

**The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2010 to the members of the Company.**

### Principal activities and future developments

The principal activities continue to be the manufacture and sale of household and health care products. During the year, the Group announced the acquisitions of SSL International plc (SSL) and Paras Pharmaceuticals Ltd (Paras). Information on these acquisitions is set out in the Business Review on page 4.

Audited results for the period are set out on pages 30 to 71.

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.

### The review of the Group's business

The performance of the business is described in the Chairman's Statement on page 1, the Chief Executive's Statement on pages 2 to 3 and the Business Review. Within the Business Review, principal risk factors are given under 'Relationships and Principal Risks' on pages 6 and 7, details of the key performance indicators (KPIs) are given on page 11 and information on the likely future developments of the Group under 'Prospects' is on pages 10 and 11. Information regarding environmental matters, the Company's employees and social and community issues are given on pages 7 and 8. Information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company are given on page 6.

The Group's financial risk management objectives and policies are set out on page 10 of the Business Review and in note 24 on pages 58 to 62.

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

### Dividend

In July 2010, the Directors resolved to pay an interim dividend of 50p per ordinary share (2009: 43p). The dividend was paid on 30 September 2010. The Directors are recommending a final dividend for the year of 65p per share (2009: 57p), which, together with the interim dividend, makes a total for the year of 115p per share (2009: 100p). The final dividend, if approved by the shareholders, will be paid on 26 May 2011 to ordinary shareholders on the register at the close of business on 25 February 2011.

### 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 R&D in 2010 amounted to £125m (2009: £126m).

### Acquisitions and disposals

The Group announced on 21 July 2010 that it had agreed terms for a recommended cash offer to be made by its wholly owned subsidiary, Reckitt Benckiser plc, to acquire the entire issued and to be issued share capital of SSL. Under the terms of the offer, SSL shareholders received an aggregate of 1,171 pence per SSL share held (including SSL's final dividend for the year ended 31 March 2010). On 29 October 2010, the offer was declared wholly unconditional and the Group subsequently commenced the compulsory acquisition process after receiving valid acceptances in respect of more than 90% of the SSL shares to which the offer related. The acquisition was completed during the financial year.

On 13 December 2010, the Group announced that it has agreed to buy Paras for INR 32.6 billion (Indian rupees) (approximately £460 million) from the current shareholders and further confirmed that the transaction would be financed from existing facilities. The Group expects to complete the Paras acquisition during the first half of 2011. There have been no material disposals during the year.

### Employees

During 2010, the Group employed an average of 27,200 (2009: 24,900) people worldwide, of whom 2,700 (2009: 2,500) were employed in the UK. The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

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

Group incentive schemes reinforce financial and economic factors affecting the performance of

the business. All employees have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations and videos are given to employees around the Group on publication of the Group's financial results.

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

### Directors

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

Adrian Bellamy  
Bart Becht  
Richard Cousins  
Colin Day  
Peter Harf  
Kenneth Hydon  
André Lacroix  
Graham Mackay  
Judith Sprieser  
Warren Tucker (appointed 24 February 2010)

Full biographical details of the current directors are set out on page 12.

Colin Day, who served on the Board as Chief Financial Officer (CFO) for over ten years, resigned as a Director of the Company on 8 February 2011. Liz Doherty joined the Company as CFO designate in January 2011 and formally joined the Board as CFO and Executive Director on 8 February 2011.

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

Details of Directors' options to subscribe for shares in the Company are included in Table 3 on page 27 in the audited part of the Directors' Remuneration Report.

### Directors' insurance and indemnities

On 28 July 2009, the Company executed a deed poll of indemnity for the benefit of each individual who is at any time on or after 28 July 2009 an officer of the Company and/or any company within the Reckitt Benckiser Group of companies in respect of costs of defending claims against them and third party liabilities.

In addition, the Directors have the benefit of the indemnity provision contained in the Company's Articles of Association (Articles). Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

### Directors' interests

No Director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares. Details of Directors' remuneration, service agreements and interests in shares of the Company are set out in the Directors' Remuneration Report on pages 22 to 28.

**Environmental, social and governance (ESG) matters and reputational risk**

In line with the requirements of the 2006 Act, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Group relating to environmental matters (including the impact of the Group's business on the environment), its employees, and social and community issues. Much of the information required is provided here, and with regard to employees and internal control in this report on page 13 and in the Corporate Governance report on pages 19 and 20, with an overall summary and other information provided in the Business Review on pages 7 and 8.

The Board regularly considers and takes account of the significance of ESG matters, their potential risks to the business of the Group and the opportunities to enhance value that may arise from an appropriate response including risks relating to environmental impacts, employees, society and communities, as well as reputational risks.

