This review for the financial year ending 31 December 2007 conforms to the Business Review required under the Companies Act 1985. It should be read in conjunction with the rest of this annual report, the Company's Sustainability Report and the Company's website (www.reckittbenckiser.com).

NATURE, OBJECTIVES AND STRATEGIES OF THE BUSINESS

Reckitt Benckiser is one of the world's leading manufacturers and marketers of branded products in household cleaning and health & personal care, selling a comprehensive range through over 60 operating companies into around 180 countries. Over 75% of net revenues in 2007 were generated by brands that are either market leader or ranked second in their markets. The Company's principal product categories and brands are listed on pages 10 and 11 of the Shareholders' Review.

Reckitt Benckiser's vision is to deliver better consumer solutions in household cleaning and health & personal care for the ultimate purpose of creating shareholder value.

The strategy of the business is described in detail in the Chief Executive's Review. In summary:

- Have a disproportionate focus on our 18 Power Brands to realise our vision and drive above industry average growth to strengthen their global market positions.
- Transform the above industry average net revenue growth into attractive profit and cash flow.

THE COMPANY'S BRAND PORTFOLIO AND MARKET POSITION

The Company benefits from many very strong market positions for its brand portfolio. Excluding Laundry Detergent and Fabric Softener the Company is the world market leader in household cleaning products and has leading positions in selected health & personal care categories. These positions derive from the strength of the Company's leading brands, described as Power Brands, which are the flagship brands in the Company's five major categories and on which the Company focuses the majority of its efforts and investment. The Company also has other brands and market positions that are less of a strategic focus but which play a role as scale builders in local markets.

These leading positions include:

Fabric Care

- No.1 worldwide in Fabric Treatment (products to remove stains from clothes, carpets and upholstery) with Vanish around the globe and Resolve/Spray 'n Wash in North America.
- No.2 worldwide in Garment Care (laundry cleaning products for delicate garments) with Woolite.
- No.1 worldwide in Water Softeners (products to prevent destructive limescale build-up on washing machines and laundry) with Calgon.
- The Company also has a number of local market positions in Laundry Detergents and Fabric Softeners (for example in Spain, Italy, certain East European markets and Korea). The Company also has a small private label business, the majority of which provides Laundry Detergent to major multi-national retailers in Europe.

Surface Care

- No.1 worldwide in the overall Surface Care category due to leading positions across disinfectant cleaners, non-disinfectant all purpose cleaners, lavatory care, specialty cleaners and polishes/waxes.
- No.1 worldwide in disinfectant cleaners (products which both clean and disinfect surfaces, killing 99.9% of germs) with Lysol in North America and the Surface Care products in the Dettol range outside North America.
- No.1 worldwide in lavatory care with Lysol in North America and Harpic across Europe and Developing Markets.
- The Company has a number of local leading brands in non-disinfectant all purpose cleaners, specialty cleaners and polishes/waxes.

Dishwashing

- No.1 worldwide in Automatic Dishwashing (products used in automatic dishwashers) with Finish/Calgonit internationally and Electrasol/Jet Dry in North America.
- The Company also has some small, local positions left in the declining manual dishwashing products market.

Home Care

Home Care consists of Air Care, Pest Control and Shoe Care.

- No.2 worldwide in Air Care with Air Wick.
- No.2 worldwide in Pest Control with Mortein, the Company's international brand, supported by local brand franchises like d-Con in North America.
- No.2 worldwide in Shoe Care with such brands as Cherry Blossom and Nugget.

Health & Personal Care

The Health & Personal Care category consists of products that relieve or solve common personal and health problems.

- No.1 worldwide in topical Antiseptics and Antiseptic personal care products with Dettol.
- No.1 worldwide in depilatory products with Veet.
- No.1 worldwide in medicated sore throat products with Strepsils.
- Leading positions in Analgesics and Upper Gastro-Intestinal products in Europe and Australia with Nurofen and Gaviscon. The company has also local leading positions in Denture Care, Dry Skin Care and Cold/Flu products.

