

**Reckitt Benckiser Corporate
Services Limited**

Report and Financial Statements

Year Ended

31 December 2017

Company Number 04027682



Reckitt Benckiser Corporate Services Limited

Company Information

Directors	John Dixon Gurveen Singh Jonathan Timmis
Company Secretary	Christine Anne-Marie Logan
Registered Number	04027682
Registered Office	103-105 Bath Road Slough Berkshire SL1 3UH
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Reckitt Benckiser Corporate Services Limited

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Reckitt Benckiser Corporate Services Limited

Strategic Report For the Year Ended 31 December 2017

The Directors of Reckitt Benckiser Corporate Services Limited (the "Company") present their Strategic Report for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the provision of management services to Group companies. The Company, which is a member of the Reckitt Benckiser Group plc Group of companies (the "Group"), carries out the strategy intended by the Company Directors.

Business review

Review of the business

The Company continues to provide management services to Group companies. There have been no changes in the Company's principal activities during the year.

Performance of the business has been generally in line with expectations with operating margin impacted by integration and restructuring costs for the year. The main drivers of this increase have been the acquisition of Mead Johnson Nutrition and RB2.0 restructuring.

Given the nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary, for an understanding of the development, performance or position of the business.

The results for the 2017 financial year show a profit of £38,030,000.

Reckitt Benckiser Corporate Services Limited

Strategic Report (continued) For the Year Ended 31 December 2017

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on page 42 to 51 of the Reckitt Benckiser Group plc 2017 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. Interest is received/paid by the Company on a loan with another Group company.

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's liquidity requirements and interest rate risks are managed at a 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 purchase derivatives to manage its exposure to currency risk.

Credit risk

The Company has no significant concentrations of credit risk. Financial Institution counterparty are subject to approval under the Group counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The amount of exposure to any individual counterparties 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 2017 show a profit for the financial year of £38,030,000 (2016 - profit of £200,073,000) which has been added to reserves (2016 - added to reserves).

The Directors do not recommend the payment of a dividend (2016 - £Nil).

Future developments

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

This report was approved by the Board on 28 September 2018 and signed on its behalf.


John Dixon
Director

Reckitt Benckiser Corporate Services Limited

Directors' Report For the Year Ended 31 December 2017

The Directors present their report and the Financial Statements for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the provision of management services to Group companies. The Company, which is a member of the Reckitt Benckiser Group of companies (the "Group"), carries out the strategy intended by the Company Directors.

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
Gurveen Singh (appointed 13 December 2017)
Jonathan Timmis (appointed 16 March 2018)
Candida Jane Davies (resigned 13 December 2017)
Deborah Anne Yates (resigned 13 December 2017)

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 third party liabilities.

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.

The same opportunities are available to disabled employees for training, career development and promotion.

Employee involvement

During the financial year, the Company employed an average of 496 (2016 - 447) 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.

The 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 Reckitt Benckiser Group employee share ownership schemes.

Reckitt Benckiser Corporate Services Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the 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 the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the audited Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results for the year and movement on reserves

The Financial Statements for the year ended 31 December 2017 show a profit for the financial year of £38,030,000 (2016 - profit of £200,073,000) which has been added to reserves (2016 - added to reserves).

The Directors do not recommend the payment of a dividend (2016 - £Nil).

Financial risk management

The Company's approach to managing financial risk is included in the Strategic Report on page 1.

Future developments

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

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 Corporate Services Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Independent Auditors

The Company has adopted Articles which are compliant with the provisions of the Companies Act 2006 and is therefore not required to hold annual general meetings to lay Financial Statements before the shareholders and to reappoint the Auditors annually.

Disclosure of information to Auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are 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 Auditors are aware of that information.

This report was approved by the Board on 28 September 2018 and signed on its behalf.