The Board undertakes a formal review of ESG matters at least annually. This includes providing oversight to ensure that the Group has in place effective policies, systems and procedures for managing ESG matters and mitigating significant ESG risks. Additionally, the Audit Committee regularly reviews the arrangements for, and effectiveness of, risk management and internal audit including the full range of risks facing the Group such as risks relating to ESG matters, reputational risks and risks relating to employees.

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

Key areas of ESG internal control and performance, including ESG disclosures, are independently reviewed and verified by both internal and external organisations, including Internal Audit, and their findings regularly reported to senior management, the CEO, the Audit Committee and the Board.

The Board has identified and assessed the range of ESG and associated reputational risks and concluded that there are limited material risks to the Group's long and short-term value arising from ESG matters, other than potential risks common to similarly sized businesses operating in its industry sectors and with similarly well-known brands.

The potentially material ESG and reputational risks identified by the Board include:

- Industry sector and product safety / regulatory risks. The household products and health & personal care sectors have a number of potential product and ingredient risks relating to ongoing developments in ingredient regulation and concerns over the

potential long-term effects of household chemicals and OTC (over-the-counter) drug ingredients on human health and the environment. The Group has comprehensive management processes in place – at Group, Area, Regional and National levels – to ensure that its products are both suitable and safe for their intended use in addition to meeting applicable regulatory requirements. Additionally, regulatory compliance and product safety issues are proactively addressed by both national and regional industry associations of which the Group is an active member, including those in Europe and North America/Australia.

As part of the Group's commitment to making continual improvements in the environmental sustainability of its products and processes, the Group continues to progress ingredient removal programmes (above and beyond regulatory requirements) to systematically remove specific ingredients from its product formulae and packaging/ device component specifications globally. For example, recent programmes include: removal of nitro and polycyclic (artificial) musks, and geranyl nitrile, from fragrances; removal of PDCB (paradichlorobenzene) from toilet blocks; removal of NPEs (nonyl phenol ethoxylates), APEs (alkyl phenol ethoxylates) and monoethylene series glycol ethers from use in household cleaning products; removal of brominated flame retardants from devices; and the replacement of formaldehyde preservative.

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is the framework for the regulation and management of chemicals in Europe which was formally adopted by the European Union in December 2006 and entered into force in 2007.

Under REACH, as part of a phased programme over several years, industry is required to register most substances that are manufactured, imported or used in Europe. The first of these phases, pre-registration, started on 1 June 2008. For the majority of substances (ie ingredients) used in the Group's products, the responsibility for registration will lie with its suppliers who manufacture or import the ingredients used. The Group is fully compliant with the provisions of REACH that have been implemented to date and the Group continues to work closely with its suppliers to ensure that the ingredients used in its products are registered and that its full compliance with REACH is maintained. The Group has in place an internal REACH Task Force to ensure that all of its products and their ingredients remain compliant with REACH as it is implemented over the next several years.

- Supply chain risks: Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical

and environmental performance of third party manufacturers and other suppliers. The Group's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for the Group and its suppliers. Management processes and controls in place include Group, Area and Regional monitoring and auditing of compliance with the GMS (and other) requirements including the external audit of third party product manufacturers.

- Product quality risks: Failures in product quality controls could potentially lead to damage to the reputation of, and trust in, the Group's brands. The Group has comprehensive quality management control arrangements in place, including a global quality organisation that oversees and monitors product quality worldwide and has an independent reporting line to the Executive Committee.

The corporate responsibility section on the Group's website ([www.rb.com/Our-responsibility](http://www.rb.com/Our-responsibility)) and its annual Sustainability Reports (available at [www.rb.com](http://www.rb.com)) provide further information on its policies, systems and procedures for managing ESG matters and the risks and opportunities that may arise from them, including: the extent to which it complies with those policies, systems and procedures; Key Performance Indicators (KPIs); and its sustainability programmes, targets and progress.

The Board believes that it receives adequate information and training on ESG matters and their potential risks and opportunities to the business of the Group.

**Sustainability and corporate responsibility**

Information on the Group's management of sustainability and corporate responsibility issues is provided, in other sections of this report, in the Corporate Governance report (for example on employees and internal control respectively), in the Business Review and, in the Group's annual Sustainability Reports, which provide information on its policies, programmes, targets and progress in this area.

**Policy on the payment of creditors**

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 and to ensure that those suppliers are aware of and abide by those terms. Copies of the Prompt Payers' Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

### Charitable donations

The Group has continued its strategy of focusing on the Group's nominated global charity, Save the Children. During the year, donations in the UK amounted to £774,000 (2009: £568,000) of which £610,000 (2009: £472,000) was donated to Save the Children.

