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RECKITT & COLMAN

Report & Accounts 1995

Contents

Report of the directors

The directors submit their 43rd annual report to the members of the company, with the audited financial statements for the 1995 financial year, which ended on 30 December 1995.

Review of the activities and development of the group's business

The principal activities of the group are the manufacture in over 35 countries and the sale in more than 120 of household, toiletry and pharmaceutical products.

A review of the results for the financial year ended 30 December 1995 and of the year's activities appears on pages 3 to 14 and 18 to 22 of the Annual Review. The directors endorse the content of that review.

In August 1995 the directors resolved to pay an interim dividend of 7.35p per ordinary share (1994, 6.86p as adjusted for the rights issue). The directors recommend a final dividend for 1995 of 12.80p per share (1994, 11.80p), making a total for the year of 20.15p per share (1994, 18.66p). This final dividend, if approved by the shareholders, will be paid on 5 July 1996 to ordinary shareholders on the register at the close of business on 2 April 1996.

After deducting ordinary dividends, the amount of profit added to reserves was £240.1m (1994, £5.9m).

Additions to tangible fixed assets during the year amounted to £65.2m (1994, £134.0m, of which £72.6m related to the L&F Products acquisition).

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 product categories.

Acquisitions and disposals

The consideration for the acquisition of L&F Products, which was completed on 31 December 1994, amounting to $1.6bn (£1.0bn) was paid in January 1995.

In April 1995 the group sold Colman's of Norwich, its UK food business, for £243.4m. The turnover of this business in 1994 was £144.5m with operating profit of £23.0m. The value of the tangible assets sold was £56.0m. The group has also been implementing a disposal programme of minor brands and businesses which was announced at the time of the acquisition of L&F Products. These activities were not central to the group's future strategy and were likely to be better developed in other hands. The total price received for these minor disposals was £52.8m and their turnover and operating profit in 1994 amounted to £99.9m and £20.9m respectively. The value of their tangible assets was £9.3m. The proceeds of the disposals have been used to reduce the borrowings undertaken to finance the acquisition of L&F Products.

Interests in land

The group's interests in land are in the main fully utilised for normal trading operations and it has not been considered necessary to establish the market value of them.

Employees

The group employs 18,739 people worldwide, of whom 1,318 are employed in the UK. It is the group's aim to ensure that successful candidates for appointment and promotion are selected solely on individual ability without regard to differences in nationality, age, gender, religion or disability. The group endeavours to assist people with disabilities to make their full contribution at work and, 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.

Report of the directors

The commercial environment in which Reckitt & Colman trades constantly changes and much activity has been directed towards finding innovative ways of improving skills, expertise and performance through a continuing programme of training and development. 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. The group is therefore committed to improving communication with employees and their representatives. Open and regular communication with staff at all levels is an essential part of the management process.

It is the policy of the board to continue to provide employees with the opportunity to become shareholders, should they so wish. Under the Employee Share Participation Schemes in the UK and Ireland, employees may elect to take all or part of their annual cash bonus in shares. The Savings-Related Share Option Scheme is another route through which employees may, by means of regular monthly savings, acquire shares in the company.

Share capital

Details of ordinary shares issued and of options and rights granted during the year are set out in Note 22 to the accounts on pages 27 and 28.

In January 1995, the non-interest bearing convertible unsecured loan stock units, which had been offered to ordinary shareholders as a rights issue to provide funding towards the acquisition consideration for L&F Products, converted into new ordinary shares of 10p each.

Directors

Information regarding the directors of the company during 1995, other than Mr. C. C. C. Brown and Sir Michael J. Colman, who served until 31 March 1995 and 31 August 1995 respectively, is set out on pages 16 and 17 of the Annual Review. On 12 February 1996 Dr. G. P. Greener was appointed a non-executive director of the company.

Professor J-C. Larréché, Mr. P. J. Maydon and Mr. V. L. Sankey retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting. Mr. P. J. Maydon and Mr. V. L. Sankey have service agreements with the company determinable on six months' notice with a termination payment amounting to one and a half times basic salary. Professor J-C. Larréché does not have a service agreement with the company or any of its subsidiary undertakings.

Dr. G. P. Greener who, as mentioned above, was appointed to the board since the 1995 annual general meeting, offers himself for re-election. Information regarding Dr. Greener is set out on page 17 of the Annual Review. He does not have a service agreement with the company or any of its subsidiary undertakings.

A statement of directors' interests is set out in Notes 28 and 29 to the accounts on pages 33 and 34.

During the year the company maintained liability insurance for its directors and officers.

Committees of the board

AUDIT COMMITTEE

The audit committee provides an important link between the board and the company's auditors on matters coming within the scope of the group audit. The committee comprises all the non-executive directors under the chairmanship of Mr. M. R. Valentine.

COMMUNITY AFFAIRS COMMITTEE

This committee is concerned with the implementation of policy relating to Reckitt & Colman's community programmes worldwide and deals with charitable and other appeals addressed to the company in the UK. It consists of two executive directors and the group director of human resources, with Mr. P. J. Maydon as chairman.

REMUNERATION COMMITTEE

The remuneration committee meets regularly to agree remuneration policy for directors and senior executives. The report of the remuneration committee is set out on pages 4 and 5.

Charitable and political donations

Contributions to charitable organisations in the UK amounted to £224,000 (1994, £320,000). No political donations were made.

Annual general meeting

The notice convening the 43rd annual general meeting to be held on Wednesday, 15 May 1996 at 11.15 a.m. at the New Connaught Rooms, 15 Great Queen Street, London WC2 is contained in a separate document for shareholders.

Auditors

The auditors, Price Waterhouse, have expressed their willingness to continue in office. A resolution will be proposed at the annual general meeting to authorise the directors to fix their remuneration.

Other information

As at 13 March 1996 the company had received the following notices of substantial interest (3%) in its ordinary share capital:

The Capital Group Companies, Inc.	21,273,762 shares	5.03%
The Prudential Corporation Group of Companies	15,355,770 shares	3.63%
Scottish Widows' Fund and Life Assurance Society	12,740,920 shares	3.00%

By order of the board
P. D. Saltmarsh
SECRETARY

One Burlington Lane
London W4 2RW

14 March 1996

Report of the remuneration committee

Remuneration committee

The remuneration committee (the "committee") comprises three non-executive directors of the company, Mr. A. J. Dalby (chairman), Mr. G. J. Hearne and Mr. M. R. Valentine, none of whom has a day-to-day involvement in the running of the group.

The main provisions of the Code of Best Practice contained within the report of the Study Group on Directors' Remuneration chaired by Sir Richard Greenbury have been incorporated in the Listing Rules of the London Stock Exchange or annexed to the Listing Rules in Sections A and B. The group complies with the Best Practice provisions concerning remuneration committees in Section A. In addition, the committee has given full consideration to the Best Practice provisions regarding remuneration policy, service contracts and compensation set out in Section B.

The committee draws upon the advice of independent remuneration consultants where appropriate. The board as a whole determines the remuneration of non-executive directors.

Remuneration policy

The policy objectives of the committee are to seek to ensure that executive directors and senior executives are fairly rewarded for their contribution and that the group is able to recruit and retain highly qualified and motivated executives. The group aims to meet these objectives through a remuneration package which includes salary, benefits in kind, service contracts and short and long term incentives. The components of the remuneration package are described below.

Salary

The salaries of directors and other senior executives are established on the basis of market comparisons with positions of similar responsibility and scope in companies in the FT-SE 100 Index and in global companies with similar industrial characteristics. The committee uses salary surveys conducted by external remuneration consultants as its source of market information.

The individual salaries of directors and other senior executives are reviewed annually and adjusted by reference to individual performance and market factors.

Details of the emoluments of the directors are set out in Note 27 to the accounts on page 32.

Benefits in kind

Executive directors receive a fully expensed company car, health insurance and a housing allowance in certain cases where the employee moves at the group's request.

Annual incentives

The executive directors participate in an annual cash incentive scheme under which they may receive from nothing up to a maximum set individually at between 40% and 50% of their base salary. In 1995 one director, based in the USA, participated in a scheme paying a maximum of 75% of base salary. The performance measures used to determine the level of any incentive earned are both individual and corporate. The corporate measure is earnings per share. Executive directors also qualify with other UK employees for annual payments under the Employee Cash Bonus and Share Participation Schemes. These payments amount to between approximately 4% and 6% of base salary.

Share option schemes

Executive directors may also participate with other employees in the group's Executive Share Option and Savings-Related Share Option Schemes. The committee only grants options under the Executive Share Option Scheme to executives who meet specific personal performance criteria. The scheme also contains a performance condition which requires the group's share price over any three year period between the grant and exercise of an option to exceed the rate of growth in the Retail Price Index for the same period by at least 4%.

Details of the directors' interests in share option schemes are set out in Note 29(c) to the accounts on page 34.

Report of the remuneration committee

Following the introduction of the Long Term Superior Performance Incentive Plan at the beginning of 1995, the committee decided that no options would be granted to executive directors under the Executive Share Option Scheme in 1995.

Long term incentives

The first four year performance period for the award of shares under the Long Term Superior Performance Incentive Plan (the "plan") commenced on 1 January 1995. Awards under the plan are granted to the executive directors on the recommendation of the committee. The awards granted under the plan for a four year period are three times base salary for the chief executive and two and a half times base salary for other executive directors.

Participating directors will only be permitted to exercise their grants at the end of the four year period if specified performance criteria have been met, namely that the growth in the group's share price during the performance period ranks better than 50th when compared with the share price growth of the other constituent companies in the FT-SE 100 Index at the start of the performance period. The maximum award will only be exercisable if the company's share price growth ranks 25th or higher.

The committee feels that the performance target is sufficiently demanding in that it requires a superior performance from the executive directors if they are to benefit from the plan. The plan requires that only 50% of an award may be received by participants immediately following the end of a performance period, the remaining 50% being receivable after a further year.

Details of grants under the plan are set out in Note 29(b) to the accounts on page 33.

Pensions

The executive directors are members of the Reckitt & Colman Pension Fund in the UK. The pension fund is of the defined benefit type and is contributory for the employee. Contributions by executive directors amount to approximately 9% of salary. The fund provides for a pension at age 62 equal to 1/60th base salary times the pensionable service of the employee. The pension payable to executive directors and other senior executives is enhanced, if necessary, so that they may expect to receive a pension amounting to two-thirds of their salary at the date of retirement. The four non-executive directors are not members of the Reckitt & Colman Pension Fund.

Service contracts

Executive directors have service contracts with the company terminable on six months' notice with a termination payment amounting to one and a half times base salary.

External appointments

Executive directors of the group are encouraged to accept one appointment as a non-executive director of another company. Such appointments must be approved by the board. Directors are permitted to retain fees for non-executive appointments.

Remuneration policy for non-executive directors

The remuneration for non-executive directors consists of fees for their services in connection with board and board committee meetings. Their fees are determined by the board and reviewed annually. Non-executive directors fees were last increased in 1994. Non-executive directors do not have service contracts, are not eligible for pension fund membership and do not participate in any of the group's bonus, share option or long term incentive schemes.

Corporate governance

Compliance

The directors confirm that the group has complied with the provisions of the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

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 accounts.

Internal financial control

The directors are responsible for the group's system of internal financial control which is designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that financial information used within the business and for publication is reliable. This responsibility is exercised through an organisational structure which has clearly defined levels of responsibility and authority and appropriate reporting procedures. The main features of the system are:

Financial reporting – there is a comprehensive budgeting system with the annual budget being approved by the directors. The financial performance of operating units and the company as a whole are monitored against budgets and forecasts on a monthly basis.

Operating unit controls – each operating unit maintains internal controls which are appropriate to its own business environment. Such controls must be within an established framework and meet overall standards and guidelines. In particular they must include a suitable authorisation process to ensure that all commitments on behalf of the group are made only after appropriate management approval.

Risk management – the group seeks continuously to assess the risks to which it is exposed and takes steps to mitigate or eliminate these wherever possible. Where appropriate, the group provides insurance cover either externally or through its own insurance subsidiary depending on the possible extent of the risk concerned.

Monitoring – the effectiveness of control systems and procedures is monitored regularly through a combination of management self-assessment and internal and external audit. The results of these reviews are reported to and considered by the audit committee.

The directors have reviewed the effectiveness of the group's system of internal financial control for the period covered by the accounts.

Report by the auditors to the directors of Reckitt & Colman plc on corporate governance matters

In addition to our audit of the financial statements we have reviewed your statement on page 6 concerning the group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

In our opinion, your statements on internal financial control and going concern on page 6 have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the company and examination of relevant documents, your statement on page 6 appropriately reflects the group's compliance with the other paragraphs of the Code for our review.

Price Waterhouse

Price Waterhouse

Southwark Towers
32 London Bridge Street
London SE1 9SY

CHARTERED ACCOUNTANTS

14 March 1996

Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report set out on page 9, 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 financial 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 financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements 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.

Auditors' report to the shareholders of Reckitt & Colman plc

We have audited the financial statements on pages 10 to 36 which have been prepared under the historical cost convention and the accounting policies set out on pages 35 and 36.

Respective responsibilities of directors and auditors

As described on page 8 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and of the company as at 30 December 1995 and of the group's profit and cash flows for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Southwark Towers
32 London Bridge Street
London SE1 9SY

CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

14 March 1996

Group profit and loss account

for the 52 weeks ended 30 December 1995

Notes		1995 £m	1994 £m
1	**Turnover:**		
	Continuing operations – excluding L&F	**1,874.7**	1,922.2
	– L&F*	**431.4**	–
		2,306.1	1,922.2
	Discontinued operations	**46.4**	156.7
	Total turnover	**2,352.5**	2,078.9
2	Cost of sales	**(1,128.0)**	(1,073.2)
2	Gross profit	**1,224.5**	1,005.7
2	Net operating expenses	**(869.4)**	(834.7)
	Operating profit:		
	Continuing operations	**349.5**	285.0
3	Reorganisation costs	**–**	(139.1)
		349.5	145.9
	Discontinued operations	**5.6**	25.1
1	**Total operating profit**	**355.1**	171.0
	Non-operating items:		
26	Profit on disposal of businesses	**132.7**	29.0
	Profit on ordinary activities before interest	**487.8**	200.0
6	Interest payable less receivable	**(51.1)**	(20.9)
	Coupon on convertible capital bonds	**(18.9)**	(18.9)
	Profit on ordinary activities before taxation	**417.8**	160.2
7	Tax on profit on ordinary activities	**(86.6)**	(72.3)
	Profit on ordinary activities after taxation	**331.2**	87.9
	Attributable to equity minority interests	**(5.5)**	(5.8)
8	Dividends on preference shares	**(0.2)**	(0.2)
23	**Profit for the financial year**	**325.5**	81.9
8	Ordinary dividends	**(85.4)**	(76.0)
	Retained profit for the financial year	**240.1**	5.9
9	**Earnings per ordinary share:**		
	On profit for the financial year	**76.8p**	21.3p
	On adjusted profit, fully diluted	**44.7p**	45.0p
8	**Dividends per ordinary share**	**20.15p**	18.66p

* This represents the turnover of L&F Products which was acquired on 31 December 1994.

Group and parent company balance sheets

as at 30 December 1995

Notes		1995 Group £m	1994 Group £m	1995 Parent £m	1994 Parent £m
	Fixed assets:				
10	Intangible assets	**1,273.2**	1,295.6	**-**	-
11	Tangible assets	**417.9**	489.1	**-**	-
12	Investments	**-**	-	**476.4**	131.3
		1,691.1	1,784.7	**476.4**	131.3
	Current assets:				
13	Stocks	**177.7**	189.2	**-**	-
14	Debtors due within one year	**440.1**	539.1	**688.5**	690.7
15	Debtors due after more than one year	**112.2**	105.9	**792.2**	415.2
16	Investments	**285.4**	520.6	**151.1**	298.2
	Cash at bank and in hand	**29.4**	31.7	**1.3**	0.4
		1,044.8	1,386.5	**1,633.1**	1,404.5
	Current liabilities:				
	Creditors due within one year:				
17	Other	**(553.3)**	(1,519.3)	**(1,138.9)**	(619.8)
18	Borrowings	**(347.5)**	(211.9)	**(77.4)**	(86.4)
		(900.8)	(1,731.2)	**(1,216.3)**	(706.2)
	Net current assets/(liabilities)	**144.0**	(344.7)	**416.8**	698.3
	Total assets less current liabilities	**1,835.1**	1,440.0	**893.2**	829.6
	Non-current liabilities:				
	Creditors due after more than one year:				
18	Borrowings	**459.0**	216.9	**205.5**	103.6
19	Other	**27.4**	30.1	**205.8**	214.0
20	Convertible capital bonds	**199.6**	199.7	**-**	-
		686.0	446.7	**411.3**	317.6
21	**Provisions for liabilities and charges**	**227.1**	287.1	**-**	-
	Equity minority interests	**22.3**	20.0	**-**	-
		935.4	753.8	**411.3**	317.6
	Capital and reserves:				
22	Called up share capital including non-equity capital	**46.9**	42.1	**46.9**	42.1
23	Shares to be issued	**-**	229.3	**-**	229.3
23	Share premium account	**126.7**	121.7	**126.7**	121.7
23	Profit and loss account	**726.1**	293.1	**308.3**	118.9
	Total shareholders' funds	**899.7**	686.2	**481.9**	512.0
		1,835.1	1,440.0	**893.2**	829.6

Approved by the board on 14 March 1996

A. J. Dalby
DIRECTOR

V. L. Sankey
DIRECTOR

Group cash flow statement

for the 52 weeks ended 30 December 1995

Notes		1995 £m	1995 £m	1994 £m	1994 £m
24	**Net cash inflow from operating activities**		**323.4**		337.7
	Returns on investments and the servicing of finance:				
	Interest received	**23.1**		25.2	
	Interest paid	**(65.1)**		(47.5)	
	Coupon on convertible capital bonds	**(18.9)**		(18.9)	
	Dividends paid (including minorities)	**(76.0)**		(65.6)	
	Net cash outflow from returns on investments and the servicing of finance		**(136.9)**		(106.8)
	Taxation		**(83.0)**		(77.8)
	Net cash inflow before investing activities and financing		**103.5**		153.1
	Investing activities:				
	Tangible fixed assets:				
	Purchases	**(65.2)**		(61.4)	
	Disposals	**9.0**		10.9	
			(56.2)		(50.5)
	Net cash inflow arising from ordinary operations		**47.3**		102.6
	Other investing activities:				
25	Acquisitions (net of cash and cash equivalents)		**(1,006.4)**		(12.1)
26	Disposals (net of cash and cash equivalents)		**291.4**		53.9
	Net cash transferred to businesses held for disposal		**(12.4)**		–
			(727.4)		41.8
	Net cash outflow from investing activities		**(783.6)**		(8.7)
	Net cash (outflow)/inflow before financing		**(680.1)**		144.4
	Financing:				
24	Issue of ordinary share capital	**5.0**		1.8	
24	Proceeds of rights issue	**116.0**		113.3	
24	Bank and other borrowings incurred	**338.4**		5.6	
24	Increase in investments	**(5.2)**		(6.8)	
	Net cash inflow from financing		**454.2**		113.9
24	**(Decrease)/increase in net cash and cash equivalents**		**(225.9)**		258.3
	Opening net deposits/(borrowings)*		**43.6**		(216.5)
	Net cash inflow from ordinary operations		**47.3**		102.6
	Net cash (outflow)/inflow from other investing activities		**(727.4)**		41.8
	Issue of ordinary share capital		**5.0**		1.8
	Proceeds of rights issue		**116.0**		113.3
	Exchange adjustments		**(20.5)**		0.6
	Closing net (borrowings)/deposits*		**(536.0)**		43.6

* Excludes convertible capital bonds.

