

Reckitt Benckiser Health Limited

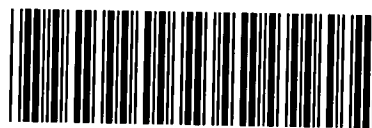
Report and Financial Statements

Year Ended

31 December 2018

Company Number 11069293

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Reckitt Benckiser Health Limited

Company Information

Directors	Parag Agarwal Rupert Mark Boden Bondy John Dixon Adrian Nevill Hennah
Company Secretary	Christine Anne-Marie Logan
Registered Number	11069293
Registered Office	103-105 Bath Road Slough Berkshire SL1 3UH
Independent Auditor	KPMG LLP 15 Canada Square London E14 5GL

Reckitt Benckiser Health Limited

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Reckitt Benckiser Health Limited

Strategic Report For the Year Ended 31 December 2018

The Directors of Reckitt Benckiser Health Limited (the "Company") present their Strategic Report for the year ended 31 December 2018.

Principal activities

The business was incorporated on the 17 November 2017. During 2018, the principal activities of the Company included undertaking the sale of healthcare products, category development, research and development ("R&D") and management activities for the Health Business Unit.

Business review

During the year, the Company began investing resources to assume full operational control of the Health Business Unit and Product Portfolio from 1 January 2019. It focused on undertaking the category development (including research and development and innovation) and management activities in relation to the Group's Health product portfolio. The Company also commenced the sales of healthcare products, in Asia Pacific.

Performance of the business during this first year of trading for the Company has been in line with expectations.

The Company incurred significant costs in the year to establish the business and its category development activities, which led to a loss of £191,913,000. However, the Directors believe the Company will be in a profitable position in 2019.

On 31 December 2018, the Company acquired the Health business of Reckitt Benckiser (Brands) Limited, inclusive of a number of intangible and tangible fixed assets at book value to the Company in exchange for consideration of £374,923,608 in the form of a loan note.

Key Performance indicators ("KPIs")

The Directors of the Reckitt Benckiser Group plc (the "Group") manage the Group's operations on a business unit and category basis. For this reason, the Directors of the Company 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 or position of the Health category of the Reckitt Benckiser Group plc, that includes the Company, is discussed in the Group's Financial Statements (pages 24-29) which does not form part of this report.

Reckitt Benckiser Health Limited

Strategic Report (continued) For the Year Ended 31 December 2018

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 42 - 57 of the Reckitt Benckiser Group plc 2018 Annual Report which does 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 Group level.

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. The Company's 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. The Company's currency risks are managed at Group level.

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.

Results for the year and movement on reserves

The Financial Statements for the year ended 31 December 2018 show a loss of £191,913,000 (2017 - £NIL) which has been deducted from reserves.

The Directors do not recommend the payment of a dividend (2017 - £Nil).

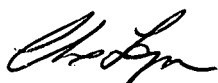
Future developments

The Company commenced the sale of healthcare products through the year in Asia Pacific. The Company will continue to increase trading through additional markets.

Post balance sheet events

On 25 February 2019, the Company issued 1 share for a value of £375,730,827 which was used to settle the loan note of £374,923,608.

This report was approved by the board on its behalf on 31 October 2019, by



Christine Anne-Marie Logan
Company Secretary

Reckitt Benckiser Health Limited

Directors' Report to the members of Reckitt Benckiser Health Limited For the Year Ended 31 December 2018

The Directors present their report and the Financial Statements for the year ended 31 December 2018.

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:

Parag Agarwal
Rupert Mark Boden Bondy
John Dixon (appointed 3 December 2018)
Adrian Nevill Hennah (appointed 1 February 2018)
Rakesh Kapoor (resigned 12 February 2018)
Stephen Philip Troote (resigned 12 February 2018)

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 Directors' Report and the Financial Statements

The Directors are responsible for preparing 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 period. 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;
- 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.

Reckitt Benckiser Health Limited

Directors' Report to the members of Reckitt Benckiser Health Limited (continued) For the Year Ended 31 December 2018

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.

Results for the year and movement on reserves

The Financial Statements for the year ended 31 December 2018 show a loss of £191,913,000 (2017 - £NIL) which has been deducted from reserves.

The Directors do not recommend the payment of a dividend (2017 - £Nil).

Future developments

The Company commenced the sale of healthcare products through the year in Asia Pacific. The Company will continue to increase trading through additional markets.

Post balance sheet events

On 25 February 2019, the Company issued 1 share for a value of £375,730,827 which was used to settle the loan note of £374,923,608.

