

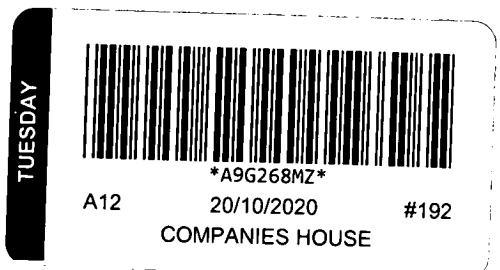
Reckitt Benckiser (Brands) Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 08192386



Reckitt Benckiser (Brands) Limited

Company Information

Directors	John Dixon Karen Cawdell Timothy John Martel
Company Secretary	James Edward Hodges
Registered Number	08192386
Registered Office	103-105 Bath Road Slough Berkshire SL1 3UH
Independent Auditor	KPMG LLP 15 Canada Square London E14 5GL

Reckitt Benckiser (Brands) Limited

Contents

	Pages
Strategic Report	1 - 4
Directors' Report	5 - 7
Independent Auditor's Report to the Members of Reckitt Benckiser (Brands) Limited	8 - 10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 - 24

Reckitt Benckiser (Brands) Limited

Strategic Report For the Year Ended 31 December 2019

The Directors of Reckitt Benckiser (Brands) Limited (the "Company") present their Strategic Report for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is the development and maintenance of the royalties model for the Reckitt Benckiser Group plc, group of companies (the "Group").

Key performance indicators ("KPIs")

The Directors of the Group manage the Group's operations on a Global Business Unit (GBU) basis. For this reason, the Directors believe analysis using key performance indicators for the Company is not necessary, or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Hygiene GBU of Reckitt Benckiser Group plc, which includes the Company, is discussed in the Group's Financial Statements which do not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Reckitt Benckiser Group plc, which include those of the Company, are discussed on pages 64 - 76 of the Group's Financial Statements which do not form part of this report.

Financial risk management

The Company is a subsidiary undertaking within the Group. Cash funds of the Company are managed at a Group level. Interest is received/paid by the Company on certain loans with other Group companies.

Liquidity and interest rate risk

The Company's arrangements with the Group, as described above, ensure it can access the funds needed to meet its liquidity requirements as cash can be obtained through Group funding. Interest receivable/payable on loans with other Group companies is calculated at floating rates of interest. The Company liquidity requirements and interest rate risks are managed at Group level.

Currency risk

The Company's functional currency is Sterling and its Financial Statements are also presented in Sterling. Some transactions undertaken by the Company are denominated in currencies other than Sterling. In general, the Company purchases derivatives to manage its exposure to currency risk on such transactions.

Credit risk

The Company has no significant concentrations of credit risk. Financial Institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board of Reckitt Benckiser Group plc. Amounts owing from companies in the Group are usually remitted within the Company's standard credit terms. The credit history of counterparties is also monitored regularly.

Reckitt Benckiser (Brands) Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Principal risks and uncertainties (continued)

COVID - 19

The spread of Coronavirus disease 2019 (COVID-19) represents one of the most serious global health emergencies in the last 100 years, with the pandemic having now reached over 120 countries.

As a leader in both hygiene and health, the Group is uniquely positioned to provide tangible assistance to consumers, governments and healthcare authorities. Demand for certain Group products has increased substantially in the first half of 2020, and the Group is currently working to increase the level of available supply. At present, the Group's supply chains and distribution channels are proving both resilient and flexible, though there has been some unavoidable disruption in many parts of the world. At the same time, as the situation develops, it is possible that the Group will experience increased levels of disruption, particularly in those countries and regions that are hardest hit. Longer term, the economic consequences associated with COVID-19 are difficult to predict, however they may lead to weakened demand for some RB products.