Statement of total recognised gains and losses

for the 52 weeks ended 30 December 1995

	1995 £m	1994 £m
Profit for the financial year	**325.5**	81.9
Net exchange loss on foreign currency borrowings	**(9.4)**	(0.3)
Exchange differences arising on translation of net investments in overseas subsidiary undertakings	**28.4**	(22.6)
Total recognised gains and losses relating to the financial year	**344.5**	59.0
Prior year adjustment*	**-**	(35.4)
Total gains and losses recognised since last Report & Accounts	**344.5**	23.6

* The group implemented UITF 6 (Accounting for post-retirement benefits other than pensions) for the first time in 1994 and provided for the accumulated post-retirement benefit obligation determined on an actuarial basis. The balance sheet at 1 January 1994 was restated to reflect the group's liability at that date.

Reconciliation of movements in total shareholders' funds

	1995 £m	1994 £m
Total recognised gains and losses relating to the financial year	**344.5**	59.0
Ordinary dividends	**(85.4)**	(76.0)
Rights issue	**(0.1)**	229.3
Ordinary shares allotted	**7.9**	5.0
Goodwill and acquisition costs written off	**(84.9)**	(206.4)
Goodwill reinstated	**31.5**	6.5
Net increase in shareholders' funds	**213.5**	17.4
Shareholders' funds at beginning of financial year	**686.2**	668.8
Shareholders' funds at end of financial year	**899.7**	686.2

Notes to the accounts

1 SEGMENTAL ANALYSES

Analyses by geographical area and product group of turnover, operating profit and capital employed are set out below:

Turnover – by geographical area

	Continuing Excluding L&F £m	Continuing L&F* £m	1995 Total £m	1994 £m
Europe	**759.0**	**19.5**	**778.5**	717.2
North America	**370.0**	**398.1**	**768.1**	494.2
Latin America	**319.9**	**1.5**	**321.4**	299.0
Australasia & Asia	**326.9**	**12.3**	**339.2**	314.8
Africa	**98.9**	**–**	**98.9**	97.0
	1,874.7	**431.4**	**2,306.1**	1,922.2
Discontinued operations:				
Europe			**46.4**	156.7
			2,352.5	2,078.9

The turnover figures represent the sales made to third party customers by geographical origin. Sales to other members of the group in other geographical areas are not material.

Turnover – by product group

	Continuing Excluding L&F £m	Continuing L&F* £m	1995 Total £m	1994 £m
Household & toiletry	**1,389.7**	**431.4**	**1,821.1**	1,428.3
Pharmaceutical	**234.6**	**–**	**234.6**	220.0
Food	**193.1**	**–**	**193.1**	216.2
Other activities	**57.3**	**–**	**57.3**	57.7
	1,874.7	**431.4**	**2,306.1**	1,922.2
Discontinued operations:				
Food			**46.4**	148.5
Other activities			**–**	8.2
			2,352.5	2,078.9

* This represents the turnover of L&F Products which was acquired on 31 December 1994.

1 SEGMENTAL ANALYSES continued

Operating profit – by geographical area

	1995 £m	1994 £m
Europe	**113.2**	101.9
North America	**101.5**	57.2
Latin America	**49.8**	54.1
Australasia & Asia	**64.1**	50.5
Africa	**20.9**	21.3
	349.5	285.0
Exceptional reorganisation costs:		
Europe	**–**	(56.0)
North America	**–**	(83.1)
Discontinued operations:		
Europe	**5.6**	25.1
	355.1	171.0

In 1995 operating profit includes profits on disposals of minor brands of £12.0m in Australasia & Asia and £0.7m in Africa. In 1994 operating profit included profits on disposals of minor brands of £8.5m in Europe, £5.7m in North America and £2.5m in Australasia & Asia.

Operating profit – by product group

	1995 £m	1994 £m
Household & toiletry	**260.5**	197.7
Pharmaceutical	**59.9**	52.9
Food	**20.5**	22.9
Other activities	**8.6**	11.5
	349.5	285.0
Exceptional reorganisation costs:		
Household & toiletry	**–**	(139.1)
Discontinued operations:		
Food	**5.6**	23.4
Other activities	**–**	1.7
	355.1	171.0

In 1995 operating profit includes profits on disposals of minor brands of £12.0m in Household & toiletry and £0.7m in Food. In 1994 operating profit included profits on disposals of minor brands of £9.2m in Household & toiletry, £1.6m in Pharmaceutical and £5.9m in Food.

The operating profit of L&F Products has not been disclosed separately as this is not practicable due to the integration of L&F Products into Reckitt & Colman.

Segmental analyses have been prepared for operating profit as the directors consider these to be more meaningful than analyses based on profit before tax.

Notes to the accounts

1 **SEGMENTAL ANALYSES** continued

Capital employed – by geographical area

	1995 £m	1994 £m
Europe	**443.5**	417.7
North America	**1,026.3**	1,192.7
Latin America	**124.2**	117.3
Australasia & Asia	**119.2**	135.3
Africa	**29.9**	31.2
	1,743.1	1,894.2
Discontinued operations:		
Europe	**–**	44.8
	1,743.1	1,939.0

Capital employed – by product group

	1995 £m	1994 £m
Household & toiletry	**1,616.6**	1,750.2
Pharmaceutical	**55.2**	59.3
Food	**52.6**	69.0
Other activities	**18.7**	15.7
	1,743.1	1,894.2
Discontinued operations:		
Food	**–**	44.8
	1,743.1	1,939.0

Capital employed comprises:

	1995 £m	1994 £m
Fixed assets	**1,691.1**	1,784.7
Current assets	**1,044.8**	1,386.5
Creditors due within one year*	**(815.3)**	(654.5)
Creditors due after more than one year†	**(486.4)**	(247.0)
Provisions for liabilities and charges	**(227.1)**	(287.1)
Net borrowings/(deposits)	**536.0**	(43.6)
	1,743.1	1,939.0

The 1995 segmental analyses reflect the new management reporting structure. The 1994 figures have been restated.

Capital employed for 1994 includes amounts in respect of L&F Products of £807.4m.

Capital employed is calculated for segmental analysis purposes on total assets less liabilities, after excluding all interest bearing assets and liabilities and dividends payable to shareholders.

* Creditors due within one year excludes dividends and the acquisition creditor – L&F Products.

† Creditors due after more than one year excludes convertible capital bonds.

2 ANALYSIS OF COST OF SALES AND EXPENSES

	1995 Continuing £m	1995 Discontinued £m	1995 Total £m	1994 Continuing* £m	1994 Discontinued £m	1994 Total £m
Cost of sales	**(1,100.9)**	**(27.1)**	**(1,128.0)**	(984.4)	(88.8)	(1,073.2)
Gross profit	**1,205.2**	**19.3**	**1,224.5**	937.8	67.9	1,005.7
Distribution costs	**(756.5)**	**(12.1)**	**(768.6)**	(620.5)	(38.8)	(659.3)
Administration expenses	**(151.2)**	**(1.6)**	**(152.8)**	(189.8)	(4.4)	(194.2)
Other net operating income	**52.0**	**–**	**52.0**	18.4	0.4	18.8
Net operating expenses	**(855.7)**	**(13.7)**	**(869.4)**	(791.9)	(42.8)	(834.7)

Net operating expenses include:

	1995 £m	1994 £m
Research and development expenditure	**29.4**	22.8
Hire of equipment	**18.5**	17.6
Directors' remuneration	**2.8**	3.0
Depreciation	**56.6**	55.4
Surplus on disposals of minor brands	**(12.7)**	(16.7)
Reorganisation costs	**–**	139.1
Write down of intangible fixed assets	**2.5**	4.6

* Continuing operations in 1994 include the following amounts relating to exceptional reorganisation costs: cost of sales £91.8m, distribution costs £15.4m and administration expenses £31.9m.

3 REORGANISATION COSTS

	1995 £m	1994 £m
European reorganisation costs	**–**	56.0
L&F integration costs	**–**	83.1
	–	139.1

European reorganisation costs represent provisions for the rationalisation of manufacturing and physical distribution and for further investments in improvements to the total supply chain.

L&F integration costs represent provisions for the integration of the operations of L&F Products into the Reckitt & Colman business. The utilisation of the provisions in 1995 is set out in Note 21.

4 AUDITORS' REMUNERATION

		1995 £m	1994 £m
Remuneration of auditors:			
for audit work:	UK*	**0.3**	0.3
	Overseas	**1.4**	1.6
		1.7	1.9
for non-audit work:	UK	**0.1**	0.2
	Overseas	**0.8**	0.9
		0.9	1.1

* Includes £0.2m (1994, £0.2m) relating to the parent company.

5 EMPLOYEES

(a) Staff costs

The total employment costs were:

	1995 £m	1994 £m
Wages and salaries	**294.8**	252.6
Social security costs	**45.1**	41.4
Other pension (credits)/costs including ex gratia pensions	**(11.9)**	7.3
Post-retirement benefits other than pensions	**7.8**	5.0
	335.8	306.3

(b) Staff numbers

The average number of people employed by the group during the year was:

	1995	1994
Europe	**3,586**	4,641
North America	**2,633**	1,969
Latin America	**5,025**	4,952
Australasia & Asia	**5,685**	5,437
Africa	**1,810**	1,756
	18,739	18,755

The 1995 analysis reflects the new management reporting structure. The 1994 figures have been restated.

(c) Pension schemes

The group operates a number of pension schemes around the world, including the UK, the US, South Africa and Australia, all of which are of the funded defined benefit type. The two major schemes are both funded by the payment of contributions to separately administered trust funds and the principal data for these schemes is as follows:

	UK	US
Date of actuarial review	5.4.95	1.1.95
Valuation method used	Projected unit	Projected unit
Amortisation method used	Straight line	Straight line
Number of years over which surplus is spread	13	Varies
Market value of scheme assets	£421m	£84m
Assumptions:		
Rate of return on investments	9.5% p.a.	9.0% p.a.
Earnings increases	6.5% p.a.	5.0% p.a.
Pensions increases	4.5% p.a.	N/A
Dividend increases	5.0% p.a.	N/A
Level of funding	131%	All plans over 100%

The pension cost, calculated for SSAP 24 purposes in accordance with the advice of professionally qualified actuaries, (credited)/charged to profit and loss account is made up as follows:

	UK 1995 £m	US 1995 £m
Regular cost	3.8	3.9
Amortisation of surplus	(10.7)	(0.4)
Interest arising on surplus	(1.4)	–
Pension cost (credited)/charged to profit and loss account	(8.3)	3.5

Debtors due after more than one year includes a prepayment of £24.9m (1994, £20.8m) in respect of the excess funding of the UK scheme and £5.4m (1994, £3.0m) in respect of other schemes. In addition, there is a provision of £12.3m (1994, £9.3m) included in creditors due after more than one year. Most of this relates to the pension obligations of L&F Products which was acquired in 1994.

No major scheme outside the UK shows a deficit and for those which were shown to be in surplus at their last formal actuarial valuation the surpluses are to be spread over the average remaining service lives of the current employees.

In 1995 a refund of £6.3m was paid to the company from the surplus in the Australian fund and this has been credited to profit and loss account.

In 1994 the charge to group profit and loss account for the UK scheme was £1.2m.

5 EMPLOYEES continued

(d) Post-retirement benefits other than pensions

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

In the UK the group pays the annual subscription to a private health plan for senior personnel and their dependants after retirement.

In the US salaried participants become eligible for retiree health care benefits after they reach a combined age and years of service figure of 70, although the age and service must be a minimum of 50 and ten respectively.

Details of the schemes are as follows:

	UK		US	
	1995 £m	1994 £m	**1995 £m**	1994 £m
Accumulated obligation (gross)	**1.9**	2.0	**84.8**	80.3
Tax relief	**(0.7)**	(0.7)	**(33.1)**	(31.3)
Accumulated obligation (net)	**1.2**	1.3	**51.7**	49.0
Annual cost charged to profit and loss account	**0.2**	0.2	**7.6**	4.8
Assumptions:				
Liability discount rate	**9.5% p.a.**	9.5% p.a.	**7.5% p.a.**	8.5% p.a.
Medical cost inflation	**7.5% p.a. to 12.5% p.a.**	7.5% p.a. to 12.5% p.a.	**5.0% p.a. to 12.0% p.a.**	5.0% p.a. to 12.0% p.a.
Number of current employees potentially eligible	**89**	94	**3,080**	3,354
Number of eligible retirees	**181**	173	**2,736**	2,156

6 INTEREST PAYABLE LESS RECEIVABLE

	1995 £m	1994 £m
Interest receivable and similar income:		
On short term deposits	**19.0**	17.4
Interest payable and similar charges:		
On bank and other loans repayable within 5 years	**(66.7)**	(38.3)
On long term borrowings	**(3.4)**	-
	(51.1)	(20.9)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £m	1994 £m
UK corporation tax	**41.8**	30.8
ACT written off	**5.7**	-
UK deferred tax	**10.9**	11.8
Relief for overseas tax	**(31.9)**	(21.0)
Total UK tax	**26.5**	21.6
Overseas tax	**57.9**	53.9
Overseas deferred tax	**2.2**	(3.2)
	86.6	72.3

UK corporation tax is provided for at 33% (1994, 33%). ACT was payable on dividends at the rate of 9/31sts until 5 April 1994 and 20/80ths thereafter.

The major item affecting the tax charge for 1995 is the profit on disposal of businesses of £132.7m on which no tax liability will arise.

8 DIVIDENDS

	1995 Pence per ordinary share	1995 £m	1994 Pence per ordinary share	1994 £m
Ordinary dividends:				
Interim, paid 5 January 1996	**7.35**	**31.1**	6.95	26.1
Proposed final, payable 5 July 1996	**12.80**	**54.3**	11.80	49.9
Charged to profit and loss account	**20.15**	**85.4**	18.75*	76.0
Preference dividends		**0.2**		0.2
Total dividends for the year		**85.6**		76.2

* 18.66p when restated for the effect of the rights issue.

As shown in Note 22, ordinary shareholders entitled to 1994 dividends totalling £2.8m elected to take those dividends in shares (458,477 ordinary shares of 10p each) rather than cash and the provision for those dividends has been credited as an adjustment to profit and loss reserve in 1995.

9 EARNINGS PER ORDINARY SHARE

On profit for the financial year:
Earnings per ordinary share of 76.8p in 1995 (1994, 21.3p) has been calculated on the basis of a weighted average number of 423,675,221 (1994, 384,051,525) ordinary shares in issue (as adjusted for the rights issue) during the year, and on profit for the financial year of £325.5m (1994, £81.9m).

On the adjusted profit for the financial year:
As indicated in Note 20 it is expected that the convertible capital bonds will ultimately be converted into ordinary shares. As a result the directors believe that a fully diluted earnings per ordinary share adjusted for the distorting effects of non-operating items and major exceptional items, after the appropriate tax amount, will provide a measure of earnings per ordinary share which is more meaningful in comparing the performance of the business over time.

The adjusted fully diluted earnings per ordinary share of 44.7p in 1995 (1994, 45.0p) has been calculated on the basis of an average of 467,432,840 (1994, 432,886,929) ordinary shares, and on profit for the financial year after the adjustments shown below.

The reconciliations between profit for the financial year and earnings per share on the shares in issue and on an adjusted fully diluted basis are as follows:

	1995 Profit for the year £m	1995 Earnings per share pence	1994 Profit for the year £m	1994 Earnings per share pence
On shares in issue	**325.5**	**76.8**	81.9	21.3
Exceptional reorganisation expenses	**-**	**-**	139.1	36.2
Profit on disposal of businesses	**(132.7)**	**(31.3)**	(29.0)	(7.5)
Taxation (including deferred taxation)	**0.4**	**0.1**	(12.2)	(3.2)
	193.2	**45.6**	179.8	46.8
Impact of full dilution*	**15.7**	**(0.9)**	14.9	(1.8)
On an adjusted fully diluted basis	**208.9**	**44.7**	194.7	45.0

* After the appropriate tax adjustment, the profit for the year impact represents the coupon on convertible capital bonds and the notional income on options granted under employee share schemes. The earnings per share impact reflects the effect of that profit and the assumption of the issue of shares on conversion of bonds and on the exercise of options.