Going concern

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

Directors have received assurance from Reckitt Benckiser Group plc to the effect that it will ensure that the Company has sufficient funds to enable it to continue as a going concern without significant curtailment of its operations for the foreseeable future and at least the next twelve months from the date of this report.

The Directors, having assessed the responses of the Directors of the Company's parent Reckitt Benckiser Group plc to their enquiries, have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of Reckitt Benckiser Group plc to continue as a going concern or its ability to continue with the current banking arrangements.

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.

Independent auditor

During the year the Company appointed KPMG LLP as auditor for the year ended 31 December 2018 to fill a casual vacancy.

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.

Reckitt Benckiser Health Limited

Directors' Report to the members of Reckitt Benckiser Health Limited (continued) For the Year Ended 31 December 2018

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 Health 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 its behalf on 31 October 2019, by



Christine Anne-Marie Logan
Company Secretary

Reckitt Benckiser Health Limited

Independent Auditor's Report to the Members of Reckitt Benckiser Health Limited

Opinion

We have audited the Financial Statements of Reckitt Benckiser Health Limited ("the Company") for the year ended 31 December 2018 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 Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the Financial Statements. All audits assess and challenge the reasonableness of estimates made by the Directors, related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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 Health Limited

Independent Auditor's Report to the Members of Reckitt Benckiser Health 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 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 Strategic Report and the 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.

Other matter - prior period financial statements

We note that the prior period Financial Statements were not audited. Consequently ISAs (UK) require the auditors to state that the corresponding figures contained within these Financial Statements are unaudited. Our opinion is not modified in respect of this matter.

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 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 Health Limited

Independent Auditor's Report to the Members of Reckitt Benckiser Health 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.



Richard Broadbelt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

Date: 31 / 10 / 2019

Reckitt Benckiser Health Limited

Statement of Comprehensive Income For the Year Ended 31 December 2018

			Unaudited Date of incorporation until 31 December 2017 £000
	Note	2018 £000	
Turnover	3	42,012	-
Cost of sales		(29,651)	-
Gross profit		12,361	-
Other operating income	4	86,093	-
Administrative expenses		(335,948)	-
Operating loss	5	(237,494)	-
Interest payable and similar charges	6	(655)	-
Loss before tax		(238,149)	-
Tax on loss	8	31,911	-
Loss for the financial year		(206,238)	-
Other comprehensive income			
Movement in Hedging Reserve (net of tax)		(439)	-
Movement in Share based payment reserve (net of tax)		14,764	-
Other comprehensive income for the year		14,325	-
Total comprehensive loss		(191,913)	-

The notes on pages 13 to 29 form part of these Financial Statements.

Reckitt Benckiser Health Limited

Registered number: 11069293

Balance Sheet As at 31 December 2018

			Unaudited Date of incorporation until 31 December 2017 £000
	Note	2018 £000	
Fixed Assets			
Intangible assets	9	335,799	-
Tangible assets	10	110,803	-
		<u>446,602</u>	<u>-</u>
Current Assets			
Debtors due within one year	11	63,313	1
Cash at bank and in hand		1	-
		<u>63,314</u>	<u>1</u>
Creditors due within one year	12	(648,629)	-
Net Current (Liabilities)/Assets		<u>(585,315)</u>	<u>1</u>
Total Assets less Current Liabilities		<u>(138,713)</u>	<u>1</u>
Deferred tax liability	14	(9,968)	-
Net (Liabilities)/Assets		<u><u>(148,681)</u></u>	<u><u>1</u></u>
Equity			
Share capital	15	2	1
Share premium		55,655	-
Hedging reserve		(439)	-
Share based payment reserve		14,764	-
Other reserves	21	(12,425)	-
Retained deficit		(206,238)	-
Total Equity		<u><u>(148,681)</u></u>	<u><u>1</u></u>

The notes on 13 to 29 form part of these Financial Statements.

The Financial Statements on pages 9 to 29 were approved and authorised for issue by the Board on its behalf on 31 October 2019, by


Parag Agarwal
Director

Reckitt Benckiser Health Limited

Statement of Changes in Equity For the Year Ended 31 December 2018

	Share capital £000	Share premium £000	Hedging reserve £000	Share based payment reserve £000	Other reserves £000	Retained deficit £000	Total Equity £000
At 1 January 2018	1	-	-	-	-	-	1
Comprehensive income							
Loss for the financial year	-	-	-	-	-	(206,238)	(206,238)
Movement in Hedging Reserve (net of tax)	-	-	(439)	-	-	-	(439)
Movement on Share based payment reserve (net of tax)	-	-	-	14,764	-	-	14,764
Other comprehensive income	-	-	(439)	14,764	-	-	14,325
Total comprehensive income	-	-	(439)	14,764	-	(206,238)	(191,913)
Transactions with owners							
Shares issued during the year	1	55,655	-	-	-	-	55,656
Movement on other reserves	-	-	-	-	(12,425)	-	(12,425)
Total transactions with owners	1	55,655	-	-	(12,425)	-	43,231
Balance at 31 December 2018	2	55,655	(439)	14,764	(12,425)	(206,238)	(148,681)

