Consolidated **Financial Statements**

Sensodyne:
Sensodyne is a leading global range of toothpastes, mouthwashes and toothbrushes designed to tackle sensitivity. The brand is a key growth driver in Oral Health, delivering double digit growth and gaining market share in 2023. In the US, Sensodyne recently launched two new innovations, Pronamel Active Shield and Sensitivity & Gum.

The image above is taken from the Sensodyne 'Faces and Dentists' campaign.

Contents

Statement of Directors' responsibilities

Financial Statements and accounting records

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. The Directors have prepared the Consolidated Financial Statements in accordance with United Kingdom (UK) adopted international accounting standards in conformity with the requirements of the Companies Act 2006, and the Parent Company Financial Statements in accordance with UK accounting standards. The Consolidated Financial Statements, also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee (IFRIC), and International Financial Reporting Standards. Under company law 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 Parent Company and the Group, and the profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and accounting estimates that are reasonable.
- Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- State whether the Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards.
- State for the Parent Company Financial Statements whether applicable UK accounting standards, comprising FRS 102, have been followed.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Parent Company and the Group will continue in business.

The Directors are responsible for ensuring that the Parent Company and the Group keep adequate accounting records that are sufficient to show and explain the Parent Company's and the Group's transactions and disclose with reasonable accuracy the financial position of the Parent Company and the Group to enable them to ensure that the Financial Statements comply with the Companies Act 2006. The Directors also have responsibility for the system of internal control, safeguarding the assets of the Parent Company and the Group, and taking reasonable steps to prevent and detect fraud and other irregularities. Under applicable law and regulations, they also have responsibility for preparing a Directors' Report, Strategic Report, Directors' Remuneration Report, and Corporate Governance Statement. The Directors are responsible for the maintenance and integrity of the Annual Report including on Haleon's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure Guidance and Transparency Rules

The Directors confirm to the best of their knowledge:

- The Consolidated Financial Statements, prepared in accordance with a relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company and the undertakings included in the consolidation taken as a whole.
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Parent Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.
- In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

UK Corporate Governance Code

The Directors consider that this Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Parent Company's and the Group's position and performance, business model and strategy.

Disclosure of information to auditors

Each of the Directors who held office as at the date of approval of this Report confirm that:

- They have taken steps to make themselves aware of relevant audit information (as defined by Section 418(3) of the Companies Act 2006).
- None of the Directors are aware of any relevant audit information which has not been disclosed to the Company's and Group's auditor.

For and on behalf of the Board

Brian McNamara
Chief Executive Officer
15 March 2024

Tobias Hestler
Chief Financial Officer
15 March 2024

Independent auditor's report to the members of Haleon plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Haleon plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Additional opinion in relation to IFRS as issued by IASB

As explained in note 1 to the Group financial statements, the Group, in addition to complying with its legal obligation to apply UK-adopted International Financial Reporting Standards, has also applied International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRS as issued by the IASB.

What our opinion covers

We have audited the Group and Parent Company financial statements of Haleon plc (the Company) for the year ended 31 December 2023 (FY23) included in the Annual Report, which comprise:

Group (Haleon plc and its subsidiaries)	Parent Company (Haleon plc)
Consolidated income statement	Balance sheet
Consolidated statement of comprehensive income	Statement of changes in equity
Consolidated balance sheet	Notes to the Parent Company financial statements, including the accounting policies in Notes 1 and 2.
Consolidated statement of changes in equity	
Consolidated cash flow statement	
Notes to the Consolidated Financial Statements, including the accounting policies in Notes 1 to 3.	

Independent auditor's report to the members of Haleon plc continued

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit & Risk Committee.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

The macro-economic environment has been a driving factor in our risk assessment, as general economic uncertainty has led to high commodity and other input cost inflation affecting many countries the Group operates and sells in. Price increases and the impact on volumes sold, together with the broader impact on margin and operating profit across markets and brands are areas considered during our risk assessment.

The Group holds brands with indefinite lives where a high degree of estimation uncertainty exists with regards to assumptions and estimates used in the Group's analysis of the recoverable amount. The key assumptions are terminal growth rate and discount rate. There is significant auditor judgement involved in evaluating these assumptions. We identified that the indefinite life brand most sensitive to possible change in key assumptions used in the valuation models is Preparation H. The effect of these matters could result in a potential range of reasonable outcomes greater than our materiality for the financial statements as whole.

The investment in subsidiaries in the Parent Company Financial Statements is deemed to be material. As a result this is considered to be the area that has the greatest effect on our overall Parent Company audit.

Key Audit Matters	Item
Valuation of indefinite life brands	4.1
Recoverability of Parent Company's investment in subsidiaries	4.2

Audit and Risk Committee Interaction

During the year, the Audit & Risk Committee met seven times. KPMG are invited to attend all Audit & Risk Committee meetings and are provided with an opportunity to meet with the Audit & Risk Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit & Risk Committee in section 4, including matters that required particular judgement for each.

The matters included in the Audit & Risk Committee Report on page 74 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY23 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders of the Company on 20 April 2023. The period of total uninterrupted engagement is for one financial year ended 31 December 2023.

The Group engagement partner is required to rotate every 5 years. Nicholas Frost became the Group engagement partner for the current year and will be required to rotate off the engagement following the FY27 audit.

Component signing partners served as component signing partners for the FY22 PCAOB audit, performed by KPMG LLP US, and continue to be involved in the Group audit. The average tenure of component signing partners, as set out in section 7 is 2 years, with the shortest being 1 and the longest being 2.

