A PASSION TO PERFORM

Annual Report & Accounts 2003

Reckitt Benckiser

OUR PASSION

Our passion is to improve people's lives when they use our household cleaning or health & personal care products.

OUR POWER

Our power comes from our people, our brands and our focused strategy. It enables us to drive growth and profits harder.

...AND OUR PURPOSE

Our ultimate purpose is to create shareholder value.

	2003 £m	2002* £m	change %
Net revenues	**3,713**	3,454	+7
Operating profit	**679**	577	+18
Profit before tax	**660**	545	+21
Profit after tax	**489**	408	+20
Diluted earnings per share	**66.2p**	55.7p	+19
Dividend per share	**28.0p**	25.5p	+10

* Restated following the adoption of FRS 5 Application Note G "Revenue Recognition"

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finish
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Mortein
AIR WICK
Veet

OUR BRANDS, OUR BUSINESS

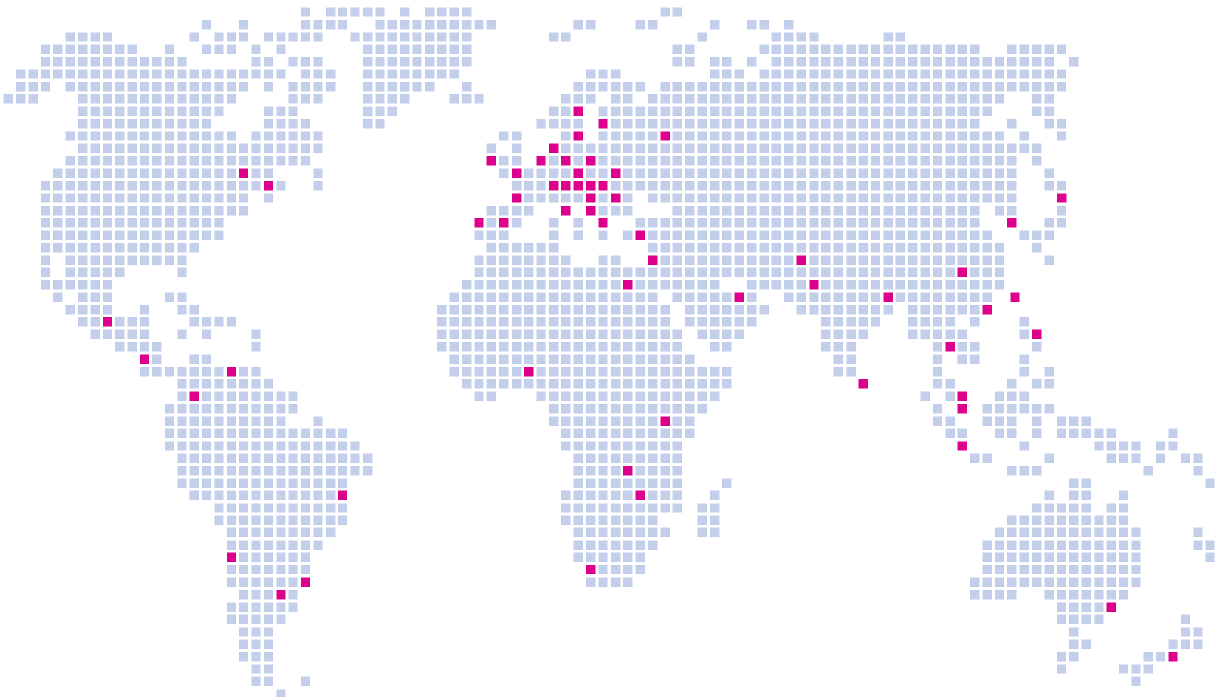
GEOGRAPHIC CONTRIBUTION

Reckitt Benckiser has truly global reach which creates opportunities both for globalising our major initiatives and for building global brands while reducing specific market risk.

	Net revenues change at constant exchange rates		**Operating profit** change at constant exchange rates		**Operating margin** change basis points (bps)
WESTERN EUROPE	+7%	£1,733m	+13%	£408m	+110bps
NORTH AMERICA	+5%	£1,018m	+11%	£186m	+110bps
LATIN AMERICA	+16%	£166m		£1m	+120bps
ASIA PACIFIC	+8%	£436m	+32%	£50m	+280bps
REST OF WORLD	+9%	£360m	+50%	£36m	+240bps

GLOBAL OPERATIONS

Reckitt Benckiser sells its products in some 180 countries and has operations in 60 countries. Contact details for individual countries can be found on our website at www.reckittbenckiser.com



SURFACE CARE

20

Net revenue %

2003	£m
Net revenues	748

Profile of category

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

Key brands

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

Market position

Number one worldwide in disinfectant cleaning and lavatory cleaning.

Major markets

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

FABRIC CARE

27

Net revenue %

2003	£m
Net revenues	1,017

Profile of category

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

Key brands

Fabric Treatment Vanish, Spray 'n Wash, Resolve, Napisan
Garment Care Woolite
Water Softener Calgon
Fabric Softener Quanto, Flor
Laundry Detergent Dosia

Market position

Number one worldwide in Fabric Treatment and Water Softener categories.

Major markets

All major markets including leading positions in North America, Western Europe, Eastern Europe and Australia.

DISHWASHING

14

Net revenue %

2003	£m
Net revenues	535

Profile of category

Products used in Automatic Dishwashing machines. The main product is detergent for cleaning dishes in the main wash cycle and sold in an increasing range of formats: powder, liquid, gels (standard and 2in1), gelcaps (standard and 2in1) and tabs (Double Action, PowerBall, 2in1 and 3in1). Other products include rinse agents, decalcifying salts, dishwasher cleaners, deodorisers and glass corrosion protectors.

Key brands

Calgonit, Finish, Electrasol, Jet Dry.

Market position

Number one worldwide in Automatic Dishwashing.

Major markets

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

HOME CARE

15

Net revenue %

2003	£m
Net revenues	540

Profile of category

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

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

Key brands

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

Market position

Number two worldwide in Air Care, Shoe Care and Pest Control.

Major markets

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

HEALTH & PERSONAL CARE

15

Net revenue %

2003	£m
Net revenues	539

Profile of category

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

Key brands

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

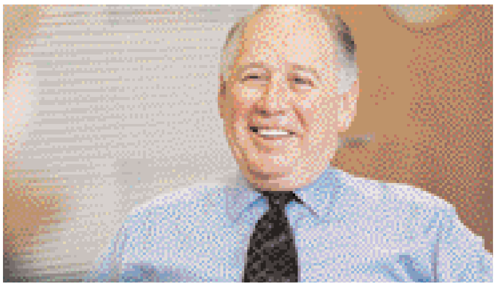
Market position

Dettol is the world leader in antiseptics bought for use at home. Veet is the world leader in depilatories.

Major markets

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

You can find our brands' websites from the brands homepage www.reckittbenckiser.com/our_products.cfm



I am very pleased to present my first report to shareholders as Chairman of Reckitt Benckiser following another year of strong performance. Our Company has consistently delivered superior total shareholder returns relative to the market and to our own industry peer group since its creation in 1999.

2003 Results, Dividend and Cash Return Programme

The results of the Company were very strong and at the top end of the industry peer group. Net revenues rose by 7% at constant exchange rates (7% at actual exchange rates) while net income rose by 20% to £489m.

In August 2003, the Company announced its intention to return surplus cash to shareholders through a progressive dividend policy and a rolling share buy back programme. Both of these have been initiated. The interim dividend was increased by 10%, and the Directors propose that the final is increased by 9% giving a total for the year of 28 pence a share, an overall increase of 10%. Dividend cover is 2.5 times, in line with the average for our industry peer group and consistent with the clearly articulated policy at the time of the merger. This dividend, if approved at the Annual General Meeting, will be paid on 27 May 2004 to shareholders on the register on 5 March 2004.

At the same time, the Company has commenced its rolling share buy back programme, and had repurchased 2 million shares by the year end. It is the Company's intention to continue with this programme through 2004.

The Annual General Meeting

The agenda for the Annual General Meeting on 13 May 2004 contains the normal resolutions seeking adoption of the accounts, approval of the final dividend, the remuneration policy, re-election of Directors and re-appointment of auditors. It will also seek renewed authority to repurchase the Company's shares in line with the programme already in place. The Board hopes that shareholders will continue to endorse the Company's policies that are proving so successful.

The Board of Directors

Since the last Annual Report, Dr Håkan Mogren has retired as Chairman of the Company, and Dieter Meuderscheid has resigned as a Non-Executive Director. I thank them both for their contribution to the Company's success.

I welcome two new members of the Board, both joining as independent Non-Executive Directors. Judith Sprieser joined in August and Kenneth Hydon joined in December. Both bring considerable experience and will, I am sure, make a significant contribution to the Board and the Company.

During the year the Board has held reviews of Corporate Governance at the Company, in the light of the new requirements of the Combined Code, and of Corporate Social Responsibility (CSR). The results of both reviews are reported and reflected later in this annual report, in the Directors' Report and in the section on CSR.

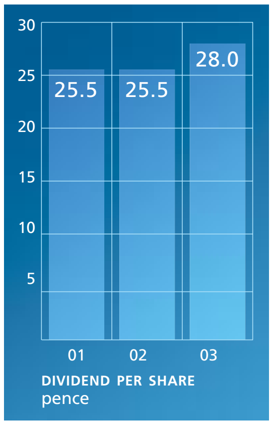
Outlook

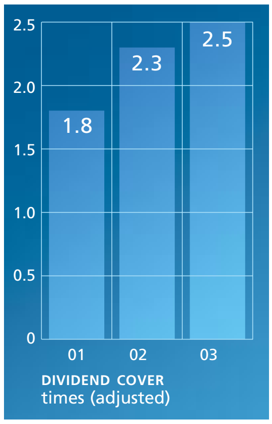
Reckitt Benckiser has a clear vision and strategy to generate value for shareholders through sustained growth in net revenues, profits and cash flow. Delivering on this vision requires a committed and experienced management team aligned behind the Company's objectives and sharing in the Company's winning culture. Our Chief Executive Officer, Bart Becht and his team remain very committed to delivering further strong growth, building on the track record since the creation of the Company in 1999.

Appreciation

I believe shareholders owe much to the dedication of all the people at the Company, and on our behalf I congratulate Bart and his Reckitt Benckiser team on an outstanding performance and thank them for their hard work. I also thank the Board for their wise counsel and dedicated commitment during the year. Finally we all thank you, the shareholders, for your continuing support of the Company.

Adrian Bellamy Chairman





HOW PASSION POWERS OUR BUSINESS GROWTH

Passion seems like an emotive word. What do you mean by that?

What sets us apart is that at Reckitt Benckiser we all share a real passion to do the right things. We really want to enhance consumers' experience when they use our products. We want to generate shareholder return. We want Reckitt Benckiser to be a more socially and environmentally responsible company. In 2003, we made strong progress on all three fronts.

Can you really be passionate about such things as household cleaners, and why?

We are the number one company in household cleaners outside laundry detergents. So, if we are not passionate about it, who in the world would be? What is more important is that we truly believe we can and do improve people's lives for that short period of time when they are using household cleaning and health and personal care products. We really like making people's lives better.

Any examples of how you improve people's lives?

You know how frustrating it can be when you have spilt wine or coffee and you can't get the stain out. It seems that the more you try, the more the stain appears to attach itself to the fabric. Our new Vanish Oxi action is a powerful and versatile stain remover that can remove stains like wine and coffee in front of your eyes. It is a real improvement for consumers and it makes them feel good when they use it. Then there is Calgonit or Finish 3in1 Brilliant. In Europe, people used to use a powder, rinse agent and salt in their dishwasher. Then we launched a 3in1 product eliminating the need for three separate products. People really liked that! With our Finish 3in1 Brilliant, you get the convenience of a 3in1 product with much improved rinse performance for clean, spotless, streak-free, shiny dishes. Another example is Airwick Nite Light – it combines air freshening and a night light in one electrical plug-in device, so you use only one electrical outlet.

How do you come up with all these improved products?

People fascinate us. How they think and how they live. Observing consumer behaviour at home and in-store gives us valuable, actionable insights for new product approaches. We also spend a lot of time looking for new product ideas by studying other industries, talking to our suppliers, interacting with internal and external product developers, etc. While I can't give you all the details, as you can imagine, we believe we have created a unique new product development approach. It provides us with a strong and steady stream of new and better products to please our consumers and drive our business forward for the years to come.

And how do you bring these new products to consumers?

When we have something the consumer really likes, we want to bring it to them fast and in as many countries as we believe are appropriate. As an example, Vanish Oxi action was a clear winner. So not only did we launch it in record time, we used it to launch the Vanish brand in 11 new European countries, where the brand had not existed before. However, above all, we want to execute our launches excellently.

What does that mean – "excellent execution"?

It means consumers need to be made aware of our products and be given the best possible chance to try them. This requires close cooperation with our trade partners to ensure that our products are well presented in their stores. It also requires engaging advertising to stimulate people to try our products. A good example is our new global campaign for Veet or our advertising for Dettol in emerging markets.

So is this passion for better consumer products paying off?
Absolutely! Consumers have rewarded us with higher growth for our categories and better market shares within them. As a result, our net revenue growth is well outpacing the industry and our product portfolio is in much better shape than three years ago. We now have over 50% coming from our 15 global Powerbrands, up from 40%, three years ago. The percentage of net revenues that we get from brands, which are either number one or two in their categories, is also drastically up. It now stands at 75% compared to 68% in 1999.

"We have created a unique new product development approach providing a strong and steady stream of new and better products."

But what is in it for shareholders?
2003 was the fourth consecutive year of consistent net revenue and net income growth. Net revenues grew 7%, well ahead of the industry, while net income advanced by 20% to £489m. Net cash flow increased by 13% to £656m. We are now putting over £30m a month into the bank after dividends and all necessary investment.

So other than new products, what is the strategy to achieve these results?
Our strategy tries to achieve two things. First, it aims to generate net revenue growth ahead of the industry average. We do this by focusing on those Reckitt Benckiser brands, which have strong leadership positions in high growth categories (our Powerbrands), and by driving them hard with innovation and strong marketing support.

Secondly, we try to leverage this strong growth into even higher profit and cash flow growth through margin expansion and tight financial controls. Profit margin expansion we get from our cost cutting efforts and an improving mix resulting from our higher margin new products. We are quite obsessive about cutting waste and if costs are not needed to provide consumers the right product experience, they go. We are equally focused on turning profits into cash, as evidenced by our strong and improving net working capital position.

Considering your strong cash position, why are you not returning more of it to shareholders?
Last year Reckitt Benckiser announced a programme by which it would return cash to shareholders, while maintaining the strategic flexibility to do acquisitions. It announced that the moment it reached a dividend cover of around 2.5 times, it would start to follow a more progressive dividend policy.
The company reached the 2.5 cover in 2003. It also announced it would start buying back shares up to £250m per annum. It started this programme at the end of 2003.

Can you tell us what it is like to work at Reckitt Benckiser?
Sure. We want to make Reckitt Benckiser a great company to work for and be part of. We've deliberately created a unique culture here, by recruiting carefully, by embedding our values deeply and by living the values each and every day.
Our values are about achieving our stretching goals, about taking personal ownership, about harnessing our talent into effective teams and about encouraging intelligent risk taking.

"We can and do improve people's lives for that short period of time that they use our products"

And passion is central to your culture?

Absolutely. Our passion sets us apart. This doesn't mean we're all workaholics – we're not. It means we're genuinely fascinated by our business, in depth and in detail. That's why our people go the extra mile to solve consumer issues, to develop exciting new products, to squeeze out non-productive costs and to improve returns. Our people truly have a passion to perform. And since we empower our people and give them the freedom to succeed, they know that with good performance we'll make interesting careers for them. That's why people come to work here and why they stay.

What about social responsibility, since there is more to life than just work?

Quite true. We're increasingly bringing our passion to bear on our wider responsibility to society. We want to use our success to improve our impact on the environment and to care for those who may not be able to enjoy our products by supporting the disadvantaged in society, especially families and children.

We believe we're lucky to have the opportunity to put back some of the wealth we create to help those less fortunate than ourselves.

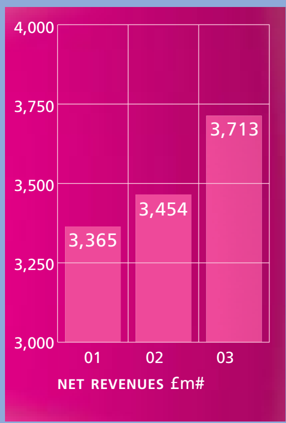
Assuming you carry on creating wealth, of course.

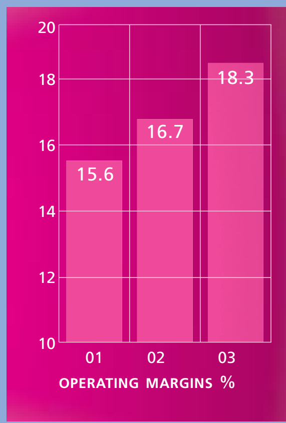
Of course. Every high-performance organisation needs to ensure it can sustain or improve its performance. To do this it needs to have the most effective and efficient structure. That's why we've put together Eastern and Western Europe into a single Europe Area and why we've put all the developing market regions of Asia, Africa, Middle East and Latin America into a new Developing Markets Area. As a result we now have three areas with common business characteristics and challenges.

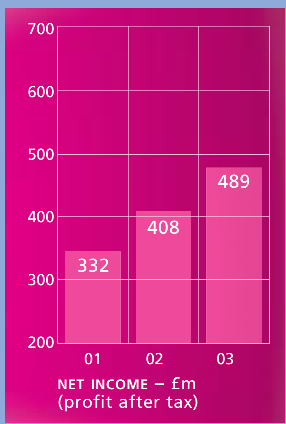
So you're confident about the future?

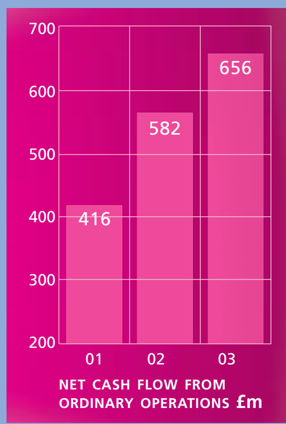
We are. We believe our organic business strategy has proven its ability to generate sustained growth. Our position with strong brands in high growth categories, our management team, our systematic approach and our passionate style gives us every opportunity to develop the company further and deliver on our vision.

We generated another positive return for shareholders in 2003. Our goal is to continue to repay the trust and confidence of shareholders, who now include a growing number of employees, by delivering consistently improving financial results but with responsibility. We know that we are guardians









Restated following the adoption of FRS 5 Application Note G "Revenue Recognition".

of this business. Our aim is to leave Reckitt Benckiser in a much stronger condition that we found it, and to ensure that all of us – management, employees, shareholders and society – are enriched by the experience.

And your passion will help you achieve these aims?

It will. Our passion is a major source of competitive advantage. I think it shines through this year's annual report and goes to the heart of what we do.

Bart Becht Chief Executive Officer

WE'RE FASCINATED BY PEOPLE – HOW THEY THINK. HOW THEY LIVE. OBSERVING

CONSUMER

BEHAVIOUR AT HOME & IN THE STORE GIVES US VALUABLE, ACTIONABLE

INSIGHTS


NEW
Vanish
Oxi
action
Fabric Stain Remover
Add a scoop
to every wash!

