

Group income statement

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Net revenues	1	5,269	4,922
Cost of sales	2	(2,197)	(2,133)
Gross profit		3,072	2,789
Net operating expenses	2	(1,839)	(1,879)
Operating profit	1	1,233	910
Operating profit before exceptional items		1,190	1,059
Exceptional items	2	43	(149)
Operating profit		1,233	910
Finance income		22	18
Finance expense		(46)	(54)
Net finance expense	5	(24)	(36)
Profit on ordinary activities before taxation		1,209	874
Tax on profit on ordinary activities	6	(271)	(200)
Profit for the year		938	674
Attributable to equity minority interests		–	–
Attributable to ordinary equity holders of the parent		938	674
Profit for the year		938	674
Earnings per ordinary share			
On profit for the year, basic	7	131.2p	93.5p
On profit for the year, diluted	7	127.9p	91.8p
Dividend per ordinary share	8	50.0p	41.5p
Total dividends for the year	8	358	300

Group statement of recognised income and expense

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Profit for the year		938	674
Net exchange adjustments on foreign currency translation		93	(194)
Actuarial gains and losses	4	25	43
Movement of deferred tax on pension liability		(5)	(15)
Tax movement on share option exercises		18	–
Net hedged gains and losses taken to reserves		(5)	–
Net gains/(losses) not recognised in income statement		126	(166)
Total recognised income relating to the year		1,064	508
Attributable to equity minority interests		–	–
Attributable to ordinary equity shareholders of the parent		1,064	508
		1,064	508

Group balance sheet

As at 31 December 2007

	Notes	2007 £m	2006 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	3,811	3,842
Property, plant and equipment	10	479	425
Deferred tax assets	19	106	144
Other receivables		30	10
		4,426	4,421
Current assets			
Inventories	11	382	322
Trade and other receivables	12	693	670
Available for sale financial assets	13	39	19
Cash and cash equivalents	14	328	305
		1,442	1,316
Total assets		5,868	5,737
LIABILITIES			
Current liabilities			
Borrowings	15	(487)	(973)
Provisions for liabilities and charges	16	(36)	(47)
Trade and other payables	17	(1,635)	(1,481)
Tax liabilities		(266)	(239)
		(2,424)	(2,740)
Non-current liabilities			
Borrowings	15	(5)	(11)
Deferred tax liabilities	19	(705)	(766)
Retirement benefit obligations	4	(187)	(216)
Provisions for liabilities and charges	16	(19)	(15)
Tax liabilities		(120)	(100)
Other non-current liabilities	18	(23)	(23)
		(1,059)	(1,131)
Total liabilities		(3,483)	(3,871)
Net assets		2,385	1,866
EQUITY			
Capital and reserves			
Share capital	20	72	76
Share premium account	21	-	527
Capital redemption reserve	21	-	5
Merger reserve	21	(14,229)	142
Hedging reserve	21	(6)	(1)
Foreign currency translation reserve	21	(59)	(152)
Retained earnings	21	16,605	1,266
		2,383	1,863
Equity minority interests	22	2	3
Total equity		2,385	1,866

Approved by the Board on 13 March 2008.

Adrian Bellamy
Director

Bart Becht
Director

Group cash flow statement

For the year ended 31 December 2007

	2007 £m	2006 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Operating profit	1,233	910
Depreciation	84	88
Amortisation	9	9
Impairment of tangible fixed assets	5	23
Impairment of intangible fixed assets	27	14
Fair value (gains)/losses	(2)	(2)
(Gain)/loss on sale of property, plant and equipment and intangible assets	(1)	–
(Gain)/loss on disposal of subsidiary undertakings	(127)	–
(Increase) in inventories	(39)	(28)
(Increase) in trade and other receivables	(13)	(23)
Increase in payables and provisions	3	195
Share award expense	52	42
Cash generated from operations	1,231	1,228
Interest paid	(46)	(50)
Interest received	22	20
Tax paid	(232)	(181)
Net cash generated from operating activities	975	1,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(134)	(88)
Disposal of property, plant and equipment	19	19
Acquisition of businesses	–	(1,893)
Disposal of subsidiary undertakings	260	–
Maturity of short-term investments	(17)	57
Net cash generated/(used) by investing activities	128	(1,905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	52	56
Share purchases	(300)	(300)
Proceeds from borrowings	–	1,250
Repayments of borrowings	(503)	(473)
Dividends paid to the Company's shareholders	(358)	(300)
Net cash (used)/generated in financing activities	(1,109)	233
Net decrease in cash and cash equivalents	(6)	(655)
Cash and cash equivalents at beginning of period	298	969
Exchange gains/(losses)	19	(16)
Cash and cash equivalents at end of year	311	298
Cash and cash equivalents comprise		
Cash and cash equivalents	328	305
Overdrafts	(17)	(7)
	311	298
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS		
Net cash generated from operating activities	975	1,017
Net purchases of property, plant and equipment	(114)	(64)
Net cash flow from operations	861	953

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

Notes to the accounts

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1 SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's geographical and product group segments. The primary segment, geographical areas, is based on the Group's management and internal reporting structure. The individual operations based in the countries within each geographic segment are considered to have similar operational risk and generate a similar level of financial return for the Group.

Inter-segment revenues are charged according to internally agreed pricing terms that are designed to be equivalent to an arm's length basis, and have been consistently applied throughout 2006 and 2007.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Primary Segment by Geographical Areas

For management purposes the Group is currently organised into three operating areas: Europe; North America, Australia and New Zealand (NAA); and Developing Markets and geographical segmental information is presented on this basis. Segment revenue is based on the geographic location of the Group's customers and segment assets are based on the geographic location of the assets.

	Europe £m	NAA £m	Developing Markets £m	Elimination £m	Total £m
2007					
Total gross segment net revenues	2,877	1,488	975	(71)	5,269
Inter-segment revenues	(64)	–	(7)	71	–
Net revenues	2,813	1,488	968	–	5,269
Operating profit	750	379	104	–	1,233
Operating profit – adjusted*	681	379	130	–	1,190
2006					
Total gross segment net revenues	2,661	1,422	885	(46)	4,922
Inter-segment revenues	(37)	(1)	(8)	46	–
Net revenues	2,624	1,421	877	–	4,922
Operating profit	522	308	80	–	910
Operating profit – adjusted*	618	344	97	–	1,059

*Adjusted to exclude the impact of exceptional items. The profits arising on inter-segment sales are insignificant.

Segmental analyses have been prepared for operating profit as the Directors consider these to be more meaningful than analyses based on profit after tax. The differences between operating profit and profit after tax are net interest expense of £24m (2006 £36m) and tax expense of £271m (2006 £200m).

Other items included analysed by primary segment are as follows:

	Europe £m	NAA £m	Developing Markets £m	Unallocated £m	Group £m
2007					
Segment assets	3,164	1,616	656	432	5,868
Segment liabilities	(1,075)	(567)	(309)	(1,532)	(3,483)
Capital expenditure	88	23	22	1	134
Depreciation and amortisation	60	18	12	3	93
Other non-cash movements	10	5	6	31	52
2006					
Segment assets	3,162	1,555	584	436	5,737
Segment liabilities	(954)	(402)	(245)	(2,270)	(3,871)
Capital expenditure	50	17	21	–	88
Depreciation and amortisation	67	18	10	2	97
Other non-cash movements	8	6	5	23	42

There are no reconciling items between net revenues and operating profit shown above and those shown in the income statement. Unallocated assets and liabilities comprise headquarter items (deferred tax balances, treasury balances) that are not specifically attributable to one segment and there is no reasonable basis available to allocate them.

Impairment charges arose in Europe £28m (2006 £14m), North America, Australia/New Zealand £nil (2006 £17m) and Developing Markets £26m (2006 £6m).

There is no material difference between geographic segments determined on a customer location basis and a location of assets basis.

Secondary Segment by Product Groups

The Secondary Segment presents the Group's results in the product groups. The product groups are Fabric Care, Surface Care, Dishwashing, Home Care, Health & Personal Care, making up core business together with Other Household, Pharmaceuticals and Food. Unallocated relates to headquarter assets for which there is no reliable method for allocating to any specific product group.

	Net revenues		Assets		Capital expenditure	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Fabric Care	1,241	1,194	972	933	34	22
Surface Care	951	909	910	885	26	17
Dishwashing	616	591	385	359	16	11
Home Care	779	692	458	448	21	13
Health & Personal Care*	1,199	1,078	2,731	2,699	32	23
Core Business	4,786	4,464	5,456	5,324	129	86
Other Household	81	108	30	39	–	1
Household Health & Personal Care	4,867	4,572	5,486	5,363	129	87
Pharmaceuticals*	211	156	71	65	–	–
Food	191	194	82	78	4	3
Unallocated	–	–	229	231	1	2
	5,269	4,922	5,868	5,737	134	92

* 2006 comparatives have been reclassified to disclose Pharmaceuticals separately, previously included within Health & Personal Care.

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2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2007 £m	2006 £m
Cost of sales	(2,197)	(2,133)
Distribution costs	(1,503)	(1,376)
Administrative expenses:		
Research and development	(92)	(82)
Other	(304)	(313)
Total administrative expenses	(396)	(395)
Other net operating income	17	41
Exceptional items	43	(149)
Net operating expenses	(1,839)	(1,879)

All results relate to continuing operations.

	2007 £m	2006 £m
Depreciation charges by income statement line		
Within:		
Cost of sales	67	70
Distribution costs	4	4
Administrative expenses:		
Research and development	4	4
Other	9	10
Total administrative expenses	13	14
Total depreciation charge (note 10)	84	88

Amortisation and impairment charge by income statement line

Amortisation charges (note 9) of £9m in 2007 (2006 £9m) are included within Administrative expenses: Other in the income statement.

Impairment charges of £nil (2006 £6m) are included within Administrative expenses: Other in the income statement.

Impairment charges of current and non-current assets of £54m (2006 £31m) are included within Exceptional items.

