Based on this data targets were set at a level where target bonus (120% and 90% of salary for the CEO and CFO, respectively) will be earned only where the Company's performance is above the industry median. Still more stretching percentage growth rates have been set above target, and the achievement of these delivers higher bonus payments for superior performance, worth up to 428% of salary for the CEO and 321% of salary for the CFO. Our bonus is highly leveraged, truly variable and reinforces significant outperformance of the market; targets are aggressive and bonus payouts are tied to actual performance against industry peers. In the last three years, the CEO's bonus payouts have been 357% (CFO: 268%), 271% (CFO: 203%) and 134% (CFO: 101%) of salary in 2009, 2010 and 2011 respectively.

Based on the Company's performance in 2012, against the net revenue and net income targets set at the start of year, the Committee has decided to make an annual bonus award of 227% of base salary to the CEO and 170% of base salary to the CFO.

The annual cash bonus plan will remain unchanged for 2013.

Under the terms and conditions of the annual cash bonus plan, the Company has the right to seek redress and damages from an individual who has been found to have breached the Company's Code of Conduct, irrespective of the position and location the individual might hold, in or out of the Company, at the time the breach of the Code of Conduct comes to light. This includes the Company's right to require an individual to repay any costs incurred through a breach of the Code of Conduct from any bonus payment made in the year the breach/costs were incurred. Annual bonuses are not pensionable. The Committee also reserves the right, in exceptional circumstances, to make individual cash awards.

Long-Term Incentives

The Committee believes that a significant element of share-based remuneration ensures the financial interests of the Executive Directors and other key Executives are aligned with those of Shareholders. This is underpinned by a significant share ownership requirement placed on Senior Executives, with penalties for non-compliance (as described in the 'Executive Share Ownership Policy' section below).

Long-term incentives comprise a mix of share options and performance shares. Both the levels and combination of share options and performance shares are reviewed annually, with reference to market data and the associated cost to the Company.

The Committee determines the appropriate value of the long-term incentives by benchmarking the 'fair' value of total remuneration for Executives against its peer group and deducting base salary and annual cash bonus. The Company's long-term incentives (and those of the peer group) are valued using an expected value methodology (Black-Scholes). This is a widely accepted valuation approach which enables like-for-like comparisons. Although the Committee calibrates LTIP award sizes as a fixed number (which the Committee believes more appropriately aligns Executive interests with those of Shareholders compared to the more commonly used method based on a fixed percentage of salary), the Committee's policy is actively to adjust the fixed number of shares to ensure that the fair value of total remuneration is appropriately positioned relative to our pay peer group. For example, in the last six years the Committee has twice revised downwards the CEO's LTIP awards to reflect the strong growth in the Company's share price and to ensure that the fair value of long-term incentives remained around or below the upper quartile of our peer group, as follows:

CEO LTIP Award Sizes, by Year

Year	Shares	Options
2006	400,000	800,000
2007	300,000	600,000
2008	300,000	600,000
2009	300,000	600,000
2010	300,000	600,000
2011	200,000	400,000
2012	200,000	400,000

In December 2012, the following awards were granted to the CEO:

Summary of 2012 Long-Term Incentive Awards

Executive	Performance shares	Share options	Option exercise price
Rakesh Kapoor	200,000	400,000	£39.14

The vesting of the December 2012 awards is subject to earnings per share performance over three consecutive financial years starting with 2013. The use of performance conditions attached to the vesting of share options is still a minority practice among RB's peer group. However, in line with best practice guidelines, the Committee believes that the vesting of the Company's options and performance share awards should be subject to the satisfaction of appropriate performance conditions.

Long-term incentives vest subject to the achievement of earnings per share growth targets that exceed industry performance levels. Earnings per share has been selected as the performance condition for three reasons:

1. It focuses Executives on real profit growth which is strongly aligned with value creation at RB;
2. It provides a well recognised and accepted measure of the Company's underlying financial performance; and
3. It is a measure that the plan participants can directly impact.

Earnings per share is measured on an adjusted diluted basis, as shown in the Group's financial statements, as this provides an independently verifiable measure of performance.

The vesting schedule for the options and performance shares rewards superior performance. For 2012 LTIP awards, the Committee has set the same targets and levels of awards as in the previous year, due to: the industry context in which the Company operates; expectations of what will constitute performance at the top of the peer group; and factors specific to the Company.

Summary of Earnings per Share Vesting Schedule, 2012 Long-Term Incentive Awards

There will be no change to the structure of long-term incentives for the Executive Directors in 2013.

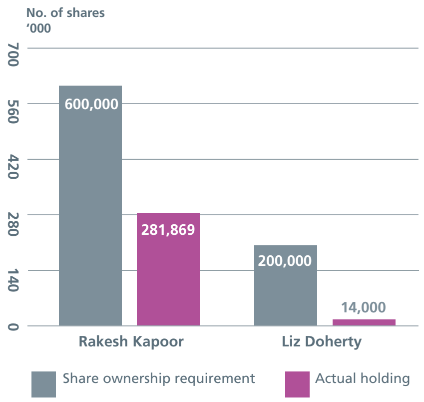
Pension

In line with the Committee's emphasis on the importance of only rewarding the Executive Directors for creating Shareholder value, the Group operates a defined contribution pension plan: the RB Executive Pension Plan. Rakesh Kapoor and Liz Doherty are members of this plan, and Adrian Hennah has become a member of this plan from his appointment in early 2013.

Rakesh Kapoor's Company pension contribution as CEO was 30% of pensionable pay during 2012. Liz Doherty's Company pension contribution was 17.5% of pensionable pay in 2012. Contributions to the Plan are limited currently to £50,000 per annum, with the balance of the promised pension contribution being paid as a cash allowance in lieu.

Executive Share Ownership Policy

Executive Directors and other Senior Executives are subject to a compulsory share ownership policy. This is to emphasise the alignment of Senior Executives to the Company's Shareholders and its business targets. The chart below summarises the share ownership policy for Rakesh Kapoor and Liz Doherty, as well as the number of shares which count towards that ownership policy as at 31 December 2012:



These shareholding requirements (equating to c.29x base salary for Rakesh Kapoor and c.18x base salary for Liz Doherty based on 2012 base salaries and the share price at 31 December 2012) are significantly higher than market practice. Executives, including those newly recruited or promoted into Senior Executive positions, are allowed eight years to attain these shareholdings and targets are pro-rated until these targets are met. Rakesh Kapoor has exceeded his pro-rated target levels based on his tenure to date. Other Senior Executives must own between 30-50,000 shares, representing c.7x base salary.

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

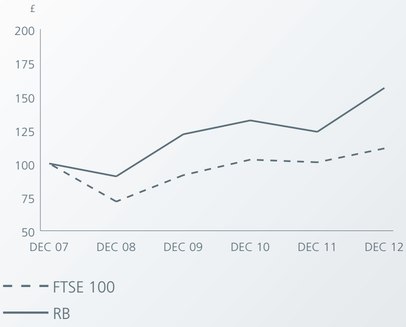
Single Figure of Remuneration

Table A on page 36 reports a single figure for total remuneration for each Executive Director for 2012, calculated in accordance with the methodology set out in the draft regulations issued by BIS in 2012.

Non-Executive Director	Total fees earned 2012 £000	Total fees earned 2011 £000
Adrian Bellamy	345	345
Richard Cousins	85	85
Peter Harf	90	90
Kenneth Hydon	95	95
André Lacroix	85	85
Graham Mackay	92	92
Judith Sprieser	95	95
Warren Tucker	85	85

Historical TSR Performance

Growth in the value of a hypothetical £100 holding in RB and the FTSE100 over five years, based on spot values.



Notes

The graph above shows the performance of RB in terms of TSR performance against the UK FTSE 100 index over a five-year period and conforms to Schedule 8 of the Large- and Medium-sized Companies and Groups Regulations 2008. The index was selected on the basis of companies of a comparable size in the absence of an appropriate industry peer group in the UK.

Approved by the Board on 8 March 2013 and signed on its behalf by:

Judith Sprieser
Chairman of the Remuneration Committee

Table A – Single Figure of Remuneration

	Rakesh Kapoor	Liz Doherty	Valuation basis
Base salary	£800,000	£428,000	As earned for 2012
Benefits	£31,000	£24,000	Based on cash equivalent for 2012
Pension – defined contribution	£50,000	£50,000	Contribution to the RB Executive Pension Plan in 2012 (capped at £50,000 p.a. in 2012)
Pension – cash allowance	£188,000	£23,000	Cash allowance in lieu of the balance of the promised contribution in 2012
Annual bonus	£1,814,000	£729,000	Earned based on 2012 performance, paid in March 2013
Performance shares	£ 2,279,000	n/a	LTIP shares granted in December 2009, which will vest on 2 May 2013 as to 100%, valued using average share price over Q4 2012 (£37.99)
Share options	£1,141,000	n/a	LTIP options granted in December 2009, with exercise price of £31.65, which will vest on 2 May 2013 as to 100%, valued using average share price over Q4 2012 (£37.99)
Total remuneration	**£6,303,000**	**£1,254,000**	

The following information in Tables 1-4 on pages 36 to 37 comprises the auditable disclosures of the Directors' Remuneration Report.

Table 1 – Chairman and Non-Executive Director fee structure for 2012

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

Table 2 – Chairman and Non-Executive Director Fee Structure for 2013

	Chairman £	Deputy Chairman £	Chairmen of Remuneration Committee and Audit Committee £	Senior Independent Director £	Other Non-Executive Directors £
Basic fee payable in cash	308,000	82,000	70,000	70,000	70,000
Basic fee payable in shares	67,000	18,000	15,000	15,000	15,000
Committee membership fee	–	15,000	–	15,000	15,000
Committee chairmanship fee	–	–	30,000	–	–
Senior Independent Director fee	–	–	–	12,000	–
Total	**375,000**	**115,000**	**115,000**	**112,000**	**100,000**

Table 3 – Remuneration Disclosures

	Notes	**Base salary and fees £000**	**Bonus £000**	**Benefits in kind £000**	**Other payments £000**	**Pension contri-butions £000**	**2012 Total £000**	2011 Total £000
Chairman								
Adrian Bellamy	1	**345**					**345**	345
Executive Directors								
Rakesh Kapoor (appointed 1 September 2011)	2	**800**	**1,814**	**5**	**214**	**50**	**2,883**	736
Liz Doherty	2	**428**	**729**	**3**	**44**	**50**	**1,254**	910
Non-Executive Directors								
Richard Cousins	3	**85**					**85**	85
Peter Harf	3	**90**					**90**	90
Kenneth Hydon	3	**95**					**95**	95
André Lacroix	3	**85**					**85**	85
Graham Mackay	3	**92**					**92**	92
Judith Sprieser	3	**95**					**95**	95
Warren Tucker	3	**85**					**85**	85
Total		**2,200**	**2,543**	**8**	**258**	**100**	**5,109**	**2,618**

Notes

1. Adrian Bellamy's fees as Chairman for 2012 were £345,000. These fees include £62,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by Adrian Bellamy while in office.
2. The remuneration reported under 'Other payments' in respect of Rakesh Kapoor comprises: car allowance, international transfer-related benefits and the balance of the promised pension contribution paid as cash. For Liz Doherty it comprises: car allowance, relocation benefits, and the balance of the promised pension contribution paid as cash.
3. Non-Executive Director fees for 2012 include £13,500 (gross), and £14,500 (gross) in the case of Peter Harf, the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by the Director while in office.
4. The total emoluments of the Directors of Reckitt Benckiser Group plc as defined by section 412 the Companies Act were £5,009,000 (2011: £6,455,000).
5. The aggregate gross gains made by the Directors on the vesting of restricted shares during the year were £2,168,400 (2011: £10,211,160). The gains are calculated based on the market price at the date of vesting of restricted shares, although the shares may have been retained and no gain realised.
6. The total emoluments of Rakesh Kapoor (excluding pension contributions) were £2,833,000. Total emoluments of Liz Doherty (excluding pension contributions) were £1,204,000.

Table 4 – Directors' Options and Performance-Based Restricted Share Awards

Table 4 sets out each Director's options over or rights to ordinary shares of the Company under the Company's various long-term incentive plans. The closing price of the ordinary shares at the year end was £38.79 and the range during the year was £32.00 to £39.99.

Long-term incentives	Notes	Grant date	At 1.1.12	Granted during the year	Exercised/ vested during the year	At 31.12.12	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/ vesting period
Liz Doherty										
Options	1	5.12.11	90,000			90,000	32.09			May 15–Dec 21
Performance-based restricted shares	1	9.2.11	10,000			10,000		32.70		May 2014
	1	5.12.11	45,000			45,000		32.19		May 2015
Rakesh Kapoor										
Options	1	11.12.07	120,000			120,000	29.44			May 11–Dec 17
	1,2	8.12.08	180,000			180,000	27.29			May 12–Dec 18
	1	7.12.09	180,000			180,000	31.65			May 13–Dec 19
	1	1.12.10	180,000			180,000	34.64			May 14–Dec 20
	1	5.12.11	400,000			400,000	32.09			May 15 –Dec 21
	1	3.12.12		400,000		400,000	39.14			May 16 –Dec 22
Performance-based restricted shares	1,2	8.12.08	60,000		60,000			27.80	36.14	May 2012
	1	7.12.09	60,000			60,000		31.80		May 2013
	1	1.12.10	60,000			60,000		34.08		May 2014
	1	5.12.11	200,000			200,000		32.19		May 2015
	1	3.12.12		200,000		200,000		39.66		May 2016

Sharesave Scheme	Grant date	At 1.1.12	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.12	Option price (£)	Market price at exercise (£)	Exercise period
Liz Doherty	26.8.11	327				327	27.57		Feb 15–July 15
Rakesh Kapoor	8.9.08	796				796	21.92		Feb 16–July 16

Notes

1. Vesting of long-term incentives is subject to the achievement of the following compound average annual growth (CAAG) in earnings per share over a three year period.