10 FIXED ASSETS – INTANGIBLE ASSETS

	1995 Trademarks £m	1994 Trademarks £m
Net book amounts:		
At beginning of financial year	**1,295.6**	681.6
Acquired during the year	–	636.0
Written off during the year	(2.5)	(4.6)
Disposals during the year	(47.7)	(1.7)
Exchange adjustments	27.8	(15.7)
At end of financial year	**1,273.2**	1,295.6

The amount originally stated for brands represents the fair value at the date of acquisition of brands acquired since 1985. A brand is only recognised where it is supported by a registered trademark, is established in the marketplace and holds significant brand share.

11 FIXED ASSETS – TANGIBLE ASSETS

	Freehold land £m	Properties £m	Plant and equipment £m	Total £m
Cost:				
At 1 January 1995	**36.8**	**235.1**	**513.7**	**785.6**
Additions during the year	0.7	7.4	57.1	**65.2**
Disposals during the year	(1.1)	(34.3)	(73.8)	**(109.2)**
L&F fair value adjustment (Note 25)	2.6	(21.2)	(12.3)	**(30.9)**
Exchange adjustments	0.5	4.2	8.4	**13.1**
At 30 December 1995	**39.5**	**191.2**	**493.1**	**723.8**
Accumulated depreciation:				
At 1 January 1995		**(58.4)**	**(238.1)**	**(296.5)**
Provided during the year		(8.2)	(48.4)	**(56.6)**
Disposals during the year		13.5	39.8	**53.3**
Exchange adjustments		(1.7)	(4.4)	**(6.1)**
At 30 December 1995		**(54.8)**	**(251.1)**	**(305.9)**
Net book amounts:				
At 1 January 1995	**36.8**	**176.7**	**275.6**	**489.1**
At 30 December 1995	**39.5**	**136.4**	**242.0**	**417.9**

	1995 £m	1994 £m
The net book amounts of properties comprise:		
Freehold buildings	**133.2**	174.1
Long leaseholds	**2.8**	2.2
Short leaseholds	**0.4**	0.4
	136.4	176.7

Future capital expenditure contracted but not provided for in the accounts is £12.4m (1994, £5.7m); authorised by the directors but not contracted for is £11.0m (1994, £14.6m).

The amount of tangible assets held under finance leases which is included above is immaterial.

11 FIXED ASSETS – TANGIBLE ASSETS continued

Annual commitments under non-cancellable operating leases at 30 December 1995 were:

	1995 Land and buildings £m	**1995 Plant and equipment £m**	1994 Land and buildings £m	1994 Plant and equipment £m
Expiry of operating leases:				
Within one year	**7.2**	**2.7**	6.6	1.6
Between one and five years	**18.9**	**2.6**	21.6	1.6
After five years	**10.9**	**–**	18.8	–
	37.0	**5.3**	47.0	3.2

12 INVESTMENTS CLASSIFIED AS FIXED ASSETS

	Parent: shares in subsidiary undertakings £m
Cost:	
At 1 January 1995	**131.3**
Additions during the year	545.1
Disposals during the year	(200.0)
At 30 December 1995	**476.4**
Net book amounts:	
At 1 January 1995	**131.3**
At 30 December 1995	**476.4**
Listed investments, all of which are listed overseas, are:	
Net book amounts at 1 January 1995	**7.2**
Net book amounts at 30 December 1995	**7.2**
Market value at 1 January 1995	**135.8**
Market value at 30 December 1995	**77.7**

Principal subsidiary undertakings

The following subsidiary undertakings, each of which is wholly-owned by the group and included in the consolidated accounts, principally contributed to the amounts of the profit or assets of the group:

	Product group	Country of incorporation or registration and operation	Class of share
Reckitt & Colman Products Limited*	Household & toiletry and Pharmaceutical	UK	Ordinary Preference
R & C Products Pty Limited	Household & toiletry and Pharmaceutical	Australia	Ordinary
Reckitt & Colman France SA	Household & toiletry	France	Ordinary
Reckitt & Colman South Africa (Pty) Limited*	Household & toiletry and Pharmaceutical	South Africa	Ordinary
Reckitt & Colman Inc.	Household & toiletry and Food	US	Ordinary
Reckitt & Colman Industrial Limitada	Household & toiletry	Brazil	Ordinary

As permitted by s.231(3) and s.231(5) of the Companies Act 1985, particulars of other subsidiary and associated undertakings are not shown above.

* The shares in these subsidiary undertakings are owned directly by the parent company. Otherwise the shares are held by subsidiary undertakings.

13 STOCKS

	1995 £m	1994 £m
Raw materials and consumables	**66.4**	62.9
Work in progress	**9.6**	11.7
Finished goods and goods for resale	**101.7**	114.6
	177.7	189.2

14 DEBTORS DUE WITHIN ONE YEAR

	1995 Group £m	1994 Group £m	1995 Parent £m	1994 Parent £m
Trade debtors	**387.3**	359.4	**–**	–
Amounts owed by group undertakings	**–**	–	**684.8**	572.2
Net proceeds of second instalment of rights issue	**–**	116.0	**–**	116.0
Other debtors	**30.5**	41.8	**2.2**	2.0
Prepayments and accrued income	**22.3**	21.9	**1.5**	0.5
	440.1	539.1	**688.5**	690.7

15 DEBTORS DUE AFTER MORE THAN ONE YEAR

	1995 Group £m	1994 Group £m	1995 Parent £m	1994 Parent £m
Trade debtors	**1.9**	1.2	**–**	–
Amounts owed by group undertakings	**–**	–	**760.6**	384.4
Deferred tax (Note 21)	**73.1**	76.0	**31.2**	30.6
Other debtors	**4.6**	2.5	**–**	0.2
Prepayments and accrued income	**32.6**	26.2	**0.4**	–
	112.2	105.9	**792.2**	415.2

16 INVESTMENTS CLASSIFIED AS CURRENT ASSETS

	1995 Group £m	1994 Group £m	1995 Parent £m	1994 Parent £m
Short term deposits*	**241.1**	440.7	**151.1**	298.2
L&F Products businesses and brands held for disposal†	**31.9**	79.9	**–**	–
Amounts due from businesses held for disposal‡	**12.4**	–	**–**	–
	285.4	520.6	**151.1**	298.2

* Included within short term deposits is commercial paper of £55.0m (1994, £46.6m). £201.3m (1994, £404.9m) of short term deposits are convertible into cash within three months (Note 24c).

† These businesses and brands are held exclusively with a view to resale. They are held at the directors' valuation of anticipated net sales proceeds discounted to their present value as at 30 December 1995.

‡ These amounts represent cash transferred to businesses held for resale.

17 CREDITORS DUE WITHIN ONE YEAR – OTHER

	1995 Group £m	1994 Group £m	1995 Parent £m	1994 Parent £m
Trade creditors	**198.5**	191.4	**–**	–
Amounts owed to group undertakings	**–**	–	**1,015.1**	516.8
Other creditors	**25.7**	19.5	**4.8**	1.7
Corporation tax	**68.8**	67.6	**25.1**	21.3
Other tax and social security	**7.9**	7.1	**0.3**	–
Dividends	**85.5**	76.1	**85.5**	76.1
Accruals and deferred income	**166.9**	157.0	**8.1**	3.9
Acquisition creditor – L&F Products	**–**	1,000.6	**–**	–
	553.3	1,519.3	**1,138.9**	619.8

18 BORROWINGS

	1995 Group £m	1994 Group £m	1995 Parent £m	1994 Parent £m
Bank loans repayable:				
Within one year or on demand*	**85.4**	123.0	**43.6**	86.4
Between one and two years	**32.9**	63.1	**–**	38.9
Between two and five years	**205.7**	79.4	**205.5**	64.7
	324.0	265.5	**249.1**	190.0
Other borrowings repayable:				
Within one year or on demand:				
Commercial Notes†	**261.6**	33.5	**33.8**	–
9.15% Guaranteed Notes Series A due 1995‡	**–**	54.3	**–**	–
Other	**0.5**	1.1	**–**	–
Between one and two years:				
9.45% Guaranteed Notes Series B due 1997‡	**74.1**	73.5	**–**	–
Other	**0.3**	0.1	**–**	–
Between two and five years:				
Other	**1.1**	0.8	**–**	–
After more than five years:				
7.06% Guaranteed Notes Series C due 2002‡	**93.4**	–	**–**	–
7.15% Guaranteed Notes Series D due 2005‡	**51.5**	–	**–**	–
	482.5	163.3	**33.8**	–
Total	**806.5**	428.8	**282.9**	190.0
Creditors due within one year:				
Bank loans	**85.4**	123.0	**43.6**	86.4
Other borrowings	**262.1**	88.9	**33.8**	–
	347.5	211.9	**77.4**	86.4
Creditors due after more than one year:				
Bank loans	**238.6**	142.5	**205.5**	103.6
Other borrowings	**220.4**	74.4	**–**	–
	459.0	216.9	**205.5**	103.6
Total	**806.5**	428.8	**282.9**	190.0

* Bank loans repayable within 90 days amounted to £62.0m (1994, £44.6m) (Note 24).

† Represents short term notes, issued or guaranteed by Reckitt & Colman plc, in the UK, the USA and Canada. Maturities are normally between one and 180 days. Medium term committed back-up facilities have been arranged with banks in the UK in support of these notes.

‡ Represents notes issued in the USA and guaranteed by Reckitt & Colman plc.

18 BORROWINGS continued

£238.6m (1994, £142.5m) of the amounts shown as repayable between one and five years are repayable within twelve months of the balance sheet date but, as they are drawn under committed facilities, they are classified in the table above on the basis of the expiry dates of the facilities.

The group's borrowing limit at 30 December 1995 calculated in accordance with the Articles of Association was £2,001.0m. Interest rate swaps have been used to reduce the group's exposure to fluctuating interest rates, and at 30 December 1995 the aggregate amount of borrowings at fixed rate was 58.2% of the group's borrowings.

Borrowing facilities

At 30 December 1995 the group had undrawn committed borrowing facilities analysed as follows:

	£m
Revolving credit facilities	604.1
Other facilities available to the group	-
	604.1

The revolving credit facilities are committed for various maturities between 1998 and 2000.

19 CREDITORS DUE AFTER MORE THAN ONE YEAR – OTHER

	1995 Group £m	1994 Group £m	**1995 Parent £m**	1994 Parent £m
Amounts owed to group undertakings	**-**	-	**205.8**	208.1
Other creditors	**15.1**	20.0	**-**	-
Other tax and social security	**-**	0.8	**-**	5.9
Accruals and deferred income	**12.3**	9.3	**-**	-
	27.4	30.1	**205.8**	214.0

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

In March 1990 Reckitt & Colman Capital Finance Limited, a wholly-owned subsidiary undertaking, issued £200,832,954 9.5% Convertible Capital Bonds 2005. In July 1995 holders of bonds amounting in value to £131,429 (1994, £108,853) exercised their right of conversion into 26,399 (1994, 21,469) ordinary shares of Reckitt & Colman plc, giving a cumulative £1,245,310 of bonds which have now been converted into shares.

The terms of the issue, adjusted for the 1994 rights issue, allow the holders to convert the bonds into Reckitt & Colman ordinary shares on 31 July in each of the years 1993 to 2004 at the exchange price of 496p per share (equivalent to 20.161 Reckitt & Colman ordinary shares per 100 bonds of £1 each). In so far as this right is not exercised, remaining bondholders may be required to convert their bonds into Reckitt & Colman ordinary shares at maturity, such shares to be sold in the market on their behalf. Only if the proceeds of such sales are less than the issue price of the bonds, does Reckitt & Colman have to fund any deficit from its own resources. There is no put option under which bondholders can require early redemption and there are no cross-default provisions or financial covenants.

With the approval of shareholders and in compliance with the other terms of the bonds, Reckitt & Colman can, at any time, require bondholders to exchange all bonds outstanding for convertible redeemable preference shares of Reckitt & Colman plc on a one-for-one basis. The company will issue ordinary shares on their conversion or is able to issue ordinary shares on redemption of the bonds in full settlement of the principal amount of the bonds, except in circumstances where the market price per share of the company's ordinary shares is less than the exchange price.

21 PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation provisions £m	Deferred tax £m	Pensions £m	Post-retirement benefits other than pensions £m	Other provisions £m	Total £m
At 1 January 1995	**124.1**	**19.1**	**35.0**	**81.9**	**27.0**	**287.1**
Profit and loss account:						
Operating items	–	10.8	2.9	7.8	6.0	**27.5**
Non-operating items	–	–	–	(0.3)	4.8	**4.5**
Utilised during the year	(65.4)	(11.5)	(8.8)	(2.7)	(3.6)	**(92.0)**
At 30 December 1995	**58.7**	**18.4**	**29.1**	**86.7**	**34.2**	**227.1**

Reorganisation provisions utilised during 1995 were as follows:	£m
L&F integration costs:	
Trade destocking	**14.2**
Employee severance and relocation	**15.0**
Building closure and relocation	**3.7**
Systems integration	**2.7**
Legal fees	**0.9**
Lease payments	**2.3**
Exchange	**(1.0)**
	37.8
European reorganisation costs	**27.6**
Reorganisation provisions utilised during the year	**65.4**

The deferred tax assets and liabilities provided and not provided for at the balance sheet date were as follows:

	1995 £m	1994 £m
Net assets recognised:		
Post-retirement benefits	**35.3**	30.7
Interest payable	**26.5**	26.8
Miscellaneous timing differences	**1.8**	11.3
ACT on proposed dividends	**9.5**	7.2
	73.1	76.0
Net liabilities provided for:		
Interest receivable	**27.4**	31.0
Miscellaneous timing differences	**12.9**	11.5
ACT on proposed dividends	**(21.9)**	(23.4)
	18.4	19.1
Net assets/(liabilities) not recognised/(provided for):		
Interest payable and losses	**92.7**	60.0
Reorganisation costs	**14.7**	26.0
Fixed assets	**(32.3)**	(30.3)
Miscellaneous timing differences	**12.0**	(14.9)
ACT on proposed dividends	**7.1**	1.4
	94.2	42.2

The above excludes the tax effect of revaluations of fixed assets (including valuations at the date of acquisition of subsidiary undertakings and businesses) and taxation which would be due on future remittances of accumulated reserves of subsidiary undertakings except to the extent that it has been considered appropriate to provide for such amounts.

22 CALLED UP SHARE CAPITAL INCLUDING NON-EQUITY CAPITAL

	1995 Number of shares	1994 Number of shares	1995 £m	1994 £m
Authorised share capital:				
Unclassified shares of 10p each	**116,446,200**	116,446,200	**11.6**	11.6
Ordinary shares of 10p each	**454,553,800**	454,553,800	**45.5**	45.5
Preference shares of £1 each	**4,500,000**	4,500,000	**4.5**	4.5
			61.6	61.6
Allotted, called up and fully paid:				
Equity capital:				
Ordinary shares of 10p each:				
In issue at 1 January 1995	**375,924,539**	374,986,730	**37.6**	37.5
Allotted during the year	**48,500,430**	937,809	**4.8**	0.1
In issue at 30 December 1995	**424,424,969**	375,924,539	**42.4**	37.6
Non-equity capital:				
5% (now 3½% plus tax credit) cumulative preference shares of £1 each*	**4,500,000**	4,500,000	**4.5**	4.5
Called up share capital including non-equity capital			**46.9**	42.1

* The 5% (now 3½% plus tax credit) cumulative preference shares of £1 each, which are irredeemable and were issued at par, rank in priority to the ordinary shares both as to dividend and capital. On a winding up or repayment of capital these shares are repayable at par or the average market value for a period prior to that event if higher. These shares have no further rights to participate in the reserves of the company and the non-equity capital does not carry any right to vote at any general meeting of the company unless either:
(a) the dividend is six months in arrears; or
(b) there is a resolution to wind up the company or to reduce its capital; or
(c) there is a resolution to alter the rights of the preference shareholders.

Allotments of ordinary shares of 10p each during the year were:

	Number of shares	Consideration £
Under the Share Participation Schemes	**51,462**	**321,638**
Under the Executive Share Option Schemes	**599,304**	**3,090,302**
Under the Savings-Related Share Option Scheme	**380,890**	**1,607,407**
	1,031,656	**5,019,347**
In lieu of dividends in cash	**458,477**	**45,848**
On conversion of convertible capital bonds	**26,399**	**131,429**
On conversion of loan stock units	**46,983,898**	**4,698,390**
	48,500,430	**9,895,014**

At 30 December 1995, elections had been received from shareholders which required the allotment of 158,634 ordinary shares of 10p each on 5 January 1996, in lieu of interim dividends otherwise payable in cash on that date.

Under the terms of the rights issue announced in September 1994, the non-interest bearing convertible unsecured loan stock units were converted into ordinary shares of the company following receipt of the second instalment payment in January 1995.

22 CALLED UP SHARE CAPITAL INCLUDING NON-EQUITY CAPITAL continued

Options over ordinary shares of 10p each:

Options granted during the year:

Executive Share Option Schemes
352,000 shares at 628.0p each exercisable by April 2005.

Savings-Related Share Option Scheme
82,749 shares at 540.6p each exercisable by July 2001.
23,542 shares at 540.6p each exercisable by July 2003.