As set out in the basis of preparation in its 2020 condensed consolidated interim Financial Statements for the period ended 30 June 2020, the Group assessed the impact of COVID-19 on its going concern. This assessment concluded that, even with COVID-19 and the occurrence of other unexpected scenarios, the Group would still have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

Based on this assessment updated to 13 October 2020, and given the nature of the Company's operations, the Directors remain satisfied that the amounts owed by Group undertakings (refer Note 10) are unlikely to be materially impacted by COVID-19, and that the Company will not need to take responsive steps to continue functioning as a going concern.

Statement under section 172 of the Companies Act 2006

This statement, which forms part of the Strategic Report, is intended to show how the Directors have approached and met their responsibilities under s172 Companies Act 2006 during 2019. The statement has been prepared in response to the obligations as set out in the Companies (Miscellaneous Reporting) Regulations 2018.

As required by s172 of the UK Companies Act 2006, a Director of a Company must act in a way s/he considers, in good faith, would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- Company's reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

Reckitt Benckiser (Brands) Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Statement under section 172 of the Companies Act 2006 (continued)

In discharging our section 172 duties we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. As a Board our aim is always to uphold the highest standards of governance and conduct, taking decisions in the interests of the long-term sustainable success of the Company, generating value for our shareholders and contributing to wider society. Understanding our stakeholders is key to ensuring the Board can have informed discussions and factor stakeholder interests into decision-making. Those factors, for example, include the interests and views of our employees, suppliers and other members of our Group. By considering the Company's purpose and values, together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances. In particular:

- The strategy of the Group applies to the Company, as a member of the Group, and shapes the Company's business operations and activities. Details of the Group's long-term strategy can be found on pages 6 to 15 of the Group 2019 Annual Report, which is available at www.rb.com.
- We understand the importance of engaging with, and understanding the perspectives of, our workforce. We also recognise the benefits of personal interaction and informal discussions in learning more about the day-to-day operations; the development and execution of strategy and gathering direct insight into our culture and workforce engagement. For further details on how the Company has engaged with employees, please see page 5 of the Directors' Report.
- The Company is committed to responsible and ethical corporate behaviour. This includes high standards of business conduct in our relationships. The Company operates under documented policies approved by the Group, including the Group's Code of Business Conduct, Global Anti-Bribery Policy, Data Privacy Policies and Global Anti-Money Laundering Policy and processes are in place to ensure compliance therewith.

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the Directors consider the Company's activities and make decisions. As a part of those meetings the Directors receive information on section 172 matters when making relevant decisions. We, in conjunction with our executive management team, regularly review financial and operational performance and legal and regulatory compliance. In making our decisions we considered a range of factors. These included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of the Group. As the principal activity of the Company is to develop and maintain the royalties model to the Group companies, the breadth of stakeholder and other considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the Directors.

Results for the year and movement on reserves

The Financial Statements for the year ended 31 December 2019 show a profit of £192,384,000 (2018 - £450,028,000) which has been added to reserves (2018 - added to reserves).

The business performance has been generally in line with expectations. On 31 December 2018 the Company disposed of its health business, inclusive of a number of intangible assets at book value to Reckitt Benckiser Health Limited in exchange for consideration of £270m in the form of a loan note.

The reduction in both Revenue and expense and in the total operating profit in 2019 are linked to the transfer of the Health business and to the resulting changes in the Royalties flows and agreements.

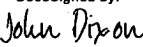
Reckitt Benckiser (Brands) Limited

Strategic Report (continued)
For the Year Ended 31 December 2019

Dividend

On 21 February 2019, the Board of Directors declared and issued a dividend of £375.7m to the sole shareholder of the Company, Reckitt Benckiser plc, now named Reckitt Benckiser Limited (2018 - £Nil).

This report was approved by the Board on 13 October 2020 and signed on its behalf.

DocuSigned by:

A83C408A62AA423...

John Dixon
Director

Reckitt Benckiser (Brands) Limited

Directors' Report For the Year Ended 31 December 2019

The Directors present their report and the audited Financial Statements for the year ended 31 December 2019.