	2007 £m	2006 £m
Exceptional items		
Business disposals and impairments		
– Profit of disposal of business	127	–
– Impairments of current and non-current assets	(54)	(31)
	73	(31)
Restructuring	(30)	(118)
Total exceptional items	43	(149)

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES (CONTINUED)

The Company announced on 16 July 2007 that it had agreed to dispose of the Hermal prescription skincare business to Laboratorios Almirall S.A. for a consideration of £260m in cash. The disposal was completed on 31 August 2007. The Group recognised a profit on disposal of £127m, being proceeds less brands (£94m), goodwill (£17m), and net assets and directly attributable disposal costs (£22m). Results for Hermal are included in the consolidated accounts up to the date of disposal.

The Group incurred impairment charges of £54m in respect of current and non-current assets, and restructuring charges of £30m in 2007 as a result of further restructuring of configuration of the Group. This consisted of redundancy costs of £13m and other charges of £17m. In 2006 restructuring charges related primarily to the acquisition and integration of the Boots Healthcare International (BHI) business. This consisted of redundancy costs of £80m, fixed asset write-offs of £23m, other integration charges of £38m and non-cash items of £8m.

Total foreign exchange gains of £3m (2006 gains of less than £1m) have been recognised through the income statement. These amounts exclude financial instruments fair valued through the income statement and amounts recognised directly in the foreign currency translation reserve.

Pension costs by income statement line	2007 £m	2006 £m
Within:		
Cost of sales	8	7
Distribution costs	7	7
Administrative expenses:		
Research and development	3	2
Other	10	8
Total administrative expenses	13	10
Total net pensions costs (note 4d)	28	24

Total net pensions costs are the total amounts in respect of all the Group's defined contribution and defined benefit pension and other post-retirement schemes charged to the income statement, and exclude the actuarial gains and losses that have been recognised in the SORIE.

3 AUDITORS' REMUNERATION

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

	2007 £m	2006 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.8	0.8
Fees payable to the Company's auditor and network firms for other services:		
– the audit of accounts of the Company's subsidiaries pursuant to legislation	2.2	2.4
– other services provided pursuant to such legislation	1.1	0.2
– services relating to taxation	0.6	0.7
– services relating to information technology	0.1	0.1
– services relating to corporate finance transactions	0.2	–
	5.0	4.2

In addition, the Company's auditor and its associates have provided other services in relation to the audit of accounts of associated pension schemes of the Company at a cost of £0.1m (2006 £0.1m).

4 EMPLOYEES

(a) Staff costs	2007 £m	2006 £m
The total employment costs, including Directors, were:		
Wages and salaries	616	559
Social security costs	97	91
Net pension costs	28	24
Share-based payments	52	42
	793	716

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 18 to 23, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2007 £m	2006 £m
Salaries and short-term employee benefits	13	12
Post-employment benefits	1	1
Share-based payments	19	17
	33	30

There were no other long-term benefits (2006 £nil) or termination benefits (2006 £nil) paid to key management in 2007.

Notes to the accounts

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4 EMPLOYEES (CONTINUED)

(b) Staff numbers

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

	2007 000s	2006 000s
Europe*	10.9	10.3
North America and Australia	3.6	3.3
Developing Markets	8.9	8.3
	23.4	21.9

*Included in Europe are 2,200 (2006 2,100) UK employees.

(c) Share-based remuneration

All share awards that were not fully vested as at 31 December 2007 and 31 December 2006 are included in the tables below which analyse the charge for 2007 and 2006. The Group has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

Award	Grant date	Exercise price £	Performance period	Black-Scholes model assumptions					Fair value of one award £
				Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk free interest rate %	
Share Options									
2002	17 December 2001	9.50	2002-04	9.70	25	2.7	4	4.50	1.95
2003	22 November 2002	11.19	2003-05	10.96	25	2.7	4	4.50	2.05
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.46
2005	06 December 2004	15.47	2005-07	15.37	23	2.3	4	4.88	2.99
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.33
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.23
2008	11 December 2007	29.44	2008-10	29.72	20	1.8	4	5.53	5.99
Restricted Shares									
2002	17 December 2001	–	2002-04	9.70	25	2.7	4	4.50	8.64
2003	22 November 2002	–	2003-05	10.96	25	2.7	4	4.50	9.79
2004	08 December 2003	–	2004-06	12.80	24	2.6	4	4.50	11.49
2005	06 December 2004	–	2005-07	15.37	23	2.3	4	4.88	13.92
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.38
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.01
2008	11 December 2007	–	2008-10	29.72	20	1.8	4	5.53	27.55

Table 2: Share awards expense 2007

Award	Grant date	Fair value of one award £	Movement in number of options					Total fair value of grant as at 31 Dec 2007 £m	Charge for 2007 £m
			Options outstanding at 1 Jan 2007 number	Granted/adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2007 number		
Share Options									
2002	17 December 2001	1.95	1,601,011	–	–	(418,466)	1,182,545	2.3	–
2003	22 November 2002	2.05	3,336,896	–	–	(3,000)	(1,274,122)	2,059,774	4.2
2004	08 December 2003	2.46	4,233,500	–	–	(4,000)	(1,515,700)	2,713,800	6.7
2005	06 December 2004	2.99	4,430,000	–	–	(64,000)	–	4,366,000	13.1
2006	05 December 2005	3.33	4,227,198	–	–	(182,198)	–	4,045,000	13.5
2007	08 December 2006	4.23	4,993,300	–	–	(690,993)	–	4,302,307	18.2
2008	11 December 2007	5.99	–	4,483,300	–	–	–	4,483,300	26.9
Restricted Shares									
2002	17 December 2001	8.64	–	–	–	–	–	–	–
2003	22 November 2002	9.79	–	–	–	–	–	–	–
2004	08 December 2003	11.49	2,000,346	–	–	(2,000)	(1,998,346)	–	–
2005	06 December 2004	13.92	1,948,049	–	–	(28,692)	–	1,919,357	26.7
2006	05 December 2005	16.38	1,870,286	–	–	(69,391)	–	1,800,895	29.5
2007	08 December 2006	21.01	2,466,650	–	–	(423,997)	–	2,042,653	42.9
2008	11 December 2007	27.55	–	2,241,650	–	–	–	2,241,650	61.8
Other Share Awards									
UK SAYE	Various	Various	785,726	123,591	(71,679)	(239,267)	598,371	n/a	1.1
US SAYE	Various	Various	973,567	109,280	(67,626)	(427,485)	587,736	n/a	1.3
Overseas SAYE	Various	Various	1,427,813	–	(155,952)	(84,574)	1,187,287	n/a	2.3
SOPP	Various	Various	90,000	20,000	–	(10,000)	100,000	n/a	0.5
Total									52.2

4 EMPLOYEES (CONTINUED)

(c) Share-based remuneration (continued)

Table 3: Share awards expense 2006

	Grant date	Fair value of one award £	Movement in number of options				Options outstanding at 31 Dec 2006 number	Total fair value of grant as at 31 Dec 2006 £m	Charge for 2006 £m
			Options outstanding at 1 Jan 2006 number	Granted/ adjustments number	Lapsed number	Exercised number			
Share Options									
2002	17 December 2001	1.95	3,062,005	–	–	(1,460,994)	1,601,011	3.1	–
2003	22 November 2002	2.05	5,497,750	–	(21,000)	(2,139,854)	3,336,896	6.9	–
2004	08 December 2003	2.46	4,343,500	–	(110,000)	–	4,233,500	10.4	3.3
2005	06 December 2004	2.99	4,732,000	–	(302,000)	–	4,430,000	13.3	4.1
2006	05 December 2005	3.33	4,765,000	–	(537,802)	–	4,227,198	14.1	4.7
2007	08 December 2006	4.23	–	4,933,300	–	–	4,993,300	21.1	–
Restricted Shares									
2002	17 December 2001	8.64	–	–	–	–	–	–	–
2003	22 November 2002	9.79	1,758,371	–	(2,798)	(1,755,573)	–	–	–
2004	08 December 2003	11.49	2,082,525	–	(82,179)	–	2,000,346	23.0	7.0
2005	06 December 2004	13.92	2,109,624	–	(161,575)	–	1,948,049	27.1	8.3
2006	05 December 2005	16.38	2,382,500	–	(512,214)	–	1,870,286	30.6	10.2
2007	08 December 2006	21.01	–	2,466,650	–	–	2,466,650	51.8	–
Other Share Awards									
UK SAYE	Various	Various	689,726	275,737	(32,517)	(147,220)	785,726	n/a	0.8
US SAYE	Various	Various	814,298	323,681	(68,989)	(95,423)	973,567	n/a	1.2
Overseas SAYE	Various	Various	1,743,337	5,434	(87,892)	(233,066)	1,427,813	n/a	2.3
SOPP	Various	Various	100,000	50,000	(6,250)	(53,750)	90,000	n/a	0.4
Total									42.3

Options outstanding at 31 December 2007 that could have been exercised at that date were 5,956,119 (2006 4,937,907).

Notes

Scope: Executive Share Awards are awarded to the Top 400 Management Group. Other Share Awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Individual tranches of these awards are not material for detailed disclosure and therefore have been aggregated in the table above.

Contractual Life: Executive Share Awards have a contractual life of ten years but vest according to EPS growth criteria over a three-year period. Accordingly, the cost is spread over the three years of the performance period. Other share awards have contractual lives of either three, five or seven years.

Performance criteria: Executive Share Awards are subject to performance criteria based on compound average annual growth (CAAG) rates in earnings per share over the performance period. Other Share Awards are generally not subject to any criteria other than the employee's continued employment. Executive Share Awards included in the above table vest as follows: CAAG of 6%: 40% of awards vest; 7% CAAG: 60%; 8% CAAG: 80%; 9% CAAG: 100%.

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation. The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2006 or 2007 for the purposes of the valuation.

Volatility: An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate.

Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

Income statement charge: the income statement charge may not exactly equal one third of the total fair value included in the table above due to adjustments for in-year lapses or award revisions.