John Dixon
Director

Reckitt Benckiser Corporate Services Limited

Independent Auditors' Report to the members of Reckitt Benckiser Corporate Services Limited

Report on the audit of the Financial Statements

Opinion

In our opinion, Reckitt Benckiser Corporate Services Limited's Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the Financial Statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reckitt Benckiser Corporate Services Limited

Independent Auditors' Report to the members of Reckitt Benckiser Corporate Services Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our Auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements set out on page 4, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

In preparing the Financial Statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Reckitt Benckiser Corporate Services Limited

Independent Auditors' Report to the members of Reckitt Benckiser Corporate Services Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom

28 September 2018

Reckitt Benckiser Corporate Services Limited

Statement of Comprehensive Income For the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	3	153,659	138,190
Administrative expenses		(267,606)	(148,535)
Operating loss	4	(113,947)	(10,345)
Income from other fixed assets investments	6	123,187	195,875
Other interest receivable and similar income	7	11,216	15,888
Interest payable and similar charges	8	(616)	(15)
Profit on ordinary activities before tax		19,840	201,403
Tax on profit on ordinary activities	9	18,190	(1,330)
Profit for the financial year		38,030	200,073
Other comprehensive income/(expense) for the year			
Hedge reserve		(418)	4,514
Remeasurement of defined benefit pension plan		19,700	(57,387)
Pension contributions from other members		26,932	21,432
Other comprehensive income/(expense)		46,214	(31,441)
Total comprehensive income		84,244	168,632

The notes on pages 13 to 35 form part of these Financial Statements.

Reckitt Benckiser Corporate Services Limited

Registered number: 04027682

Balance Sheet As at 31 December 2017

	Note	2017 £000	2016 £000
Fixed Assets			
Intangible assets	10	101,260	94,650
Tangible assets	11	5,050	7,661
Investments	12	99,292	99,292
		<u>205,602</u>	<u>201,603</u>
Current Assets			
Debtors due within one year	13,16	2,263,855	2,183,612
Cash and cash equivalents	16	138	461
		<u>2,263,993</u>	<u>2,184,073</u>
Current Liabilities			
Creditors due within one year	14,16	(118,379)	(89,955)
Net Current Assets		<u>2,145,614</u>	<u>2,094,118</u>
Total Assets less Current Liabilities		<u>2,351,216</u>	<u>2,295,721</u>
Creditors due after more than one year	15,16	(13)	(107)
Provision for Liabilities	18	(5,573)	(5,694)
Net pension scheme liability	22	-	(42,000)
		<u>(5,573)</u>	<u>(47,694)</u>
Net Assets		<u><u>2,345,630</u></u>	<u><u>2,247,920</u></u>
Capital and reserves			
Share capital	19	-	-
Share premium account		1,547,796	1,547,796
Hedge reserves		3,193	3,611
Retained earnings		794,641	696,513
Total Equity		<u><u>2,345,630</u></u>	<u><u>2,247,920</u></u>

The notes on pages 13 to 35 form part of these financial statements.

The Financial Statements on pages 9 to 35 were approved and authorised for issue by the Board and were signed on its behalf on 28 September 2018.


John Dixon
Director

Reckitt Benckiser Corporate Services Limited

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

	Share capital £000	Share premium account £000	Hedge reserve £000	Retained earnings £000	Total Equity £000
At 1 January 2017	-	1,547,796	3,611	696,513	2,247,920
Comprehensive income/(expense)					
Profit for the financial year	-	-	-	38,030	38,030
Remeasurement of defined benefit pension plan	-	-	-	19,700	19,700
Pension contributions from other members	-	-	-	26,932	26,932
Hedge reserve movement	-	-	(418)	-	(418)
Other comprehensive (expense)/income	-	-	(418)	46,632	46,214
Total comprehensive income	-	-	(418)	84,662	84,244
Share Based Payment	-	-	-	13,466	13,466
At 31 December 2017	-	1,547,796	3,193	794,641	2,345,630

Reckitt Benckiser Corporate Services Limited

Statement of Changes in Equity For the Year Ended 31 December 2016

	Share capital £000	Share premium account £000	Hedge (deficit)/ reserve £000	Retained earnings £000	Total Equity £000
At 1 January 2016	-	1,547,796	(903)	521,281	2,068,174
Comprehensive income/(expense)					
Profit for the financial year	-	-	-	200,073	200,073
Remeasurement of defined benefit pension plan, net of tax	-	-	-	(57,387)	(57,387)
Pension contributions from other members	-	-	-	21,432	21,432
Hedge reserve movement	-	-	4,514	-	4,514
Other comprehensive income	-	-	4,514	(35,955)	(31,441)
Total comprehensive income	-	-	4,514	164,118	168,632
Share Based Payment	-	-	-	11,114	11,114
Total transactions with owners	-	-	-	11,114	11,114
At 31 December 2016	-	1,547,796	3,611	696,513	2,247,920

The notes on pages 13 to 35 form part of these Financial Statements.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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 Corporate Services 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 2.

