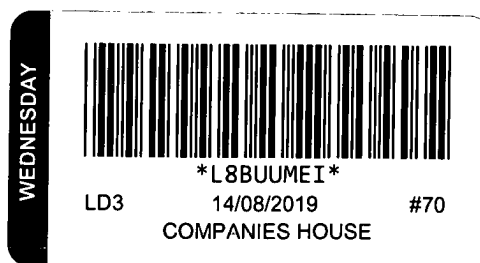


Kimberly-Clark Europe Limited
Annual report and financial statements
for the year ended 31 December 2018

Registered number 04060641



Kimberly-Clark Europe Limited

Annual report and financial statements for the year ended 31 December 2018

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Directors

K S Dhillon

O V Neznal

T O Wilkinson

Registered office

Douglas House
40 London road
Reigate
Surrey
RH2 9QP

Company number

04060641

Independent auditor

Deloitte LLP, Statutory Auditor, St Albans, United Kingdom

Kimberly-Clark Europe Limited

Strategic report for the year ended 31 December 2018

The directors, in preparing the strategic report, have complied with s414C of the Companies Act 2006.

The directors present their strategic report, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Review of the business and future development

The company's principal activities during the year continued to be the European based manufacture and marketing of health and hygiene products for household, commercial, institutional and industrial uses.

The company's products are distributed through a network of European limited risk distributors (prior to 1st May 2017 through commissionaires).

The directors expect the company to continue to trade in its current form, and at current profit levels, for the foreseeable future other than a global restructuring program that was announced in January 2018 by the Kimberly-Clark group in order to free up funds to enable greater investment in the company's brands.

Key performance indicators

The directors consider the gross profit margin of the business to be a key performance indicator. The gross profit margin for the year ended 31 December 2018 was 9.8% (2017: 14.5%) and reflects an expected and reasonable level of profit given the economic and business environment.

Principal risks and uncertainties

The company regularly assesses whether any potential risks exist and takes appropriate mitigating action.

Currently the directors consider the principal risks and uncertainties facing the company to be as follows:

Price risk:

Under contractual agreement, the company bears the price risk relating to inventory, utilities and other operating costs on behalf of the European commissionaire companies.

Cash flow risk:

The company purchases and sells in currencies other than the Euro and consequently is exposed to currency risks. The principal exposures are to the US dollar and pound sterling. The company uses foreign exchange contracts to hedge these exposures.

Liquidity risk:

To ensure sufficient funds are available for future developments, the company uses both short-term and long-term debt finance from other group companies.

Credit risk:

The company's principal financial assets, are receivables from other group companies, and the company's credit risk is primarily attributable to these receivables. In addition, the company indemnifies these group companies for any third party bad debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on the intercompany receivables is limited because the counterparties are group companies with strong credit ratings.

Kimberly-Clark Europe Limited

Strategic report (*continued*) for the year ended 31 December 2018

Principal risks and uncertainties (*continued*)

Competitive risk:

The company operates in mature markets where there is fierce competition both in terms of product innovation and retail pricing. The company, and the wider Kimberly-Clark group, is committed to significant investment in research and development in order to keep its products well positioned in the market place in terms of quality, innovation and performance.

Interest rate risk:

Interest bearing assets and liabilities are held at a variable rate, which is linked to LIBOR. This exposure is not hedged as the directors do not consider it to be cost effective.

Brexit risk:

The directors continue to monitor the impact of Brexit on the company specifically with regards to the retention of skilled labour and exchange rate volatility. Uncertainty remains about the future relationship between the UK and the EU. As a result, Kimberly Clark have put in place strategic steering groups and agreed a risk-based approach to mitigation across the organisation. The directors continue to monitor the impact of Brexit and will adjust plans as regulations develop.

Going concern

The company remains profitable, based on this the board has concluded that the company is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements. As a result, the directors believe the going concern basis continues to be appropriate in preparing the financial statements (see note 1 for further details).

This report was approved by the board on 12 August 2019, and was signed on its behalf by:



K S Dhillon

Director

Douglas House
40 London road
Reigate
Surrey
RH2 9QP

Kimberly-Clark Europe Limited

Directors' report for the year ended 31 December 2018

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the strategic report on pages 1, to 2 and form part of this report by cross-reference.

Research and development

During 2018 the company's projects to develop product and process innovation continued according to plan.

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the strategic report on page 1 and form part of this report by cross-reference.

Dividends

No interim dividend was paid during the year. The directors do not recommend payment of a final dividend.