HYPE 0 DEMO 1

Maybe consumers have been subjected to too much marketing hype. Perhaps they've come across one spurious claim too many. They certainly approach TV commercials with an air of suspicion.

This insight led to our communication plans for Vanish Oxi action. We'd found a genuine product improvement that people could see for themselves. Instead of hyping it up, we could demonstrate it for real.

So what exactly is the 'action' with Vanish Oxi action? Essentially, it removes stains from fabrics. Importantly, it removes the need to hope for the best. People know it will work because they've seen it work. For real.

Its potential became clear when we tested the concept with consumers. Instead of the usual photo of a product with a written description, we showed them a video. It was a 'home-made' effort, but it captured the reality of Vanish Oxi action's performance. Both video and product got rave reviews.

We realised that if we could get this real-life demo on television, we'd close the viewers' credibility gap. They'd see on TV exactly what they'd experience at home. We made the commercial. It wasn't expensive. It wasn't flashy. It was real. It simply demonstrated Vanish Oxi action's stain-removing action.

With the commercial on air, we took the show on the road. We performed the identical demo in supermarket aisles. In many countries, we took the demo onto live daytime television. (Our Turkish marketing assistant appeared on TV every day for a month.)

Imagine the effect on a typical doubting housewife. One evening, she sees our 'real-life' commercial. The next morning she watches the same demo on live breakfast TV. At her supermarket, she witnesses the exact-same demo.

Seamless consumer communication. And a vivid demonstration of how our passion for people leads to critical consumer insights. And sales, of course.

"Housewives (and house-husbands) are a disbelieving, cynical bunch. 'Oh yeah?' they'll say, if we tell them about a new product improvement. 'Prove it'."

George Zarifi – Category Director, Fabric Treatment and Carpet Cleaners
Victoria Coe – Category Marketing Manager, Fabric Treatment Europe

Why Ilginay took time off work during our busiest month

Our people's passion for hard work is well-known. So why did Ilginay Gobut continually turn up late for work during a critical time?

She had a good reason. Instead of demonstrating her prowess as a Marketing Assistant at our Turkish HQ, Ilginay was demonstrating Vanish Oxi action on Turkish television. She volunteered for the role when a TV station gave us a slot on their breakfast programme, watched by 2 million, every morning for a month.

As a result, both Ilginay and Vanish Oxi action were recognised as star performers.

It's cool to be clean

Parents of Western teenagers won't believe this, but Eastern teens actually shower a lot. It's their response to the humid conditions. Unfortunately for us, though, they didn't feel that Dettol was for them.

Our response was to launch Dettol Cool, a variant with menthol to cool the skin. The advertising, featuring youths playing volleyball, made clear that it was a brand for active teens. They were certainly active in the shops. After just a couple of months, the new variant grabbed a cool 30% of our shower foam sales.

Nick Horn – Category Director, Germ Protection

A fresh way to light a room

"Plug-in air-fresheners are great for bathrooms but we've only one socket – and that's used for a nightlight."

Listening to American consumers gave us an idea. If we could build a nightlight into our air-freshener we'd meet two needs in one. And if we could add an automatic sensor that would turn the light on and off, we'd have an extra benefit.

It wasn't easy. We had safety, costing and timing issues to deal with. However, after many late nights, we did it. And after six months on sale, it's a success.

Carlos Zuccolo – Category Manager, Home Care North America

WE MOVE QUICKLY.
SPEED
IS CRITICAL IN NEW PRODUCT DEVELOPMENT. WE RUSH OUR PRODUCTS
TO MARKET
TO MAKE THE CONSUMER
HAPPIER, FASTER

"On schedule, during Spring 2003, we were ready to go. We had a mop that worked and could be made in enough quantities for a multi-national launch."

Dimitris Panagopoulos – Supply Director Eastern Europe

"The team kept this show running 24 hours a day, overcoming all difficulties encountered in order to deliver the very challenging timings."

Jacques Van Diepen – Technical leader

"When we find a solution like Dettol Easy Mop that makes household drudgery easier, we can't wait to get it into households."

Rachel Crebier – Category Marketing Manager, Surface Care

Brilliant shine, fresh fragrance, faster speed.

Following the success of our 3in1 dishwasher tablet, we were determined to improve it even further.

Insight identified two improvements, more shine and new fragrance. We already had an answer with our orange fragrance in North America so we scheduled an early launch for a new fragrance line-up in Spring 2003.

The challenge was to see if we could meet our goal of an improvement in shine performance at no extra production cost. Initial indications suggested we needed at least 12 months to perfect the right formula, but by working intensively as a project team we were able to come up with a solution six months early, achieving a simultaneous launch and beating the previous shine performance by 100%.

So now we have 3in1 Brilliant – all the convenience of 3in1 but with our best ever shine performance on glass and cutlery, and it comes with a whole new fragrance line-up, regular, lemon and orange. The result? Increased global share. Two new benefits for consumers. And all delivered six months early.

Bruce McCarthy – Category Marketing Manager, Automatic Dishwashing

Vanishing stains. Vanishing product.

Sometimes, even fast-acting television is not fast enough. To boost Vanish Oxi action's simple 'demo-commercials', we performed the same demo live in Italian supermarkets, showing people what they'd seen on television.

This multi-media barrage closed the usual credibility gap but created gaps on supermarket shelves in a country where distribution is notoriously slow to build up. Within just one month, stores were out of stock. So, in a matter of days, our factories increased their capacity and maintained the sales momentum. In fact, during six months, more than 2 million Italian families bought Vanish Oxi action, achieving Italy's fastest ever new-product penetration.

Paolo Cavallo – Senior Vice President, Regional Director, Southern Europe

"One challenge was to fit the large pack on any size retail shelf. By printing the front face on five of the six panels we enabled flexibility in orientation and accessibility for our consumers."

Edwin Driesenaar – Global Trade Marketing

"It was a difficult learning curve, however the learnings taken from this sourcing project are now benefiting other projects in the pipeline…"

Damien De Pompignan – Purchasing

WE MOP UP BORING TIME

It's hardly a unique insight to realise that housewives hate mopping floors. The job is a chore and a bore. So when we came across a prototype mop that could ease this drudgery we were determined to get it into consumers' hands fast.

The Easy Mop saves time and effort and is contemporary and hygienic. A separate bucket's not needed, as the liquid floor cleaner is carried inside the mop-head, its flow controlled by a trigger on the handle. After mopping, the absorbent pads on the head can be thrown away.

We found the solution in China. Adding the Dettol branding added excitement and putting the Dettol bottle in the head added weight where it was needed.

Testing the prototype in focus groups told us that we were onto a winner. We told ourselves that we had to rush the Dettol Easy Mop to market. We're passionate about speed. When we find a solution that makes a household task easier, we can't wait to get it into households.

We put together a multi-national, multi-functional team. Our technical people more or less moved to China where they co-ordinated the design and production. Weekly conference calls, despite the team working across many time zones, kept the project on track. This was a huge technical challenge as we'd never made a mop before. The time-frame was equally challenging.

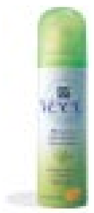
On schedule, during Spring 2003, we were ready to go. We had a mop that worked and could be made in enough quantities for a multi-national launch. We developed impactful packaging that worked on any size supermarket shelf. We created advertising that highlighted the Easy Mop's ease of use and Dettol's reassuring brand name.

Despite complex technical, design and sourcing issues, we made a household task easier for consumers. And that's what we always strive for.

IT'S NOT ENOUGH FOR OUR ADS TO BE INFORMATIVE. THEY MUST ALSO BE **PERSUASIVE.** WE TURN OUR MEDIA BUDGETS INTO EFFECTIVE **ADVERTISING**


Veet
Mousse
Depilatorio
Depilatória

WHEN FEELINGS LEAD FUNCTIONS



'A feeling that lasts.' It's unusual for a Reckitt Benckiser commercial to dwell on feelings. Normally we make hard-nosed claims about functional product benefits.

Our Veet team, for instance, is concerned with making hair removal less of a chore, by bringing in a stream of product improvements. They get excited by depilatories that work at room temperature.

When talking and listening to women, though, they're reminded of Veet's other benefits. Smooth, sexy legs, to name but two.

As we communicate the merits of Veet, therefore, we need to remember the heart as well as the head. Fast-acting wax is one thing, but smooth skin that sparks a man's passion is something else.

And that's how the 'Veet. A feeling that lasts' advertising campaign came to be created. Inspired by a mix of consumer insights, it combines Veet's rational and irrational benefits. Different commercials feature different Veet brands, building a consistent Veet proposition and personality by accentuating the long-lasting effect and irresistible results.

The storyline of the Veet mousse commercial makes the point:

Girl surprised by knock on the door. Shock horror – it's her boyfriend. Aghast at her sandpaper-skin, she pushes him on the sofa and retreats to the bathroom. Out with the Veet mousse, off with the hair on her legs. A quick change of clothes and she's ready to greet her man. The 'romantic' interlude takes place and the clock ticks one minute forward. The man turns his attention to the television: "Veet. If only every feeling lasted as long," says the announcer.

The scenario proves that even our most hard-headed marketers can be passionate too.

"Improving the functional benefits of our products is a passion of ours ('obsession', some might say). But we mustn't forget their emotional benefits."

Paul Karafotas – General Manager, Czech Republic
Carinne Jansz – Marketing Manager, Personal Care, UK

How to sell Harpic: offer to buy toilets.

Historically, use of branded toilet cleaners in India has been low, at around 10%. Our challenge was to prove that Harpic kills germs more effectively than commodity products.

Our solution was to run commercials inviting viewers to challenge our claim. "If we can't clean your stained toilet," we promised, "we'll buy you a new one." We then filmed 'live' commercials featuring our soap star visiting homes to meet the challenge. It worked. We practically doubled Harpic sales without having to buy a single new toilet.

Chander Sethi – Regional Director, South Asia

Vanishing ketchup, coffee and red wine

Vanish Oxi action is now promoted in virtually every country in which we advertise. The proposition is the same. The creative execution is the same. Only the stains are different.

When we develop a good idea, such as Vanish Oxi action's real-life demo, we merchandise it mercilessly. Taking the same message to different markets means that we spread the word – and our penetration – quickly and cost effectively. In Germany, we shifted Vanish Oxi action from nowhere to No 1 in just four months.

Laurent Faracci – Marketing Director, Germany


STAY CLEAN CAP
French's
Since 1904
Classic
YELLOW
MUSTARD
America's Favorite
14 OZ. (397g)

WE'VE AN APPETITE FOR
COST
IMPROVEMENTS. IN ALL AREAS OF THE BUSINESS, WE MONITOR AND
CONTROL
EVERY ITEM OF EXPENDITURE

"I'm passionate about squeezing out production costs. Americans are passionate about squeezing out French's Mustard. In this project, both passions were satisfied."

Elliott Penner – President, Food, North America

FRENCH'S MUSTARD? A WASTE OF SPACE?

To Americans, the French's Mustard pack has always been a bit of an icon. Their only gripes, revealed in consumer focus groups, were that the plastic bottle could be hard to squeeze and that its cap could clog-up with messy mustard residues.

To our technicians, the pack was a bad utilisation of space. It wasted space in the pack, in the outer case, on the pallet, in the delivery truck, in the warehouse and on the supermarket shelf. It was also expensive to produce.

Our consumer insights, customer insights, technical insights and financial insights came together in what must be the ultimate 'Squeeze' project.

The process started with a hard look at the plastic material. We decided that it was too hard and too heavy. As a result, it was hard to squeeze and heavy on costs. By bringing in a lighter, more squeezable plastic, we satisfied our consumers' needs and we satisfied our own need to drive down production costs.

We also examined the shape. Testing various alternatives to the wasteful round pack we found a shape that our consumers preferred and that allowed us to pack 16 units in a case previously taken up by 12. Two benefits of this space-saving move were that we reduced the risk of out-of-stock situations and we cut retailers' shelf-filling and warehouse labour costs.

We cured the clogged-up cap problem by introducing a pressure-sensitive silicon valve that left the cap clear after each squeeze. Finally, the new shape also provides for better branding and consumer recognition.

Looking at the results of the exercise, the figures are impressive. Costs are down and sales and market shares are up, with 87% of consumers agreeing that the new bottle is easier to squeeze and leaves less mess. The annualised cost savings add up to $2 million; especially important in the ever-changing world of raw materials and commodity prices.

We've squeezed costs. We've squeezed space. And consumers around the world can happily squeeze French's to their heart's content.

Cut complaints. Cut costs.

There was just one snag with Lysol Wipes. Consumers complained that they had problems getting them out of the pack. As we looked at the problem, we also saw a cost-cutting opportunity. (We see them everywhere.)

Basically, the pack opening was over-specified. Too much plastic was making the wipes too difficult to remove. It didn't take us long to simplify the pack and solve the problem. In one move we shaved hundreds of thousands of pounds from production costs and reduced a frustrating consumer niggle to nil.

Amedeo Fasano – Senior Vice President, Supply, North America/Australia

Trimming out the costs

We hate wasting money that can be better invested elsewhere. Our X-trim programme is about supply savings through better purchasing, better manufacturing configuration and more efficient delivery logistics.

We are harnessing the power of the internet to improve our buying of raw materials and packaging through e-auctions. They are not only quicker, they result in better prices for us.

In our factories we have many projects to improve efficiency. We saved 25% on glue costs in one US factory by changing the dispense method. Switching our filler from stainless steel to plastic saved $80,000 in our Toronto factory.

We also find ways to save transport costs. Mixing our autodish powder locally in Australia saved over half a million dollars. Filling up our trucks, and effectively routing them on a daily basis reduces our freight costs in North America and Europe.

All these savings can be recycled back into growing our business. That is why we love to cut costs.

Grant Allen – Squeeze and X-trim Director

"We have a very committed, passionate group of people in the finance function. We're driven by the corporate objectives…top line growth… brand development…margin growth…and cost containment, whilst respecting the highest standards in accounting and control."

Adoption of FRS 5 Application Note G

The Group has adopted Financial Reporting Standard 5 Application Note G in preparing these financial statements. The new application note provides guidance for revenue recognition. Accordingly, the Group has restated net revenues to reclassify coupons from a marketing expense to a deduction from net revenues. All 2002 comparatives have been restated.

Reconciliation of Net Revenue Growth

	2002 £m	2003 £m	change %
Net revenue – old basis	**3,531**	**3,791**	**+7**
Accounting Policy adjustment	(77)	(78)	
Net revenue – new basis	**3,454**	**3,713**	**+7**

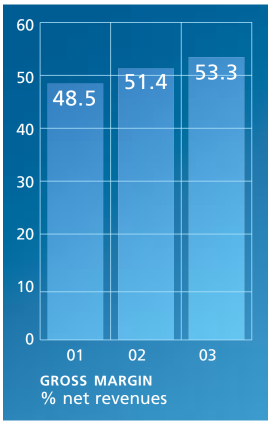
The adjustment has no effect on the reported growth rates or profits for the year or for the quarter. However the adjustment does increase reported operating margins by around 40bps in both years.

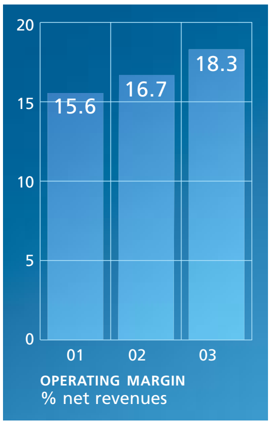
Full Year 2003

Net revenues grew by 7% (7% at constant exchange rates) to £3,713m. Net revenues from continuing operations rose by 8% (7% constant).

Operating profit increased 18% (15% constant) to £679m. Gross margins rose 190bps to 53.3% as a result of higher margin new products, favourable purchase prices on raw and packaging materials, and savings from the cost optimisation programmes Squeeze and X-trim. Marketing investment increased substantially in the year with media investment increasing to 11.5% of net revenues (2002 10.9%). Operating margins increased by 160bps to 18.3%.

Net income grew by 20% (17% constant) to £489m. Net interest expense of £19m (2002 £32m) was lower due to the strong cash inflow over the past year, reducing the level of net borrowings.





Restated following the adoption of FRS 5 Application Note G "Revenue Recognition".

Category review at constant exchange rates (see basis of comparitives on page 25)

Fabric Care Net revenues grew 11% to £1,017m, driven by fabric treatment behind the success of Vanish Oxi action in Western Europe and emerging markets, and the success of Spray 'n Wash in-wash in North America. The success of Vanish Oxi action has allowed Reckitt Benckiser to build a strong franchise in the category in 11 Western European markets, where Vanish was not previously represented. Calgon Water Softener grew behind performance in Rest of World and Woolite Fine Fabric advanced due to progress in Western Europe.

Surface Care Net revenues improved 5% to £748m. The main growth drivers were disinfectant sprays and multipurpose cleaners and lavatory care. Disinfectant sprays grew behind the launch of Lysol Neutra Air in North America and Dettol disinfectant spray in Western Europe and Asia Pacific. Multipurpose cleaners grew behind Lysol sanitizing wipes in North America, and the launch of the Dettol Easy Mop in Western Europe. The recovery in Latin America saw strong growth for Veja multipurpose cleaner in Brazil. Lavatory care grew behind a number of initiatives including Lysol/Harpic 2in1 in North America and Europe and the initial launch of Lysol Ready Brush in North America.

Dishwashing Net revenues grew 7% to £535m, benefiting from the success of the launch of Finish/Calgonit 3in1 Brilliant across Europe and Electrasol Gel and Gelpacs in North America. The roll-out of Finish/Calgonit Protector provided incremental growth across Europe.

Home Care Net revenues rose 5% to £540m with both air care and pest control showing growth. Air care grew in Western Europe behind the launch of Airwick Decosphere and Airwick electrical oils. Air care growth recovered in North America in the second half behind success for Airwick Decosphere and the launch of Airwick Nite Light. Pest control grew behind the launch of Mortein Professional in Australia, and recovery in Latin America, Asia and Rest of World.

Health & Personal Care Net revenues grew 17% to £539m. The main growth drivers were depilatories, antiseptics and health care. Depilatories grew behind the success of Veet Express roll-on and Wax Strips for sensitive skin, plus continuing growth for Veet Mousse in Western Europe and the launch and subsequent roll-out of Veet in the US. Dettol antiseptic performed well, most notably in Asia Pacific and Rest of World, behind increased investment and a number of new initiatives. The health care business performed strongly with notable growth on Gaviscon in the UK and Continental Europe, and the initial success of Suboxone in North America.

Core Household Net revenues therefore rose by 9% to £3,379m. Other household net revenues declined by 16% to £140m. Total household net revenues improved by 7% to £3,519m.

Food Net revenues rose by 7% to £194m. This growth came behind the successful introduction of French's Gourmayo flavoured mayonnaise and Cheddar Fried Onions, together with good growth for French's yellow mustard.

Geographic analysis at constant exchange

Western Europe: 47% of net revenues
Net revenues grew by 7% to £1,733m. This strong performance was due to the success of fabric treatment, automatic dishwashing, depilatories and health care. Fabric treatment grew behind the success of Vanish Oxi action. Dishwashing grew due to the success of Finish/Calgonit 3in1 Brilliant and Protector. Depilatories grew as a result of the new initiatives, Express roll-on and Wax strips for sensitive skin. Health care grew behind the success of Gaviscon in a widening number of Western European markets. Full-year operating margins increased by 110bps to 23.5% due to substantial gross margin expansion, resulting from higher margin new products, lower input costs and cost optimisation initiatives, partially offset by substantial increases in marketing investment. Operating profits increased by 13% to £408m.

