

## The Directors submit their first Annual Report to the members of the Company, with the audited financial statements for the year ended 31 December 2007.

### Scheme of Arrangement

In October 2007, pursuant to a Scheme of Arrangement under s425 of the Companies Act 1985, a new parent company was introduced which is called Reckitt Benckiser Group plc ('Newco'). The previous parent company was called Reckitt Benckiser plc ('Oldco'). The introduction of the Newco constituted a share capital reconstruction, whereby Oldco ordinary shareholders exchanged their shares on a like-for-like basis for shares in the Newco. The Newco has been accounted for using merger accounting principles. Therefore, although the reconstruction did not become effective until October 2007, the financial statements of Newco are presented as if the Newco and the Oldco had always been part of the same group. Accordingly, the results of the Group for the entire year ended 31 December 2007 are shown in the consolidated income statement and the comparative figures for the year ended 31 December 2006 are also presented on this basis.

### Review of the activities and development of the Group's business

The principal activities continue to be the manufacture and sale of household and healthcare products.

Audited results for the period are set out on pages 25 to 67. The performance of the business is described in the Chairman's statement on page 1, the Chief Executive's Review on pages 2 and 3 and the Business Review on pages 7 and 8. Within the Business Review, which appears on pages 4 to 10, principal risk factors are given under 'Relationships and Principal Risks' on pages 6 and 7, details of the key performance indicators (KPIs) are given on page 10 and information on the likely future developments of the Company under 'Company Prospects' on page 10.

The information referred to above fulfills the requirements of the business review provisions of the Companies Act 1985 and is incorporated by reference into, and shall be deemed to form part of, this report together with the other information referred to in this Directors' report. This Directors' report has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

In July 2007, the Directors resolved to pay an interim dividend of 25p per ordinary share (2006 20.5p). The dividend was paid on 27 September 2007. The Directors are recommending a final dividend for the year of 30p per share (2006 25p), which, together with the interim dividend, makes a total for the year of 55p per share (2006 45.5p). The final dividend, if approved by the shareholders, will be paid on 29 May 2008 to ordinary shareholders on the register at the

close of business on 29 February 2008. In the view of the Directors, the Group's likely future development will continue to centre on the main product categories in which it now operates.

### Research and development

The Group continues to carry out research and development in the search for new and improved products in all its categories and for increased manufacturing efficiencies. Direct expenditure on R&D in 2007 amounted to £92m (2006 £82m).

### Acquisitions and disposals

On 30 January 2008, following US regulatory clearance, the Group completed the acquisition of Adams Respiratory Therapeutics, Inc. ("Adams"). The acquisition was financed by the Group by cash on hand and existing credit facilities. Adams is exclusively focused on the development, commercialisation and marketing of pharmaceuticals for the treatment of respiratory disorders. Adams is currently active in the United States only and markets two brands; Mucinex, market leader in adult expectorants and Delsym, a leading cough suppressant.

On 31 August 2007, following regulatory clearances in Germany, the Group sold the Hermal prescription skincare business to Laboratorios Almirall S.A. for a consideration of £260 million in cash. Hermal was acquired as part of the Boots Healthcare International (BHI) business in January 2006.

### Employees

During 2007, the Group employed an average of 23,400 (2006 21,900) people worldwide, of whom 2,200 (2006 2,100) were employed in the UK. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

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

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

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

### Share capital

Details of changes to the ordinary shares issued, shares held in Treasury, and of options and awards granted during the year are set out in note 20 to the accounts.

As described in the Chairman's Statement on page 1 a rolling share buy back programme has continued throughout 2007. Details of market purchases made, under the authorities given to the Directors by shareholders at the Annual General Meetings of Reckitt Benckiser plc held on 4 May 2006 and 3 May 2007 and the authority given to the Directors of Reckitt Benckiser Group plc on 4 September 2007 to make such purchases up to a maximum of 72,000,000 shares, are given in note 20 on page 50. The shares purchased may be held as Treasury shares or cancelled, depending upon the best interests of the Company.

A resolution seeking to renew this authority will be put to shareholders at the Annual General Meeting (AGM) on 1 May 2008.

### Directors

Information regarding the Directors of the Company who were serving on 31 December 2007 and those serving at the date of this report is set out on page 11. Further biographical details of all Directors are available from the Company's website.