Directors

The Directors of the Company who held office during the year and up to the date of signing of the Financial Statements, unless otherwise stated, were as follows:

John Dixon
Simon Andrew Neville (resigned 1 July 2020)
Jonathan Timmis (resigned 8 June 2020)
Karen Cawdell
Timothy John Martel (appointed 8 June 2020)

Directors' indemnity

On 28 July 2009, Reckitt Benckiser Group plc executed a deed poll of indemnity for the benefit of each individual who is, at any time on, or after 28 July 2009, an officer of Reckitt Benckiser Group plc and/or any company within the Group in respect of costs of defending claims against them and liabilities suffered or incurred by them.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Financial performance and dividends

Financial performance and dividends have been considered within the Strategic Report on pages 3 to 4.

Reckitt Benckiser (Brands) Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Future developments

No other significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

Employment of disabled persons

The Company recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

Employee involvement

During the financial year, the Company employed an average of 68 (2018 - 59) people. The Company is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability.

It is essential to the continued improvement in efficiency and productivity that each employee understands the Company's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the management process. A continuing programme of training and development reinforces the Company's commitment to employee involvement.

Regular departmental meetings are held where opinions of employees are sought on a variety of issues. The Company operates multi-dimensional internal communication programmes which include the provision of an intranet and the publication of regular Company newsletters. Group incentive schemes reinforce financial and economic factors affecting the performance of the business. All employees have 3-5 performance objectives which are directly linked to their job and its role in the overall performance of the Group.

Employees are encouraged to become shareholders and to participate in the Group employee share ownership schemes.

Going concern

The Company participates in the Group's centralised treasury arrangements and so shares the banking arrangements with its parent and fellow subsidiaries.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of Reckitt Benckiser Group plc, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

As set out in the basis of preparation in its 2020 condensed consolidated interim Financial Statements, the Group assessed the impact of COVID-19 on its going concern and viability statement. This assessment concluded that, even with COVID-19 and the occurrence of other unexpected scenarios, the Group would still have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

Based on this assessment updated to 13 August 2020, and given the nature of the Company's operations, the Directors remain satisfied that the amounts owed by Group undertakings (refer Note 10) are unlikely to be materially impacted by COVID-19, and that the Company will not need to take responsive steps to continue functioning as a going concern.

Financial risk management

Details on the Company's financial risk management are included within the Strategic Report on page 1.

Reckitt Benckiser (Brands) Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Political contributions


The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report to the members of Reckitt Benckiser (Brands) Limited is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the Board on 13 October 2020 and signed on its behalf.

DocuSigned by:

A83C408A62AA423...

John Dixon
Director

Reckitt Benckiser (Brands) Limited

Independent Auditor's Report to the Members of Reckitt Benckiser (Brands) Limited

Opinion

We have audited the Financial Statements of Reckitt Benckiser (Brands) Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the Financial Statement:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Reckitt Benckiser (Brands) Limited

Independent Auditor's Report to the Members of Reckitt Benckiser (Brands) Limited (continued)

Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the Financial Statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorresponsibilities.

Reckitt Benckiser (Brands) Limited

Independent Auditor's Report to the Members of Reckitt Benckiser (Brands) Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



JEREMY WILLIAMS (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

Date: 13 October 2020

Reckitt Benckiser (Brands) Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	3	387,545	927,036
Administrative expenses	4	(159)	(18,296)
Operating expenses	4	(158,492)	(508,813)
Other operating income		-	125,212
Operating profit	4	228,894	525,139
Interest receivable and similar income	6	7,682	3,351
Interest payable and similar charge	7	-	(39)
Profit before tax		236,576	528,451
Tax on profit	8	(44,192)	(78,423)
Profit for the financial year		192,384	450,028
Other comprehensive income		-	-
Total comprehensive income		192,384	450,028

The notes on pages 14 to 24 form part of these Financial Statements.