National Insurance contributions are payable in respect of certain share-based payments transactions and are treated as cash-settled transactions. At 31 December 2007, the carrying amount of National Insurance contributions payable was £19m (2006 £15m) of which £14m (2006 £10m) was in respect of vested grants.

The weighted average share price for the year was £27.06 (2006 £20.88).

Notes to the accounts

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4 EMPLOYEES (CONTINUED)

(d) Pension and other post-retirement commitments

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally funded. The Group's two most significant defined benefit pension schemes (UK and US) are both funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US retiree healthcare scheme), where salaried participants become eligible for retiree healthcare benefits after they reach a combined "age and years of service rendered" figure of 70, although the age must be a minimum of 55. As at 31 December 2007 there were 2,738 (2006 2,827) eligible retirees and 1,415 (2006 1,414) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2007 £m	2006 £m
Defined contribution schemes	17	15
Defined benefit schemes (net charge)	11	9
Total pension costs recognised in the income statement (note 2)	28	24

For the UK scheme, a full independent actuarial valuation was carried out at 5 April 2007 and updated at 31 December 2007. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2007 and updated at 31 December 2007. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the three major schemes as at 31 December 2007 were:

	2007			2006		
	UK %	US (pension) %	US (medical) %	UK %	US (pension) %	US (medical) %
Rate of increase in pensionable salaries	5.3	5.0	–	5.0	5.0	–
Rate of increase in pension payments and deferred pensions	3.3	–	–	3.0	–	–
Discount rate	5.8	6.0	6.0	5.1	5.8	5.8
Inflation assumption	3.3	3.0	–	3.0	3.0	–
Annual medical cost inflation	–	–	9.0-5.0	–	–	10.5-4.5
Long-term expected rate of return on:						
Equities	7.9	10.1	–	7.4	10.7	–
Bonds	5.1	4.8	–	4.7	4.5	–
Other	6.2	–	–	5.9	–	–

The expected rate of return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. For the UK scheme the mortality assumptions were based on the following tables; the average life expectancy in years of a pensioner retiring at aged 60 on the balance sheet date is as follows:

	2007	2006
Male	25.5	24.5
Female	27.9	27.5

The average life expectancy in years of a pensioner retiring at aged 60, 20 years after the balance sheet date is as follows:

	2007	2006
Male	26.8	25.8
Female	29.1	28.8

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 22.4 years (2006 22.4 years) for males and 24.7 years (2006 24.7 years) for females.

Impact of medical cost trends rates

A one percentage point change in the assumed healthcare cost trend rates would have the following effects:

	+1% £m	-1% £m
Effect on service cost and interest cost	1	(1)
Effect on post-retirement benefit obligation	13	(11)

The amounts recognised in the balance sheet are determined as follows:

	2007					2006				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Total equities	392	72	–	25	489	388	74	–	18	480
Total bonds	240	40	–	16	296	214	39	–	20	273
Total other assets	81	–	–	7	88	91	–	–	6	97
Fair value of plan assets	713	112	–	48	873	693	113	–	44	850
Present value of scheme liabilities	(695)	(113)	(99)	(125)	(1,032)	(691)	(119)	(99)	(149)	(1,058)
Net asset/(liability) recognised in the balance sheet	18	(1)	(99)	(77)	(159)	2	(6)	(99)	(105)	(208)

Other represents the total of post-retirement benefits and Group defined benefit schemes not material for individual disclosure.

4 EMPLOYEES (CONTINUED)

The net pension liability is recognised in the balance sheet as follows:

	2007 £m	2006 £m
Non-current asset:		
Funded scheme surplus	28	8
Non-current liability:		
Funded scheme deficit	(14)	(16)
Unfunded scheme liability	(173)	(200)
Retirement benefit obligation	(187)	(216)
Net pension liability	(159)	(208)

The funded scheme surplus of £28m (2006 £8m) is included within other receivables in non-current assets of £30m (2006 £10m).

None of the pension schemes' assets includes an investment in shares of the Company.

The amounts recognised in the income statement are as follows:

	2007					2006				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Current service cost	(8)	(3)	(2)	(4)	(17)	(9)	(3)	(2)	(5)	(19)
Past service cost	–	–	–	–	–	–	–	–	1	1
Expected return on pension scheme assets	43	9	–	5	57	40	10	–	3	53
Interest on pension scheme liabilities	(35)	(5)	(5)	(6)	(51)	(33)	(7)	(5)	(5)	(50)
Curtailement	–	–	–	–	–	7	–	(1)	–	6
Total charge to the income statement	–	1	(7)	(5)	(11)	5	–	(8)	(6)	(9)

The amounts recognised in shareholders' equity for the Group are as follows:

	2007 £m	2006 £m	2005 £m	2004 £m
Actual return less expected return on pension scheme assets	4	29	71	19
Experience gains and losses on scheme liabilities	(16)	(1)	(19)	(5)
Changes in assumptions underlying present value of scheme liabilities	37	15	(66)	(90)
Actuarial gain/(loss) recognised	25	43	(14)	(76)

This table will evolve into a summary of five-year history as data becomes available.

The movements in the amounts recognised in the balance sheet are as follows:

Movement of net (liability)/ assets during the year	2007					2006				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Surplus/(deficit) at 1 January	2	(6)	(99)	(105)	(208)	(50)	(10)	(107)	(87)	(254)
Current service cost	(8)	(3)	(2)	(4)	(17)	(9)	(3)	(2)	(5)	(19)
Liabilities disposed/(acquired) in a business combination	–	–	–	23	23	–	–	–	(26)	(26)
Contributions	4	–	6	6	16	5	–	8	8	21
Past service cost	–	–	–	–	–	–	–	–	1	1
Other finance income/(costs)	8	4	(5)	(1)	6	7	3	(5)	(2)	3
Actuarial gain/(loss)	12	4	(1)	10	25	42	4	(6)	3	43
Curtailement	–	–	–	–	–	7	–	(1)	–	6
Exchange adjustments	–	–	2	(6)	(4)	–	–	14	3	17
Surplus/(deficit) at 31 December	18	(1)	(99)	(77)	(159)	2	(6)	(99)	(105)	(208)

The actual return on plan assets was £46m (2006 £67m) for the UK scheme and £10m (2006 £14m) for the US scheme.

Notes to the accounts

continued

4 EMPLOYEES (CONTINUED)

Changes in the present value of scheme liabilities are as follows:

	2007					2006				
	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m	UK £m	US (pension) £m	US (medical) £m	Other £m	Total £m
Present value of liabilities at 1 January	691	119	99	149	1,058	700	136	107	129	1,072
Liabilities (disposed)/acquired on business combination	-	-	-	(23)	(23)	-	-	-	26	26
Service cost	8	3	2	4	17	2	3	2	4	11
Interest cost	35	5	5	6	51	33	7	5	5	50
Benefits paid	(30)	(10)	(6)	(7)	(53)	(29)	(11)	(5)	(8)	(53)
Actuarial (gains)/losses	(9)	(4)	1	(9)	(21)	(15)	(4)	6	(1)	(14)
Curtailment	-	-	-	-	-	-	-	1	-	1
Exchange adjustments	-	-	(2)	5	3	-	(12)	(17)	(6)	(35)
Present value of liabilities at 31 December	695	113	99	125	1,032	691	119	99	149	1,058

Changes in the fair value of plan assets are as follows:

	2007				2006			
	UK £m	US (pension) £m	Other £m	Total £m	UK £m	US (pension) £m	Other £m	Total £m
Fair value of plan assets at 1 January	693	113	44	850	650	126	42	818
Expected rate of return	43	9	5	57	40	10	3	53
Contributions	4	-	6	10	5	-	8	13
Benefits paid	(30)	(10)	(7)	(47)	(29)	(11)	(8)	(48)
Actuarial gains	3	-	1	4	27	-	2	29
Exchange adjustments	-	-	(1)	(1)	-	(12)	(3)	(15)
Fair value of plan assets at 31 December	713	112	48	873	693	113	44	850

Cumulative actuarial gains and losses recognised in equity:

	2007 £m	2006 £m
At 1 January	(47)	(90)
Net actuarial gain recognised in the year	25	43
At 31 December	(22)	(47)

History of experience gains and losses:

	2007 £m	2006 £m	2005 £m	2004 £m
Experience adjustments arising on scheme assets:				
Amount (£m)	4	29	71	19
Percentage of scheme assets	0.5%	3.4%	8.7%	2.6%
Experience adjustments arising on scheme liabilities:				
Amount (£m)	21	14	(85)	(95)
Percentage of scheme liabilities	-2.0%	-1.3%	7.9%	9.7%
Present value of scheme liabilities	(1,032)	(1,058)	(1,072)	(983)
Fair value of scheme assets	873	850	818	734
Net pension liability	(159)	(208)	(254)	(249)

This table will evolve into a summary of five-year history as data becomes available.

Expected employer contributions to be paid to funded defined benefit schemes in 2008 are £5m for the UK and less than £1m for other schemes.

5 NET FINANCE EXPENSE

	2007 £m	2006 £m
Finance income		
Interest income on cash and cash equivalents	20	17
Gain on available for sale financial instruments (Interest on short-term deposits)	2	1
Total finance income	22	18
Finance expense		
Interest payable on bank borrowings	(13)	(21)
Amortisation of issue costs of bank loans	(1)	(1)
Interest payable on other loans	(31)	(31)
Interest payable on finance leases	(1)	(1)
Interest and similar charges payable	(46)	(54)
Loss on hedging instruments	-	-
Total finance expense	(46)	(54)
Net finance expense	(24)	(36)

Interest payable and similar charges relating to borrowings repayable after more than five years was less than £1m (2006 less than £1m).

There are no other gains or losses from fair value adjustments recognised within finance income or expense.