Directors to retire by rotation at the forthcoming AGM are Adrian Bellamy, Graham Mackay and Bart Becht, who, being eligible, offer themselves for re-election.

Peter White has served on the Board for more than nine years and is required to stand for re-election on an annual basis. Peter has decided not to offer himself for re-election at the 2008 AGM and will step down from the Board at the conclusion of that AGM.

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

Details of Directors' options to subscribe for shares in the Company are included in Table 2 on page 22 in the audited part of the Directors' Remuneration Report.

Details of the Directors' service agreements are given on page 23.

### Corporate governance

The Company recognises the importance of high standards of corporate governance.

It understands, supports and has applied the principles set out in the Combined Code on Corporate Governance, as issued in July 2006, and has complied with the great majority of the detailed provisions contained in the Code. The ways in which the Company applies these principles, and the few provisions with which the Company does not consider that it is appropriate to comply, are set out in the appropriate sections of this Annual Report and Financial Statements.

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

The Board has identified Graham Mackay as the Senior Independent Non-Executive Director in accordance with provision A.3.3 of the Combined Code. The majority of Non-Executive Directors are independent, as recommended by the Combined Code. Three of the Non-Executive Directors are not considered to be independent for all purposes: Adrian Bellamy, as Chairman of the Board, Peter Harf, because of the shareholding he represents and Peter White, who has served more than nine years on the Board.

During the year, the Company's policy has been revised and now does not, in principle, allow Executive Directors to hold external directorships. Colin Day has been allowed to retain his current external directorship of WPP Group plc which he held prior to the change in policy.

The Articles of Association require that every Director will seek re-election to the Board at least every three years, in line with provision A.7.1 of the Combined Code.

The Board meets a minimum of five times a year and will meet further as necessary to consider specific matters which it has reserved to itself for decision, such as significant acquisition or disposal proposals or major financing propositions. In 2007, there were five regular meetings and one held by telephone conference. A statement of the Directors' attendance at these Board meetings, and at meetings of Board Committees on which they served during the year, is shown in Table 2 at the end of this report. In compliance with Code provision A.1.3 the Chairman holds a session with other Non-Executive Directors at the conclusion of each formal Board meeting without the Executive Directors present. The Chairman and other Non-Executive Directors devote sufficient time to the Company.

During the year the Board has carried out a formal evaluation of its performance and that of its Committees and individual Directors in accordance with Code provision A.6.1.

The Board analysed responses from all Board members to a detailed questionnaire. Graham Mackay, as the Senior Independent Non-Executive Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues with input from both Executive Directors.

The Nomination Committee has primary responsibility for reviewing the performance of individual Directors and in addition to this review process, the Chairman carried out an evaluation of the performance of individual Directors by face-to-face, one-on-one interviews. The Board is of the view that it is best placed to carry out such evaluations, without the need to employ the services of an outside consultancy, and that this is an appropriate and cost-effective procedure. The performance of the CEO, and of other members of the Executive Committee, is regularly reviewed by the Remuneration Committee of the Board.

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

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

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

Full, formal and tailored induction processes are put in place on appointment to the Board which retain flexibility to allow the new Director to have input to the induction process so that areas of particular interest to that Director can be accommodated.

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

The members of the Executive Committee are appointed to the Committee by the CEO, who leads the Committee.

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

## Committees of the Board

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

### Audit Committee

The Audit Committee, chaired by Kenneth Hydon since 16 November 2006, comprises three Non-Executive Directors. The Committee fully complies with provision C.3.1 of the Combined Code. Kenneth Hydon, Financial Director of Vodafone Group plc until July 2005 and David Tyler, Group Finance Director of GUS plc until October 2006, both have recent and relevant financial experience. The Committee monitors the adequacy and effectiveness of the internal controls, compliance procedures and the Group's overall risk framework (including the Group's whistleblowing arrangements). It reviews the interim and full year financial statements before submission to the full Board and makes recommendations to the Board regarding the auditors and their terms of appointment. It reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. The CFO and other senior management attend these meetings by invitation. The Group's external auditors and the Group's Vice President, Internal Audit attend meetings and have direct access to the Committee. In evaluating its performance during the year, the Committee analysed responses from all Committee members and Internal and External Audit to a detailed questionnaire.