Other

The Company also has two non-strategic businesses, Food and Pharmaceuticals.

- Food. The Company owns a largely North American Food business, the principal brands of which are French's Mustard, the No.1 mustard, and Frank's Red Hot Sauce, the No.2 hot sauce in North America.
- Pharmaceuticals (formerly known as BBG or the Buprenorphine Business Group) is responsible for the development of the Company's Subutex and Suboxone prescription drug business. Both products are based on buprenorphine for treatment of opiate dependence. Suboxone is a more advanced product compared to Subutex, as it has substantially better protection against abuse by the opioid-dependent population. Subutex is principally marketed in Europe by Schering Plough Corporation, Kenilworth, New Jersey to whom it is licensed, while Suboxone is sold by Reckitt Benckiser directly in the USA and Australia with US exclusivity until the end of September 2009. Suboxone has recently received marketing approval from the European Commission for treatment in the 25 states of the European Union, Norway and Iceland, with exclusivity until 2016. As with all prescription drugs, the intellectual property protection of this business has a finite term unless replaced with new treatments or forms. Therefore, the revenue and income of this business may not be sustained going forward unless replaced with new treatments or forms on which the Company is actively working. At the same time, the Company is engaged in developing potential new treatments with third parties that would have either patent protection or market exclusivity in similar areas to where it is active today.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

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

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

The Company competes, particularly in strongly branded segments, through its focus on its leading position in higher growth categories where it is typically the market leader or a close follower and through its ability to introduce new products (whether improved or newly developed) supported by a rising and substantial level of marketing, particularly media, investment. Much industry competition focuses on competing claims for product performance rather than price or terms. For this reason, failure to introduce new products and gain acceptance thereof may significantly impact the Company's operating results. The Company also encounters challenges to its leadership positions in markets, the defence against which requires significant marketing expenditure and promotional activity.

The Company's products also compete for consumers with private label products sold by major retail companies. The Company competes with private label primarily by focusing on delivering innovative new products with real consumer benefits, which private label typically does not focus on, and by consistent marketing investment to communicate the benefits of its brands direct to consumers, where private label is not advertised.

Technological change and product improvement can therefore be a key determinant of the Company's success. Reckitt Benckiser's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Company maintains a large category development organisation, including market and consumer research, R&D and marketing/sales best practice, to fuel this pipeline and share category success factors and learning. The Company invested £92m in 2007, in R&D. While the Company believes R&D to be a key contributor to innovative new products, it does not believe it to be the dominant performance indicator for innovation success. The Company's success is demonstrated by the fact that almost 40% of its net revenues come from products launched over the last three years.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

The household and health & personal care industry is heavily regulated by, inter alia, the European Union, the United States government and individual country governments elsewhere. Ingredients, manufacturing standards, labour standards, product safety, marketing and advertising claims are all subject to detailed and developing regulation.

Reckitt Benckiser has operating companies in some 60 countries and has sales in up to 180 countries worldwide. At present, over 75% of the Company's net revenues derive from Europe, North America and Australia/New Zealand with the remainder coming from mostly semi-established or developing economies. The Company is expanding its operations in these semi-established and developing economies, which may bring increased risks from greater economic volatility, additional governmental burden and regulation, political instability, and local labour conditions. However this is not the case with all developing markets many of which offer higher economic growth potential.

The Company structures its business through a matrix of a centralised Category Development organisation, Global Sales organisation, Supply organisation and support functions (Finance, Human Resources and Information Services) combined with three Area organisations, Europe, North America & Australia, and Developing Markets.

The central Category Development function, where appropriate supported by Global Sales, is responsible for Power Brand strategies, brand equity programmes and best practices, new product development, including R&D, consumer and market research, for implementation by the Area organisation.