Options unexercised at 30 December 1995:

Executive Share Option Schemes			Savings-Related Share Option Scheme		
Number of shares	Price to be paid	Exercisable by	Number of shares	Price to be paid	Exercisable by
14,527	376.9p	April 1997	43,441	385.2p	June 1996
45,116	323.6p	April 1998	13,610	308.2p	June 1996
181,651	420.8p	April 1999	85,280	548.2p	June 1997
87,378	442.9p	April 2000	31,637	386.0p	July 1997
30,418	481.6p	Oct 2000	14,816	385.2p	June 1998
168,505	578.4p	April 2001	222,930	426.7p	June 1998
62,370	685.5p	Oct 2001	29,994	548.2p	June 1999
311,136	628.2p	April 2002	68,349	489.9p	June 1999
179,103	532.4p	Sept 2002	68,784	426.7p	June 2000
193,495	594.6p	April 2003	90,504	477.1p	July 2000
243,317	612.4p	Sept 2003	16,465	489.9p	June 2001
253,076	602.5p	April 2004	82,749	540.6p	July 2001
347,500	628.0p	April 2005	28,412	477.1p	July 2002
			23,542	540.6p	July 2003

23 RESERVES

Group	Share premium £m	Shares to be issued £m	Profit and loss £m	Total £m
At 1 January 1995	**121.7**	**229.3**	**293.1**	**644.1**
Movements during the year:				
Shares issued during year		(4.7)		**(4.7)**
Premium on shares allotted under share participation and option schemes	4.9			**4.9**
Premium on shares allotted on conversion of convertible capital bonds	0.1			**0.1**
Goodwill and acquisition costs written off			(84.9)	**(84.9)**
Goodwill reinstated			31.5	**31.5**
Profit for the financial year			325.5	**325.5**
Ordinary dividends			(85.4)	**(85.4)**
Net exchange loss on foreign currency borrowings			(9.4)	**(9.4)**
Exchange differences arising on the translation of net investments in overseas subsidiary undertakings			28.4	**28.4**
Premium on stock units issued		(224.5)	224.5	**-**
Additional costs of stock units		(0.1)		**(0.1)**
Dividend adjustment			2.8	**2.8**
At 30 December 1995	**126.7**	**-**	**726.1**	**852.8**

23 RESERVES continued

Parent	Share premium £m	Shares to be issued £m	Profit and loss £m	Total £m
At 1 January 1995	**121.7**	**229.3**	**118.9**	**469.9**
Movements during the year:				
Shares issued during year		(4.7)		**(4.7)**
Premium on shares allotted under share participation and option schemes	4.9			**4.9**
Premium on shares allotted on conversion of convertible capital bonds	0.1			**0.1**
Profit for the financial year			38.3	**38.3**
Ordinary dividends			(85.4)	**(85.4)**
Net exchange loss on foreign currency borrowings			(9.4)	**(9.4)**
Exchange differences arising on the translation of net investments in overseas subsidiary undertakings			18.6	**18.6**
Premium on stock units issued		(224.5)	224.5	**–**
Additional costs of stock units		(0.1)		**(0.1)**
Dividend adjustment			2.8	**2.8**
At 30 December 1995	**126.7**	**–**	**308.3**	**435.0**

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

The cumulative amount of goodwill written off to reserves since 1984 in respect of the acquisition of continuing businesses is £589.6m (1994, £536.2m).

The reserves of subsidiary undertakings have generally been retained to finance their businesses. There were statutory or other restrictions on the distribution of £149.8m (1994, £109.2m) of the reserves of subsidiary undertakings at 30 December 1995.

Stock units, which at 31 December 1994 were disclosed as shares to be issued, were converted to ordinary shares in January 1995 at a rate of one ordinary share for each stock unit held. On the basis of legal advice, the premium on the stock units was deemed to be distributable and has, therefore, been taken to profit and loss reserve.

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

24 CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1995 £m	1994 £m
Operating profit	**355.1**	171.0
Non-cash items:		
Depreciation	**56.6**	55.4
Intangible assets written off and goodwill reinstated	**2.5**	10.1
(Profit)/loss on disposal of tangible fixed assets	**(4.2)**	5.7
Reorganisation provisions	**(65.4)**	119.6
Changes in working capital:		
(Increase)/decrease in stocks	**(8.3)**	15.5
Increase in debtors	**(28.9)**	(45.4)
Increase in creditors	**16.0**	5.8
Net cash inflow from operating activities	**323.4**	337.7

24 CASH FLOW STATEMENT continued

(b) Analysis of changes in financing during the year

	Bank and other loans £m	Convertible capital bonds £m	Investments (current assets) £m	Share capital/ premium £m	Shares to be issued £m
At 1 January 1994	**(389.8)**	**(199.8)**	**30.3**	**(161.9)**	**–**
Financing:					
Proceeds	(181.0)	–	(13.7)	(1.8)	–
Payments	175.4	–	20.5	–	–
First instalment of rights issue	–	–	–	–	(113.3)
Financing (received)/repaid	(5.6)	–	6.8	(1.8)	(113.3)
Conversion into ordinary shares	–	0.1	–	(0.1)	–
Exchange adjustments	11.2	–	(1.3)	–	–
At 31 December 1994	**(384.2)**	**(199.7)**	**35.8**	**(163.8)**	**(113.3)**
Financing:					
Proceeds	(510.2)	–	(15.1)	(5.0)	–
Payments	171.8	–	20.3	–	–
Second instalment of rights issue	–	–	–	–	(116.0)
Financing (received)/repaid	(338.4)	–	5.2	(5.0)	(116.0)
Conversion into ordinary shares	–	0.1	–	(4.8)	229.3
Exchange adjustments	(21.9)	–	(1.2)	–	–
At 30 December 1995	**(744.5)**	**(199.6)**	**39.8**	**(173.6)**	**–**

(c) Analysis of changes in net cash and cash equivalents during the year

	Bank loans and overdrafts £m	Cash at bank and in hand £m	Investments (current assets) £m	Total £m
At 1 January 1994	**(42.5)**	**22.9**	**162.6**	**143.0**
(Decrease)/increase in net cash and cash equivalents	(6.6)	8.7	256.2	258.3
Exchange adjustments	4.5	0.1	(13.9)	(9.3)
At 31 December 1994	**(44.6)**	**31.7**	**404.9**	**392.0**
(Decrease) in net cash and cash equivalents	(15.5)	(10.9)	(199.5)	(225.9)
Exchange adjustments	(1.9)	8.6	(4.1)	2.6
At 30 December 1995	**(62.0)**	**29.4**	**201.3**	**168.7**

(d) Analysis of net deposits/(borrowings)

	1995 £m	1994 £m
Cash and cash equivalents:		
Cash and short term investments	**230.7**	436.6
Short term borrowings	**(62.0)**	(44.6)
	168.7	392.0
Other short term investments	**39.8**	35.8
Other short term borrowings	**(285.5)**	(167.3)
Medium and long term borrowings	**(459.0)**	(216.9)
	(536.0)	43.6

25 ACQUISITION OF BUSINESSES

On 31 December 1994 the group purchased the L&F household products business (L&F Products) which was provisionally valued in the 1994 accounts. In accordance with FRS 7, an adjustment has been made in the 1995 accounts for amendments to that provisional fair value, now that the investigation for determining such a value has been completed. The difference has been taken as an adjustment to goodwill on acquisition. Amended and provisional values of net assets acquired are as follows:

	Amended value 1995 £m	Provisional value 1994 £m
L&F Products:		
Intangible fixed assets	**636.0**	636.0
Tangible fixed assets	**72.6**	103.5
Current assets/(liabilities):		
Stocks	**29.4**	32.0
Debtors	**53.2**	53.2
Businesses and brands held for disposal	**31.9**	79.9
Creditors	**(49.8)**	(46.9)
Provisions for liabilities and charges and liabilities due after more than one year	**(47.1)**	(50.3)
	726.2	807.4
Goodwill	**279.9**	194.5
Cost of acquisition	**1,006.1**	1,001.9
L&F Products: amount paid in year	**1,004.8**	1.3
Other businesses acquired: amounts paid relating to prior year acquisitions	**1.6**	10.8
Effect on cash flow	**1,006.4**	12.1

26 DISPOSAL OF BUSINESSES

	UK food business £m	Other businesses £m	1995 Total £m	1994 £m
Net proceeds of disposal	**243.4**	**40.1**	**283.5**	52.6
Net borrowings of business at disposal	**–**	**–**	**–**	1.3
	243.4	**40.1**	**283.5**	53.9
Amounts not paid in year	**4.9**	**3.0**	**7.9**	–
Effect on cash flow	**248.3**	**43.1**	**291.4**	53.9
Represented by:				
Goodwill written back	**0.7**	**30.8**	**31.5**	2.7
Intangible fixed assets	**–**	**47.7**	**47.7**	–
Tangible fixed assets	**41.1**	**2.4**	**43.5**	12.6
Current assets/(liabilities):				
Stocks	**9.2**	**6.6**	**15.8**	3.8
Debtors	**8.9**	**0.3**	**9.2**	8.1
Creditors	**(3.2)**	**–**	**(3.2)**	(5.1)
Disposal provisions	**6.3**	**–**	**6.3**	2.8
Profit/(loss) on disposal	**180.4**	**(47.7)**	**132.7**	29.0
	243.4	**40.1**	**283.5**	53.9
Trading profit to date of disposal in 1995	**5.6**	**7.8**	**13.4**	1.7

The above refers to non-operating disposals of brands and businesses. For details of operating disposals refer to Note 1.

27 EMOLUMENTS OF DIRECTORS

The emoluments of the directors of Reckitt & Colman plc were:

	1995					1994
	Salary and fees £000	Benefits in kind £000	Performance related bonus £000	Compensation for loss of office £000	Total £000	£000
Chairmen						
A. J. Dalby	75	-	-	-	75	17
Sir Michael J. Colman (retired 31 August 1995)	116	5	-	-	121	171
Executive directors						
V. L. Sankey	335	22	59	-	416	414
C. C. C. Brown (resigned 31 March 1995)	66	3	-	447	516	238
J. C. L. de Mel	199	7	21	-	227	213
I. G. Dobbie	205	8	26	-	239	255
P. J. Maydon	201	9	23	-	233	228
M. F. Turrell	302	39	67	-	408	394
R. M. M. Foster (resigned 31 March 1994)	-	-	-	-	-	72
Non-executive directors						
G. J. Hearne CBE	18	-	-	-	18	17
J-C. Larréché	18	-	-	-	18	17
M. R. Valentine	18	-	-	-	18	17
	1,553	93	196	447	2,289	2,053
Pension fund contributions (executive directors only)					202	625
					2,491	2,678

Performance-related bonuses have previously been included in directors' emoluments in the year of payment. These are now shown on a receivable basis so that they relate more closely to the results on which they are based and the comparative figures have been restated accordingly.

No pension contributions were made in 1995 (1994, £nil) on behalf of Sir Michael J. Colman or Mr. A. J. Dalby.

The total emoluments of the highest paid UK director, including pension contributions of £56,000 (1994, £46,000) paid on his behalf, were £472,000 (1994, £460,000).

Salary comprises base salary and payments under the Employee Cash Bonus and Share Participation Schemes which amount to between approximately 4% and 6% of base salary.

Benefits in kind include such items as company car, fuel, health insurance and housing allowance.

Mr. M. F. Turrell discharged his duties mainly overseas. In addition to the above, expenses of his relocation to the UK on 31 December 1995 were £167,000, which increased his total emoluments to £575,000.

Total emoluments excluding payment for compensation for loss of office were £2,211,000 (1994, £2,678,000).

As described in Note 29(b) the executive directors of the company may receive payments under the Long Term Superior Performance Incentive Plan implemented on 1 January 1995 dependent on the performance of the company over a four year period. The amount accrued in 1995 and which has been charged to profit and loss account is £500,000. None of this has been paid or allocated to the directors.

28 DIRECTORS' INTERESTS IN TRANSACTIONS WITH THE COMPANY

No director was materially interested in any contract of significance entered into by the company or any of its subsidiary undertakings during the year.

29 DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

(a) Interests in shares

The directors had the following beneficial interests in the ordinary shares of the company and options over ordinary shares:

	Ordinary shares		Options over ordinary shares: Executive schemes		Options over ordinary shares: Sharesave scheme	
	30 Dec 1995	31 Dec 1994	**30 Dec 1995**	31 Dec 1994	**30 Dec 1995**	31 Dec 1994
A. J. Dalby	**7,500**	7,500	**–**	–	**–**	–
V. L. Sankey	**12,295**	9,849	**123,694**	123,694	**4,102**	4,102
J. C. L. de Mel	**41,267**	40,170	**80,739**	80,739	**3,537**	6,334
I. G. Dobbie	**33,262**	36,809	**94,040**	94,040	**4,247**	4,247
G. J. Hearne CBE	**2,812**	2,500	**–**	–	**–**	–
J-C. Larréché	**2,812**	2,500	**–**	–	**–**	–
P. J. Maydon	**47,948**	51,587	**98,261**	98,261	**4,539**	5,645
M. F. Turrell	**1,837**	1,837	**115,491**	115,491	**–**	–
M. R. Valentine	**1,406**	1,250	**–**	–	**–**	–

At 31 December 1994 and at 30 December 1995:

Mr. V. L. Sankey beneficially owned 100 preference shares.

Reckitt & Colman Capital Finance Limited convertible capital bonds were held by: Mr. J. C. L. de Mel, 268 bonds; Mr. I. G. Dobbie, 2,225 bonds; Mr. P. J. Maydon, 3,337 bonds; Mr. M. F. Turrell, 110 bonds.

Mr. J. C. L. de Mel held 4,099 ordinary shares of Rs.10 each in Reckitt & Colman of Ceylon Limited.

Except as shown, no person who was a director (or a member of a director's family) on 30 December 1995 had any notifiable share interests in any subsidiary undertaking of the company.

There were no changes in directors' interests in shares, or options or rights to acquire shares, of the company or its subsidiary undertakings from 30 December 1995 to 13 March 1996 except for the grant of awards under the Long Term Superior Performance Incentive Plan as set out in Note 29(b).

The company's register of directors' interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

(b) Grants under the Long Term Superior Performance Incentive Plan

On 12 January 1996, the trustees of the Long Term Superior Performance Incentive Plan, on the recommendation of the Remuneration Committee, granted awards of shares under the plan to the following directors:

	Number of shares
V. L. Sankey	162,872
J. C. L. de Mel	83,187
I. G. Dobbie	83,187
P. J. Maydon	83,187
M. F. Turrell	83,187

50% of these awards may be exercised, subject to the achievement of specified performance targets, immediately following the announcement of the company's results for the 1998 financial year in March 1999; the remaining 50% may be exercised on or after the first anniversary of that date. The final date for exercise is 12 January 2003.

29 DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY continued

(c) Interests in options

The weighted average exercise prices of each directors' options over ordinary shares of Reckitt & Colman plc under the Executive and Sharesave schemes are shown below. The middle market price of the ordinary shares at the year end was 713.0p and the range during the year was 713.0p to 586.0p. No options were granted at prices above 713p.

Executive schemes

	Options at 30 December 1995					
	Granted at prices below 713p		Grants during the year		Exercised during the year	
	Number	Weighted average price	Number	Price	Number	Price
V. L. Sankey	123,694	621.3p	–	–	–	–
J. C. L. de Mel	80,739	608.1p	–	–	–	–
I. G. Dobbie	94,040	503.7p	–	–	–	–
P. J. Maydon	98,261	473.9p	–	–	–	–
M. F. Turrell	115,491	571.5p	–	–	–	–

Mr. C. C. C. Brown, who left the company on 31 March 1995, exercised the following Executive scheme options over ordinary shares at the exercise prices stated: 41,780 shares at 420.8p; 18,062 shares at 442.9p; 24,206 shares at 578.4p; 11,143 shares at 628.2p; 10,696 shares at 594.6p; 7,635 shares at 602.5p. The middle market price on the day that he exercised the first of these options was 621.0p and on the day that he exercised the remainder was 650.0p.

Sir Michael J. Colman, who left the company on 31 August 1995, exercised an Executive scheme option over 17,971 shares at an exercise price of 376.9p. The middle market price on the day that he exercised the option was 668.0p.

Sharesave scheme

	Options at 30 December 1995					
	Granted at prices below 713p		Grants during the year		Exercised during the year	
	Number	Weighted average price	Number	Price	Number	Price
V. L. Sankey	4,102	437.5p	–	–	–	–
J. C. L. de Mel	3,537	504.6p	–	–	2,797	386.0p
I. G. Dobbie	4,247	426.7p	–	–	–	–
P. J. Maydon	4,539	470.0p	–	–	1,106	379.7p
M. F. Turrell	–	–	–	–	–	–

Mr. C. C. C. Brown exercised the following Sharesave scheme options over ordinary shares at the exercise prices stated: 931 shares at 386.0p; 1,816 shares at 548.2p; 94 shares at 477.1p. Options over 1,549 shares lapsed.

Options granted to directors under the Executive schemes are normally exercisable at a price in the range of 323.6p to 685.5p on various dates to April 2005. Options granted under the Sharesave scheme are normally exercisable in the range of 308.2p to 548.2p after five or seven years from the grant of the option (Note 22).

Accounting policies

Financial year

The accounts for the 1995 financial year of Reckitt & Colman relate to a 52-week period ended on 30 December 1995 (1994, 52-week period ended on 31 December 1994). All principal subsidiary undertakings have prepared their accounts to this year-end date.

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985, except for the treatment of stock units in 1994, where the true and fair view override was invoked.

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

Basis of consolidation

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

Businesses that were acquired with the sole intention of a subsequent resale are included as a current asset valued at the lower of cost and net realisable value. The trading results of these businesses are not consolidated in the group profit and loss account.