North America: 27% of net revenues
Net revenues grew 5% to £1,018m. The growth came from the success of disinfectant sprays and multipurpose cleaners, automatic dishwashing, depilatories and food. Disinfectant spray and multipurpose cleaner growth came from the launch of Lysol Neutra Air and Lysol sanitizing wipes respectively. Automatic dishwashing growth came behind continuing success for Electrasol Gel and Gelpacs. Depilatories grew strongly as distribution and market share built following the launch of Veet in 2002. Food grew behind the success of French's Gourmayo, and market share gains for French's yellow mustard. North American operating margins

"Even in areas like mine, which people perceive as dull and boring, there's quite a fervour for the things we do. We're less classic financial, more commercial."

increased by 110bps to 18.3% due to significant gross margin expansion, arising from new products, lower input costs and cost optimisation benefits, offset by substantially increased marketing investment, particularly earlier in the year. Operating profit increased 11% to £186m.

Latin America: 4% of net revenues
Net revenues increased by 16% to £166m. Strong growth in local currencies has accelerated through the year, behind better growth for fabric treatment, air care, pest control and multipurpose cleaners. Operating profit was £1m (2002 £1m loss).

Asia Pacific: 12% of net revenues.
Net revenues increased by 8% to £436m. Key drivers of growth were fabric treatment, antiseptics, lavatory care and pest control. Fabric treatment growth came behind the success of Vanish Oxi action. Antiseptic growth came from the launch of Dettol disinfectant spray in certain markets, and from Dettol liquid and personal care products responding to higher investment, from the SARS effect earlier in the year. Harpic lavatory care grew behind higher investment and new advertising. Operating margins improved by 280bps to 11.5%. Operating profits increased 32% to £50m.

Rest of World: 10% of net revenues
Net revenues grew 9% to £360m. Growth came from fabric treatment, antiseptics, water softener and lavatory care. Key drivers of growth were the launch of Vanish Oxi action and Dettol disinfectant spray, plus strong organic growth behind higher marketing investment. Operating margins increased by 240bps to 10.0%. Operating profit increased 50% to £36m.

Financial Review

Net interest The net interest expense of £19m (2002 £32m) was lower due to strong cash generation over the past year reducing the group's indebtedness.

Tax The underlying tax rate for the period was 26% (2002 27%).

Net working capital (Defined as net current assets/liabilities excluding current asset investments, cash and short-term borrowings) reduced at the year end by £87m (compared to year end 2002 to minus £578m).

Cash flow Operating cash flow increased 18% to £886m, due to higher operating profit and net working capital improvements.

Net cash flow from operations increased by 13% to £656m. Net interest payments were lower at £25m (£30m).

Gross capital expenditure was lower than prior year at £71m (£93m). This was offset by proceeds from disposal of fixed assets of £12m (£34m) to give net capital expenditure in line with last year at £59m.

Acquisition of intangible assets during the year of £85m (£6m) related principally to the buying-in of distribution rights to the Company's Health Care brands in certain European and North American markets, and to the acquisition of a local brand in home care in Latin America. Tax paid increased to £146m (£102m).

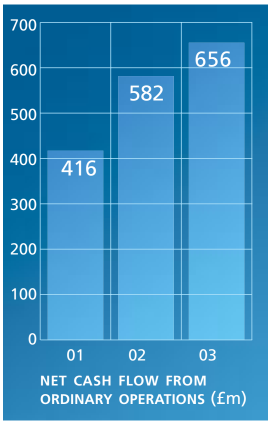
Net Funds at the year end were £292m (2002 year end net borrowings of £105m), an improvement of £397m due to strong operating cash inflow, working capital release and improved cash management. The Company's net funds position consisted of cash of £59m (£40m) and short-term investments of £724m (£379m) offset by the convertible capital bond of £192m (£193m) and other borrowings of £299m (£331m).

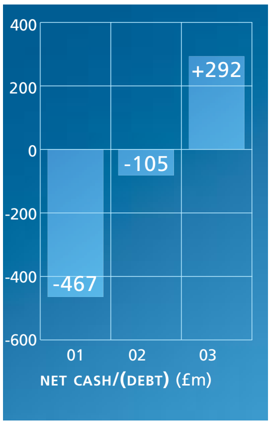
Balance sheet At the end of 2003, the Group had shareholders' funds of £1,470m (£1,201m), an increase of 22%. Total capital employed in the business was £1,182m (£1,313m) a decrease of 10%.

The Company's financial ratios improved significantly during the year. Interest cover was 36 times (18 times).

Dividends The Directors recommend a final dividend of 14 pence per share, an increase of 9%, to give a full year dividend of 28 pence per share, an overall increase of 10%. This is in line with the previously communicated policy to increase the dividend once the dividend cover of the group reached the average of the industry peer group. This dividend will be covered 2.5 times by net income for the year 2003, broadly in line with the peer group.
The dividend, if approved by shareholders at the AGM on 13th May 2004, will be paid on 27th May to shareholders on the register on 5th March. The ex dividend date was 3rd March 2004.

Share buy back Between 24th November and 10th December 2003, the group purchased 1,945,000 shares for cancellation at a cost of £25m as part of its ongoing share buy back programme.





"Our free cash flow stems from tight control, robust systems and strong growth. That's why we're passionate about getting the stocks down, getting debtors collected and working with our suppliers to get the terms right."

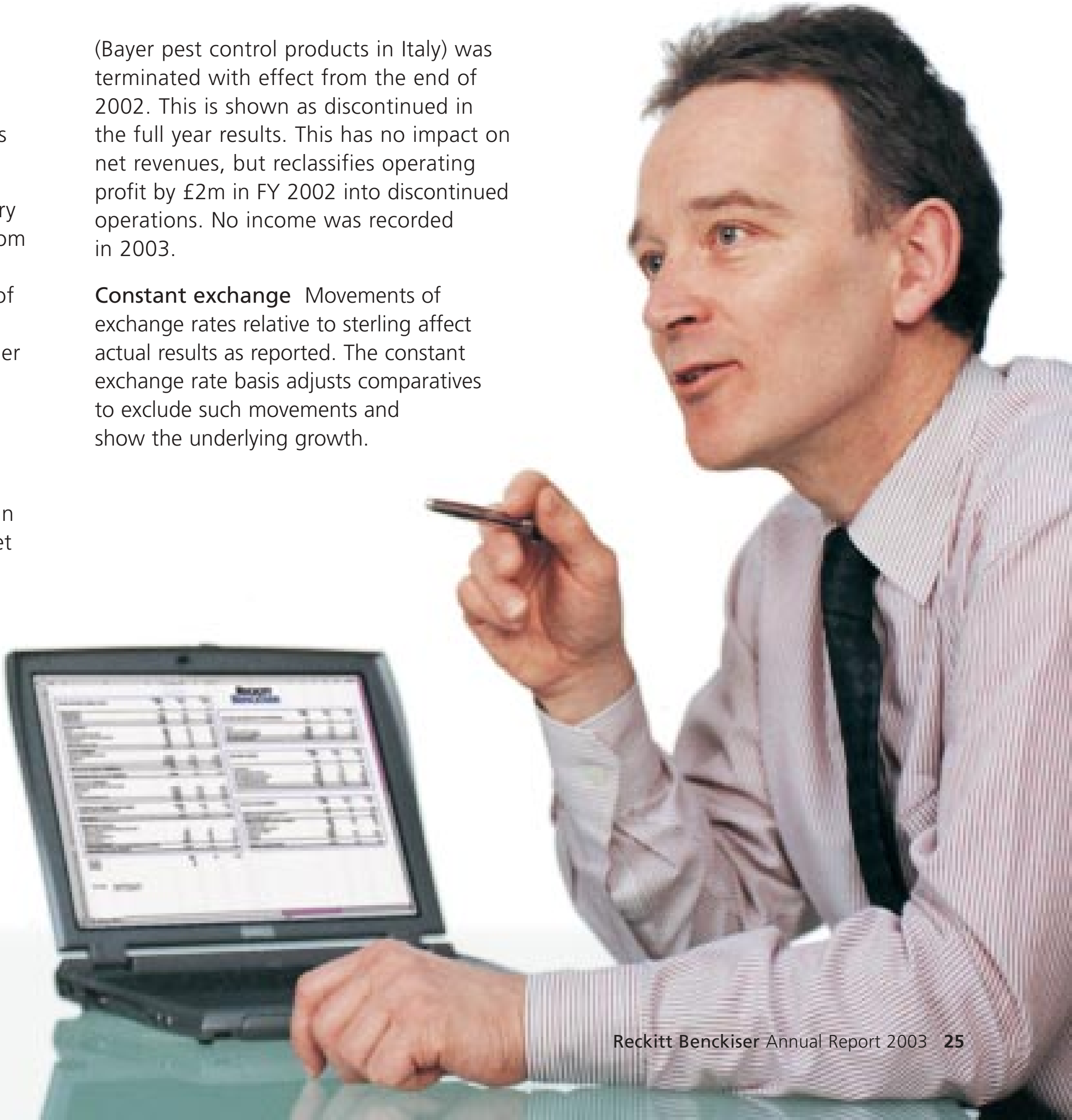
Basis of Comparatives

Continuing operations This adjusts comparisons to exclude the following businesses which have been treated as discontinued or deconsolidated:

• the results of the Group's subsidiary in Zimbabwe have been excluded from the consolidated Group results with effect from 1 July 2002. The effect of this is that net revenues of £13m in the first half of 2002 are shown under discontinued and deconsolidated operations. The resulting operating profit impact in H1 2002 was £1m.

• an agency agreement under which the Group sold third party products in one category in one European market (Bayer pest control products in Italy) was terminated with effect from the end of 2002. This is shown as discontinued in the full year results. This has no impact on net revenues, but reclassifies operating profit by £2m in FY 2002 into discontinued operations. No income was recorded in 2003.

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



GROUP TREASURY

ADDS VALUE TO THE BUSINESS OPERATIONS BY MANAGING THE FINANCIAL EXPOSURES OF THE GROUP CENTRALLY IN A MANNER CONSISTENT WITH UNDERLYING BUSINESS RISKS.

Treasury objectives, policies and strategies

The Group's treasury policy seeks to ensure that appropriate financial resources are available for the development of the Group's businesses while managing its currency, interest rate and counterparty risk. The Group's financing and financial risk management activities are centralised into the Group Treasury Centre (GTC) to achieve benefits of scale and control. The GTC is not a profit centre, but adds value to the business operations by managing financial exposures of the Group centrally in a manner consistent with underlying business risks. The GTC manages only those risks and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

Treasury systems and procedures implemented in previous years are being continually improved, enabling better management of group objectives and monitoring of policy compliance.

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

Debt

The Company has bilateral credit facilities with high quality international banks. These facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. At the end of 2003, the Group had, in addition to its long-term debt of £319m (£418m), committed borrowing facilities totalling £500m (£900m), of which £250m (£430m) exceeded 12 months' maturity. Of the total facilities at the year end, £49m (£44m) were utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

Funds over and above those required for short-term working capital purposes by the overseas businesses were generally remitted to the corporate centre. The Group used the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with an investment grade credit rating. Counterparty credit ratings and investment limits are routinely monitored. These policies were applied consistently throughout the year.

Financial risk management

Translation risk

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

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

As at 31 December 2003, 55% (62%) of the Group's financial liabilities were in currencies other than Sterling, including 37% (37%) being denominated in US Dollars. All the Group's major currency net assets exceeded the borrowings in the corresponding individual currencies.

Transaction risk

It is the Group's policy to manage its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittance of foreign currency dividends. The local business units use the GTC to manage these exposures where practical and allowed by local regulations. The GTC matches the Group exposures, and hedges the net position where possible, using the spot and forward markets.

Interest rate risk

The interest rate profile of the financial liabilities of the Group as at the end of 2003 is shown in note 26 to the accounts. The Group manages its interest rate exposure by maintaining 40–100% of its gross financial liabilities at fixed rates for more than one year and may use a combination of fixed-rate debt and interest rate swaps to achieve this objective. At the end of 2003, the Group had 65% (78%) of financial liabilities at fixed rates. 39% (36%) of the Group's financial liabilities related to the convertible capital bonds.

Financial instruments and derivatives

Note 26 to the accounts analyses the recognised and potential gains and losses on the Group's financial instruments as at the end of 2003, as if they had been sold back to the relevant markets at that date. Derivative financial instruments are only being used for hedging purposes in relation to underlying financial exposures. Derivative instruments are used in liquid financial markets with high quality investment grade counterparties.

Accounting policies relating to the use of derivatives are described on page 43.

Colin Day Chief Financial Officer

"The successful execution of its sustainability strategy positions Reckitt Benckiser among the leaders of the industry" SAM RESEARCH INC. 20 NOVEMBER 2003

We're committed to moving our business towards greater sustainability and encouraged by what we've accomplished so far.

Our strategy here is clear and simple. We firmly believe that a more sustainable business will not only better fulfil our responsibilities to society but also deliver greater long-term shareholder value.

We view corporate social responsibility (CSR) and sustainability as one and the same.

Our objectives are:

• to achieve continuous improvement in our environmental performance, in line with our Environmental Policy, by "running our business in a responsible, environmentally sound and sustainable manner".

• to meet our obligations to society by:

a) conducting our business operations responsibly and ethically, in line with the values laid down in our Code of Business Conduct. For example through respecting human rights, ensuring our products are safe when used as directed and safeguarding occupational health & safety.

b) undertaking community programmes that share with the disadvantaged in society some of the wealth our business generates to make a real difference to people's lives.

Accountability
The Board conducts an annual review of CSR management and performance. The Chief Executive Officer is the Board Director with specific responsibility for this issue.

Actions … louder than words
During 2003 we rolled out two major social initiatives:

• a global partnership with Save the Children to sponsor a number of projects connected with child hygiene and health, initially in India, Bangladesh and Kenya. This partnership was launched in December 2003 by Burkhard Gnärig, CEO of the International Save the Children Alliance.

• the Dettol Trust for AIDS in South Africa.
A cause-related marketing programme that funds a trust to help children affected by HIV/AIDS.
In August Nelson Mandela hosted a ground-turning ceremony for the Dettol-Garies Community Hospital in the Northern Cape, which includes a dedicated AIDS unit.

However our contribution is much more than just what we give externally and is evident from the passion of our people to do the right thing throughout our operations. For example, our environmental and health & safety management and performance is showing significant improvement globally.

External recognition
In 2003 Reckitt Benckiser joined both the World and European Dow Jones Sustainability Indexes (DJSI), in addition to our existing membership of the FTSE4Good Global Index, European Index and UK 50 Index. We also participated in both the Business in the Community Corporate Responsibility Index and Business in the Environment Index of Corporate Environmental Engagement during 2003, being placed well above average in both.

Reporting transparently
We're as committed to reporting publicly upon our performance across the economic, social and environmental dimensions of our activities as we are to improving that performance.

This Annual Report presents our financial results during 2003. We've publicly reported on our Community activities since 2000 and we'll be publishing our first Social Report later in 2004. Our annual Environmental Reports are now well known and have been independently reviewed from the start; the next is due shortly.

We deliberately report through our corporate website. Internet-based reporting reduces our impact on the environment, allows more regular updating of information and means that we spend most of our time and money on actions not words.

Please take time to look at www.reckittbenckiser.com/about/corporate.cfm

Edward Butt
Environmental and Health & Safety Director

A TRULY MULTI-NATIONAL BOARD AND EXECUTIVE TEAM. WE BELIEVE THAT COMBINING TALENTED PEOPLE FROM DIFFERENT PROFESSIONAL AND CULTURAL BACKGROUNDS IN ACTION-ORIENTED TEAMS GIVES US A COMPETITIVE EDGE.

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

The Board

Adrian Bellamy (62, British) ‡ #
Was appointed a Non-Executive Director of the Company in 1999 and became Non-Executive Chairman in May 2003. He is Executive Chairman of The Body Shop International Plc, Chairman of Gucci Group NV and a Director of The Gap, Inc, The Robert Mondavi Corporation and Williams-Sonoma, Inc.

Bart Becht (47, Dutch) #
Joined the Board in 1999 on his appointment as Chief Executive Officer of the Company. He was Chief Executive of Benckiser Detergents, subsequently Benckiser N.V. since 1995 and Chairman of Benckiser's Management Board from May 1999. He is a Non-Executive Director of Prudential plc.

Hans van der Wielen (60, Dutch) *
Was appointed a Non-Executive Director of the Company in 1999. He was President and Chief Executive Officer of Koninklijke Numico N.V. until May 2002 and Chairman of Pink Roccade until December 2003. He is a Director of Gouda Vuurvast.

Dr Peter Harf (57, German) ‡ #
Chairman of the Remuneration Committee, joined the Board as a Non-Executive Director in 1999 and is the Deputy Chairman. He is Chairman of Coty Inc. and a Director of Interbrew and the Brunswick Corporation. He is Chief Executive Officer of Joh. A. Benckiser GmbH.

Dr George Greener (58, British) ‡
Was appointed a Non-Executive Director in 1996 and the Senior Non-Executive Director in May 2003. He is Chairman of British Waterways and The Big Food Group Plc. He is also a Non-Executive Director of JP Morgan Fleming American Investment Trust plc.

Colin Day (48, British)
Joined Reckitt Benckiser in September 2000 from Aegis Group plc where he was Group Finance Director from 1995. He is a Non-Executive Director of easyJet plc as well as the Bell Group Plc.

Peter White (62, British) * #
Chairman of the Audit Committee, was appointed a Non-Executive Director in December 1997. He was previously Group Chief Executive of Alliance & Leicester Plc.

Dr Ana Maria Llopis (53, Spanish) *
Was appointed a Non-Executive Director in November 1998. She is Executive Vice President of the Financial and Insurance Markets at Indra. She was previously CEO of Open Bank for six years (Banco Santander on-line bank). She was appointed a Non-Executive Director of British American Tobacco PLC in 2003.

Judith Sprieser (50, American) ‡
Was appointed a Non-Executive Director in August 2003. She is Chief Executive Officer of Transora, Inc., an e-commerce software and service company. Judith was previously Executive Vice President (formerly Chief Financial Officer) of Sara Lee Corporation. She is also a Director of Allstate Insurance Company, USG Corporation and Kohl's Corporation.

Kenneth Hydon (59, British)
Was appointed a Non-Executive Director in December 2003. He is Financial Director and has been a member of the Board of Vodafone plc since 1985. He is a Director of several subsidiaries of Vodafone plc and also a member of the Board of Representatives of the Verizon Wireless partnership in the USA. He has recently been appointed a Non-Executive Director of Tesco plc.

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

The Executive Committee

Elio Leoni Sceti (38, Italian)
Executive Vice President, Category Development. Joined Benckiser in 1992 serving in various marketing roles and as General Manager of Germany and Italy. Following the merger in 1999, Elio was promoted to Senior Vice President, North American Household and was appointed EVP, Category Development in July 2001. Elio was previously with Procter & Gamble in Italy and France.

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

Tony Gallagher (48, British)
Senior Vice President, Information Services. Joined Benckiser in September 1997. He was previously CEO of InfoSol, a systems integration and consulting company in the Middle East. Prior to that, he was at Integraph and Mitel.

Tony is responsible for global information systems and services and telecommunications.