Reckitt Benckiser Health Limited

Statement of Changes in Equity For the Year Ended 31 December 2017

	Share capital £000	Total Equity £000
At 1 January 2017	-	-
Comprehensive income		
Loss for the financial year	-	-
	<hr/>	<hr/>
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive loss	-	-
Transactions with owners		
Issue of shares	1	1
	<hr/>	<hr/>
Total transactions with owners	1	1
	<hr/>	<hr/>
Balance at 31 December 2017	<u>1</u>	<u>1</u>

The notes on pages 13 to 29 form part of these Financial Statements.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

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 Health Limited is a private company limited by shares and is incorporated 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 2.

1.2 Statement of Compliance

The Financial Statements have been prepared on a going concern basis, under the historical cost convention 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;
- the requirements of section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the numbers of shares outstanding at the beginning and end of the year;
- the requirements of section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total; and
- the requirements of section 26 Share-based Payments paragraph 26.18(b), 26.19 to 26.21 and 26.23.

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>.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting Policies (continued)

1.5 Going concern

The Directors have received assurance from Reckitt Benckiser Group plc to the effect that it will ensure that the Company has sufficient funds to enable it to continue as a going concern without significant curtailment of its operations for the foreseeable future and at least the next twelve months from the date of this report.

The Directors, having assessed the responses of the Directors of the Company's parent Reckitt Benckiser Group plc to their enquiries, have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of Reckitt Benckiser Group plc to continue as a going concern or its ability to continue with the current banking arrangements.

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.

1.6 Turnover

Turnover is defined as the amount invoiced to customers during the year and the distribution fee received from other Group companies. That is gross sales net of trade discounts and customer allowances and exclusive of Value Added Tax and other sales-related taxes. Turnover is recognised at the point at which the risks and rewards of the goods have passed to the customer.

Distribution fee from other group companies is also recognised in turnover on an accrual basis.

1.7 Foreign Currency Balances

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

1.8 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.

1.9 Interest

Interest payable is charged to comprehensive income or expense as incurred.

1.10 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.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting Policies (continued)

1.11 Intangible assets

Intangible assets are initially recognised at transaction cost. After recognition, under the cost model intangible assets are measured at cost less any accumulated amortisation.

Intangibles including trademarks and intellectual property rights are amortised over their useful economic life not exceeding 50 years on a straight line method, in line with the Directors' view of their useful economic lives. The Directors, to determine whether there should be a reduction to reflect any impairment, review their carrying value annually.

Intangible assets that are still in the development phase are not amortised. Amortisation will be charged to the Statement of Comprehensive Income starting from the month in which the asset is available for use.

1.12 Operating leases

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

1.13 Pension Commitments

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 scheme 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 contribution scheme is held on the balance sheet of Reckitt Benckiser Corporate Services Limited.

1.14 Share Based Payments

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.

1.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting Policies (continued)

1.16 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Except for freehold land, the cost of properties, plant & 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:

Freehold buildings	Not more than fifty years
Plant and equipment	Not more than fifteen years

In general, plant and machinery are written off over ten years.

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

1.17 Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of basic financial assets and liabilities, including trade and other receivables and payables 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 is measured at the present value of future payments. 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.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

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.

In preparing these Financial Statements, the Directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the Company's Intangible Assets. Factors taken into account are useful economic life and future cash flows of the asset.

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

An analysis of turnover by geographical location is as follows:

	Unaudited Date of incorporation until 31 December	
	2018 £000	2017 £000
Asia Pacific	42,012	-

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

4. Other operating income

During this first year of trading, the Company received management fee income from a related party for its management of the Health products portfolio. It also received research & development fees and innovation fees for Mucinex and Delsym brands.

Royalty Income relates entirely to royalty income received from within the Group.