6 INCOME TAX EXPENSE

	2007 £m	2006 £m
Current tax:		
UK	(13)	29
Overseas	331	188
	318	217
Prior year adjustments:		
UK	-	(19)
Overseas	(20)	-
Total current tax	298	198
Deferred tax (note 19):		
UK	(21)	(4)
Overseas	(6)	6
	(27)	2
Total tax	271	200

UK income tax is calculated at 30% (2006 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2007 £m	2006 £m
Profit before tax:	1,209	874
Tax at the UK corporation tax rate of 30% (2006 30%)	363	262
Effects of:		
Tax at rates other than the UK corporation tax rate	(125)	(73)
Adjustments to amounts carried in respect of unresolved tax matters	35	9
Withholdings and local taxes	30	19
Tax losses not recognised/(utilised tax losses)	10	(4)
Adjustment in respect of prior periods	(20)	(19)
Other permanent differences	(22)	6
Total tax charge	271	200

Certain deferred tax amounts totalling £33m (2006 £10m) in respect of corporation tax losses and other timing differences have not been recognised at 31 December 2007 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other timing differences become reasonably certain. The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

Included within other permanent differences is the impact of the tax rate changes in the UK and other jurisdictions of £24m credit (2006 £5m credit).

continued

7 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (2007 £938m (2006 £674m)) by the weighted average number of ordinary shares in issue during the period (2007 715,039,130 (2006 720,685,570)).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: Executive Options and Employee Sharesave schemes. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2007, there were 4.5m (2006 17.3m) of Executive Options not included within the dilution because the contingent performance targets had not been met.

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:

	2007			2006		
	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	938	715,039,130	131.2	674	720,685,570	93.5
Dilution for Executive Options outstanding and Executive Restricted Share Plan		17,345,740			12,365,411	
Dilution for Employee Sharesave scheme options outstanding		1,240,227			1,145,515	
On a diluted basis	938	733,625,097	127.9	674	734,196,496	91.8

Adjusted basis

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

	2007			2006		
	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	905	715,039,130	126.6	786	720,685,570	109.1
Dilution for Executive Options outstanding and Executive Restricted Share Plan		17,345,740			12,365,411	
Dilution for Employee Sharesave scheme options outstanding		1,240,227			1,145,515	
On a diluted basis	905	733,625,097	123.4	786	734,196,496	107.1

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

8 DIVIDENDS

	2007 £m	2006 £m
Dividends on equity ordinary shares:		
2006 Final paid: 25.0p (2005 Final 21.0p) per share	179	152
2007 Interim paid: 25.0p (2006 Interim 20.5p) per share	179	148
Total dividends for the year	358	300

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2007 of 30.0p per share which will absorb an estimated £215m of shareholders' funds. It will be paid on 29 May 2008 to shareholders who are on the register on 29 February 2008. The expected tax impact of this dividend is £nil (2006 £nil).

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2007	2,967	857	26	99	3,949
Additions	–	1	–	–	1
Disposals	(94)	(17)	–	–	(111)
Exchange adjustments	97	18	1	–	116
At 31 December 2007	2,970	859	27	99	3,955
Accumulated impairment and amortisation					
At 1 January 2007	31	23	25	28	107
Amortisation charge	1	–	1	7	9
Impairment	20	6	–	1	27
Disposals	–	–	–	–	–
Exchange adjustments	1	–	–	–	1
At 31 December 2007	53	29	26	36	144
Net book amount at 31 December 2007	2,917	830	1	63	3,811

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2006	1,651	84	25	92	1,852
Additions	1	1	1	3	6
Acquisitions	1,478	796	–	5	2,279
Exchange adjustments	(163)	(24)	–	(1)	(188)
At 31 December 2006	2,967	857	26	99	3,949
Accumulated impairment and amortisation					
At 1 January 2006	28	18	24	16	86
Amortisation charge	1	–	1	7	9
Impairment	3	6	–	5	14
Exchange adjustments	(1)	(1)	–	–	(2)
At 31 December 2006	31	23	25	28	107
Net book amount at 31 December 2006	2,936	834	1	71	3,842

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

The disposal of brands and goodwill during the year related to the disposal of Hermal (note 2).

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

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

Net book value	2007 £m	2006 £m
Indefinite life assets:		
Brands	2,908	2,926
Goodwill	830	834
Other	35	35
Total indefinite life assets	3,773	3,795
Finite life assets:		
Brands	9	10
Software	1	1
Other	28	36
Total finite life assets	38	47
Total net book value intangible assets	3,811	3,842

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9 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

The annual impairment review for intangible assets is based on an assessment of each asset's value in use. Value in use is calculated from cash flow projections based on historical operating results, short-term budgets, medium-term business plans (five years) and longer-term extrapolation. The long-term extrapolations assume a growth rate of no more than the long-term inflation assumption for the relevant markets (range of 2%-10%). A pre-tax discount rate of 12% (2006 11%) has been used in discounting the projected cash flows. A higher rate is used where appropriate to reflect specific risks associated with the relevant asset. Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands.

An analysis of the net book value of brands by product group, which the Group considers cash generating units, is shown below:

Product group	Key brands	2007 £m	2006 £m
Fabric Care	Calgon, Vanish, Woolite	501	486
Surface Care	Dettol, Lysol	562	559
Dishwashing	Calgonit, Finish	160	147
Home Care	Air Wick	173	191
Health & Personal Care	Veet, Nurofen, Strepsils, Clearasil	1,494	1,526
Food	French's	27	27
Brands total		2,917	2,936

The impairment charge for the year ended 31 December 2007 is £27m (2006 £14m). Amortisation for the year ended 31 December 2007 is £9m (2006 £9m). Goodwill of £799m relates to the Health & Personal Care product group. No other product group contains a significant goodwill balance.

During 2007 £nil (2006 £3m) of development expenditure has been assessed as meeting the requirements of IAS 38 and so has been capitalised within other intangible assets. The net book value of internally generated intangible assets included within other intangible assets, at 31 December 2007 is £8m (2006 £10m).

No borrowing costs have been capitalised as an intangible asset in 2007 (2006 £nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2007	302	861	1,163
Additions	35	99	134
Disposals	(30)	(96)	(126)
Reclassifications	6	(6)	–
Exchange adjustments	13	24	37
At 31 December 2007	326	882	1,208
Accumulated depreciation			
At 1 January 2007	128	610	738
Charge for the year	12	72	84
Disposals	(21)	(86)	(107)
Impairment	–	5	5
Exchange adjustments	3	6	9
At 31 December 2007	122	607	729
Net book amount at 31 December 2007	204	275	479

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2006	306	839	1,145
Additions	8	75	83
Acquisitions	16	49	65
Disposals	(14)	(54)	(68)
Reclassifications	4	(4)	–
Exchange adjustments	(18)	(44)	(62)
At 31 December 2006	302	861	1,163

	Land and buildings £m	Plant and equipment £m	Total £m
Accumulated depreciation			
At 1 January 2006	115	545	660
Charge for the year	11	77	88
Acquisitions	11	41	52
Disposals	(4)	(45)	(49)
Impairment	2	21	23
Exchange adjustments	(7)	(29)	(36)
At 31 December 2006	128	610	738
Net book amount at 31 December 2006	174	251	425

Included in plant and equipment are assets held under finance leases with a net book value of £9m (2006 £9m). The depreciation charge for assets held under finance leases was £2m (2006 £3m).

Minimum lease payments for plant and equipment held under finance leases are £4m (2006 £4m) within one year and £5m (2006 £6m) in two to five years. There are no lease payments falling due after more than five years (2006 £nil).

No revaluations have taken place in 2006 or in 2007.

The net book amount of assets in construction is £39m (2006 £20m). Assets under construction are included within plant and equipment. The reclassification from plant and equipment to land and buildings of £6m (2006 £4m) shows the transfer of completed assets.

The analysis of depreciation charge by income statement line is shown in note 2.

No borrowing costs have been capitalised as plant, property and equipment in 2007 (2006 £nil).

Capital expenditure which was contracted but not capitalised at 31 December 2007 was £20m (2006 £37m).

11 INVENTORIES

	2007 £m	2006 £m
Raw materials and consumables	91	77
Work in progress	14	14
Finished goods and goods held for resale	277	231
Total inventories	382	322

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £2,078m (2006 £2,021m).

The Group inventory provision at 31 December 2007 was £32m (2006 £34m). All inventory that was provided for at 31 December 2006 was sold or otherwise disposed of during 2007.

The Group does not have any inventories pledged as security for liabilities.

Notes to the accounts

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12 TRADE AND OTHER RECEIVABLES – CURRENT

Amounts falling due within one year	2007 £m	2006 £m
Trade receivables	596	588
Less: Provision for impairment of receivables	(11)	(16)
Trade receivables – net	585	572
Other receivables	87	80
Prepayments and accrued income	21	18
	693	670

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

As of 31 December 2007, trade receivables of £40m (2006 £53m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2007 £m	2006 £m
Up to 3 months	40	53

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

	2007 £m	2006 £m
Pound	62	60
Euro	260	257
US Dollar	113	118
Other currencies	258	235
	693	670

As at 31 December 2007, trade receivables of £15m (2006 £26m) were considered to be impaired. The amount of provision of 31 December 2007 was £11m (2006 £16m). It was assessed that a portion of the receivables is expected to be recovered due to the nature and historical collection of trade receivables. The ageing analysis of these receivables is as follows:

	2007 £m	2006 £m
Up to 3 months	10	17
Over 3 months	5	9
	15	26

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

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

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

13 AVAILABLE FOR SALE FINANCIAL ASSETS

These investments do not meet the requirements to be classified as cash equivalents due to having maturities of greater than three months. They are, however, highly liquid assets, consisting solely of short-term deposits. All of these deposits are held with financial institutions with a BBB rating or above. The effective interest rate on these short-term deposits is 8.0% (2006 7.9%) and they have an average maturity of 256 days (2006 295 days) from inception.

14 CASH AND CASH EQUIVALENTS

	2007 £m	2006 £m
Cash at bank and in hand	130	107
Short-term bank deposits	198	194
Commercial paper	–	4
Cash and cash equivalents	328	305

The effective interest rate on short-term bank deposits and commercial paper is 7.3% (2006 6.9%) and these deposits have an average maturity date of 59 days (2006 60 days) from inception.

Due to foreign currency exchange restrictions £67m (2006 £66m) of cash included in cash and cash equivalents is restricted for use by the Group.