Freddy Caspers (42, German)
Executive Vice President, Developing Markets. Joined Benckiser in January 1998 as EVP for Eastern Europe. He previously served in PepsiCo in a variety of international sales and marketing assignments.

Freddy is responsible for Africa Middle East, Asia and Latin America.

Alain Le Goff (51, French)
Executive Vice President, Supply. Was appointed EVP for Operations at Benckiser in October 1996. He joined the company in 1986, serving as Industrial Director in France, Monaco and Germany and as Logistics Director for the group. He was previously with Lesieur.

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

Bart Becht (47, Dutch)
Chief Executive Officer. Joined Benckiser in 1988 and served as General Manager in Canada, the UK, France and Italy before being appointed Chief Executive of Benckiser Detergents, subsequently Benckiser N.V, in 1995. He was appointed Chief Executive Officer of Reckitt Benckiser following the merger in December 1999. He was previously with Procter & Gamble both in the US and Germany.

Bart is Chairman of the Executive Committee.

Javed Ahmed (44, Pakistani)
Executive Vice President, North America and Australia and Regional Director North American Household

Joined Benckiser in 1992 as General Manager, Canada and in 1995 became General Manager, UK. Appointed SVP North American Household in 2001 and EVP, North America and Australia in September 2003. Prior to joining Benckiser, he previously worked with Procter & Gamble and Bain & Company.

Javed is responsible for North America and Australia/ New Zealand.

Frank Ruether (51, German)
Senior Vice President, Human Resources. Joined Benckiser in July 1996 as Personnel Director and was appointed SVP Human Resources in March 1997. He was previously with Mars, 1986–1996, as Director of Compensation & Benefits (Europe).

Frank is responsible for human resources management, remuneration and benefits, and organisational development.

Colin Day (48, British)
Chief Financial Officer. Joined Reckitt Benckiser in September 2000 from Aegis Group plc where he was Group Finance Director from 1995. Prior to that he was at Kodak, British Gas, De La Rue Group plc and ABB Group.

Colin is responsible for financial controls and reporting, treasury, tax, corporate development, legal affairs and internal audit.

Erhard Schoewel (55, German)
Executive Vice President, Europe. Joined Benckiser in January 1979 and served as General Manager of Germany and of Propack Europe (private label). He was General Manager of Italy 1995–1996. From 1996 to 1999 he was EVP, Central Europe. He was previously with PWA Waldhof.

Erhard is responsible for all European markets, Western and Eastern.

REPORT OF THE DIRECTORS

The Directors submit their fifty-first Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2003.

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

A review of the results for the year ended 31 December 2003 and of the year's activities appears under the Financial Review on pages 22 to 26, and in the profit and loss account on page 44. The Directors endorse the content of that review.

In August 2003, the Directors resolved to pay an interim dividend of 14p per ordinary share (2002 12.7p). The dividend was paid on 26 September 2003. The Directors are recommending a final dividend for the year of 14p per share (2002 12.8p), which, together with the interim dividend, makes a total for the year of 28p per share (2002 25.5p). The final dividend, if approved by the shareholders, will be paid on 27 May 2004 to ordinary shareholders on the register at the close of business on 5 March 2004.

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

Research and development
The Group continues to carry out research and development in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on research and development in 2003 amounted to £57m (2002 £54m).

Acquisitions and disposals
Acquisitions are detailed in note 24 to the accounts. There have been no disposals during the year.

Employees
During 2003, the Group employed an average of 20,400 (2002 22,300) people worldwide, of whom 1,300 (2002 1,300) were employed in the UK. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

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

As described in the Chairman's letter on page 2 a rolling share buy back programme to return cash to shareholders was announced in August 2003. Details of market purchases made, under the authority given to the Directors by shareholders at the Annual General Meeting held on 7 May 2003 to make such purchases up to a maximum of 70,580,000 shares are given in note 21 on page 61. A resolution seeking to renew this authority will be put to shareholders at the Annual General Meeting on 13 May 2004.

Directors
Information regarding the Directors of the Company who were serving on 31 December 2003 is set out on page 28.

Håkan Mogren retired as Chairman and Dieter Meuderscheid resigned as a Director on 7 May 2003.

George Greener, Peter White and Colin Day retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Judith Sprieser and Kenneth Hydon have been appointed to the Board as Non-Executive Directors since the 2003 Annual General Meeting and offer themselves for election at this year's Annual General Meeting.

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

Details of the Directors' service agreements are given on page 40.

Corporate governance
The Company recognises the importance of high standards of corporate governance. It understands, supports and has applied the principles set out in the Combined Code on Corporate Governance, as issued in June 1998, and has complied with the great majority of the detailed provisions contained in the Code. The ways in which the Company applies these principles, and the few provisions with which the Company does not consider that it is appropriate to comply, are set out in the appropriate sections of this Annual Report and Accounts. The Company will report in accordance with the new Combined Code, as issued in July 2003, when submitting accounts for the 2004 financial year. The Company already substantially complies with the terms of the new Combined Code and has made certain additional disclosures in this year's report in advance of the requirement to do so. References to provisions of the Combined Code within this report are to the provisions of the Combined Code of June 1998.

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

The Board has identified George Greener, as the senior independent Non-Executive Director in accordance with provision A.2.1 of the Combined Code. He assumed the role when Adrian Bellamy was appointed Chairman on 7 May 2003. The majority of Non-Executive Directors are independent as recommended by the Combined Code. In this context one of the Non-Executive Directors, Peter Harf, is not considered to be independent for all purposes because of the shareholding he represents.

The Articles of Association require that every Director will seek re-election to the Board at least every three years, in line with provision A.6.2 of the Combined Code.

The Board meets a minimum of five times a year and will meet further as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. In 2003, there were five regular meetings and one held by telephone conference. A statement of the Directors' attendance at these Board meetings, and at meetings of Board Committees on which they served during the year, is shown in table 2 at the end of this report.

The Board has been through a number of changes during the year including the appointment of a new Chairman. As a result, the Board considers that the first formal annual evaluation of its performance should be carried out after the Annual General Meeting to be held in 2004. At this time the Chairman will have held office for a year and new appointments to the Board will have held office for some six months. The performance of the Chief Executive Officer, and of other members of the Executive Committee, is regularly reviewed by the Remuneration Committee of the Board.

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

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

Non-Executive Directors receive appropriate briefings on the Company and its operations around the world when they are appointed to the Board. They are encouraged to visit the Company's offices and factories, whenever the opportunity presents itself, where they can be briefed on the local business operations. The Board endeavours to hold one meeting each year at one of the operating units.

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

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

Committees of the Board

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

Audit Committee

The Audit Committee, chaired by Peter White, comprises three Non-Executive Directors. All members are independent Non-Executive Directors, which complies with provision D.3.1 of the Combined Code. The Committee monitors the adequacy and effectiveness of the internal controls and compliance procedures, reviews the interim and full year financial statements before submission to the full Board and makes recommendations to the Board regarding the auditors and their terms of appointment. The Chief Financial Officer and other senior management attend by invitation. The Group's external auditors and the Group's Vice President Internal Audit attend meetings and have direct access to the Committee.

Remuneration Committee

The Remuneration Committee meets regularly to review remuneration policy for Directors and senior executives. The Committee comprises four members, of which two are considered independent as defined by the standards of the new Combined Code.

Peter Harf is a representative of a substantial shareholder, and Adrian Bellamy is the Chairman of Reckitt Benckiser. The Board is satisfied that their personal integrity and their experience make them both highly effective members of the Board and the Remuneration Committee.

The Committee is not responsible for making decisions on the Chairman's remuneration.

Nomination Committee

The Nomination Committee is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board of Directors. During the year two new appointments have been made to the Board. An external search consultancy was employed to seek candidates for appointment. The Nomination Committee reviewed each candidate as presented by the consultancy and all members of the Committee were involved in the interview process before making their recommendations to the full Board. All members of the Board were given the opportunity to meet the recommended candidates prior to their appointment. The Committee comprises the Chairman, who also chairs the Committee, the Chief Executive Officer and two Non-Executive Directors.

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

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

• The Board and management – as set out above the Board performs a strategy-setting, advisory and supervisory role with the day-to-day management of the Company being undertaken by the Executive Committee. The Chief Executive Officer and other Executive Committee members have clearly communicated the Group vision, strategy, operating constitutions, values and business objectives across the Group.

• Organisational structure – during the year, the Group has restructured its internal organisation and now operates three area management organisations, Europe, North America/Australia and Developing Markets and centralised functions covering category management, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control are embedded in the responsibilities of line executives.

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

• Management reporting – there is a comprehensive system of management reporting. The financial performance of operating units and the Group as a whole is monitored against budget on a monthly basis and is updated by periodic forecasts. Area and functional executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities.

• Risk management – as part of the ongoing risk and control process operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls together with any necessary actions are identified and implemented. To this end, key corporate risks include the ongoing development of the new product pipeline, protection of intellectual property, financial and business controls in emerging markets and continuing recruitment and retention of high quality management.

• Operating unit controls – each operating unit maintains internal controls, which are appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of the Group are entered into after appropriate approval. In particular, there is a structured process for the appraisal and authorisation of all material capital projects.

• Monitoring – the effectiveness of internal controls is monitored regularly through a combination of management review, self-assessment and internal and external audit. The results of external and internal audit reviews are reported to and considered by the Audit Committee, and actions are taken to address significant control matters identified. The Audit Committee also approves annual internal audit plans and is responsible for performing the ongoing review of internal control on behalf of the Board.

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

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

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

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

Relations with shareholders
The Board is committed to effective communication between the Company and its shareholders. The Executive Directors with the Senior Vice President and the Manager Investor Relations meet regularly with institutional shareholders and financial analysts, in Europe and North America, to discuss matters relating to the Company's business strategy and current performance issues. The Board receives regular monthly reports from the Chief Executive Officer which include updates on the share price development, major buyers and sellers of shares and on investor views, including analyst reports on the industry and specifically on the Company. Feedback on presentations and roadshow meetings with institutional investors is presented by the Executive Directors following twice yearly roadshows in Europe and North America. The Chairman is available to discuss governance and strategy with major shareholders should such a dialogue be requested. The Company believes that it is important that it makes its key executives available, wherever possible, to discuss matters of concern with its shareholders.

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

Policy on the payment of creditors
It is the Company's policy to follow the CBI Prompt Payers' Code. This policy requires the Company to agree the terms of payments with its suppliers, to ensure that those suppliers are aware of those terms and to abide by those terms. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU. As at 31 December 2003 the Company did not have any amounts due to its suppliers (2002 nil).

Directors' responsibilities
The following statement, which should be read in conjunction with the auditors' report set out on page 41, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year, and of the profit or loss for the year.

The Directors consider that, in preparing the financial statements on pages 42 to 67 including the information on Directors' remuneration on pages 35 to 40, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

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

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

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

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

Impact of International Financial Reporting Standards (IFRS)
The Group is planning to adopt IFRS for the year ending 31 December 2005 as required by EU and UK legislation. The adoption process is being managed by a project team and includes a number of key stages, such as assessing the effect of IFRS on existing accounting policies, calculating the effect of adopting IFRS on internal and externally reported numbers, ensuring that the appropriate management and financial reporting systems are in place to meet the requirements and communicating the effects on financial information to internal and external stakeholders at appropriate points during the adoption process.

Charitable and political donations
Contributions to charitable organisations in the UK amounted to £367,000 (2002 £320,000). No political donations were made (2002 nil).

Annual General Meeting
The notice convening the fifty-first Annual General Meeting of the Company to be held on Thursday, 13 May 2004 at 11.15 a.m. at The Thistle London Heathrow Hotel, Bath Road, Longford, West Drayton, Middlesex UB7 0EQ is contained in a separate document for shareholders.

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

Other information
As at 1 March 2004 the Company had received the following notices of substantial interests (3% or more) in its ordinary share capital:

1. JAB Investments BV: 111,105,415 shares (15.7% of the issued share capital).

2. Legal & General Investment Management Ltd: 23,276,042 shares (3.3% of the issued share capital).

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

12 March 2004

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

	1 March 2004	31 December 2003	31 December 2002
Adrian Bellamy	**11,152**	**11,152**	8,380
Bart Becht	**758,911**	**758,911**	736,753
Colin Day	**82,688**	**82,688**	80,882
George Greener	**2,398**	**2,398**	2,000
Peter Harf	**840,464**	**840,464**	799,518
Kenneth Hydon	**3,000**	**3,000**	–
Ana Maria Llopis	**3,380**	**3,380**	1,175
Judith Sprieser	**1,000**	**–**	–
Peter White	**1,398**	**1,398**	1,000
Hans van der Wielen	**10,000**	**10,000**	9,270

Notes
1 Except as shown, no person who was a Director (or a member of a Director's family) on 31 December 2003 had any notifiable share interests in any subsidiary of the Company.

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

Table 2 – Attendance at meetings
In 2003, there were six Board meetings, four Audit Committee meetings, three Remuneration Committee meetings and one Nomination Committee meeting. Attendance at these meetings by individual Directors is given in the table below.

Number of meetings attended	Note	Board	Audit	Remuneration	Nomination
Håkan Mogren (retired 7 May 2003)		2		2	
Adrian Bellamy		6		3	1
Bart Becht		6			1
Colin Day		6			
George Greener		6		3	
Peter Harf		5		3	1
Kenneth Hydon (appointed 1 December 2003)	(a)	–			
Ana Maria Llopis		6	4		
Judith Sprieser (appointed 21 August 2003)	(b)	2			
Dieter Meuderscheid (resigned 7 May 2003)		2	2		
Peter White		6	4		1
Hans van der Wielen		5	4		

Notes
a) No meetings of the Board were held between 1 December 2003 and the year end.

b) Judith Sprieser was appointed a member of the Remuneration Committee on 11 November 2003. No meetings of the Committee were held between 11 November 2003 and the year end.

c) In addition to the formal meetings, two written resolutions of the Board were passed during the year, one written resolution of the Nomination Committee and one written resolution of the Remuneration Committee. Written resolutions are required to be signed by all Directors on the Board or serving on the relevant Committee.

DIRECTORS' REMUNERATION REPORT

The Remuneration Committee
The Remuneration Committee of the Board (the "Committee") is responsible for determining and reviewing the terms of employment and remuneration of the Executive Directors and senior executives. The remuneration principles established for this senior group of employees provides the framework for the remuneration packages of all other executives.

The Committee meets as necessary but at least three times each year. The Committee comprises four members, of which two are considered independent by the standards of the new Combined Code.

Peter Harf is a representative of a substantial shareholder, and Adrian Bellamy is the Chairman of Reckitt Benckiser. The Board is satisfied that their personal integrity and their experience make them both highly effective members of the Board and the Remuneration Committee.

Håkan Mogren served as a member of the Committee and as Chairman of Reckitt Benckiser until May 2003. He was succeeded by Adrian Bellamy, Chairman of Reckitt Benckiser, who has served on the Committee since 1999. George Greener has also been a member of the Committee since 1999. Judith Sprieser joined the Committee in November 2003.

As well as reviewing Executive Directors' base salaries and benefits, the Committee determines the incentive arrangements that will apply. It aims to set challenging and demanding performance targets and to ensure that incentive awards at the end of each year fully reflect the Company's performance. The Committee is not responsible for making decisions on the Chairman's remuneration.

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

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

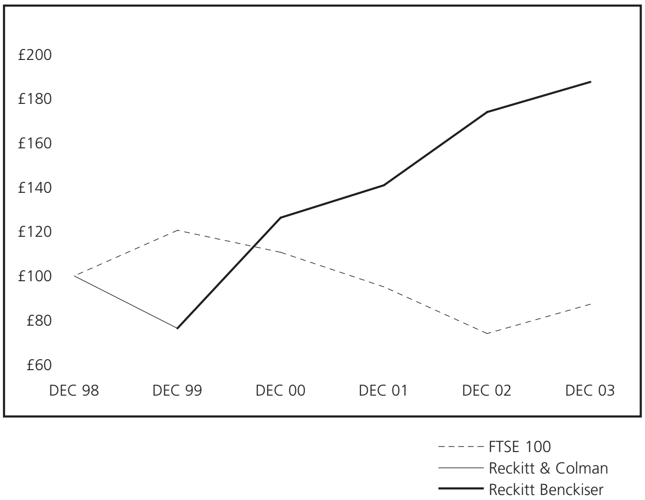
The second principle is that variable pay is, and will continue to be, the major element of our current Executive Directors' and senior executives' total compensation package. Accordingly, the Executive Directors' compensation package comprises, in addition to base salary, an annual cash bonus and share-based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

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

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

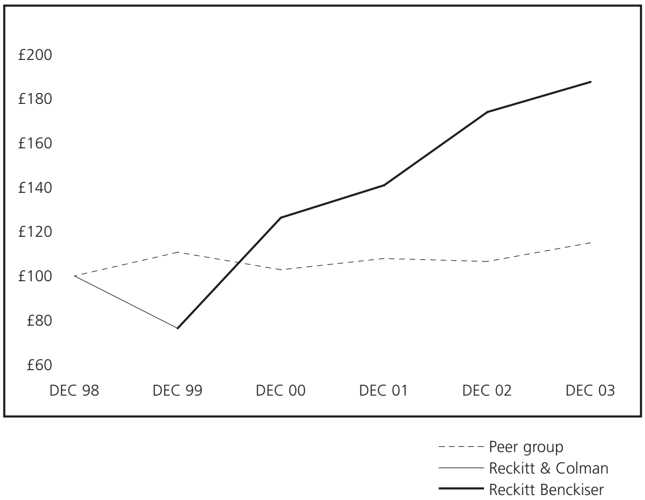
The Company believes that the remuneration package in place and the mix of fixed and variable pay within that package meet these three core principles. Significant changes to remuneration policy are not envisaged in the forthcoming year. However, the Committee's market-driven approach to remuneration requires that it regularly reviews its policies. The policy is for shareholders to be consulted or informed, as appropriate, of changes.

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



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

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



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

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

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

For 2004, as in 2003, the Executive Directors will participate in an annual cash bonus scheme under which they may receive 100% (CEO) and 75% (CFO) of base salary for achieving a performance level which is set by the Board slightly above the industry median. For the achievement of outstanding performance, which the Board sets at a level approximately double the industry median, the bonus potential is 360% (CEO) and 270% (CFO) of base salary.

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

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

Long-term incentives comprise a mix of share options and restricted shares. Both the levels and mix of share options and restricted shares are determined with reference to competitive market data and the associated cost of share provision. The Committee benchmarks total remuneration for executives against the 75th percentile of its peer group. In carrying out the benchmarking exercise, the Company's long-term incentives and those of the peer group are valued using the Black-Scholes valuation methodology which is widely accepted and enables "like for like" comparisons. The award levels of long-term incentives for executives are then determined by calculating the difference between the executive's target total cash compensation and upper quartile total remuneration amongst the Company's peer group.

In 2003, the level of awards for Executive Directors and many other executives across the Company was reduced to reflect competitive practice among its US peer group. In the case of Executive Directors, grants of options were reduced by 20%, while grants of restricted shares remained unchanged.

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

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

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

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

The vesting schedule for the options and restricted shares rewards superior performance. For 2004, the Committee has set the same targets and levels of awards as in the previous year, having regard to: the industry context in which the Company operates, sensible expectations of what will constitute performance at the top of the peer group, and factors specific to the Company.