	Proportion of grant vesting (%)			
	40	60	80	100
CAAG for long-term incentives granted in December 08-12	6	7	8	9

2. The grant made in December 2008 vested in full in May 2012. The Company exceeded its target compound average actual growth (CAAG) in earnings per share over a three year period (2009-2011) of 9%.
3. There have been no variations in the terms and conditions of options and performance-based restricted shares during the year.

We have audited the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate Opinion in Relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which We are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 30, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to Shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2013

Group income statement

For the year ended 31 December	Notes	2012 £m	2011 (restated)[1] £m
Net revenue	2	**9,567**	9,485
Cost of sales	3	**(4,030)**	(4,036)
Gross profit		**5,537**	5,449
Net operating expenses	3	**(3,102)**	(3,054)
Operating profit	2	**2,435**	2,395
Operating profit before exceptional items		**2,570**	2,487
Exceptional items	3	**(135)**	(92)
Operating profit		**2,435**	2,395
Finance income	6	**26**	23
Finance expense[2]	6	**(41)**	(42)
Net finance expense		**(15)**	(19)
Profit on ordinary activities before taxation		**2,420**	2,376
Tax on profit on ordinary activities	7	**(587)**	(622)
Net income		**1,833**	1,754
Attributable to non-controlling interests		**4**	9
Attributable to owners of the parent		**1,829**	1,745
Net income		**1,833**	1,754
Earnings per ordinary share			
Basic earnings per share	8	**252.5p**	239.8p
Diluted earnings per share	8	**249.5p**	237.1p

[1] Refer to note 1 for further details.

[2] 2011 includes a £4m exceptional charge relating to finance expenses associated with the acquisition of SSL.

Group statement of comprehensive income

For the year ended 31 December	Notes	2012 £m	2011 £m
Net income		**1,833**	1,754
Other comprehensive income			
Actuarial losses, net of tax	7	**(49)**	(49)
Gains on cash flow hedges, net of tax	7	**3**	3
Net exchange losses on foreign currency translation, net of tax	7	**(255)**	(226)
Reclassification of foreign currency translation reserve on disposal of subsidiary, net of tax	7	**9**	–
Other comprehensive income, net of tax		**(292)**	(272)
Total comprehensive income		**1,541**	1,482
Attributable to non-controlling interests		**(1)**	4
Attributable to owners of the parent		**1,542**	1,478
		1,541	1,482

Group balance sheet

As at 31 December	Notes	2012 £m	2011 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**11,175**	10,258
Property, plant and equipment	10	**737**	732
Deferred tax assets	11	**49**	150
Available for sale financial assets	14	**2**	10
Retirement benefit surplus	21	**27**	32
Other receivables		**33**	6
		12,023	11,188
Current assets			
Inventories	12	**735**	758
Trade and other receivables	13	**1,407**	1,442
Derivative financial instruments	14	**4**	67
Current tax receivables		**20**	21
Available for sale financial assets	14	**4**	11
Cash and cash equivalents	15	**887**	639
		3,057	2,938
Total assets		**15,080**	14,126
LIABILITIES			
Current liabilities			
Borrowings	16	**(3,271)**	(2,505)
Provisions for liabilities and charges	17	**(128)**	(60)
Trade and other payables	20	**(2,842)**	(2,901)
Derivative financial instruments	14	**(43)**	(7)
Current tax liabilities		**(203)**	(227)
		(6,487)	(5,700)
Non-current liabilities			
Borrowings	16	**(3)**	(3)
Deferred tax liabilities	11	**(1,814)**	(1,772)
Retirement benefit obligations	21	**(426)**	(502)
Provisions for liabilities and charges	17	**(100)**	(118)
Non-current tax liabilities		**(311)**	(211)
Other non-current liabilities		**(17)**	(39)
		(2,671)	(2,645)
Total liabilities		**(9,158)**	(8,345)
Net assets		**5,922**	5,781
EQUITY			
Capital and reserves			
Share capital	22	**73**	73
Share premium		**184**	86
Merger reserve	24	**(14,229)**	(14,229)
Hedging reserve	24	**2**	(1)
Foreign currency translation reserve	24	**(131)**	110
Retained earnings		**20,022**	19,672
		5,921	5,711
Non-controlling interests		**1**	70
Total equity		**5,922**	5,781

The financial statements on pages 39 to 74 were approved by the Board and signed on its behalf on 8 March 2013 by:

Adrian Bellamy
Director

Rakesh Kapoor
Director

Group statement of changes in equity

For the year ended 31 December	Notes	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011		**73**	**59**	**(14,229)**	**(4)**	**331**	**18,828**	**5,058**	**72**	**5,130**
Comprehensive income										
Net income							1,745	1,745	9	1,754
Other comprehensive income										
Actuarial losses, net of tax	7						(49)	(49)		(49)
Gains on cash flow hedges, net of tax	7				3			3		3
Net exchange losses on foreign currency translation, net of tax	7					(221)		(221)	(5)	(226)
Total other comprehensive income		–	–	–	3	(221)	(49)	(267)	(5)	(272)
Total comprehensive income		**–**	**–**	**–**	**3**	**(221)**	**1,696**	**1,478**	**4**	**1,482**
Transactions with owners										
Proceeds from share issue			27					27		27
Share-based payments	23						61	61		61
Deferred tax on share awards							(13)	(13)		(13)
Current tax on share awards							2	2		2
Dividends	27						(873)	(873)	(7)	(880)
Non-controlling interest arising on business combination									1	1
Put option issued to non-controlling interest							(29)	(29)		(29)
Total transactions with owners		**–**	**27**	**–**	**–**	**–**	**(852)**	**(825)**	**(6)**	**(831)**
Balance at 31 December 2011		**73**	**86**	**(14,229)**	**(1)**	**110**	**19,672**	**5,711**	**70**	**5,781**
Comprehensive income										
Net income							1,829	1,829	4	1,833
Other comprehensive income										
Actuarial losses, net of tax	7						(49)	(49)		(49)
Gains on cash flow hedges, net of tax	7				3			3		3
Net exchange losses on foreign currency translation, net of tax	7					(250)		(250)	(5)	(255)
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	7					9		9		9
Total other comprehensive income		–	–	–	3	(241)	(49)	(287)	(5)	(292)
Total comprehensive income		**–**	**–**	**–**	**3**	**(241)**	**1,780**	**1,542**	**(1)**	**1,541**
Transactions with owners										
Proceeds from share issue			98					98		98
Share-based payments	23						49	49		49
Current tax on share awards							23	23		23
Shares repurchased and held in Treasury	22						(535)	(535)		(535)
Dividends	27						(916)	(916)	(4)	(920)
Acquisition of non-controlling interest							(51)	(51)	(55)	(106)
Reclassification of non-controlling interest on disposal	25								(9)	(9)
Total transactions with owners		**–**	**98**	**–**	**–**	**–**	**(1,430)**	**(1,332)**	**(68)**	**(1,400)**
Balance at 31 December 2012		**73**	**184**	**(14,229)**	**2**	**(131)**	**20,022**	**5,921**	**1**	**5,922**

Group cash flow statement

For the year ended 31 December	Notes	2012 £m	2011 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations			
Operating profit		**2,435**	2,395
Depreciation, amortisation and impairment		**148**	157
Fair value (gains)/losses		**(7)**	1
Gain on sale of property, plant and equipment and intangible assets		**(13)**	(9)
Gain on sale of businesses	26	**(32)**	–
Decrease/(increase) in inventories		**19**	(131)
Increase in trade and other receivables		**(16)**	(113)
(Decrease)/increase in payables and provisions		**(160)**	69
Share-based payments		**49**	61
Cash generated from operations		**2,423**	2,430
Interest paid		**(34)**	(35)
Interest received		**27**	22
Tax paid		**(528)**	(677)
Net cash generated from operating activities		**1,888**	1,740
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(166)**	(164)
Purchase of intangible assets		**(11)**	(41)
Disposal of property, plant and equipment		**13**	5
Disposal of intangible assets		**9**	12
Acquisition of businesses, net of cash acquired	26	**(877)**	(460)
Disposal of businesses, net of cash disposed	26	**81**	-
Maturity/(purchase) of short-term investments		**7**	(2)
Maturity of long-term investments		**14**	2
Net cash outflow on deconsolidation of a subsidiary	1	**(6)**	–
Net cash used in investing activities		**(936)**	(648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	22	**98**	27
Shares purchased and held in Treasury	22	**(535)**	–
Proceeds from borrowings		**887**	249
Repayments of borrowings		**(112)**	(400)
Dividends paid to owners of the parent	27	**(916)**	(873)
Dividends paid to non-controlling interest		**(4)**	(7)
Acquisition of non-controlling interest	25	**(106)**	–
Net cash used in financing activities		**(688)**	(1,004)
Net increase in cash and cash equivalents		**264**	88
Cash and cash equivalents at beginning of the year		**634**	568
Exchange losses		**(16)**	(22)
Cash and cash equivalents at end of the year		**882**	634
Cash and cash equivalents comprise:			
Cash and cash equivalents	15	**887**	639
Overdrafts	16	**(5)**	(5)
		882	634
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS			
Net cash generated from operating activities		**1,888**	1,740
Net purchases of property, plant and equipment		**(153)**	(159)
Net cash flow from operations		**1,735**	1,581

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

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

Basis of Preparation

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss. A summary of the Group's more important accounting policies is set out below.

The Directors continue to adopt the going concern basis for accounting in preparing these financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

Following a deterioration in the relationship between the Group and the local management of TTK-LIG Limited (TTK), the Group considered it no longer had the power to govern the financial and operating policies of TTK. Effective from 1 January 2012 the results, non-controlling interest and net assets of TTK were deconsolidated from the Group results. The Group subsequently disposed of its investment in TTK on 9 November 2012.

There were no new standards, amendments and interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1 January 2012 that were material to the Group.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2013 and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group, with the exception of the amendments to IAS 19, *Employee Benefits*. This standard will replace the interest cost on pension scheme liabilities and expected return on pension scheme assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. Had this standard been applied in preparing the financial statements for the year ended 31 December 2012, the net impact would have been an additional charge of £12m to the income statement.

Basis of Consolidation

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

In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

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

Change in Accounting Policy

The income statement for the year ended 31 December 2011 has been restated to reflect a change in the Group's accounting policy for certain consumer promotional costs. The Group now treats certain consumer promotional costs as cost of sales where previously these were classified as marketing in net operating expenses. The Directors believe that this change provides more relevant information about the performance of the Group and aligns the Group's accounting policies with common industry practice. This restatement had no impact on the balance sheet and the following impact on the income statement.

	Year ended 31 December 2011 £m
Increase in cost of sales	213
Decrease in gross profit	(213)
Decrease in net operating expenses	(213)
Net impact on operating profit	–

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee. Items of income and expense which are not part of the results and financial position of the operating segments and therefore reported to the CODM outside of the individual segment financial information, are shown in the Corporate segment.

Foreign Currency Translation

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

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

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

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

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

Property, Plant and Equipment

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

- Freehold buildings: not more than 50 years;
- Leasehold land and buildings: the lesser of 50 years or the life of the lease; and
- Owned plant and equipment: not more than 15 years (except for environmental assets which are not more than 20 years).

In general, production plant and equipment and office equipment are written off over 10 years or less; motor vehicles and computer equipment over five years or less.

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

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

Business Combinations

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

1 ACCOUNTING POLICIES (CONTINUED)

Business Combinations (continued)

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

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

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

Acquisition related costs are expensed as incurred.

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

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

Non-Controlling Interests

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

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

Goodwill and Intangible Fixed Assets

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

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

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

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

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

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

Research and Development

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

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

Exceptional Items

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

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

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

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

Impairment of Assets

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

Value in use is calculated with reference to the future cash flows expected to be generated by an asset (or group of assets where cash flows are not identifiable to specific assets). The pre-tax discount rate used in brand impairment reviews is based on a weighted average cost of capital for comparable companies operating in similar markets and geographies as the Group including, where appropriate, an adjustment for the specific risks associated with the relevant cash generating unit.

Inventories

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

Trade Receivables

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and other deposits with a maturity of less than three months when deposited.

For the purpose of the cash flow statement, bank overdrafts that form an integral part of the Group's cash management, and are repayable on demand, are included as a component of cash and cash equivalents.

Bank overdrafts are included within borrowings in the balance sheet.

Borrowings

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

1 ACCOUNTING POLICIES (CONTINUED)

Income Tax

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

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

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

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

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

Pension Commitments

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

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

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

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

Post-Retirement Benefits Other than Pensions

Some Group companies provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognised in the balance sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Employee Share Schemes

Incentives in the form of shares are provided to employees under share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the awards at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to retained earnings. Additional employer costs in respect of options and awards are charged to the income statement over the same period with the credit included in payables. Where awards are contingent upon non-market performance conditions, an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Provisions

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

Financial Instruments Held For Trading

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

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

Financial instruments classified as held for trading are recognised/de-recognised by the Group on the date it commits to purchase/sell the instrument.