15 FINANCIAL LIABILITIES – BORROWINGS

	2007 £m	2006 £m
Current		
Bank loans and overdrafts ^(a)	32	20
Commercial paper ^(b)	451	891
Finance lease obligations	4	4
6.72% Notes Series F due 2007	–	58
	487	973
Non-Current		
Finance lease obligations	5	6
Preference shares ^(c)	–	5
	5	11

(a) Bank loans are denominated in a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.

(b) Commercial paper was issued in a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.

(c) Preference Share Capital.

Authorised, issued and fully paid	2007 Number of shares	2006 Number of shares	2007 £m	2006 £m
5% Cumulative Preference Shares of £1 each	–	4,500,000	–	5

As part of the Scheme of Arrangement Reckitt Benckiser plc cancelled and repaid the 4,500,000 of 5% cumulative preference shares which were recognised as non-current borrowings by the Group at 31 December 2006.

The 5% cumulative preference shares of £1 each, which were irredeemable and were issued at par, ranked in priority to the ordinary shares both as to dividend and to capital. Shareholders were entitled to receive dividends at 5% per annum on the par value of these shares on a cumulative basis; these dividends were payable bi-annually on 1 January and 1 July. These shares had no further rights to participate in the reserves of the Company and the non-equity capital did not carry any right to vote at any general meeting of the Company unless either: i) the dividend was six months in arrears; or ii) there was a resolution to wind up the Company or to reduce its capital; or iii) there was a resolution to alter the rights of the preference shareholders. On 23 October 2007, in conjunction with the Scheme of Arrangement (detailed in note 20) these shares were cancelled and repaid at par plus accrued interest.

Notes to the accounts

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15 FINANCIAL LIABILITIES – BORROWINGS (CONTINUED)

	2007 £m	2006 £m
Maturity of debt		
Bank loans and overdrafts repayable:		
Within one year or on demand	32	20
Other borrowings repayable:		
Within one year:		
Commercial paper	451	891
6.72% Notes Series F due 2007	–	58
Finance leases	4	4
Between two and five years:		
Finance leases (payable by instalments)	5	6
After more than five years:		
5% cumulative preference shares	–	5
	460	964
Gross borrowings (unsecured)	492	984

Borrowing facilities

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 (except for those expiring within one year in which conditions precedent were met subsequent to the balance sheet date), were as follows:

	2007 £m	2006 £m
Undrawn committed borrowing facilities		
Expiring within one year	1,260	–
Expiring between one and two years	–	–
Expiring after more than two years	1,225	1,224
	2,485	1,224

All borrowing facilities are at floating rates of interest.

The facility expiring within one year is a bridging facility arranged to facilitate the acquisition of Adams Respiratory Therapeutics, Inc. The other facilities have been arranged as a contingency to cover any future funding requirements. All facilities incur commitment fees at market rates.

The Group's borrowing limit at 31 December 2007 calculated in accordance with the Articles of Association was £43,149m (2006 £3,726m).

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2006	–	14	14
Charged to the income statement	51	1	52
Utilised during the year	–	(4)	(4)
Exchange adjustments	–	–	–
At 31 December 2006	51	11	62
Charged to the income statement	30	27	57
Utilised during the year	(46)	(19)	(65)
Exchange adjustments	1	–	1
At 31 December 2007	36	19	55

Provisions have been analysed between current and non-current as follows:

	2007 £m	2006 £m
Current	36	47
Non-current	19	15
	55	62

Other provisions include provision for an onerous lease expiring in 2016 of £9m (2006 £5m). The remainder of the balance relates to various legal and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

The restructuring provision relates to further restructuring of configuration in the Group. The majority is expected to be utilised in 2008 with the remainder being utilised in 2009.

17 TRADE AND OTHER PAYABLES

	2007 £m	2006 £m
Trade payables	658	646
Other payables	57	68
Other tax and social security payable	77	69
Fair value derivatives	6	2
Accruals and deferred income	837	696
	1,635	1,481

18 OTHER NON-CURRENT LIABILITIES

	2007 £m	2006 £m
Accruals and deferred income	3	3
Other payables	20	20
	23	23

19 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior year reporting periods.

	Accelerated capital allowances £m	Intangible assets £m	Short-term timing differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax liabilities						
At 1 January 2006	20	460	(103)	(1)	1	377
Charged/(credited) to the income statement	2	5	39	–	(2)	44
Acquisition	–	372	–	–	–	372
Exchange differences	–	(27)	–	–	–	(27)
At 31 December 2006	22	810	(64)	(1)	(1)	766
(Credited)/charged to the income statement	(10)	(23)	(32)	(7)	–	(72)
Credited to equity	–	(3)	–	–	–	(3)
Exchange differences	–	14	–	–	–	14
At 31 December 2007	12	798	(96)	(8)	(1)	705
Deferred tax assets						
At 1 January 2006	1	1	41	12	22	77
Credited/(charged) to the income statement	4	6	30	9	(7)	42
Credited/(charged) to equity	–	–	4	–	(15)	(11)
Acquisition	12	–	12	(1)	4	27
Exchange differences	–	–	5	–	4	9
At 31 December 2006	17	7	92	20	8	144
(Charged)/credited to the income statement	(13)	(16)	8	(20)	(4)	(45)
Credited/(charged) to equity	–	–	11	–	(5)	6
Exchange differences	–	–	1	–	–	1
At 31 December 2007	4	(9)	112	–	(1)	106

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

The current element of deferred tax is considered to be within short-term timing differences and tax losses.

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

Included within the credit to the income statement within deferred tax liabilities relating to intangible assets is an amount of £17m for the disposal of Hermal.

Notes to the accounts

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20 SHARE CAPITAL

Authorised	Equity Ordinary Shares	Nominal Value £m	Non voting Redeemable Preference Shares	Nominal Value £m	Subscriber Ordinary Shares	Nominal Value £m
At 1 January 2007 (Reckitt Benckiser plc)						
Unclassified shares of 10% _p each	225,958,229	24				
Ordinary shares of 10% _p each	719,541,771	76				
	945,500,000	100				
At 31 December 2007 (Reckitt Benckiser Group plc)						
Ordinary shares of 10p each	945,500,000	95				
	945,500,000	95				
Issued and fully paid						
At 1 January 2007 (Reckitt Benckiser plc)	719,541,771	76				
Allotments	2,826,741	–				
At 22 October 2007	722,368,512	76				
On formation of Reckitt Benckiser Group plc			50,000	–	2	–
Group reconstruction – shares in Reckitt Benckiser Group plc of 10p each	722,368,512	72				
At 31 December 2007	722,368,512	72	50,000	–	2	–

On 23 October 2007 under a Scheme of Arrangement between Reckitt Benckiser plc, the former holding company of the Group, and its shareholders under Section 425 of the Companies Act 1985, and as sanctioned by the High Court, all the issued shares in that Company were cancelled and the same number of new shares were issued to Reckitt Benckiser Group plc in consideration for the allotment to shareholders of one ordinary share in Reckitt Benckiser Group plc for each ordinary share in Reckitt Benckiser plc held on the record date, 22 October 2007. In the above table the figures up to 22 October 2007 relate to shares in Reckitt Benckiser plc. Subsequent movements relate to shares in Reckitt Benckiser Group plc.

Reckitt Benckiser Group plc was incorporated on 6 June 2007 under the name of Trushelfco (no.3293) Limited. On incorporation, the Company's authorised share capital was £100 divided into 100 ordinary shares of £1 each. Of such shares, two ordinary shares were taken by the subscribers to the memorandum of association and were paid up in full in cash. On 28 August 2007 the Company increased its share capital by £50,000 by the creation of 50,000 non-voting redeemable preference shares of £1 each. On 28 August 2007 the Company authorised and allotted 50,000 redeemable preference shares of £1 each to the subscriber.

On 23 October 2007 as part of the Scheme of Arrangement noted above, a further 722,368,512 ordinary shares of 2000 pence were issued, whereby Reckitt Benckiser Group plc was interposed as the new holding company of the Group. As required by Section 131 of the Companies Act 1985 (Merger Relief), no share premium was recognised. On 25 October 2007 the share capital of Reckitt Benckiser Group plc was reduced by reducing the nominal value of the ordinary shares from 2000 pence to 10 pence as sanctioned by the High Court. As a result £14,299 million was added to retained earnings for the Group. For the Company this amount is distributable. The Group met the net income growth forecast set out in the documents published as part of this Scheme of Arrangement. For further details, refer to the Business Review, page 7.

At the same time as the Scheme of Arrangement Reckitt Benckiser plc cancelled and repaid the 4,500,000 of 5% cumulative preference shares which had been recognised as non-current borrowings by the Group at 31 December 2006. The rights, preferences and restrictions of these shares are described in note 15.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

Allotments

During the year ordinary shares were allotted as follows:

Ordinary shares	Number of shares	Number of shares	Consideration £m	Consideration £m
Executive Share Options – exercised	3,529,453			
Executive Share Options – released from Treasury	(3,342,453)			
Total Executive Share Options		187,000	1	
Award of Restricted Shares		2,040,896	–	
Total under Executive Share Option and Restricted Share Schemes		2,227,896		1
Under the Senior Executives Share Ownership Policy Plan		10,000		–
Under the Savings-Related Share Option Schemes		588,845		6
Total		2,826,741		7

Market purchases of shares

During 2007, as part of the Group's continuing share buy back programme, the Group spent £300m repurchasing 11,094,400 shares all of which were held as Treasury shares. 4,212,675 Treasury shares have been used to satisfy exercises during the year under the Group's various share option schemes. This leaves a balance of 10,389,725 held as Treasury shares at 31 December 2007 (2006 3,508,000). The shares repurchased represent 1.54% of the Parent Company's called up share capital at 31 December 2007 and had a nominal value of £1m.

20 SHARE CAPITAL (CONTINUED)

In the period 1 January 2008 to 29 February 2008 a further 609,000 shares have been repurchased at a cost of £16.8m and are held in Treasury. These shares repurchased represent less than 0.1% of the Parent Company's called up share capital at 31 December 2007 and had a nominal value of £61,000.