The Committee has set the targets for initial vesting under its long-term incentive plans of an average 6% growth in EPS per annum, equivalent to a 19% growth over a three-year period, which it considers, based on past performance, to be around the industry growth average. For exceptional performance of an average 9% growth per annum, equivalent to almost 30% over a three-year period, all the options and shares will vest.

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

If the performance target has not been achieved, it may be re-tested in each of the two subsequent years, based on the previous three-year period. The Committee believes that this feature is both necessary and prudent, given that performance conditions are not typical practice among Reckitt Benckiser's peer group. These were also the terms on which the existing long-term incentive arrangements were approved by shareholders in 1999.

If the target has not been met within this time, the awards lapse. If the performance condition is met, then the option term is ten years from the date of grant.

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

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

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

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

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

Pensions

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

The Committee has undertaken a review of the competitive market in respect of pension arrangements. This has taken into account the age, service, pension history of Executive Directors, and the fact that final salary defined benefit pensions arrangements are typical in the majority of US peer companies. It found a significant gap between the Company contribution rate for the CEO and those provided by its peer companies.

Accordingly, Bart Becht's standard Company pension contribution has been increased from 17.5% to 30% of pensionable pay. An additional annual contribution of 20% of pensionable pay will also be paid from 2003 to 2005 to take account of the uncompetitive level of his pension contributions since his appointment as Chief Executive Officer. This policy will be kept under review in the light of proposed UK tax changes. Contributions in respect of Bart Becht and Colin Day are shown in Table 1 at the end of this report.

Service agreements

For newly appointed Executive Directors, the Committee has agreed a policy that termination payments, including compensation paid during any notice period, should not exceed 12 months' pay. Service contracts should be rolling and terminable on six months' notice. Contracts should also provide liquidated damages of six months' base salary, plus an amount equal to one times the average bonus paid (if any) in the two years up to termination.

In agreeing this policy, the Committee decided that any bonus earned should be included in the termination payment, on the basis that a high proportion of pay is related to Company results and that, in the event of termination for unacceptable business performance, it is unlikely that any bonus will have been paid. Liquidated damages also provide clarity for shareholders and executives, and are usual among Reckitt Benckiser's peer group.

In 2003 the existing Executive Directors, agreed to changes to their service agreements to align them with this policy – please refer to Table 3 at the end of this report.

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

Remuneration policy for the Chairman and Non-Executive Directors

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

Adrian Bellamy's annual fee as Chairman was set at £220,000, and the net proceeds of £40,000 of this fee must be used to acquire shares in the Company which he is obliged to retain until he steps down from the Board.

Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Board committee meetings. In 2003, the basic level of fees was increased from £40,000 to £47,500. The net proceeds of the increase in fee must be used to acquire shares in the Company, which are to be retained until the Non-Executive Director steps down from the Board.

In addition to the basic fees payable, Non-Executive Directors receive an additional £5,000 and £15,000 per annum respectively for their Chairmanship of the Remuneration Committee and Audit Committee – see Table 1.

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

Fee levels are reviewed annually, with the Board taking external advice on best practice and competitive levels, taking into account the responsibilities and time commitment of each Non-Executive Director.

External appointments

Executive Directors of the Company may accept one appointment as a Non-Executive Director of another company. The Board must approve such appointments and any exceptions. Directors are permitted to retain fees for non-executive appointments.

Process of the Committee

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

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

Throughout 2003, the Company complied with the provisions of Schedule A of the Combined Code published in June 1998 relating to the design of performance-related remuneration (except where noted above). In preparing this report, the Board has followed the provisions of Schedule B of the Combined Code. The contents of this report also comply with the Directors' Remuneration Report Regulations 2002.

Approved by the Board on 12 March 2004.

Dr Peter Harf
Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT (CONTINUED)

The information on pages 38 to 40 comprises the auditable disclosures of Directors' Remuneration Report.

Remuneration disclosures
In 2003, Reckitt Benckiser substantially exceeded its own net revenue and income stretch targets for the year; consequently bonus levels for Executive Directors increased by three-quarters compared to last year. This compares to a drop of over a third in 2002 when the Company did not fully meet those targets. In contrast, grants of options to Executive Directors were reduced by 20% to reflect competitive market practice among peer group companies.

Table 1

	Notes	Salary and fees £000	Bonus £000	Benefits in kind £000	Other payments £000	Pension £000	**2003** Total £000	2002 Total £000
Chairman								
Dr Håkan Mogren (retired 7 May 2003)		**83**	**–**	**–**	**–**	**–**	**83**	200
Adrian Bellamy (appointed 7 May 2003)	1	**171**	**–**	**–**	**–**	**–**	**171**	40
Executive Directors								
Bart Becht	3	**950**	**2,808**	**77**	**17**	**387**	**4,239**	2,604
Colin Day		**361**	**870**	**43**	**–**	**79**	**1,353**	950
Non-executive Directors								
Dr Peter Harf	2	**53**	**–**	**–**	**–**	**–**	**53**	45
Dr George Greener	2	**48**	**–**	**–**	**–**	**–**	**48**	40
Kenneth Hydon (appointed 1 December 2003)		**3**	**–**	**–**	**–**	**–**	**3**	–
Dr Ana Maria Llopis	2	**48**	**–**	**–**	**–**	**–**	**48**	40
Dieter Meuderscheid (resigned 7 May 2003)		**24**	**–**	**–**	**–**	**–**	**24**	40
Judith Sprieser (appointed 21 August 2003)		**14**	**–**	**–**	**–**	**–**	**14**	–
Peter White	2	**63**	**–**	**–**	**–**	**–**	**63**	45
Hans van der Wielen	2	**48**	**–**	**–**	**–**	**–**	**48**	40
Total		**1,866**	**3,678**	**120**	**17**	**466**	**6,147**	4,044

Notes

1 Mr Bellamy's fees for 2003 are split as to £13,940 for his fees as a Non-Executive Director to 7 May 2003 and £157,273 for his fees as Chairman since 7 May 2003. These fees include £40,000 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by Mr Bellamy while in office.

2 Non-Executive Director fees include £7,500 (gross), the net amount of which was applied to buy ordinary shares in the Company. These shares must be retained by the Director while in office.

3 The remuneration reported under "Other payments" in respect of Mr Becht relates to a non-pensionable earnings supplement of £17,238 (2002 £9,955) in relation to other contractual benefits.

4 The total emoluments of the Directors of Reckitt Benckiser plc as defined by schedule 6 of the Companies Act 1985 were £5,681,650 (2002 £3,838,225).

5 The aggregate gains made by Directors on the exercise of share options and the vesting of restricted shares during the year were £3,958,400 (2002: £4,670,949). The gains are calculated based on the market price at the date of exercise for share options and at the date of vesting for restricted shares, although the shares may have been retained.

6 The total emoluments of the highest paid Director (excluding pension contributions) were £3,852,500 (2002 £2,473,975).

The 2003 remuneration package for Executive Directors comprised base salary, annual cash incentive bonus, long-term incentives in the form of share options and restricted shares, pension contributions, fully-expensed company car (or cash equivalent) and health insurance, and school fees and tax advice in the case of the Chief Executive Officer.

Pensions
Mr Becht and Mr Day are both members of the Reckitt Benckiser Executive Pension Plan, a defined contribution plan, with a standard company contribution rate of 30% of pensionable pay for Mr Becht (2002 17.5%) and 25% for Mr Day (2002 25%). A supplement of 20% of pensionable pay was also paid to Mr Becht in 2003 (2002 nil).

Contributions in respect of Mr Becht and Mr Day are shown in Table 1 above (2002 £206,000).

Table 2 – Directors' options and restricted share awards

Table 2 sets out each Directors' options over or rights to ordinary shares of the Company under the Company's various share option and restricted share schemes. The middle market price of the ordinary shares at the year end was £12.64 and the range during the year was £9.40 to £12.85.

Executive options and restricted shares	Notes	Grant date	At 1.1.03	Granted during the year	Exercised/ vested during the year	At 31.12.03	Option price (£)	Market price on award (£)	Market price on exercise/ vesting (£)	Exercise/vesting period
Bart Becht										
Options	1	1.1.99	625,000		625,000	–	7.800		12.80	
	2(a)	29.9.99	1,200,000			1,200,000	7.040			May 03 – Sep 09
	3	22.12.99	100,000			100,000	5.538			May 03 – Dec 09
	3	18.12.00	500,000			500,000	8.819			May 04 – Dec 10
	3	17.12.01	1,000,000			1,000,000	9.504			May 05 – Dec 11
	3	22.11.02	1,000,000			1,000,000	11.186			May 06 – Nov 12
	3	8.12.03		800,000		800,000	12.760			May 07 – Dec 13
Restricted shares	2(b)	29.9.99	30,000		30,000	–		7.650	12.78	see note 2(b)
	3	22.12.99	80,000			80,000		5.810		May 03 – Dec 09
	3	18.12.00	400,000			400,000		8.800		May 04 – Dec 10
	3	17.12.01	400,000			400,000		9.700		May 05 – Dec 11
	3	22.11.02	400,000			400,000		10.960		May 06 – Nov 12
	3	8.12.03		400,000		400,000		12.800		May 07 – Dec 13
Colin Day										
Options	3	4.9.00	45,000			45,000	8.338			Sep 03 – Sep 10
	3	18.12.00	100,000			100,000	8.819			May 04 – Dec 10
	3	17.12.01	200,000			200,000	9.504			May 05 – Dec 11
	3	22.11.02	200,000			200,000	11.186			May 06 – Nov 12
	3	8.12.03		160,000		160,000	12.760			May 07 – Dec 13
Restricted shares	3	4.9.00	36,000			36,000		8.235		Sep 03 – Sep 10
	3	18.12.00	80,000			80,000		8.800		May 04 – Dec 10
	3	17.12.01	80,000			80,000		9.700		May 05 – Dec 11
	3	22.11.02	80,000			80,000		10.960		May 06 – Nov 12
	3	8.12.03		80,000		80,000		12.800		May 07 – Dec 13
Peter Harf										
Options	4	1.1.99	125,000		125,000	–	7.480		11.08	

Sharesave scheme	Grant date	At 1.1.03	Granted during the year	Exercised during the year	At 31.12.03	Option price (£)	Exercise period
Bart Becht	15.9.00	2,777			2,777	6.616	Feb 08 – July 08
Colin Day	28.9.01	1,967			1,967	8.412	Feb 07 – July 07

Notes

1 These grants relate to Benckiser annual awards originally granted in Guilders. As the award has been exercised, the option price is shown in Sterling.

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

2(b) The remaining 25% of the initial restricted share grant vested on 3 December 2003 when the Reckitt Benckiser ordinary share price had been £12.32 or better for a 20 consecutive dealing day period.

3 Vesting of options and restricted shares is subject to the achievement of the following CAAG in earnings per share over a three-year period.

	Proportion of grant vesting (%)			
	40	60	80	100
CAAG for options and restricted shares granted in Dec 99 and Sept 00	6	9	12	15
CAAG for options and restricted shares granted in Dec 00	6	8	10	12
CAAG for options and restricted shares granted in Dec 01, Nov 02 and Dec 03	6	7	8	9

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

Table 3 – Service contracts for Executive Directors

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

Table 4 (not auditable)

In 2003, members of the Executive Committee (nine) received around 40%, senior executives (next 30) around 25% and other executives (next 350) around 35% of the total awards made under the long-term incentive plans. The total grants have resulted in 1.0% of issued share capital being used for discretionary long-term incentive plans in 2003 and 3.94% over a rolling ten-year period from 1993 to 2003. See table below.

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

	Total (millions)
Discretionary Plans	
Reckitt Benckiser Executive Plans	24.4
Reckitt & Colman Executive Plans	3.3
Share Ownership Policy Plan	0.2
Employee	
Sharesave UK	1.0
Sharesave US	2.0
Sharesave Overseas	1.3
Share Participation Scheme	0.2
Total	**32.4**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RECKITT BENCKISER plc

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement, the consolidated statement of total recognised gains and losses, the reconciliation of movements in total shareholders' funds, the accounting policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

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

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

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the financial review, report on corporate social responsibility, biographies of the Board of Directors and Executive Committee, Report of the Directors, the unaudited part of the Directors' Remuneration Report, the five-year summary and shareholder information.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 March 2004

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

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

ACCOUNTING POLICIES

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

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

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

The results and net assets of the Group's subsidiary in Zimbabwe have been excluded from the consolidated Group results with effect from 1 July 2002, on the basis that severe long-term restrictions exist that hinder the exercise of the Group's rights over the assets employed, in particular the remittance of funds. The results for the first half of 2002 are included within discontinued and deconsolidated operations (half-year to 30 June 2002: net revenues of £13m, operating profit of £1m). Results for the second half of 2002 and 2003, and the balance sheets as at 31 December 2002 and 31 December 2003, were insignificant.

The results of an agency agreement under which the Group sold Bayer pest control products in Italy are shown as discontinued in 2002 following the termination of the agreement with effect from 31 December 2002. This has no impact on net revenues, but reclassifies operating profit by £2m into discontinued business for the year ended 31 December 2002. No income was recorded in 2003.

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

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

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

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

Adoption of new accounting policies and requirements
Financial Reporting Standard (FRS) 5 Application Note G "Revenue Recognition" has been adopted in these financial statements. As this represents a change in accounting policy, prior year comparatives have been restated, as described in note 25.

The transitional rules of FRS 17 "Retirement benefits" require certain disclosures to be made in these accounts (see note 4).

The Group has presented disclosures under Financial Reporting Exposure Draft (FRED) 31 "Share-Based Payment" regarding the potential impact on the Group's results had it been issued as an FRS (see note 4).

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

Assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at a forward contract rate. Exchange differences arising in the accounts of individual undertakings are included in the profit and loss account except that, where foreign currency borrowing has been used to finance equity investments in foreign currencies, exchange differences arising on the borrowing are dealt with through reserves to the extent that they are covered by exchange differences arising on the net assets represented by the equity investments.

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

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

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

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

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

	2003	2002
Average rates:		
£/Euro	**1.4441**	1.5893
£/US Dollar	**1.6354**	1.5036
Closing rates:		
£/Euro	**1.4194**	1.5345
£/US Dollar	**1.7833**	1.6100

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

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

For defined benefit schemes, the cost of providing benefits is charged to the profit and loss account on a systematic basis, so as to spread the cost over the average service lives of the employees in the schemes.

Actuarial surpluses and deficits arising are allocated over the average expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities.

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

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

Stocks
Stocks are stated at the lower of cost or net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses.

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

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

Brands are not amortised, as it is considered that their useful economic lives are not limited. This policy is appropriate due to the long-term nature of the business and the enduring nature of the brands which are a key part of the strategy of the Group and are supported by innovation and investment on an ongoing basis. Their carrying values are reviewed annually by the Directors to determine whether there has been any permanent impairment in value and any such reductions in their values are taken to the profit and loss account. The impairment review involves a comparison of the book amount with the higher of the net realisable value and the value in use. The value in use is measured with reference to discounted cash flows based on future revenue and margin projections. The discount rate used in the 2003 brand impairment review was based on the Group's weighted average cost of capital including, where appropriate, an adjustment for the risks associated with the relevant market.

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

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

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

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation. Except for freehold land, the cost of properties, plant and equipment is written off on a straight line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

Freehold buildings: not more than 50 years;

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

Owned plant and equipment: not more than 15 years. In general, production plant and equipment and office equipment are written off over ten years or less; motor vehicles and computer equipment over five years or less.

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

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

Fixed asset investments are valued at cost.

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

Derivatives
The Group primarily uses cross currency swaps, interest rate swaps and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are accounted for as hedges when designated as such at the inception of the contract. Termination payments made or received in respect of derivatives are taken to the profit and loss account over a period appropriate to the derivative and the underlying instrument.

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

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

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

Employee share schemes
Incentives in the form of shares are provided to employees under share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the shares at date of grant is charged to the profit and loss account over the period to which the performance criteria relate, with the credit taken directly to the profit and loss reserve. Additional employer costs in respect of options and awards are charged to the profit and loss account over the same period with the credit included in creditors. Where awards are contingent upon future events (other than continued employment) an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made. Further disclosures are provided in note 4.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Notes	**2003 £m**	2002* £m
Net revenues	1		
Continuing operations		**3,713**	3,441
Discontinued and deconsolidated operations		**–**	13
		3,713	3,454
Cost of sales	2	**(1,735)**	(1,678)
Gross profit	2	**1,978**	1,776
Net operating expenses	2	**(1,299)**	(1,199)
Operating profit	1		
Continuing operations		**679**	574
Discontinued and deconsolidated operations		**–**	3
Operating profit		**679**	577
Non-operating items		**–**	–
Profit on ordinary activities before interest		**679**	577
Net interest payable	5	**(19)**	(32)
Profit on ordinary activities before taxation		**660**	545
Tax on profit on ordinary activities	6	**(171)**	(137)
Profit on ordinary activities after taxation		**489**	408
Attributable to equity minority interests		**–**	–
Profit for the year	22	**489**	408
Dividends (including non-equity preference dividends)	7	**(198)**	(181)
Retained profit for the year		**291**	227
Earnings per ordinary share	8		
On profit for the year, basic		**69.2p**	58.0p
On profit for the year, diluted		**66.2p**	55.7p

*Restated following the adoption of FRS 5 Application Note G "Revenue Recognition" (see note 25).