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Royalty Income	862	-
Research & Development Fees and Innovation Fees	12,476	-
Management Fees	72,755	-
	<u>86,093</u>	<u>-</u>

5. Operating loss

The operating loss is stated after charging:

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Royalty Expense	4,184	-
Staff costs (Note 7)	106,056	-
Marketing Expenditure	12,852	-
Research & Development expenditure	20,812	-
	<u></u>	<u></u>

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

6. Interest payable and similar expenses

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Interest payable to Group undertakings	655	-

7. Staff costs

Staff costs were as follows:

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Wages and salaries	78,119	-
Social security costs	9,703	-
Other pension costs	4,127	-
Share-based payments (Note 17)	14,107	-
	106,056	-

The average number of employees during the year was:

	2018 No.	Unaudited Date of incorporation until 31 December 2017 No.
Research & development and Category Development Organisation	369	-
Administrative services and management	345	-
	714	-

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

8. Taxation

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Corporation tax		
Current tax on loss for the year	(29,454)	-
Total current tax credit	<u>(29,454)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(2,746)	-
Effects of changes in tax rates	289	-
Total deferred tax credit	<u>(2,457)</u>	<u>-</u>
Total tax credit per income statement	<u><u>(31,911)</u></u>	<u><u>-</u></u>

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

8. Taxation (continued)

Reconciliation of effective tax rate

The tax assessed for the year is lower than (2017 - same as) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Loss before tax	(238,149)	-
Tax on loss at standard UK rate of 19.00% (2017: 19.25%)	(45,248)	-
Effects of:		
Expenses not deductible for tax purposes	14,327	-
Tax rate changes	289	-
Deferred tax arising on share awards	(1,279)	-
Total tax credit per the income statement	(31,911)	-

Factors that may affect future tax charges

The UK tax rate reduces to 17% from 1 April 2020 and this has been substantively enacted. Future profits will be taxed at the appropriate rate.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

9. Intangible assets

	Trademarks £000	Intellectual Property £000	Assets under construction £000	Total £000
Cost				
At 1 January 2018	-	-	-	-
Additions	269,786	55,651	10,362	335,799
At 31 December 2018	269,786	55,651	10,362	335,799
Net book value				
At 31 December 2018	269,786	55,651	10,362	335,799
At 31 December 2017	-	-	-	-

On 31 December 2018, the Company acquired Trademarks from Reckitt Benckiser (Brands) Ltd for £269,785,908.

In addition the Company acquired intellectual property from Mead Johnson BV on 31 December 2018 comprising :

- Brand Intellectual Property
- Product formulation Intellectual Property

The Intellectual Property above will be amortised in accordance with the Company policy over its useful economic life, not exceeding 50 years.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

10. Tangible assets

	Assets under construction £000	Land & Buildings £000	Plant and machinery £000	Total £000
Cost				
At 1 January 2018	-	-	-	-
Additions	96,530	10,261	4,366	111,157
At 31 December 2018	96,530	10,261	4,366	111,157
Depreciation				
At 1 January 2018	-	-	-	-
Charge for the year	-	150	204	354
At 31 December 2018	-	150	204	354
Net book value				
At 31 December 2018	96,530	10,111	4,162	110,803
At 31 December 2017	-	-	-	-

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

11. Debtors due within one year

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Trade debtors	10	-
Amount owed by Group undertakings	27,183	1
Group relief debtor	29,454	-
Other debtors	125	-
Prepayments and accrued income	6,541	-
	63,313	1

The amount owed by Group undertakings due within one year is unsecured, non-interest bearing and repayable on demand.

12. Creditors due within one year

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Trade creditors	1,536	-
Amounts owed to Group undertakings	597,147	-
Other taxation and social security	3,411	-
Other creditors	1,207	-
Accruals	38,889	-
Derivative liabilities	439	-
Deferred Grant Income	6,000	-
	648,629	-

Included in amounts owed to Group undertakings due within one year is an amount of £135,941,700 (2017 - £NIL) which is interest bearing at LIBOR plus 0.2%, unsecured and repayable on demand.

Included in amounts owed to Group undertakings due within one year is a loan note for £374,923,608 (2017 - £NIL) which is interest bearing at 3M LIBOR plus 0.5%, unsecured and repayable on demand.

The remaining balance is unsecured, non-interest bearing and repayable on demand.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Financial Instruments

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Financial Assets		
Cash and cash equivalents	1	-
Financial assets that are debt instruments measured at amortised cost	56,772	1
	<u>56,773</u>	<u>1</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	603,301	-
Derivative liabilities (Note 12)	439	-
	<u>603,740</u>	<u>-</u>

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

The amount owed by Group undertakings due within one year is unsecured, non-interest bearing and repayable on demand.

Included in amounts owed to Group undertakings due within one year is an amount of £135,941,700 (2017 - £NIL) which is interest bearing at LIBOR plus 0.2%, unsecured and repayable on demand.