Options and restricted shares granted during the year

Options and restricted shares which may vest or become exercisable at various dates between 2011 and 2017 granted during the year were as follows:

Executive share option and restricted share schemes	Price to be paid £	Number of shares under option
Long-Term Incentive Plan 2007 – share options	29.44	4,483,300
Long-Term Incentive Plan 2007 – restricted shares	–	2,241,650
Total		6,724,950
Savings-Related Share Option Schemes	21.24	231,718

Options and restricted shares unexercised at 31 December 2007

Options and restricted shares exercisable at various dates between 2007 and 2017 are as follows:

Executive share option and restricted share schemes	Price to be paid £		Number of shares under option	
	From	To	2007	2006
Reckitt & Colman Schemes	7.140	12.120	93,821	170,609
Benckiser 1998 Schemes		5.100	–	109,865
Benckiser 1999 Schemes		7.480	102,468	127,536
Benckiser Initial Options Award Agreement 29 September 1999		7.040	1,533,666	2,153,666
Reckitt Benckiser 1999 Share Option Plan – Initial Grant		7.220	204,500	249,500
Reckitt Benckiser Restricted Share Plan – Initial Grant		–	4,500	4,500
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	5.538	18.100	14,678,943	18,324,319
Reckitt Benckiser Restricted Share Plan – Annual Grant		–	4,004,302	6,158,531
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	4,302,307	4,933,300
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – restricted shares		–	2,042,653	2,466,650
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options		29.44	4,483,300	–
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	2,241,650	–
Reckitt Benckiser Senior Executives Share Ownership Policy Plan		–	100,000	90,000
			33,792,110	34,788,476

Savings-related share option schemes	Price to be paid £		Number of shares under option	
	From	To	2007	2006
UK Scheme	13.710	21.240	598,371	785,726
Overseas Scheme		13.710	1,187,287	1,427,813
USA Scheme	13.710	21.240	587,736	973,567
Total			2,373,394	3,187,106

Those Benckiser options which were granted prior to the merger on 3 December 1999 were granted over Benckiser N.V. B shares. On the merger, these options converted 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 Group 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.

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21 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Company								Total £m
	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Minority interest £m	
Balance at 1 January 2006	76	479	142	(1)	4	42	1,113	1	1,856
Shares allotted under share schemes:	1	48							49
Unvested share awards:							42		42
Deferred tax on share awards:							4		4
Profit for the year:							674		674
Dividends:							(300)		(300)
Own shares repurchased:	(1)						(202)		(203)
Actuarial gains and losses:							43		43
Movement of deferred tax on pension liability:							(15)		(15)
Transfer to capital redemption reserve:					1		(1)		–
Purchase of minority interests:							(2)		(2)
Net exchange adjustments on foreign currency translation:						(194)			(194)
Shares repurchased and held in Treasury:							(97)		(97)
Treasury shares re-issued:							7		7
Minority interest acquired with business acquisition:								2	2
Balance at 31 December 2006	76	527	142	(1)	5	(152)	1,266	3	1,866
Shares allotted under share schemes:		7							7
Unvested share awards:							52		52
Deferred tax movement on share awards:							13		13
Tax movement on share option exercises:							18		18
Profit for the year:							938		938
Dividends:							(358)		(358)
Actuarial gains and losses:							25		25
Movement of deferred tax on pension liability:							(5)		(5)
Cancellation of RB plc shares:	(76)	(534)			(5)		615		–
Issue of RB Group plc shares:	14,447								14,447
Capital reduction – merger accounting:	(14,375)		(14,371)				14,299		(14,447)
RB Group plc share issue costs:							(3)		(3)
Net exchange adjustments on foreign currency translation:						93			93
Net hedged gains and losses taken to reserves:				(5)					(5)
Shares repurchased and held in Treasury:							(300)		(300)
Treasury shares re-issued:							45		45
Minority interest acquired:								(1)	(1)
Balance at 31 December 2007	72	–	(14,229)	(6)	–	(59)	16,605	2	2,385

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the parent company's access to distributable profits of £3,154m (2006 £194m). The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were £90m of Treasury shares at 1 January 2007. £300m of shares were repurchased and held in Treasury, of which £45m were issued to satisfy Executive Share Options exercised. £345m of Treasury shares were carried forward at 31 December 2007.

21 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Reserves

The original merger reserve arose in 1999 following the combination of Reckitt & Colman plc and Benckiser N.V. to form Reckitt Benckiser plc. This transaction was accounted for as a merger. During the year ended 31 December 2007 there was a debit of £14,371m to the merger reserve as a result of the Group reconstruction described in note 20 which was treated as a merger under Section 425 of the Companies Act 1985.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that are extant at year end.

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations that are not considered integral to the operations of the parent company, arising when the Group's entities are consolidated. The reserve also contains the translation of liabilities that hedge the Group's net exposure in a foreign currency.

22 EQUITY MINORITY INTERESTS

	2007 £m	2006 £m
At 1 January 2007	3	1
Acquisition of minority shareholdings upon business acquisition	–	2
Purchase of minority shareholdings	(1)	–
As at 31 December 2007	2	3

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Hedge of net investment in foreign entity

The Group had dollar-denominated borrowings which it has designated as a hedge of net investment in its subsidiaries in the USA. The carrying value of the dollar borrowings at 31 December 2007 was £nil (2006 £58m). The foreign exchange gain of £2m (2006 gain of £9m) on translation of the borrowings into sterling has been recognised in foreign currency translation reserve. This hedge is used to mitigate the foreign exchange risk of the Group's net investment in its subsidiaries in the USA.

Fair value of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The fair values of cash, cash equivalents, short-term deposits, short-term borrowings and trade receivables and payables approximate to book value.

Numerical financial instruments disclosures are set out below along with additional disclosures relating to risk management.

	Liabilities £m
At 31 December 2007	
Forward foreign currency contracts – cash flow hedge	6

	Liabilities £m
At 31 December 2006	
Forward foreign currency contracts – cash flow hedge	1

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments designated as cash flow hedges at the balance sheet date were:

	2007 £m	2006 £m
Contracts with negative fair values		
Forward foreign currency contracts	6	1

There were no interest rate swaps (2006 none) held at year end.

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23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow hedge profile

As at 31 December 2007, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2006.

The Group held forward foreign exchange contracts denominated as cash flow hedges primarily in US dollars, Euros and Australian dollars. Nominal value resulting from these financial instruments was as follows:

	2007 £m	2006 £m
US dollar	45	9
Euro	11	11
Australian dollars	9	36
Other	16	7
	81	63

These forward foreign exchange contracts were expected to mature evenly over the period January 2008 to March 2009 (2006 January 2007 to April 2008). The contracts were fully denominated as cash flow hedges. These hedges are used to mitigate the foreign exchange risk on forecast foreign currency cash flows.

Fair value table

	Book value £m	2007 Fair value £m	Book value £m	2006 Fair value £m
Long-term borrowings	(5)	(4)	(6)	(5)
Preference shares	–	–	(5)	(5)
Fair value of other financial assets and financial liabilities				
Long-term assets (net)	2	(2)	6	1
Primary financial instruments held or issued to finance the Group's operations:				
Current borrowings	(36)	(36)	(82)	(82)
Non-current deposits	39	39	19	19
Short-term deposits	198	198	194	194
Commercial paper issued	(451)	(451)	(891)	(891)
Commercial paper purchased	–	–	4	4
Cash at bank and in hand	130	130	107	107

The following methods and assumptions were used to estimate the fair values shown in this table:

- Current borrowings – approximates to the carrying amount due to their short maturity.
- Other borrowings non-current – market value using quoted market prices for equivalent fixed rate borrowings.
- 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.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency and interest rate exposure of financial liabilities after hedging

	2007				2006			
	Fixed £m	Floating £m	Non interest bearing £m	Total £m	Fixed £m	Floating £m	Non interest bearing £m	Total £m
Sterling	4	452	9	465	8	890	5	903
US dollar	1	8	–	9	60	3	–	63
Euro	4	–	–	4	6	1	–	7
Other	–	23	–	23	–	16	–	16
	9	483	9	501	74	910	5	989
of which:								
Gross borrowings				492				979
Preference Shares				–				5
Other financial liabilities				9				5
				501				989

The £452m (2006 £890m) sterling floating borrowings include commercial paper issued in US dollars valued at £451m (2006 £606m) and Euros valued at £nil (2006 £87m). Although issued in currencies other than sterling, the Group entered into forward foreign exchange contracts to fix the sterling value due for repayment on maturity of these borrowings.

Financial risk management

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using foreign currency financial instruments, including debt, and other instruments, to fix interest rates.

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.

The Board of Directors 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 is subject to periodic independent reviews and audits, both internal and external.

1. Market Risk

(a) Foreign exchange 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 the underlying net assets of its foreign subsidiaries.

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

As at 31 December 2007 65% (2006 54%) of the Group's financial liabilities were in currencies other than sterling, including 10% (2006 10%) being denominated in US dollars. All the Group's major currency net assets exceeded the borrowings in the corresponding individual currencies.

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans. The local business units enter into forward foreign exchange contracts with 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 spot and forward foreign currency exchange contracts.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Major non-derivative monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. As at 31 December 2007 if the US dollar or Euro had strengthened/weakened by 5% against all currencies with all other variables held constant, this would have an insignificant effect on consolidated profit or loss or shareholders' equity (2006 insignificant).

In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship with all others held constant does not have a significant effect on the consolidated profit or loss or shareholders' equity. The largest fluctuation is in respect of a forward contract between the Canadian and US dollar when at 31 December 2007, if the Canadian dollar had strengthened/weakened by 5% against the US dollar, with all other variables held constant, shareholders' equity would have been £2m (2006 £nil) lower/higher.