### Remuneration Committee

The Remuneration Committee, chaired by Judith Sprieser, meets regularly to review remuneration policy for Directors and senior executives. The Committee also has responsibility for making decisions on the Chairman's remuneration. The Committee comprises three members, of whom two are considered independent as defined by the standards of the Combined Code. Adrian Bellamy is not considered independent being the Chairman of Reckitt Benckiser Group plc. Under the revised Combined Code issued in July 2006, it is acceptable for the Chairman to sit on the Remuneration Committee.

### Nomination Committee

The Nomination Committee is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board of Directors.

As and when vacancies arise on the Board, the services of an external search consultancy are employed to seek candidates for appointment. The Nomination Committee reviews each candidate as presented by the consultancy and all members of the Committee are involved in the interview process before making their recommendations to the full Board. All members of the Board are given the opportunity to meet the recommended candidates prior to their appointment.

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The Committee comprises the Chairman, who also chairs the Committee, the CEO, the Deputy Chairman and the Chairs of both the Audit and Remuneration Committees. The Board believes this membership is appropriate to the Group despite this not being in compliance with Code provision A.4.1, which requires a majority of the members to be independent. Adrian Bellamy is not considered independent as he is the Chairman of Reckitt Benckiser Group plc, Peter Harf is not considered independent because of the shareholding he represents and Bart Becht is not considered independent because he is the CEO.

## Internal control

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

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

- The Board and management – the Board continues to approve strategy and performs an advisory and supervisory role with the day-to-day management of the Company being undertaken by the Executive Committee. The CEO and other Executive Committee members have clearly communicated the Group vision, strategy, operating constitutions, values and business objectives across the Group.
- Organisational structure – the Group operates three area management organisations, Europe, North America/Australia and Developing Markets and centralised functions covering category management, supply, sales, finance and legal, information services and human resources. Throughout the organisation, the achievement of business objectives and the establishment of appropriate risk management and internal control are embedded in the responsibilities of line executives.
- Budgeting – there is an annual planning process whereby detailed operating budgets for the following financial year are prepared and are reviewed by the Board. Long-term business plans are also prepared and are reviewed by the Board on an annual basis.
- Management reporting – there is a comprehensive system of management reporting. The financial performance of operating units and the Group as a whole is monitored against budget on a monthly basis

and is updated by periodic forecasts. Area and functional executives also perform regular business reviews with their management teams, which incorporate an assessment of key risks and opportunities.

- Risk management – as part of the ongoing risk and control process, operating units review and evaluate risks to the achievement of business objectives and the Board reviews those significant risks which might impact on the achievement of corporate objectives. Mitigating controls, together with any necessary actions, are identified and implemented.

A summary of the most significant risks faced by the Group is included in the Business Review on pages 6 to 7.

- Operating unit controls – each operating unit maintains internal controls, which are appropriate to its own business environment. Such controls must be in accordance with Group policies and include management authorisation processes, to ensure that all commitments on behalf of the Group are entered into after appropriate approval.

In particular, there is a structured process for the appraisal and authorisation of all material capital projects.

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

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

## Group policy in respect of non-audit services provided by external auditors

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

The external auditors report to the Audit Committee on the actions they take to comply

with professional and regulatory requirements and with best practice designed to ensure their independence from the Group, including periodic rotation of the lead engagement audit partner. Details of non-audit services are set out in note 3 on page 35.

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

The Board regularly considers and takes account of the significance of ESG matters and their potential risks to the business of the Company, including reputational risks and the opportunities to enhance value that may arise from an appropriate response.

The Board undertakes a formal review of ESG matters at least annually, which includes providing oversight to ensure that the Company has in place effective policies, systems and procedures for managing ESG matters and mitigating significant ESG risks. Additionally, as part of its risk assessment procedures, the Board's Audit Committee undertakes regular review of the arrangements for, and effectiveness of, risk management and internal audit, including the full range of risks facing the Company, which include ESG matters and reputational risks.

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

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

The Board has identified and assessed the significant ESG risks and concluded that there are limited material risks to the Company's long- and short-term value arising from ESG matters, other than potential reputational risks common to businesses with well-known brands.