Foreign currency translation

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

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

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

- Assets and liabilities at the rate of exchange ruling at the year-end date except for tangible fixed assets of undertakings operating in countries where hyper-inflation exists which are translated at historical rates of exchange.
- Profit and loss account items at the average rate of exchange for the financial year. An inflation adjustment is charged in arriving at local currency profits of undertakings operating in hyper-inflation countries before they are translated to reflect the impact of the hyper-inflation on the undertakings' working capital requirements.

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

Turnover

Turnover is defined as the net amount invoiced to external customers and associated undertakings during the year, exclusive of VAT and other sales-related taxes.

Pension commitments

The cost of providing pensions to employees who are members of a defined benefit company pension scheme is spread over the expected service lives of the employees in the scheme. For defined contribution schemes the annual cost charged to the profit and loss account is the contributions made to the scheme. For defined benefit schemes the annual cost charged to the profit and loss account takes account of the contributions made to the scheme and any surpluses or deficits which are to be dealt with over the expected service lives of the employees. Provision is made for the estimated present value of ex gratia pensions.

Post-retirement benefits other than pensions

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

Research and development

Expenditure is written off in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses and is arrived at by the "first in-first out" method.

Taxation

Deferred tax is accounted for at the rate of tax at which reversal is expected in respect of timing differences, including those arising on pension obligations, between profit as computed for taxation purposes and profit as stated in the accounts, other than those differences which are expected to continue for the foreseeable future. The Advance Corporation Tax (ACT) liability arising on dividends proposed for the year is charged in the profit and loss account. Credit is taken for ACT paid in respect of dividends to the extent that it is recoverable against liabilities to corporation tax.

Intangible assets and goodwill

On the acquisition of businesses, the purchase consideration is allocated over the underlying fair value of net tangible assets, significant intangible assets (wholly comprising trademarks) and goodwill.

Goodwill is written off against other reserves in the year of acquisition. Trademarks are not amortised, as it is considered that their useful economic lives are not limited. Their carrying value is reviewed annually by the directors to determine whether there has been any permanent diminution in value and any such reductions in value are taken to profit and loss account.

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

Tangible fixed assets

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

- Freehold buildings: not more than 50 years.
- Leasehold land and buildings: the lesser of 50 years or the life of the lease.
- Owned plant and equipment: not more than 15 years. In general, production plant and equipment and office equipment are written off over ten years; motor vehicles and computer equipment over five years.
- Leased plant and equipment: on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Assets leased under finance leases are capitalised at fair value and are included in tangible fixed assets. Outstanding liabilities under finance leases, exclusive of interest, are included in creditors.

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RECKITT & COLMAN

Annual Review 1995

Really making
a difference

Financial highlights

	1995 £m	1994 £m
Turnover:		
Continuing operations	**2,306.1**	1,922.2
Discontinued operations	**46.4**	156.7
Total turnover	**2,352.5**	2,078.9
Operating profit:		
Continuing operations	**349.5**	285.0
Reorganisation costs	**-**	(139.1)
	349.5	145.9
Discontinued operations	**5.6**	25.1
Total operating profit	**355.1**	171.0
Profit on ordinary activities before taxation	**417.8**	160.2
Adjusted profit on ordinary activities before taxation*	**285.1**	270.3
Earnings per ordinary share:		
On profit for the financial year	**76.8p**	21.3p
On adjusted profit, fully diluted	**44.7p**	45.0p
Dividends per ordinary share	**20.15p**	18.66p

* After excluding exceptional reorganisation costs and non-operating items where relevant.

Contents

Alan Dalby
Chairman

Dear Shareholder,

I am honoured that your board asked me to become your new chairman. As you know, Sir Michael Colman retired as chairman last August and a tribute has been paid to him on page 15 of this Annual Review.

I have been closely involved with Reckitt & Colman as a non-executive director since 1987. During that time, Reckitt & Colman has taken a number of key strategic steps towards its intent to become the world leader in its chosen product categories. Vernon Sankey will elaborate upon our strategy in the operating review which follows my letter.

The major focus of our business is household products. It is an international business which is conducted in highly competitive markets both in the developed countries of Europe, North America and Australasia, and in the faster growing and sometimes more volatile emerging markets. To achieve our ambitions, we must focus our resources, recognise and build our core capabilities and ensure that we have depth as well as breadth in our global operations. Not least, we must manage our business with an international culture and structure as well as with the strength of our local market connections and customer understanding.

1995 was truly a year of transition for Reckitt & Colman. It was a year of obvious successes. It was the first year as part of the group for our billion pound L&F Products acquisition in the US and the results look very good. It was also a year of some set-backs. For instance, the one-off reduction in sales of the Reckitt & Colman brands in the US, due to the integration with L&F, constrained our overall growth.

What the financial results do not show are the many significant structural and operational changes that are taking place. Reckitt & Colman now has a new strategy for global growth. We have long had a reputation for sound financial management; we also wish to have a reputation as a growth company.

Perhaps the most marked change for one who works in Reckitt & Colman is the feeling of dynamism and of an energetic team focused on global priorities. Vernon Sankey is putting into effect a new organisation to support the growth strategy. Michael Turrell is now Group Director - Global Operations, Lalith de Mel is Group Director - Worldwide Pharmaceuticals and Peter Maydon is Group Director - Global Supply. These are not simply title changes. They are new positions that reflect the huge change in the way that we do business. In the near future two new appointments will be made to the team, one for global marketing and the other for worldwide new product innovation and research and development.

We also expect to bring further non-executive directors onto the board. As announced in February, Dr. George Greener, a former managing director of Mars UK and director of B.A.T. Industries plc, has joined our board.

Finally, I would like to endorse Reckitt & Colman's belief that the ultimate measure of success is total shareholder return. As your new chairman, I intend to play my part in ensuring that the strategy that Reckitt & Colman is following will create enhanced shareholder value both now and in the future.

I look forward to meeting many of you during the coming year.

Sincerely yours,

Alan J Dalby

Alan Dalby
CHAIRMAN

Vernon Sankey
Chief Executive

Strategic overview

Reckitt & Colman's strategic intent is to be the world's leading household products company. In addition we shall continue to seek leadership in over-the-counter (OTC) pharmaceuticals in our existing categories and countries. In 1995 significant progress was made toward these goals through the successful integration of L&F Products, the disposal of Colman's of Norwich and the consequent greater focus on the two core businesses. At the same time, we continued to implement far-reaching operational improvements, which are designed to make Reckitt & Colman a stronger global company.

These improvements build on our international strength and our powerful worldwide portfolio of well-known brands. They will enable the company to gain real advantage from its global scale, and to convert that advantage into improved brand performance.

Our brands across the world enjoy very high levels of consumer loyalty and are the prime drivers of our growth. At the same time, the rationalisation of manufacturing and distribution and the strengthening of our business processes will progressively improve efficiency and productivity and keep costs down.

Turnover from continuing operations in 1995 of £2,306.1m increased by 20.0% over 1994, reflecting the benefit of the addition of the L&F Products business. Major cost reduction programmes in both Europe and the US began to show positive effects on operating margins which improved from 14.8% to 15.2% and contributed to an overall improvement in the adjusted profit before tax figure of 5.5% to £285.1m.

With a tradition in leading household products dating back to 1819, Reckitt & Colman is a global consumer products company with a strong history and a promising future.

Illustrated are just a few of our product successes over the years; Reckitt's Bag Blue laundry aid (1938); Harpic Lavatory Cleaner (1947); Dettol Antiseptic (1966); and Lysol Disinfectant Spray Mountain Air scent (1994).

Strategic focus

With the major acquisition and disposal programme largely completed, Reckitt & Colman's household, toiletry and pharmaceutical businesses increased from 79% of total turnover in 1994 to 87% in 1995, demonstrating continuing focus on the core business.

Our strategy comprises both organic and acquisition-led growth, although the role played by acquisitions will likely be on a much more limited scale than during the past few years, when acquisitions were made to build leading businesses in North America and Europe. This has now been achieved.

Global team management

In 1995 we established global management teams responsible for product category management, supply, research and development, human resources, finance and planning, and information systems. These global teams will enable us to use and extend our international strengths more rapidly and will facilitate the sharing of best practice and learning throughout the company, resulting in better utilisation of resources in support of key global business opportunities.

Global teams now lead four core household categories - air care, lavatory care, surface care and pest control - and the core pharmaceutical categories - analgesics, antiseptics, cold and flu and gastrointestinal products. Other key categories such as denture care, depilatories, floor care, laundry care and shoe care are managed at the regional level.

Reckitt & Colman has always demonstrated excellence in "niche" brand management, derived from a deep understanding of our consumers and intensive retail and pharmacy know-how, and from our extensive geographic coverage and experience.

Research and development

Research and development (R&D) plays a critical part in product innovation and investment has increased accordingly. We will continue to develop our

An outstanding global company with leading brands and

Business performance depends on people at all levels within the organisation developing effective leadership skills. We train our employees and provide them with the skills necessary to lead the organisation.

It is through collective leadership that we will achieve our vision to be "an outstanding global company with leading brands and exceptional people that together really make a difference".

Lavatory care is one of Reckitt & Colman's core global categories. 1995 saw the launch in Belgium, France, Greece, Ireland and the UK of Harpic 2-in-1, a thick bleach product combining both disinfection and stain-removal in one liquid.

exceptional people that together really make a difference.

Lead technical centres have been established to support core categories across the world.

Pan-European advertising supported this innovative product launch, which represents an aggressive move for the Harpic brand into the competitive bleach market. In the UK alone, excellent distribution and early consumer awareness led to a 6.2% share of the bleach market within 15 weeks of launch.

The product concept was developed in direct response to consumer demand and reflects our ability to listen and respond to consumer needs in a fast and flexible manner.

technical competencies and to use our patents and trademarks to gain competitive advantage through a continuous flow of superior and commercially significant products that "really make a difference" to our consumers. Lead technical centres have been established to support core categories across the world. In 1995, investment behind R&D increased by 29%, reflecting the company's belief in the importance of underpinning its consumer brands and products with technically superior performance levels. Reckitt & Colman's technical competencies include, amongst others, world-class knowledge of disinfection and antiseptics, surface cleaning and polishing, fabric care, and insect and pest control.

Supply and distribution

We have established a global supply team, which is responsible for procurement, production and distribution. As well as gaining maximum advantage from our supplier partnerships and from the cost efficiencies inherent in the rationalisation of our operations, the team is specifically responsible for assuring the highest levels of service to our customers across the world.

Our people

During this period of significant change at Reckitt & Colman, many demands have been made on all our employees across the world. Their steadfast support, dedication and commitment have been and are both the drivers and the determinants of our future success. We are particularly fortunate and grateful to have such quality and talent in our people at Reckitt & Colman.

Review of operations

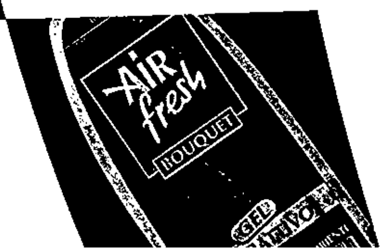
Approximately one-third of our business is in Europe, one-third in North America and one-third in the rest of the world, with 21% in the emerging markets of Asia and Latin America. In the paragraphs below, we consider each region in turn.

Europe

Total turnover in Europe, excluding L&F, grew by almost 6% in 1995, helped by favourable exchange movements. Operating margins for the region rose from 14.2% to 14.5%. Benefits of some £10m, which arose from the

Reckitt & Colman was the first leading household products manufacturer to introduce odour neutralising air care products. Pictured here is the Haze Neutra Air aerosol from Chile.

The other major segment in air care is fragranced products. These include Haze Aroma Jar vanilla fragrance from Portugal, Haze Just For Kids from Singapore, Airwick "hourglass" licensed in Japan, and Air Fresh gel from Italy.



major restructuring programme, were largely used to increase marketing support and new product development behind key categories, which grew by 13.7%. Trading performance was encouraging in light of the extremely challenging market conditions that persisted throughout the region. Most countries are still suffering from high levels of unemployment within a fiercely competitive trading environment.

Throughout 1995, we continued to harmonise our products across Europe. Pan-European formulas were developed and introduced for air fresheners, furniture polish, lavatory cleaners, surface cleaners and window cleaners. Harpic 2-in-1, a completely new thick bleach product, was one of the biggest new product success stories of the year. Manufactured at our production facility in Derby, UK for use throughout Europe, the product was launched in Belgium, France, Greece, Ireland, and the UK during the year with pan-European packaging design and advertising. Harpic 2-in-1 has helped Reckitt & Colman to achieve sales increases in all countries in which it was launched, and to regain its leading position in lavatory care in France. Roll-out into additional European countries will continue throughout 1996.

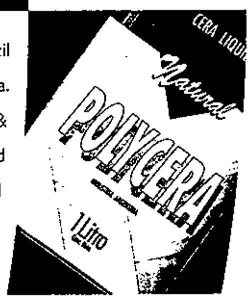
Furniture polish also recorded sales growth in 1995, thanks to new technology leading to a product innovation called "Dustguard". This was launched in the UK, France and Spain under the Mr Sheen and O'Cedar brand names and further launches elsewhere in the world will follow.

Toiletries gained European market share through innovative products launched in 1995. A new depilatory product, developed and manufactured in Australia under the Waxeeze brand, was one of our success stories of 1995. Sold under the Immac and Veet brands in Europe, Warm Wax was launched in France, Portugal and Spain during October 1995 and achieved more than £4m in turnover in less than three months.

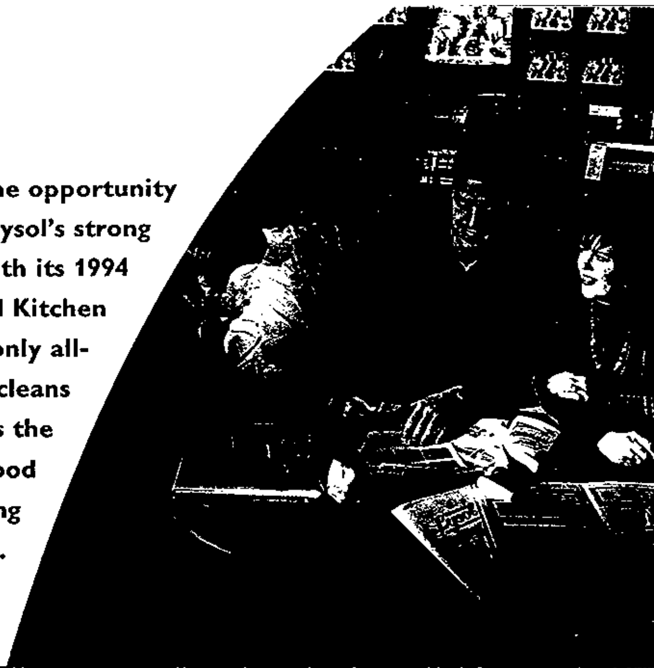
Pharmaceuticals, particularly our leading OTC brands in the UK, play an important role in our European business. In the UK, OTC pharmaceuticals, led by the Dettol, Fybogel, Gaviscon and Lemsip brands, grew 6% backed by a strong increase in research and development expenditure of some 19%. Operating margins also improved. Dettol Antibacterial Liquid Wash, originally developed for the Australasian and Asian markets, was launched in the UK,

The beginning of 1995 saw the UK launch of Mr Sheen Dustguard, an innovative new product which works to prevent static build-up on modern surfaces, keeping dust away for longer. The launch helped the

Mr Sheen brand achieve sales growth of 20% and market leadership in November. Our furniture care products from around the world include Cobra Touch Spray from South Africa and the O'Cedar brand from France. Reckitt & Colman also manufactures a wide range of floor polishes,



such as Poliflor Pratic in Brazil and Polycera wax in Argentina. The successful US brand Mop & Glo launched a new hardwood floor cleaner, offering the brand significant growth opportunities in a new sector.



Reckitt & Colman seized the opportunity to extend into the kitchen Lysol's strong reputation as a disinfectant with its 1994 launch of Lysol Antibacterial Kitchen Cleaner. Positioned as the only all-purpose kitchen cleaner which cleans away grease and grime and kills the harmful bacteria that cause food poisoning, the product is now being exported outside the US.

An outstanding global company with leading brands and

Lysol Antibacterial Kitchen Cleaner was awarded the American Marketing Association's Gold Edison Award for Best New Product.

In 1995 Lysol Antibacterial Kitchen Cleaner was successfully extended into the US industrial market through warehouse clubs. The product's success has helped add an incremental three share points to the Lysol brand's share of all-purpose cleaners, now at 17%.

Translating consumer needs into viable products requires the commitment of significant research and development resources, here illustrated at our lead technical centre in New Jersey.

contributing to growth in the antiseptics category. Sales of Fybogel and Gaviscon liquid grew by 4.5% and 5.3% respectively, supported by new marketing campaigns. Cold and flu category growth was especially strong due to the flu epidemic at the end of the year as well as the launch of new Lemsip Power+, an innovative extra-strong formulation and the first of its kind on the market. Sales of Lemsip in the UK rose 17%.

xceptional people that together really make a difference.

North America

1995 was a key year for Reckitt & Colman North America with the integration of L&F Products, acquired at the end of 1994. As a result, turnover grew by some 55% and operating profit increased by approximately 77%.

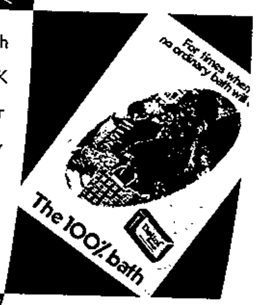
The integration of L&F Products into Reckitt & Colman's US business was implemented swiftly. By the end of 1995 only the final phase of the reorganisation of manufacturing facilities remained to be completed, which it will be in 1996, ahead of schedule. Synergy benefits amounting to £18m have been earned during 1995. The impact of this is reflected in the operating margin which increased from 11.6% in 1994 to 13.2% in 1995.

