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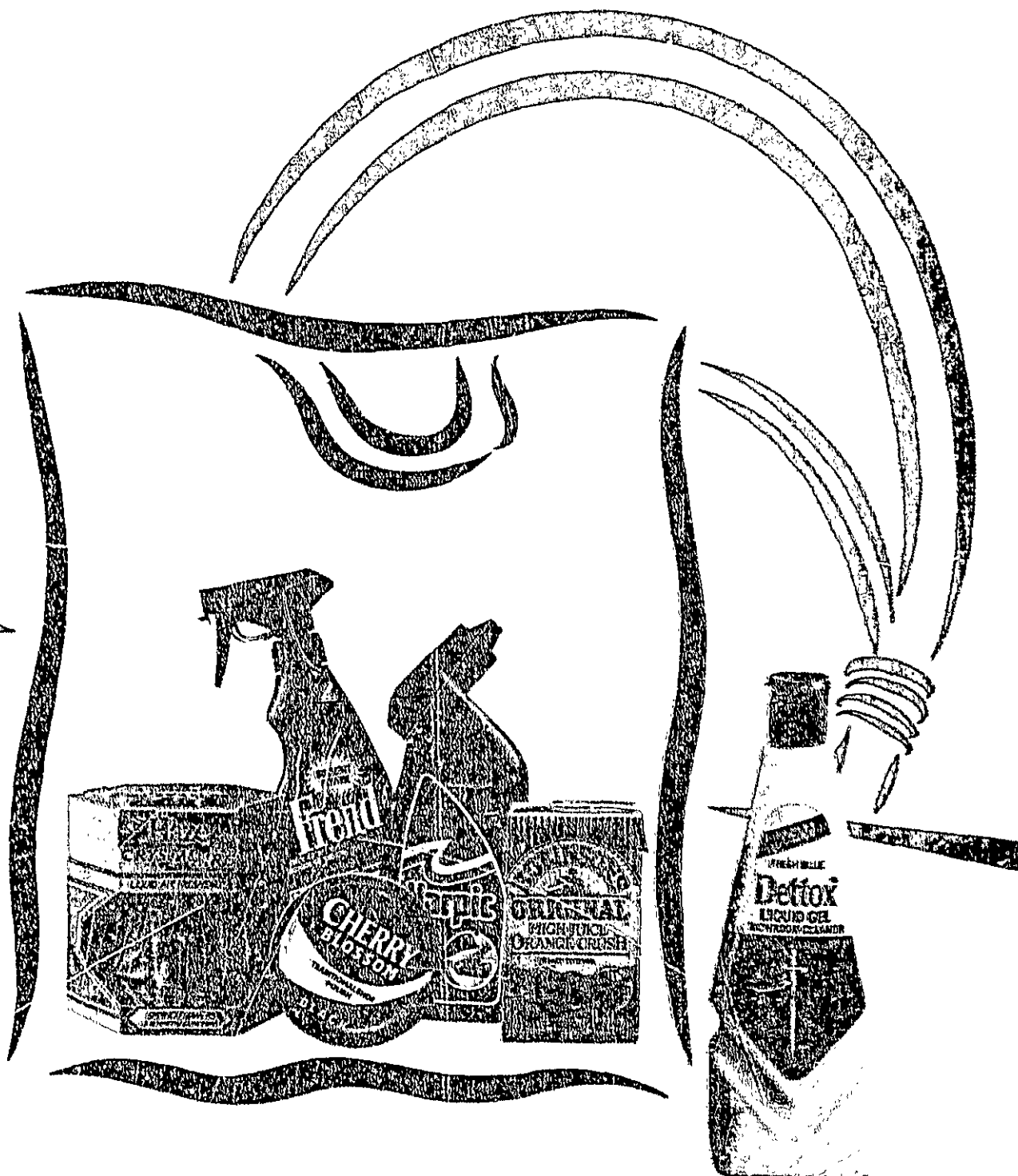


Reckitt & Colman

Annual Report 1989

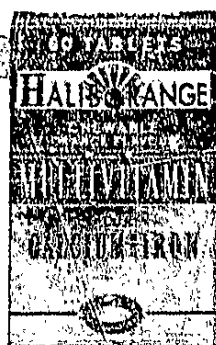
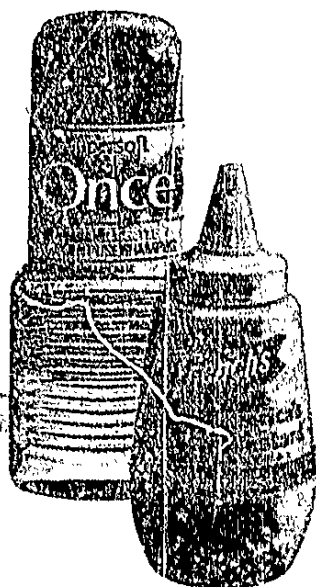
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Financial highlights

	1989	1988	Increase
Sales to customers	£1,565.75m	£1,394.04m	12.3%
Trading profit	£220.07m	£197.86m	11.2%
Profit on ordinary activities before taxation	£217.40m	£191.28m	13.7%
Earnings attributable to ordinary shareholders	£139.86m	£120.05m	16.5%
Ordinary dividends	£44.23m	£37.85m	16.9%
Earnings per ordinary share	94.17p	80.89p	16.4%
Dividends per ordinary share	29.75p	25.50p	16.7%



Review of performance

SALES AND TRADING PROFIT BY AREA

	SALES				TRADING PROFIT			
	1989 £m	1988 £m	1989 % of total	1988 % of total	1989 £m	1988 £m	1989 % of total	1988 % of total
UK	359.08	333.77	22.9	23.9	61.58	52.17	28.0	26.4
Europe (excluding UK)	344.19	305.41	22.0	21.9	37.14	28.74	16.9	14.5
North America	409.07	372.19	26.1	26.7	35.38	45.72	16.1	23.1
Australasia & Asia	195.67	174.09	12.5	12.5	42.28	34.19	19.2	17.3
Africa	96.85	90.06	6.2	6.5	15.43	15.80	7.0	8.0
Latin America	160.89	118.52	10.3	8.5	28.26	21.24	12.8	10.7
	<u>1,565.75</u>	<u>1,394.04</u>	<u>100.0</u>	<u>100.0</u>	<u>220.07</u>	<u>197.86</u>	<u>100.0</u>	<u>100.0</u>

SALES AND TRADING PROFIT BY PRODUCT GROUP

	SALES				TRADING PROFIT			
	1989 £m	1988 £m	1989 % of total	1988 % of total	1989 £m	1988 £m	1989 % of total	1988 % of total
Household & toiletry	816.63	716.50	52.2	51.4	116.75	104.03	53.1	52.6
Food	495.89	452.02	31.7	32.5	51.10	48.92	23.2	24.7
Pharmaceutical	157.04	148.06	10.0	10.6	33.65	28.53	15.3	14.6
Other activities	96.19	77.46	6.1	5.5	18.57	16.08	8.4	8.1
	<u>1,565.75</u>	<u>1,394.04</u>	<u>100.0</u>	<u>100.0</u>	<u>220.07</u>	<u>197.86</u>	<u>100.0</u>	<u>100.0</u>

In previous annual reports, geographical and product group profit performances have been stated at the profit before taxation level. The profit in these two analyses is now shown at the trading profit level. The change eliminates the effect of interest charges.

Review of the year

1989 was another year of progress for Reckitt & Colman. By continuing to follow its chosen strategic path, the group enhanced its well-established reputation for producing consistent, long-term growth. Earnings per share for the year increased by 16.4%, maintaining the upward trend of the previous eight years.

Throughout this review the aim is to give shareholders a concise account of significant results and major trends within the business rather than to attempt an exhaustive report of all that occurred during the year.

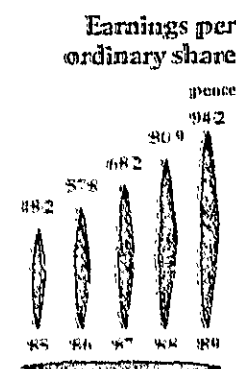
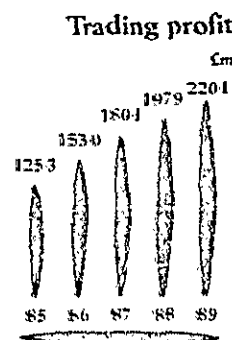
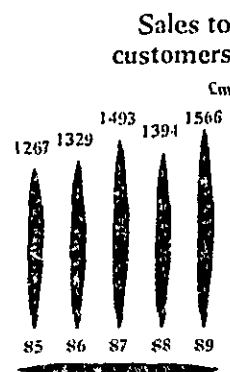
GROUP RESULTS

Sales to customers for the full year rose from £1,394.04m in 1988 to £1,565.75m in 1989, a 12.3% improvement compared with the 8.0% increase in sales reported for the first half of 1989.

Trading profit, at 14.1% of sales, rose by 11.2% to £220.07m from £197.86m.

Profit before tax, at 13.9% of sales, increased by 13.7% to £217.40m from £191.28m.

These satisfactory percentages of profit to sales were achieved despite increased marketing and sales promotion expenditure undertaken to improve brand shares in a number of key markets.



Review of the year

TAX ON PROFIT

The group's effective tax rate decreased from 36.3% in 1988 to 35.1% in 1989.

FLOW OF FUNDS AND NET BORROWING

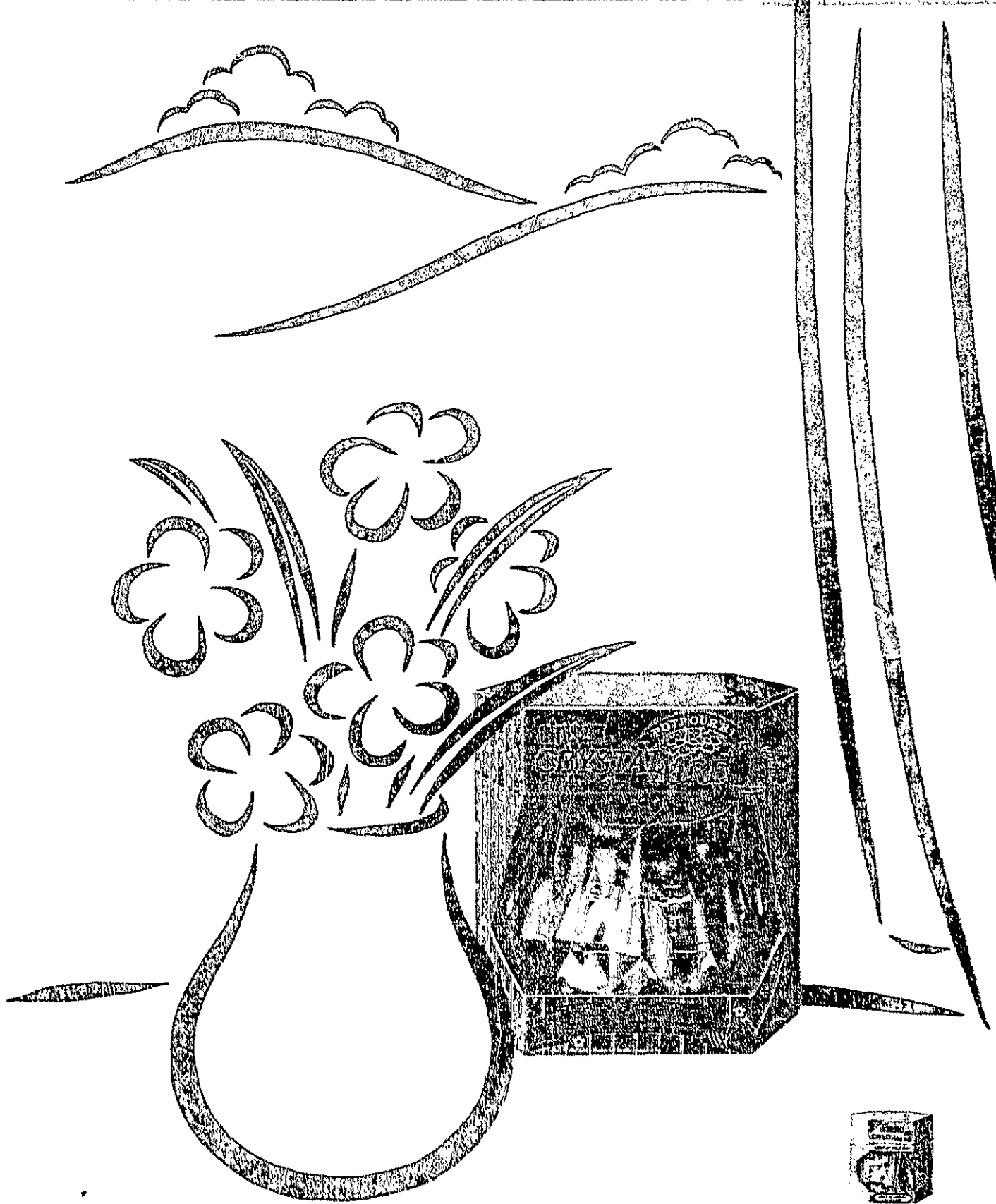
The group's cash generation from ordinary operations was again satisfactory at £50.97m. As stated on page 18, the group acquired twelve businesses in 1989 costing £48.77m in the year. Additionally, £10.71m was spent on merging and reorganising these businesses and others acquired in recent years. A further £6.62m was spent on restructuring manufacturing facilities in Europe. As a result, net borrowing increased from £1.65m at the end of 1988 to £19.58m at 30 December 1989.