Directors

The directors, who served throughout the year and up until the signing date, were as follows:

K S Dhillon
O V Neznal
G Calvo Paz (resigned 01 April 2018)
A M Powell (appointed 01 April 2018, resigned 12 May 2018)
T O Wilkinson (appointed 30 July 2018)

Directors' indemnities

The Kimberly Clark group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company values its employees very highly, and seeks to inform and involve them in the business. Methods of communications include newsletters, bulletins, and management briefings. The company consults employees or their representatives on a regular basis, and particularly concerning decisions which are likely to affect their interests.

Kimberly-Clark Europe Limited

Directors' report (*continued*) for the year ended 31 December 2018

Auditor

Each of the persons who is a director at the date of approval of this report confirms 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board on 12 August 2019, and was signed on its behalf by:



K S Dhillon

Director

Douglas House
40 London road
Reigate
Surrey
RH2 9QP

Kimberly-Clark Europe Limited

Directors' responsibilities statement for the year ended 31 December 2018

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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. They 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.

Kimberly-Clark Europe Limited

Independent auditor's report for the year ended 31 December 2018

Independent auditor's report to the members of Kimberly-Clark Europe Limited

Report on the audit of the financial statements

Opinion

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 United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements of Kimberly-Clark Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Kimberly-Clark Europe Limited

Independent auditor's report (continued) for the year ended 31 December 2018

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Kimberly-Clark Europe Limited

Independent auditor's report (continued) for the year ended 31 December 2018

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

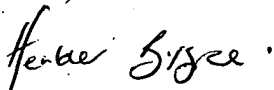
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.



Heather Bygrave FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
12 August 2019

Kimberly-Clark Europe Limited

Profit and loss account for the year ended 31 December 2018

	Note	Total 2018 €'000	Total 2017 €'000
Turnover	3	1,446,359	1,445,971
Cost of sales		(1,304,926)	(1,236,713)
Gross Profit		141,433	209,258
Exceptional administrative expenses: cost of business restructuring	4	(83,236)	-
Impairment loss	12	(416)	-
Administrative expenses		(116,881)	(133,368)
Distribution expenses		(40,490)	(38,353)
Operating (Loss)/Profit		(99,590)	37,537
Net finance costs	5	(1)	-
(Loss)/Profit before taxation	6	(99,591)	37,537
Tax credit/(charge)	9	30,818	(2,616)
(Loss)/Profit for the financial year		(68,773)	34,921

All results relate to continuing operations.

Kimberly-Clark Europe Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 €'000	2017 €'000
(Loss)/Profit for the financial year (continuing)		(68,773)	34,921
Total (loss)/profit for the financial year		(68,773)	34,921
Cash flow hedges			
Gain/(loss) arising during the year		16,646	(27,416)
Gain/(loss): reclassified to profit or loss		6,499	(10,194)
		23,145	(37,610)
Tax relating to components of other comprehensive gain/(loss)		(3,935)	6,741
Other comprehensive gain/(loss)		19,210	(30,869)
Total comprehensive (loss)/gain		(49,563)	4,052

Kimberly-Clark Europe Limited

Balance sheet as at 31 December 2018
Registered number 04060641

	Note	2018 €'000	2017 €'000
Fixed assets			
Tangible assets	11	1,332	1,597
Investments	12	1	417
		<u>1,333</u>	<u>2,014</u>
Current assets			
Stocks	13	175,837	156,814
Debtors - due within one year	14	544,933	569,294
Cash at bank and in hand		676	1,148
		<u>721,446</u>	<u>727,256</u>
Creditors: Amounts falling due within one year	15	<u>(512,735)</u>	<u>(472,777)</u>
Net current assets		<u>208,711</u>	<u>254,479</u>
Total assets less current liabilities		<u>210,044</u>	<u>256,493</u>
Creditors: Amounts falling after more than one year	16	(125)	(156)
Provisions for liabilities	17	(3,145)	-
Net assets		<u>206,774</u>	<u>256,337</u>
Capital and reserves			
Called-up share capital	19	11,100	11,100
Capital contribution reserve	19	7,427	7,427
Equity reserve	19	4,055	4,055
Hedging reserve	19	4,482	(14,728)
Profit and loss account	19	179,710	248,483
Shareholder's funds		<u>206,774</u>	<u>256,337</u>

The financial statements of Kimberly-Clark Europe Limited, company registration number 04060641, were approved by the Board of Directors and authorised for issue on 12 August 2019.