1.2 Statement of Compliance

The Financial Statements have been prepared on a going concern basis, under the historical costs 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;
- the requirements of section 26 Share-based Payments paragraphs 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, United Kingdom, SL1 3UH or at www.rb.com.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting Policies (continued)

1.5 Consolidation

The Financial Statements contain information about Reckitt Benckiser Corporate Services Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements as it and its subsidiary undertakings are included in the consolidated Financial Statements of its ultimate parent company, Reckitt Benckiser Group plc, a company registered in England and Wales.

1.6 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.

1.7 Turnover

Turnover represents management service fees charged which are based on actual management costs incurred plus a mark up. Management service fees are invoiced quarterly in arrears.

1.8 Dividend income

Dividend income is recognised when the shareholder's rights to receive payment have been established.

1.9 Interest

Interest payable is charged to comprehensive income or expense as incurred and interest receivable is credited as it falls due.

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.

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 and any accumulated impairment losses. All intangible assets are considered to have a finite useful life.

The estimated useful lives range as follows:

Software - between five and seven years

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.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting Policies (continued)

1.12 Tangible fixed assets

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:

The estimated useful lives range as follows:

Short leasehold land and buildings	- Lower of fifty years or the life of the lease
Plant and machinery	- Between three and ten years

1.13 Operating leases: Lessee

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

1.14 Investments

Investments are stated at the lower of cost or their recoverable amount, which is determined as the higher of net realisable value and value in use. A review of the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 102 Section 27 'Impairment of assets'.

1.15 Impairment of fixed assets and software

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

1.16 Retirement benefit other than pensions

The Company provides post-retirement medical care to some of its retirees. The cost of providing these benefits is accrued over the period of the employment and the liability recognised in the balance sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting Policies (continued)

1.17 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting market conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase or decrease in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

1.18 Pensions

The Company operates defined contribution and defined benefit pension schemes.

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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows by the yield on high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have a maturity approximating to the terms of the pension obligations. The costs of providing these defined benefit schemes are accrued over the period of employment. Actuarial gains and losses are recognised immediately in other comprehensive income.

Reckitt Benckiser Corporate Services Limited is one of the financial sponsors of Reckitt Benckiser Pension Fund. The net defined benefit cost of the defined benefit plan are recognised in Reckitt Benckiser Corporate Services. Contributions from other member entities are recognised in the retained earnings.

1.19 Provisions for liabilities

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 Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting Policies (continued)

1.20 Derivative Financial Instruments and Hedging Activity

The Company may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge).

At inception the relationship between the hedging instrument and the hedged item is documented, as is an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

1.21 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

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

(c) Derivative Financial Instruments

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in interest receivable and deferred income or interest payable and deferred expense as appropriate, unless they are included in a hedging arrangement.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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 fixed asset investments. Factors taken into account are net assets for holding companies and enterprise value for trading companies
- The value of the Company's defined benefit pension plan obligations are dependent on a number of key assumptions. These include assumptions over the rate of increase in pensionable salaries, the discount rate to be applied, the level of inflation and the life expectancy of the schemes members. Detail of the key assumptions and the sensitivity of the principle schemes carrying value to changes in the assumptions are set out in Note 22.

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

3. Turnover

Turnover relates to management services provided to Group companies. The analysis of the Company's revenue for the year is as follows:

	2017 £000	2016 £000
ENA	79,816	72,109
DVM	37,481	34,080
Group	36,362	32,001
	<u>153,659</u>	<u>138,190</u>

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

4. Operating loss

The operating loss is stated after charging:

	2017 £000	2016 £000
Integration and restructuring	117,260	18,513
Staff costs	93,338	89,429
Depreciation of owned assets tangible fixed assets	3,439	3,970
Amortisation of intangible assets	16,542	13,502
Operating leases - other assets	4,587	4,005
Commercial costs	32,551	16,287

5. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	57,385	54,727
Social security costs	9,893	15,322
Defined contribution pension costs	3,594	2,666
Defined benefit pension costs	9,000	5,600
Share based payment charges	13,466	11,114
	93,338	89,429

The average monthly number of employees, including the Directors, during the year was as follows:

	2017 No.	2016 No.
Administration and support	496	447

6. Income from other fixed assets investments

	2017 £000	2016 £000
Dividend from shares in Group undertakings	123,187	195,875

In 2017 Reckitt Benckiser Austria GmbH distributed a dividend of £123,187k (2016 - £195,875k).