DIVIDENDS PER ORDINARY SHARE

The board recommends a final dividend of 19.10p per share following the interim dividend of 10.65p declared in September 1989, making a total of 29.75p compared with 25.50p for 1988, an increase of 16.7%.

Sir Michael Colman, chairman,
(right) and John St. Lawrence,
chief executive (left).





Crystaline air freshener is a leading brand in the USA. This innovative product is now being successfully extended into Europe and Australasia.

Review of the year

French's mustard and Durkee
Red Hot cayenne pepper sauce,
well-established favourites in
North America.



North America

The group's businesses in North America saw trading profit fall back by 22.6% against the figure achieved in 1988 largely because both the Durkee-French food business and the Airwick household products operation took a strategic decision to sacrifice short-term returns in order to develop and strengthen their long-term market positions.

Durkee-French experienced demanding competitive conditions, particularly with its Durkee spices, to which it responded vigorously and innovatively by streamlining the range and modernising its presentation and by addressing energetically the challenges posed by the aggressive US market-place.

Durkee-French also acquired the Durkee industrial trademark distribution rights to food service outlets. This business has been successfully integrated into the expanding food service operation.

The Airwick household products business capitalised on the successful launch of the new Crystallaire air freshener, which was introduced at the end of 1988. Crystallaire had, by the end of 1989, achieved





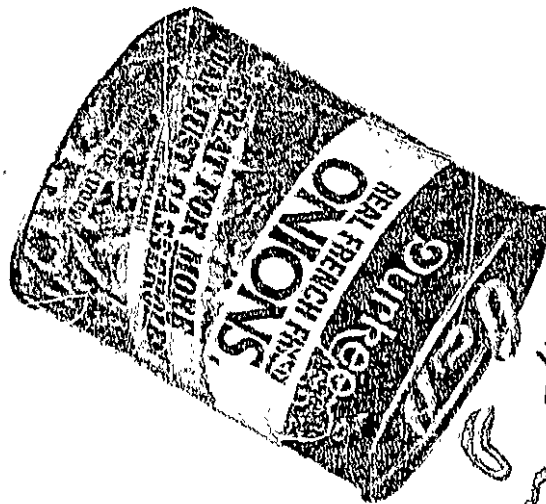
Now packaging for French's seasonings increased shelf appeal in this competitive market sector.



brand leadership in its segment, significant market penetration and a high level of consumer satisfaction. Airwick leads the air freshener market in the USA and its innovative product introductions have ensured a strong category growth for the last few years.

Canada exploited the growth available to it from recent acquisitions.

The group's strategic plan for North America is now firmly established. Strong management is in place with the skill and confidence to build on the progress that has already been made.



Durkee French Fried Onions, a unique product which enjoys brand leadership in the USA.

First launched in the USA, Magic Mushroom now sells in 30 countries.



Review of the year



Major launches in 1989

Included ranges of premium

quality cooking sauces in

jars and microwave sauces

in sachets.

Colman's of Norwich



Colman's of Norwich achieved an outstanding result. All the market segments in which the business operates were buoyant and brand shares strengthened across the entire portfolio.

In the concentrated soft drinks category, Robinsons performed better than its competitors in a good summer, extending its brand leadership and taking its brand share to record levels. Robinsons now outsells its nearest rival by three to one and its ability to meet consumer demand with prompt deliveries to the retail trade provided ample justification for the major factory modernisation programme undertaken during the previous three years. Sharpening the advertising support behind Robinsons Barley Water was rewarded with a resurgence in sales and market share. Robinsons Special R, the leading "no added sugar" fruit drink, also performed strongly, responding to health and lifestyle trends. The growth of Robinsons ready-to-drink cartons continued and a number of new varieties were added to this and to the concentrate range.

Review of the year



Colman's speciality mustards
and the newly launched Mello
& Mild helped to expand the
mustard market.

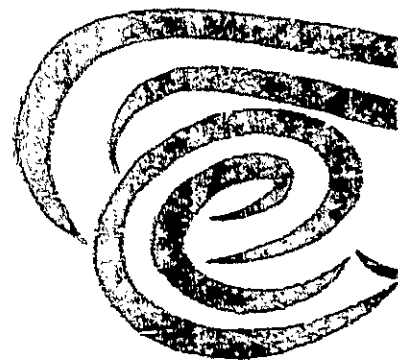
Main picture: Robinsons
strengthened its position as
outright brand leader with
record market share and
volume in 1989.



The strategy of widening consumer choice by introducing new varieties of Colman's mustards breathed fresh life into what had been a static market. The continuing success of Colman's Whole Grain mustard and the launch of the Mello & Mild range, both backed by television advertising, helped to expand the mustard market and Colman's share of it.

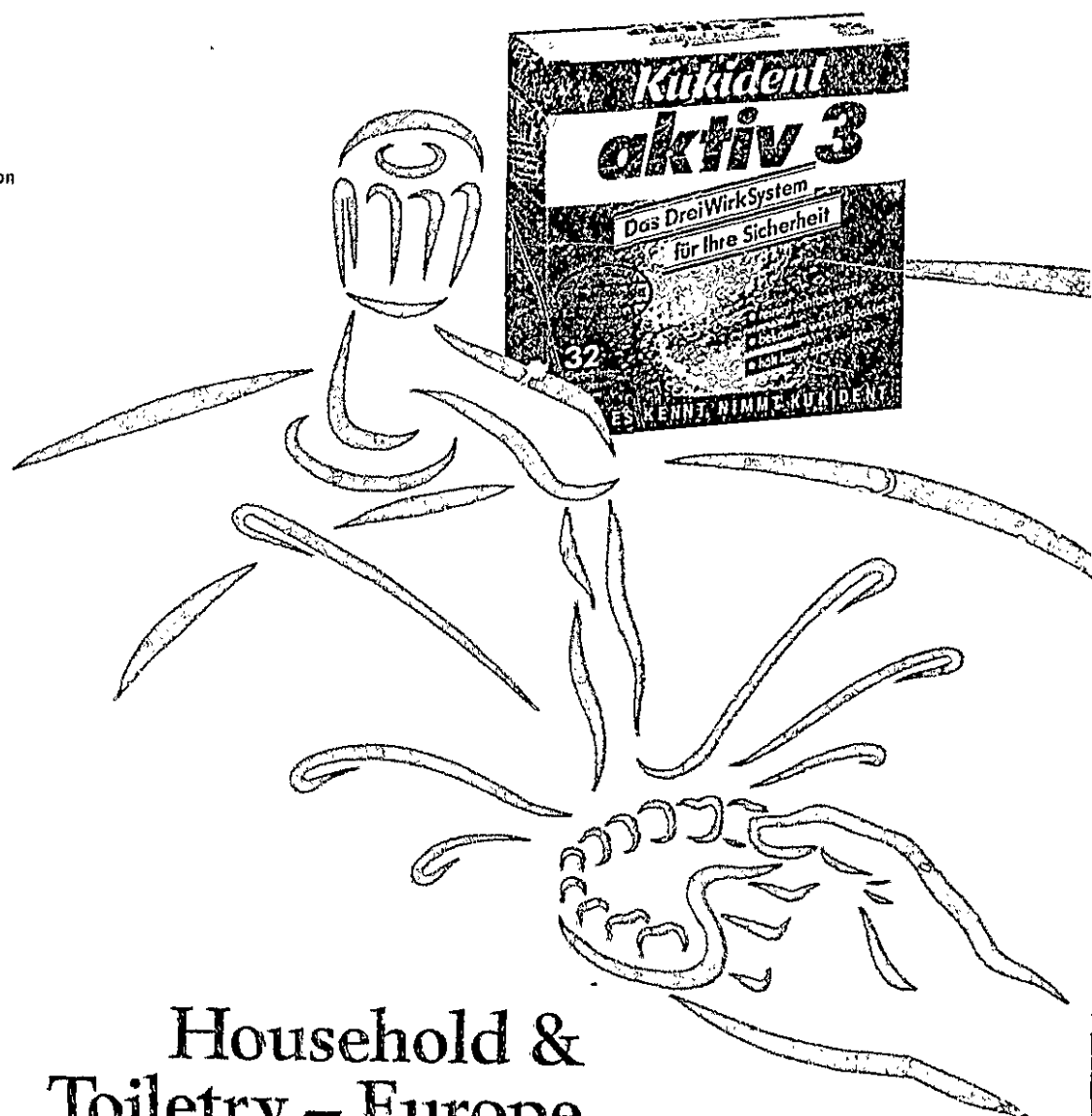
The acquisition of Delrosa baby juices, which was absorbed into the Robinsons baby foods range, made a good contribution. This segment of the business was further strengthened by the launch of a range of granulated fruit and herb baby drinks. The Robinsons baby food relaunch in 1988 provided a significant growth in market share in 1989.

The savoury sauce market was highly competitive. Despite this, skilful marketing and extensive product innovation continued to move Colman's market share ahead. The launch of a range of sauces for microwave ovens and two vegetarian varieties supplemented the range. A new range of premium quality cooking sauces in glass jars was launched in the autumn with good initial response.





Kukident denture care
enhanced its brand position
in Germany.

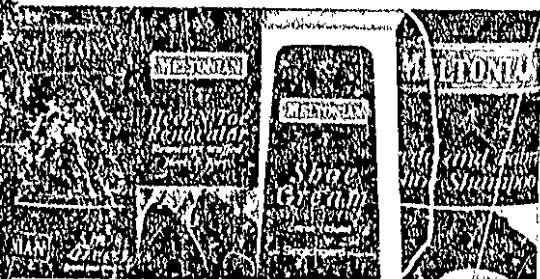


Household & Toiletry – Europe

New packaging for Meltonian
shoe care products.

The importance of this product category may be judged by the fact that it provides over 50% of the group's worldwide sales and trading profit. Europe, including the UK, was the major contributor although strong performances in Australia, New Zealand and the Far East should not be overlooked.

A feature of the year was the continuing process of integration of UK activities with those on the Continent, with the strategic aim of operating the household and toiletry business in Europe on a fully co-ordinated basis by 1992. During 1989, a package of measures involving the





Review of the year

The Veet range of spray, wax and cream depilatories is brand leader in Europe.

Far right: Karinzia liquid soap was launched in France and Spain in a new and expanding market.