K S Dhillon
Director

Kimberly-Clark Europe Limited

Statement of changes in equity As at 31 December 2018

Note	Called-up share capital	Capital reserve	Equity reserve	Hedging reserve	Profit and loss account	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2017	11,100	7,427	4,055	16,141	213,562	252,285
Profit for the financial year	-	-	-	-	34,921	34,921
Cash flow hedges						
Losses arising during the period	-	-	-	(27,416)	-	(27,416)
Less: reclassified to profit or loss	-	-	-	(10,194)	-	(10,194)
Tax relating to components of other comprehensive income	-	-	-	6,741	-	6,741
Total comprehensive income	-	-	-	(30,869)	34,921	4,052
At 31 December 2017	11,100	7,427	4,055	(14,728)	248,483	256,337
Loss for the financial year	-	-	-	-	(68,773)	(68,773)
Cash flow hedges						
Losses arising during the period	-	-	-	16,646	-	16,646
Add: reclassified to profit or loss	-	-	-	6,499	-	6,499
Tax relating to components of other comprehensive income	-	-	-	(3,935)	-	(3,935)
Total comprehensive income	-	-	-	19,210	(68,773)	(49,563)
At 31 December 2018	11,100	7,427	4,055	4,482	179,710	206,774

Kimberly-Clark Europe 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 all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Kimberly-Clark Europe Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention, with the exception of financial instruments which are valued at fair value (see note 1.d), and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Kimberly-Clark Europe Limited is considered to be the Euro because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in Euros.

Kimberly-Clark Europe Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Kimberly-Clark Europe Limited is consolidated in the financial statements of its ultimate parent company, Kimberly-Clark Corporation Inc., copies of which may be obtained from its registered office at PO Box 619100, Dallas, Texas, 75261-9100, USA. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The Company was, at the end of the current year, a wholly-owned subsidiary of another Company incorporated outside the EEA and in accordance with section 401 of the Companies Act 2006 is exempt from consolidation.

b. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through cash held with another group company.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate using its cash balance.

The directors have a reasonable expectation that the company has adequate resources 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.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

c. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	– over 40 years
Plant and machinery	– over 3 - 25 years
Assets in the course of construction	– not depreciated until capitalised

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs). If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

d. Financial instruments (*continued*)

Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment.

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

e. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

e. Impairment of assets (*continued*)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

f. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Group relief received from or surrendered to related companies not paid for is accounted for as a capital contribution.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

g. Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

h. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

i. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period. They are included as part of staff costs. There is no contractual agreement or stated policy for charging the cost of the defined plan between entities, therefore the full liability is recognised on the balance sheet of Kimberly-Clark Limited, a fellow group company.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

j. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise.

k. Leases

The company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

l. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

m. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first in, first out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

1. Accounting policies (*continued*)

n. Share-based payments

The ultimate parent company issues equity-settled share options to certain employees. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

o. Exceptional administrative expenses

Non-routine and non-recurring expenses have been incurred in the financial year. These costs have been recognised as exceptional in nature due to being separately identifiable from routine business expenses. Refer to note 1.p for items disclosed as exceptional.

p. Restructuring expenses

As part of the global restructuring project, announced in January 2018, severance costs are recognised at the point formalised plans have been announced to employees. For anticipated impairment of fixed assets, incremental depreciation is recognised on identifiable assets. Pension settlement and curtailment charges are recorded as incurred.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, 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.

Critical judgements in applying the company's accounting policies

Management have not identified any critical judgements in applying the company's accounting policies.

Key sources of estimation uncertainty

Management has estimated the recoverability of its trade receivables and made provisions accordingly. Management has also estimated its liabilities with regards accrued customer discounts and allowances which are typically driven by volume.

Management judgement has been used to determine whether a restructuring cost can be recognised in the year. Key judgements included assessing whether the timing and extent of the plans and their communication to those likely to be affected meet relevant provisioning requirements as at the balance sheet date.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

3. Turnover

The company's only class of business is the sale of goods.

	2018 €'000	2017 €'000
Europe	1,342,224	1,341,823
Middle East	35,806	35,811
Africa	31,965	31,969
Other	36,364	36,368
	<u>1,446,359</u>	<u>1,445,971</u>

The company has not directly benefited from any other forms of government assistance.

4. Exceptional items

Following the January 2018 global restructuring program announcement by the Kimberly-Clark group to free up funds to enable greater investment in the company's brands; the company recognised costs of €83,236,000 including costs charged to it from its European limited risk distributors and toll manufacturers in accordance with long-standing contractual obligations.