Derivative Financial Instruments and Hedging Activity

The Group may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge).

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

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

   Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income, and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the income statement.

2. Derivatives that do not qualify for hedge accounting: these are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Net Revenue

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

1 ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

Share Capital Transactions

When the Group purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Purchased shares are either held in Treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled would be transferred from retained earnings to the capital redemption reserve.

Dividend Distribution

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

Accounting Estimates and Judgements

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

- Estimates of future business performance and cash generation, discount rates and long-term growth rates supporting the net book amount of indefinite life intangible assets at the balance sheet date (note 9). If the actual results should differ, or changes in expectations arise, impairment charges may be required which would adversely impact operating results.
- The determination of the carrying value of property, plant and equipment and related depreciation, and the estimation of useful economic life of these assets (note 10).
- The continuing enduring nature of the Group's brands supporting the assumed useful lives of these assets (note 9).
- Measurement of intangible assets both in business combinations and other asset acquisitions requires the Group to identify such assets. Assumptions and estimates are made about future cash flows and appropriate discount rates to value identified intangible assets (note 26).
- Long-term rates of return, inflation rates and discount rates have been assumed in calculating the pension and other employee post-retirement benefits. If the real rates are significantly different over time to those assumed, the amounts recognised in the income statement and in the balance sheet will be impacted (note 21).
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (note 11).
- Assumptions are made in relation to share awards, both in the Black-Scholes model used to calculate the charge and in terms of the recoverability of the deferred tax asset related to share-based payments charges to reserves (note 23).
- The actual tax paid on profits is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined (note 7).

2 OPERATING SEGMENTS

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

As a result of the Group's strategy for continued outperformance, announced in February 2012, the geographical segments have changed from those reported in the Annual Report and financial statements for the year ended 31 December 2011 to reflect the Group's increased focus on high growth emerging market clusters. The new geographical segments comprise Europe and North America (ENA); Latin America, North Asia, South East Asia and Australia and New Zealand (LAPAC); and Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa (RUMEA). Comparative information has been restated on a consistent basis.

The geographical segments derive their revenue primarily from the manufacture and sale of branded products in the health, hygiene and home categories. RB Pharmaceuticals derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence and Food derives its revenue from food products sold in ENA.

The results of Schiff Nutrition International, Inc. (Schiff) subsequent to its acquisition on 14 December 2012 are included in ENA.

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

The Executive Committee do not review inter-segment revenue information, nor is it included in the measure of segment profit or loss reviewed by the Executive Committee. As such this is no longer included in the Group's operating segments' disclosures.

Items of income and expense which are not part of the results and financial position of the operating segments, and therefore reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment. For the year ended 31 December 2012 this includes profit on disposals of intangible assets and the Paras personal care business, expenses for legal matters, and other corporate provisions with a net effect of £32m. For the year ended 31 December 2011 this comprised a profit on disposal of intangibles, miscellaneous items and regulatory costs with a net effect of £10m.

Reportable Segments

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2012 is as follows:

2012	**ENA £m**	**LAPAC £m**	**RUMEA £m**	**Food £m**	**Corporate £m**	**Total Ex-RBP £m**	**RBP £m**	**Total £m**
Net revenue	**4,678**	**2,327**	**1,404**	**321**	**–**	**8,730**	**837**	**9,567**
Depreciation, amortisation and impairment	**95**	**32**	**8**	**5**	**–**	**140**	**8**	**148**
Operating profit before exceptional items	**1,156**	**464**	**290**	**92**	**32**	**2,034**	**536**	**2,570**
Exceptional items								**(135)**
Operating profit								**2,435**
Net finance expense								**(15)**
Profit on ordinary activities before taxation								**2,420**

2011 (Restated)	ENA £m	LAPAC £m	RUMEA £m	Food £m	Corporate £m	Total Ex-RBP £m	RBP £m	Total £m
Net revenue	4,837	2,210	1,364	312	–	8,723	762	9,485
Depreciation, amortisation and impairment	99	30	8	5	–	142	15	157
Operating profit before exceptional items	1,157	417	293	92	10	1,969	518	2,487
Exceptional items								(92)
Operating profit								2,395
Net finance expense								(19)
Profit on ordinary activities before taxation								2,376

2 OPERATING SEGMENTS (CONTINUED)

The Executive Committee reviews net working capital by segment and other assets and liabilities on a Group basis. The split of assets and liabilities by segment provided to the Executive Committee is as follows. Assets and liabilities of the Corporate segment are not presented to the Executive Committee and are shown below as a reconciling item.

2012	**ENA £m**	**LAPAC £m**	**RUMEA £m**	**Food £m**	**RBP £m**	**Total £m**
Inventories	**385**	**250**	**118**	**4**	**108**	**865**
Trade and other receivables	**601**	**363**	**217**	**–**	**178**	**1,359**
Total segment assets	**986**	**613**	**335**	**4**	**286**	**2,224**
Trade and other payables	**(1,428)**	**(661)**	**(283)**	**(13)**	**(241)**	**(2,626)**

2011 (Restated)	ENA £m	LAPAC £m	RUMEA £m	Food £m	RBP £m	Total £m
Inventories	412	227	112	5	135	891
Trade and other receivables	693	341	178	2	178	1,392
Total segment assets	1,105	568	290	7	313	2,283
Trade and other payables	(1,550)	(698)	(293)	(14)	(186)	(2,741)

The assets and liabilities are allocated based upon the operations of the segment and the physical location of the asset or liability. There are a number of unallocated assets and liabilities that comprise corporate items that are not specifically attributable to one segment. Reconciliation of these assets and liabilities to total assets or liabilities in the balance sheet is shown below:

	2012 £m	2011 £m
Inventories for reportable segments	**865**	891
Unallocated:		
Elimination of profit on inter-company inventory	**(130)**	(133)
Total inventories per the balance sheet	**735**	758
Trade and other receivables for reportable segments	**1,359**	1,392
Unallocated:		
Corporate items	**48**	50
Total trade and other receivables per the balance sheet	**1,407**	1,442
Total inventories and trade and other receivables per the balance sheet	**2,142**	2,200
Other unallocated assets	**12,938**	11,926
Total assets per the balance sheet	**15,080**	14,126
Trade and other payables for reportable segments	**(2,626)**	(2,741)
Unallocated:		
Corporate items	**(216)**	(160)
Total trade and other payables per the balance sheet	**(2,842)**	(2,901)
Other unallocated liabilities	**(6,316)**	(5,444)
Total liabilities per the balance sheet	**(9,158)**	(8,345)

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

2 OPERATING SEGMENTS (CONTINUED)

Analysis of Categories

Following the revised category focus announced in February 2012, the Group analyses its revenue by the following categories: health, hygiene, home and portfolio brands together with RB Pharmaceuticals and Food. Comparative information has been restated on a consistent basis.

The results of Schiff subsequent to its acquisition on 14 December 2012 are included in health.

	Net revenues 2012 £m	Net revenues 2011 (restated) £m
Health	**2,068**	2,000
Hygiene	**3,682**	3,643
Home	**1,966**	2,009
Portfolio brands	**693**	759
Food	**321**	312
	8,730	8,723
RB Pharmaceuticals	**837**	762
Total	**9,567**	9,485

Health, hygiene, home and portfolio brands categories are all split across the three geographical segments of ENA, LAPAC and RUMEA. Food (which is sold exclusively in ENA) and RB Pharmaceuticals are recognised within their own reportable segments.

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

2012	**UK £m**	**US £m**	**All other countries £m**	**Total £m**
Net revenue	**643**	**2,480**	**6,444**	**9,567**
Goodwill and other intangible assets	**1,536**	**4,287**	**5,352**	**11,175**
Property, plant and equipment	**137**	**125**	**475**	**737**
Other receivables	**4**	**4**	**25**	**33**

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

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

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

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2012 £m	2011 (restated)* £m
Cost of sales	**(4,030)**	(4,036)
Distribution costs	**(2,318)**	(2,299)
Administrative expenses:		
Pharmaceuticals research and development	**(25)**	(20)
Other research and development	**(146)**	(133)
Other	**(491)**	(578)
Total administrative expenses	**(662)**	(731)
Other net operating income	**13**	68
Exceptional items	**(135)**	(92)
Net operating expenses	**(3,102)**	(3,054)

* Refer to note 1 for further details.

Included within cost of sales is a fair value loss of £nil (2011: loss of £7m) transferred from the hedging reserve. Total foreign exchange losses of £nil (2011: losses of £7m) have been recognised through the income statement. These amounts exclude financial instruments fair valued through the income statement and amounts recognised directly in the foreign currency translation reserve.

Exceptional items	2012 £m	2011 £m
Restructuring	**123**	89
Acquisition related costs	**12**	3
Total exceptional items	**135**	92

The Group incurred restructuring charges of £123m relating to the implementation of the Group's new area and category organisations, integration of SSL, withdrawal of private label and further reconfiguration of the Group. This consists primarily of redundancy and business integration costs which have been included within net operating expenses. Acquisition related costs include legal and other professional fees in relation to business combinations.

4 AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates.

	2012 £m	2011 (restated)* £m
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	**1.9**	1.8
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	**3.8**	3.8
Audit related assurance services	**0.4**	0.3
Taxation compliance services	**0.2**	0.1
Taxation advisory services	**4.3**	1.4
Other assurance services	**0.2**	0.2
All other non-audit services	**0.1**	0.1
	10.9	7.7

* Restated for change in categories disclosed.

Included in the above is £0.1m (2011: £0.2m) in relation to the audit of the financial statements of associated pension schemes of the Group.

5 EMPLOYEES

(a) Staff costs	Notes	2012 £m	2011 £m
The total employment costs, including Directors, were:			
Wages and salaries		**923**	950
Social security costs		**174**	184
Net pension costs	21	**50**	51
Share-based payments	23	**49**	61
		1,196	1,246

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 31 to 37, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2012 £m	2011 £m
Short-term employee benefits	**11**	11
Post-employment benefits	**1**	1
Share-based payments	**15**	22
Termination benefits	**4**	–
	31	34

Termination benefits and share-based payments include contractual commitments made to key management in 2012, comprising cash payments and shares to vest in 2013.

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

	2012 '000	2011 (restated)[1] '000
ENA	**13.9**	13.8
RUMEA	**7.1**	7.2
LAPAC	**13.7**	15.7
RB Pharmaceuticals	**0.6**	0.6
Other	**0.6**	0.5
	35.9	37.8

[1] Restated for the change in reportable geographic segments disclosed in note 2.

6 NET FINANCE EXPENSE

Finance income	2012 £m	2011 £m
Interest income on cash and cash equivalents	**26**	23
Total finance income	**26**	23
Finance expense		
Interest payable on borrowings	**(30)**	(30)
Amortisation of issue costs of bank loans	**(6)**	(7)
Other finance expense	**(5)**	(5)
Total finance expense	**(41)**	(42)
Net finance expense	**(15)**	(19)

Included within amortisation of issue costs of bank loans is an exceptional finance cost of £nil (2011: £4m).

7 INCOME TAX EXPENSE

	2012 £m	2011 £m
Current tax	**662**	625
Prior year adjustments	**(21)**	(8)
Total current tax	**641**	617
Origination and reversal of temporary differences	**26**	70
Impact of changes in tax rates	**(80)**	(65)
Total deferred tax (note 11)	**(54)**	5
Tax on profit on ordinary activities	**587**	622

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for the year ended 31 December 2012 are taxed at an effective rate of 24.5% (2011: 26.5%).

UK income tax of £138m (2011: £161m) is included within current tax and is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2012 £m	2011 £m
Profit on ordinary activities before taxation	**2,420**	2,376
Tax at the notional UK corporation tax rate of 24.5% (2011: 26.5%)	**593**	630
Effects of:		
Tax at rates other than the UK corporation tax rate	**11**	(9)
Adjustments to amounts carried in respect of unresolved tax matters	**77**	47
Incurrence/(utilisation) of tax losses	**7**	(2)
Withholdings and local taxes	**16**	25
Adjustment in respect of prior periods	**(58)**	(11)
Impact of changes in tax rates	**(80)**	(65)
Exceptional items	**8**	2
Other permanent differences	**13**	5
Tax on profit on ordinary activities	**587**	622

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

Following the enactment of legislation in the UK to reduce the corporation tax rate to 23% from 1 April 2013, the total tax charge in 2012 includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change is a £62m reduction in the tax charge in the income statement. The proposed future reduction in the UK tax rate to 21% will be reflected when the relevant legislation is substantively enacted.

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

	2012			2011		
	Before tax £m	**Tax credit/ (charge) £m**	**After tax £m**	Before tax £m	Tax credit/ (charge) £m	After tax £m
Net exchange adjustments on foreign currency translation	**(256)**	**1**	**(255)**	(227)	1	(226)
Actuarial losses (note 21)	**(64)**	**15**	**(49)**	(84)	35	(49)
Gains/(losses) on cash flow hedges	**4**	**(1)**	**3**	4	(1)	3
Reclassification of foreign currency translation reserve on disposal of subsidiary	**9**	**–**	**9**	–	–	–
Other comprehensive income	**(307)**	**15**	**(292)**	(307)	35	(272)
Current tax		**(2)**			–	
Deferred tax (note 11)		**17**			35	
		15			35	

8 EARNINGS PER SHARE

	2012 pence	2011 pence
Basic earnings per share	**252.5**	239.8
Diluted earnings per share	**249.5**	237.1
Adjusted basic earnings per share	**267.6**	249.9
Adjusted diluted earnings per share	**264.4**	247.1

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the Parent (2012: £1,829m (2011: £1,745m)) by the weighted average number of ordinary shares in issue during the year (2012: 724,238,235 (2011: 727,628,580)).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: Executive Share Options and Employee Sharesave schemes.
The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2012, there were 4m (2011: 4m) of Executive Share Options not included within the dilution because the exercise price for the options was greater than the average share price for the year.