Harpic continues to consolidate its position in the European lavatory care market.

rationalisation of manufacturing facilities and the gradual harmonisation of product ranges was announced. The objective of this programme is to sharpen the group's competitive edge and improve customer service by developing a leaner and more efficient manufacturing base.

In the UK, Harpic further strengthened its brand position in the lavatory care market. Crystallaire air freshener, an addition to the Haze range, was successfully launched and Dettox anti-bacterial cleanser continues its encouraging progress.

France produced excellent results and successfully integrated the recent acquisitions of the Biopha, Musclor and Ethnodex skin care products. The Barbara Gould personal care range was also a valuable performer.

Spain also enjoyed a strong year. In particular the depilatory Veet and other personal care products were major contributors to this success. Towards the end of 1989, Nenuce, a leading baby care brand, was acquired and further strengthened the business's competitive presence.

In Germany, Kukident denture care enhanced its brand position.

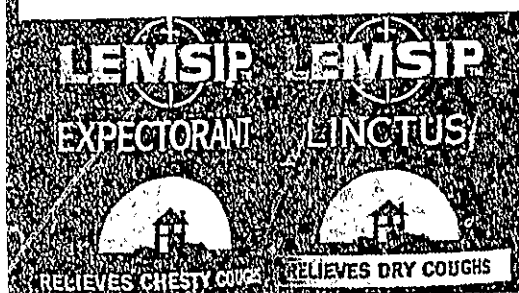
The acquisition of the Dr. Michalis personal care range in Greece, when combined with existing products, has created a very strong business.

Belgium with the Mononk floor care brand, Denmark with Belflora plant care, and Switzerland with Bidex intimate care products benefited from tactical acquisitions. The Karinzia personal care brand continued to boost Italy's performance.





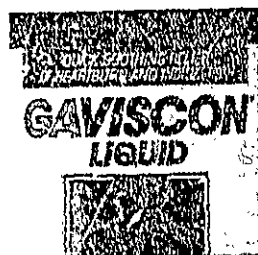
Pharmaceutical



A new range of cough
medicines helped Lemsip
achieve outstanding sales.

The UK domestic business performed strongly, particularly in the consumer medicine sector. Lemsip sales were outstanding, helped not only by the influenza epidemic at the end of the year but also by the timely launch of a range of cough medicines. The Haliborange brand grew strongly in the highly competitive multivitamin sector, aided again by new product launches. Fybogel, the natural fibre bulking agent, and Gaviscon continued to expand. Exports from the UK were maintained except to certain Middle East and African markets, where they were unavoidably affected by economic and political problems.

All the overseas pharmaceutical operations performed satisfactorily with the businesses in Australia and New Zealand making exceptional progress. Valuable contributions also came from Belgium, India and Malaysia.

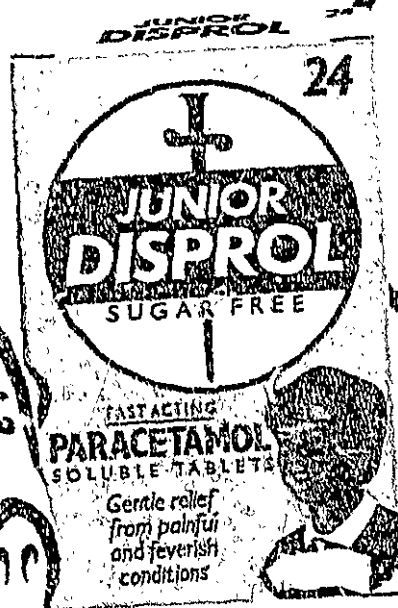


Gaviscon reflux suppressant, a
leading pharmaceutical
remedy in Australia.

Left: Dettol soap and antiseptic
wipes are extensions to the
famous Dettol brand in the UK.



Disprin, Disprol and Dispril,
major oral analgesics. Junior
Disprol – the successful
sugar-free product in the UK.



Harpic—the leading lavatory
care brand in most Latin
American countries.

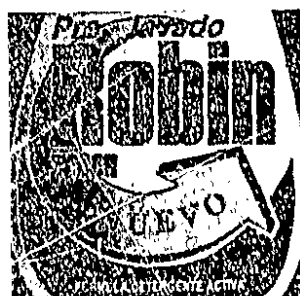
New pack design for Robin Pre-
Wash, an important laundry
care brand in Argentina and
Chile.

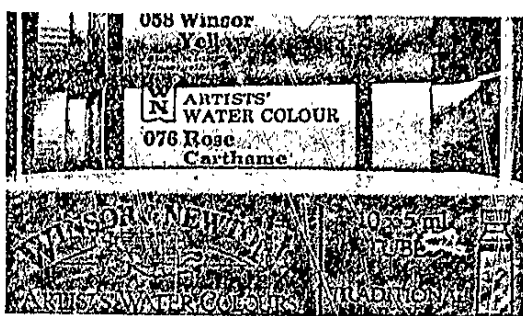
Latin America

Sales increased by 35.7% from £118.52m to £160.89m and trading profit, after applying the conservative basis of currency translation which the group applies to high inflation areas, rose by 33.0% from £21.24m to £28.26m.

Chile and Mexico made useful contributions and Brazil recovered all of the ground lost in 1988 despite exceptional inflationary conditions.

In a region where serious and seemingly intractable economic problems have long been a feature and in a year when they if anything intensified, these results are a tribute to the group's management teams in Latin America.





Review of the year

Artists' water colours, one of the many high quality products in the Winsor & Newton range.

Bottom right: Novacor, a coating for concrete surfaces produced by Globo In Brazil.

Fine Art & Graphics

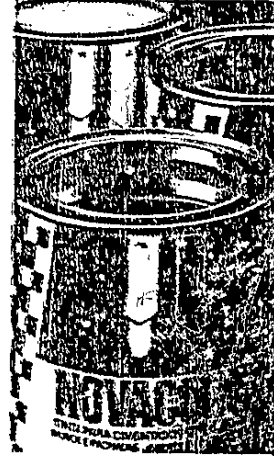
The results for this product category are included in other activities on page 2. The Winsor & Newton, Dryad and Reeves brands produced record sales and trading profit for the full year, following a very strong performance in the second half-year.

Growth continued in all major markets around the world where new products, improved service levels and new larger premises in the USA played a significant part in the overall performance.

Colours

The results of the group's industrial pigments business are also included in other activities on page 2.

The units in the UK and France together produced satisfactory sales and trading profits. The Globo operation forged ahead despite political and economic upheavals in Brazil.



ACQUISITIONS

The acquisition of companies and brands which are a good fit with existing operations is a permanent feature of the group's growth strategy. During 1989 the sum of £48.77m was spent on twelve interesting brands and businesses in key markets.

These included a number of speciality products, most of which are illustrated on this page, in the household and personal care field in France, Belgium, Switzerland and Spain. The group also acquired the Magid operation in the USA which, linked with the Cherry Blossom, Nugget and Meltonian brands, forms an international shoe care unit of great potential.

These acquisitions enhance the brand portfolios of the group's businesses and will be a source of increased profitability when Reckitt & Colman's management, product development and marketing skills are applied to them.

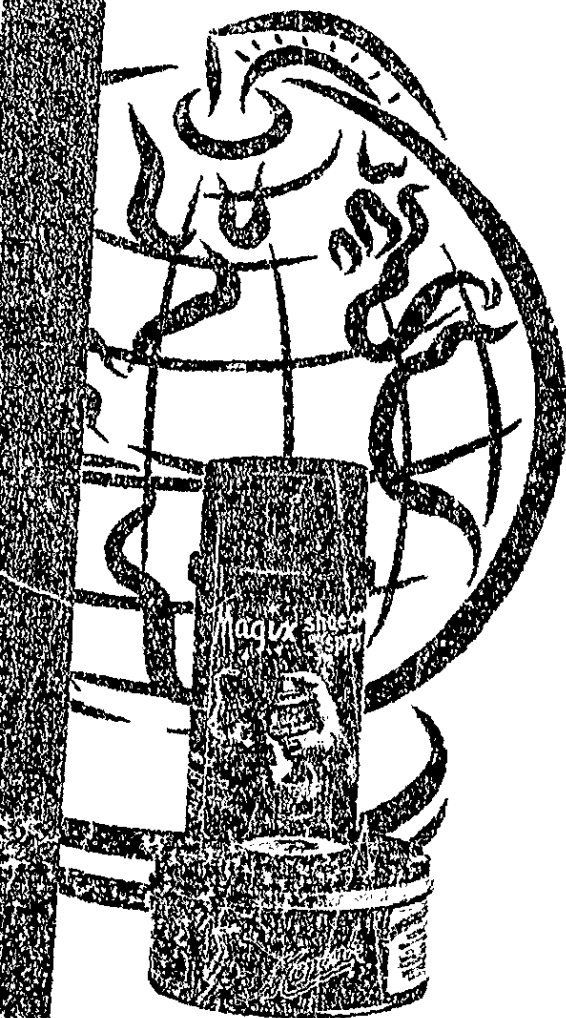


THE ENVIRONMENT

One feature of 1989 was the emergence of a wider public awareness of environmental issues. As a major manufacturer of consumer goods, Reckitt & Colman is aware of the contribution it can make and is, indeed, a business leader in some of the actions it has taken. It is also an active supporter of responsible organisations which are seeking to protect and improve the environment. There are not always simple solutions to environmental problems. Decisions are often a compromise between present convenience and future benefit. What is clear, however, is that care for the environment is an urgent and inescapable priority which Reckitt & Colman's management accepts as an essential element of its responsibility.

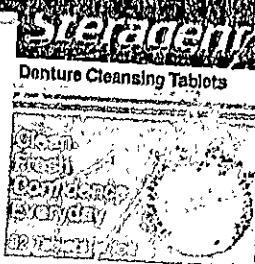
The group's products are made from a variety of materials from many sources and a stringent assessment of all materials is undertaken, making changes where appropriate. These changes are guided by concern for the health and safety of consumers and employees and for the environmental consequences of the group's operations worldwide. For a number of years, investment has been made in energy conservation. There has also been close control of waste disposal and, equally important, on the reduction of processes which involve high waste generation, thus linking care for the environment with good business practice.

The elimination from the aerosol range of CFC propellants which are believed to be damaging the ozone layer, the conversion of company vehicles to unleaded petrol, the utilisation of recycled paper for packaging and the availability of refill packs to reduce the wasteful use of packaging material are just some examples of the group's environmentally related activities.



Review of the year

Sieradent is positioned as the premium denture care brand in Australia.



Mr Brasso hard surface cleaner, launched in Hong Kong, Malaysia and Singapore.



ACCOUNTING FOR BRANDS

The Accounting Standards Committee recently issued proposals to require the cost of purchased brands carried on the balance sheet to be written off against profits over periods not normally exceeding twenty years. Reckitt & Colman will vigorously oppose these proposals, insisting that well-maintained brands have useful economic lives of indefinite length and that they will increase in value rather than decrease.

EMPLOYEES

The board thanks all employees for their contribution to the group's 1989 performance. The group's major asset remains, as it has always been, the skill and dedication of its people in all parts of the world.

CONCLUSION

1989 was a further year of progress for Reckitt & Colman. By holding firmly to its strategic course while reacting positively and flexibly to new circumstances and opportunities, the board is confident that the pattern of growth will be maintained.



Cherry Blossom shoe care—a new look in the UK for a long-established brand.

Ray Colman

CHAIRMAN

J. H. H. H. H.

CHIEF EXECUTIVE

March 1990

Responsibilities of Executive Directors

SIR MICHAEL COLMAN

CHAIRMAN

JOHN ST. LAWRENCE

CHIEF EXECUTIVE



COLIN BROWN

GROUP DIRECTOR - Continental Europe, UK household & toiletry division, Republic of Ireland and shoe care division.

IAIN DOBBIE

GROUP DIRECTOR - Finance.



MARK FOSTER

GROUP DIRECTOR - UK (excluding household & toiletry division), Africa and Latin America.