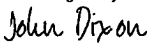
Reckitt Benckiser (Brands) Limited
Registered number:08192386

Balance Sheet
As at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed Assets			
Tangible assets	9	2,817	3,039
Current Assets			
Debtors due within one year	10,13	1,232,587	1,375,941
Deferred tax asset	14	46	58
		<u>1,232,633</u>	<u>1,375,999</u>
Creditors due within one year	11,13	(237,028)	(212,007)
Net Current Assets		<u>995,605</u>	1,163,992
Total Assets less Current Liabilities		<u>998,422</u>	1,167,031
Creditors due after more than one year	12	(14,738)	-
Net Assets		<u><u>983,684</u></u>	<u><u>1,167,031</u></u>
Equity			
Share capital	15	-	-
Share based payment reserve		49,346	49,346
Retained earnings		934,338	1,117,685
Total Equity		<u><u>983,684</u></u>	<u><u>1,167,031</u></u>

The notes on pages 14 to 24 form part of these Financial Statements.

The Financial Statements on pages 11 to 24 were approved and authorised for issue by the Board of Directors and were signed on its behalf on 13 October 2020.

DocuSigned by:

A83C408A62AA423...

John Dixon
Director

Reckitt Benckiser (Brands) Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Share capital £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	-	49,346	667,657	717,003
Comprehensive income				
Profit for the financial year	-	-	450,028	450,028
Total comprehensive income	-	-	450,028	450,028
Total transactions with owners	-	-	-	-
Balance at 31 December 2018 and 1 January 2019	-	49,346	1,117,685	1,167,031
Comprehensive income				
Profit for the financial year	-	-	192,384	192,384
Total comprehensive income	-	-	192,384	192,384
Dividends paid to RB Plc	-	-	(375,731)	(375,731)
Total transactions with owners	-	-	(375,731)	(375,731)
Balance at 31 December 2019	-	49,346	934,338	983,684

The notes on pages 14 to 24 form part of these Financial Statements.

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. Accounting Policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

1.1 General Information

Reckitt Benckiser (Brands) Limited is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on the Company Information page at the beginning of these statutory Financial Statements. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 4.

1.2 Statement of Compliance

The Financial Statements have been prepared on a going concern basis, under the historical costs convention modified by financial liabilities held at fair value through profit and loss and in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102, "*The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*" ("FRS 102") and the Companies Act 2006.

1.3 Basis of Preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

1.4 Financial Reporting Standard 102 – Reduced Disclosure Exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by FRS 102 for qualifying entities:

- the requirements of section 3 Financial Statement Presentation paragraph 3.17(d) and section 7 Statement of Cash Flows not to prepare a Statement of Cash Flows; and
- the requirements of section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

The Company's results are included in the publicly available consolidated Financial Statements of Reckitt Benckiser Group plc and these Financial Statements may be obtained from 103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom, or at <https://www.rb.com>.

1.5 Going concern

The Company participates in the Group's centralised treasury arrangements and so shares the banking arrangements with its parent and fellow subsidiaries.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of Reckitt Benckiser Group plc, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. Accounting Policies (continued)

1.6 Foreign Currency Balances

The Company's functional and presentational currency is Sterling, therefore foreign currency is determined to be any other currency than Sterling.

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange on the day the transaction occurs. Monetary assets and liabilities denominated in a foreign currency are translated into Sterling at the exchange rate ruling on the Balance Sheet date.

1.7 Turnover

Turnover represents royalty income received from other Group companies and is recognised at date of invoice. No analysis of segmental turnover by region has been provided as the Company is not managed on such a basis. This type of analysis is considered not meaningful to the users of the Financial Statements.

1.8 Operating Leases

Operating lease rentals are charged against profit or loss on a straight-line basis over the period of the lease.

1.9 Research and development

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

1.10 Interest

Interest payable is charged to Statement of Comprehensive Income as incurred and interest receivable is credited as it falls due.

1.11 Taxation

Tax is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable.

1.12 Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Except for freehold land, the cost of properties, plant and equipment is written off on a straight-line basis over the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

Buildings - Not more than 50 years
Plant and machinery - Between three and ten years

Assets under construction - relate to items under construction that are not depreciated until completed. Once completed they are allocated to the appropriate fixed asset category.