The strength of the L&F brands was clearly demonstrated by their 1995 performance. Led by the category-leading Lysol disinfectant product range, Mop & Glo floor care products and Resolve carpet cleaner, the L&F Products business recorded Dollar turnover gains of some 10%. This impressive result was achieved at the same time as the business was being integrated into Reckitt & Colman's existing business and was a reflection of its strong and successful new product development capability, excellent brand franchise strength and a committed management team.

The synergy with Reckitt & Colman's business is clear. The acquisition of L&F has made Reckitt & Colman a leading household cleaning products company in North America, where our brands hold number one or number two positions in over 70% of the product portfolio. Furthermore, the addition of Lysol brands to the extensive international range of Dettol antiseptic

Building on the brand's strong image for health and hygiene, South Asia launched a range of Dettol products including Dettol Plasters, Dettol Antiseptic Cream and Dettol Antibacterial Liquid Wash.

Dettol Antibacterial Liquid Wash was successfully launched in the UK in March 1995, and by November had secured 4% of the highly competitive liquid soap market. The Dettol brand is a trusted name around the world.



products and the Dettox and Glen 20 ranges of disinfectant cleaners makes Reckitt & Colman the clear global leader in disinfectant cleaners for health and hygiene in the home. Lysol is synonymous with disinfection in the US and the value of the Lysol brand franchise cannot be overstated. New product introductions have successfully moved the Lysol brand into the kitchen, bathroom and all-purpose cleaner markets. The Lysol bathroom cleaning range, along with our Harpic products in the rest of the world, contribute to the strong position that we hold in most of the markets where we operate. Lysol Antibacterial Kitchen Cleaner, launched in late 1994, was awarded the American Marketing Association's highest honour, the Gold Edison Award for Best New Product. It has successfully established a new segment in the US all-purpose cleaner market.

Another successful brand extension was achieved with the summer 1995 launch of Mop & Glo Hardwood Floor Cleaner. Hardwood floors are found in 15 million US homes and the product is expected to capitalise on Mop & Glo's strong brand franchise. Mop & Glo brand sales grew 24% in 1995 as a result of the new launch, confirming its position as the number one floor care brand.

As we reported in the interim statement, continuing turnover in the group's established portfolio, which declined by some 25%, was affected by brand disposals and by the alignment of our trading policies to those successfully operated by L&F. The effect was a one-off reduction of stocks in the trade, and consequently turnover, of such key products as Woolite Fine Fabric Wash, Easy Off Oven Cleaner and French's Mustard. Consumer purchases of these products, however, remained generally good.

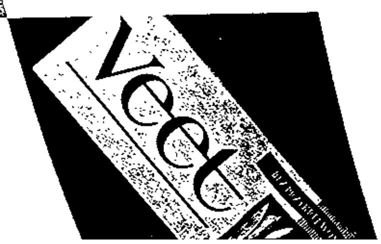
Latin America

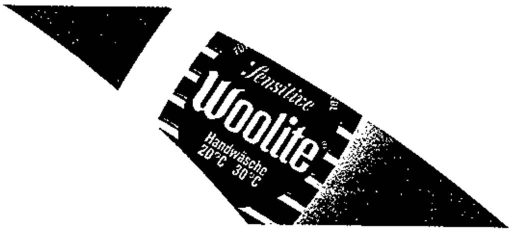
Our Latin American Region, comprising both Central and South America, is increasingly important for Reckitt & Colman, with 1995 turnover up 7.5% over 1994, although operating margins were under pressure and fell from 18.1% to 15.5%. During the year, management responsibility for Mexico, formerly part of the North American Region, was moved into Latin America and the regional management was moved to a new headquarters office in Buenos Aires, Argentina.

Turnover growth in Latin America has been achieved in spite of the

Depilatories are an important Reckitt & Colman category. The launch of Veet microwaveable depilatory wax helped grow the European depilatory category by 13.2%. Originally an Australian success under the Waxeeze name, the European launch is supported by pan-regional marketing activity.

Illustrated here are the Spanish and Australian products. Depilatory creams and sprays also sell well around the world. Shown here are Immac spray from Saudi Arabia and Veet cream, distributed in Eastern Europe.





devastating effects of the devaluation of the Mexican Peso. These effects were felt throughout the region and Argentina and Mexico, as a result, showed significant declines in turnover. After a very depressed 1994, Brazil stabilised politically and economically, which proved to be a powerful stimulant to the market, resulting in record-breaking sales performance. One of Brazil's star performers is Veja Multi-Uso, an all-purpose surface cleaner. Veja grew almost three market share points in 1995 to 56%, helped by the late 1994 launch of a dilutable variant of the product, Ação Refrescante, enhanced in 1995 with a new citrus fragrance.

Australasia and Asia

Total turnover in the region grew in 1995 by 7.8% and operating margins increased overall from 16.0% to 18.9%. The total figures cover the performance in three sub-regions, Australasia, South Asia and East Asia, where trading conditions have been very different.

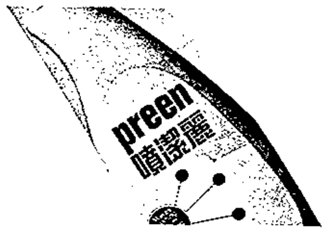
Australasia

Our Australasian Region comprises Australia and New Zealand, where 1995 results were mixed. Australia experienced a tough year with lower turnover due to intensive trade pressures and declines in consumer spending. The business nevertheless progressed a number of important changes. A restructuring of manufacturing facilities has made substantial progress, as a result of which the business will deliver significant cost savings. Our pest control lead technical centre, located in Australia, is responsible for the global development of this core category through such brands as Mortein, Target and Shelltox, by introducing important new products in existing markets and launching these products into new markets.

Insecticides, led by Mortein, increased market share to some 46%. Pharmaceuticals throughout the whole region improved, driven by the Australian OTC launch of Disprin Extra Strength, and by Gaviscon and Fybogel relaunches late in the year.

In New Zealand the overall turnover growth was fuelled by good performances in the household categories of air care, insecticides and surface care and by antiseptics in the pharmaceutical categories.

A traditional category for Reckitt & Colman, laundry aids continued to perform well around the world. The category includes fine fabric washing products, such as this Woolite Fine Fabric Wash from Germany;



stain removers, represented here by the Preen brand from Singapore; and ironing aids such as Resolv Planchy Tex from Mexico. Other products with a strong historical pedigree include laundry whiteners such as this Robin Blue from Pakistan, and Robin Starch from Australia.

Reckitt & Colman also manufactures a range of environmentally friendly laundry aid products such as Down to Earth laundry detergent, recently relaunched in Australia.

South Asia

Our South Asian Region comprises Bangladesh, India, Pakistan and Sri Lanka, an area characterised by widely diverse cultures and economic climates. The region is an historically important one for traditional Reckitt & Colman products, with India and Pakistan our largest markets.

Our Indian business achieved local currency turnover growth of some 17.5%,

An outstanding global company with leading brands and

led by Mortein insecticides which more than doubled sales. In pharmaceuticals, Dettol Soap increased sales by some 25% and Dettol liquids by 14%.

Pakistan also performed well, with an increase in turnover of 23.4%, primarily through growth in pharmaceutical sales. Our OTC gastrointestinal brands achieved nearly 40% growth and OTC analgesic sales grew by 30%. Household product growth was led by shoe care products and Mansion furniture polish, each up approximately 33% in sales. Mortein insecticides were also introduced into Pakistan.

East Asia

We now have business bases in China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Thailand, as well as a partner in Japan. Traditional Reckitt & Colman products lead the business, with a wide range of products sold throughout the region, while recent insecticide acquisitions are of increasing importance.

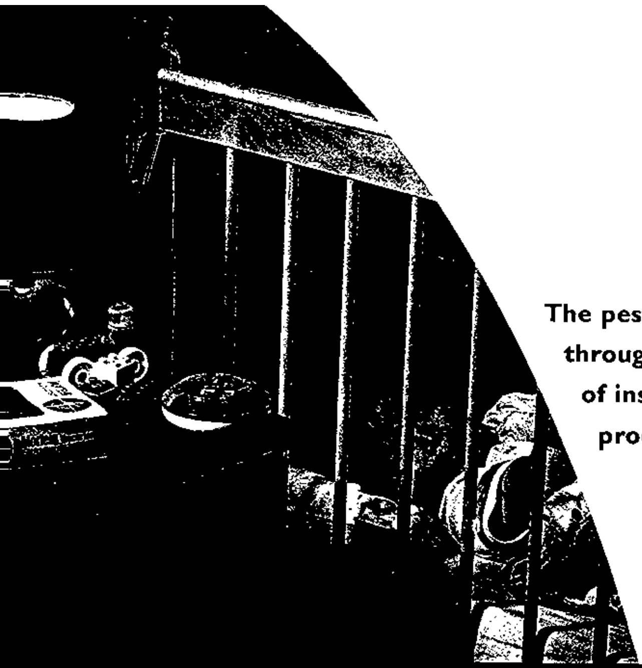
Good growth was achieved in all markets in 1995, particularly in our two largest categories - antiseptics with the Dettol brand, and insecticides, led by Shelltox. We have established a joint venture in China and renegotiated our distribution arrangements in Indonesia and Thailand. With these changes, we expect to increase our presence in these countries significantly in the future.

Africa

Performance was mixed in Africa, where total turnover increased by some 2.0%. Margins remain high at 21.1%, although they fell by 0.9% in 1995. In our

Pharmaceuticals are an important strategic focus for R&C. Lemsip Power+ was launched in the UK in 1995. The product is the first combination of two active ingredients (Ibuprofen

and Pseudoephedrine) in a hot drink form, offering the brand significant advantage over competing products. Lemgrip in Belgium was the fastest selling product in the cold and flu market, achieving 44% growth in 1995.



The pest control category grew throughout 1995, offering a wide variety of insecticides, personal insect repellant products and rodenticides.

xceptional people that together really make a difference.

Global teams facilitate the sharing of best practice and learning throughout the company.

Australia launched three new insecticide products: Mortein Odourless Fly & Insect Killer, a spray that eliminates insects without any smell; Mortein Lure 'n' Kill, containing an ingredient which lures cockroaches to the treated surface; and Mortein Barrier Outdoor Surface Spray.

In other regions, particularly Latin America, East Asia and South Asia, the pest control category is showing the potential for extraordinary growth, with innovative product launches aiding the cross-regional success of the category.

most important market in the region, South Africa, Reckitt & Colman brands such as Cobra, Jik, Mr Zip and Nugget performed well and generally maintained high shares in a market which grew more slowly than in recent years. Political stability and sound fiscal policies are contributing to improving conditions, but high unemployment and delayed social development programmes restrict consumer spending. In the other African countries, performance overall was very good with outstanding achievements in Kenya and Zimbabwe, offsetting more difficult conditions in Zambia.

Throughout the region, pharmaceuticals performed strongly with the Dettol range of products holding a leading position in most countries and our prescription products enjoying an excellent year in South Africa.

Conclusion

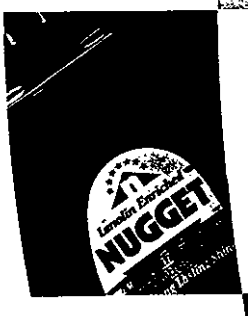
1995 has been a year of major transition for Reckitt & Colman, during which we have substantially changed both the strategic profile of the business and its operating methods. These improvements will continue to be implemented throughout 1996.

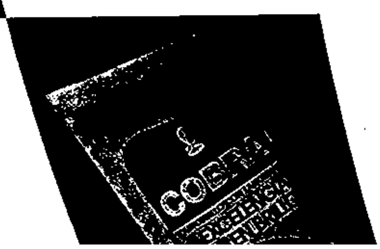
While market conditions are expected to be much the same in 1996 as they were in 1995, we are confident that these changes will lead to enhanced shareholder value in 1996 and beyond.

Vernon Sankey
CHIEF EXECUTIVE

Our shoe care business, another traditionally strong category for Reckitt & Colman, continued to perform well, particularly in developing markets. Pictured are Cherry Blossom shoe polish from Bangladesh (new liquid and paste versions were launched in 1995) and Nugget shoe polish from Chile. Relaunching Nugget liquid polish in

Brazil with an innovative new applicator led to improved production efficiency and better consumer and customer service. Pictured here are liquid shoe polishes from South Africa, India and Argentina.





Sir Michael Colman - a tribute

Sir Michael Colman

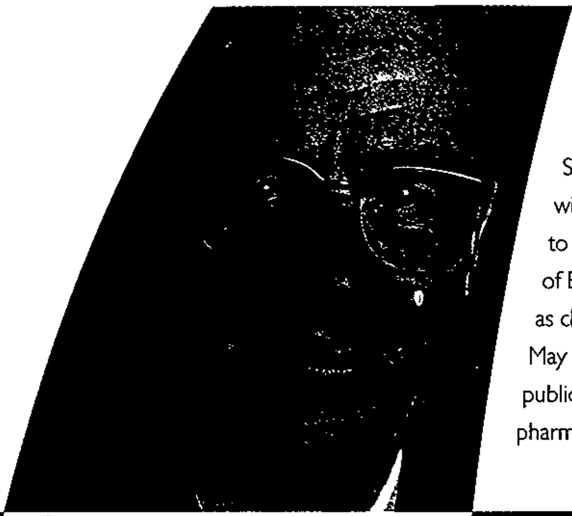
Sir Michael Colman retired on 31 August 1995, after a 46-year career with Reckitt & Colman. He was appointed to the board of Reckitt & Colman plc in 1970 and became chairman in May 1986.

He was chairman of the group through a period of significant change. He oversaw two major acquisitions, Boyle-Midway and, more recently, L&F Products, as well as the disposal of Colman's of Norwich. Throughout such a period in the group's development it has been of great importance that shareholders and the wider financial community have fully understood and had confidence in the strategic programme that the group has been pursuing. Michael Colman's tremendous knowledge of the business, his sharp and perceptive financial mind, his ability to represent the financial implications of the group strategy to the financial community, and the high regard in which he is held by that community have all been of immense value to the group. His belief in and support for the strategy and his wise guidance have been of great importance to his colleagues on the board.

Michael Colman was responsible for the appointment of two chief executives during his chairmanship, John St. Lawrence and Vernon Sankey. He was well aware of the obligations upon him as chairman to ensure that the choice of chief executive would provide the person best suited to deliver the future strategic priorities of the business. His vision and foresight in that regard have been clearly demonstrated.

Michael Colman will be remembered throughout the Reckitt & Colman business worldwide for the concern and interest that he always showed in its people and what they were doing and for his great sense of humour. I am sure that all shareholders and employees will want to join me in wishing him and his wife Judith a very long and happy retirement.

Alan Dalby
CHAIRMAN



◀ A. J. Dalby

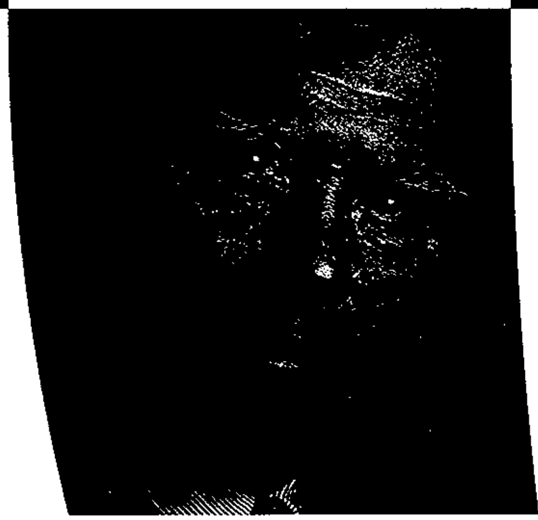
(59), was appointed a non-executive director of the company in 1987 and became chairman in September 1995. After a long career with SmithKline Beckman, he helped to found Cambridge NeuroScience Inc. of Boston, US, from which he retired as chairman and chief executive in May 1994. He is a director of several public and private biotechnology and pharmaceutical companies in the US.

◀ J. C. L. de Mel

(58), joined the company in 1964 and served in Sri Lanka and Brazil, and in the UK as regional director for the Asian region. In 1989 he moved to Singapore to develop further the group's interests in the Far East. He was appointed to the board in 1991 and now has worldwide responsibility for pharmaceuticals.

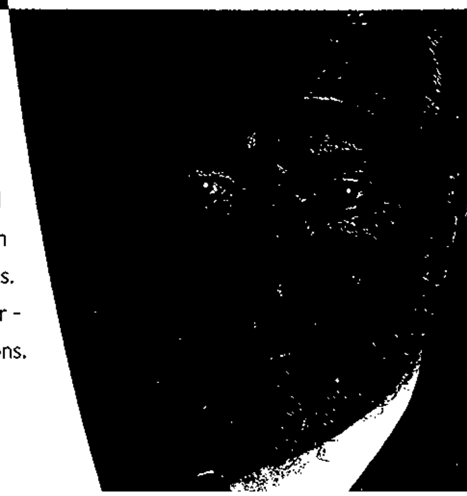
G. J. Hearne CBE ▶

(58), was appointed a non-executive director in 1990. He has been chief executive of Enterprise Oil plc since 1984. He was appointed chairman in 1991. He is also a non-executive director of Courtaulds plc and N.M. Rothschild & Sons Limited.