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

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

	2012 £m	2011 £m
Net income attributable to owners of the parent	**1,829**	1,745
Exceptional items	**135**	92
Exceptional charge included in finance expense	**–**	4
Tax effect of exceptional items	**(26)**	(23)
Adjusted net income attributable to owners of the parent	**1,938**	1,818

	2012 Average number of shares	2011 Average number of shares
On a basic basis	**724,238,235**	727,628,580
Dilution for Executive Options outstanding and Executive Restricted Share Plan	**8,098,123**	7,423,757
Dilution for Employee Sharesave Scheme Options outstanding	**659,327**	780,818
On a diluted basis	**732,995,685**	735,833,155

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2012	7,106	3,080	48	236	10,470
Additions	2	–	9	–	11
Arising on business combinations	880	374	–	–	1,254
Disposals	(37)	(17)	–	–	(54)
Exchange adjustments	(198)	(85)	–	(1)	(284)
At 31 December 2012	**7,753**	**3,352**	**57**	**235**	**11,397**
Accumulated amortisation and impairment					
At 1 January 2012	80	30	21	81	212
Amortisation and impairment charge	3	–	1	9	13
Disposals	–	(1)	–	–	(1)
Exchange adjustments	(1)	(1)	–	–	(2)
At 31 December 2012	**82**	**28**	**22**	**90**	**222**
Net book amount at 31 December 2012	**7,671**	**3,324**	**35**	**145**	**11,175**

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2011	6,934	2,890	24	209	10,057
Additions	–	–	19	22	41
Arising on business combinations	305	260	–	6	571
Reclassifications	–	–	6	–	6
Exchange adjustments	(133)	(70)	(1)	(1)	(205)
At 31 December 2011	7,106	3,080	48	236	10,470
Accumulated amortisation and impairment					
At 1 January 2011	75	30	21	66	192
Amortisation and impairment charge	8	–	1	16	25
Exchange adjustments	(3)	–	(1)	(1)	(5)
At 31 December 2011	80	30	21	81	212
Net book amount at 31 December 2011	7,026	3,050	27	155	10,258
Net book amount at 1 January 2011	6,859	2,860	3	143	9,865

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

The reclassification of £6m in 2011 relates to the transfer of completed assets from plant and equipment. Software includes intangible assets under construction of £31m (2011: £22m).

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

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

Net book amount	**2012 £m**	2011 £m
Indefinite life assets:		
Brands	**7,646**	7,000
Goodwill	**3,324**	3,050
Other	**36**	36
Total indefinite life assets	**11,006**	10,086
Finite life assets:		
Brands	**25**	26
Software	**35**	27
Other	**109**	119
Total finite life assets	**169**	172
Total net book amount of intangible assets	**11,175**	10,258

Goodwill and other intangible assets with indefinite lives are allocated to a cash generating unit (CGU) for the purposes of impairment testing. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the related acquisition.

9 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Cash Generating Units

RB's 'Strategy for Continued Outperformance' has fundamentally changed the way the Group operates. The Group has taken this as an opportunity to reassess the appropriateness of the Group's CGUs under IAS 36 *Impairment of Assets*. After considering all the evidence available, including how brand and production assets generate cash inflows and how management monitors the business, the Directors have concluded that the Group's CGUs with goodwill and indefinite life intangible assets should now be defined as health (sexual wellbeing), health (other), hygiene, home, Food and portfolio brands.

Previously the CGUs were defined as the Group's product groups (health & personal care, fabric care, surface care, home care, dishwashing, Food, and other).

The acquired Schiff business is treated as its own CGU in 2012 called health (VMS). This will be reassessed following integration into the Group's operations in 2013.

An analysis of the net book amount of indefinite life assets and goodwill by CGU is shown below:

CGU	Key brands	2012 Indefinite life assets £m	2012 Goodwill £m	2012 Total £m	2011 (restated)* Indefinite life assets £m	2011 (restated)* Goodwill £m	2011 (restated)* Total £m
Health (sexual wellbeing)	Durex	**1,952**	**976**	**2,928**	1,909	988	2,897
Health (other)	Gaviscon, Mucinex, Nurofen, Scholl, Strepsils	**2,926**	**1,783**	**4,709**	3,017	1,843	4,860
Health (VMS)	Airborne, MegaRed, Move Free	**811**	**374**	**1,185**	–	–	–
Hygiene	Bang, Clearasil, Dettol, Finish, Harpic, Lysol, Mortein, Veet	**1,176**	**149**	**1,325**	1,232	157	1,389
Home	Air Wick, Calgon, Vanish, Woolite	**786**	**42**	**828**	807	45	852
Portfolio Brands		**–**	**–**	**–**	39	17	56
Food	French's	**31**	**–**	**31**	32	–	32
		7,682	**3,324**	**11,006**	7,036	3,050	10,086

* Restated for changes in CGUs described above.

Indefinite life assets allocated to the Food CGU are not considered significant relative to the Group's total indefinite life assets. As such the disclosures below do not include discussion on the assumptions specific to Food.

On acquisition the indefinite life intangible assets and goodwill of health (VMS) were provisionally valued at fair value. Subsequent to acquisition there has been no evidence that this fair value is impaired. The key assumptions applied in determining these fair values are summarised in the table below.

Value in use and key assumptions

The annual impairment review for goodwill and other intangible assets with indefinite lives is based on an assessment of each CGU's value in use. Value in use is calculated from cash flow projections, based on historical operating results and short-term budgets and medium-term business plans approved by management covering a four-year period. These projections exclude any estimated future cash inflows or outflows expected to arise from restructuring not yet implemented.

Cash flows beyond the four-year period are extrapolated using the estimated long-term growth rates stated below. Individual long-term growth rates are applied to each product type within a CGU, and as such ranges are provided in some cases below. The long-term growth rates applied do not exceed the long-term average growth rate for the market and countries in which the CGU operates.

Management has assessed the appropriate discount rate for each individual CGU, using a Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group as the base discount rate, adjusted for risks specific to each CGU. Due to the similar geographic and product diversification of their respective markets and risks associated with each CGU, a pre-tax discount rate of 11% was determined for each of the health (sexual wellbeing), health (other), hygiene and home CGUs (2011: 11%). Health (VMS) is predominantly concentrated in one market, being the US, and a blended pre-tax discount rate of 14% was applied in the provisional fair value exercise, reflecting the increased risk associated with this CGU from its market concentration and the fact that this is a new business to the Group.

Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, revenue growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands. The cash flow projections also take account of the expected impact from new product initiatives, efficiency initiatives and the maturity of the markets in which each CGU operates. These key assumptions are based on past performance and our experience of volumes, growth rates and prices in our key markets.

CGU	Growth %	Discount rate %
Health (sexual wellbeing)	4	11
Health (other)	0-4	11
Health (VMS)	2	14
Hygiene	0-4	11
Home	0-2	11

Impairment Review

In October 2012 an impairment review was performed by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. This review was updated during December, taking into account significant events that occurred between October and December. No impairment was considered necessary.

Any reasonably possible change in the key assumptions on which the recoverable amounts of the health (other), hygiene and home CGUs is based would not cause their carrying values to exceed their recoverable amounts.

With a recoverable amount exceeding its carrying value by £388m, the heath (sexual wellbeing) CGU is the most sensitive to reasonably possible changes to key assumptions. This is expected of a recent acquisition where the acquired intangible assets were valued at fair value. Increasing the pre-tax discount rate from 11% to 12%, or halving the short-term revenue growth expectations in the management approved short- and medium-term budgets, or reducing the long-term (terminal growth) rate from 4% to 3% would be required to reduce the recoverable amount to equal the carrying value.

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2012	**512**	**1,272**	**1,784**
Additions	**13**	**153**	**166**
Arising on business combination	**1**	**8**	**9**
Disposals	**(8)**	**(65)**	**(73)**
Deconsolidation of subsidiary	**(2)**	**(9)**	**(11)**
Reclassifications	**21**	**(21)**	**-**
Exchange adjustments	**(12)**	**(52)**	**(64)**
At 31 December 2012	**525**	**1,286**	**1,811**
Accumulated depreciation and impairment			
At 1 January 2012	**189**	**863**	**1,052**
Charge for the year	**24**	**111**	**135**
Disposals	**(3)**	**(57)**	**(60)**
Deconsolidation of subsidiary	**(1)**	**(6)**	**(7)**
Exchange adjustments	**(4)**	**(42)**	**(46)**
At 31 December 2012	**205**	**869**	**1,074**
Net book amount at 31 December 2012	**320**	**417**	**737**

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2011	514	1,215	1,729
Additions	9	155	164
Arising on business combination	4	2	6
Disposals	(6)	(44)	(50)
Reclassifications	8	(14)	(6)
Exchange adjustments	(17)	(42)	(59)
At 31 December 2011	**512**	**1,272**	**1,784**
Accumulated depreciation and impairment			
At 1 January 2011	177	817	994
Charge for the year	21	111	132
Disposals	(3)	(39)	(42)
Exchange adjustments	(6)	(26)	(32)
At 31 December 2011	189	863	1,052
Net book amount at 31 December 2011	323	409	732
Net book amount at 1 January 2011	337	398	735

The net book amount of assets under construction is £62m (2011: £64m). Assets under construction are included within plant and equipment.

The reclassification from plant and equipment to land and buildings of £21m (2011: £8m) shows the transfer of completed assets. A further £6m was reclassified to intangible assets on completion in 2011.

Capital expenditure which was contracted but not capitalised at 31 December 2012 was £20m (2011: £52m).

11 DEFERRED TAX

Deferred tax liabilities	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2011	19	1,918	(202)	(8)	(13)	1,714
Charged/(credited) to the income statement	–	(6)	12	2	(2)	6
Credited to other comprehensive income	–	–	–	–	(19)	(19)
Charged directly to equity	–	–	2	–	–	2
Arising on business combination	–	101	–	–	–	101
Exchange differences	–	(34)	4	–	(2)	(32)
At 31 December 2011	19	1,979	(184)	(6)	(36)	1,772
Charged/(credited) to the income statement	12	(92)	(29)	–	(47)	(156)
Credited to other comprehensive income	–	–	–	–	(14)	(14)
Arising on business combination	1	299	(23)	(9)	–	268
Disposal of business	–	(15)	–	–	–	(15)
Exchange differences	(1)	(46)	4	–	2	(41)
At 31 December 2012	**31**	**2,125**	**(232)**	**(15)**	**(95)**	**1,814**

Deferred tax assets	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2011	(4)	(20)	107	10	53	146
(Charged)/credited to the income statement	(1)	5	(15)	24	(12)	1
Credited to other comprehensive income	–	–	–	–	16	16
Charged directly to equity	–	–	(11)	–	–	(11)
Exchange differences	–	(1)	1	(2)	–	(2)
At 31 December 2011	(5)	(16)	82	32	57	150
(Charged)/credited to the income statement	14	8	(44)	(32)	(48)	(102)
Credited to other comprehensive income	–	–	2	–	1	3
Exchange differences	–	1	(2)	–	(1)	(2)
At 31 December 2012	**9**	**(7)**	**38**	**–**	**9**	**49**

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

Certain deferred tax assets in respect of overseas corporation tax losses and other temporary differences totalling £152m (2011: £115m) have not been recognised at 31 December 2012 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes reasonably certain.

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

12 INVENTORIES

	2012 £m	2011 £m
Raw materials and consumables	**157**	167
Work in progress	**27**	31
Finished goods and goods held for resale	**551**	560
Total inventories	**735**	758

The cost of inventories recognised as an expense and included as cost of sales amounted to £3,821m (2011 (restated*): £3,828m). This includes inventory write offs and losses of £23m (2011: £19m).

The Group inventory provision at 31 December 2012 was £81m (2011: £97m).

* Refer to note 1 for further details.

13 TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2012 £m	2011 £m
Trade receivables	**1,269**	1,294
Less: Provision for impairment of receivables	**(47)**	(47)
Trade receivables – net	**1,222**	1,247
Other receivables	**131**	135
Prepayments and accrued income	**54**	60
	1,407	1,442

Trade receivables consist of a broad cross-section of our international customer base for whom there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

As at 31 December 2012, trade receivables of £92m (2011: £89m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2012 £m	2011 £m
Up to 3 months	**92**	89

As at 31 December 2012, trade receivables of £77m (2011: £80m) were considered to be impaired. The amount of provision at 31 December 2012 was £47m (2011: £47m). It was assessed that a portion of the receivables is expected to be recovered due to the nature and historical collection of trade receivables. The ageing analysis of these receivables is as follows:

	2012 £m	2011 £m
Up to 3 months	**37**	40
Over 3 months	**40**	40
	77	80

The movement in the provision for impaired receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the income statement. The gross movements in the provision are considered to be insignificant.

The other receivables do not contain impaired assets. They consist of items including reclaimable turnover tax and are from a broad range of countries within the Group.