5. Net finance cost

	2018 €'000	2017 €'000
Interest payable and similar charges	-	-
Interest receivable from group undertakings	(1)	-
	<u>(1)</u>	<u>-</u>

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation was charged after charging/(crediting):

	2018 €'000	2017 €'000
Depreciation of tangible fixed assets (note 11)	306	202
Research and development	5,932	6,014
Operating lease rentals – plant and machinery	892	670
Operating lease rentals – land and buildings	1,409	1,209
Cost of stock recognised as an expense	3,391	3,714
Foreign exchange charge / (credit)	5,382	(14,435)

Auditor's remuneration for the auditing of the company's financial statement of €149,000 was borne by a group company (2017: €149,000)

No services were performed pursuant to contingent fee arrangements.

7. Staff numbers and costs

The average monthly number of employees was:

	2018 Number	2017 Number
Administration	370	369
	370	369

Their aggregate remuneration comprised:

	2018 €'000	2017 €'000
Wages and salaries	39,775	40,614
Social security costs	3,593	5,039
Pension costs	5,155	5,327
Severance costs	4,067	-
	52,590	50,980

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

8. Directors' remuneration and transactions

	2018 €'000	2017 €'000
Directors' remuneration		
Emoluments	661	409
Amounts receivable (other than shares and share options) under long-term incentive schemes	96	35
	757	444

	2018 Number	2017 Number
The number of directors who:		
Are members of a defined benefit pension scheme	2	1
Exercised options over shares in a group company	1	1
Had awards receivable in the form of shares under a long-term incentive scheme	2	1

	2018 €'000	2017 €'000
Remuneration of the highest paid director:		
Emoluments	456	409
	456	409

The highest paid director did exercise share options during the year.

The highest paid director is a member of the company's defined benefit pension scheme and had accrued entitlements under the scheme at the end of the year. There is no accrued lump sum.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9. Tax on profit on ordinary activities

Analysis of tax charge in the year

	2018 €'000	2017 €'000
<i>Current tax:</i>		
UK corporation tax on profits of the period	(18,275)	3,321
Adjustment for previous periods	(12,522)	(1,313)
	<u>(30,797)</u>	<u>2,008</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(8)	461
Adjustment in respect of prior periods	-	3
Effect of changes in tax rate	(13)	144
	<u>(21)</u>	<u>608</u>
Taxation on profit from ordinary activities	<u><u>(30,818)</u></u>	<u><u>2,616</u></u>

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2018 €'000	2017 €'000
(Loss) / Profit on ordinary activities before taxation	<u><u>(99,591)</u></u>	<u><u>37,537</u></u>
Tax on Profit at standard rate of corporation tax in the UK 19.00% (2017: 19.25%)	(18,922)	7,226
Effects of:		
Expenses not deductible	660	882
Income not taxable	(90)	(66)
Adjustment for previous years	(12,141)	(1,310)
Tax rate changes	(13)	144
Defined benefit pension movement	(109)	692
Effects of losses carried back and other adjustments	(381)	(4,675)
Other	178	(277)
Tax (credit)/charge for the year	<u><u>(30,818)</u></u>	<u><u>2,616</u></u>

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

9. Tax on profit on ordinary activities (*continued*)

Factors that may affect future tax charges

The main rate of UK Corporation Tax reduced from 20% to 19% from 1 April 2017 and will reduce from 19% at the balance sheet date to 17% from 1 April 2020. These rate reductions were substantively enacted into law by the balance sheet date and are reflected in the calculation of deferred tax at the balance sheet date.

During the year beginning 1 January 2018, the net origination and reversal of deferred tax assets and liabilities is expected to have no impact on the corporation tax charge for the year due to the overall availability of tax losses reducing the corporation tax charge to nil.

10. Share based payments

Equity-settled share option scheme

The company issues shares options in Kimberly-Clark Corporation Inc. to certain employees. There are three types of equity settled share option schemes as follows:

Approved Share Option Scheme

These share options vest on the third anniversary of the grant. The option must be exercised by the tenth anniversary of the grant. All outstanding options vest upon retirement which can take place no earlier than age 50. In the case of death or incapacity due to ill health outstanding shares automatically vest and must be exercised within three years. All shares that have not vested are forfeited if the employee leaves the company.

Unapproved Share Option Scheme

These share options vest over three years: 30% by the first anniversary of the grant, 60% by the second and 100% by the third. The option must be exercised by the tenth anniversary of the grant. All outstanding options vest upon retirement which can take place no earlier than the age 55. In the case of death or incapacity due to ill health outstanding shares automatically vest and must be exercised within three years. All shares that have not vested are forfeited if the employee leaves the company.