### Takeovers Directive

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

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

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the alteration of share capital are also included in the Articles and shareholders are asked to renew such authorities each year at the AGM. A copy of the Articles is available on written request from the Company Secretary or from the UK Registrar of Companies.

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

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

There are no significant agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

### Corporate Governance statement

In compliance with the Disclosure and Transparency Rules (DTR) 7.2.1, the disclosures required by DTR 7.2.2 to 7.2.7 can be found in the Corporate Governance report on pages 17 to 20 which is incorporated by reference into this Report of the Directors.

### Auditors

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

### Share capital

As at 31 December 2010, the Company's issued share capital consisted of 725,853,970 ordinary shares of 10p and no shares were held in treasury. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in note 21 to the accounts.

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

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

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

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

### Allotment of shares

The Directors were granted authority at the last AGM held in 2010 to allot shares up to a nominal amount of £24,038,000. That authority will apply until the conclusion of this year's AGM. At this year's AGM on 5 May 2011, shareholders will be asked to grant an authority to make such allotments up to a nominal amount representing approximately one third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM. In line with guidance issued by the Association of British Insurers, shareholders will also be asked to grant an authority to allot shares in connection with a rights issue in favour of shareholders up to an aggregate nominal amount representing approximately two thirds of the issued ordinary share capital of the Company as at the latest practicable date prior to publication of the Notice of AGM. The authorities sought would,

if granted, expire at the earlier of 30 June 2012 or at the conclusion of the AGM of the Company held in 2012.

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

### Authority to purchase own shares

Shareholders approved a resolution for the Company to make purchases of its own shares at the 2010 AGM. As at 4 March 2011, the Directors had not used this authority and a buy back programme has not been pursued. This resolution remains valid until the conclusion of this year's AGM on 5 May 2011. The buy back programme continues to be subject to regular review and accordingly a resolution seeking to renew the authority to make market purchases will be put to shareholders at this year's AGM so that the Directors retain the flexibility to reinstate the programme should they so decide. This authority will be limited to a maximum of 72,600,000 ordinary shares and set the minimum and maximum prices which may be paid. The Company's present intention is to hold shares acquired under such authority in treasury to satisfy outstanding awards under employee share incentive plans.

### Annual General Meeting

The Notice convening the fourth AGM of the Company, to be held on Thursday, 5 May 2011 at 11.15 am at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN, is contained in a separate document for shareholders.

In accordance with the Shareholder Rights' Directive (the 'Directive') which came into force in August 2009, the Company obtained shareholder approval at the 2010 AGM to the calling of meetings, other than Annual General Meetings, on 14 clear days' notice. Prior to the implementation of the Directive, the Company was able to call meetings other than an AGM on 14 clear days' notice without obtaining shareholder approval and, to preserve this ability, shareholders will be asked to renew their approval by passing Resolution 14 at the AGM.

### Amendment to share plans

As referred to in the Directors' Remuneration Report on page 22, the Board will seek shareholder approval for a resolution to be proposed at the AGM to amend the equity dilution limits within the rules of the Company's employee share plans. The resolution will also seek to extend the expiry date for grants made under the Company's Senior Executive Share Ownership Policy Plan. Further details appear in the Chairman's letter within the Notice of AGM.

### Substantial shareholdings

As at 4 March 2011, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

	% of total voting rights	No of ordinary shares	Nature of holding
JAB Holdings B.V.	15.30	111,105,415	Indirect
Legal and General Group plc and/or its subsidiaries	3.81	27,656,268	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	3.82	27,710,981	Indirect

### By order of the Board

#### Elizabeth Richardson

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

Company registration number: 6270876

11 March 2011

### Table 1 – Interests in the share capital of the Company

The Directors in office at the end of the year and those in office at 4 March 2011 had the following beneficial interests (unless stated otherwise) in the ordinary shares of the Company:

	4 March 2011	31 December 2010	31 December 2009
Adrian Bellamy	19,874	19,874	18,780
Bart Becht	1,410,162	1,410,162	3,610,422
Bart Becht – non-beneficial	2,993,821	2,993,821	1,343,821
Richard Cousins (appointed 1 October 2009)	398	398	84
Colin Day (resigned 8 February 2011)	203,868	203,868	424,129
Liz Doherty (appointed 8 February 2011)	–	n/a	n/a
Peter Harf	743,107	743,107	742,770
Kenneth Hydon	4,965	4,965	4,731
André Lacroix	1,722	1,722	1,488
Graham Mackay	1,784	1,784	1,550
Judith Sprieser	3,195	3,195	2,957
Warren Tucker (appointed 24 February 2010)	504	504	n/a

### Notes

- 1 No person who was a Director (or a Director's connected person) on 31 December 2010 had any notifiable share interests in any subsidiary.
- 2 The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.