The geographical structure is in three Areas which are responsible for local execution of marketing and sales programmes:

- **Europe.** The Area covers the regions of Northern Europe (UK, Ireland, Scandinavia), Central Europe (Germany, Netherlands, Austria, Switzerland), Western Europe (France, Belgium), Southern Europe (Italy, Greece), South Western Europe (Spain, Portugal and export business) and Eastern Europe (Poland, Hungary, Czech Republic/Slovakia/Romania, Adriatics, Russia/CIS, Turkey).
- **North America & Australia.** The Area covers the markets of North America (USA, Canada) and Australia and New Zealand.
- **Developing Markets** covers the regions of Latin America (Brazil, Mexico, Argentina and smaller markets), Africa Middle East (South Africa, Middle East, Pakistan, East Africa, West Africa), South Asia (India, Bangladesh, Sri Lanka, Indonesia) and East Asia (Korea, Hong Kong, China, Taiwan, Singapore, Malaysia, Thailand, Japan).

The Supply function is responsible for all procurement (raw and packaging materials and services), production and logistics globally, and is directly responsible for the operation of the Company's 42 production facilities worldwide. Approximately 80% of manufacturing and supply is through these 42 sites around the world, with facilities located in Europe (15 facilities), North America (six facilities), Australia New Zealand (one facility) and the remaining facilities spread across Asia (12), Latin America (four) and Africa Middle East (four). These include a small number of facilities in higher risk labour and social environments in Asia and Latin America.

Information Services is responsible for the Company's global systems infrastructure and global systems, including the Company's chosen Enterprise Resource Planning (ERP) system and its associated programmes.

The Company has a comprehensive set of policies and procedures designed to enforce and protect its reputation and govern its business methods and practices. These cover, inter alia, a comprehensive Code of Business Conduct, an Environmental Policy, a Global Manufacturing Standard, and a policy on product safety. Internal controls on environmental, social, governance (ESG) matters and reputational risk are further outlined on pages 7, 14 and 15 of this report.

RESOURCES

The major resources required by the business are an adequate supply of the raw and packaging materials consumed by the Company's products, and the necessary funds for developing new products and reinvestment in advertising and promoting those brands. The other principal resource is management.

The Company considers that its primary raw materials, such as bulk chemicals including a number of petrochemicals, plastics, pulp, metal cans etc are generally in adequate supply globally. The costs of these items fluctuate from time to time but not at levels that seriously impinge on the ability of the Company to supply its products or generate profit. The Company is profitable, and cash generative, even after reinvesting in marketing, specifically media, at levels well above the industry average. The Company therefore believes that its ability to reinvest in supporting and building its brands is a significant competitive advantage.

Supply constraints do exist in the Company's supply chain from time to time. These normally arise due to unexpected demand for new products or to the time delay involved in stepping up production of new items to the levels required to supply many millions of units internationally.

The Company's supply chain is deliberately relatively well spread in terms of geography and technology such that the reliance on any one facility is minimised. However there are a number of facilities that remain critical to the Company's supply chain where major interruption to normal working could involve disruption to supply. The Company's suppliers are similarly deliberately well spread in terms of geography and supplied items but there are nonetheless some risks to continuity of supply arising from some specialised suppliers both of raw materials and of third party manufactured items.

The supply of strong management for the Company remains more than adequate. This is attributable to the Company's culture and to its highly performance-oriented remuneration system which is based on paying for excellent performance. The Company believes that its ability to attract and retain the excellent management it needs to continue its success depends critically on this system.

The Company trains and develops its management pipeline through formal training programmes focusing on three areas: leadership skills, functional skills and general skills, and through a deliberate policy of training on the job. The Company has 12 formal training modules for middle management and Top 400 managers. During 2007 the Company ran 50 courses on these modules, training over 800 people. Management is international, and is trained through rotation in international postings both in countries and in the Company's central functions. Succession planning is a critical management discipline and is reviewed at least annually at the full Board and the Executive Committee.