The issues of potential reputational risk considered by the Board include:

- Industry sector and product safety risks: The household products and health & personal care sectors have a number of potential product and ingredient risks relating to concerns voiced over the long-term effects of household chemicals and OTC drug ingredients on human health and the environment. The Company has comprehensive management processes in place to ensure that its products are both suitable and safe for their intended use, in addition to meeting applicable regulatory requirements. Additionally, regulatory compliance and product safety issues are proactively addressed by both national and regional industry associations of which the Company is an active member, including those in Europe and North America/Australia.

For example, the HERA (Human and Environmental Risk Assessment) project, established in 1999, is a voluntary industry programme of publicly available risk assessments on ingredients of household cleaning products ([www.heraproject.com](http://www.heraproject.com)).

As part of the Company's commitment to make continual improvements in the environmental sustainability of its products and processes, it continues to progress ingredient removal programmes, above and beyond regulatory requirements, to systematically remove specific ingredients from Company product formulae and packaging/device component specifications globally. For example, recent programmes include: removal of nitro and polycyclic (artificial) musks from fragrances; removal of PDCB (paradichlorobenzene) from toilet blocks; removal of NPEs (Nonyl Phenol Ethoxylates), APEs (Alkyl Phenol Ethoxylates) and monoethylene series glycol ethers from use in household cleaning products; and the replacement of formaldehyde preservative.

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

Under REACH, as part of a phased programme over several years, industry is required to register substances that are manufactured, imported or used in Europe. For the majority of substances (i.e. ingredients) used in the Company's products the responsibility for registration will lie with its suppliers, who manufacture or import the ingredients used. The Company will continue to work closely with its suppliers as REACH is implemented, to ensure that the ingredients used in its products are registered. In addition, the Company has established an internal REACH Task Force to ensure that all of its products and their ingredients remain compliant.

- Supply chain risks: Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and suppliers. The Company's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for both the Company and its suppliers. Management processes and controls in place include Group, Area and Regional monitoring and auditing of compliance with the GMS (and other) requirements, including the external audit of third party product manufacturers.

- Product quality risks: Failures in product quality controls could potentially lead to damage to the reputation of, and trust in, the Company's brands. The Company has comprehensive quality management processes and procedures, including Group, Area, Regional and site-level Quality Assurance functions that oversee and monitor product quality globally.

Further information on the Company's management of ESG matters, specifically its forward-looking programmes to help tackle climate change and invest in communities, is provided on page 9 of the separately published Shareholders' Review and Summary Financial Statement 2007. The Company's annual Sustainability Report (available at [www.reckittbenckiser.com](http://www.reckittbenckiser.com)) provides further information on its policies, systems and procedures for managing ESG matters and any material risks arising from them, including: the extent to which it complies with those policies, systems and procedures; Key Performance Indicators (KPIs); and its sustainability programmes, targets and progress.

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

#### **Sustainability and corporate responsibility**

Information on the Company's management of sustainability and corporate responsibility issues is provided on page 9 of the separately published Shareholders' Review and Summary Financial Statement 2007 and in its annual Sustainability Report, which provides information on its policies, programmes, targets and progress in this area.

#### **Relations with shareholders**

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

The Chairman is available to discuss governance and strategy with major shareholders should such a dialogue be requested. During the year the Chairman has met with shareholders in satisfaction of Code Provision D.1.1 and reports upon these meetings to the Directors. The Company believes that it is important that it makes key executives available, along with the Senior Independent Non-Executive Director, if required, to discuss matters of concern with its shareholders.

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

#### **Policy on the payment of creditors**

It is the Company's policy to follow the CBI Prompt Payers' Code. This policy requires the Company to agree the terms of payments with its suppliers, to ensure that those suppliers are aware of those terms and to abide by those terms. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU. As at 31 December 2007 and 31 December 2006 the Company did not have any amounts overdue to its suppliers.

#### **Directors' responsibilities**

The following statement, which should be read in conjunction with the Auditors' Reports set out on pages 24 and 60, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements. The Directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year, and of the profit or loss for the year.