Restricted Stock Unit Plan

The company issues restricted stock unit options to certain employees, some of which have performance criteria. These vest over a five year period. All outstanding shares automatically vest at the date of retirement, which can take place no earlier than age 55. Upon death or incapacity due to ill health the shares vest automatically. All non-vested shares are forfeited if the employee leaves the company.

The fair value of the share options is calculated using the Black Scholes model, which is considered the most appropriate generally accepted valuation method of measuring fair value.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

11. Tangible fixed assets

	Freehold land and buildings €'000	Plant and machinery €'000	Assets in the course of construction €'000	Total €'000
Cost				
At 1 January 2018	2,585	5,155	-	7,740
Additions	12	-	29	41
At 31 December 2018	2,597	5,155	29	7,781
Depreciation				
At 1 January 2018	1,357	4,786	-	6,143
Charge for the year	258	48	-	306
At 31 December 2018	1,615	4,834	-	6,449
Net book value				
At 31 December 2018	982	321	29	1,332
At 31 December 2017	1,228	369	-	1,597
Leased assets included above:				
Net book value				
At 31 December 2018	982	-	-	982
At 31 December 2017	1,228	-	-	1,228

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

12. Fixed Asset Investments

	Investments in subsidiary undertakings €'000
<i>Cost and net book value</i>	
At 1 January 2018	417
Impairment	(416)
At 31 December 2018	1

During 2018, Kimberly-Clark Maghreb SARL discontinued trading and is no longer expected to be a going concern. As a result, the full investment value of €416,000 has been impaired.

Company	Country of incorporation	Class	Shares held %
Kimberly-Clark EMEA Holdings Limited, Douglas House, Reigate, Surrey, RH2 9QP	UK	Ordinary	100
Kimberly-Clark Maghreb SARL, Sidi Maarouf Business Centre, 1100 Bd El Qods, Casanearshore Shore 1, Sidi Maarouf, 20270, Casablanca, Morocco	Morocco	Ordinary	100

13. Stocks

	2018 €'000	2017 €'000
Raw materials and consumables	54,332	50,243
Finished goods and goods for resale	121,505	106,571
	175,837	156,814

14. Debtors

	2018 €'000	2017 €'000
Amounts falling due within one year:		
Trade debtors	15,999	12,506
Deferred tax asset (see below)	380	4,294
Amounts owed by group undertakings	506,289	541,396
Corporation tax	5,805	4,675
Other debtors	6,318	4,318
Prepayments and accrued income	2,332	2,105
Derivative financial assets	7,810	-
	544,933	569,294

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Debtors (continued)

	Deferred taxation
	€'000
At 1 January 2018	4,294
Charged to other comprehensive income	(3,935)
Credited to income statement	21
At 31 December 2018	380

Deferred tax is provided as follows:

	2018	2017
	€'000	€'000
Fixed asset timing differences	(351)	(337)
Short term timing differences	(29)	(3,957)
	<u>(380)</u>	<u>(4,294)</u>

The deferred tax assets are recoverable within 12 months.

15. Creditors: amounts falling due within one year

	2018	2017
	€'000	€'000
Amounts falling due within one year:		
Supply chain finance*	70,019	70,979
Trade creditors	164,397	124,462
Amounts owed to group undertakings	259,439	237,211
Corporation tax	-	17,284
Other taxation and social security	749	432
Accruals and deferred income	18,131	6,928
Derivative financial liabilities	-	15,481
	<u>512,735</u>	<u>472,777</u>

* Supply chain finance is offered through its banking group facilities. This facility allows suppliers to obtain payment from the bank ahead of commercially agreed payment terms. There is no impact on liquidity as Kimberly Clark Europe limited will in turn make payment to its bank on the due date of the invoice.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

16. Creditors: amounts falling due after more than one year

	2018 €'000	2017 €'000
Amounts falling due after more than one year:		
Accruals and deferred income	125	156
	<u>125</u>	<u>156</u>

17. Provision for liabilities

	Restructuring provision €'000
At 1 January 2018	-
Charged to profit and loss	83,236
Utilised in the year	(80,091)
At 31 December 2018	<u>3,145</u>

The restructuring provisions are payable within 12 months.

18. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2018 €'000	2017 €'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets	7,810	-
Measured at undiscounted amount receivable		
- Trade and other debtors	24,648	16,824
- Amounts due from group undertakings	506,289	541,396
	<u>538,747</u>	<u>558,220</u>

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

18. Financial instruments (*continued*)

	2018 €'000	2017 €'000
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities	-	15,481
Measured at undiscounted amount payable		
- Supply chain finance	70,019	70,979
- Trade creditors	164,397	124,462
- Amounts owed to group undertakings	259,439	237,211
- Accruals and deferred income	18,131	6,928
	511,986	455,061

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2018 €'000	2017 €'000
Total fair value (losses) / gains from hedge accounting recognised in profit and loss	(852)	1,000
Total interest expense for financial liabilities at amortised cost	(1)	-

19. Called-up share capital and reserves

	2018 €'000	2017 €'000
Allotted, called up and fully paid		
11,100,010 ordinary shares of €1 each	11,100	11,100
	11,100	11,100

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the measurement of investment properties, net of dividends paid and other adjustments.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments or foreign exchange risk in firm commitments or highly probable forecast transactions. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged items affects profit or loss or when the hedging relationship ends.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

19. Called-up share capital and reserves (*continued*)

The equity reserve represents share-based payments in respect of share options issued by the ultimate parent company to its employees.

The capital contribution reserve relates to group relief received from and surrendered to group companies for nil consideration. During the year the company received nil (2017: nil) of such group relief.

20. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings 2018 €'000	Other 2018 €'000	Land and buildings 2017 €'000	Other 2017 €'000
Within one year	600	9	600	9
Between one and five years	2,250	9	2,250	8
	2,850	18	2,850	17

21. Employee benefits

Defined contribution schemes

A subsidiary company operates a defined contribution retirement benefit scheme on behalf of the Company for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2018 was €2.5m (2017: €2.2m).

Defined benefit schemes

A subsidiary company operates a defined benefit pension scheme and the Kimberly-Clark Pension Scheme, for qualifying employees of Kimberly-Clark Europe Limited and other group companies within the UK. The disclosures below relate to the entire defined benefit pension scheme, and encompass the employees in other UK group companies. The assets of both schemes are held in separate trustee administered funds. Under the scheme the employees are entitled to retirement benefits based on employee contributions of either 3.75% or 5% of post 2012 eligible earnings. The scheme, which is a funded scheme, is closed to new members and has been curtailed.

There is no contractual agreement or stated policy for charging the cost of the defined plan between entities, therefore the full liability is recognised on the balance sheet of Kimberly-Clark Limited. As of 31 December 2018 the defined benefit scheme was curtailed therefore, no future employee contributions are to be made.

The total expense charged to profit or loss in the year ended 31 December 2018 in respect of the defined benefit scheme was €2.6m (2017: €3.1m).

The most recent actuarial valuations of scheme assets and the present value of defined benefit obligation were carried out at 8 April 2018 by C B Rodgers, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. At the year-end the valuation was updated based on high-level groupings of membership information.

Further details of the Kimberly-Clark Pension Scheme are disclosed in the financial statements of Kimberly-Clark Ltd.

Kimberly-Clark Europe Limited

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

22. Related party transactions

Directors have taken advantage of the exemption under FRS 102 from disclosing transactions with other wholly-owned group-members. There are no other related party transactions.

23. Controlling party

The directors regard Kimberly-Clark European Services Limited, a company incorporated in Great Britain as the immediate parent company and Kimberly-Clark Corporation Inc., a company incorporated in Delaware, United States of America, as the ultimate parent company and controlling entity. This is the smallest and largest group in which the company is consolidated. Copies of the consolidated financial statements of Kimberly-Clark Corporation Inc. can be obtained from PO Box 619100, Dallas, Texas, 75261-9100, USA.

24. Off-balance sheet arrangements

Other than financial commitments for operating leases (see note 20) there are no other material off-balance sheet arrangements in place.

25. Subsequent events

In January 2018 a global restructuring program was announced by the Kimberly-Clark group in order to free up funds to enable greater investment in the company's brands. An estimate of the financial effect cannot presently be made.

In February 2019, management announced plans to invest and make changes to its current UK manufacturing operations in order to reduce costs and strengthen innovation capabilities. It is anticipated a number of upgrades will commence and existing plant and machinery will be decommissioned. An approximate expense recharges of €15,500,000 are expected to be incurred.

It is expected these changes and upgrades will be completed by December 2020. All costs incurred in relation to this project will be recharged to Kimberly-Clark Europe Limited as part of the existing contractual agreements.