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

7. Other interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from Group undertakings	11,216	15,887
Other interest	-	1
	<u>11,216</u>	<u>15,888</u>

8. Interest payable and similar charges

	2017 £000	2016 £000
Interest on defined benefit pension	600	-
Interest on loans from Group undertakings	16	15
	<u>616</u>	<u>15</u>

9. Tax on profit

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	(24,417)	(247)
Adjustments in respect of previous years	740	(1,315)
Total current tax	<u>(23,677)</u>	<u>(1,562)</u>
Deferred tax		
Origination and reversal of timing differences	2,014	2,640
Effect of changes in tax rates	(235)	251
Adjustments in respect of previous years	3,708	1
Total deferred tax	<u>5,487</u>	<u>2,892</u>
Tax on profit on ordinary activities	<u>(18,190)</u>	<u>1,330</u>

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

9. Tax on profit (continued)

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	19,840	201,403
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	3,818	40,280
Effects of:		
Transfer pricing adjustment	-	82
Adjustments in respect of previous years	4,449	(1,314)
Expenses not deductible for tax purposes	6,992	1,480
Rate changes	(235)	251
Income not taxable	(23,709)	(39,449)
Deferred tax not recognised	482	-
Share options	(10,187)	-
Depreciation on ineligible assets	200	-
Total tax (credit)/charge for the year	(18,190)	1,330

Factors that may affect future tax charges

The tax rate reduced from 20% to 19% from 1 April 2017 and reduces to 17% from 1 April 2020. The reduction in the tax rate has been substantively enacted. Future profits will be taxed at the appropriate rate.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

10. Intangible assets

	Software £000	Assets under construction £000	Total £000
Cost			
At 1 January 2017	102,833	25,426	128,259
Additions	249	22,903	23,152
Disposals	(3,260)	-	(3,260)
Transfers	26,062	(26,062)	-
At 31 December 2017	<u>125,884</u>	<u>22,267</u>	<u>148,151</u>
Accumulated amortisation			
At 1 January 2017	33,609	-	33,609
Charge for the year	16,542	-	16,542
Disposals	(3,260)	-	(3,260)
At 31 December 2017	<u>46,891</u>	<u>-</u>	<u>46,891</u>
Net book value			
At 31 December 2017	<u>78,993</u>	<u>22,267</u>	<u>101,260</u>
At 31 December 2016	<u>69,224</u>	<u>25,426</u>	<u>94,650</u>

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

11. Tangible fixed assets

	Short leasehold land and buildings £000	Assets under construction £000	Plant and machinery £000	Total £000
Cost				
At 1 January 2017	8,072	1,661	16,115	25,848
Additions	-	723	165	888
Disposals	-	-	(687)	(687)
At 31 December 2017	8,072	2,384	15,593	26,049
Depreciation				
At 1 January 2017	6,950	-	11,237	18,187
Charge for the year	589	-	2,850	3,439
Eliminated on disposals	-	-	(627)	(627)
At 31 December 2017	7,539	-	13,460	20,999
Net book value				
At 31 December 2017	533	2,384	2,133	5,050
At 31 December 2016	1,122	1,661	4,878	7,661

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £000	2016 £000
Plant and machinery	260	564

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

12. Investments

	Investments in subsidiary undertakings £000
Cost	
At 1 January 2017	99,292
At 31 December 2017	99,292
Impairment	
At 1 January 2017	-
At 31 December 2017	-
Net book value	
At 31 December 2017	99,292
At 31 December 2016	99,292

Direct Subsidiary Undertakings

The following were direct subsidiary undertakings of the Company:

Name	Class of shares	Holding	Registered office
Dorincourt Holdings (Ireland) Limited	Ordinary	100 %	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
R & C Nominees Limited	Ordinary	100 %	103-105 Bath Road, Slough, SL1 3UH, United Kingdom
Reckitt & Colman Pension Trustee Limited	Ordinary	100 %	103-105 Bath Road, Slough, SL1 3UH, United Kingdom
Reckitt Benckiser Austria GmbH	Ordinary	100 %	Guglgasse 15, A-1110 Wien (Vienna), Austria
Reckitt Benckiser Expatriate Services Limited	Ordinary	100 %	103-105 Bath Road, Slough, SL1 3UH, United Kingdom