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

	2012 £m	2011 £m
Sterling	**99**	115
Euro	**305**	361
US dollar	**388**	369
Other currencies	**615**	597
	1,407	1,442

The maximum exposure to credit risk at the year end is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments by Category

At 31 December 2012	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Auction rate securities[1]	–	–	–	2	2	2
Short-term deposits[2]	–	–	–	4	4	4
Trade and other receivables[3]	1,366	–	–	–	1,366	1,366
Derivative financial instruments – FX forward exchange contracts	–	4	–	–	4	4
Cash and cash equivalents	887	–	–	–	887	887

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[4]	–	–	3,269	3,269	3,269
Finance lease obligations[4]	–	–	5	5	5
Derivative financial instruments – FX forward exchange contracts	43	–	–	43	43
Trade and other payables[5]	–	–	2,698	2,698	2,698
Other non-current liabilities[6]	–	–	17	17	17

At 31 December 2011	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Auction rate securities	–	–	–	10	10	10
Short-term deposits	–	–	–	11	11	11
Trade and other receivables[3]	1,368	–	-	–	1,368	1,368
Derivative financial instruments – FX forward exchange contracts	–	67	–	–	67	67
Cash and cash equivalents	639	–	–	–	639	639

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[4]	–	–	2,504	2,504	2,504
Finance lease obligations[4]	–	–	4	4	4
Derivative financial instruments – FX forward exchange contracts	7	–	–	7	7
Trade and other payables[5]	–	–	2,756	2,756	2,756
Other non-current liabilities[6]	–	–	39	39	39

1 These investments are auction rate securities issued by US state authorities, denominated in US dollars with redemption dates falling beyond 2013. They are typically traded on a secondary market, however due to the current inactivity of this market there is uncertainty over whether they are likely to be redeemed within one year and therefore have been classified as non-current.

2 These short-term deposits do not meet the requirements to be classified as cash equivalents as they have maturities greater than three months. They are however highly liquid assets.

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

4 The categories in this disclosure are determined by IAS 39. Finance leases are outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

5 Social security liabilities and other employee benefit liabilities are excluded from trade and other payables as the analysis above is required only for financial instruments.

6 Included in other non-current liabilities is £12m (2011: £34m) to purchase the remaining shares of Shanghai Manon Trading Ltd.

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

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

	2012 Level 2 £m	**2012 Level 3 £m**	**2012 Total £m**	2011 Level 2 £m	2011 Level 3 £m	2011 Total £m
Assets as per the balance sheet						
Auction rate securities	**–**	**2**	**2**	–	10	10
Short term deposits	**4**	**–**	**4**	11	–	11
Derivative financial instruments – FX forward exchange contracts	**4**	**–**	**4**	67	–	67
Total assets	**8**	**2**	**10**	78	10	88
Liabilities as per the balance sheet						
Derivative financial instruments – FX forward exchange contracts	**43**	**–**	**43**	7	–	7
Total liabilities	**43**	**–**	**43**	7	–	7

Specific valuation techniques used to value financial instruments include:

1) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

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

As the value of the level 3 instruments at 31 December 2012 is not material, no further level 3 disclosures have been made.

Financial Risk Management

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

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

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

1. Market Risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans.

The local business units enter into forward foreign exchange contracts with GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2012 was £4,303m payable (2011: £3,175m payable).

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash Flow Hedge Profile

As at 31 December 2012, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2011.

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

	2012 £m	2011 £m
Australian dollar	**90**	47
Euro	**90**	12
Canadian dollar	**60**	40
Singapore dollar	**43**	-
Hungarian forint	**38**	-
New Zealand dollar	**12**	11
Swedish krona	**4**	13
US dollars	**1**	14
Polish zloty	**–**	53
Other	**1**	4
	339	194

These forward foreign exchange contracts are expected to mature over the period January 2013 to January 2014 (2011: January 2012 to December 2012).

There is no ineffective portion recognised in the income statement arising from cash flow hedges (2011: £nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2012 of £3m gain (2011: £3m gain) are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date.

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

In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship, with all others held constant, does not have a significant effect on the income statement or Shareholders' equity. A fluctuation analysis has been performed for all currencies. The largest potential fluctuation would be in respect of forward contracts between the Australian dollar and the Singapore dollar. If the Singapore dollar had strengthened/weakened by 5% against the Australian dollar, with all other variables held constant, the impact on Shareholders' equity would have been less than £1m (2011: £nil). As at 31 December 2012 if all other currencies had strengthened/weakened by 5% against Sterling with all other variables held constant, this would have had an insignificant effect on the income statement or Shareholders' equity (2011: insignificant).

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

The gains and losses from fair value movements on financing derivatives recognised in finance income and expense were £nil (2011: £nil).

(b) Price risk

The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods, such as oil related, and a diverse range of other, raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

(c) Cash flow and fair value interest rate risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group monitors its interest expense rate exposure on a regular basis. The Group manages its interest income rate exposure on its gross financial assets by using a combination of fixed rate term deposits.

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full year and pre-tax basis.

The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the income statement of a 50 basis-point shift in interest rates would be a maximum increase of £9m (2011: £10m) or decrease of £9m (2011: £10m), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

2. Credit Risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The credit quality of trade and other receivables is detailed in note 13. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The Group uses BBB+ and higher rated counterparties to manage risk and uses BBB rated counterparties by exception. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board. Derivative financial instruments are only traded with counterparties approved in accordance with the Board approved policy. Derivative risk is measured using a risk weighting method.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Counterparty Risk

	2012			2011		
Counterparty	**Credit rating**	**Limit £m**	**Exposure £m**	Credit rating	Limit £m	Exposure £m
Bank A	**AA**	**175**	**157**	AA	175	96
Bank B	**A**	**125**	**125**	A	125	93
Bank C	**AAA**	**225**	**124**	AAA	300	100
Bank D	**A**	**125**	**105**	A	125	3
Bank E	**A**	**100**	**97**	A	100	60
Bank F	**A**	**100**	**89**	AA	175	38
Bank G	**A**	**100**	**84**	A	125	86
Bank H	**A**	**100**	**64**	A	100	76
Bank I	**A**	**100**	**48**	A	125	96
Bank J	**A**	**75**	**36**	A	100	10

3. Liquidity Risk

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

Borrowing Facilities

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations.

At the end of 2012, the Group had, in addition to its long-term debt of £3m (2011: £3m), committed borrowing facilities totalling £4,000m (2011: £3,600m), of which £3,600m exceeded 12 months' maturity. Of the total facilities at the year end, £nil (2011: £nil) was utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

The undrawn committed facilities available, in respect of which all conditions precedent have been met at the balance sheet date, were as follows:

	2012 £m	2011 £m
Undrawn committed borrowing facilities:		
Expiring within one year	**400**	–
Expiring between one and two years	**850**	850
Expiring after more than two years	**2,750**	2,750
	4,000	3,600

All borrowing facilities are at floating rates of interest.

The facilities have been arranged to cover general corporate purposes including support for commercial paper issuance. All facilities incur commitment fees at market rates.

Headroom between net debt and available facilities at 31 December 2012 was £1,574m (2011: £1,805m).

The Group's borrowing limit at 31 December 2012 calculated in accordance with the Articles of Association was £60,468m (2011: £59,823m).

The table below analyses the Group's financial liabilities and the derivatives which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date, including interest to be paid.

At 31 December 2012	**Total £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(3,250)**	**(3,250)**	**–**	**–**	**–**
Other borrowings	**(24)**	**(21)**	**–**	**(3)**	**–**
Trade payables	**(948)**	**(948)**	**–**	**–**	**–**
Other payables	**(1,767)**	**(1,750)**	**–**	**(17)**	**–**

At 31 December 2011	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(2,469)	(2,469)	–	–	–
Other borrowings	(39)	(36)	–	(3)	–
Trade payables	(1,002)	(1,002)	–	–	–
Other payables	(1,793)	(1,754)	(22)	(17)	–

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2012	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Forward exchange contracts				
Outflow	**(4,233)**	**(70)**	**–**	**–**
Inflow	**4,190**	**70**	**–**	**–**

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

4. Capital Management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments (refer to note 16). Total equity includes share capital, reserves and retained earnings as shown in the consolidated balance sheet.

	2012 £m	2011 £m
Net debt (note 16)	**2,426**	1,795
Total equity	**5,922**	5,781
	8,348	7,576

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

In maintaining an appropriate capital structure and providing returns for Shareholders, the Company provided returns to Shareholders in 2012 in the form of dividends and the buy back of shares. Refer to notes 27 and 22 respectively.

The Group monitors net debt and at year end the Group had net debt of £2,426m (2011: £1,795m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

15 CASH AND CASH EQUIVALENTS

	2012 £m	2011 £m
Cash at bank and in hand	**371**	312
Short-term bank deposits	**516**	327
Cash and cash equivalents	**887**	639

The Group operates in a number of territories, where there are either foreign currency exchange restrictions or where it is difficult for the Group to extract cash readily and easily in the short-term. As a result £115m (2011: £67m) of cash included in cash and cash equivalents is restricted for use by the Group.

16 FINANCIAL LIABILITIES – BORROWINGS

Current	2012 £m	2011 £m
Bank loans and overdrafts[1]	**19**	35
Commercial paper[2]	**3,250**	2,469
Finance lease obligations	**2**	1
	3,271	2,505

Non-current	2012 £m	2011 £m
Finance lease obligations	**3**	3
	3	3

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

[2] Commercial paper was issued in US dollars, is unsecured and bears interest based on relevant LIBOR equivalent.

Maturity of debt	2012 £m	2011 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**19**	35
Other borrowings repayable:		
Within one year:		
Commercial paper	**3,250**	2,469
Finance leases	**2**	1
Between two and five years:		
Finance leases (payable by instalments)	**3**	3
	3,255	2,473
Gross borrowings (unsecured)	**3,274**	2,508

Analysis of net debt	2012 £m	2011 £m
Cash and cash equivalents	**887**	639
Overdrafts	**(5)**	(5)
Borrowings (excluding overdrafts)	**(3,269)**	(2,503)
Other	**(39)**	74
	(2,426)	(1,795)

Reconciliation of net debt	2012 £m	2011 £m
Net debt at beginning of year	**(1,795)**	(2,011)
Net increase in cash and cash equivalents	**264**	88
Repayment of borrowings	**112**	400
Proceeds from borrowings	**(887)**	(249)
Borrowings acquired in business combination	**(99)**	–
Exchange and other movements	**(21)**	(23)
Net debt at end of year	**(2,426)**	(1,795)

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2011	93	216	309
Charged to the income statement	92	23	115
Utilised during the year	(156)	(89)	(245)
Exchange adjustments	1	(2)	(1)
At 31 December 2011	30	148	178
Charged to the income statement	123	42	165
Arising on business combination	–	45	45
Utilised during the year	(87)	(49)	(136)
Released to the income statement	–	(23)	(23)
Exchange adjustments	–	(1)	(1)
At 31 December 2012	**66**	**162**	**228**

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

	2012 £m	2011 £m
Current	**128**	60
Non-current	**100**	118
	228	178

Other provisions include onerous lease provisions expiring between 2014 and 2016 of £7m (2011: £12m). The remainder of the balance relates to various legal, regulatory, environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years. The restructuring provision principally relates to redundancies, the majority of which are expected to be utilised within one year.

18 OPERATING LEASE COMMITMENTS

	2012 £m	2011 £m
Total future minimum lease payments under non-cancellable operating leases due:		
Within one year	**37**	41
Later than one and less than five years	**72**	92
After five years	**32**	28
	141	161

Operating lease rentals charged to the income statement in 2012 were £54m (2011: £62m).

As at 31 December 2012, total amounts expected to be received under non-cancellable sub-lease arrangements were £5m (2011: £6m).

Amounts credited to the income statement in respect of sub-lease arrangements were £2m (2011: £2m).

19 CONTINGENT LIABILITIES

Contingent liabilities comprising guarantees relating to subsidiary undertakings, at 31 December 2012 amounted to £3m (2011: £4m).

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

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

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

20 TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Trade payables	**948**	1,002
Other payables	**119**	71
Other tax and social security payable	**98**	106
Accruals	**1,677**	1,722
	2,842	2,901

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally funded. The Group's most significant defined benefit pension scheme (UK) is funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US Retiree Health Care Scheme), where salaried participants become eligible for retiree health care benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. As at 31 December 2012 there were 2,691 (2011: 2,584) eligible retirees and 1,193 (2011: 1,312) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2012 £m	2011 £m
Defined contribution schemes	**25**	26
Defined benefit schemes (net charge)	**25**	25
Total pension costs recognised in the income statement (note 5)	**50**	51

For the largest UK scheme, a full independent actuarial valuation was carried out at 5 April 2010 and updated at 31 December 2012. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2012 and updated at 31 December 2012. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the two major schemes as at 31 December 2012 were:

	2012		2011	
	UK %	**US (medical) %**	UK %	US (medical) %
Rate of increase in pensionable salaries	**4.5**	–	4.6	–
Rate of increase in deferred pensions during deferment	**2.9**	–	3.1	–
Rate of increase in pension payments – pensioners	**2.7**	–	3.1	–
Rate of increase in pension payments – non-pensioners	**2.7**	–	3.1	–
Discount rate	**4.3**	**4.1**	4.8	4.7
Inflation assumption	**3.0**	–	3.1	–
Annual medical cost inflation	–	**5.0–9.0**	–	5.0–9.0
Long-term expected rate of return on:				
Equities	**7.0**	–	8.1	–
Bonds	**4.3**	–	4.8	–
Other	**5.7**	–	6.6	–

The expected rate of return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation. Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. For the UK scheme the mortality assumptions were based on the following tables; the average life expectancy in years of a pensioner retiring at aged 60 on the balance sheet date is as follows:

	2012 years	2011 years
Male	**28.2**	28.0
Female	**30.1**	29.8

For the UK scheme the mortality assumptions were based on the standard SAPS mortality table 1NMA for males and 1NFA for females. The average life expectancy in years of a pensioner retiring at aged 60, 15 years after the balance sheet date, is as follows:

	2012 years	2011 years
Male	**30.0**	29.8
Female	**31.9**	31.7

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 24.1 years (2011: 24.0 years) for males and 25.8 years (2011: 25.8 years) for females.