The Company closely monitors and tracks its Top 400 international managers (T400), the core management team of the business. This is a diverse group, consisting of 50 nationalities, and over half of the T400 group is working in a country that is not their original domicile, consistent with the Company's policy to develop a multi-national management team. Turnover within this T400 group in 2007 was 10.1% which the Company considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2007 saw around 40 promotions, 50 moves and fewer than 30 external recruits. The Company ended the year with a historically low level of vacancies within the T400 group of 12, or around 3% of the measured group.

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

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

RELATIONSHIPS AND PRINCIPAL RISKS

The Company's critical external relationships are with its major customers, typically the large grocery, mass market, multiple retailers, and its suppliers of raw and packaging materials and finished goods.

The Company's customer base is diffuse with no single customer accounting for more than 10% of net revenues, and the top ten customers only accounting for between a quarter and a third of total net revenues. These customers are becoming more concentrated and more multi-national, increasing demands on the Company's service levels. In addition, many retailers compete with the Company's products with their own private label offerings. The Company maintains its relationship with its principal retail customers through the efforts of its dedicated sales force, including key account directors, and its global sales organisation specifically set up to manage its interface with the growth of international retailers.

The Company has many suppliers. The suppliers are predominantly international chemical and packaging companies. The Company sources most of its supplies through its global purchasing function, which acts as its primary interface with its suppliers.

The principal risk factors that may be considered in relation to the Company are, in the opinion of the Directors:

Market risks

- Demand for the Company's products may be adversely affected by changes in consumer preferences.
- Customers, mainly large retailers, may decide to de-list the Company's brands, or not participate in the active promotion of the brands through in-store programmes.
- Competition may reduce the Company's market shares and margins.
- The expiry of the Company's exclusive licence for Suboxone in the United States in 2009 with the possibility that the Company will not develop new forms that offer new intellectual protection beyond 2009.
- Competition from private label and unbranded products may intensify.

Operational risks

- The Company's new product pipeline may not generate consumer-relevant innovation and improvement to fuel growth and build market shares.
- Key management may leave or management turnover may significantly increase.
- Information technology systems may be disrupted or may fail, despite the Company's disaster recovery processes, interfering with the Company's ability to conduct its business.
- Regulatory decisions and changes in the legal and regulatory environment could increase costs or liabilities or limit business activities.
- Operating results may be affected by increased costs or shortages of raw materials, labour or by disruption to production facilities or operating centres.
- Unfavourable economic or business conditions may adversely affect or disrupt operations in countries in which the Company operates.
- The Company may not be able to protect its intellectual property rights.

Environmental, social and governance risks

Another group of risks concern the reputation of the Company and its brands, but are reduced by the fact that the Company and its brands are not necessarily connected in the mind of consumers.

Risks from the perspective of Environmental, Social and Governance (ESG) matters are discussed in the Report of the Directors. These should be read in conjunction with the Company's Sustainability Report (available on the Company's website) which addresses the Company's exposures to a number of reputation-affecting issues and how the Company is addressing such risks, and which is independently verified.

In summary, the principal ESG risks identified by the Company are:

- Industry sector/product & consumer safety risks. The household products and health & personal care sectors have a number of product and ingredient issues relating to concerns voiced over the long-term effects of household chemicals and OTC drug ingredients on human health and the environment.
- Supply chain risks. Most product and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and suppliers.
- Product quality & safety risks. Failures in product quality controls could potentially lead to damage to the reputation of and trust in the Company's brands.

The Company has a full set of policies, building on its central Code of Business Conduct, that address all aspects of the Company's ESG behaviour. The Code itself is the subject of an annual review and certification process. The Board holds an annual review of ESG issues.

Financial risks

The Company's policies and procedures on the management of financial risk are explained in detail below. The Company has a number of risk exposures in relation to tax, treasury, financial controls and reporting that are actively managed through the Company's financial manual of policies and procedures, through regular reviews and controls, and through regular auditing, both internal and external.

PERFORMANCE OF THE BUSINESS IN 2007

Net revenues grew by 7% (10% constant) to £5,269m. The extra month of BHI in 2007 contributed 1% to this growth rate.