PETER KNEE

GROUP DIRECTOR - Australasia and Asia.
INTERNATIONAL CO-ORDINATOR - food products.



PETER MAYDON

GROUP DIRECTOR - International co-ordination and development of household and personal care products.

VERNON SANKEY

GROUP DIRECTOR - North America.



Notice of meeting

Notice is hereby given that the thirty-seventh annual general meeting of the company will be held at the New Connaught Rooms, 15 Great Queen Street, London WC2 on Wednesday 23 May 1990 at 11.00 am for the purposes shown and to consider and, if thought fit, to pass the resolutions set out below, of which resolutions 1 to 8 inclusive are by way of ordinary business. Resolutions 9 to 12 inclusive are by way of special business. Resolutions 9 to 11 inclusive will be proposed as ordinary resolutions and resolution 12 as a special resolution.

1. That the report of the directors and annual financial statements for the 1989 financial year, which ended on 30 December 1989, be and hereby are adopted.
2. That a final dividend of 19.10 pence per ordinary share be paid on 5 July 1990 to all ordinary shareholders on the register on 23 April 1990.
3. That Mr I.G. Dobbie, who retires by rotation, be re-elected as a director.
4. That Professor J-C. Larréché, who retires by rotation, be re-elected as a director.
5. That Mr J. St. Lawrence, who retires by rotation, be re-elected as a director.
6. That Mr G.J. Hearne, who has been appointed to the board since the last annual general meeting, be re-elected as a director.
7. That Mr V.L. Sankey, who has been appointed to the board since the last annual general meeting, be re-elected as a director.
8. That Price Waterhouse be re-appointed as auditors and that the directors be authorised to fix their remuneration.
9. That, pursuant to article 149 of the company's articles of association, the company be and it is hereby authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the capital of the company ("ordinary shares") upon and subject to the following conditions:
 - (a) the maximum number of ordinary shares which may be purchased is 7,432,000 ordinary shares,
 - (b) the maximum price at which ordinary shares may be purchased is 5% above the average of the middle market quotations for the ordinary shares as taken from The Stock Exchange Daily Official List for the ten business days preceding the date of purchase and the minimum price is 25p per ordinary share, in both cases exclusive of expenses, and
 - (c) the authority to purchase conferred by this resolution shall expire at the conclusion of the annual general meeting of the company to be held in 1991 save that the company may before such expiry enter into a contract to purchase ordinary shares under which such purchase will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of ordinary shares in pursuance of any such contract.
10. That the directors be and they are hereby generally authorised pursuant to article 150 of the articles of association of the company:
 - (a) to exercise the power contained in article 150 so that, to the extent determined by the board, the holders of ordinary shares be permitted to elect to receive new ordinary shares of 25p each in the capital of the company, credited as fully paid, instead of cash

Notice of meeting

in respect of the whole or some part of any interim and final dividends resolved by the board to be paid or declared, as the case may be, for the financial year of the company ending on 29 December, 1990, and

(b) to capitalise a sum equal to the aggregate nominal amount of new ordinary shares falling to be allotted pursuant to elections made as aforesaid out of any amount standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution as the board may determine, and apply such a sum in paying up in full the appropriate number of such unissued ordinary shares and to allot such ordinary shares to the members of the company making such elections in accordance with their respective entitlements.

11. That the directors be and they are hereby generally and unconditionally authorised to exercise the power of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £12,000,000 provided that this authority shall expire on the date of the next annual general meeting of the company after the passing of this resolution, save that the company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

12. That the directors be and they are hereby further empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) pursuant to the authority referred to above as if section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited:


(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders, where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £1,855,000

and shall expire on the date of the next annual general meeting of the company after the passing of this resolution, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the board,
P.D. Saltmarsh SECRETARY
One Burlington Lane
London W4 2RW
27 April 1990

NOTE: A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote a



Notice of meeting

poll, to vote on the member's behalf. A proxy need not also be a member. The appointment of a proxy does not preclude a member from attending and voting in person. The numbers set beside the resolutions 1 to 12 appear in the same order on the proxy forms sent to ordinary shareholders.

The following documents will be available for inspection at One Burlington Lane, London W4 on any weekday (except Saturdays and public holidays) during normal business hours and at the New Connaught Rooms, 15 Great Queen Street, London WC2 for a period of 15 minutes prior to the annual general meeting and during the meeting:

1. A statement of all transactions of each of the directors and of their family interests in each class of the share capital of the company and any of its subsidiaries.
2. Copies of all contracts of service whereunder directors of the company are employed by the company or any of its subsidiaries at the date of this notice (other than contracts expiring or determinable by the employing company without payment of compensation within one year).

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Directors and officers
as at 30 December 1989

DIRECTORS

Sir Michael J. Colman B.
CHAIRMAN

J. St. Lawrence
CHIEF EXECUTIVE

C.C.C. Brown

A.J. Dalby*

I.G. Dobbie

R.M.M. Foster

P.C. Knee

J.-C. Larréché*

P.J. Maydon

V.L. Sankey

M.R. Valentine*

K.H. Walley F Eng.*

*Non-executive

SECRETARY

P.D. Saltmarsh

AUDITORS

Price Waterhouse

SOLICITORS

Slaughter and May

HEAD OFFICE & REGISTERED OFFICE

One Burlington Lane, London W4 2RW.
Telephone 081-994 6464
Telex 21268 Facsimile 081-994 8920

TRANSFER OFFICE

National Westminster Bank PLC,
Registrar's Department,
PO Box 82, Caxton House, Redcliffe Way,
Bristol BS99 7NH.
Telephone 0272-306666

Report of the directors

The directors submit their thirty-seventh annual report to the members of the company, with the audited financial statements for the 1989 financial year, which ended on 30 December 1989.

AUTHORISED AND ISSUED CAPITAL

At the annual general meeting held on 24 May 1989 authority was given to the directors to exercise the power of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £12,000,000, such authority to expire on the date of the next annual general meeting of the company after the passing of that resolution. Further authority was given to the directors at the annual general meeting in May 1989 pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94) as if section 89(1) of the Companies Act 1985 did not apply to such allotment. This authority also expires on the date of the next annual general meeting after the passing of that resolution. Resolutions will be proposed at the annual general meeting in May 1990 to authorise the directors to allot up to 48,000,000 shares of 25p each, of which only 7,432,000 shares, being 5% of the issued share capital of the company at 30 December 1989, may be allotted otherwise than by way of a rights issue.

Authority was given to the directors at the extraordinary general meeting in May 1989 to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the capital of the company upon and subject to certain conditions, such authority also to expire on the date of the annual general meeting to be held in 1990. No shares were purchased under this authority during the financial year ended 30 December 1989. A resolution will be proposed at the annual general meeting in May 1990 to extend that authority.

A resolution will also be proposed to authorise the directors to exercise the power contained in article 150 of the articles of association of the company so that the holders of ordinary shares be permitted to elect to receive new ordinary shares of 25p each in the capital of the company instead of cash in respect of the whole or some part of any dividends to be paid or declared for the financial year ending 29 December 1990.

Details of ordinary shares issued and of options granted during the year are set out in Note 24 to the Accounts.

On 9 March 1990, the directors announced a rights issue of £200,832,954 9.5 per cent Convertible Capital Bonds 2005 of Reckitt & Colman Capital Finance Limited, a subsidiary of the company. Details of the bonds were set out in a circular to shareholders dated 12 March 1990. Full conversion would, at the initial exchange price, result in the issue of approximately 15,900,000 ordinary shares of 25p each.

REVIEW OF THE DEVELOPMENT OF THE GROUP'S BUSINESS

The principal activities of the group continued to be the manufacture in 35 countries and the sale in over 120 of household and toiletry, shoe care, food, and pharmaceutical products; also fine art and graphics, and industrial pigments.

Sales in 1989 amounted to £1,565.75m an increase of 12.3% compared with

Report of the directors

1988. Trading profit increased by 11.2% over 1983 to £220.07m and profit before taxation by 13.7% to £217.40m.

The profit of the group for the financial year attributable to ordinary shareholders was £139.86m (1988, £120.05m) as shown on page 36.

The financial position of the group at the year end showed net borrowing of £19.58m.

Analyses of sales and trading profit by area and by product group are set out on page 2.

The review on pages 3 to 20 deals with the year's activities in greater detail and the directors endorse the contents of that review.

In September 1989 the directors declared an interim dividend of 10.65 pence per share (1988, 9.15 pence). The directors recommend a final dividend for 1989 of 19.10 pence per share (1988, 16.35 pence), making a total for the year of 29.75 pence per share (1988, 25.50 pence). This final dividend, if approved by shareholders, will be paid on 5 July 1990 to ordinary shareholders on the register at the close of business on 23 April 1990.

After deducting ordinary dividends, the amount of profit added to reserves was £78.58m.

Expenditure on fixed assets amounted to £70.19m.

ACQUISITIONS

In addition to the acquisition of Laboratoires Ethnodex mentioned in the 1988 annual report, the group has in 1989 also acquired seven small businesses mostly in the personal care segment of the household and toiletry category in Europe, the Nenuco range of baby care products in Spain, the Magid shoe care and the Durkee food service businesses in the USA and the Delrosa brand of baby juices in the UK. The total consideration paid in cash for these businesses was £48.77m.

On 9 March 1990 the directors announced that Reckitt & Colman had reached agreement in principle with American Home Products Corporation for the purchase of all that company's household product brands together with its depilatory brands for a sum which, subject to the execution of a final contract, was expected to be approximately \$1.25 billion.

In the view of the directors the group's likely future development will continue to centre on the main product groups in which it now operates.

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.



Report of the directors

CHARITABLE AND POLITICAL ORGANISATIONS

Contributions to charitable organisations in the UK amounted to £178,000. £30,000 was paid to British United Industrialists, an organisation concerned with the maintenance of free enterprise and £2,500 to the Centre for Policy Studies Limited.

EMPLOYEES IN THE UNITED KINGDOM

It is the policy of the board to provide employees with the opportunity to own shares in the company should they so wish. By the end of 1989, a total of 261,602 ordinary shares have been appropriated to employees who have elected to take all or part of their annual bonus in shares. The sharesave scheme, introduced in 1984, is another route by which employees may acquire shares and options in respect of 610,627 ordinary shares have been granted under this scheme since its inception.

Share ownership is only one of the means by which employees are able to participate more fully in the company's activities. Reckitt & Colman also believes that open and regular communication with staff at all levels, involving listening as well as talking, is an essential part of management. The company strives to ensure that its strategies, policies and procedures are widely disseminated and fully understood, thus enabling every member of the workforce to optimise his or her contribution to the company's success. Management presentations, videos, house journals, newspapers, magazines and bulletins are some of the tools currently in use and the company is always looking for new methods of improving its communication and consultation techniques.

To ensure that the skills of employees continue to develop, close attention is paid to training. The company operates a range of programmes and courses covering a wide spectrum of business management techniques and job skills at all levels. This commitment to training benefits both the company and its employees by promoting improved individual and team performance and greater job satisfaction.

DISABLED PERSONS

In the UK disabled employees have equal opportunities with others for training and career development. The group continues to provide opportunities for the disabled and applications for employment and promotion from disabled people are treated on the same basis as those from other applicants having regard to experience, ability and job requirements. Furthermore where employees become disabled while in employment, the company makes every effort to find them continuing and suitable work.

RECRUITMENT AND PROMOTION

Successful candidates for appointment and promotion are chosen solely on ability, regardless of race, sex or colour; the company continues to promote from within wherever possible.

Report of the directors

OECD GUIDELINES

The group supports the basic standards of good business practice recommended by the OECD Guidelines for international investment and multinational enterprises.

SOUTH AFRICA

The company submitted to the Secretary of State for Trade and Industry a progress report in respect of the twelve months to 30 June 1989 under the EEC Code of Conduct. Copies of this report are available on written request to the company secretary.

DIRECTORS

The names of the directors of the company during 1989, other than Mr T.J.A. Colman and Mr S.M. Peretz who served until 24 May 1989 and Mr O.T. Parmenter who served until 31 October 1989, are set out on page 26.