Impact of medical cost trend rates

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

	2012		2011	
	+1% £m	**-1% £m**	+1% £m	-1% £m
Effect on service cost and interest cost	**2**	**(1)**	2	(1)
Effect on post-retirement benefit obligation	**20**	**(16)**	20	(16)

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

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

	2012 UK £m	2012 US (medical) £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 US (medical) £m	2011 Other £m	2011 Total £m
Total equities	**407**	**-**	**143**	**550**	397	–	114	511
Total bonds	**521**	**-**	**102**	**623**	436	–	73	509
Total other assets	**76**	**-**	**32**	**108**	63	–	29	92
Fair value of plan assets	**1,004**	**-**	**277**	**1,281**	896	–	216	1,112
Present value of scheme liabilities	**(1,181)**	**(128)**	**(371)**	**(1,680)**	(1,092)	(133)	(357)	(1,582)
Net liability recognised in the balance sheet	**(177)**	**(128)**	**(94)**	**(399)**	(196)	(133)	(141)	(470)

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

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

	2012 £m	2011 £m
Non-current asset:		
Funded scheme surplus	**27**	32
Non-current liability:		
Funded scheme deficit	**(184)**	(265)
Unfunded scheme liability	**(242)**	(237)
Retirement benefit obligation	**(426)**	(502)
Net pension liability	**(399)**	(470)

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

The amounts recognised in the income statement are as follows:

	2012 UK £m	2012 US (medical) £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 US (medical) £m	2011 Other £m	2011 Total £m
Current service cost	**(8)**	**(3)**	**(11)**	**(22)**	(8)	(3)	(9)	(20)
Curtailment gain	**–**	**4**	**–**	**4**	–	–	–	–
Expected return on pension scheme assets	**48**	**–**	**16**	**64**	56	–	16	72
Interest on pension scheme liabilities	**(51)**	**(6)**	**(14)**	**(71)**	(55)	(6)	(16)	(77)
Total charge to the income statement	**(11)**	**(5)**	**(9)**	**(25)**	(7)	(9)	(9)	(25)

Cumulative actuarial gains and losses recognised in other comprehensive income:

	2012 £m	2011 £m
At 1 January	**(298)**	(214)
Net actuarial loss recognised in the year (note 7)	**(64)**	(84)
At 31 December	**(362)**	(298)

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

Movement of net liability during the year	2012 UK £m	2012 US (medical) £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 US (medical) £m	2011 Other £m	2011 Total £m
Deficit at 1 January	**(196)**	**(133)**	**(141)**	**(470)**	(193)	(121)	(139)	(453)
Current service cost	**(8)**	**(3)**	**(11)**	**(22)**	(8)	(3)	(9)	(20)
Curtailment gain	**–**	**4**	**–**	**4**	–	–	–	–
Contributions	**70**	**6**	**75**	**151**	45	6	36	87
Other finance income/(costs)	**(3)**	**(6)**	**2**	**(7)**	1	(6)	–	(5)
Actuarial loss	**(40)**	**(2)**	**(22)**	**(64)**	(41)	(7)	(36)	(84)
Exchange adjustments	**–**	**6**	**3**	**9**	–	(2)	7	5
Deficit at 31 December	**(177)**	**(128)**	**(94)**	**(399)**	(196)	(133)	(141)	(470)

The actual return on plan assets was a gain of £83m (2011: £34m gain) for the UK scheme. Included within contributions above are employee contributions of £1m (2011: £1m).

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

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

	2012 UK £m	2012 US (medical) £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 US (medical) £m	2011 Other £m	2011 Total £m
Present value of liabilities at 1 January	**1,092**	**133**	**357**	**1,582**	1,051	121	335	1,507
Current service cost	**8**	**3**	**11**	**22**	8	3	9	20
Curtailment gain	–	**(4)**	–	**(4)**	–	–	–	–
Interest cost	**51**	**6**	**14**	**71**	55	6	16	77
Employee contributions	**1**	–	–	**1**	1	–	–	1
Benefits paid	**(46)**	**(6)**	**(20)**	**(72)**	(42)	(6)	(20)	(68)
Actuarial losses	**75**	**2**	**22**	**99**	19	7	26	52
Exchange adjustments	–	**(6)**	**(13)**	**(19)**	–	2	(9)	(7)
Present value of liabilities at 31 December	**1,181**	**128**	**371**	**1,680**	1,092	133	357	1,582

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

	2012 UK £m	2012 Other £m	2012 Total £m	2011 UK £m	2011 Other £m	2011 Total £m
Fair value of plan assets at 1 January	**896**	**216**	**1,112**	858	196	1,054
Expected rate of return	**48**	**16**	**64**	56	16	72
Contributions	**71**	**81**	**152**	46	42	88
Benefits paid	**(46)**	**(26)**	**(72)**	(42)	(26)	(68)
Actuarial gains/(losses)	**35**	–	**35**	(22)	(10)	(32)
Exchange adjustments	–	**(10)**	**(10)**	–	(2)	(2)
Fair value of plan assets at 31 December	**1,004**	**277**	**1,281**	896	216	1,112

History of experience gains and losses:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience adjustments arising on scheme assets:					
Amount	**35**	(32)	31	70	(191)
Percentage of scheme assets	**2.7%**	(2.9%)	2.9%	8.7%	(26.9%)
Experience adjustments arising on scheme liabilities:					
Amount	**(99)**	(52)	(36)	(172)	106
Percentage of scheme liabilities	**(5.9%)**	3.3%	2.4%	14.7%	(10.5%)
Present value of scheme liabilities	**(1,680)**	(1,582)	(1,507)	(1,172)	(1,011)
Fair value of scheme assets	**1,281**	1,112	1,054	801	710
Net pension liability	**(399)**	(470)	(453)	(371)	(301)

Expected employer contributions to be paid to funded defined benefit schemes in 2013 are £97m for the UK and £3m for other schemes.

22 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2012	728,621,602	73	2	–
Allotments	5,589,155	–	–	–
At 31 December 2012	**734,210,757**	**73**	**2**	**–**

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

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

The holders of subscriber ordinary shares (par value £1) have no entitlement to dividends. Holders have no right to attend or vote at any general meeting of the Company unless a resolution is proposed to wind up the Company or vary the rights attached to the subscriber shares.

Allotment of ordinary shares

During the year 5,589,155 ordinary shares (2011: 2,767,632 ordinary shares) were allotted to satisfy vestings/exercises under the Group's various share schemes as follows:

	2012		2011	
Ordinary shares of 10p	**Number of shares**	**Consideration £m**	Number of shares	Consideration £m
Executive Share Options – exercises	**3,024,735**	**74**	931,462	22
Restricted Shares Awards – vesting	**1,405,345**	**–**	1,493,061	–
Total under Executive Share Option and Restricted Share Schemes	**4,430,080**	**74**	2,424,523	22
Senior Executives Share Ownership Policy Plan – vesting	**20,000**	**–**	70,000	–
Savings-Related Share Option Schemes – exercises	**1,139,075**	**24**	273,109	5
Total	**5,589,155**	**98**	2,767,632	27

Market purchases of shares

During 2012, the Company established a share buy back programme and purchased 14,991,643 equity ordinary shares (2011: nil) all of which are held as Treasury shares. The total amount paid to acquire the shares was £535m (including stamp duty) which has been deducted from Shareholders' equity. No Treasury shares were released in 2012, leaving a balance held at 31 December 2012 of 14,991,643 (2011: nil).

23 SHARE-BASED PAYMENTS

The Group operates a number of incentive schemes, including a share option scheme, a restricted share scheme, and other share award schemes. All schemes are equity settled. The charge for share-based payments for the year was £49m (2011: £61m).

Executive Share Awards

Share options and restricted shares (Executive Share Awards) are awarded to the Top400 Management Group. Executive share awards have a contractual life of 10 years but vest according to the following compound average annual growth (CAAG) rates in earnings per share over a three-year period:

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

The cost is spread over the three years of the performance period. For Executive Committee and Top40 members vesting conditions are not retested. For remaining Top400 members the targets can be retested over four or five years. If any target has not been met any remaining shares or options which have not vested will lapse.

Other Share Awards

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

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

All outstanding Executive and Other share awards as at 31 December 2012 and 31 December 2011 are included in the tables below which analyse the charge for 2012 and 2011. The Group has used the Black-Scholes model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

				Black-Scholes model assumptions					
Award	Grant date	Exercise price £	Performance period	Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk-free interest rate %	Fair value of one award £
Share options									
2002	17 December 2001	9.50	2002-04	9.70	25	2.7	4	4.50	1.95
2003	22 November 2002	11.19	2003-05	10.96	25	2.7	4	4.50	2.05
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.46
2005	06 December 2004	15.47	2005-07	15.44	23	2.3	4	4.88	2.99
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.33
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.23
2008	11 December 2007	29.44	2008-10	29.72	20	1.8	4	5.53	5.99
2009	08 December 2008	27.29	2009-11	27.80	25	3.1	4	2.78	4.69
2010	07 December 2009	31.65	2010-12	31.80	26	3.5	4	1.69	4.70
2011	01 December 2010	34.64	2011-13	34.08	26	4.3	4	2.16	4.49
2012	05 December 2011	32.09	2012-14	32.19	25	5.4	4	1.00	3.18
2013	03 December 2012	39.14	2013-15	39.66	20	4.3	4	0.61	3.29
Restricted shares									
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.38
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.01
2008	11 December 2007	–	2008-10	29.72	20	1.8	4	5.53	27.55
2009	08 December 2008	–	2009-11	27.80	25	3.1	4	2.78	24.31
2010	07 December 2009	–	2010-12	31.80	26	3.5	4	1.69	27.23
2011	01 December 2010	–	2011-13	34.08	26	4.3	4	2.16	28.22
2012	05 December 2011	–	2012-14	32.19	25	5.4	4	1.00	25.30
2013	03 December 2012	–	2013-15	39.66	20	4.3	4	0.61	32.76

23 SHARE-BASED PAYMENTS (CONTINUED)

Table 2: Share awards movements 2012

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2012 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2012 number
			Movement in number of options				
Share options							
2003	22 November 2002	2.05	67,319	–	–	(67,319)	–
2004	08 December 2003	2.46	263,000	–	–	(196,000)	67,000
2005	06 December 2004	2.99	398,511	–	–	(233,000)	165,511
2006	05 December 2005	3.33	581,971	–	–	(318,671)	263,300
2007	08 December 2006	4.23	1,516,358	–	(1,000)	(355,000)	1,160,358
2008	11 December 2007	5.99	2,790,669	–	(3,000)	(943,590)	1,844,079
2009	08 December 2008	4.69	2,991,334	–	(5,353)	(813,696)	2,172,285
2010	07 December 2009	4.70	3,229,322	–	(182,958)	(91,202)	2,955,162
2011	01 December 2010	4.49	3,559,047	–	(496,841)	(6,257)	3,055,949
2012	05 December 2011	3.18	4,020,400	(686,800)	(147,161)	–	3,186,439
2013	03 December 2012	3.29	–	4,022,000	–	–	4,022,000
Restricted shares							
2009	08 December 2008	24.31	1,338,916	–	(2,000)	(1,336,916)	–
2010	07 December 2009	27.23	1,493,830	–	(86,447)	(63,197)	1,344,186
2011	01 December 2010	28.22	1,620,015	25,000	(243,371)	(5,232)	1,396,412
2012	05 December 2011	25.30	2,010,200	(461,550)	(71,079)	–	1,477,571
2013	03 December 2012	32.76	–	1,986,000	–	–	1,986,000
Other share awards							
UK SAYE	Various	Various	754,823	152,282	(77,753)	(166,366)	662,986
US SAYE	Various	Various	722,362	203,972	(109,551)	(173,047)	643,736
Overseas SAYE	Various	Various	1,975,152	7,956	(99,103)	(799,662)	1,084,343
SOPP	Various	Various	100,000	110,000	(10,000)	(20,000)	180,000
Weighted average exercise price (share options)			£29.53	£38.11	£33.46	£24.37	£32.13

Table 3: Share awards movements 2011

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2011 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2011 number
			Movement in number of options				
Share options							
2002	17 December 2001	1.95	22,843	–	–	(22,843)	–
2003	22 November 2002	2.05	149,811	–	–	(82,492)	67,319
2004	08 December 2003	2.46	284,000	–	–	(21,000)	263,000
2005	06 December 2004	2.99	443,450	–	–	(44,939)	398,511
2006	05 December 2005	3.33	664,971	–	–	(83,000)	581,971
2007	08 December 2006	4.23	1,743,730	–	(2,000)	(225,372)	1,516,358
2008	11 December 2007	5.99	3,213,685	1,283	(11,899)	(412,400)	2,790,669
2009	08 December 2008	4.69	3,129,345	924	(104,473)	(34,462)	2,991,334
2010	07 December 2009	4.70	3,424,162	–	(189,886)	(4,954)	3,229,322
2011	01 December 2010	4.49	4,030,100	(373,250)	(97,803)	–	3,559,047
2012	05 December 2011	3.18	–	4,020,400	–	–	4,020,400
Restricted shares							
2008	11 December 2007	27.56	1,449,177	–	(5,000)	(1,444,177)	–
2009	08 December 2008	24.31	1,427,350	–	(45,334)	(43,100)	1,338,916
2010	07 December 2009	27.23	1,589,734	–	(90,120)	(5,784)	1,493,830
2011	01 December 2010	28.22	2,000,050	(334,150)	(45,885)	–	1,620,015
2012	05 December 2011	25.30	–	2,010,200	–	–	2,010,200
Other share awards							
UK SAYE	Various	Various	651,679	321,297	(88,724)	(129,429)	754,823
US SAYE	Various	Various	653,105	243,704	(85,416)	(89,031)	722,362
Overseas SAYE	Various	Various	1,058,240	1,157,569	(186,008)	(54,649)	1,975,152
SOPP	Various	Various	130,000	40,000	–	(70,000)	100,000
Weighted average exercise price (share options)			£28.75	£31.83	£31.14	£23.54	£29.53

For options outstanding at the year end the weighted average remaining contractual life is 5.69 years (2011: 5.59 years). Options outstanding at 31 December 2012 that could have been exercised at that date were 5,672,533 (2011: 5,617,828) with a weighted average exercise price of £26.08 (2011: £24.42).