Included in amounts owed to Group undertakings due within one year is a loan note for £374,923,608 (2017 - £NIL) which is interest bearing at 3M LIBOR plus 0.5%, unsecured and repayable on demand.

The remaining balance is unsecured, non-interest bearing and repayable on demand.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

14. Deferred tax

	2018
	£000
Deferred tax charge to income statement for the period	(2,457)
Other reserves	12,425
	<u>9,968</u>
At 31 December 2018	<u>9,968</u>

The deferred tax balance is made up as follows:

Accelerated capital allowances	12,425
Other timing differences	(2,457)
	<u>9,968</u>

15. Share Capital

	2018 £000	Unaudited Date of incorporation until 31 December 2017 £000
Issued and fully paid		
2,000 (2017 - 1,000) Ordinary shares of £1 each	<u>2</u>	<u>1</u>

16. Capital Commitments

Future capital expenditure contracted for but not provided in the Financial Statements is £9,200,000 (2017 - £Nil).

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

17. Share based payment reserve

Executive Share Awards are awarded to the Group's Top 400 Management Group. Other Share Awards represent SAYE schemes (offered all UK eligible staff) and a number of Senior Executive Ownership Policy Plan (SOPP) awards. Individual tranches of these awards are not material for detailed disclosure and therefore have been aggregated.

Executive Share Awards have a contractual life of ten years but vest according to EPS growth criteria over a three-year period. Accordingly, the cost is spread over the three years of the performance period. Other share awards have contractual lives of either three, five or seven years.

Executive Share Awards are subject to performance criteria based on compound average annual growth (CAAG) rates in earnings per share over the performance period. Other Share Awards are generally not subject to any criteria other than the employee's continued employment. Executive Share Awards vest as follows: CAAG of less than 6% - 0% of awards vest; 6% CAAG - 40%; 7% CAAG - 60%; 8% CAAG - 80%; >9% CAAG - 100%.

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business models and relevant published targets.

Under the terms of the Plans, early exercise is not permitted and therefore the effect of early exercise is not incorporated into the calculation. The calculation also assumes that there will be no leaves in the following year. No material modifications have been made to the Plans in 2014 or 2015 for the purpose of the valuation. The awards are equity settled.

An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate.

The share based payments charge for the year amounted to £14,107 (2017 - £Nil), with an associated Employers' NI payable of £Nil (2017 - £Nil).

18. 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 statement of comprehensive income in the year they are incurred.

19. Post Balance Sheet Events

On 25 February 2019, the Company issued 1 share for a value of £375,730,827 which was used to settle the loan note of £374,923,608.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

20. Directors remuneration

During the year the Company had 4 Directors (2017 - 5 Directors), 4 of whom were residents in the UK.

The Directors received emoluments of £45,375 (2017 - £Nil) during the year in respect of services to the Company. During the year, the pension contributions made were £1,375 (2017 - £Nil).

No Directors received payments for compensation for loss of office during the year.

21. Other reserves

Business acquired from entities that are under the common control of the ultimate parent are recognised at the carrying amounts of the assets and liabilities taken over consequent to the acquisition at the time of acquisition. Any excess or deficiency between the purchase consideration paid/payable and the net assets acquired is taken to the shareholders equity as an Other Reserve.

Pursuant to the Asset Transfer Agreement dated 31 December 2018, the Company acquired the Health business from Reckitt Benckiser (Brands) Limited, a related company incorporated in the United Kingdom for a consideration of £374,923,608. As at that the date, the net assets of the Company that were transferred amounted to £362,498,608, thereby resulting in an Other Reserve of £12,425,000.

The following assets and liabilities were transferred pursuant to the aforementioned asset transfer agreement:

Assets (breakdown)	£380,923,608
Non-current assets:	£380,923,608
Receivables (net of impairment):	-
Liabilities (breakdown)	£18,425,000
Other liabilities:	£6,000,000
Deferred tax liability:	£12,425,000
Net assets	<u>£362,498,608</u>

To arrive at the distributable reserves at the reporting period, the Other Reserve is released in accordance with the release of the deferred tax liability and the charge till the reporting period is transferred from Other Reserve to profit and loss in shareholder's equity.

Reckitt Benckiser Health Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

22. Ultimate Parent Undertaking and Controlling Party

The immediate parent company is Reckitt Benckiser Health Holdings Limited, a company incorporated in England and Wales.

The ultimate parent company is Reckitt Benckiser Group plc, a company incorporated 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, United Kingdom, SL1 3UH or at <https://www.rb.com>.

23. 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. No recharge is made to its subsidiaries as it is not practical to make an allocation of the audit fee to each subsidiary entity individually.