Reported operating profit for the year rose 35% (39% constant) to £1,233m. Reported net income was 39% (43% constant) higher at £938m. Basic EPS was 131.2p; diluted EPS was 127.9p, an increase of 39% on 2006.

Adjusted operating profit increased 12% (15% constant) to £1,190m. Gross margin was 160bps ahead of last year at 58.3% due to the benefit of price increases early in the year, favourable mix and cost optimisation. Marketing investment was substantially higher, with media investment increased by 14% constant to 12.4% of net revenues, 50 bps ahead of 2006. Adjusted operating margins increased by 110bps to 22.6% due to the gross margin expansion somewhat offset by higher marketing investment, and to the BHI synergies which have been achieved ahead of schedule.

The exceptional profit (net, pre-tax) in 2007 was £43m compared to charges in 2006 of £149m. Cumulative synergies from the BHI acquisition of £87m exceeded the increased target of £80m.

Net interest charges were £24m (2006 £36m) reflecting the reduction in debt during the year. The tax rate is 22%, benefiting from the £20m of one-off tax releases in the second quarter of 2007.

Adjusted net income growth was 15% (18% constant). Adjusted, diluted EPS increased by 15% to 123.4p.

With these results the Company achieved the profit forecast set out on page 32 of the Prospectus issued by Reckitt Benckiser Group plc dated 11 September 2007, which stated that 'we will likely exceed our full year target of net revenue growth of between 7% and 8% at constant exchange (base £4,922m) and net income growth in the mid teens percentage (base £786m) at constant exchange'.

GEOGRAPHIC ANALYSIS AT CONSTANT EXCHANGE EXCLUDING EXCEPTIONAL ITEMS

Europe – 54% of net revenues

2007 net revenues grew by 7% to £2,813m. The extra month of BHI in 2007 contributed 1% to this growth rate while business disposals deducted 1%.

Growth was broad based across all five core categories. Fabric Care grew due to the success of Vanish Oxi Action Multi and Vanish Oxi Action Crystal White, and Calgon Water Softener following increased investment. Surface Care growth benefited from the launch of Cillit Bang Grease & Floor and from growth for Harpic Power Plus and Harpic Max In Toilet Bowl device (ITB) in Lavatory Care. In Automatic Dishwashing, the key drivers were Finish Quantum, Finish All in1 and Finish Turbo Dry. In Home Care, Air Care growth was driven by continuing success for Air Wick Freshmatic. In Health & Personal Care, growth came from the former BHI brands: Nurofen, Strepsils and Clearasil with all three brands responding to increased marketing investment, and from Depilatories.

Full year operating margins were 60bps ahead of last year at 24.2% due to higher gross margins and BHI synergies, partially offset by higher marketing investment to support new products. This resulted in an 11% increase in operating profits to £681m.

2007 results excluding RB Pharmaceuticals

In light of the increasing significance of the RB Pharmaceutical business, the Company provides the following information relating to the performance of the business in 2007 excluding RB Pharmaceuticals (on an adjusted basis):

	RB ex Pharmaceuticals		RB Pharmaceuticals		Total RB	
	£m	% Const	£m	% Const	£m	% Const
Net revenues	5,058	+9%	211	+42%	5,269	+10%
Adjusted Operating Profit	1,072	+13%	118	+44%	1,190	+15%
Adjusted Operating Margin	21.2%	+80bps	55.9%	+90bps	22.6%	+110bps
Adjusted Net Income	830	+16%	75	+44%	905	+18%

North America & Australia (NAA) – 28% of net revenues

2007 net revenues increased 11% to £1,488m. Within this, NAA Household grew 7%, NA Food grew 7% and NAA Pharmaceuticals grew 60%.