GROUP AND PARENT COMPANY BALANCE SHEETS

as at 31 December 2003

	Notes	Group 2003 £m	Group 2002 £m	Parent 2003 £m	Parent 2002 £m
Fixed assets					
Intangible assets	9	**1,746**	1,764	**–**	–
Tangible assets	10	**502**	525	**–**	–
Investments	11	**–**	–	**1,470**	1,670
		2,248	2,289	**1,470**	1,670
Current assets					
Stocks	12	**224**	230	**–**	–
Debtors due within one year	13	**480**	489	**37**	212
Debtors due after more than one year	14	**85**	85	**8,067**	2,254
Investments	15	**724**	379	**669**	337
Cash at bank and in hand		**59**	40	**5**	–
		1,572	1,223	**8,778**	2,803
Current liabilities					
Creditors due within one year:					
Borrowings	16	**(172)**	(106)	**(54)**	–
Other	17	**(1,282)**	(1,210)	**(730)**	(985)
		(1,454)	(1,316)	**(784)**	(985)
Net current assets/(liabilities)		**118**	(93)	**7,994**	1,818
Total assets less current liabilities		**2,366**	2,196	**9,464**	3,488
Non-current liabilities					
Creditors due after more than one year:					
Borrowings	16	**(127)**	(225)	**(64)**	(130)
Other	18	**(165)**	(163)	**(5,067)**	(2,443)
Convertible capital bonds	16,19	**(192)**	(193)	**–**	–
		(484)	(581)	**(5,131)**	(2,573)
Provisions for liabilities and charges	20	**(408)**	(407)	**–**	–
Equity minority interests		**(4)**	(7)	**–**	–
Net assets		**1,470**	1,201	**4,333**	915
Capital and reserves					
Called up share capital (including non-equity capital of £5m)	21	**79**	78	**79**	78
Share premium account	22	**227**	197	**227**	197
Capital redemption reserve	22	**–**	–	**–**	–
Merger reserve	22	**142**	142	**–**	–
Profit and loss account	22	**1,022**	784	**4,027**	640
Total shareholders' funds (including non-equity shareholders' funds of £5m)		**1,470**	1,201	**4,333**	915

Approved by the Board on 12 March 2004

Adrian Bellamy
Director

Bart Becht
Director

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2003

RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	Notes	**2003 £m**	2002 £m
Operating profit		**679**	577
Depreciation and amortisation		**89**	82
Loss on sale of fixed assets		**3**	6
Decrease/(increase) in stocks		**6**	(18)
Decrease in debtors		**16**	60
Increase in creditors and provisions		**93**	66
Reorganisation and merger integration costs paid		**–**	(21)
Cash flow from operating activities		**886**	752

CASH FLOW STATEMENT

	Notes	**2003 £m**	2002 £m
Cash flow from operating activities		**886**	752
Return on investments and servicing of finance	23a	**(25)**	(30)
Taxation		**(146)**	(102)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(85)**	(6)
Purchase of tangible fixed assets		**(71)**	(93)
Disposal of tangible fixed assets		**12**	34
		(144)	(65)
Acquisitions and disposals			
Acquisition of businesses	24	**(8)**	(47)
		(8)	(47)
Equity dividends paid		**(189)**	(181)
Cash inflow before use of liquid resources and financing		**374**	327
Management of liquid resources	23b	**(348)**	(293)
Financing	23c	**(10)**	(59)
Increase/(decrease) in cash in year	23d	**16**	(25)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	Notes	**2003 £m**	2002 £m
Increase/(decrease) in cash in year		**16**	(25)
Cash outflow from decrease in debt	23d	**15**	74
Cash outflow from increase in liquid resources	23d	**348**	293
Changes in net debt resulting from cash flows		**379**	342
Conversion of convertible capital bonds	23d	**1**	–
Exchange adjustments	23d	**17**	20
Movement in net debt in year		**397**	362
Net debt at beginning of year (including convertible capital bonds)		**(105)**	(467)
Net cash/(debt) at end of year (including convertible capital bonds)	23d	**292**	(105)

RECONCILIATION OF OPERATING CASH FLOW TO NET CASH FLOW FROM ORDINARY OPERATIONS

	2003 £m	2002 £m
Operating cash flow (excluding reorganisation and merger integration costs paid)	**886**	773
Return on investments and servicing of finance	**(25)**	(30)
Taxation	**(146)**	(102)
Net capital expenditure (excluding intangible assets)	**(59)**	(59)
Net cash flow from ordinary operations	**656**	582

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

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £m	2002 £m
Profit for the year	**489**	408
Net exchange movements on foreign currency translation	**(47)**	(100)
Total recognised gains and losses relating to the year	**442**	308

Net exchange gains on net foreign currency borrowings of £17m (2002 gains of £20m) have been offset in reserves against exchange gains and losses on net investments in overseas subsidiaries. Tax on foreign exchange differences booked to reserves is not material.

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	Notes	2003 £m	2002 £m
Profit for the year		**489**	408
Dividends (including non-equity preference dividends)		**(198)**	(181)
Ordinary shares allotted on exercise of options and conversion of convertible capital bonds		**31**	15
Net exchange movements on foreign currency translation		**(47)**	(100)
Own shares repurchased		**(25)**	–
Unvested restricted shares	22	**19**	25
Net increase in shareholders' funds		**269**	167
Total shareholders' funds at beginning of year		**1,201**	1,034
Total shareholders' funds at end of year		**1,470**	1,201

There is £5m (2002 £5m) of non-equity shareholders' funds included within total shareholders' funds.

NOTES TO THE ACCOUNTS

1 SEGMENTAL ANALYSES

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

Net revenues and operating profit – by geographical area	Net revenues 2003 £m	Net revenues 2002* £m	Operating profit 2003 £m	Operating profit 2002 £m	Operating margin 2003 %	Operating margin 2002* %
Continuing operations						
Western Europe	**1,733**	1,502	**408**	337	**23.5**	22.4
North America	**1,018**	1,043	**186**	179	**18.3**	17.2
Latin America	**166**	167	**1**	(1)	**0.6**	(0.6)
Asia Pacific	**436**	401	**50**	35	**11.5**	8.7
Rest of World	**360**	328	**36**	25	**10.0**	7.6
Corporate	**–**	–	**(2)**	(1)	**–**	–
	3,713	3,441	**679**	574	**18.3**	16.7
Discontinued and deconsolidated operations						
Western Europe	**–**	–	**–**	2	**–**	–
Rest of World	**–**	13	**–**	1	**–**	7.7
	3,713	3,454	**679**	577	**18.3**	16.7

Net revenues represent the sales made to third-party customers based on the country in which the order is received. They would not be materially different if based on the country in which the customer is located. Net revenues between segments are immaterial.

Net revenues and operating profit – by product segment	Net revenues 2003 £m	Net revenues 2002* £m	Operating profit 2003 £m	Operating profit 2002 £m	Operating margin 2003 %	Operating margin 2002* %
Continuing operations						
Household and Health & Personal Care	**3,519**	3,245	**639**	533	**18.2**	16.4
Food	**194**	196	**42**	42	**21.6**	21.4
Corporate	**–**	–	**(2)**	(1)	**–**	–
	3,713	3,441	**679**	574	**18.3**	16.7
Discontinued and deconsolidated operations						
Household and Health & Personal Care	**–**	13	**–**	3	**–**	–
	3,713	3,454	**679**	577	**18.3**	16.7

Segmental analyses have been prepared for operating profit as the Directors consider these to be more meaningful than analyses based on profit before tax. The difference between operating profit and profit before tax is net interest payable of £19m in 2003 (2002 £32m). Corporate relates to headquarters and global costs and income which cannot be specifically allocated to the above geographical areas and product segments.

Additional information – net revenues by product group of Household and Health & Personal Care	Net revenues 2003 £m	Net revenues 2002* £m
Continuing operations		
Fabric Care	**1,017**	884
Surface Care	**748**	738
Dishwashing	**535**	480
Home Care	**540**	523
Health & Personal Care	**539**	453
Core Business	**3,379**	3,078
Other Household	**140**	167
	3,519	3,245

*Restated following the adoption of FRS 5 Application Note G "Revenue Recognition" (see note 25).

Capital employed – by geographical area	2003 £m	2002 £m
Western Europe	**252**	209
North America	**782**	901
Latin America	**44**	37
Asia Pacific	**206**	228
Rest of World	**12**	47
Corporate	**(114)**	(109)
	1,182	1,313

1 SEGMENTAL ANALYSES (CONTINUED)

Capital employed – by product segment	**2003 £m**	2002 £m
Household and Health & Personal Care	**1,215**	1,334
Food	**81**	88
Corporate	**(114)**	(109)
	1,182	1,313

Capital employed comprises	**2003 £m**	2002 £m
Fixed assets	**2,248**	2,289
Current assets	**1,572**	1,223
Creditors due within one year	**(1,454)**	(1,316)
Creditors due after more than one year	**(484)**	(581)
Provisions for liabilities and charges	**(408)**	(407)
Add back: net (cash)/debt	**(292)**	105
	1,182	1,313

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

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2003	2002*		
	Total (all continuing) £m	Continuing £m	Discontinued and deconsolidated £m	Total £m
Cost of sales	**(1,735)**	(1,671)	(7)	(1,678)
Gross profit	**1,978**	1,770	6	1,776
Distribution costs	**(974)**	(870)	(2)	(872)
Administrative expenses:				
Research and development	**(57)**	(54)	–	(54)
Other	**(294)**	(302)	(1)	(303)
Total administrative expenses	**(351)**	(356)	(1)	(357)
Other net operating income	**26**	30	–	30
Net operating expenses	**(1,299)**	(1,196)	(3)	(1,199)

*Restated following the adoption of FRS 5 Application Note G "Revenue Recognition" (see note 25).

3 AUDITORS' REMUNERATION

During the year, the following services were obtained from the Group's auditors:

	2003 £m	2002 £m
Audit services – statutory audit	**2.0**	1.8
– audit related regulatory reporting	**0.1**	0.2
Further assurance services	**0.2**	0.1
Tax services – compliance services	**0.4**	0.6
Other services – internal audit	**0.2**	0.2
– other services not covered above	**0.1**	0.1
	3.0	3.0

The remuneration for statutory audit services included £0.4m (2002 £0.4m) relating to the audit of the parent company.

Also included above are fees paid in respect of non-audit services in the UK of £0.5m (2002 £0.7m).

Further assurance services relates predominantly to due diligence reviews.

4 EMPLOYEES

a) Staff costs

	2003 £m	2002 £m
The total employment costs, including Directors, were:		
Wages and salaries	**402**	359
Social security costs	**76**	64
Pension costs net of pension credits	**16**	14
Post-retirement benefits other than pensions	**3**	7
	497	444

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 35 to 40.

b) Staff numbers

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

	2003 000s	2002 000s
Western Europe*	**5.1**	5.2
North America	**2.4**	2.5
Latin America	**1.8**	2.3
Asia Pacific	**7.9**	8.7
Rest of World	**3.2**	3.6
	20.4	22.3

*Included in Western Europe are 1,300 (2002 1,300) UK employees.

c) Share-based remuneration

The following unaudited disclosures are provided voluntarily in accordance with the proposals of FRED 31, "Share Based Payment", to show the charge to the Group's profit and loss account in respect of share options if the proposals were adopted in these financial statements. For completeness, the cost in respect of restricted shares, which has been charged to the profit and loss account in 2003, is also shown under a separate heading below.

In the period between 7 November 2002 (the issue date of the exposure draft) and 31 December 2003, the Company made grants under the following share-based payment arrangements:

	Share Options – 1999 Share Option Plan		UK SAYE	US SAYE
	2003	2004	2004	2004
Grant date	22 November 2002	8 December 2003	25 September 2003	8 December 2003
Scope	Top 400 Management	Top 400 Management	All UK Staff	All US Staff
Exercise price (£)	11.186	12.76	9.48	9.48
Contractual life (years)	10	10	3, 5 or 7	3, 5 or 7
Performance criteria	EPS growth	EPS growth	None	None
Performance period	2003–2005	2004–2006	n/a	n/a
EPS growth required for vesting at:				
40%	6%	6%	n/a	n/a
60%	7%	7%	n/a	n/a
80%	8%	8%	n/a	n/a
100%	9%	9%	n/a	n/a
Black-Scholes model assumptions				
Share price on grant date (£)	10.96	12.80	12.00	12.80
Volatility	27%	26%	26%	26%
Dividend yield	2.24%	2.4%	2.4%	2.4%
Life (years)	5	5	3	3
Risk-free interest rate	4.5%	4.5%	4.5%	4.5%
Basic fair value of one option (£)	2.60	2.93	3.63	4.12
Adjustment factor	0.86	0.86	0.86	0.86
Adjusted fair value of option (£)	2.24	2.52	3.12	3.54
Options outstanding at 1 January 2003	6,914,000	–	–	–
Granted	–	4,817,500	180,109	651,043
Lapsed	(697,250)	–	–	(6,595)
Options outstanding at 31 December 2003	6,216,750	4,817,500	180,109	644,448
Total fair value of grant (£m)	15.5	12.1	0.6	2.3
Annual profit and loss account charge which would be applied over the performance period (£m)	5.2	4.0	0.2	0.8

4 EMPLOYEES (CONTINUED)

c) Share-based remuneration (continued)

Fair value of options granted which would be charged in:

	2004 £m	2003 £m
Grants during 2002	5.2	5.2
Grants during 2003	5.0	–
	10.2	5.2

All grants are conditional on the employees remaining in the Group employment for three years from the date of grant. The fair value of all options was measured at the grant date using the Black-Scholes model. An adjustment factor of 0.86 was applied to take into account any outcome of the performance criteria of less than 100% and lapse of options over the performance period. The expected volatility of 26% (2002 27%) is based on the historical volatility over the previous 24 months. The contractual life of the share options granted under the 1999 share option plan is ten years, but the Company expects that, once vested, five years is a more reasonable expected life. The risk-free interest rate is equal to the yield on UK government bonds available at the grant date, with a term equal to the life of the options.

Restricted shares – 1999 Restricted Share Plan

The Company has issued a number of tranches of restricted shares to date. These are treated as share options with a nil exercise price for accounting purposes. Accordingly, under UITF 17, the intrinsic value at grant date is charged to the profit and loss account over the performance period. The total charge to the profit and loss account in 2003 in respect of previous restricted share grants was £19m (2002 £15m).

On 8 December 2003, the Company granted 2,410,750 restricted shares in total to approximately 400 employees at senior management level under the terms of the 1999 Restricted Share Plan. None were forfeited or exercisable at 31 December 2003. The fair value of the restricted shares is taken as the intrinsic value at the grant date, being £12.80. The cost of this award, £31m, will be charged to the profit and loss account in accordance with UITF 17 over the performance period 2004 to 2006, equivalent to an annual charge of approximately £10m in those three years.

d) Pension schemes

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

	UK	US
Date of last actuarial review	5 April 2001	1 January 2003
Valuation method used	Projected unit	Projected unit
Amortisation method used	Straight line	Straight line
Number of years over which surplus is spread	12	13
Market value of scheme assets	£609m	£97m
Assumptions:		
Annual rate of return on investments/discount rate	7.3%	6.5%
Annual earnings increases	4.5%	5.0%
Annual pensions increases	2.5%	n/a
Annual dividend increases	3.5%	n/a
Annual rate of inflation	2.5%	4.0%
Level of funding	114%	85%

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

	UK		**US**	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Regular cost	**6**	6	**3**	4
Variations from regular cost	**(4)**	(4)	**–**	(3)
Net pension cost	**2**	2	**3**	1

Debtors due after more than one year includes a prepayment of £55m (2002 £57m) in respect of the excess funding of the UK scheme and £8m (2002 £5m) in respect of other schemes. Provisions include £3m (2002 £nil) in respect of the above US schemes and £44m (2002 £42m) in respect of other schemes.

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

4 EMPLOYEES (CONTINUED)

e) Post-retirement benefits other than pensions

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

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

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

Details of the major US scheme are as follows:

	2003 £m	2002 £m
Gross provision	**86**	95
Tax relief	**(30)**	(33)
Net provision	**56**	62
Annual cost charged to profit and loss account	**6**	6
Assumptions:		
Annual liability discount rate	**6.5%**	7.0%
Annual medical cost inflation	**10.0-4.5%**	10.0-5.0%
Number of current employees potentially eligible	**1,001**	1,067
Number of eligible retirees	**2,834**	3,107

f) Retirement benefit schemes – FRS 17 disclosure

The disclosures below are provided in accordance with the transitional requirements of FRS 17 "Retirement benefits". The FRS requires recognition of the value of the assets and liabilities arising from an employer's retirement benefit obligations, the operating costs of providing those benefits and the adequate disclosure of these items.

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

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2001 and updated at 31 December 2003. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2003 and updated at 31 December 2003. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries as at 31 December 2003 were:

	2003		2002		2001	
	UK %	**US %**	UK %	US %	UK %	US %
Rate of increase in salaries	**4.5**	**5.0**	4.3	5.0	4.5	5.0
Rate of increase in pension payments	**2.5**	**–**	2.3	–	2.5	–
Discount rate	**5.4**	**6.0**	5.6	6.5	6.0	7.0
Inflation assumption	**2.5**	**–**	2.3	–	2.5	–
Long-term expected rate of return on:						
Equities	**7.8**	**10.0**	8.0	10.0	8.0	10.0
Bonds	**5.1**	**7.0**	5.1	7.0	5.5	7.0
Other	**4.0**	**–**	4.0	–	5.5	–

The assets and liabilities in the scheme at 31 December 2003 were:

	2003				2002				2001			
	UK £m	**US £m**	**Other £m**	**Total £m**	UK £m	US £m	Other £m	Total £m	UK £m	US £m	Other £m	Total £m
Equities	**366**	**75**	**23**	**464**	293	71	19	383	334	84	37	455
Bonds	**164**	**35**	**23**	**222**	183	40	18	241	229	46	9	284
Other	**10**	**–**	**5**	**15**	13	–	6	19	11	–	6	17
Total market value of assets	**540**	**110**	**51**	**701**	489	111	43	643	574	130	52	756
Present value of scheme liabilities	**(529)**	**(126)**	**(204)**	**(859)**	(509)	(138)	(195)	(842)	(490)	(144)	(225)	(859)
Scheme surplus/(deficit)	**11**	**(16)**	**(153)**	**(158)**	(20)	(27)	(152)	(199)	84	(14)	(173)	(103)
Related deferred tax (liability)/asset	**(3)**	**6**	**48**	**51**	6	10	50	66	(25)	5	58	38
Net pension asset/(liability)	**8**	**(10)**	**(105)**	**(107)**	(14)	(17)	(102)	(133)	59	(9)	(115)	(65)

Other represents post-retirement benefits other than pensions and the total of Group defined benefits pension schemes not material for individual disclosure. As shown in Note 20 to the accounts, the Group has provisions totalling £144m (2002 £148m) to cover retirement benefit liabilities.

4 EMPLOYEES (CONTINUED)

f) Retirement benefit schemes – FRS 17 disclosure (continued)

If the above amounts were recognised in the financial statements, the Group's shareholders' funds at 31 December 2003 would be as follows:

	2003 £m	2002 £m	2001 £m
Shareholders' funds as presented	**1,470**	1,201	1,034
SSAP 24 retirement benefits net liability	**81**	86	99
Net deferred tax asset on SSAP 24 retirement benefits net liability	**(31)**	(33)	(38)
Shareholders' funds excluding SSAP 24 retirement benefits net liability	**1,520**	1,254	1,095
FRS 17 retirement benefits net liability	**(107)**	(133)	(65)
Shareholders' funds including FRS 17 retirement benefits net liability	**1,413**	1,121	1,030

Under the transitional rules of FRS 17, the following disclosures are presented to show the impact on the performance statements if the FRS had been adopted in 2003. These amounts have not been included in the primary financial statements.

Analysis of amount that would be charged to operating profit in respect of defined benefit schemes	**2003 £m**	2002 £m
Current service cost	**13**	13
Past service cost	**(2)**	2
Total operating charge	**11**	15

Analysis of amount that would be credited to other finance income	**2003 £m**	2002 £m
Expected return on pension scheme assets	**46**	53
Interest on pension scheme liabilities	**(46)**	(47)
Net return	**–**	6

Analysis of amounts that would be recognised in the statement of total recognised gains and losses	**2003 £m**	2002 £m
Actual return less expected return on pension scheme assets	**58**	(136)
Experience gains and losses on scheme liabilities	**17**	5
Changes in assumptions underlying present value of scheme liabilities	**(44)**	14
Actuarial gain/(loss) recognised	**31**	(117)

Movement in surplus/(deficit) during the year				**2003**				2002
	UK £m	**US £m**	**Other £m**	**Total £m**	UK £m	US £m	Other £m	Total £m
(Deficit)/surplus at 1 January	**(20)**	**(27)**	**(152)**	**(199)**	84	(14)	(173)	(103)
Current service cost	**(6)**	**(3)**	**(4)**	**(13)**	(6)	(3)	(4)	(13)
Contributions	**–**	**1**	**8**	**9**	–	17	8	25
Past service cost	**–**	**–**	**2**	**2**	–	(2)	–	(2)
Other finance income	**4**	**1**	**(5)**	**–**	11	2	(7)	6
Actuarial gain/(loss)	**33**	**10**	**(12)**	**31**	(109)	(28)	20	(117)
Exchange adjustments	**–**	**2**	**10**	**12**	–	1	4	5
Surplus/(deficit) at 31 December	**11**	**(16)**	**(153)**	**(158)**	(20)	(27)	(152)	(199)

History of experience gains and losses	**2003 %**	2002 %
Difference between expected and actual return on scheme assets as percentage of scheme assets	**8.3**	(21.2)
Experience gains and losses on scheme liabilities as percentage of present value of scheme liabilities	**(2.0)**	(0.6)
Actuarial loss as percentage of present value of scheme liabilities	**(3.6)**	13.9

A 1% movement in the assumptions used for the long-term expected rate of return on scheme assets would change the expected return on pension scheme assets for 2003 (included within other finance income above) by £5m (2002 £5m) for the UK scheme and £1m (2002 £1m) for the US scheme.