Mr O.T. Parmenter has returned to his home country Australia. He has worked in the group's businesses in Japan, South Africa and the UK in addition to Australia. The board is most grateful to him for the major contribution that he has made during a wide-ranging career with Reckitt & Colman.

Mr I.G. Dobbie, Professor J.-C. Larréché and Mr J. St. Lawrence retire by rotation and, being eligible, offer themselves for re-election. Mr G.J. Hearne, who has agreed to join the board in April 1990, and Mr V.L. Sankey, who has been appointed to the board since the last annual general meeting, also offer themselves for re-election.

Mr I.G. Dobbie joined Reckitt & Sons Limited in Hull in 1963 and moved to the overseas company in 1965, working subsequently in Germany and the USA. He returned to the UK in 1970 to manage the corporate planning department and in 1975 became planning and control director of the pharmaceutical division and in 1981 managing director of the colours division, both in Hull. In 1983 he moved to Chiswick as regional director Europe. In 1986 he was appointed to the board of Reckitt & Colman plc as group director of finance. He has a service agreement with the company determinable on three years notice. He is a non-executive director of the Burnah Oil plc.

Mr G.J. Hearne is chief executive of Enterprise Oil plc and a non-executive director of N.M. Rothschild & Sons Limited and BPB Industries plc. After practising as a lawyer, Mr Hearne joined the Industries Reorganisation Corporation, following which he served as a director of N.M. Rothschild & Sons Limited and later as finance director of Courtaulds plc. He became chief executive of Tricentrol plc in 1981, group managing director of Carless Limited in 1983 and was appointed to his present position in 1984. He does not have a service agreement with the company.

Professor J.-C. Larréché has acted as a consultant to the company on marketing strategy since April 1981 and joined the board as a non-executive director in March 1983. He lives in France and is Professor of Marketing at the European Institute of Business Administration (INSEAD). He is also a member of the Institute of Management Sciences and the American Marketing Association. He does not have a service agreement with the company.

Report of the directors

Mr J. St. Lawrence joined the company in 1953. Having worked in the group's European businesses, latterly as general manager of its German operations, he returned in 1973 to the UK as managing director of the food and wine division. He subsequently spent two years as chairman and chief executive of Reckitt & Colman South Africa, returning to headquarters in London as a director of Reckitt & Colman plc in July 1978. After some years as the group director responsible for Europe (including the UK), he became chief executive in May 1988. He has a service agreement with the company determinable on four years notice. He is a non-executive director of Crest Nicholson plc.

Mr V.L. Sankey is group director responsible for North America. He joined Reckitt & Colman in 1971 and worked in the UK and France before being appointed general manager in Denmark in 1978. In 1981 he returned to France as managing director and in 1985 became managing director of Colman's of Norwich. Early in 1989 he became president of Durkee-French Foods in the USA and later that year chairman and chief executive officer of Reckitt & Colman, Inc. In September 1989 he was appointed to the board of Reckitt & Colman plc. Mr Sankey has a service agreement with Reckitt & Colman, Inc. which terminates on 1 January 1991. On termination he is entitled to receive a new service agreement with the company determinable on three years notice.

There are four non-executive directors of the company. Using knowledge and experience acquired outside Reckitt & Colman, they are in a position to give an extra dimension to the board's deliberations and play an important part in the effective running of the company. In addition to Professor J.-C. Larréché, details of whom appear above, they are Mr A.J. Dalby, Mr M.R. Valentine and Mr K.H. Walley.

Mr A.J. Dalby was appointed a non-executive director of the company in September 1987. He has spent his business life in the pharmaceutical industry and is currently president and chief executive of Cambridge NeuroScience Research Inc. of Massachusetts, a privately held research company specialising in neurobiology. Prior to joining CNS Research in early 1987, Mr Dalby was executive vice president and a member of the board of directors of Smith Kline Beckman responsible for worldwide pharmaceutical operations. His career with that company started in Canada in 1958 and included senior management positions in the international and USA divisions.

Mr M.R. Valentine was appointed a non-executive director in December 1986. He is a non-executive director of S.G. Warburg Group plc, the parent company of S.G. Warburg & Co. Ltd. of which he was formerly a vice-chairman and to which he is now a consultant. He is chairman of Croda International Plc.

Mr K.H. Walley was appointed a non-executive director in July 1986. From 1952 to 1984 he was with the Shell Group of Companies culminating in the position of a managing director of Shell UK Limited and managing director of Shell Chemicals UK Limited. He holds a number of other non-executive directorships and is a past president of the Society of Chemical Industry, a past president of the Institution of Chemical Engineers and a fellow and past member of the Council of the Fellowship of Engineering. He is a Companion of the British Institute of Management and a visiting professor in chemical and biochemical engineering at University College, London. Mr Walley will retire from the board at the conclusion of the annual general meeting on 23 May 1990. His prominence in the international chemical industry has been helpful to the group.

Report of the directors

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee has operated since 1978. The current members are Mr M.R. Valentine as chairman, Mr A.J. Dalby, Professor J-C. Larréché and Mr K.H. Walley, all of whom are non-executive directors of the company. The committee's principal role is to provide a link between the board and the company's auditors on matters coming within the ambit of the group audit. These matters include the group accounts and reports which are intended to be published, accounting standards and policies generally and internal financial control procedures. The committee meets regularly before the publication of the group's interim and preliminary year-end results and at other times as necessary. It does not involve itself in the day-to-day running of the business which remains the responsibility of the executive directors.

Charities Committee

The Charities Committee deals with charitable and other appeals to the company. It consists of three executive directors, Sir Michael Colman as chairman, Mr R.M.M. Foster and Mr J. St. Lawrence, and one non-executive director, Mr K.H. Walley. The committee meets six times a year and, in addition to authorising donations to registered charities, is concerned with the implementation of policy relating to Reckitt & Colman's community programme.


Salaries Committee

The Salaries Committee consists of three non-executive directors, Mr A.J. Dalby as chairman, Mr M.R. Valentine and Mr K.H. Walley, together with two executive directors, Sir Michael Colman and Mr J. St. Lawrence. The committee meets regularly to agree remuneration policy for directors and senior executives.

AUDITORS

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

By order of the board,
P.D. Saltmarsh SECRETARY
One Burlington Lane
London W4 2RW
27 March 1990



Accounting policies

FINANCIAL YEAR

The 1989 financial year of Reckitt & Colman plc was a fifty-two week period which ended on 30 December 1989 (1988 - fifty-two week period ended on 31 December 1988). All subsidiaries accounted to this year-end.

BASIS OF CONSOLIDATION

The consolidation comprises Reckitt & Colman plc and its subsidiaries and related companies. In the case of acquisitions and disposals of shareholdings in subsidiaries and related companies the results of trading are consolidated from or to the date upon which the consideration passed or the offer became unconditional, whichever was the earlier. The accounts of subsidiaries and related companies which do not conform with group policies are adjusted on consolidation in order that group accounts may be presented on a consistent basis under the historical cost convention.

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 balance sheet date at the exchange rate ruling on that day or if appropriate at the forward contract rate. Exchange differences arising in the accounts of individual companies are included in the profit and loss account except that, where foreign currency borrowings have been used to finance equity investments in foreign currencies, exchange differences arising on the borrowings 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 subsidiaries and related companies are translated into sterling on the following basis:

Assets and liabilities at the rate of exchange ruling at the year-end date of Reckitt & Colman plc except for fixed assets of companies 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 ruling during the financial year. An inflation adjustment is charged in arriving at local currency profits of companies operating in hyper-inflation countries before they are translated to reflect the impact of the hyper-inflation on the companies' working capital requirements.

Exchange differences arising on the translation of accounts into sterling are recorded as movements on reserves on the group balance sheet.

Accounting policies

DEPRECIATION

Except for freehold land, the cost of properties, plant and equipment, after deduction of government grants, 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 fifty years.

Leasehold land and buildings: the lesser of fifty years or the life of the lease.

Owned plant and equipment: not more than fifteen 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.

SALES TO CUSTOMERS

Sales to customers represent turnover, which is defined as the net amount invoiced to external customers and related companies during the year, exclusive of VAT and other sales related taxes.

STOCK

Stock is stated at the lower of cost or 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.

PENSION COMMITMENTS

The cost of providing pensions to employees who are members of a 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. For ex-gratia pensions, provision is made when the pension is granted for the estimated present value of future obligations.

This policy represents a change in the policy for accounting for pension contributions applied in previous years and has been adopted to comply with statement of Standard Accounting Practice No. 24 "Accounting for Pension Costs".

Accounting policies

EXTRAORDINARY ITEMS

Material profits or losses are treated as extraordinary when they arise from events outside the ordinary activities of the group. Such events include the disposal of significant businesses and sites, the costs of integration of newly acquired businesses and the reorganisation of business segments.

RESEARCH AND DEVELOPMENT

This expenditure is written off in the year in which it is incurred, except for expenditure on related fixed assets which is written off over the expected useful life of those assets.

DEFERRED TAX

Deferred tax is accounted for at the rates of tax at which reversal is expected in respect of timing differences 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.

ADVANCE CORPORATION TAX

The liability arising on dividends proposed for the year is charged in the profit and loss account. Credit is taken for advance corporation tax (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 subsidiaries, businesses or related companies, the purchase consideration is allocated over the underlying net tangible assets, significant intangible assets and goodwill. Goodwill is deducted from reserves on acquisition. No annual provision for depreciation is made in respect of intangible assets, which are wholly comprised of trade marks, 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 should be a reduction to reflect any permanent diminution in value.

LEASED ASSETS



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

Group profit and loss account
for the financial year
ended 30 December 1989

	<i>Notes</i>	1989 £m	1988 £m
<i>Sales to customers</i>	2	1,565.75	1,394.04
Cost of sales		(819.55)	(749.76)
Gross profit		746.20	644.28
Distribution costs		(441.45)	(362.40)
Administrative expenses		(90.82)	(90.95)
Other operating income		6.14	6.93
<i>Trading profit</i>	3	220.07	197.86
Other interest receivable and similar income	4	25.19	15.52
Interest payable and similar charges	5	(27.86)	(22.10)
<i>Profit on ordinary activities before taxation</i>	2	217.40	191.28
Tax on profit on ordinary activities	6	(76.22)	(69.45)
<i>Profit on ordinary activities after taxation</i>		141.18	121.83
Attributable to minority interests		(1.16)	(1.62)
		140.02	120.21
Preference dividends	9	(0.16)	(0.16)
<i>Earnings attributable to ordinary shareholders</i>		139.86	120.05
Extraordinary items	7	(17.05)	7.74
<i>Profit for the financial year attributable to ordinary shareholders</i>	8	122.81	127.79
<i>Ordinary dividends</i>	9	(44.23)	(37.85)
<i>Added to other reserves</i>	10	78.58	89.94
<i>Earnings per ordinary share</i>	11	94.17p	80.89p
<i>Dividends per ordinary share</i>	9	29.75p	25.50p

Group balance sheet
as at 30 December 1989

	<i>Notes</i>	1989 £m	1988 £m
<i>Fixed assets:</i>			
Intangible assets	13	163.49	135.21
Tangible assets	12	375.83	328.10
Investments	14	5.54	3.98
		<u>544.86</u>	<u>467.29</u>
<i>Current assets:</i>			
Stock	15	200.52	176.18
Debtors	16	287.37	235.71
Investments	17	80.05	55.39
Cash at bank and in hand		24.47	25.19
		<u>592.41</u>	<u>492.47</u>
<i>Current liabilities:</i>			
Creditors due within one year	18	(407.82)	(324.10)
<i>Net current assets</i>		<u>184.59</u>	<u>168.37</u>
<i>Total assets less current liabilities</i>		729.45	635.66
Creditors due after more than one year	19	(74.79)	(72.43)
Provisions for liabilities and charges	22	(53.94)	(33.79)
Minority interests		(9.13)	(9.59)
<i>Total net assets</i>		<u>591.59</u>	<u>519.85</u>
<i>Capital and reserves:</i>			
Called up share capital	24	41.66	41.61
Share premium account	25	111.56	110.38
Other reserves	10	438.37	367.86
<i>Total capital and reserves</i>		<u>591.59</u>	<u>519.85</u>