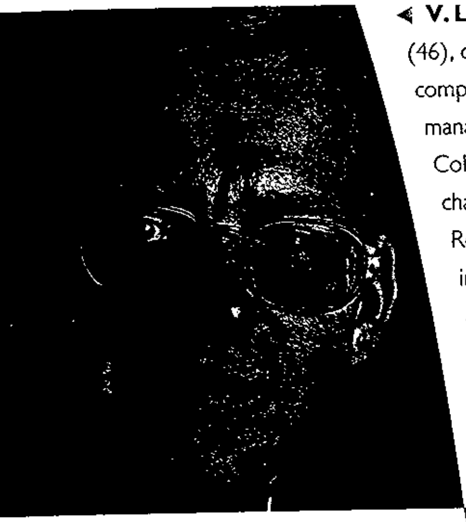
Professor J-C. Larréché ▶

(48), was appointed a non-executive director in 1983. He has acted as a consultant to the company on marketing strategy since 1981. He is Professor of Marketing at INSEAD, the European Institute of Business Administration.



M. F. Turrell ▶

(52), joined the company in 1963. He held senior management positions in Brazil, South Africa and the UK before being appointed to the board in 1991 with responsibility for The Americas. He is now Group Director - Global Operations.



◀ V. L. Sankey

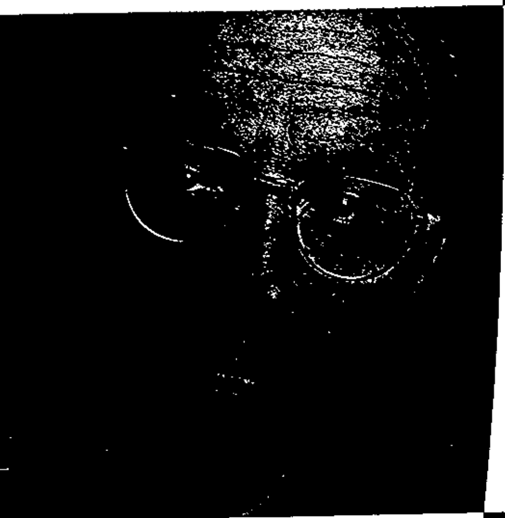
(46), chief executive, joined the company in 1971. After service as managing director in France and of Colman's of Norwich, he became chairman and chief executive of Reckitt & Colman Inc. in the US in 1989 and at the same time was appointed to the board of Reckitt & Colman plc. He became chief executive on 1 January 1992. He is a non-executive director of Pearson plc.

◀ I. G. Dobbie

(58), joined Reckitt & Colman in 1963. After working in the UK, Germany and the US, he became regional director for Europe in 1983. He was appointed to the board in 1988 and is responsible for finance and information systems. He is a non-executive director of Burmah Castrol plc.

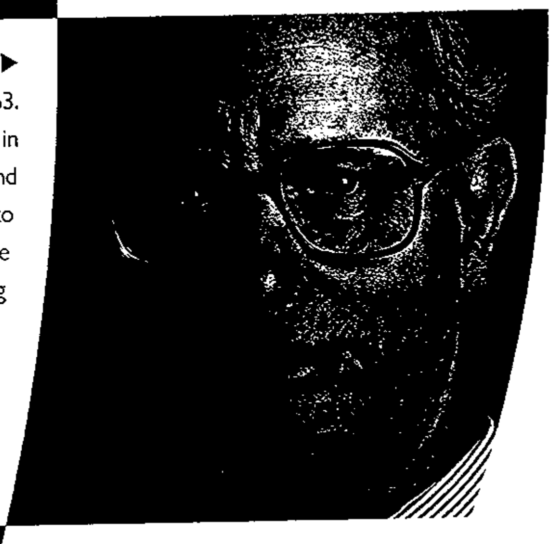
◀ Dr. G. P. Greener

(50), was appointed a non-executive director in February 1996. He is a former managing director of Mars UK, director of B.A.T. Industries plc and chairman of Allied Dunbar Assurance plc, Eagle Star Holdings plc, and Threadneedle Asset Management Limited.



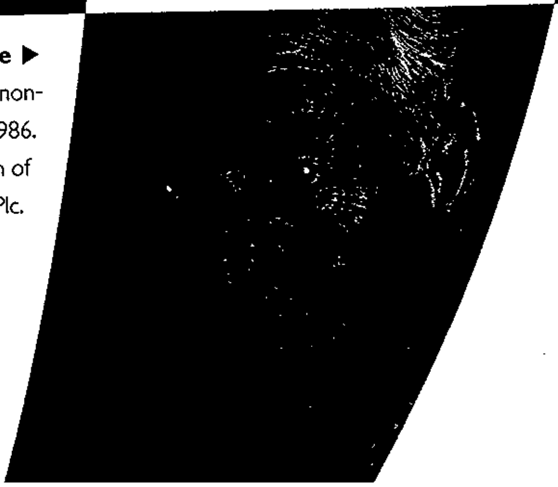
P. J. Maydon ▶

(53), joined the company in 1963. He held senior management posts in the UK, Australia, Africa and Pakistan before being appointed to the board in 1980. He is responsible for procurement, manufacturing and distribution worldwide. He is a non-executive director of Marine & General Mutual Life Assurance Company.



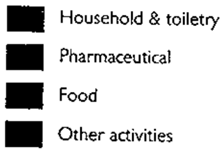
M. R. Valentine ▶

(68), was appointed a non-executive director in 1986. He is chairman of Croda International Plc.

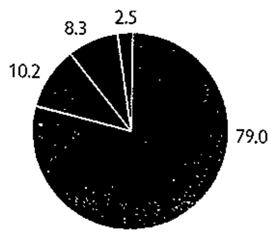


Financial review

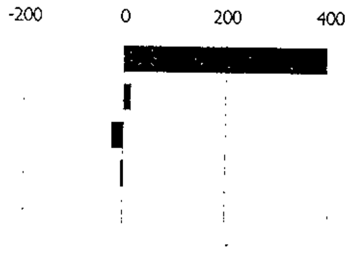
By product group



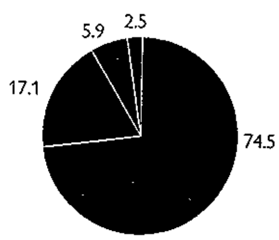
1995 turnover %



Turnover changes since 1994 £000



1995 operating profit %



Turnover and operating profit

Turnover from continuing operations in 1995 of £2,306.1m increased by 20.0% over the previous year. Operating profit from continuing operations of £349.5m was 22.6% ahead (before exceptional reorganisation costs in 1994). The increase reflects the successful integration into the Reckitt & Colman group of the L&F Products acquisition. L&F Products contributed turnover of £431.4m.

Major cost reduction programmes in both Europe and the US began to show positive effects on overall group operating margins which improved from 14.8% to 15.2%.

Segmental analysis

The overriding factor in 1995 has been the L&F acquisition that helped to push Household & toiletry turnover up to 79.0% (1994, 74.3%) of the group's total and to 74.5% (1994, 69.4%) of operating profit.

Pharmaceuticals continued to be an important contributor with 10.2% (1994, 11.4%) of turnover and 17.1% (1994, 18.6%) of operating profit. Food and other activities are essentially concentrated in the US and Brazil respectively and are becoming less important as the group's strategy of concentrating on its household, toiletry and pharmaceutical businesses progresses.

Turnover and operating profit in North America increased to 33.3% (1994, 25.7%) and 29.0% (1994, 20.1%) respectively following the L&F acquisition. Europe contributed 33.8% (1994, 37.3%) of turnover and 32.4% (1994, 35.8%) of operating profit.

Interest, non-operating items and tax

Interest payable less receivable of £51.1m was £30.2m higher than the previous year due to the financing costs associated with the L&F Products acquisition, offset to some extent by the cash flow of the business and proceeds from the disposal programme. Interest payable less receivable in 1995 was 6.9 times covered by operating profit. Interest cover including the coupon on the convertible capital bonds was 5.1 times.

Profit before tax at £417.8m compares with £160.2m in 1994. Both years were affected by non-operating profits, £132.7m in 1995 and £29.0m in 1994. There were also exceptional reorganisation costs of £139.1m in 1994. The non-operating profit of £132.7m in 1995 comprises the profit on the sale of Colman's of Norwich of £180.4m less losses on brand disposals (mainly in the US) of £47.7m, stemming from the rationalisation of the product portfolio of the merged US business.

Excluding non-operating items and exceptional reorganisation costs, adjusted profit before tax increased by 5.5% over 1994 to £285.1m.

The effective group tax rate in 1995, excluding the effect of exceptional and non-operating items, was 30.2% compared with 31.3% in 1994. The reduction was due to advantage being taken of accumulated tax losses and the amortisation of intangible fixed assets in the US.

Earnings per ordinary share

Earnings per share on profit for the financial year amounted to 76.8p compared to 21.3p in 1994. The board is again publishing an adjusted fully diluted earnings per share figure that excludes the impact of non-operating items and major exceptional items. Bearing in mind the prospective conversion of the convertible capital bonds into ordinary shares, the directors also believe that it is appropriate for adjusted earnings per share to be published on a fully diluted basis that assumes conversion of the bonds. The weighted average number of shares in issue increased during the year by 8.0% when the loan stock units issued by way of rights in connection with the L&F Products acquisition were converted into ordinary shares. The progression at the earnings level of 7.5% was reduced by the dilution impact of the shares issued and, in consequence, earnings per share on this adjusted fully diluted basis were 44.7p, down 0.7% on the previous year.

Dividends on ordinary shares

The directors are recommending a final dividend for the year of 12.80p per share which, together with the interim dividend of 7.35p per share, represents an increase of 8.0% over the dividend in 1994. Ordinary shareholders will again be given an opportunity to accept new ordinary shares for the net cash dividend. Dividend cover on the adjusted earnings is 2.3 times.

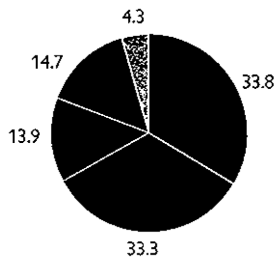
Acquisitions and disposals

No material acquisitions were made in 1995 and priority has been given to carrying out the disposal programme referred to at the time of the L&F

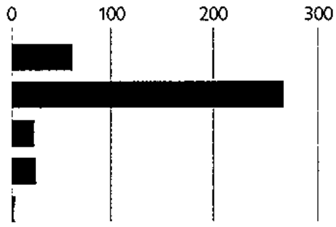
By geographical area

Europe
North America
Latin America
Australasia & Asia
Africa

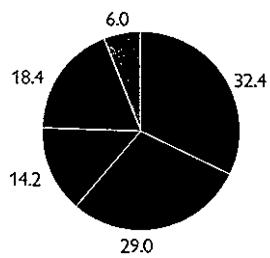
1995 turnover %



Turnover changes since 1994 £000



1995 operating profit %



acquisition. The UK food business, Colman's of Norwich, and other non-core businesses were disposed of during the year, contributing £291.4m towards the group's stated objective of raising £400m from disposals over three years.

Cash flow and net borrowings

The net cash inflow arising from ordinary operations during the year, after the payment of taxes, interest on borrowings and dividends to shareholders and after investment in tangible fixed assets, amounted to £47.3m (1994, £102.6m). The 1995 figure reflects the cash costs in 1995 of the reorganisation in Europe and the L&F integration that were provided for in the 1994 accounts. Before these costs, the group's net cash inflow was £98.5m.

Payment for the L&F Products acquisition in 1995 amounted to £1,004.8m. £116.0m was received from the second tranche of the rights issue and £291.4m from business disposals. After taking account of exchange losses of £20.5m on borrowings held in foreign currencies, there was an increase in net borrowings in the year of £579.6m. The net borrowings position of the group at the end of 1995, excluding the convertible capital bonds of £199.6m, totalled £536.0m.

Gross borrowings at the end of 1995, represented by bank loans, overdrafts and other loans (and excluding the convertible capital bonds), totalled £806.5m (1994, £428.8m), of which £459.0m (1994, £216.9m) was in medium and long term debt with expiry dates over one year from the balance sheet date. Approximately 54% of the gross borrowings at the end of 1995 was denominated in US Dollars. The balance was made up mainly of borrowings in French Francs, Deutschmarks, Spanish Pesetas, and Canadian and Australian Dollars.

Financing

Reckitt & Colman has consistently generated sufficient cash to enable it to finance all normal fixed and working asset expenditure and all but the most substantial acquisitions out of its own resources without seeking additional support from its shareholders.

To finance part of the acquisition of L&F Products, £229.3m of convertible loan stock units were issued at the end of 1994 and converted into ordinary shares in January 1995. In addition, a multi-currency syndicated facility amounting to £1,118.0m was put in place in September 1994. This facility was refinanced during 1995 into two tranches of Guaranteed Notes, issued in the US and maturing in 2002 and 2005, totalling £144.9m, and into bilateral revolving credit facilities totalling £643.0m with core relationship banks for an average life of 3.9 years. The syndicated facility has been cancelled.

The group had in place at the end of 1995 committed borrowing facilities of £1,082.0m of which 44% was drawn down and 24% was designated as backup to commercial paper issues. These committed borrowing facilities, together with some uncommitted facilities, are considered sufficient to meet the group's projected cash requirements. Committed facilities have financial covenants that are not expected to restrict the group's future operations. The group, one year after the acquisition of L&F Products, has absorbed the financing of a major acquisition, is well advanced on its repayment schedule and has adequate facilities available to fund its development plans.

Borrowings have been undertaken in the currencies of the countries where most of the group's net assets are located to provide some protection against the effects of exchange rate fluctuations on shareholders' funds.

It is the group's normal practice that surplus funds generated by the businesses overseas are remitted to the UK. These funds are used to repay borrowings or are converted into Sterling and invested in short-term instruments issued by institutions with credit ratings better than the group's credit rating. There are limits on the amounts that may be placed with a single borrower.

Treasury management

The board reviews and agrees policies, guidelines and authority levels for all areas of treasury activities, including group funding and risk management. The Group Treasury department operates under close management control. Group Treasury is not a profit centre and therefore does not undertake transactions for which there is no underlying commercial exposure.

Foreign currency

It is the group's policy to manage actively the foreign currency transaction exposure which amounts to about £350m per annum and arises in the UK from foreign currency receipts and payments for goods and services and from the remittance of foreign currency profits. Exposures are matched where possible and only the net positions are converted into Sterling at an appropriate time, using the spot and forward exchange markets. Currency options are not used.

The foreign currency translation exposure arising on the profits of overseas subsidiaries is managed by taking various measures which include the maintenance of borrowings in matching currencies to create an interest cost and the maximising of remittances to the UK. In 1995, nearly all the group's major foreign currency earnings were covered in this way.

Interest

The group manages its exposure to fluctuations in international interest rates. At the end of 1995, 58% of the group's gross borrowings of £806.5m were subject to fixed rates of interest at an average rate of 7.6% (1994, 8.6%).

Shareholders' funds

Total shareholders' funds increased to £899.7m from £686.2m. The profit for the financial year of £325.5m was offset by dividends of £85.4m, goodwill written off less reinstated of £53.4m, exchange gains of £19.0m and £7.8m of other items. During the year, the company's ordinary shares traded within a range of 713p to 586p and, at the year end, the share price stood at 713p. The company's equity market capitalisation at the end of the year was approximately £3bn, representing 3.3 times shareholders' funds.

Accounting policies

There were no changes to the accounting policies adopted in previous years and these are set out on pages 35 and 36 in the Report & Accounts.

Summary financial statement

for the 52 weeks ended 30 December 1995

Important note

This summary financial statement is a summary of information in the directors' report and the group's accounts. The summary financial statement does not contain sufficient information to allow for a full understanding of the results of the group and of the state of affairs of the company or of the group. For further information, the directors' report, the full annual accounts and the auditors' report on those accounts should be consulted.

Shareholders have the right to receive, free of charge, a copy of the group's latest directors' report and annual accounts.

Summary directors' report

Review of the activities and development of the group's business

The operating and financial reviews set out on pages 3 to 14 and 18 to 22 include a review of operations for the year and the likely future development of the business. The directors endorse the content of that review.

Directors

Information about the directors of the company during 1995, other than Mr. C. C. C. Brown and Sir Michael Colman, who served until 31 March 1995 and 31 August 1995 respectively, is set out on pages 16 and 17 of the Annual Review. On 12 February 1996 Dr. G. P. Greener was appointed a non-executive director of the company.

Corporate governance

The directors confirm that the group has complied with the provisions of the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance in December 1992. The auditors, Price Waterhouse, have reported to the board that in their opinion the directors' statements on internal financial control and on going concern, which are on page 6 of the Report & Accounts, have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent with the information which came to the auditors' attention as a result of their audit work on the financial statements; and that the directors' other statement on page 6 of the Report & Accounts appropriately reflects the group's compliance with the other paragraphs of the Code specified for their review. The auditors were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures nor on the ability of the group to continue in operational existence.

Report of the auditors

The report of the auditors on the annual accounts of the group for the 52 weeks ended 30 December 1995 was unqualified and did not contain a statement under either s.237(2) or s.237(3) of the Companies Act 1985.

Annual general meeting

The notice convening the annual general meeting to be held on Wednesday, 15 May 1996 at 11.15 a.m. at the New Connaught Rooms, 15 Great Queen Street, London WC2 is contained in a separate document for shareholders which accompanies this Annual Review.

Report of the remuneration committee

Remuneration committee

The remuneration committee (the "committee") comprises three non-executive directors of the company, Mr. A. J. Dalby (chairman), Mr. G. J. Hearne and Mr. M. R. Valentine, none of whom has a day-to-day involvement in the running of the group.

The main provisions of the Code of Best Practice contained within the report of the Study Group on Directors' Remuneration chaired by Sir Richard Greenbury have been incorporated in the Listing Rules of the London Stock Exchange or annexed to the Listing Rules in Sections A and B. The group complies with the Best Practice provisions concerning remuneration committees in Section A. In addition, the committee has given full consideration to the Best Practice provisions regarding remuneration policy, service contracts and compensation set out in Section B.