(b) Price risk

The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

continued

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Cash flow and fair value interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities. The Group manages its interest expense rate exposure using a mixture of fixed-rate and floating rate debt. At the end of 2007, the Group had nil (2006 7%) financial liabilities at fixed rates. The Group manages its interest rate exposure on its gross financial assets by using a combination of fixed rate term deposits and forward rate agreements.

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the profit or loss of a 50 basis-point shift would be a maximum increase of £2m (2006 £4m) or decrease of £2m (2006 £4m), respectively. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

2. Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The credit quality of trade and other receivables is detailed in note 12. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board.

The table below summarises the Group's major financial institution counterparties by credit rating and balances at the balance sheet date.

Counterparty Risk

Counterparty	2007		2006	
	Credit Rating	Exposure £m	Credit Rating	Exposure £m
Bank A	AA	59	AA	51
Bank B	AA	54	AA	39
Bank C	A	42	A	54
Bank D	AAA	42	AAA	–
Bank E	AA	23	A	28
Bank F	AA	22	AA	10
Bank G	A	20	A	13
Bank H	A	20	A	2
Bank I	AA	10	AA	52
Bank J	AA	10	AA	19

3. Liquidity risk

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

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. At the end of 2007, the Group had, in addition to its long-term debt of £5m (2006 £11m), committed borrowing facilities totalling £2,485m (2006 £1,225m), of which £1,225m exceeded 12 months' maturity. Of the total facilities at the year end, £nil (2006 £1m) was utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements, including the acquisition of Adams Respiratory Therapeutics, Inc.

Headroom between net debt and available facilities at 31 December 2007 was £2,360m (2006 £313m).

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date, including interest to be paid. Balances due within 12 months have not been discounted as the impact is not significant.

	Carrying Values £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2007					
Commercial paper	(451)	(456)	–	–	–
Other borrowings	(41)	(39)	(2)	–	–
Other financial liabilities	(9)	(2)	(2)	(8)	(11)
Trade payables	(658)	(658)	–	–	–
Other payables	(889)	(870)	(19)	–	–
At 31 December 2006					
Commercial paper	(891)	(901)	–	–	–
Other borrowings	(88)	(85)	(2)	(1)	–
Other financial liabilities	(10)	(2)	(2)	(7)	(18)
Trade payables	(646)	(646)	–	–	–
Other payables	(773)	(753)	(20)	–	–

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date. Balances due within 12 months have not been discounted as the impact is not significant.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2007				
Forward exchange contracts – cash flow hedges				
Outflow	(897)	(5)	–	–
Inflow	902	3	–	–
At 31 December 2006				
Forward exchange contracts – cash flow hedges				
Outflow	(1,296)	(5)	–	–
Inflow	1,284	4	–	–

4. Capital risk management

Capital risk management is discussed in detail in the Business Review on page 9.

5. Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using quoted spot rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows and applying the current market interest rate that is available to the Group for similar financial instruments.

6. Derivative financial instruments

The notional principal values in this table have been calculated using spot rates at the relevant balance sheet date:

	Assets £m	2007 Liabilities £m	Assets £m	2006 Liabilities £m
Forward exchange contracts – cash flow hedges	905	(902)	1,288	(1,301)
Total (all current)	905	(902)	1,288	(1,301)

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to £nil (2006 £nil). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

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

Forward foreign exchange contracts

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 21) on forward exchange contracts as of 31 December 2007 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial recognition of a financial asset in which case recognition is over the lifetime of the asset.

Notes to the accounts

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24 OPERATING LEASE COMMITMENTS

	2007		2006	
	Land and buildings £m	Plant and equipment £m	Land and buildings £m	Plant and equipment £m
Total commitments under non-cancellable operating leases due:				
Within one year	19	3	19	4
Later than one and less than five years	49	2	56	4
After five years	35	–	44	–
	103	5	119	8

Operating lease rentals charged to the income statement in 2007 were £24m (2006 £21m) in respect of land and buildings and £6m (2006 £6m) in respect of plant and equipment.

As at 31 December 2007, total amounts expected to be received under non-cancellable sub-lease arrangements were £12m (2006 £13m). Amounts credited to the income statement in respect of sub-lease arrangements were £1m (2006 £1m).

25 CONTINGENT LIABILITIES

Contingent liabilities for the Group, comprising guarantees relating to subsidiary undertakings, at 31 December 2007 amounted to £33m (2006 £32m).

26 RELATED PARTY TRANSACTIONS

The Group's subsidiary in Zimbabwe (Reckitt Benckiser (Zimbabwe) (Private) Ltd) is not consolidated as noted in the accounting policies. Therefore transactions between the Group and Reckitt Benckiser (Zimbabwe) (Private) Ltd are classified as related party transactions. During 2007 Group companies sold to and purchased from Reckitt Benckiser (Zimbabwe) (Private) Ltd products and services of less than £1m (2006 less than £1m). At 31 December 2007 Group companies had receivable and payable balances with Reckitt Benckiser (Zimbabwe) (Private) Ltd of less than £1m (2006 less than £1m). There are no other significant related party transactions in 2007 (2006 none).

Key management compensation is disclosed in note 4a.

27 BUSINESS ACQUISITIONS

Acquisitions

There were no acquisitions during the year (2006 Boots Healthcare International). No significant adjustments were made to the provisional fair value adjustments recognised in the 2006 financial statements in relation to the BHI acquisition.

28 POST BALANCE SHEET EVENTS

Acquisition of Adams Respiratory Therapeutics

The Company completed the acquisition of Adams Respiratory Therapeutics, Inc. on 30 January 2008 for a cash consideration of \$60 per share or approximately \$2.3bn (£1.1bn). The purchase has been accounted for as an acquisition and the Directors are in the process of revaluing the assets and liabilities acquired to fair value, including the value of any acquired intangible assets. As the acquisition took place on 30 January 2008, the Directors consider it impracticable to provide the disclosures required by IFRS 3 and have therefore used the exemption available which permits non-disclosure in such instances.

Further disclosure will be provided in the 2008 Interim Announcement.

Share capital issued since 31 December 2007

In the period 31 December 2007 to 29 February 2008 the parent company has not issued any ordinary shares.

Five-year summary

	2007 £m	2006 £m	2005 £m	IFRS 2004 £m	UK GAAP 2003 £m
Income statement					
Net revenues	5,269	4,922	4,179	3,871	3,713
Operating profit	1,233	910	840	749	679
Operating profit before exceptional items	1,190	1,059	840	749	679
Exceptional Items	43	(149)	–	–	–
Operating profit	1,233	910	840	749	679
Net finance (expense)/income	(24)	(36)	36	9	(19)
Profit on ordinary activities before tax	1,209	874	876	758	660
Tax on profit	(271)	(200)	(207)	(181)	(171)
Attributable to minority interests	–	–	–	–	–
Profit for the year	938	674	669	577	489
Ordinary dividends	(358)	(300)	(262)	(216)	(198)
Profit after deducting dividends	580	374	407	361	291
Balance sheet					
Fixed assets	4,426	4,421	2,343	2,212	2,248
Net current (liabilities)/assets (excluding current liability provisions)	(946)	(1,377)	351	240	118
Total assets less current liabilities (excluding current liability provisions)	3,480	3,044	2,694	2,452	2,366
Creditors due after more than one year:					
Borrowings/other	(148)	(134)	(186)	(255)	(292)
Convertible Capital Bonds	–	–	–	–	(192)
Provisions for liabilities and charges**	(947)	(1,044)	(652)	(617)	(408)
Equity minority interests	(2)	(3)	(1)	(3)	(4)
Total shareholders' funds	2,383	1,863	1,855	1,577	1,470
Statistics					
Reported basis					
Operating profit to net revenues	23.4%	18.5%	20.1%	19.3%	18.3%
Total interest to operating profit (times covered)	51.4x	25.3x	n/a	n/a	35.7x
Tax rate	22.4%	22.9%	23.6%	23.9%	25.9%
Dividend cover [†]	2.6x	2.2x	2.6x	2.7x	2.5x
Adjusted basis*					
Operating profit to net revenues	22.6%	21.5%	20.1%	19.3%	18.3%
Total interest to operating profit (times covered)	49.6x	29.4x	n/a	n/a	35.7x
Dividend cover [†]	2.5x	2.6x	2.6x	2.7x	2.5x
Dividends per ordinary share	50.0p	41.5p	36.0p	30.0p	28.0p

*Adjusted basis is calculated by deducting the exceptional items from profit for the year.

[†]Dividend cover is calculated by dividing earnings/adjusted earnings by ordinary dividends paid.

The figures for 2003 have not been restated following the adoption of IFRS in 2005.

**Provisions for liabilities and charges includes deferred tax liabilities, retirement benefit obligations and restructuring provisions.

We have audited the parent company financial statements of Reckitt Benckiser Group plc for the period ended 31 December 2007 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2007.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Business Review 2007, the Report of the Directors (including Corporate governance), the unaudited part of the Directors' Remuneration Report, the biographies of the Board of Directors and Executive Committee, and the Shareholder information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
13 March 2008

Notes:

- The maintenance and integrity of the Reckitt Benckiser Group plc 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 convention

The accounts are prepared under the historical cost convention as modified by the revaluation of financial instruments and share based remuneration and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

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.

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.

Tangible fixed assets

Fixed asset investments are valued at cost less impairment.

Employee share schemes

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

Financial instruments

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

Where the Company has the positive intent and ability to hold a financial instrument until its maturity, the instruments are stated at amortised cost less any impairment losses recognised in the income statement.

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

Financial instruments classified as held for trading are recognised/derecognised by the Company on the date it commits to purchase/sell the instrument. Financial instruments held to maturity are recognised/de-recognised on the day they are transferred to/by the Company.

Capital transactions

When the Company repurchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are either held in Treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from Retained Earnings to the Capital Redemption Reserve.

Cash and cash equivalents

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

Cash flow statement

Reckitt Benckiser Group plc has presented a Group cash flow statement in its Annual Report and Accounts 2007, therefore as permitted by FRS 1, "Cash Flow Statements", the Directors have not prepared a cash flow statement for the Company.