M. J. Colman
DIRECTOR

J. St. Lawrence
DIRECTOR

27 March 1990

Company balance sheet
as at 30 December 1989

	Notes	1989 £m	1988 £m
<i>Fixed assets:</i>			
Investments	14	52.67	51.84
<i>Current assets:</i>			
Debtors	16	248.14	232.08
Investments	17	5.76	5.21
Cash at bank and in hand		2.83	1.78
		256.73	239.07
<i>Current liabilities:</i>			
Creditors due within one year	18	(88.18)	(85.71)
<i>Net current assets</i>		168.55	153.36
<i>Total assets less current liabilities</i>		221.22	205.20
Creditors due after more than one year	19	-	(5.52)
<i>Total net assets</i>		221.22	199.68
<i>Capital and reserves:</i>			
Called up share capital	24	41.66	41.61
Share premium account	25	111.56	110.38
Other reserves	10	68.00	47.69
<i>Total capital and reserves</i>		221.22	199.68

M. J. Colman
DIRECTOR

J. St. Lawrence
DIRECTOR

27 March 1990

Group flow of funds statement
for the financial year
ended 30 December 1989

	<u>Notes</u>	1989 £m	1988 £m
<i>Generation of funds from ordinary operations:</i>			
Profit before tax		217.40	191.28
Depreciation		40.15	34.16
Disposal of fixed assets		10.67	4.24
		<u>268.22</u>	<u>229.68</u>
Tax paid		(54.06)	(51.39)
<i>Net cash generation</i>		<u>214.16</u>	<u>178.29</u>
<i>Application of funds:</i>			
Working capital:			
Stock		(19.78)	(16.83)
Debtors		(58.15)	(26.66)
Creditors		32.18	16.26
		<u>(45.75)</u>	<u>(27.23)</u>
Increase in working capital		(70.19)	(55.77)
Fixed assets		(0.27)	2.49
Provisions and other items		(9.13)	1.29
Exchange differences		(37.85)	(32.20)
Dividends paid (including minorities)		<u>(163.19)</u>	<u>(111.42)</u>
<i>Net cash expenditure</i>			
		<u>50.97</u>	<u>66.87</u>
<i>Net inflow arising from ordinary operations</i>		<u>50.97</u>	<u>66.87</u>
<i>Other activities:</i>			
Paid in respect of businesses acquired	31	(62.28)	(65.39)
Received in respect of businesses disposed		-	47.23
Paid in respect of restructuring manufacturing facilities for Europe-wide supply		(6.62)	-
<i>Net outflow on other activities</i>		<u>(68.90)</u>	<u>(18.16)</u>
<i>Overall (increase)/decrease in net borrowing</i>		<u>(17.93)</u>	<u>48.71</u>
<i>Represented by changes in:</i>			
Short term deposits and bank balances		23.94	21.12
Bank loans and overdrafts		(22.10)	(4.87)
Other loans		(19.77)	32.46
		<u>(17.93)</u>	<u>48.71</u>

Notes to the accounts

1 ACCOUNTING POLICIES

The accounting policies adopted in determining the amounts shown in the financial statements are set out on pages 33 to 35.

2 SALES AND TRADING PROFIT

Analyses of sales and trading profit by area and by product group are set out on page 2.

3 TRADING PROFIT IS STATED AFTER THE FOLLOWING

	1989 £m	1988 £m
Depreciation:		
– On depreciable properties	5.99	5.55
– On plant and equipment	34.16	28.61
Hire of equipment	11.84	7.73
Research and development expenditure	12.31	11.23
Staff costs:		
– Wages and salaries	229.16	200.61
– Social security costs	24.43	23.60
– Other pension costs	9.69	9.98
Remuneration of auditors:		
– Parent	0.14	0.14
– Subsidiaries	1.39	1.10
Emoluments of directors	1.76	1.55
Share of profit of related companies	(3.26)	(2.83)
Net exchange loss/(profit) on foreign currency borrowing, deposits and loans	(0.19)	2.28
Exceptional item:		
– Surplus on disposal of minor brands and businesses	(5.61)	–

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1989 £m	1988 £m
On short term deposits	25.19	15.52

Notes to the accounts

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1989 £m	1988 £m
On bank and other borrowing repayable within five years	27.86	22.10

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1989 £m	1988 £m
UK corporation tax	48.64	30.94
Relief for overseas tax	(21.27)	(11.58)
Recovery of ACT	(3.61)	(1.78)
Total UK tax	23.76	17.58
Overseas tax	51.34	45.75
	75.10	63.33
Deferred tax overseas	1.12	6.12
	76.22	69.45

UK corporation tax is provided for at the rate of 35% (1988, 35%). ACT is payable on dividends at the rate of 25/75ths (1988, 25/75ths).

	1989 £m	1988 £m
The charge for the year is affected by timing differences as follows:		
- Tax losses utilised	(1.86)	(0.69)
- Accelerated capital allowances	(1.21)	(2.33)
- Unrelieved losses and other timing differences	0.05	2.73
	(3.02)	(0.29)
- Effect of ACT	0.17	0.17
	(2.85)	(0.12)

Notes to the accounts

7 EXTRAORDINARY ITEMS

	1989 £m	1988 £m
<i>Extraordinary income:</i>		
Surplus on disposal of businesses and major sites	-	15.84
<i>Extraordinary charges:</i>		
Reorganisation and integration costs of newly acquired businesses	(10.10)	(11.86)
Restructuring of manufacturing facilities for Europe-wide supply	(18.15)	-
	(28.25)	3.98
Tax relief	11.20	3.76
	<u>(17.05)</u>	<u>7.74</u>

8 PROFIT OF PARENT COMPANY

As permitted by section 228(7) of the Companies Act 1985, no profit and loss account is presented for Reckitt & Colman plc.

	1989 £m	1988 £m
The amount of the consolidated profit for the financial year dealt with in the accounts of the parent company is	<u>57.08</u>	<u>38.65</u>

9 DIVIDENDS

	1989 Pence per ordinary share	1989 £m	1988 Pence per ordinary share	1988 £m
<i>Ordinary dividends:</i>				
Interim, paid 5 January 1990	10.65	15.82	9.15	13.58
Proposed final, payable 5 July 1990	19.10	28.41	16.35	24.27
Charged to profit and loss account	29.75	44.23	25.50	37.85
Related tax credit	9.92		8.50	
	<u>39.67</u>		<u>34.00</u>	
<i>Preference dividends</i>		0.16		0.16
<i>Total dividends for the year</i>		<u>44.39</u>		<u>38.01</u>

Notes to the accounts

10 OTHER RESERVES

	Group	Subsidiaries and related companies	Parent
	£m	£m	£m
At beginning of year	367.86	320.17	47.69
Added during the year:			
- In the accounts of the parent company	12.85	-	12.85
- In the accounts of subsidiaries	64.10	64.10	-
- Share of reserves of related companies	1.63	1.63	-
- Net exchange loss on foreign currency borrowing*	(6.02)	-	(6.02)
- Exchange differences arising on translation of net investments in overseas subsidiaries and related companies	30.92	17.44	13.48
	<u>471.34</u>	<u>403.34</u>	<u>68.00</u>
Prior year adjustment re ex-gratia pensions	(3.80)	(3.80)	-
Goodwill deducted during the year	(29.17)	(29.17)	-
At 30 December 1989	<u>438.37</u>	<u>370.37†</u>	<u>68.00</u>

* Net exchange profit of £0.19m (1988, loss £2.28m) has been dealt with in arriving at trading profit (see Note 3).

† The reserves of subsidiaries and related companies have been retained to finance their businesses and therefore are not generally regarded as available for distribution. There were statutory or other restrictions on the distribution of £86m (1988, £87m) of the reserves of subsidiaries and related companies at 30 December 1989.

11 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share of 80.89p and 94.17p in 1988 and 1989 have been calculated on the basis of an average of 148,408,026 and 148,516,429 ordinary shares in issue during each year respectively, and on earnings attributable to ordinary shareholders as shown in the group profit and loss account. The potential dilution arising from options granted under approved schemes is not material.

Notes to the accounts

12 TANGIBLE ASSETS

	Freehold land £m	Depreciable properties £m	Plant and equipment £m	Total £m
Cost:				
At beginning of year	20.07	162.83	308.86	491.76
Additions during the year	6.98	13.15	57.34	77.47
Disposals during the year	(0.48)	(6.19)	(19.41)	(26.08)
Exchange adjustments	1.34	9.75	19.82	30.91
At 30 December 1989	27.91	179.54	366.61	574.06

Accumulated depreciation:

At beginning of year		35.91	127.75	163.66
Provided during the year		5.99	34.16	40.15
Disposals during the year		(2.65)	(13.36)	(15.41)
Exchange adjustments		2.20	7.63	9.83
At 30 December 1989		42.05	156.18	198.23

Net book amounts:

At beginning of year	20.07	126.92	181.11	328.10
At 30 December 1989	27.91	137.49	210.43	375.83

1989	1988
£m	£m

The net book amount of depreciable properties:

Freehold buildings	129.34	121.82
Long leaseholds	3.25	4.65
Short leaseholds	4.90	0.45
	137.49	126.92

Future capital expenditure contracted for but not provided in the accounts £12.53m (1988, £9.55m); authorised by the directors but not contracted for £14.46m (1988, £18.31m).

The disclosure provisions of SSAP21 have not been applied to leased assets included above as the amounts attributable to such assets are immaterial.

Annual commitments under non-cancellable operating leases at 30 December 1989 were:

	Land and buildings £m	Plant and equipment £m
Expiry of operating leases:		
- within one year	4.41	3.43
- between two and five years	13.51	2.28
- after five years	17.77	0.25
	35.69	5.96

Notes to the accounts

13 INTANGIBLE ASSETS

	Trade marks £m
<i>Cost:</i>	
At beginning of year	135.21
Additions during the year	11.18
Exchange adjustments	17.10
At 30 December 1989	<u>163.49</u>

14 INVESTMENTS (FIXED ASSETS)

	Group Shares in related companies £m	Parent Shares in related companies £m	Parent Shares in group companies £m
<i>Cost:</i>			
At beginning of year	0.97	0.60	51.24
Additions during the year	-	-	2.57
Disposals during the year	-	-	(1.74)
At 30 December 1989	<u>0.97</u>	<u>0.60</u>	<u>52.07</u>

Share of post acquisition reserves:

At beginning of year	3.01
Added for the year	1.63
Exchange adjustments	(0.07)
At 30 December 1989	<u>4.57</u>

Net book amounts:

At beginning of year	<u>3.98</u>	<u>0.60</u>	<u>51.24</u>
At 30 December 1989	<u>5.54</u>	<u>0.60</u>	<u>52.07</u>

Listed investments:

The amounts ascribable to listed investments, all of which are listed overseas, are:

Shares in related companies:

- Net book amounts	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>
- Market value	<u>26.66</u>	<u>26.66</u>	<u>17.32</u>	<u>17.32</u>

Shares in group companies:

- Net book amounts	<u>0.36</u>	<u>0.36</u>
- Market value	<u>6.16</u>	<u>7.48</u>

Notes to the accounts

15 STOCK

	1989 £m	1988 £m
Raw materials and consumables	66.10	57.47
Work in progress	14.04	11.77
Finished goods and goods for resale	120.38	106.94
	<u>200.52</u>	<u>176.18</u>