Full year growth in Household came particularly from Surface Care, Automatic Dishwashing and Home Care. Surface Care growth was driven by Lysol in NA and by Harpic in ANZ. Automatic Dishwashing increased as a result of the continuing success of Electrasol 3in1 monodose tablets. In Home Care, Air Care growth came from both Airwick Freshmatic and Airwick Electrical Oils. In Health & Personal Care, increased net revenues came mainly from strong growth for Nurofen in ANZ behind higher investment.

Pharmaceuticals grew sales of Suboxone very strongly in the USA where the sales organisation has been substantially increased and helped by a regulatory change which allows doctors to take on more patients for this treatment.

Food grew strongly due to the consumer brands of French's Yellow Mustard, Frank's Red Hot Sauce and French's Fried Onions.

Full year operating margins were 130bps higher at 25.5% mainly due to mix benefit from the high growth of Suboxone plus gross margin expansion and BHI synergies resulting in profits increasing 16% to £379m.

Excluding NAA Pharmaceuticals, operating margins were 20 bps lower at 21.2%.

Developing markets – 18% of net revenues

Net revenues for 2007 grew 15% to £968m with strong growth across all regions of Asia, Latin America and Africa Middle East. The major contributors to growth were Fabric Care, Surface Care, Home Care and Health & Personal Care. In Fabric Care, the growth came from Fabric Treatment, mainly driven by initiatives on Vanish to increase category penetration. In Surface Care, the main drivers were Harpic Power Plus lavatory cleaner, supported by higher investment, and Veja in Brazil. In Home Care, the increase was in both Pest Control and Air Care. Mortein growth came from a number of new initiatives such as Mortein with Dettol, while in Air Care the key driver was Air Wick Freshmatic. In Health & Personal Care, the Dettol personal care range grew strongly, benefiting from the Herbal range extension and additional investment, while in Healthcare both Strepsils, due to higher investment, and Gaviscon, due to geographical expansion, grew strongly.

Full year operating margins expanded 230bps to 13.4% as operating profits increased by 43% to £130m.

CATEGORY REVIEW AT CONSTANT EXCHANGE RATES

Fabric Care. 2007 net revenues increased 5% to £1,241m. The major drivers were strong continuing growth for Vanish Oxi Action Multi and Vanish Oxi Action Crystal White. Calgon Water Softeners grew as a result of higher marketing investment. Woolite Garment Care benefited from the roll-out of Woolite Color and from higher investment. Excluding the private label business, where the level of activity was reduced in the year, the branded business grew 8%.

Surface Care. Net revenues grew 8% to £951m principally due to the launch of Cillit Bang Grease & Floor, and to strong growth for Lysol in North America and Veja in Brazil. Harpic Lavatory Care net revenues were also stronger due to the success of Harpic Power Plus and Harpic Max.

Dishwashing. Net revenues increased 5% to £616m due to the success of Finish Quantum and Finish All in1 in Europe and Electrasol 3in1 tablets in North America.

Home Care. Net revenues improved by 16% to £779m. Air Care grew strongly due to the continuing success of Air Wick Freshmatic globally and strong growth for Air Wick Electrical Oils in North America. Pest Control growth benefited from a number of initiatives such as Mortein Lantern, Mortein with Dettol and Mortein Professional Indoor Spray.

Health & Personal Care. Net revenues increased 13% to £1,199m. The extra month of BHI in 2007 contributed 5% to this growth rate while business disposals deducted 2%.

Dettol was significantly ahead in Developing Markets due to new personal care products like Dettol Herbal soap and shower gel, and significantly increased marketing investment. Veet benefited from the launch of the new Veet Pump Pack.

Healthcare, including the former business of BHI, contributed strongly to the growth in the year. Net revenues from the former BHI business, led by Nurofen, Strepsils and Clearasil, were £560m compared to £494m in the eleven months of ownership in 2006. Like-for-like growth in the former BHI business was 10%, mainly due to substantial growth for Strepsils, Nurofen and Clearasil.