5 NET INTEREST PAYABLE

	2003 £m	2002 £m
Interest receivable and similar income:		
On short-term deposits	**24**	20
Interest payable and similar charges:		
On bank loans and overdrafts	**(7)**	(12)
On other borrowings	**(18)**	(22)
Coupon on convertible capital bonds (note 19)	**(18)**	(18)
Net interest payable	**(19)**	(32)

Of the interest payable and similar charges, £0.5m relates to borrowings repayable after more than five years (2002 £0.5m).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £m	2002 £m
Current tax		
UK corporation tax at 30% (2002 30%)	**18**	11
Foreign tax – corporation tax	**140**	111
– adjustment in respect of prior periods	**–**	(8)
Total current tax	**158**	114
Deferred tax		
Origination and reversal of timing differences:		
UK	**(9)**	(6)
Overseas	**22**	29
Total deferred tax	**13**	23
Tax on profit on ordinary activities	**171**	137

The current tax charge for the year is lower (2002 lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2003 £m	2002 £m
Profit on ordinary activities before tax	**660**	545
Tax at standard rate of UK corporation tax of 30% (2002 30%)	**198**	163
Effects of:		
Adjustment for higher/(lower) tax rates on overseas earnings	**(35)**	(48)
Movement of allowances for tax risks	**(9)**	12
Unutilised tax losses	**4**	9
Allowance for merger costs	**–**	(4)
Withholding and local taxes	**12**	8
Intangibles allowances in excess of amortisation	**(7)**	(29)
Utilised tax losses	**(8)**	(9)
Adjustment in respect of prior periods	**–**	(8)
Other timing differences	**2**	15
Other permanent differences	**1**	5
Total current tax (as above)	**158**	114

Certain deferred tax assets totalling £134m (2002 £154m) in respect of overseas corporation tax losses and other timing differences have not been recognised at 31 December 2003 as the likelihood of future economic benefit is not sufficiently assured. These assets would be recognised if utilisation of the losses and other timing differences becomes reasonably certain. The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

7 DIVIDENDS

	2003 £m	2002 £m
Dividends on equity ordinary shares:		
Interim – 14.0p per share (2002 12.7p)	**99**	90
Proposed final, payable 27 May 2004 – 14.0p per share (2002 12.8p)	**99**	91
Ordinary dividends	**198**	181
Preference dividends (non-equity) – £0.2m (2002 £0.2m)	**–**	–
Total dividends for the year	**198**	181

8 EARNINGS PER SHARE

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

	2003			2002		
	Profit for the year £m	**Average number of shares**	**Earnings per share pence**	Profit for the year £m	Average number of shares	Earnings per share pence
Profit attributable to shareholders	**489**	**706,887,749**	**69.2**	408	704,352,704	58.0
Dilution for Executive options outstanding	**–**	**11,307,188**		–	11,788,985	
Dilution for Employee Sharesave Scheme options outstanding	**–**	**1,247,501**		–	1,459,933	
Dilution for convertible capital bonds outstanding*	**13**	**38,655,773**		13	38,929,275	
On a diluted basis	**502**	**758,098,211**	**66.2**	421	756,530,897	55.7

*After the appropriate tax adjustment, the profit adjustment represents the coupon on convertible capital bonds. The earnings per share impact reflects the effect of that profit adjustment and the assumption of the issue of shares on conversion of bonds.

9 FIXED ASSETS – INTANGIBLE ASSETS

Group	**Brands £m**	**Goodwill £m**	**Other £m**	**Total £m**
Cost				
At 1 January 2003	1,652	94	51	1,797
Acquisition of businesses (note 24)	1	6	–	7
Other additions	9	–	35	44
Exchange adjustments	(57)	(2)	–	(59)
At 31 December 2003	**1,605**	**98**	**86**	**1,789**
Accumulated impairment charges and amortisation				
At 1 January 2003	(19)	(14)	–	(33)
Impairment charges/amortisation for the year	(2)	(5)	(2)	(9)
Exchange adjustments	–	(1)	–	(1)
At 31 December 2003	**(21)**	**(20)**	**(2)**	**(43)**
Net book amounts				
At 1 January 2003	1,633	80	51	1,764
At 31 December 2003	**1,584**	**78**	**84**	**1,746**

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

The impairment charge for the year ended 31 December 2003 is £2m (2002 £3m). Amortisation for the year ended 31 December 2003 is £7m (2002 £4m).

10 FIXED ASSETS – TANGIBLE ASSETS

Group	**Land and buildings £m**	**Plant and equipment £m**	**Total £m**
Cost			
At 1 January 2003	287	805	1,092
Additions	6	65	71
Disposals	(20)	(80)	(100)
Reclassifications	6	(6)	–
Exchange adjustments	–	12	12
At 31 December 2003	**279**	**796**	**1,075**
Accumulated depreciation			
At 1 January 2003	(97)	(470)	(567)
Provision for the year	(12)	(68)	(80)
Disposals	15	70	85
Exchange adjustments	(2)	(9)	(11)
At 31 December 2003	**(96)**	**(477)**	**(573)**
Net book amounts			
At 1 January 2003	190	335	525
At 31 December 2003	**183**	**319**	**502**

The depreciation charge for the year ended 31 December 2002 was £75m.

The net book amounts of assets held under finance leases included in tangible assets is £1m (2002 £1m).

10 FIXED ASSETS – TANGIBLE ASSETS (CONTINUED)

The net book amounts of land and buildings comprise:

Group	2003 £m	2002 £m
Freehold land	**27**	29
Freehold buildings	**136**	142
Long leaseholds	**15**	10
Short leaseholds	**5**	9
	183	190

Future capital expenditure contracted but not provided for in the accounts is £9m (2002 £8m).

Annual commitments under non-cancellable operating leases at 31 December 2003 were:

	2003		2002	
Group	**Land and buildings £m**	**Plant and equipment £m**	Land and buildings £m	Plant and equipment £m
Expiry of operating leases:				
Within one year	**3**	**5**	5	6
Between one and five years	**8**	**5**	6	5
After five years	**5**	**–**	6	–
	16	**10**	17	11

Operating lease rentals charged to the profit and loss account in 2003 were £19m (2002 £18m) in respect of land and buildings and £9m (2002 £8m) in respect of plant and equipment.

11 INVESTMENTS CLASSIFIED AS FIXED ASSETS

Parent	Shares in subsidiary undertakings £m
Cost and net book amounts	
At 1 January 2003	1,670
Acquisitions during the year	1,026
Disposals during the year	(1,226)
At 31 December 2003	**1,470**

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

Listed investments	
Net book amounts at 1 January 2003	7
De-listing of investment	(7)
Net book amounts at 31 December 2003	**–**
Market value at 1 January 2003	53
De-listing of investment	(53)
Market value at 31 December 2003	**–**

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

During 2003, following the increase in the Group's shareholding in Reckitt Benckiser (India) Limited, Reckitt Benckiser (India) Limited was de-listed from the Mumbai and Calcutta stock exchanges.

11 INVESTMENTS CLASSIFIED AS FIXED ASSETS (CONTINUED)

Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2003, all of which are included in the consolidated financial statements, are shown below.

	Product segment	Country of incorporation or registration and operation	Effective % of share capital held by the Group
Propack	Household	Germany	Ordinary 100
Reckitt Benckiser (Australia) Pty Limited	Household	Australia	Ordinary 100
Reckitt Benckiser (Brasil) Limitada	Household	Brazil	Ordinary 100
Reckitt Benckiser (Canada) Inc.	Household and Food	Canada	Ordinary 100
Reckitt Benckiser Deutschland GmbH	Household	Germany	Ordinary 100
Reckitt Benckiser España SL	Household	Spain	Ordinary 100
Reckitt Benckiser France SAS	Household	France	Ordinary 100
Reckitt Benckiser Healthcare (UK) Limited	Household	UK	Ordinary 100
Reckitt Benckiser Inc.	Household and Food	USA	Ordinary 100
Reckitt Benckiser (India) Limited	Household	India	Ordinary 95
Reckitt Benckiser Italia SpA	Household	Italy	Ordinary 100
Reckitt Benckiser (Poland) SA	Household	Poland	Ordinary 97
Reckitt Benckiser (UK) Limited	Household	UK	Ordinary 100

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

As permitted by s.231(5) of the Companies Act 1985, particulars of other subsidiary undertakings are not shown above. A full list of the Company's subsidiary undertakings will be annexed to the Company's next annual return to Companies House.

12 STOCKS

Group	**2003 £m**	2002 £m
Raw materials and consumables	**48**	53
Work in progress	**9**	11
Finished goods and goods held for resale	**167**	166
	224	230

13 DEBTORS DUE WITHIN ONE YEAR

	Group		**Parent**	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Trade debtors	**398**	404	**–**	–
Amounts owed by Group undertakings	**–**	–	**33**	210
Other debtors*	**62**	60	**4**	2
Prepayments and accrued income	**20**	25	**–**	–
	480	489	**37**	212

*Other debtors at 31 December 2003 include £861,000 (2002 £1,383,000) in respect of loans to four (2002 seven) officers of the Company.

14 DEBTORS DUE AFTER MORE THAN ONE YEAR

	Group		**Parent**	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Amounts owed by Group undertakings	**–**	–	**8,067**	2,254
Deferred tax (see note 20)	**8**	7	**–**	–
Other debtors	**5**	6	**–**	–
Prepayments and accrued income	**72**	72	**–**	–
	85	85	**8,067**	2,254

15 CURRENT ASSET INVESTMENTS

	Group		**Parent**	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Short-term deposits	**703**	370	**649**	337
Commercial paper	**21**	9	**20**	–
	724	379	**669**	337

16 BORROWINGS, CONVERTIBLE CAPITAL BONDS AND MATURITY OF DEBT

a) Borrowings and convertible capital bonds	Group 2003 £m	Group 2002 £m	Parent 2003 £m	Parent 2002 £m
Creditors due within one year				
Bank loans and overdrafts	**110**	104	**1**	–
Other borrowings	**62**	2	**53**	–
	172	106	**54**	–
Creditors due after more than one year				
Bank loans	**–**	25	**–**	–
Other borrowings	**127**	200	**64**	130
	127	225	**64**	130
Convertible capital bonds (note 19)	**192**	193	**–**	–
	319	418	**64**	130
Gross borrowings	**491**	524	**118**	130

b) Maturity of debt	Group 2003 £m	Group 2002 £m	Parent 2003 £m	Parent 2002 £m
Bank loans and overdrafts repayable:				
Within one year or on demand	**110**	104	**1**	–
Between one and two years	**–**	25	**–**	–
Between two and five years	**–**	–	**–**	–
	110	129	**1**	–
Other borrowings (including the convertible capital bonds) repayable:				
Within one year or on demand:				
6.64% Notes Series E due 2004	**53**	–	**53**	–
Other	**9**	2	**–**	–
Between one and two years:				
6.64% Notes Series E due 2004	**–**	59	**–**	59
Convertible capital bond (note 19)	**192**	–	**–**	–
Other	**–**	1	**–**	–
Between two and five years:				
6.72% Notes Series F due 2007	**64**	71	**64**	71
7.09% Preferred Auction Rate Changeable Shares Series A due 2006*	**56**	62	**–**	–
Convertible capital bonds (note 19)	**–**	193	**–**	–
After more than five years:				
Other (payable by instalments)	**7**	7	**–**	–
	381	395	**117**	130
Gross borrowings (unsecured)	**491**	524	**118**	130

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

c) Borrowing facilities

The Group's borrowing limit at 31 December 2003 calculated in accordance with the Articles of Association was £3,132m (2002 £2,595m).

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

Undrawn committed borrowing facilities	2003 £m	2002 £m
Expiring within one year	**230**	426
Expiring between one and two years	**221**	–
Expiring after more than two years	**–**	430
	451	856

17 CREDITORS DUE WITHIN ONE YEAR – OTHER

	Group		Parent	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Trade creditors	**414**	410	**–**	–
Amounts owed to Group undertakings	**–**	–	**595**	881
Other creditors	**25**	69	**–**	2
Corporation tax	**154**	136	**28**	10
Other tax and social security	**29**	34	**–**	–
Dividends	**99**	90	**99**	90
Accruals and deferred income	**561**	471	**8**	2
	1,282	1,210	**730**	985

18 CREDITORS DUE AFTER MORE THAN ONE YEAR – OTHER

	Group		Parent	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Amounts owed to Group undertakings	**–**	–	**5,067**	2,442
Other creditors	**48**	42	**–**	–
Corporation tax	**109**	112	**–**	–
Accruals and deferred income	**8**	9	**–**	1
	165	163	**5,067**	2,443

19 CREDITORS DUE AFTER MORE THAN ONE YEAR – CONVERTIBLE CAPITAL BONDS

In March 1990, Reckitt & Colman Capital Finance Limited, a wholly owned subsidiary undertaking, issued £200,832,954 9.5% convertible capital bonds 2005. In July 2003, holders of bonds amounting in value to £1,214,822 (2002 £244,043) exercised their right of conversion into 244,880 (2002 49,168) ordinary shares of Reckitt Benckiser plc, giving a cumulative £9,100,318 of bonds which have now been converted into shares.

The terms of the issue, adjusted for the 1994 rights issue, allow the holders to convert the bonds into Reckitt Benckiser ordinary shares on 31 July in each of the years 1993 to 2004 at the exchange price of 496p per share (equivalent to 20.161 Reckitt Benckiser ordinary shares per 100 bonds of £1 each). Bondholders will also have the right at maturity to convert their bonds into Reckitt Benckiser ordinary shares on similar terms as apply on each annual conversion opportunity. Insofar as these rights are not exercised and if no other action is taken, the bonds outstanding at maturity (currently 31 March 2005) will be converted into preference shares in Reckitt & Colman Capital Finance Limited and such preference shares will immediately be redeemed at 100p per bond.

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

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

20 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax liabilities £m	Pensions £m	Post-retirement benefits other than pensions £m	Other provisions £m	Total £m
At 1 January 2003	242	42	106	17	407
Charged to profit and loss account	12	10	11	8	41
Utilised during the year	–	(8)	(11)	(8)	(27)
Exchange adjustments	(8)	3	(9)	1	(13)
At 31 December 2003	**246**	**47**	**97**	**18**	**408**

a) Deferred tax

The provision for deferred tax comprises:

	2003			2002		
	Deferred tax liability £m	**Deferred tax asset £m**	**Net deferred tax position £m**	Deferred tax liability £m	Deferred tax asset £m	Net deferred tax position £m
Accelerated capital allowances	**(31)**	**–**	**(31)**	(34)	–	(34)
Intangibles	**(277)**	**–**	**(277)**	(277)	–	(277)
Short-term timing differences	**46**	**8**	**54**	38	7	45
Losses	**6**	**–**	**6**	17	–	17
Pensions	**10**	**–**	**10**	14	–	14
	(246)	**8**	**(238)**	(242)	7	(235)

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

The movement in deferred tax balances during 2003 was as follows:

Group	Deferred tax liability £m	Deferred tax asset £m	Net deferred tax position £m
At 1 January 2003	(242)	7	(235)
Charged to profit and loss account	(12)	(1)	(13)
Exchange adjustments	8	2	10
At 31 December 2003	**(246)**	**8**	**(238)**

b) Pensions

The provision for Pensions consists of £3m (2002 nil) in respect of the funded US schemes (see note 4), £1m (2002 £2m) in respect of other funded schemes and £43m (2002 £40m) in respect of unfunded schemes.

c) Post-retirement benefits other than pensions

The provision for post-retirement benefits other than pensions consists of £86m (2002 £95m) in respect of the major US scheme (see note 4) and £11m (2002 £11m) in respect of other schemes.

d) Other provisions

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

21 CALLED UP SHARE CAPITAL INCLUDING NON-EQUITY CAPITAL

Ordinary shares	Authorised Number of shares	Allotted, called up and fully paid Number of shares	Authorised £m	Allotted, called up and fully paid £m
Unclassified shares of 10$\frac{10}{19}$p each	240,037,023	–	25	–
Ordinary shares of 10$\frac{10}{19}$p each	705,462,977	705,462,977	75	73
At 1 January 2003	945,500,000	705,462,977	100	73
Allotments		4,200,395		1
Market purchases		(1,945,000)		–
Unclassified shares of 10$\frac{10}{19}$p each	237,781,628	–	25	–
Ordinary shares of 10$\frac{10}{19}$p each	707,718,372	707,718,372	75	74
At 31 December 2003	**945,500,000**	**707,718,372**	**100**	**74**
Special voting share of 10p*				
At 1 January 2003	1	1	–	–
Cancelled during year	(1)	(1)	–	–
At 31 December 2003	**–**	**–**	**–**	**–**

*The special voting share had no rights at 1 January 2003 following the exchange by JAB of its Reckitt Benckiser Holdings BV A Shares for Reckitt Benckiser plc ordinary shares in December 2002. The share was cancelled during 2003.

Non-equity capital – 5% Cumulative Preference Shares of £1 each†

At 1 January 2003 and 31 December 2003	**4,500,000**	**4,500,000**	**5**	**5**

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

Allotments

During the year ordinary shares were allotted as follows:

Ordinary shares of 10$\frac{10}{19}$p	Number of shares	Number of shares	Consideration £m	Consideration £m
Executive Share Options	3,079,982		27	
Award of Restricted Shares	411,613		–	
Total under Executive Share Option and Restricted Share Schemes		3,491,595		27
Under the Senior Executives Share Ownership Policy Plan		24,000		–
Under the Savings-Related Share Option Schemes		439,920		3
On conversion of convertible capital bonds		244,880		1
Total		4,200,395		31

Market purchases of shares

On 26 August 2003 a rolling share buy back programme was announced. During the remainder of 2003, as part of this programme, the Company spent £25m re-purchasing 1,945,000 shares, which were subsequently cancelled. The shares re-purchased represent 0.3% of the Company's called up share capital at 31 December 2003 and had a nominal value of £0.2m.

In the period 1 January 2004 to 1 March 2004 a further 1,115,000 shares have been re-purchased and cancelled at a cost of £15m. The shares re-purchased represent 0.2% of the Company's called up share capital at 31 December 2003 and had a nominal value of £0.1m.