Accounting estimates and judgements

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

- The determination of the carrying value of investments classified as fixed assets, and the assessment of any impairment of the investments.
- Assumptions are made in relation to share awards, both in the Black-Scholes model used to calculate the charge and in terms of the recoverability of the deferred tax asset related to the share award reserve.

Comparative information

As detailed in note 5, on 23 October 2007 a Scheme of Arrangement took place whereby Reckitt Benckiser Group plc was interposed as the new holding company of the Group. There is no comparative information as this is the Company's first accounting period.

Parent company balance sheet

As at 31 December 2007

	Notes	2007 £m
Fixed assets		
Investments	1	14,447
Current assets		
Debtors due within one year	2	2
Debtors due after more than one year	3	1
		3
Current liabilities		
Creditors due within one year	4	(66)
Net current liabilities		(63)
Total assets less current liabilities		14,384
Net assets		14,384
EQUITY		
Capital and reserves		
Share capital	5	72
Profit and loss reserve	6	14,312
Total equity		14,384

Approved by the Board on 13 March 2008.

Adrian Bellamy
Director

Bart Becht
Director

1 INVESTMENTS CLASSIFIED AS FIXED ASSETS

	Shares in subsidiary undertakings £m
At 6 June 2007	–
Acquisitions during the period (refer to note 5)	14,447
At 31 December 2007	14,447
Provision for impairment:	
At 6 June 2007	–
Provided for during the period	–
At 31 December 2007	–
Net book amounts:	
At 6 June 2007	–
At 31 December 2007	14,447

Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2007, 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 100
Reckitt Benckiser Italia SpA	Household	Italy	Ordinary 100
Reckitt Benckiser (Poland) SA	Household	Poland	Ordinary 100
Reckitt Benckiser (UK) Limited	Household	UK	Ordinary 100

None of the above subsidiaries is held directly by Reckitt Benckiser Group 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 annual return to Companies House.

2 DEBTORS DUE WITHIN ONE YEAR

	2007 £m
Amounts owed by Group undertakings	2

3 DEBTORS DUE AFTER MORE THAN ONE YEAR

	2007 £m
Deferred tax	1

Notes to the parent company accounts

continued

4 CREDITORS DUE WITHIN ONE YEAR

	2007 £m
Amounts owed to Group undertakings	66
	66

5 CALLED UP SHARE CAPITAL

Authorised, issued and fully paid	Non voting redeemable preference shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m	Equity ordinary shares	Nominal value £m
Ordinary shares – allotted, called up and fully paid	50,000	–	2	–	722,368,512	72

For details of the movement in ordinary shares during 2007 see note 20 of the Group Financial Statements on page 50.

On 23 October 2007 under a Scheme of Arrangement between Reckitt Benckiser plc, the former holding company of the Group, and its shareholders under Section 425 of the Companies Act 1985, and as sanctioned by the High Court, all the issued shares in that Company were cancelled and the same number of new shares were issued to Reckitt Benckiser Group plc in consideration for the allotment to shareholders of one ordinary share in Reckitt Benckiser Group plc for each ordinary share in Reckitt Benckiser plc held on the record date, 22 October 2007. Subsequent movements relate to shares in Reckitt Benckiser Group plc.

Reckitt Benckiser Group plc was incorporated on 6 June 2007 under the name Trushelfco (No.3293) Limited. On incorporation, the Company's authorised share capital was £100 divided into 100 ordinary shares of £1 each. Of such shares, two ordinary shares were taken by the subscribers to the memorandum of association and were paid up in full in cash. On 28 August 2007 the Company increased its share capital by £50,000 by the creation of 50,000 non-voting redeemable preference shares of £1 each. On 28 August 2007 the Company authorised and allotted 50,000 redeemable preference shares of £1 each to the subscriber.

On 23 October 2007 as part of the Scheme of Arrangement noted above, a further 722,368,512 ordinary shares of 2000 pence were issued, whereby Reckitt Benckiser Group plc was interposed as the new holding company of the Group. As required by Section 131 of the Companies Act 1985 (Merger Relief), no share premium was recognised. On 25 October 2007 the share capital of Reckitt Benckiser Group plc was reduced by reducing the nominal value of the ordinary shares from 2000 pence to 10 pence as sanctioned by the High Court. As a result £14,375m was added to retained earnings for Reckitt Benckiser Group plc. For the Company this amount is distributable.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £m	Profit and loss £m	Total £m
Movements during the period:			
Profit/(loss) for the year		(5)	(5)
Issue of Reckitt Benckiser Group plc shares	14,447		14,447
Capital reduction	(14,375)	14,375	–
Share issue costs		(3)	(3)
Unvested restricted shares		2	2
Shares repurchased as Treasury shares		(66)	(66)
Treasury shares re-issued		9	9
At 31 December 2007	72	14,312	14,384

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

Reckitt Benckiser Group plc has £14,310m of its profit and loss reserve available for distributions.

There were no Treasury shares at 6 June 2007. £66m of shares were repurchased and held in Treasury, of which £9m were issued to satisfy exercises under the Group's various share option schemes. £57m of Treasury shares were carried forward at 31 December 2007.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2007 of 30.0p per share which will absorb an estimated £215m of shareholders' funds. It will be paid on 29 May 2008 to shareholders who are on the register on 29 February 2008.

Other post balance sheet events are described in note 28 of the Group financial statements.

7 SHARE-BASED REMUNERATION

Reckitt Benckiser Group plc has one employee, the Group's CEO. Details of his share awards that are not fully vested are set out in the Directors' Remuneration Report, and the charge in relation to the period 23 October 2007 to 31 December 2007 is set out below. The Company has used the Black-Scholes pricing model to calculate the fair value of one award on the date of the grant of the award.

As described in note 5 the share options are disclosed from the date the Company was interposed as the new parent company of the Group.

Table 1: Fair value of awards with options outstanding at 31 December 2007

Award	Grant date	Exercise price £	Performance period	Black-Scholes model assumptions					Fair value of one award £
				Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk free interest rate %	
Share Options									
2002	17 December 2001	9.504	2002-04	9.70	25	2.7	4	4.50	1.954
2003	22 November 2002	11.186	2003-05	10.96	25	2.7	4	4.50	2.054
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.462
2005	06 December 2004	15.47	2005-07	15.37	23	2.3	4	4.88	2.991
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.334
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.227
2008	11 December 2007	29.44	2008-10	29.72	20	1.8	4	5.53	5.989
Restricted Shares									
2002	17 December 2001	–	2002-04	9.70	25	2.7	4	4.50	8.644
2003	22 November 2002	–	2003-05	10.96	25	2.7	4	4.50	9.791
2004	08 December 2003	–	2004-06	12.80	24	2.6	4	4.50	11.493
2005	06 December 2004	–	2005-07	15.37	23	2.3	4	4.88	13.920
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.376
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.015
2008	11 December 2007	–	2008-10	29.72	20	1.8	4	5.53	27.555

Notes to the parent company accounts

continued

7 SHARE-BASED REMUNERATION (CONTINUED)

The charge for the period ended 31 December 2007 in respect of share-based remuneration under FRS 20 is as set out below:

Table 2: Share awards expense 2007

Award	Grant date	Fair value of one award £	Options outstanding at 23 October 2007 number	Granted/adjustments number	Movement in number of options			Options outstanding at 31 December 2007 number	Total fair value of grant as at 31 December 2007 £m	Charge for the period ending 2007 £m
					Lapsed number	Exercised number				
Share Options										
2002	17 December 2001	1.954	715,834	–	–	–	715,834	1.4	–	
2003	22 November 2002	2.054	1,000,000	–	–	–	1,000,000	2.1	–	
2004	08 December 2003	2.462	800,000	–	–	–	800,000	2.0	–	
2005	06 December 2004	2.991	800,000	–	–	–	800,000	2.4	0.1	
2006	05 December 2005	3.334	800,000	–	–	–	800,000	2.7	0.2	
2007	08 December 2006	4.227	800,000	–	–	–	800,000	3.4	0.2	
2008	11 December 2007	5.989	–	600,000	–	–	600,000	3.6	–	
Restricted Shares										
2002	17 December 2001	8.644	–	–	–	–	–	–	–	
2003	22 November 2002	9.791	–	–	–	–	–	–	–	
2004	08 December 2003	11.493	–	–	–	–	–	–	–	
2005	06 December 2004	13.920	400,000	–	–	–	400,000	5.6	0.3	
2006	05 December 2005	16.376	400,000	–	–	–	400,000	6.6	0.4	
2007	08 December 2006	21.015	400,000	–	–	–	400,000	8.4	0.6	
2008	11 December 2007	27.555	–	300,000	–	–	300,000	8.3	–	
Other Share Awards										
UK SAYE	15 September 2000	2.481	2,777	–	(98)	(2,679)	–	n/a	–	
UK SAYE	04 September 2006	6.612	1,011	–	–	–	1,011	n/a	–	
Total										1.8

Notes

Contractual Life: Executive Share Awards have a contractual life of ten years but vest according to EPS growth criteria over a three-year period. Accordingly, the cost is spread over the three years of the performance period. Other share awards have contractual lives of either three, five or seven years.

Performance criteria: Executive Share Awards are subject to performance criteria based on compound average annual growth (CAAG) rates in earnings per share over the performance period. Other Share Awards are generally not subject to any criteria other than the employee's continued employment. Executive Share Awards included in the above table vest as follows: CAAG of 6%: 40% of awards vest; 7% CAAG: 60%; 8% CAAG: 80%; 9% CAAG: 100%.

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation. The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the Plans in 2006 or 2007 for the purposes of the valuation.

Volatility: An estimate of future volatility is made with reference to historical volatility over a similar time period, to the performance period or the contractual life as appropriate.

Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

Income statement charge: the income statement charge may not exactly equal one third of the total fair value included in the table above due to adjustments for in-year lapses or award revisions.

The weighted average share price for the year was £27.06 (2006 £20.88).

8 AUDITORS' REMUNERATION

The fee charged for the statutory audit of the Company was £0.05m.

9 RELATED PARTY TRANSACTIONS

There were no related party transactions.