23 SHARE-BASED PAYMENTS (CONTINUED)

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

Under the terms of the plans, early exercise may only be granted in exceptional circumstances and therefore the effect of early exercise is not incorporated into the calculation.

The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the plans in 2012 or 2011 for the purposes of the valuation.

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

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

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The contribution in 2012 was £27m (2011: £19m).

The weighted average share price for the year was £35.79 (2011: £33.07).

Options and restricted shares granted during the year
Options and restricted shares which may vest or become exercisable at various dates between 2014 and 2020 are as follows:

	Price to be paid £	Number of shares under option
Reckitt Benckiser Senior Executives Share Ownership Policy Plan	–	110,000
Long-Term Incentive Plan 2007 – share options (July)	34.78	1,600
Long-Term Incentive Plan 2007 – restricted shares (July)	–	800
Long-Term Incentive Plan 2007 – share options (December)	39.14	4,020,400
Long-Term Incentive Plan 2007 – restricted shares (December)	–	1,985,200
Total		**6,118,000**
Savings-Related Share Option Schemes		
UK Scheme	28.36	152,282
US Scheme	28.36	203,972
Total		**356,254**

Options and restricted shares unvested/unexercised at 31 December 2012
Options and restricted shares which have vested or may vest at various dates between 2013 and 2020 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2012**	2011
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	12.76	18.10	**495,811**	1,310,801
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	**1,160,358**	1,516,358
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	39.14	**17,235,914**	16,590,772
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	**6,204,169**	6,462,961
Reckitt Benckiser Senior Executives Share Ownership Policy Plan		–	**180,000**	100,000
			25,276,252	25,980,892

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	**2012**	2011
UK Scheme	13.71	28.36	**662,986**	754,823
Overseas Scheme	21.95	27.99	**1,084,343**	1,975,152
US Scheme	22.88	28.36	**643,736**	722,362
Total			**2,391,065**	3,452,337

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.

24 RETAINED EARNINGS AND OTHER RESERVES

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the Parent Company's access to distributable profits of £3,616m (2011: £4,137m). The reserves of subsidiary undertakings have generally been retained to finance their businesses.

Reserves

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

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

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

25 RELATED PARTY TRANSACTIONS

On 31 May 2012 the Group acquired the remaining non-controlling interest in Beleggingsmaatschappij Lemore BV (BLBV), the holding company of OOO Medcom MP (Medcom) from Abraca B.V., for £104m including transaction costs. Medcom is the Group's Russian distributor of condoms, footcare products and medical gloves and devices. Prior to acquisition the Group paid rental charges of less than £1m to a director of the non-controlling interest.

On 9 November 2012 the Group sold its investment in TTK-LIG for £18m to the non-controlling interest (T.T. Krishnamachari & Co) and simultaneously purchased inventories of £9m from, and paid less than £1m to terminate an R&D agreement with the non-controlling interest. There was no gain or loss on disposal. On the same date the Group purchased the non-controlling interest in SSL-TTK Limited from T.T. Krishnamachari & Co for £2m.

In 2011 the Group transacted with the non-controlling interests of SSL-TTK Limited, TTK-LIG Limited and OOO Medcom MP. This included sales of £1m, the payment of packing and other charges of £1m, and rental charges of less than £1m. At 31 December 2011 the Group had receivables and payables balances of less than £1m with the non-controlling interests.

Key management compensation is disclosed in note 5a.

The principal subsidiary undertakings included in the consolidated financial statements at 31 December 2012 are disclosed in note 2 to the Parent Company financial statements.

26 BUSINESS ACQUISITIONS AND DISPOSALS

a. Acquisition of Schiff

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

The Schiff acquisition provides a powerful entry into the large and growing global VMS market and is an ideal addition to the Group's strategic focus in global health and hygiene, providing immediate scale in VMS in the US.

This transaction has been accounted for by the acquisition method.

From the date of acquisition to 31 December 2012 the acquisition contributed £14m to net revenue and £1m to operating profit. Had the acquisition taken place at 1 January 2012, the enlarged Group would show consolidated net revenues of £9,767m, operating profit of £2,422m and operating profit before exceptional items of £2,594m.

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

	Provisional fair value £m
Intangible assets	811
Property, plant and equipment	9
Inventories	27
Trade and other receivables	27
Current tax receivable	9
Cash and cash equivalents	6
Borrowings	(99)
Provisions for liabilities and charges (current)	(42)
Trade and other payables	(37)
Deferred tax liabilities	(268)
Provisions for liabilities and charges (non-current)	(3)
Other non-current liabilities	(1)
Net assets acquired	439
Goodwill	374
Total consideration transferred	813

Total cash consideration	813
Total consideration transferred	813

Acquisition related costs of £9m are included in net operating expenses and disclosed as exceptional items in the income statement.

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

26 BUSINESS ACQUISITIONS AND DISPOSALS (CONTINUED)

The fair value of trade and other receivables is £27m. The gross contractual amount for trade and other receivables due is £29m of which £2m is expected to be uncollectable.

Included within provisions are contingent liabilities of £26m, which has been recognised in respect of a number of legal claims arising in the normal course of business, the majority of which is expected to be utilised in less than 12 months.

Goodwill represents the strategic premium to enter and establish critical mass in the VMS market in the US, the value of expected synergy savings, and assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of identifiable net assets are stated at provisional amounts which will be finalised within the 12-month hindsight period following acquisition. These balances remain provisional due to the proximity of the acquisition to the year end date. Provisional fair value adjustments cover the recognition of acquired intangibles and their associated deferred tax, accounting policy alignment and other fair value adjustments on net working capital, property, plant and equipment, provisions and borrowings.

All assets and liabilities are included within the ENA reportable segment and the health category.

b. Acquisition of SICO
On 17 September 2012 the Group acquired a 100% interest in SICO by acquiring the trade and business assets of the leading Mexican condom manufacturer for cash consideration of £70m. Net cash acquired was £nil.

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

Refer to note 25 for acquisition and disposals with related parties.

27 DIVIDENDS

	2012 £m	2011 £m
Dividends on equity ordinary shares:		
2011 Final paid: 70p (2010: Final 65p) per share	**511**	472
2012 Interim paid: 56p (2011: Interim 55p) per share	**405**	401
Total dividends for the year	**916**	873

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2012 of 78p per share which will absorb an estimated £561m of Shareholders' funds. If approved by Shareholders it will be paid on 30 May 2013 to Shareholders who are on the register on 22 February 2013, with an ex-dividend date of 20 February 2013.

28 POST BALANCE SHEET EVENTS

On 8 January 2013 the Group obtained control of Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products, by acquiring 100% of the share capital for cash consideration of £102m. A further £18m of cash consideration is deferred over the next three years.

On 10 February 2013, the Group entered into a three-year collaboration agreement with Bristol-Myers Squibb, for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. The Group will make an upfront cash payment of $482m (c.£300m) to enter into the arrangement which also includes personnel, supply contracts and an option to acquire legal title to the related intellectual property at the end of the collaboration period for a multiple of earnings. The transaction will be accounted for as a business combination and the Directors are in the process of revaluing the assets and liabilities acquired to fair value, including the value of any acquired intangible assets.

Five-year summary

Income statement	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Net revenue	**9,567**	9,485	8,453	7,753	6,563
Operating profit	**2,435**	2,395	2,130	1,891	1,505
Operating profit before exceptional items	**2,570**	2,487	2,231	1,891	1,535
Exceptional Items	**(135)**	(92)	(101)	–	(30)
Operating profit	**2,435**	2,395	2,130	1,891	1,505
Net finance (expense)/income	**(15)**	(19)	6	1	(31)
Profit on ordinary activities before tax	**2,420**	2,376	2,136	1,892	1,474
Tax on profit on ordinary activities	**(587)**	(622)	(566)	(474)	(354)
Attributable to non-controlling interests	**(4)**	(9)	(2)	–	–
Net income attributable to owners of the parent	**1,829**	1,745	1,568	1,418	1,120
Balance sheet					
Net assets	**5,922**	5,781	5,130	4,014	3,294
Net working capital	**(700)**	(701)	(639)	(867)	(724)
Statistics					
Reported basis					
Operating margin	**25.5**	25.3%	25.2%	24.4%	22.9%
Total interest to operating profit (times covered)	**162.3x**	126.1x	n/a	n/a	48.5x
Tax rate	**24.3%**	26.2%	26.5%	25.0%	24.0%
Diluted earnings per share	**249.5p**	237.1p	213.8p	194.7p	154.7p
Dividend cover†	**1.9x**	1.9x	1.9x	2.0x	2.0x
Declared dividends per ordinary share	**134p**	125p	115p	100p	80p
Adjusted basis*					
Operating margin	**26.9%**	26.2%	26.4%	24.4%	23.4%
Total interest to operating profit (times covered)	**171.3x**	130.9x	n/a	n/a	49.5x
Diluted earnings per share	**264.4p**	247.1p	226.5p	194.7p	157.8p
Dividend cover†	**2.0x**	2.0x	2.0x	2.0x	2.0x

† Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends relating to the period.

* Adjusted basis is calculated by adding/deducting the exceptional items from net income for the year.

We have audited the Parent Company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2012 which comprise the Parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Report of the Directors for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which We are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2012.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2013

Parent Company balance sheet

As at 31 December	Notes	2012 £m	2011 £m
Fixed assets			
Investments	2	**14,680**	14,637
Current assets			
Debtors due within one year	3	**59**	46
Debtors due after more than one year	4	**8**	7
		67	53
Current liabilities			
Creditors falling due within one year	5	**(4,498)**	(3,084)
Net current liabilities		**(4,431)**	(3,031)
Total assets less current liabilities		**10,249**	11,606
Net assets		**10,249**	11,606
EQUITY			
Capital and reserves			
Called up share capital	6	**73**	73
Share premium account	7	**184**	86
Profit and loss reserve	7	**9,992**	11,447
Total Shareholders' funds		**10,249**	11,606

The financial statements on pages 77 to 82 were approved by the Board of Directors on 8 March 2013 and signed on its behalf by:

Adrian Bellamy
Director

Rakesh Kapoor
Director

1 PARENT COMPANY ACCOUNTING POLICIES

Accounting Convention
The financial statements are prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable UK accounting standards. Accounting policies have been consistently applied to all the years presented unless otherwise stated.

As permitted by s408 of the Companies Act 2006, no profit and loss account is presented for Reckitt Benckiser Group plc.

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

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

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

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

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

Fixed Assets
Fixed asset investments are stated at the lower of cost and their recoverable amount, which is determined as the higher of net realisable value and value in use. A review for the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11, 'Impairment of Fixed Assets and Goodwill'.

Employee Share Schemes
Incentives in the form of shares are provided to employees under share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the awards at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to the profit and loss account. Additional employer costs in respect of options and awards are charged to the income statement account over the same period with the credit included in equity. Where awards are contingent upon future events an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company accounts.

Debtors
Debtors are initially recognised at fair value and subsequently at amortised cost using the effective interest method less provision for impairment.

Share Capital Transactions
When the Company purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Purchased shares are either held in Treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from the profit and loss account to the capital redemption reserve.

Cash Flow Statement
Reckitt Benckiser Group plc has presented a Group cash flow statement in its Annual Report and financial statements 2012, therefore as permitted by FRS 1 (revised 1996), 'Cash Flow Statements', the Directors have not prepared a cash flow statement for the Company.

2 INVESTMENTS

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2012	14,637
Additions during the year	43
At 31 December 2012	**14,680**
Provision for impairment:	
At 1 January 2012	–
Provided for during the year	–
At 31 December 2012	–
Net book amounts:	
At 1 January 2012	14,637
At 31 December 2012	**14,680**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Principal Subsidiary Undertakings

The principal subsidiary undertakings as at 31 December 2012, all of which are included in the consolidated financial statements, are shown below.