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. Accounting Policies (continued)

1.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.14 Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of basic financial assets and liabilities, including debtors and creditors and loans to and from related parties. These transactions are initially recorded at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipt discounted at a market rate of interest, and subsequently recognised at amortised cost.

(a) Financial Assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in comprehensive income or expense.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(b) Financial Liabilities

Basic financial liabilities, including loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. Accounting Policies (continued)

1.14 Financial Instruments (continued)

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

1.15 Pensions

The Company operates defined contribution and defined benefit pension schemes. The defined benefit pension scheme was closed to new entrants in 2005 and following consultation was closed to further accrual from 31 December 2017. The cost of providing pensions to employees who are members of defined contribution schemes are charged to the Statement of Comprehensive Income as contributions are made. The Company has no further payment obligations once the contributions have been paid. The liability for the defined benefit scheme is held in Reckitt Benckiser Corporate Services Limited's books.

1.16 Share Based Payment

Incentives in the form of shares in the ultimate parent company, Reckitt Benckiser Group plc, are provided to employees under the share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the awards at the date of grant is charged to the Statement of Comprehensive Income over the period to which the performance criteria relate, with the credit taken directly to the retained earnings reserve. Where the awards are contingent upon performance conditions an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made.

2. Accounting Estimates and Judgements

In the application of the Company's accounting policies the Directors are required to make a number of estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company's Directors are of the opinion that there are no estimates or judgements that have a significant risk of causing material adjustment to the carrying value of assets and liabilities for the Company within the next financial year.

3. Turnover

Turnover relates entirely to royalty income received from within the Group and from third parties.

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Royalties payable	158,492	508,813
Staff costs	4,517	4,847
Category Development costs	1,786	4,967
Market research expenditure	(327)	941
Patents and trademark costs	1,141	7,089
R&D recharges	(8,773)	(2,317)
Amortisation - intangible fixed assets	-	5,955
Depreciation of tangible fixed assets: -owned by the Company	363	2,099
	158,492	508,813

5. Staff costs

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	3,497	4,518
Social security costs	700	117
Other pension costs	320	212
	4,517	4,847

The average monthly number of persons employed by the Company during the year analysed by category was as follows:

	2019 No.	2018 No.
Research and development	67	52
Marketing	1	7
	68	59

6. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from Group undertakings	7,682	3,351
	7,682	3,351

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Interest payable and similar charge

	2019 £000	2018 £000
Interest payable to Group undertakings	-	39
	-	39

8. Tax on profit

	2019 £000	2018 £000
Corporation tax		
Current tax on profit for the financial year	40,992	78,030
Adjustments in respect of previous periods	3,116	(1,473)
Foreign tax relief	(505)	(5,297)
	43,603	71,260
Foreign tax		
Foreign tax	577	8,611
Total current tax	44,180	79,871
Deferred tax		
Origination and reversal of timing differences	98	(692)
Adjustments in respect of previous periods	(85)	(829)
Change in tax rate	(1)	73
Total deferred tax	12	(1,448)
Tax on profit	44,192	78,423

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Tax on profit (continued)

Reconciliation of tax charge

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit before tax	236,576	528,451
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	44,949	100,406
Effects of:		
Expenses not deductible	55	373
Additional deduction due to patent box claim	(3,898)	(18,929)
Higher rate taxes on overseas earnings	72	3,313
Adjustments in respect of previous periods	3,031	(2,302)
Effect of changes in tax rates	(1)	73
Share options	(16)	-
Deferred tax written off with trade transfer	-	(4,511)
Total tax charge for the year	44,192	78,423

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate would remain at 19% and not reduce to 17% from 1 April 2020. The effect of this change on the Company's deferred tax balance is not material.