16 DEBTORS

	1989 Group £m	1989 Parent £m	1988 Group £m	1988 Parent £m
<i>Falling due within one year:</i>				
Trade debtors	216.72	-	176.61	-
Amounts owed by group companies	-	103.58	-	94.09
Amounts owed by related companies	2.38	-	2.29	0.01
Other debtors	27.32	0.97	26.83	0.84
Prepayments and accrued income	23.99	-	13.93	-
	<u>270.41</u>	<u>104.95</u>	<u>219.66</u>	<u>94.94</u>
<i>Falling due after more than one year:</i>				
Trade debtors	2.16	-	2.78	-
Amounts owed by group companies	-	136.70	-	130.57
Other debtors:				
- Deferred tax	13.84	6.49	11.91	6.49
- Others	0.96	-	1.36	0.68
	<u>16.96</u>	<u>143.19</u>	<u>16.05</u>	<u>137.14</u>
<i>Total debtors</i>	<u>287.37</u>	<u>248.14</u>	<u>235.71</u>	<u>232.08</u>

Notes to the accounts

17 INVESTMENTS (CURRENT ASSETS)

	1989 Group £m	1989 Parent £m	1988 Group £m	1988 Parent £m
Other investments:				
Short term deposits	<u>80.05</u>	<u>5.76</u>	<u>55.39</u>	<u>5.21</u>

18 CREDITORS DUE WITHIN ONE YEAR

	1989 Group £m	1989 Parent £m	1988 Group £m	1988 Parent £m
Loans	1.63	-	0.83	-
Bank loans and overdrafts	60.76	9.63	34.15	0.06
Trade creditors	132.11	-	103.54	-
Bills of exchange payable	0.70	-	0.98	-
Amounts owed to group companies	-	20.17	-	30.03
Amounts owed to related companies	3.02	-	2.39	-
Other creditors:				
- Taxation and social security	59.82	12.44	62.65	16.04
- Dividends	44.23	44.23	37.85	37.85
- Others	23.31	1.38	27.20	1.73
Accruals and deferred income	82.24	0.33	54.51	-
	<u>407.82</u>	<u>88.18</u>	<u>324.10</u>	<u>85.71</u>

19 CREDITORS DUE AFTER MORE THAN ONE YEAR

	1989 Group £m	1989 Parent £m	1988 Group £m	1988 Parent £m
Loans	29.64	-	10.67	-
Bank loans	32.07	-	36.58	5.52
Other creditors:				
- Taxation and social security	2.02	-	0.68	-
- Others	11.06	-	24.50	-
	<u>74.79</u>	<u>-</u>	<u>72.43</u>	<u>5.52</u>

Amounts included above payable
after more than five years:

Bank loans	<u>7.10</u>	<u>-</u>	<u>9.68</u>	<u>-</u>
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Notes to the accounts

20 LOANS

	1989 £m	1988 £m
<i>Falling due within one year (Note 18)</i>	1.63	0.83
<i>Falling due after more than one year (Note 19)</i>	29.64	10.67
	<u>31.27</u>	<u>11.50</u>
<i>Comprising:</i>		
Medium term loans	2.02	1.11
Commercial Notes *	29.25	4.86
Euro-Commercial Paper **	-	5.53
	<u>31.27</u>	<u>11.50</u>
<i>Timing of repayments:</i>		
In one year or less, or on demand	1.63	0.83
Between one and two years	0.09	0.06
Between two and five years	29.55	10.61
	<u>31.27</u>	<u>11.50</u>

* Represents short term notes, guaranteed by Reckitt & Colman plc, issued in the USA for which maturities are normally between one and ninety days. These notes have been classified as due after more than one year because it is the group's intention to refinance the borrowing on a continuing basis. Medium term committed back-up facilities have been arranged with banks in the UK in support of these notes.

** Represents short term notes, guaranteed by Reckitt & Colman plc, issued in the Netherlands, for which maturities are less than one year. These notes have been classified as due after more than one year because it is the group's intention to refinance the borrowing on a continuing basis. Medium term committed back-up facilities have been arranged with banks in the UK in support of these notes.

Notes to the accounts

21 AGGREGATE BANK LOANS AND OVERDRAFTS

	1989 Group £m	1989 Parent £m	1988 Group £m	1988 Parent £m
<i>Falling due within one year (Note 18)</i>	60.76	9.63	34.15	0.06
<i>Falling due after more than one year (Note 19):</i>				
Repayable in full within five years	6.56	-	13.46	5.52
Repayable by instalments over more than five years*	25.51	-	23.12	-
	<u>92.83</u>	<u>9.63</u>	<u>70.73</u>	<u>5.58</u>
<i>Timing of repayments:</i>				
In one year or less, or on demand	60.76	9.63	34.15	0.06
Between one and two years	10.09	-	10.20	5.52
Between two and five years	14.88	-	16.70	-
After five years:				
- By instalments	7.10	-	9.68	-
	<u>92.83</u>	<u>9.63</u>	<u>70.73</u>	<u>5.58</u>

* Subject to interest at local market rates.

There are contingent liabilities in respect of bills of exchange discounted by subsidiaries amounting to £6.59m (1988, £4.90m).

22 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	Pensions £m	Other provisions £m	Total £m
At beginning of year	3.30	5.73	24.76	33.79
Utilised during the year	(2.28)	(0.96)	(22.22)	(25.46)
Profit and loss account transfer	1.12	7.58	33.11	41.81
Transfer from reserves	-	3.80	-	3.80
At 30 December 1989	<u>2.14</u>	<u>16.15</u>	<u>35.65</u>	<u>53.94</u>

Other provisions at 30 December 1989 consist primarily of amounts provided for payments due to employees on retirement or termination of their services, and for reorganisation, integration and restructuring costs.

Notes to the accounts

23 DEFERRED TAX

The full potential liability for deferred tax, including the amounts shown at Note 16 and at Note 22 but excluding the tax effect of revaluations of fixed assets (including valuations at the date of acquisition of subsidiaries and businesses), is:

	1989 £m	1988 £m
Accelerated capital allowances	42.00	39.00
Stock timing differences	3.00	3.00
Unrelieved losses and timing differences	(4.00)	(7.00)
	<u>41.00</u>	<u>35.00</u>
Less: ACT recoverable thereon	10.00	14.00
	<u>31.00</u>	<u>21.00</u>

24 CALLED UP SHARE CAPITAL

	Number of shares	1989 £m	1988 £m
<i>Allotted and fully paid:</i>			
Ordinary shares of 25p each:			
- In issue at beginning of year	148,430,192	37.11	37.09
- Allotted during the year	200,829	0.05	0.02
- In issue at 30 December 1989	<u>148,631,021</u>	<u>37.16</u>	<u>37.11</u>
5% (now 3 1/2% plus tax credit) cumulative preference shares of £1 each	<u>4,500,000</u>	<u>4.50</u>	<u>4.50</u>
<i>Called up share capital</i>		<u>41.66</u>	<u>41.61</u>
<i>Authorised share capital</i>		<u>54.00</u>	<u>54.00</u>

Allotments of ordinary shares of 25p each during the year were:

	Number of shares allotted	Consider- ation received £
Under the Share Participation Schemes	29,431	313,146
Under the Executive Share Option Scheme	163,270	881,107
Under the Savings-Related Share Option Scheme	8,128	40,434
	<u>200,829</u>	<u>1,234,687</u>

At 30 December 1989, elections had been received from shareholders which required the allotment of 54,740 ordinary shares of 25p each on 5 January 1990, in lieu of interim dividends otherwise payable in cash on that date.

Notes to the accounts

24 CALLED UP SHARE CAPITAL. *continued*

Options over ordinary shares of 25p each:

On 28 April 1989, options over 221,103 shares were granted under the Reckitt & Colman Executive Share Option Scheme at 1065p each exercisable by April 1999.

On 12 October 1989, the following options were granted under the Savings-Related Share Option Scheme at 977p each: 71,855 shares exercisable by July 1995 and 36,164 shares exercisable by July 1997.

Options outstanding at 30 December 1989 were:

	Number of shares	Price to be paid	Exercisable by
Under the Executive Share Option Scheme:	157,466	522p	Sept 1994
	43,674	533p	Sept 1995
	4,637	813p	Oct 1996
	96,864	954p	April 1997
	179,088	819p	April 1998
	29,911	867p	Sept 1998
	221,103	1065p	April 1999
Under the Savings-Related Share Option Scheme:	74,690	469p	July 1990
	15,632	480p	June 1991
	24,364	732p	June 1992
	55,905	469p	July 1992
	20,296	480p	June 1993
	50,820	961p	June 1993
	17,313	732p	June 1994
	58,228	780p	June 1994
	25,987	961p	June 1995
	71,855	977p	July 1995
	24,373	780p	June 1996
	36,164	977p	July 1997

25 SHARE PREMIUM ACCOUNT

	1989 £m	1988 £m
At beginning of year	11038	11004
Premium on shares allotted during the year	118	034
At 30 December 1989	11156	11038

Notes to the accounts

26 PENSION SCHEMES

The Group operates a number of pension schemes around the world. The major schemes are of the defined benefit type with assets held in separate trustee administered funds.

The main scheme in the UK covers the majority of UK employees. The last formal valuation was carried out by R. Watson & Sons, consulting actuaries, as at 5 April 1987 using the projected unit method. The principal actuarial assumptions adopted in that valuation were that over the long term the annual rate of return on investments would be 2% higher than the annual increase in average pensionable remuneration and 4% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover just over 100% of the benefits that had accrued to members after allowing for benefit improvements implemented in April 1989 and expected future increases in pensionable remuneration. The market value of the scheme's assets as at the date of valuation was £273.6m.

The main schemes overseas are in the USA, Australia and South Africa. All three schemes were shown to be in surplus at their last formal actuarial valuations. The overfunding in Australia and South Africa is being spread over the average remaining service lives of current employees which resulted in 1989 in reducing the normal charge to profit and loss account to nil.

A number of former employees receive ex gratia pensions not covered by any formal scheme. These pensions, amounting to approximately £0.89m per annum, were formerly accounted for as they were paid. Provision for the present value of these pensions has been made as a prior year adjustment to reserves in accordance with the transitional arrangements in SSAP 24. The effect on trading profit of the implementation of SSAP 24 during the year was not material.

Notes to the accounts

27 EMOLUMENTS OF DIRECTORS

The number of directors, who discharged their duties as such wholly or mainly in the UK, whose emoluments, excluding pension contributions, fell within the undermentioned ranges was as follows:

	1989	1988
£5,001 - £10,000	1	-
£10,001 - £15,000	5	5
£15,001 - £20,000	-	1
£45,001 - £50,000	-	1
£70,001 - £75,000	1	-
£90,001 - £95,000	-	1
£115,001 - £120,000	-	2
£130,001 - £135,000	1	1
£135,001 - £140,000	1	-
£140,001 - £145,000	1	-
£145,001 - £150,000	1	-
£155,001 - £160,000	-	1
£160,001 - £165,000	1	-
£165,001 - £170,000	1	-
£170,001 - £175,000	-	1
£185,001 - £190,000	-	1
£240,001 - £245,000	1	-
Emoluments of the chairman	£138,030	£118,277
Emoluments of the highest paid director	£242,226	£186,843

28 EMOLUMENTS OF EMPLOYEES

The number of employees, other than directors of the company and persons working wholly or mainly outside the UK, whose total emoluments, excluding pension contributions, receivable from the company or its subsidiaries exceeded £30,000 was as follows:

	1989	1988
£30,001 - £35,000	22	9
£35,001 - £40,000	10	21
£40,001 - £45,000	13	8
£45,001 - £50,000	13	8
£50,001 - £55,000	10	6
£55,001 - £60,000	8	2
£60,001 - £65,000	2	2
£65,001 - £70,000	2	3
£70,001 - £75,000	2	2
£75,001 - £80,000	3	3
£80,001 - £85,000	2	5
£85,001 - £90,000	2	-
£90,001 - £95,000	1	-
£95,001 - £100,000	3	-
£145,001 - £150,000	1	-

Notes to the accounts

29 NUMBER OF STAFF

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

	1989	1988
UK	5,300	5,400
Europe (excluding UK)	2,800	2,600
North America	3,500	3,500
Australasia & Asia	3,200	3,100
Africa	2,100	2,100
Latin America	5,100	5,000
	<u>22,000</u>	<u>21,700</u>

30 PRINCIPAL SUBSIDIARIES

The undemoted subsidiaries, each of which is wholly-owned, in the opinion of the directors principally contributed to the amounts of the profit or assets of the group:

	Country of incorporation and operation
Reckitt & Colman Products Limited *	UK
Reckitt & Colman Australia Limited *	Australia
Representacoes Reckitt & Colman Brasil Limitada	Brazil
Reckitt & Colman *	France
Reckitt & Colman South Africa (Pty) Limited	South Africa
Reckitt & Colman, Inc. *	USA

* The group ordinary share interest in these companies is held by other subsidiaries.