	Product category	Country of incorporation or registration and operation	Effective % of share capital held by the Group
Reckitt Benckiser (Australia) Pty Limited	health, hygiene, home	Australia	Ordinary 100
Reckitt Benckiser (Brasil) Limitada	health, hygiene, home	Brazil	Ordinary 100
Reckitt Benckiser (Canada) Inc.	health, hygiene, home and Food	Canada	Ordinary 100
Reckitt Benckiser Deutschland GmbH	health, hygiene, home	Germany	Ordinary 100
Reckitt Benckiser España SL	health, hygiene, home	Spain	Ordinary 100
Reckitt Benckiser France SAS	health, hygiene, home	France	Ordinary 100
Reckitt Benckiser Healthcare (UK) Limited	health, hygiene, home	UK	Ordinary 100
Reckitt Benckiser LLC	health, hygiene, home and Food	US	Ordinary 100
Reckitt Benckiser Pharmaceuticals Inc.	Pharmaceuticals	US	Ordinary 100
Reckitt Benckiser (India) Limited	health, hygiene, home	India	Ordinary 100
Reckitt Benckiser Italia SpA	health, hygiene, home	Italy	Ordinary 100
Reckitt Benckiser Arabia FZE	health, hygiene, home	UAE (Dubai)	Ordinary 100
Schiff Nutrition International, Inc.	health	US	Ordinary 100

None of the above subsidiaries are held directly by Reckitt Benckiser Group plc.

As permitted by s.410 of the Companies Act 2006, particulars of other subsidiary undertakings are not shown above. A full list of the Company's subsidiary undertakings will be annexed to the Company's annual return to Companies House.

3 DEBTORS DUE WITHIN ONE YEAR

	2012 £m	2011 £m
Amounts owed by Group undertakings	**59**	46

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

4 DEBTORS DUE AFTER MORE THAN ONE YEAR

	2012 £m	2011 £m
Deferred tax assets	**8**	7

Deferred tax assets consist of short-term timing differences.

5 CREDITORS FALLING DUE WITHIN ONE YEAR

	2012 £m	2011 £m
Amounts owed to Group undertakings	**4,491**	3,080
Taxation and social security	**7**	4
	4,498	3,084

Included in the amounts owed to Group undertakings is an amount of £4,473m (2011: £3,064m) which is unsecured, carries interest at LIBOR and is repayable on demand. All other amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

6 CALLED UP SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2012	728,621,602	73	2	–
Allotments	5,589,155	–	–	–
At 31 December 2012	**734,210,757**	**73**	**2**	**–**

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

For details of the allotment of ordinary shares during 2012 refer to note 22 of the Group financial statements on page 69.

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

The holders of subscriber ordinary shares (par value £1) have no entitlement to dividends. Holders have no right to attend or vote at any general meeting of the Company unless a resolution is proposed to wind up the Company or vary the rights attached to the subscriber shares.

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year:				
At 1 January 2012	73	86	11,447	11,606
Loss for the year			(54)	(54)
Dividends			(916)	(916)
Shares allotted under share schemes	–	98		98
Capital contribution in respect of share-based payments			43	43
Share-based payments			7	7
Shares purchased and held in Treasury			(535)	(535)
At 31 December 2012	**73**	**184**	**9,992**	**10,249**

	Share capital £m	Share premium £m	Profit and loss reserve £m	Total £m
Movements during the year:				
At 1 January 2011	73	59	12,315	12,447
Loss for the year			(56)	(56)
Dividends			(873)	(873)
Shares allotted under share schemes		27		27
Capital contribution in respect of share-based payments			50	50
Share-based payments			11	11
At 31 December 2011	**73**	**86**	**11,447**	**11,606**

Reckitt Benckiser Group plc has £9,725m (2011: £11,219m) of its profit and loss reserve available for distribution.

During 2012, the Company established a share buy back programme and purchased 14,991,643 equity ordinary shares (2011: nil) all of which are held as Treasury shares. The total amount paid to acquire the shares was £535m (including stamp duty) which has been deducted from Shareholders' equity. No Treasury shares were released in 2012 leaving a balance held at 31 December 2012 of 14,991,643 (2011: nil).

Other post balance sheet events are described in note 28 on page 74 of the Group financial statements.

8 SHARE-BASED PAYMENTS

Reckitt Benckiser Group plc has two employees, the Group's CEO and CFO. The tables below include details of their share awards and those for any individuals previously holding these roles. Details of their share awards that are not fully vested are set out in the Directors' Remuneration Report. The charge for share-based payments for the year was £7m (2011: £11m) and national insurance contributions were £7m (2011: £5m). The Company has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the awards.

The fair value of awards with options outstanding at 31 December 2012 is shown in note 23 of the Group financial statements on pages 70 to 72.

Table 1: Share awards movements 2012

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2012 number	Movement in number of options: Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2012 number
Share options							
2007	08 December 2006	4.23	800,000	–	–	–	800,000
2008	11 December 2007	5.99	600,000	–	–	–	600,000
2009	08 December 2008	4.69	693,077	–	–	(93,077)	600,000
2010	07 December 2009	4.70	653,077	–	(65,385)	(53,077)	534,615
2011	01 December 2010	4.49	600,000	–	(265,385)	–	334,615
2012	05 December 2011	3.18	490,000	–	–	–	490,000
2013	03 December 2012	3.29	–	400,000	–	–	400,000
Restricted shares							
2009	08 December 2008	24.31	346,538	–	–	(346,538)	–
2010	07 December 2009	27.23	326,538	–	(32,692)	(26,538)	267,308
2011	01 December 2010	28.22	310,000	–	(132,692)	–	177,308
2012	05 December 2011	25.30	245,000	–	–	–	245,000
2013	03 December 2012	32.76	–	200,000	–	–	200,000
Other share awards							
UK SAYE	04 September 2006	6.61	1,011	–	–	–	1,011
Total							
Weighted average exercise price			£29.15	£39.14	£34.05	£28.87	£29.79

Table 2: Share awards movements 2011

Award	Grant date	Fair value of one award £	Options outstanding at 1 January 2011 number	Movement in number of options: Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2011 number
Share options							
2007	08 December 2006	4.23	800,000	–	–	–	800,000
2008	11 December 2007	5.99	720,000	–	–	(120,000)	600,000
2009	08 December 2008	4.69	720,000	–	(26,923)	–	693,077
2010	07 December 2009	4.70	720,000	–	(66,923)	–	653,077
2011	01 December 2010	4.49	600,000	–	–	–	600,000
2012	05 December 2011	3.18	-	490,000	–	–	490,000
Restricted shares							
2008	11 December 2007	27.56	360,000	–	–	(360,000)	–
2009	08 December 2008	24.31	360,000	–	(13,462)	–	346,538
2010	07 December 2009	27.23	360,000	–	(33,462)	–	326,538
2011	01 December 2010	28.22	300,000	10,000	–	–	310,000
2012	05 December 2011	25.30	-	245,000	–	–	245,000
Other share awards							
UK SAYE	04 September 2006	6.61	1,011	–	–	–	1,011
Total							
Weighted average exercise price			£28.78	£32.09	£30.40	£29.44	£29.15

Further details of the share awards relating to the relevant Directors are set out in the Directors' Remuneration Report on pages 31 to 37.

For details of the contractual life, performance criteria, valuation assumptions and volatility of the share awards, please refer to note 23 of the Group financial statements.

The weighted average remaining contractual life of the outstanding options is 5.69 years (2011: 5.59 years).

The weighted average share price for the year was £35.79 (2011: £33.07).

9 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m (2011: £0.05m).

10 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within Financial Reporting Standard No. 8 'Related Party Disclosures' not to disclose related party transactions with wholly owned subsidiaries of the Reckitt Benckiser Group. There were no other related party transactions (2011: nil).

11 CONTINGENT LIABILITIES

The Company has issued a guarantee to the Trustees of the Reckitt Benckiser Pension Fund covering the obligations of certain UK subsidiaries of the Group who are the sponsoring employers of the UK defined benefit pension fund. The guarantee covers any amounts due to the pension fund from these subsidiaries if they fail to meet their pension obligations.

Other contingent liabilities are disclosed in note 19 of the Group financial statements.

12 DIVIDENDS

	2012 £m	2011 £m
Dividends on equity ordinary shares:		
2011 Final paid: 70p (2010: Final 65p) per share	**511**	472
2012 Interim paid: 56p (2011: Interim 55p) per share	**405**	401
Total dividends for the year	**916**	873

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2012 of 78p per share which will absorb an estimated £561m of Shareholders' funds. If approved by Shareholders it will be paid on 30 May 2013 to Shareholders who are on the register on 22 February 2013, with an ex-dividend date of 20 February 2013.

Notes

Electronic Communications
The Shareholders passed a resolution at the 2008 AGM enabling the Company's website to be used as the primary means of communication with them. Shareholders who have positively elected, or are deemed to have consented, to receiving electronic communications in accordance with the Companies Act 2006 will receive written notification whenever Shareholder documents are available to view on the Company's website.

Shareholders who have received a notice of availability of a document on the Company's website are entitled to request a hard copy of any such document at any time free of charge from the Company's Registrar. Shareholders can also revoke their consent to receive electronic communications at any time by contacting the Registrar.

The Company's 2012 Annual Report and Notice of the 2013 AGM are available to view at www.rb.com/online-annual-report-2012.

The Investor Relations section of the website contains up-to-date information for Shareholders including:

- Detailed share price information;
- Financial results;
- Dividend payment dates and amounts;
- Access to Shareholder documents including the Annual Report; and
- Share capital information.

Annual General Meeting
To be held on Thursday, 2 May 2013 at 11.15 am at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex, UB3 5AN.

Every Shareholder is entitled to attend and vote at the meeting. The Notice convening the meeting is contained in a separate document for Shareholders. Shareholders who have registered for electronic communication can:

- Receive an email alert when Shareholder documents are available;
- View the Annual Report and Notice of AGM on the day they are published;
- Cast their AGM vote electronically; and
- Manage their shareholding quickly and securely online.

Final Dividend for the Year ended 31 December 2012
The Directors have recommended a final dividend of 78p per share, for the year ended 31 December 2012. Subject to approval at the 2013 AGM, payment will be on 30 May 2013 to all Shareholders on the register as at 22 February 2013.

Company Secretary
Elizabeth Richardson

Registered Office
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Telephone: +44 (0)1753 217800
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Registered and Domiciled in England
No. 6270876

Company Status
Public Limited Company

Auditors
PricewaterhouseCoopers LLP

Solicitors
Slaughter and May

Registrar and Transfer Office
The Company's Registrar, Computershare, is responsible for maintaining and updating the Shareholder register and making dividend payments.

If you have any queries relating to your shareholding please write to, or telephone, the Company's Registrar at the following address:

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZY

Reckitt Benckiser Shareholder helpline: 0870 703 0118

Website: www.computershare.com/uk

American Depositary Receipts
Reckitt Benckiser Group plc American Depositary Receipts (ADRs) are traded on the over-the-counter market (OTC) under the symbol RBGLY. Five ADRs represent one ordinary share. J.P. Morgan Chase Bank N.A. is the Depositary.

If you should have any queries, please contact:

J.P. Morgan Chase Bank N.A.
PO Box 64504, St Paul, MN 55164-0504, US
E-mail: jpmorgan.adr@wellsfargo.com
Telephone number for general queries: (800) 990 1135
Telephone number from outside the US: +1 651 453 2128

Key Dates

Announcement of quarter 1 interim management statement	22 April 2013
Annual General Meeting	2 May 2013
Payment of final ordinary dividend	30 May 2013
Announcement of interim results	29 July 2013
Payment of interim ordinary dividend	September 2013
Announcement of quarter 3 interim management statement	22 October 2013
Preliminary announcement of 2013 results	14 February 2014
Publication of 2013 Annual Report and Accounts	April 2014
Annual General Meeting	May 2014

Analysis of Shareholders as at 31 December 2012

Distribution of shares by type of Shareholder	No. of holdings	Shares
Nominees and Institutional Investors	9,316	716,868,132
Individuals	14,974	17,342,625
Total	**24,290**	**734,210,757**

Size of shareholding	No. of holdings	Shares
1 – 500	14,399	3,062,966
501 – 1,000	4,267	3,138,604
1,000 – 5,000	3,979	8,168,333
5,001 – 10,000	451	3,206,995
10,001 – 50,000	559	13,011,989
50,001 – 100,000	165	11,421,562
100,001 – 1,000,000	376	125,823,685
1,000,000 and above	94	566,376,623
Total	**24,290**	**734,210,757**

'Boiler Room' Scams
Shareholders who are offered unsolicited investment advice, discounted shares, a premium price for shares, or free company or research reports, should take these steps before handing over any money:

1. Get the name of the person and organisation.
2. Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the Register or if they are out of date.
5. Search the FSA's list of unauthorised firms and individuals to avoid doing business with.

Using an unauthorised firm to buy or sell shares or other investments will prohibit access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

This report is part of an integrated approach to reporting our total performance. Our family of reports also includes the Annual Report Highlights, the Sustainability Report on our social and environmental responsibilities, and regularly updated corporate responsibility information at **www.rb.com**

Left: Annual Report Highlights 2012

Right: Sustainability Report 2011 (2012 report to be published at www.rb.com)

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