Pharmaceuticals. Full year net revenues were £211m, 42% ahead of 2006, driven by the growth of Suboxone in the USA following a substantial increase in the sales organisation and helped by a regulatory change that allows doctors to take on more patients for this treatment. Operating profit for 2007 was £118m, up 44%.

Food. Net revenues grew 7% to £191m with good performance across the consumer portfolio, in particular further growth for French's Yellow Mustard, French's Fried Onions and Frank's Red Hot Sauce. Operating profits increased 10% to £51m, with operating margins improving 140bps to 26.7%.

FINANCIAL REVIEW

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

Exceptional items. Where appropriate, the term 'adjusted' excludes the impact of exceptional items. Exceptional items in 2007 consist of a net gain in respect of business disposals and impairments of £73m offset by restructuring charges of £30m. Reported results for 2007 therefore include a net exceptional gain of £43m pre-tax compared to a pre-tax charge of £149m in full year 2006.

Net interest. Net interest payable was £24m, a 33% decrease on 2006 (£36m) due to strong cash inflow in the period and a reduction in the level of net debt during the year.

Tax. The tax rate is 22% (2006 23%), benefiting from a £20m one-off tax release in Q2 (2006 £19m release in Q4).

Net working capital. (Inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) improved by £98m to minus £826m compared to the position at the end of 2006, mostly due to further significant reductions in the BHI net working capital.

Cash flow. Operating cash flow was £975m (2006 £1,017m) and net cash flow from operations was £861m (2006 £953m). Net interest paid was £6m lower at £24m (2006 £30m) and tax payments increased by £51m to £232m (2006 £181m). Capital expenditure was higher than prior year at £134m (2006 £88m) due to one-off investment in healthcare manufacturing. Proceeds from the disposal of Hermal were £260m.

Net debt at the end of the year was £125m (December 2006 £660m), a reduction of £535m. This reflected net cash flow from operations of £861m, receipts on the disposal of Hermal of £260m, offset by payment of the two dividends (£358m) and share buy backs (£300m).

Balance sheet. At the end of 2007, the Group had shareholders' funds of £2,385m (2006 £1,866m), an increase of 28%. Net debt was £125m (2006 £660m) and total capital employed in the business was £2,510m (2006 £2,526m).

This finances non-current assets of £4,426m (2006 £4,421m) of which £479m (2006 £425m) is tangible fixed assets, the remainder being goodwill, other intangible assets, deferred tax and other receivables. The Company has negative net working capital of £826m (2006 £728m), current provisions of £36m (2006 £47m) and long-term liabilities other than borrowings of £1,054m (2006 £1,120m).

The Company's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 39.3% (2006 36.1%) on a reported basis or 37.9% (2006 42.1%) on an adjusted basis.

In October 2007 a Scheme of Arrangement was put in place to create additional distributable reserves whereby Reckitt Benckiser Group plc was introduced as a new parent company. The consolidated financial statements of Reckitt Benckiser Group plc are presented as if both Reckitt Benckiser plc and Reckitt Benckiser Group plc had always been part of the same Group.

Dividends. The Board of Directors recommends a final dividend of 30.0p (2006 25.0p), an increase of 20%, to give a full year dividend of 55.0p (2006 45.5p), an overall increase of 21%. The dividend, if approved by shareholders at the AGM on 1 May 2008, will be paid on 29 May to shareholders on the register at the record date of 29 February. The ex-div date is 27 February and the last date for election for the share alternative to the dividend is 7 May.

Share buy back. During 2007, the Company purchased 11.1m shares at a cost of £300m as part of its ongoing share buy back programme. In Q4, the Company purchased 2.4m shares at a cost of £66m. The Company has announced the continuation of its buy back programme with a target spend of £300m in 2008.

Hermal disposal. The Company announced on 16 July 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. Results for Hermal are included in full year as reported up to the date of disposal. The gain on disposal has been reported as an exceptional item in the 2007 income statement.