The Directors believe that the carrying value of the investment is supported by the net assets of the holding companies and enterprise value of the trading companies.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

12. Investments (continued)

Indirect Subsidiary and Other Participating Interests Undertakings

The following were indirect subsidiary and other participating interests undertakings of the Company:

Name	Class of shares	Holding	Registered office
Reckitt Benckiser Arabia FZE	Ordinary	100 %	Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344 Dubai, UAE
Reckitt Benckiser Management Services	Ordinary	100 %	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
Reckitt Benckiser (Pars) PJSC	Ordinary	89.8 %	No 67, West Taban Avenue, Africa Boulevard, Tehran, Iran
Reckitt Benckiser Services (Kenya) Ltd	Ordinary	0.01 %	Plot Lr No 1870/II/569, 2nd Floor Apollo Centre, Ring Road Parklands, Westlands, Pobox 764, 00606 Nairobi, Kenya, Africa
Reckitt Benckiser Temizlik Malzemesi San.ve Tic.A.S.	Ordinary	0.01 %	Hakki Yeten Cad. Selenium Plaza K:7-8-9, Fulya, Besiktas, Istanbul, Turkey
Reckitt & Colman Trustee Services Limited	Ordinary	0.01 %	103-105 Bath Road, Slough, SL1 3UH, United Kingdom

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Debtors due within one year

	2017 £000	2016 £000
Trade debtors	4,638	1,660
Amounts owed by Group undertakings	2,238,354	2,149,384
Other debtors	12,543	9,444
Deferred tax	2,869	16,081
Derivative assets	3,939	4,357
Prepayments and accrued income	1,512	2,686
	<u>2,263,855</u>	<u>2,183,612</u>

Included in the amounts owed by Group undertakings is an amount of £1,320,587,000 (2016 - £1,310,935,000) which is unsecured, interest bearing at 3M LIBOR plus a margin of 0.40% (2016 - LIBOR plus 0.40%) and repayable on 15 July 2021, and an amount of £793,872,000 (2016 - £750,316,000) which is unsecured, interest bearing at 3M LIBOR minus a margin of 0.125% (2016 - same) and repayable on 2 December 2019 and repayable on demand.

An amount of £80,186,000 (2016 - £88,131,000) relates to regular intercompany transactions which are paid based on intercompany policy.

14. Creditors due within one year

	2017 £000	2016 £000
Bank overdrafts	77	-
Trade creditors	21,710	18,200
Amounts owed to Group undertakings	74,536	36,668
Finance lease obligations	-	60
Other creditors	16,459	17,656
Accruals and deferred income	5,597	17,371
	<u>118,379</u>	<u>89,955</u>

The amounts owed to Group undertakings are unsecured, interest free and repayable on demand (2016 - same).

All other creditors are unsecured, interest free and repayable on demand (2016 - same).

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

15. Creditors due after more than one year

	2017 £000	2016 £000
Accruals and deferred income	13	107

16. Financial Instruments

	2017 £000	2016 £000
Financial Assets		
Cash and cash equivalents	138	461
Financial assets that are debt instruments measured at amortised cost	2,255,535	2,160,488
Derivative assets	3,939	4,357
	<u>2,259,612</u>	<u>2,165,306</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>112,782</u>	<u>90,062</u>

Included in the amounts owed by Group undertakings is an amount of £1,320,587,000 (2016 - £1,310,935,000) which is unsecured, interest bearing at 3M LIBOR plus a margin of 0.40% (2016 - LIBOR plus 0.40%) and repayable on 15 July 2021, and an amount of £793,872,000 (2015 - £750,316,000) which is unsecured, interest bearing at 3M LIBOR minus a margin of 0.125% (2016 - same) and repayable on 2 December 2019 and repayable on demand.

An amount of £80,186,000 (2016 - £88,131,000) relates to regular intercompany transactions which are paid based on intercompany policy.

The amounts owed to Group undertakings are unsecured, interest free and repayable on demand (2016 - same).

All other creditors are unsecured, interest free and repayable on demand (2016 - same).