The committee draws upon the advice of independent remuneration consultants where appropriate. The board as a whole determines the remuneration of non-executive directors.

Remuneration policy

The policy objectives of the committee are to seek to ensure that executive directors and senior executives are fairly rewarded for their contribution and that the group is able to recruit and retain highly qualified and motivated executives. The group aims to meet these objectives through a remuneration package which includes salary, benefits in kind, service contracts and short and long term incentives. The components of the remuneration package are described below.

Salary

The salaries of directors and other senior executives are established on the basis of market comparisons with positions of similar responsibility and scope in companies in the FT-SE 100 Index and in global companies with similar industrial characteristics. The committee uses salary surveys conducted by external remuneration consultants as its source of market information.

The individual salaries of directors and other senior executives are reviewed annually and adjusted by reference to individual performance and market factors.

Details of the emoluments of the directors are set out in Note 27 on page 32 of the Report & Accounts.

Benefits in kind

Executive directors receive a fully expensed company car, health insurance and a housing allowance in certain cases where the employee moves at the group's request.

Annual incentives

The executive directors participate in an annual cash incentive scheme under which they may receive from nothing up to a maximum set individually at between 40% and 50% of their base salary. In 1995 one director, based in the USA, participated in a scheme paying a maximum of 75% of base salary. The performance measures used to determine the level of any incentive earned are both individual and corporate. The corporate measure is earnings per share. Executive directors also qualify with other UK employees for annual payments under the Employee Cash Bonus and Share Participation Schemes. These payments amount to between approximately 4% and 6% of base salary.

Share option schemes

Executive directors may also participate with other employees in the group's Executive Share Option and Savings-Related Share Option Schemes. The committee only grants options under the Executive Share Option Scheme to executives who meet specific personal performance criteria. The scheme also contains a performance condition which requires the group's share price over any three year period between the grant and exercise of an option to exceed the rate of growth in the Retail Price Index for the same period by at least 4%.

Details of the directors' interests in share option schemes are set out in Note 29(c) on page 34 of the Report & Accounts.

Following the introduction of the Long Term Superior Performance Incentive Plan at the beginning of 1995, the committee decided that no options would be granted to executive directors under the Executive Share Option Scheme in 1995.

Long term incentives

The first four year performance period for the award of shares under the Long Term Superior Performance Incentive Plan (the "plan") commenced on 1 January 1995. Awards under the plan are granted to the executive directors on the recommendation of the committee. The awards granted under the plan for a four year period are three times base salary for the chief executive and two and a half times base salary for other executive directors.

Participating directors will only be permitted to exercise their grants at the end of the four year period if specified performance criteria have been met, namely that the growth in the group's share price during the performance period ranks better than 50th when compared with the share price growth of the other constituent companies in the FT-SE 100 Index at the start of the performance period. The maximum award will only be exercisable if the company's share price growth ranks 25th or higher.

The committee feels that the performance target is sufficiently demanding in that it requires a superior performance from the executive directors if they are to benefit from the plan. The plan requires that only 50% of an award may be received by participants immediately following the end of a performance period, the remaining 50% being receivable after a further year.

Details of grants under the plan are set out in Note 29(b) on page 33 of the Report & Accounts.

Pensions

The executive directors are members of the Reckitt & Colman Pension Fund in the UK. The pension fund is of the defined benefit type and is contributory for the employee. Contributions by executive directors amount to approximately 9% of salary. The fund provides for a pension at age 62 equal to 1/60th base salary times the pensionable service of the employee. The pension payable to executive directors and other senior executives is enhanced, if necessary, so that they may expect to receive a pension amounting to two-thirds of their salary at the date of retirement. The four non-executive directors are not members of the Reckitt & Colman Pension Fund.

Service contracts

Executive directors have service contracts with the company terminable on six months' notice with a termination payment amounting to one and a half times base salary.

External appointments

Executive directors of the group are encouraged to accept one appointment as a non-executive director of another company. Such appointments must be approved by the board. Directors are permitted to retain fees for non-executive appointments.

Remuneration policy for non-executive directors

The remuneration for non-executive directors consists of fees for their services in connection with board and board committee meetings. Their fees are determined by the board and reviewed annually. Non-executive directors fees were last increased in 1994. Non-executive directors do not have service contracts, are not eligible for pension fund membership and do not participate in any of the group's bonus, share option or long term incentive schemes.

Group profit and loss account

for the 52 weeks ended 30 December 1995

	1995 £m	1994 £m
Turnover:		
Continuing operations – excluding L&F	**1,874.7**	1,922.2
– L&F*	**431.4**	-
	2,306.1	1,922.2
Discontinued operations	**46.4**	156.7
Total turnover	**2,352.5**	2,078.9
Cost of sales	**(1,128.0)**	(1,073.2)
Gross profit	**1,224.5**	1,005.7
Net operating expenses	**(869.4)**	(834.7)
Operating profit:		
Continuing operations	**349.5**	285.0
Reorganisation costs	**-**	(139.1)
	349.5	145.9
Discontinued operations	**5.6**	25.1
Total operating profit	**355.1**	171.0
Non-operating items:		
Profit on disposal of businesses	**132.7**	29.0
Profit on ordinary activities before interest	**487.8**	200.0
Interest payable less receivable	**(51.1)**	(20.9)
Coupon on convertible capital bonds	**(18.9)**	(18.9)
Profit on ordinary activities before taxation	**417.8**	160.2
Tax on profit on ordinary activities	**(86.6)**	(72.3)
Profit on ordinary activities after taxation	**331.2**	87.9
Attributable to equity minority interests	**(5.5)**	(5.8)
Dividends on preference shares	**(0.2)**	(0.2)
Profit for the financial year	**325.5**	81.9
Ordinary dividends	**(85.4)**	(76.0)
Retained profit for the financial year	**240.1**	5.9
Earnings per ordinary share:		
On profit for the financial year	**76.8p**	21.3p
On adjusted profit, fully diluted	**44.7p**	45.0p
Dividends per ordinary share	**20.15p**	18.66p

Note:

The total emoluments of directors, excluding compensation for loss of office of £0.4m, were £2.2m (1994, £2.7m).

* This represents the turnover of L&F Products which was acquired on 31 December 1994.

Group balance sheet

as at 30 December 1995

	1995 £m	1994 £m
Fixed assets:		
Intangible assets	**1,273.2**	1,295.6
Tangible assets	**417.9**	489.1
	1,691.1	1,784.7
Current assets:		
Stocks	**177.7**	189.2
Debtors due within one year	**440.1**	539.1
Debtors due after more than one year	**112.2**	105.9
Investments	**285.4**	520.6
Cash at bank and in hand	**29.4**	31.7
	1,044.8	1,386.5
Current liabilities:		
Creditors due within one year:		
Other	**(553.3)**	(1,519.3)
Borrowings	**(347.5)**	(211.9)
	(900.8)	(1,731.2)
Net current assets/(liabilities)	**144.0**	(344.7)
Total assets less current liabilities	**1,835.1**	1,440.0
Non-current liabilities:		
Creditors due after more than one year:		
Borrowings	**459.0**	216.9
Other	**27.4**	30.1
Convertible capital bonds	**199.6**	199.7
	686.0	446.7
Provisions for liabilities and charges	**227.1**	287.1
Equity minority interests	**22.3**	20.0
	935.4	753.8
Capital and reserves:		
Called up share capital including non-equity capital	**46.9**	42.1
Shares to be issued	**-**	229.3
Share premium account	**126.7**	121.7
Profit and loss account	**726.1**	293.1
Total shareholders' funds	**899.7**	686.2
	1,835.1	1,440.0

The summary financial statement was approved by the board on 14 March 1996

Alan J Dalby

Vernon Sankey

A. J. Dalby
DIRECTOR

V. L. Sankey
DIRECTOR

Group cash flow statement

for the 52 weeks ended 30 December 1995

	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow from operating activities		**323.4**		337.7
Returns on investments and the servicing of finance:				
Interest received	**23.1**		25.2	
Interest paid	**(65.1)**		(47.5)	
Coupon on convertible capital bonds	**(18.9)**		(18.9)	
Dividends paid (including minorities)	**(76.0)**		(65.6)	
Net cash outflow from returns on investments and the servicing of finance		**(136.9)**		(106.8)
Taxation		**(83.0)**		(77.8)
Net cash inflow before investing activities and financing		**103.5**		153.1
Investing activities:				
Tangible fixed assets:				
Purchases	**(65.2)**		(61.4)	
Disposals	**9.0**		10.9	
		(56.2)		(50.5)
Net cash inflow arising from ordinary operations		**47.3**		102.6
Other investing activities:				
Acquisitions (net of cash and cash equivalents)		**(1,006.4)**		(12.1)
Disposals (net of cash and cash equivalents)		**291.4**		53.9
Net cash transferred to businesses held for disposal		**(12.4)**		-
		(727.4)		41.8
Net cash outflow from investing activities		**(783.6)**		(8.7)
Net cash (outflow)/inflow before financing		**(680.1)**		144.4
Financing:				
Issue of ordinary share capital	**5.0**		1.8	
Proceeds of rights issue	**116.0**		113.3	
Bank and other borrowings incurred	**338.4**		5.6	
Increase in investments	**(5.2)**		(6.8)	
Net cash inflow from financing		**454.2**		113.9
(Decrease)/increase in net cash and cash equivalents		**(225.9)**		258.3
Opening net deposits/(borrowings)*		**43.6**		(216.5)
Net cash inflow from ordinary operations		**47.3**		102.6
Net cash (outflow)/inflow from other investing activities		**(727.4)**		41.8
Issue of ordinary share capital		**5.0**		1.8
Proceeds of rights issue		**116.0**		113.3
Exchange adjustments		**(20.5)**		0.6
Closing net (borrowings)/deposits*		**(536.0)**		43.6

* Excludes convertible capital bonds.

Turnover – by geographical area

	Continuing			
	Excluding L&F £m	L&F* £m	1995 Total £m	1994 £m
Europe	**759.0**	**19.5**	**778.5**	717.2
North America	**370.0**	**398.1**	**768.1**	494.2
Latin America	**319.9**	**1.5**	**321.4**	299.0
Australasia & Asia	**326.9**	**12.3**	**339.2**	314.8
Africa	**98.9**	**–**	**98.9**	97.0
	1,874.7	**431.4**	**2,306.1**	1,922.2
Discontinued operations:				
Europe			**46.4**	156.7
			2,352.5	2,078.9

The turnover figures represent the sales made to third party customers by geographical origin. Sales to other members of the group in other geographical areas are not material.

Turnover – by product group

	Continuing			
	Excluding L&F £m	L&F* £m	1995 Total £m	1994 £m
Household & toiletry	**1,389.7**	**431.4**	**1,821.1**	1,428.3
Pharmaceutical	**234.6**	**–**	**234.6**	220.0
Food	**193.1**	**–**	**193.1**	216.2
Other activities	**57.3**	**–**	**57.3**	57.7
	1,874.7	**431.4**	**2,306.1**	1,922.2
Discontinued operations:				
Food			**46.4**	148.5
Other activities			**–**	8.2
			2,352.5	2,078.9

* This represents the turnover of L&F Products which was acquired on 31 December 1994.

Segmental analyses

Operating profit – by geographical area

	1995 £m	1994 £m
Europe	**113.2**	101.9
North America	**101.5**	57.2
Latin America	**49.8**	54.1
Australasia & Asia	**64.1**	50.5
Africa	**20.9**	21.3
	349.5	285.0
Exceptional reorganisation costs:		
Europe	**–**	(56.0)
North America	**–**	(83.1)
Discontinued operations:		
Europe	**5.6**	25.1
	355.1	171.0

In 1995 operating profit includes profits on disposals of minor brands of £12.0m in Australasia & Asia and £0.7m in Africa. In 1994 operating profit included profits on disposals of minor brands of £8.5m in Europe, £5.7m in North America and £2.5m in Australasia & Asia.

Operating profit – by product group

	1995 £m	1994 £m
Household & toiletry	**260.5**	197.7
Pharmaceutical	**59.9**	52.9
Food	**20.5**	22.9
Other activities	**8.6**	11.5
	349.5	285.0
Exceptional reorganisation costs:		
Household & toiletry	**–**	(139.1)
Discontinued operations:		
Food	**5.6**	23.4
Other activities	**–**	1.7
	355.1	171.0

In 1995 operating profit includes profits on disposals of minor brands of £12.0m in Household & toiletry and £0.7m in Food. In 1994 operating profit included profits on disposals of minor brands of £9.2m in Household & toiletry, £1.6m in Pharmaceutical and £5.9m in Food.

The operating profit of L&F Products has not been disclosed separately as this is not practicable due to the integration of L&F Products into Reckitt & Colman.

Segmental analyses have been prepared for operating profit as the directors consider these to be more meaningful than analyses based on profit before tax.

Auditors' statement to the shareholders of Reckitt & Colman plc

We have examined the summary financial statement set out on pages 26 to 30.

Respective responsibilities of directors and auditors

The summary financial statement is the responsibility of the directors. Our responsibility is to report to you our opinion on its preparation and consistency with the full financial statements and directors' report.

Basis of opinion

We conducted our work in accordance with Auditing Guideline "The auditor's statement on the summary financial statement" adopted by the Auditing Practices Board.

Opinion

In our opinion the summary financial statement on pages 26 to 30 is consistent with the full financial statements and directors' report of Reckitt & Colman plc for the year ended 30 December 1995 and complies with the requirements of the Companies Act 1985, and regulations made thereunder, applicable to summary financial statements.

Price Waterhouse

Price Waterhouse

Southwark Towers
32 London Bridge Street
London SE1 9SY

CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

14 March 1996

Five year summary

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Turnover	**2,352.5**	2,078.9	2,095.7	1,933.9	1,986.9
Operating profit	**355.1**	171.0	311.5	274.9	292.6
Interest payable less receivable	**(51.1)**	(20.9)	(35.6)	(33.7)	(40.3)
Coupon on convertible capital bonds	**(18.9)**	(18.9)	(19.0)	(19.0)	(19.3)
Profit on ordinary activities before non-operating items	**285.1**	131.2	256.9	222.2	233.0
Non-operating items	**132.7**	29.0	–	(56.9)	(18.3)
Profit on ordinary activities before tax	**417.8**	160.2	256.9	165.3	214.7
Tax on profit	**(86.6)**	(72.3)	(87.2)	(68.0)	(71.9)
Attributable to minority interests	**(5.5)**	(5.8)	(2.9)	(3.0)	(1.2)
Preference dividends	**(0.2)**	(0.2)	(0.2)	(0.2)	(0.2)
Profit for the financial year	**325.5**	81.9	166.6	94.1	141.4
Ordinary dividends	**(85.4)**	(76.0)	(65.7)	(60.6)	(56.4)
Retained profit for the financial year	**240.1**	5.9	100.9	33.5	85.0
Balance sheet					
Fixed assets	**1,691.1**	1,784.7	1,101.2	1,097.3	990.1
Net current assets/(liabilities)	**144.0**	(344.7)	214.7	92.0	42.0
Total assets less current liabilities	**1,835.1**	1,440.0	1,315.9	1,189.3	1,032.1
Creditors due after more than one year:					
Borrowings/Other	**486.4**	247.0	295.2	265.9	233.0
Convertible capital bonds	**199.6**	199.7	199.8	200.8	200.8
Provisions for liabilities and charges	**227.1**	287.1	134.6	88.3	71.2
Equity minority interests	**22.3**	20.0	17.4	16.4	8.3
	935.4	753.8	647.0	571.4	513.3
Total shareholders' funds	**899.7**	686.2	668.9	617.9	518.8
	1,835.1	1,440.0	1,315.9	1,189.3	1,032.1
Adjusted operating profit*	**355.1**	310.1	311.5	274.9	292.6
Financial ratios					
FRS 3 basis:					
Operating profit to turnover	**15.1%**	8.2%	14.9%	14.2%	14.7%
Net interest to operating profit (times covered)	**6.9x**	8.2x	8.8x	8.2x	7.3x
Tax rate	**20.7%**	45.1%	33.9%	41.1%	33.5%
Earnings per ordinary share on shares in issue†	**76.8p**	21.3p	44.0p	24.9p	37.4p
Dividend cover‡	**3.8x**	1.1x	2.3x	1.4x	2.1x
Adjusted basis:					
Operating profit to turnover	**15.1%**	14.9%	14.9%	14.2%	14.7%
Net interest to operating profit (times covered)	**6.9x**	14.8x	8.8x	8.2x	7.3x
Tax rate	**30.2%**	31.3%	33.9%	33.2%	32.5%
Earnings per ordinary share on an adjusted fully diluted basis†	**44.7p**	45.0p	42.6p	39.1p	40.3p
Dividend cover‡	**2.3x**	2.4x	2.3x	2.1x	2.3x
Dividends per ordinary share†	**20.2p**	18.7p	17.3p	16.0p	14.9p
Indexed comparisons (base 1990 = 100)					
Retail Price Index	**116.0**	112.4	109.2	107.2	104.5
Dividends per ordinary share	**150.0**	138.9	129.0	119.1	111.0

* Adjusted operating profit is calculated by adding back the distorting effect of major exceptional items.

† Earnings per ordinary share and dividends per ordinary share for 1991 to 1993 have been adjusted to take account of the bonus element in the 1994 rights issue.

‡ Dividend cover is calculated by dividing (adjusted) earnings by ordinary dividends.

Shareholders' information

1996

Annual general meeting	15 May
Payment of half-yearly preference dividend	1 July
Payment of final ordinary dividend	5 July
Announcement of interim results	29 August

1997

Payment of half-yearly preference dividend	January
Payment of interim ordinary dividend	January
Preliminary announcement of 1996 results	March
Issue of Annual Review	April
Annual general meeting	May

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