Adams acquisition. The Company completed the acquisition of Adams Respiratory Therapeutics, Inc. on 30 January 2008 for a consideration of $60 per share or approximately $2.3bn (£1.1bn). Results for the Adams business will be included in the Company's results from the date of acquisition. The Company announced an exceptional charge of $60m, or approximately £30m, to cover the necessary reorganisation associated with the integration of Adams into Reckitt Benckiser, to be recorded post completion during 2008.

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 (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into the Group Treasury Centre (GTC) to achieve benefits of scale and control. The GTC manages 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.

Foreign exchange risk

(a) Translation risk

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

(b) Transaction risk

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.

Market price risk

The Group is not exposed to equity securities price risk. The Group is somewhat exposed to commodity price risk, predominately through its suppliers. The Group has a policy of contracting where possible with suppliers to reduce the impact of short-term volatility of purchase prices.

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. 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.

Credit risk

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

Liquidity risk

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements, including the acquisition of Adams Respiratory Therapeutics, Inc.

Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to the GTC. 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.

Capital management

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

In maintaining an appropriate capital structure and providing returns for shareholders, the Company adopts a programme of returning cash to shareholders through a combined dividend and share buy back programme, current details of which are included in the Financial Review for the year, above.

The Group monitors net debt (total borrowings less cash and cash equivalents). Due to the low level of net debt in the recent history of the Company, the Company does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Detail of numerical disclosures relating to the Group's financial risk management are included in note 23 to the Accounts on page 53.

KEY PERFORMANCE INDICATORS

The Board and the Executive Committee have identified a number of Key Performance Indicators (KPIs) that are most relevant to the Company and are used to measure performance.

KPI	2006	2007	Comments
Net Revenue growth % like-for-like growth of net revenues at constant exchange	+7%	+9%	Measures the increase in sales of the Company
Power Brands % of net revenue from top 18 brands	58%	61%	Measures the growth and importance of the Company's flagship brands
Gross Margin % gross profit as % of net revenues	56.7%	58.3%	Measures the resources available for reinvestment or profit growth
Media Investment media investment as % of net revenues	11.9%	12.4%	Measures the rate of reinvestment in the Company's brands
Operating Margin %* Operating profit as % of net revenues	21.5%	22.6%	Measures the profitability of the Company
EPS (fully diluted)* % change in EPS (fully diluted)*	107.1p +19%	123.4p +15%	Measures the increase in profit per share of the Company
Net Cash Flow £m See page 31	£953m +26%	£861m -10%	Measures how the Company converts its profits into cash
Net Working Capital Ratio (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) as % of net revenue	-£728m -14.8%	-£826m -15.7%	Measures the ability of the Company to finance its expansion and release cash from working capital
Management Turnover	9.2%	10.1%	% of T400 management that has left the Company
% of Net Revenues in No.1 or No.2 Brand Positions	76%	77%	Measures the health of the Company's brand market positions

*Adjusted to exclude the impact of exceptional items.

COMPANY PROSPECTS

The Company believes it is well positioned to continue to deliver on its strategic objective of profitable growth.

For the medium-term outlook, the Company targets to deliver above industry average growth in net revenues, converted into attractive growth in earnings, with increasing capital efficiency. The Company has confidence in its ability to continue to generate strong cash flow and to return substantial cash to shareholders annually.

The unknown factor is the ability of the Company to enhance its prospects through mergers and acquisitions. The industries in which it competes are already characterised by high levels of concentration, resulting in very infrequent opportunities to buy worthwhile assets or businesses. The Company is of the belief that add-on acquisitions, geographically and by product category, could enhance the business, but is not in a position to forecast if and when such acquisitions might occur. The Company retains substantial resources to fund such acquisitions and believes it has the management capability to absorb, integrate and manage such acquisitions within its existing structure.

The Company is targeting for another strong year in 2008 with net revenue growth from continuing operations, excluding Adams, of around 6-7% (continuing operations base £5,220m) and for adjusted (ie. excluding exceptional items) net income growth of 10%, both at constant exchange.

Cautionary note concerning forward-looking statements

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