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

17. Deferred tax

	2017 £000	2016 £000
At 1 January 2017	16,081	12,437
Charged to other comprehensive income	(7,725)	6,537
Charged to the Statement of Comprehensive Income	(5,487)	(2,893)
At 31 December 2017	2,869	16,081

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(1,763)	(2,134)
Other timing differences	4,632	18,215

18. Provision for Liabilities

	£000
At 1 January 2017	5,694
Charged to profit or loss	(121)
Utilised in the year	-
At 31 December 2017	5,573

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

19. Called up share Capital

	2017 £	2016 £
Issued and fully paid		
75 (2016 - 75) Ordinary shares of £1 each	<u>75</u>	<u>75</u>

20. Directors and Employees

During the year the Company had 3 Directors resident in the UK, none of whom received any emoluments in respect of services to the Company (2016 - 5 Directors, no emoluments).

For employees refer to note 5.

21. Share based payments

Executive Share Awards are awarded to the Group's senior employees. Other Share Awards represent SAYE schemes (offered to all UK eligible staff) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards.

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.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

22. Pension commitments

The Company operates a Defined Benefit Pension Scheme.

The Company operates a defined benefit and defined contribution pension plan for many of its UK employees, which are principally funded and closed to new entrants since 2005. Trustees of the plan are appointed by the Company, active members and pensioner membership, and are responsible for the governance of the plan, including paying all administrative costs and compliance with regulations. The plan is funded by the payment of contributions to the plan's Trust, which is a separate entity from the rest of the Group.

The following table provides details of membership:

Plan details at last valuation date

Active Participants:

Number of members	250
Proportion of funding liability	16.5%
Total pensionable salary roll	£10.9m

Participants with deferred benefits:

Number of members	1,879
Proportion of funding liability	36.8%
Total deferred pensions (at date of leaving plan)	£11.9m

Participants receiving benefits:

Number of members	4,056
Proportion of funding liability	46.7%
Total pensions in payment	£34.0m

A full independent actuarial valuation is carried out on a triennial basis. The most recent valuation was carried out at 5 April 2016 and as a result of this the Company has agreed that it would aim to eliminate the pension plan Technical Provisions deficit in the UK by the end of 2020. The funding levels are monitored on an annual basis and the current agreed contribution rate is 75.5% of pensionable salaries in the UK along with deficit reduction contribution of £25m. It is expected that contributions in 2018 will be £25m to the UK defined benefit plan.

For the purpose of FRS102 the projected unit valuation method was used for the UK plan, rolling forward the preliminary UK plan valuation results (at 5 April 2016) to 31 December 2017. The UK plan has a weighted average duration of the deferred benefit obligation of 18.5 years (2016 – 18.6 years).

Assumptions regarding future mortality experience are set in accordance with published statistics. The expected lifetime of a participant aged 60 and the expected lifetime of a participant who will be age 60 in 15 years are detailed below:

Number of years a current pensioner is expected to live beyond 60:

Male – 29.1

Female – 29.9

Number of years a future pensioner is expected to live beyond 60:

Male – 30.8

Female – 31.7

Fair value of plan assets for the year ended 31 December 2017 of £1,296,900,000.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

22. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
Reconciliation of present value of plan liabilities		
At 1 January	1,278,700	1,026,300
Current service cost	9,000	5,600
Interest expense	32,500	38,100
Gain from changes in demographic assumptions	-	(3,200)
Loss/(gain) from changes in financial assumptions	8,900	312,300
Experience losses	-	(53,400)
Contributions - employees	500	600
Benefit payments	(55,200)	(47,600)
At the end of the year	1,274,400	1,278,700

Reconciliation of present value of plan assets:

	2017 £000	2016 £000
At 1 January	1,236,700	1,026,300
Interest expense	31,900	39,300
Return on plan assets, excluding amounts included in interest income	51,100	172,500
Adjustment to recognition of surplus	-	18,500
Admin cost	(700)	(900)
Contributions - employees	500	600
Contributions - employers	32,600	27,100
Benefit payments	(55,200)	(46,700)
Irrecoverable surplus (effect of asset ceiling)	(22,500)	-
At the end of the year	1,274,400	1,236,700

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

22. Pension commitments (continued)

Composition of plan assets:

	2017 £000	2016 £000
Equities - quoted	266,695	270,504
Debt securities	885,407	829,591
Real Estate/property - unquoted	138,405	129,606
Other assets - unquoted	6,393	6,999
Total plan assets	1,296,900	1,236,700

The funded amounts recognised in the balance sheet are determined as follows:

	2017 £000	2016 £000
Fair value of plan assets (as adjusted to asset ceiling)	(1,274,400)	(1,236,700)
Present value of funded obligations	1,274,400	1,278,700
Net pension scheme liability	-	(42,000)

The charge for the year ended 31 December is shown below:

Statement of Comprehensive Income charge included in operating profit for:

	2017 £000	2016 £000
Defined contribution plans	3,594	2,666
Defined benefit plans (net charge/(credit) excluding interest)	9,000	5,600
Income/(charge) on plan assets	600	(1,200)
Total	13,194	7,066
Remeasurement gain/(loss) for:	19,700	(64,700)

The Statement of Comprehensive Income charge included within operating profit includes current service costs and past service costs.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

22. Pension commitments (continued)

The significant actuarial assumptions used in determining the Companies net liability for the plan as at 31 December were:

	2017 %	2016 %
Rate of increase in pensionable salaries	5.4	5.6
Rate of increase in deferred pensions during deferment	3.4	3.4
Rate of increase in pension payments	3.1	3.2
Discount rate	2.4	2.6
Inflation assumption - RPI	3.4	3.6
Annual medical cost inflation	-	-

Sensitivity of significant actuarial assumptions

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	Change in assumption	Change in defined benefit obligation
2017		
	increase	Decrease by
Discount rate	0.1%	1.9%
	increase	increase by
RPI increase	0.1%	0.5%
	Members	
	live one year longer	increase by
Life expectancy		4.5%
2016		
	increase	Decrease by
Discount rate	0.1%	1.9%
	increase	increase by
RPI increase	0.1%	0.5%
	Members	
	live one year longer	increase by
Life expectancy		4.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

22. Pension commitments (continued)

Risk and Risk Management

Through its defined benefit pension plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. UK plan hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. All participating entities in the UK plan have agreed with the Company a plan to de risk the investment strategy of the plans at a pace that is commensurate with a planned return to full funding over a reasonable time scale. The de risking plan provides for a proportion of the investment portfolio to move from equity holdings to government and corporate bonds over time. The corporate bonds are global securities with an emphasis on the UK. However, the Company believes that due to the long term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Companies long term strategy to manage the plans efficiently.

Changes in Bond Yield: A decrease in government and corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation Risk: Some of the Companies pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life Expectancy: The majority of the plans' obligations are to provide benefits for the life of the members. Whilst the plan allow for an increase in life expectancy, increases above this assumption will result in an increase in the plans' liabilities.

Change in Regulations: The Company is aware that future changes to the regulatory framework may impact the funding basis of the various plans in the future. The Company's pensions department monitors the changes in legislation and analyses the risks as and when they occur.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consists of quoted equities and quoted bonds. The Company believes that quoted equities offer the best returns over the long term with an acceptable level of risk. The Trustees of the UK fund have moved the overwhelming majority of their assets to low cost investment funds in consultation with the Company whilst maintaining a prudent diversification.

Reckitt Benckiser Corporate Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

23. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Land and buildings		
Within one year	1,874	1,738
Within two and five years	2,049	3,884
	<u>3,923</u>	<u>5,622</u>

24. Related party transactions

The company is wholly owned subsidiary of Reckitt Benckiser Group plc. The Company has taken advantage of the exemption within Financial Reporting Standard No.8 "Related Party Disclosures", not to disclose related party transactions with other wholly owned members of the Reckitt Benckiser Group of companies.

There were no other related party transactions.

25. Cash flow statement

The company is a wholly owned subsidiary of Reckitt Benckiser Group plc which has presented a Group cash flow statement in its 2017 group Financial Statements. Therefore, as permitted by Financial Reporting Standard No.1, (revised 1996) Cash Flow Statements, the Directors have not prepared a cash flow statement for the Company.

26. Ultimate Parent Undertaking and Controlling Party

The immediate parent company is Maddison Square Holding BV, a company which is registered in the Netherlands.

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 or at <http://www.rb.com>.

27. Auditors' Remuneration

The Auditors' 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.