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Tangible Assets

	Assets under construction £000	Land and buildings £000	Plant and machinery £000	Total £000
Cost				
At 1 January 2019	22	5,306	3,065	8,393
Additions	-	1	140	141
Transfers	(22)	15	7	-
At 31 December 2019	-	5,322	3,212	8,534
Depreciation				
At 1 January 2019	-	2,826	2,528	5,354
Charge for the year on owned assets	-	236	127	363
At 31 December 2019	-	3,062	2,655	5,717
Net book value				
At 31 December 2019	-	2,260	557	2,817
At 31 December 2018	22	2,480	537	3,039

10. Debtors due within one year

	2019 £000	2018 £000
Amounts owed by Group undertakings	1,230,948	1,371,073
Other debtors	1,639	4,868
	<u>1,232,587</u>	<u>1,375,941</u>

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Creditors due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	3	-
Trade creditors	316	23,700
Amounts owed to Group undertakings	209,785	49,700
Corporation tax	-	97,809
Derivative liabilities	1,612	-
Accruals and deferred income	25,312	40,798
	237,028	212,007

12. Creditors due after more than one year

	2019 £000	2018 £000
Amounts owed to Group undertakings	14,738	-
	14,738	-

13. Financial Instruments

	2019 £000	2018 £000
Financial Assets		
Financial assets measured at amortised cost	1,232,587	1,375,941
	1,232,587	1,375,941
Financial Liabilities		
Financial liabilities measured at amortised cost	224,842	171,209
Financial liabilities measured at fair value through profit and loss	1,612	-
	226,454	171,209

The Company has entered into the following loan agreements with Group undertakings:

Included in amounts owed by Group undertakings is £1,197,446,935 (2018 - £948,314,998) which is interest-bearing at LIBOR less 0.125%, all of which is unsecured and repayable on demand or as specified in the loan agreements. The remaining balance is unsecured, interest free and repayable on demand.

The balance in amounts owed to Group undertakings is unsecured, interest free and repayable on demand (2018 - same).

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

14. Deferred tax

	2019 £000	2018 £000
At 1 January	58	(1,390)
Charged to profit or loss	(97)	619
Adjustments in respect of previous periods	85	829
At 31 December 2019	46	58

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Fixed asset timing differences	46	58

15. Called up Share Capital

	2019 £	2018 £
Issued and fully paid		
1 (2018 - 1) Ordinary share of £1	1	1

16. Pension Commitments

The Company is a member of the Reckitt Benckiser UK Pension Fund. This scheme has a defined benefit and a defined contribution section providing benefits to certain employees within the Reckitt Benckiser Group of companies. In respect of the defined benefit pension scheme it is not possible to identify the Company's share of the underlying assets and liabilities on a consistent and reliable basis. Therefore, payments made to the defined benefit pension scheme are treated as though they were payments to a defined contribution scheme and charged to the profit and loss account in the year that they are incurred.

17. Capital Commitments

Future capital expenditure contracted for but not provided in the Financial Statements is £Nil (2018 - £7m).

Reckitt Benckiser (Brands) Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Ultimate Parent Undertaking and Controlling Party

The immediate parent company is Reckitt Benckiser Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is Reckitt Benckiser Group plc a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these Financial Statements. Copies of the Group Financial Statements of Reckitt Benckiser Group plc can be obtained from 103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom or at <https://www.rb.com>.

19. Directors

During the year, the Company had 4 Directors (2018 - 5 Directors) resident in the UK, none (2018 - none) of whom received any emoluments in respect of services to the Company. None (2018 - none) of the Directors who resigned in the year received any compensation for loss of office. The Directors are also directors of fellow subsidiaries and it is not practical to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details no remuneration in respect of the Directors. The Directors have no material interest in any contract of significance to the company's business.

20. Auditor's Remuneration

The auditor's remuneration is met by the ultimate parent company, Reckitt Benckiser Group plc and is disclosed in total in the Group Financial Statements. Amounts receivable by the Company's auditor in respect of the audit of these Financial Statements is £6k. It was not practical to make an allocation of the audit fee to the Company in 2018.