Options and restricted shares granted during the year

Options and restricted shares which may vest or become exercisable at various dates between 2007 and 2013 granted during the year were as follows:

Executive share option and restricted share schemes	Price to be paid	Number of shares under option
1999 Share Option Plan – Annual Grant	1,276.0p	4,817,500
Restricted Share Plan – Annual Grant	–	2,410,750
Total		7,228,250
Savings-related share option schemes	948.0p	831,152

21 CALLED UP SHARE CAPITAL INCLUDING NON-EQUITY CAPITAL (CONTINUED)

Options and restricted shares unexercised at 31 December 2003

Options and restricted shares exercisable at various dates between 2003 and 2013 are as follows:

	Price to be paid		Number of shares under option	
Executive share option and restricted share schemes	From	To	**2003**	2002
Reckitt & Colman Schemes	602.5p	1,212.0p	**719,509**	1,145,371
Benckiser 1997 Schemes		205.0p	**538,340**	576,175
Benckiser 1998 Schemes		510.0p	**539,468**	640,335
Benckiser Long-term Award Plan for Supervisory Directors – 1998		676.6p	**4,485**	15,725
Benckiser Long-term Incentive Scheme 1999 Annual Award		748.0p	**689,766**	2,411,770
Benckiser Initial Award Agreement 29 September 1999:				
– Options		704.0p	**4,400,000**	4,600,000
– Restricted shares		–	**–**	115,000
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		722.0p	**630,000**	1,080,000
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	**30,669**	36,000
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	553.8p	1,276.0p	**18,633,226**	14,992,825
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	**8,684,381**	6,946,575
Reckitt Benckiser Senior Executive Share Ownership Policy Plan		–	**170,000**	190,000
			35,039,844	32,749,776

	Price to be paid		Number of shares under option	
Savings-related share option schemes	From	To	**2003**	2002
UK Scheme	540.6p	953.6p	**828,873**	851,403
Overseas Scheme	661.6p	953.6p	**1,289,708**	1,776,727
USA Scheme	661.6p	953.6p	**1,763,537**	1,349,219
Total			**3,882,118**	3,977,349

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

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

In 1998 the Company executed an Option Agreement with Reckitt & Colman QUEST Trustee Limited, granting it an option in respect of all outstanding UK Sharesave options at the date of the Agreement (715,261 options) and any such options granted subsequent to the date of the Agreement. Reckitt & Colman QUEST Trustee Limited was established to manage the taxation implications of the granting of options to UK employees. New tax rules were however introduced in the UK with effect from the beginning of 2003, eliminating the need to utilise Reckitt & Colman QUEST Trustee Limited. No options have therefore been exercised under the Agreement since 15 May 2003. On 8 December 2003, an option to purchase 651,043 ordinary shares of $10\frac{10}{19}$p each at a price of 948.0p was granted to BWCI Trust Company Limited in connection with the Reckitt Benckiser USA Savings-Related Share Option Scheme. The Group has taken advantage of the exemption in UITF 17 from the need to apply the provisions of the UITF to Inland Revenue-approved SAYE schemes.

22 RESERVES

	Group				Parent		
	Share premium £m	Merger reserve £m	Capital redemption reserve* £m	Profit and loss £m	Share premium £m	Capital redemption reserve* £m	Profit and loss £m
At 1 January 2003	197	142	–	784	197	–	640
Movements during the year:							
Shares allotted under share schemes	30	–	–	–	30	–	–
Profit for the year	–	–	–	489	–	–	3,620
Ordinary dividends	–	–	–	(198)	–	–	(198)
Net exchange movements on foreign currency translation	–	–	–	(47)	–	–	6
Unvested restricted shares	–	–	–	19	–	–	4
Transfer of unvested restricted shares to other Group companies	–	–	–	–	–	–	(20)
Shares repurchased	–	–	–	(25)	–	–	(25)
Transfer to capital redemption reserve*	–	–	–	–	–	–	–
At 31 December 2003	**227**	**142**	**–**	**1,022**	**227**	**–**	**4,027**

As permitted by s.230 of the Companies Act 1985, no profit and loss account is presented for Reckitt Benckiser plc (2002 Reckitt Benckiser plc profit for the year £211m).

The cumulative amount of goodwill written off to reserves since 1984 in respect of the acquisition of continuing businesses is £760m (2002 £760m).

The parent company has £504m (2002 £448m) of its profit and loss reserve legally available for distributions. Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £177m (2002 £422m). The reserves of subsidiary undertakings have generally been retained to finance their businesses.

The credit for unvested restricted shares relates to amounts charged to the profit and loss accounts under UITF 17 and credited to reserves. The transfer of unvested restricted shares to other Group companies represents the amount charged to the parent company profit and loss account during the year, and prior years, that relates to employees in other Group subsidiaries.

*Following the share buy back during the year (see note 21) £0.2m has been transferred from the profit and loss reserve to the capital redemption reserve.

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

23 CASH FLOW STATEMENT

a) Return on investments and servicing of finance	2003 £m	2002 £m
Interest received	**20**	23
Interest paid	**(27)**	(35)
Coupon on convertible capital bonds	**(18)**	(18)
	(25)	(30)

b) Management of liquid resources	2003 £m	2002 £m
Increase in commercial paper	**(12)**	(10)
Increase in short-term deposits	**(336)**	(283)
	(348)	(293)

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

	2003		2002	
c) Analysis of changes in financing during the year	£m	£m	£m	£m
Issue of ordinary share capital		**30**		15
Share buy back		**(25)**		–
Debt due within one year:				
Increase in borrowing	**82**		22	
Repayments	**(11)**		(73)	
Debt due after more than one year:				
Repayments	**(86)**		(23)	
		(15)		(74)
		(10)		(59)

23 CASH FLOW STATEMENT (CONTINUED)

d) Analysis of net (debt)/cash	At 1 January 2003 £m	Cash flow £m	Share buy back £m	Other non-cash changes £m	Exchange differences £m	At 31 December 2003 £m
Cash at bank and in hand	40	45	(25)	–	(1)	**59**
Overdrafts	(8)	(4)	–	–	1	**(11)**
	32	41	(25)	–	–	**48**
Debt due within one year	(98)	(13)	–	(58)	8	**(161)**
Debt due after more than one year	(225)	28	–	58	12	**(127)**
Convertible capital bonds	(193)	–	–	1	–	**(192)**
	(516)	15	–	1	20	**(480)**
Current asset investments	379	348	–	–	(3)	**724**
Total net (debt)/cash	(105)	404	(25)	1	17	**292**

24 ACQUISITION OF BUSINESSES

2003: During 2003, the Group acquired an additional 3% interest in Reckitt Benckiser (India) Limited, its Indian subsidiary, for consideration of £2m cash. The corresponding reduction in minority interest was not significant. In an assessment of the fair value of the business, £1m was attributed to brands owned by the local business, for all other assets and liabilities, fair value approximated to book value. Accordingly £1m of goodwill arose and is being amortised over 20 years.

In December 2003, the Group acquired an additional 20% interest in Reckitt Benckiser Pakistan Limited, for consideration of £6m cash. The reduction in minority interest was £1m, and the fair value of all assets and liabilities approximated to book value. Accordingly £5m of goodwill arose and is being amortised over 20 years.

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

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

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

The completion of the Directors' assessment of the fair value of the assets and liabilities acquired for each of the 2002 acquisitions did not alter the provisional assessment made at 31 December 2002.

The above acquisitions were accounted for under acquisition accounting.

25 PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the implementation of FRS 5 Application Note G "Revenue Recognition". The adoption of FRS 5 Application Note G has resulted in a reduction in net revenues for 2002 of £77m, primarily due to the reclassification of coupons from a marketing expense within net operating expenses to a deduction from net revenues. The following reconciliation shows the effect on the previously reported 2002 numbers and the 2003 numbers.

25 PRIOR YEAR ADJUSTMENT (CONTINUED)

	2002 reported basis £m	Accounting policy adjustment £m	2003 reported basis £m	As previously reported £m	Accounting policy adjustment £m	Restated £m
			2003			2002
Net revenues	**3,791**	**(78)**	**3,713**	3,531	(77)	3,454
Cost of sales	**(1,735)**	**–**	**(1,735)**	(1,678)	–	(1,678)
Gross profit	**2,056**	**(78)**	**1,978**	1,853	(77)	1,776
Net operating expenses	**(1,377)**	**78**	**(1,299)**	(1,276)	77	(1,199)
Operating profit	**679**	**–**	**679**	577	–	577

The restatement has no effect on operating profit and profit for the year.

26 FINANCIAL RISK MANAGEMENT

An explanation of the role that financial instruments have had during the year in managing the risks that the Group faces in its activities is set out in the Financial Review on page 26.

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

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

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

	Financial assets			**Financial liabilities**				
Year ended 31 December 2003	**Floating £m**	**Non-interest bearing £m**	**Total £m**	**Fixed £m**	**Floating £m**	**Non-interest bearing £m**	**Total £m**	**Net financial assets/ (liabilities) £m**
Sterling	**679**	**10**	**689**	**(196)**	**–**	**(5)**	**(201)**	**488**
US Dollar	**10**	**2**	**12**	**(121)**	**(63)**	**–**	**(184)**	**(172)**
Euro	**10**	**2**	**12**	**(7)**	**(47)**	**–**	**(54)**	**(42)**
Other	**61**	**14**	**75**	**–**	**(62)**	**–**	**(62)**	**13**
	760	**28**	**788**	**(324)**	**(172)**	**(5)**	**(501)**	**287**
of which:								
Cash at bank and in hand			**59**				**–**	**59**
Current asset investments			**724**				**–**	**724**
Gross borrowings			**–**				**(491)**	**(491)**
Preference shares			**–**				**(5)**	**(5)**
Other financial assets/(liabilities)			**5**				**(5)**	**–**
			788				**(501)**	**287**

	Financial assets			Financial liabilities				
Year ended 31 December 2002	Floating £m	Non-interest bearing £m	Total £m	Fixed £m	Floating £m	Non-interest bearing £m	Total £m	Net financial assets/ (liabilities) £m
Sterling	336	5	341	(198)	–	(5)	(203)	138
US Dollar	12	2	14	(192)	(3)	–	(195)	(181)
Euro	9	6	15	(24)	(35)	(1)	(60)	(45)
Other	46	7	53	(1)	(75)	–	(76)	(23)
	403	20	423	(415)	(113)	(6)	(534)	(111)
of which:								
Cash at bank and in hand			40				–	40
Current asset investments*			379				–	379
Gross borrowings			–				(524)	(524)
Preference shares			–				(5)	(5)
Other financial assets/(liabilities)			4				(5)	(1)
			423				(534)	(111)

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

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fixed rate borrowings include the convertible capital bonds, notes and guaranteed notes issued at fixed rates of interest. At 31 December 2003 the aggregate amount of financial liabilities at fixed rates was 65% (2002 78%) of the Group's financial liabilities. The floating rate borrowings, cash and current asset investments bear interest based on relevant national LIBOR equivalent. Non-interest bearing financial liabilities relate to long-term creditors and provisions.

Cross currency swaps have been used to manage the Group's exposure to fluctuations in certain exchange rates. At 31 December 2003, the Group had no outstanding (2002 one) cross currency swaps.

In 2003 and 2002 all interest bearing assets were held at floating rates of interest. Non-interest bearing financial assets comprise cash and long-term debtors.

The interest rate and weighted time profile are analysed below:

	31 December 2003				31 December 2002			
	Non-interest bearing financial		**Fixed rate financial liabilities**		Non-interest bearing financial		Fixed rate financial liabilities	
	Assets weighted time – years	**Liabilities weighted time – years**	**Weighted average interest rate – %**	**Weighted time fixed – years**	Assets weighted time – years	Liabilities weighted time – years	Weighted average interest rate – %	Weighted time fixed – years
Sterling	**3.0**	**13.0**	**9.4**	**1.2**	2.2	14.0	9.4	2.2
US Dollar	**–**	**–**	**4.8**	**2.4**	–	–	6.8	3.7
Euro	**0.4**	**–**	**0.8**	**0.7**	–	–	5.7	2.1
Other	**–**	**–**	**–**	**–**	–	–	14.2	1.0
Weighted average	**1.1**	**13.0**	**6.3**	**1.7**	0.6	11.2	7.8	2.8

b) Maturity of financial liabilities

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

	2003 £m	2002 £m
Within one year	**172**	106
Between one and two years	**192**	85
Between two and five years	**121**	326
After more than five years	**16**	17
	501	534

c) Currency exposure

The table below shows the net unhedged monetary assets and liabilities of Group companies at 31 December 2003 that are not denominated in their functional currency and therefore give rise to exchange gains and losses in the profit and loss account.

	Net foreign currency monetary assets/(liabilities)					
Year ended 31 December 2003 Functional currency of Group operation	**Sterling £m**	**US Dollar £m**	**Euro £m**	**Australian Dollar £m**	**Other £m**	**Total £m**
Sterling	**–**	**(6)**	**14**	**(1)**	**5**	**12**
US Dollar	**(3)**	**–**	**(1)**	**–**	**(4)**	**(8)**
Euro	**2**	**2**	**–**	**–**	**8**	**12**
Other	**(2)**	**(4)**	**3**	**–**	**(1)**	**(4)**
	(3)	**(8)**	**16**	**(1)**	**8**	**12**

	Net foreign currency monetary assets/(liabilities)					
Year ended 31 December 2002 Functional currency of Group operation	Sterling £m	US Dollar £m	Euro £m	Australian Dollar £m	Other £m	Total £m
Sterling	–	5	9	1	6	21
US Dollar	(1)	–	(2)	–	(2)	(5)
Euro	(1)	–	–	–	–	(1)
Other	(1)	(6)	3	–	–	(4)
	(3)	(1)	10	1	4	11

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Fair values of financial instruments

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

	2003		2002	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations				
Borrowings due within one year	**(172)**	**(172)**	(106)	(106)
Borrowings due after more than one year				
Convertible capital bonds	**(192)**	**(495)**	(193)	(485)
Other	**(127)**	**(153)**	(225)	(285)
Preference shares	**(5)**	**(5)**	(5)	(4)
Investments*	**724**	**724**	379	379
Cash at bank and in hand	**59**	**59**	40	40
Other financial liabilities	**–**	**–**	(1)	(1)
Derivative financial instruments held to hedge future transactions				
Forward foreign exchange contracts	**–**	**(2)**	–	(3)
	287	**(44)**	(111)	(465)

*Excludes the net balance on cross currency swaps of £nil (2002 £0.3m).

The following methods and assumptions were used to estimate the fair values shown in this note:
- Borrowings due within one year – approximates to the carrying amount due to their short maturity.
- Convertible capital bonds – quoted market price.
- Other borrowings due after more than one year – market value using quoted market prices for the fixed rate borrowings; approximates to the carrying value for floating rate loans.
- Preference shares – based on market valuations at the balance sheet date.
- Investments – approximates to the carrying amount due to their short maturity.
- Cash at bank and in hand – carrying amount used.
- Forward exchange contracts – based on market valuations at the balance sheet date.

e) Hedges

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

	Gains £m	**Losses £m**	**Total net gains/(losses) £m**
Unrecognised gains/(losses) on hedges at 1 January 2003	2	(5)	(3)
Arising in previous years included in 2003	(2)	5	3
Gains arising before 1 January 2003 not recognised in 2003	–	–	–
Gains/(losses) arising in 2003 not recognised in 2003	1	(3)	(2)
Unrecognised gains/(losses) on hedges at 31 December 2003	**1**	**(3)**	**(2)**
of which:			
Gains/(losses) expected to be recognised in 2004	1	(3)	(2)

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

f) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

27 CONTINGENT LIABILITIES

Contingent liabilities for the Company and the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2003 amounted to £276m (2002 £298m), including £192m (2002 £193m) in respect of the convertible capital bonds (see note 19 to the accounts).

FIVE-YEAR SUMMARY

Profit and loss account	2003 £m	2002# £m	2001# £m	2000# £m	1999# £m
Net revenues	**3,713**	3,454	3,365	3,133	2,989
Operating profit	**679**	577	525	451	137
Non-operating items	**–**	–	24	56	(16)
Interest payable less receivable and coupon on convertible capital bonds	**(19)**	(32)	(51)	(60)	(69)
Profit on ordinary activities before tax	**660**	545	498	447	52
Tax on profit	**(171)**	(137)	(165)	(132)	(89)
Attributable to minority interests	**–**	–	(1)	(1)	–
Profit/(loss) for the year	**489**	408	332	314	(37)
Ordinary dividends	**(198)**	(181)	(179)	(178)	(153)
Retained profit/(loss) for the year	**291**	227	153	136	(190)
Adjusted operating profit*	**679**	577	525	451	357
Balance sheet					
Fixed assets	**2,248**	2,289	2,342	2,173	2,051
Net current assets/(liabilities)	**118**	(93)	(239)	(150)	(9)
Total assets less current liabilities	**2,366**	2,196	2,103	2,023	2,042
Creditors due after more than one year: Borrowings/other	**(292)**	(388)	(423)	(419)	(523)
Convertible capital bonds	**(192)**	(193)	(193)	(193)	(194)
Provisions for liabilities and charges	**(408)**	(407)	(437)	(279)	(362)
Equity minority interests	**(4)**	(7)	(16)	(16)	(18)
Total shareholders' funds	**1,470**	1,201	1,034	1,116	945
Statistics – FRS 3 basis					
Operating profit to net revenues	**18.3%**	16.7%	15.6%	14.4%	4.6%
Total interest to operating profit (times covered)	**35.7x**	18.0x	10.3x	7.5x	2.0x
Tax rate	**25.9%**	25.1%	33.1%	29.5%	171.2%
Dividend cover†	**2.5x**	2.3x	1.9x	1.8x	n/a
Adjusted basis*					
Operating profit to net revenues	**18.3%**	16.7%	15.6%	14.4%	11.9%
Total interest to operating profit (times covered)	**35.7x**	18.0x	10.3x	7.5x	5.2x
Tax rate	**25.9%**	25.1%	33.1%	29.5%	30.8%
Dividend cover†	**2.5x**	2.3x	1.8x	1.5x	1.3x
Dividends per ordinary share	**28.0p**	25.5p	25.5p	25.5p	25.5p

#Restated following the adoption of FRS 5 Application Note G "Revenue Recognition".
*Adjusted operating profit is calculated by adding back the distorting effect of major exceptional items.
†Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends.

The figures above for 1999 and 2000 have not been restated following the adoption of FRS 19 "Deferred Tax" in 2002.

Shareholder information

Annual General Meeting
To be held on Thursday, 13 May 2004 at the Thistle London Heathrow Hotel, Bath Road, Longford, West Drayton, Middlesex, UB7 0EQ. Every shareholder is entitled to attend and vote at the meeting. The notice convening the meeting is contained in a separate document for shareholders.

Final dividend for the year ended 31 December 2003
To be paid (if approved) on 27 May 2004 to shareholders on the register on 5 March 2004.

Company Secretary
Elizabeth Richardson

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No. 527217

Auditors
PricewaterhouseCoopers LLP

Solicitors
Slaughter and May

Registrar and transfer office
If you have any queries about your shareholding, please write to, or telephone, the Company's Registrar at the following address:
Computershare Investor Services PLC,
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH
Dedicated Reckitt Benckiser shareholder helpline
Telephone: 0870 703 0118
website: www.computershare.com

Key dates

Payment of half-yearly interest on capital bonds	31 March 2004
Announcement of quarter 1 results	13 May 2004
Annual General Meeting	13 May 2004
Payment of final ordinary dividend	27 May 2004
Payment of half-yearly preference dividend	1 July 2004
Announcement of interim results	26 July 2004
Payment of interim ordinary dividend	September 2004
Payment of half-yearly interest on capital bonds	30 September 2004
Announcement of quarter 3 results	19 October 2004
Payment of half-yearly preference dividend	1 January 2005
Preliminary announcement of 2004 results	February 2005
Maturity of capital bonds	31 March 2005
Publication of 2004 Annual Report & Accounts	April 2005
Annual General Meeting	May 2005

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