To avoid a statement of excessive length, particulars of other subsidiaries and related companies (none of which is material) are not given.

Notes to the accounts

31 ACQUISITION OF BUSINESSES

	1989 £m	1988 £m
Cost of acquisition	53.53	56.39
Less: Amount not paid in year	(4.76)	-
	48.77	56.39
Integration costs	10.71	9.00
Deposit on business acquired in 1990	2.80	-
Effect on flow of funds	62.28	65.39
Represented by:		
Goodwill	29.17	38.20
Trade marks	11.18	8.00
Fixed assets	7.28	7.69
Stock and debtors, less creditors	14.65	11.50
	62.28	65.39

In 1989, twelve businesses were acquired at a cost of £53.53m and a deposit was paid in respect of a business acquired in 1990. With the exception of the purchase of Nenuco, a Spanish baby care business, none of these acquisitions were material.

	Nenuco £m	Others £m	Total £m
Fair value of purchase consideration	19.83	33.70	53.53
Goodwill arising	1.52	27.65	29.17
Fair value of net assets acquired	18.31	6.05	24.36
	19.83	33.70	53.53
Net assets acquired			
Nenuco:	Book value £m	Revaluation £m	Fair value £m
- Fixed assets:			
Intangible	-	11.18	11.18
Tangible	0.61	4.16	4.77
- Current assets/(liabilities)			
Stock	1.36	(0.08)	1.28
Debtors	4.13	0.05	4.18
Creditors	(2.13)	(0.97)	(3.10)
	3.97	14.34	18.31
Other businesses	5.75	0.30	6.05
All acquisitions	9.72	14.64	24.36

Goodwill arising during the year has been deducted from reserves - see accounting policy on page 35.

Notes to the accounts

32 DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

	ORDINARY SHARES		OPTIONS OVER ORDINARY SHARES			
	30 Dec 1989	1 Jan 1989	30 Dec 1989	1 Jan 1989	Expiry date	Option price
Sir Michael J. Colman Bt	226,744	226,744	1,577	1,577	July 1990	469p
			48,349	48,349	Sept 1994	522p
			7,141	7,141	Apr 1997	954p
as trustee	69,852	69,852	-	-		
J. St. Lawrence	6,373	5,810	1,577	1,577	July 1990	469p
			58,468	58,468	Sept 1994	522p
			1,105	-	July 1995	977p
			8,700	8,700	Apr 1997	954p
			29,911	29,911	Sept 1998	867p
C. C. C. Brown	1,245	822	1,010	1,010	June 1992	732p
			368	-	July 1995	977p
			5,686	5,686	Apr 1997	954p
			15,866	15,866	Apr 1998	819p
			16,508	-	Apr 1999	1065p
A. J. Dalby	2,000	2,000	-	-		
I. G. Dobbie	1,634	1,138	9,512	9,512	Sept 1995	533p
			22,600	22,600	Apr 1997	954p
			13,304	-	Apr 1999	1065p
R. M. M. Foster	2,231	2,124	469	469	July 1992	469p
			458	458	June 1993	480p
			601	601	June 1994	732p
			552	-	July 1995	977p
			10,018	10,018	Sept 1995	533p
			20,754	20,754	Apr 1997	954p
			16,207	-	Apr 1999	1065p
P. C. Knee	33,415	8,875	1,577	1,577	July 1990	469p
			-	44,100	Sept 1994	522p
J-C. Larréché	1,000	1,000	-	-		
P. J. Maydon	2,449	2,508	461	461	June 1994	780p
			50,649	50,649	Sept 1994	522p
			437	437	June 1995	961p
			5,739	5,739	Apr 1997	954p
			429	-	July 1997	977p
			12,850	-	Apr 1999	1065p
V. L. Sankey	891	891*	461	461*	June 1994	780p
			5,450	5,450*	Apr 1997	954p
			15,335	15,335*	Apr 1998	819p
M. R. Valentine	500	500	-	-		
K. H. Walley F Eng	400	400	-	-		

*At date of appointment

32 DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *continued*

At 1 January 1989 and at 30 December 1989 Mr C. C. C. Brown, Mr I. G. Dobbie and Mr R. M. M. Foster each beneficially owned 100 preference shares. Mr V. L. Sankey acquired a beneficial interest in 100 preference shares on 11 September 1989, which interest remained unchanged at 30 December 1989.

No person who was a director (or a member of a director's family) on 30 December 1989 had any beneficial interest or interests as a trustee in any subsidiary of the company.

There were no changes in directors' interests in shares, or options to acquire shares, of the company or its subsidiaries from 30 December 1989 to 27 March 1990, save for the acquisition of ordinary shares of 25p each by way of scrip dividend on 5 January 1990:

J. St. Lawrence	59
C. C. C. Brown	11
I. G. Dobbie	15
P. C. Knee	285
P. J. Maydon	23
K. H. Walley	3

and by the exercise of savings-related share options on 1 February 1990:

M. J. Colman	1,577
J. St. Lawrence	1,577
P. C. Knee	1,577

On 12 March 1990 each director was provisionally allotted rights over 9.5 per cent Convertible Capital Bonds 2005 ("bonds") of Reckitt & Colman Capital Finance Limited on the basis of 27 bonds for every 20 ordinary shares of 25p each in the company held on 5 March 1990, at an issue price of 100p per bond.

33 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 subsidiaries during the year, other than:

1. The grant of options under the Executive Share Option Scheme at 1065p per ordinary share of 25p each, exercisable by April 1999 to: Mr C. C. C. Brown, 16,508 shares; Mr I. G. Dobbie, 13,304 shares; Mr R. M. M. Foster, 16,207 shares; Mr P. J. Maydon, 12,850 shares.
2. The grant of options under the Savings-Related Share Option Scheme at 977p per ordinary share of 25p each, exercisable by July 1995 to: Mr C. C. C. Brown, 368 shares; Mr R. M. M. Foster, 552 shares; Mr J. St. Lawrence, 1,105 shares; and exercisable by July 1997 to: Mr P. J. Maydon, 429 shares.
3. On 2 October 1989 Mr P. C. Knee exercised his Executive Share Options over 44,100 ordinary shares of 25p each at 522p per share.
4. On 2 November 1989 Mr O. T. Parmenter exercised his Executive Share Options over 41,527 ordinary shares of 25p each at 533p per share.

Report of the auditors

TO THE MEMBERS OF RECKITT & COLMAN plc

We have audited the financial statements on pages 33 to 57 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 December 1989 and of the profit and source and application of funds of the group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse



CHARTERED ACCOUNTANTS

Southwark Towers,
32 London Bridge Street,
London SE1 9SY
27 March 1990

Shareholders' information

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

The company has not received notice of any substantial interest (5%) in its share capital as at 27 March 1990.

ORDINARY SHAREHOLDERS: 30 DECEMBER 1989

Analysis of registered shareholdings:

Size of holding	Number	% of total	Shares held	% of total
1-500	15,885	48.4	4,362,438	2.9
501-1,000	8,447	25.7	6,376,032	4.3
1,001-5,000	6,971	21.2	13,610,797	9.2
5,001-10,000	575	1.8	4,204,704	2.8
10,001-50,000	595	1.8	13,701,836	9.2
50,001-100,000	127	0.4	9,528,845	6.4
100,001 upwards	219	0.7	96,846,369	65.2
	<u>32,819</u>	<u>100.0</u>	<u>148,631,021</u>	<u>100.0</u>

SHAREHOLDERS' CALENDAR

1990

Annual general meeting	23 May
Payment of half-yearly preference dividend	1 July
Payment of final ordinary dividend	5 July
Announcement of interim results	6 September

1991

Payment of half-yearly preference dividend	January
Payment of interim ordinary dividend	January
Preliminary announcement of previous year's results	March
Issue of annual report and accounts	April
Annual general meeting	May

Five year summary

	1989 £m	1988 £m	1987 £m	1986 £m	1985 £m
Sales to customers	<u>1,565.8</u>	<u>1,394.0</u>	<u>1,492.6</u>	<u>1,329.4</u>	<u>1,266.9</u>
Trading profit	220.1	197.9	180.1	153.0	125.3
Interest payable less other income	(2.7)	(6.6)	(12.5)	(13.5)	(9.0)
Profit on ordinary activities before taxation	<u>217.4</u>	<u>191.3</u>	<u>167.6</u>	<u>139.5</u>	<u>116.3</u>
Tax on profit on ordinary activities	(76.2)	(69.4)	(64.2)	(51.7)	(43.2)
Minority interests	(1.1)	(1.6)	(2.0)	(1.9)	(1.4)
Preference dividends	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Earnings attributable to ordinary shareholders	<u>139.9</u>	<u>120.1</u>	<u>101.2</u>	<u>85.7</u>	<u>71.5</u>
Extraordinary items	(17.1)	7.7	16.1	0.4	(9.4)
Ordinary dividends	<u>(44.2)</u>	<u>(37.9)</u>	<u>(32.2)</u>	<u>(27.4)</u>	<u>(23.7)</u>
Added to other reserves	<u>78.6</u>	<u>89.9</u>	<u>85.1</u>	<u>58.7</u>	<u>38.2</u>
Employment of capital:					
Fixed assets	544.8	467.3	437.9	472.4	316.4
Net current assets	<u>184.6</u>	<u>168.4</u>	<u>175.9</u>	<u>115.6</u>	<u>159.1</u>
Total assets less current liabilities	<u>729.4</u>	<u>635.7</u>	<u>613.8</u>	<u>588.0</u>	<u>475.5</u>
Creditors due after more than one year	(74.8)	(72.4)	(101.4)	(117.9)	(56.3)
Provisions for liabilities and charges	(50.0)	(33.8)	(31.0)	(34.2)	(13.0)
Minority interests	(9.1)	(9.6)	(9.4)	(7.8)	(21.0)
Total net assets	<u>591.6</u>	<u>519.9</u>	<u>472.0</u>	<u>428.1</u>	<u>385.2</u>
Capital employed:					
Called up share capital	41.7	41.6	41.6	41.6	41.6
Share premium account	<u>111.6</u>	<u>110.4</u>	<u>110.0</u>	<u>109.4</u>	<u>109.3</u>
Other reserves	<u>438.3</u>	<u>367.9</u>	<u>320.4</u>	<u>277.1</u>	<u>234.3</u>
Total capital and reserves	<u>591.6</u>	<u>519.9</u>	<u>472.0</u>	<u>428.1</u>	<u>385.2</u>
Statistics:					
Profit on ordinary activities before taxation to sales to customers	13.9%	13.7%	11.2%	10.5%	9.2%
Net interest to trading profit (times covered)	81.5x	30.1x	14.4x	11.3x	13.9x
Earnings per ordinary share of 25p	94.2p	80.9p	68.2p	57.8p	48.2p
Dividends per ordinary share of 25p	29.8p	25.5p	21.7p	18.5p	16.0p
Dividend cover (on full distribution basis)	2.6x	2.6x	2.6x	2.5x	2.2x
Average number of employees	22,000	21,700	31,800	34,500	36,500
Indexed comparisons (base 1984=100):					
Retail Price Index	131	121	114	110	106
Dividends per ordinary share of 25p	211	181	154	131	113