The Directors consider that, in preparing the financial statements on pages 25 to 67 including the information on Directors' remuneration on pages 18 to 23, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

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

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

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

#### **Going concern**

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

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## Audit

The Directors, having made appropriate enquiries, state that:

- (a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Charitable and political donations

Donations to charitable organisations in the UK amounted to £606,000 (2006 £599,000) of which £300,000 was donated to Save the Children, the Company's nominated global charity. No political donations were made (2006 £nil).

## AGM

The notice convening the first AGM of the Company to be held on Thursday, 1 May 2008 at 11.15 am at The London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN is contained in a separate document for shareholders.

## Articles of Association

A resolution seeking the adoption of minor amendments to the Articles of Association will be put to the shareholders at the AGM 2008. The new Articles of Association incorporate certain provisions of the Companies Act 2006 and also reflect current practice in relation to the articles of listed companies.

## Electronic communication

A resolution seeking authority that the Company may send or supply documents or other information to shareholders by making them available on a website or by using other electronic means will also be put to shareholders at the AGM 2008.

## Takeovers Directive

Pursuant to s992 of the Companies Act 2006, which implements the EU Takeovers Directive, the Company is required to disclose certain additional information. The following gives those disclosures which are not covered elsewhere in this Annual Report.

The Company's Articles of Association (the 'Articles') give the Board power to appoint Directors, but also require Directors to retire and submit themselves for election at the first Annual General Meeting following their appointment. A Director who retires in this way is eligible for election but is not taken into account when deciding how many Directors should retire by rotation at the Annual General Meeting. The Articles themselves may be amended by special resolution of the shareholders.

Pursuant to the Articles, at every Annual General Meeting, at least one third of the current Directors must retire by rotation. If the Company's shareholders approve the special resolution amending the Articles, the concept of one third of Directors retiring from office at each Annual General Meeting will be removed as it is no longer appropriate in view of the Combined Code requirement for Directors to offer themselves for re-election every three years.

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

The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and shareholders are asked to renew such authorities each year at the AGM. A copy of the Articles is available on request from the Company Secretary.

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

## Auditors

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

## Substantial shareholdings

As at 1 March 2008, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

	% of total voting rights	No of ordinary shares	Nature of holding
JAB Holdings B.V.	15.62	111,105,415	Indirect
Legal and General Group plc and/or its subsidiaries	4.81	34,204,027	Indirect
Massachusetts Financial Services Company and/or its subsidiaries	3.22	22,878,039	Indirect

## By order of the Board

### Elizabeth Richardson

Company Secretary  
103-105 Bath Road  
Slough, Berks SL1 3UH

13 March 2008

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

The Directors in office at the end of the year had the following interests in the ordinary shares of the Company:

	1 March 2008	31 December 2007	31 December 2006
Adrian Bellamy	16,372	16,372	15,306
Bart Becht - beneficial	1,803,916	1,803,916	1,232,484
Bart Becht - non-beneficial	333,821	333,821	299,655
Colin Day	356,746	356,746	302,107
Peter Harf	842,020	842,020	841,686
Kenneth Hydon	4,193	4,193	3,937
Graham Mackay	1,012	1,012	756
Gerard Murphy	728	728	472
Judith Sprieser	2,410	2,410	2,149
David Tyler	806	806	–
Peter White	2,596	2,596	2,335

**Notes**

1. No person who was a Director (or a member of a Director's family) on 31 December 2007 had any notifiable share interests in any subsidiary.
2. The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

**Table 2 – Attendance at meetings**

In 2007, there were six Board meetings (one held by telephone conference in accordance with the Articles of Association), three Audit Committee meetings, six Remuneration Committee meetings (two evidenced by written resolution) and two Nomination Committee meetings. Written resolutions are required to be signed by all Directors on the Board or Members on the Committee. Attendance by individual Directors at Board meetings and at meetings of Committees on which they sit is given in the table below.

**Number of meetings attended**

	Note	Board	Audit	Remuneration	Nomination
Adrian Bellamy		6		6	2
Peter Harf		6			2
Bart Becht		6			2
Colin Day		6			
Kenneth Hydon		5	3		2
Graham Mackay		6		6	
Gerard Murphy		6	3		
David Tyler	(a)	5	2		
Judith Sprieser		6		6	2
Peter White		6	3		

**Notes**

- (a) David Tyler attended all meetings subsequent to his appointment on 26 February 2007.