Total audit fee	£15.9m
Audit related fees (including interim review)	£1.2m
Other services	£0.0m
Non-audit fee as a % of total audit and audit related fee %	3.0%
Date first appointed	20 April 2023
Uninterrupted audit tenure	1 year
Next financial period which requires a tender	FY33
Tenure of Group engagement partner	1 year
Average tenure of component signing partners	2 years

Materiality
(Item 6 below)

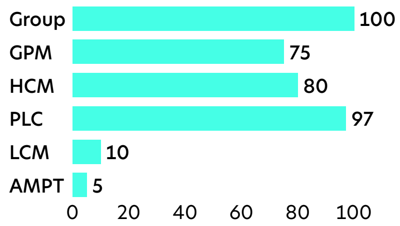
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £100m and for the Parent Company financial statements as a whole at £97m.

Materiality for the Group financial statements as a whole was set at £100m, determined with reference to a benchmark of Group profit before tax, normalised to exclude separation costs of £120m, certain restructuring costs of £147m, and the impairment of the ChapStick brand upon transfer to held for sale of £170m. We adjusted for these items because they do not represent the normal, continuing operations of the Group. Our Group materiality representing 4.8% of this metric.

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.4%.

Materiality levels used in our audit (£m)



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group Scope
(Item 7 below)

We performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

The Group audit has 16 in-scope reporting components over which we required procedures to be performed to provide us with the evidence required to conclude on the Group Financial Statements as a whole. We performed a full scope audit at 1 component and specified audit procedures at 15 components.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group operates four shared service centres, in Poland, Malaysia, Costa Rica and India, the outputs of which are included in the financial information of the reporting components they service and therefore they are not separate reporting components. Each of the shared service centres is subject to specific risk-focused testing of transaction processing and review controls.

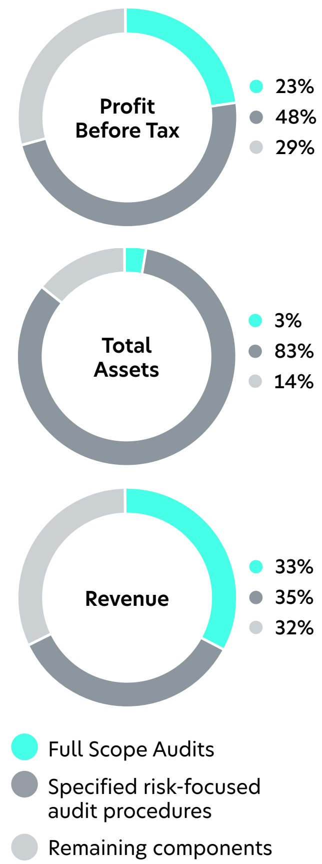
The Group team has also performed testing of centrally managed controls (manual and automated), testing of general IT controls over centrally managed IT systems and performance of specific risk focused audit procedures over purchases, revenue, payroll and journal entries on behalf of the components.

In addition, we have performed Group level assessment on the remaining components to determine whether further risks of material misstatement exist in those components.

The remaining 32% of total Group revenue, 15% of total profits and losses comprising Group profit before tax and 15% of total Group assets is represented by 183 reporting components, none of which individually represented more than 3% of any of total Group revenue, Group profit before tax or total Group assets.

We consider the scope of our audit, as communicated to the Audit & Risk Committee, to be an appropriate basis for our audit opinion.

Coverage of Group Financial Statements



Independent auditor's report to the members of Haleon plc continued

The impact of climate change on our audit

In planning our audit, we considered the impacts of climate change on the Group's business and its financial statements.

The Group set targets to achieve net zero carbon emissions from source to sale by 2040, aligned to guidance from the Climate Pledge and Race to Zero. Further information has been provided in the Group's Strategic Report on page 22. The Group continues to align its climate-related disclosures with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD) and the Companies Act. These disclosures are included on pages 24-31 of the Annual Report.

Climate change risk could have a significant impact on the Group's business as it adapts its strategy and operations to address the potential financial risks which could arise from both the physical and transition risks associated with climate change. To evaluate and assess the resilience of its business to climate change, the Group assessed the impact of damage and disruption caused by extreme weather events, reduced availability and increased price volatility of raw materials due to climate change, carbon pricing regulations and loss of attractiveness due to consumers' increasing expectations. These are the areas in which the Group foresees the greatest potential for disruption. Further information can be found on pages 27 to 31.

As part of our audit, we have made inquiries of management to understand the extent of the potential impact of climate change risk on the Group's Financial Statements. We have performed a risk assessment of how climate risks facing the Group, particularly those relating to the impact of damage and disruption caused by extreme weather events, reduced availability and increased price volatility of raw materials due to climate change, carbon pricing regulations and loss of attractiveness due to consumers' increasing expectations, and the Group's strategy to mitigate these risks, may affect the financial statements and our audit. Our risk assessment focused on the risk climate change may pose to the determination of future cash flows within the Group going concern assessment and assessment over the valuation of indefinite life brands, as well as the impact on the carrying amount and useful lives of property, plant, and equipment. We also held discussions with our own climate change professionals to challenge our risk assessment.

On the basis of our risk assessment, we determined that while climate change poses a risk to the determination of future cash flows, the risk to the audit from climate change alone is not significant, as such there was no impact on our Key Audit Matters.

We have read the climate-related information in the front half of the Annual Report, and considered consistency with the statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

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

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Commodity inflation and pricing
- Selling price and volume sensitivity

We also considered realistic second order impacts, such as business transformation and portfolio management failure.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumptions that, individually and collectively, could result in a liquidity issue, considering the Group's current projected cash and facilities and the outcome of their reverse stress testing.

We considered whether the going concern disclosure in Note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in Note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 190 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 59 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 59 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

Independent auditor's report to the members of Haleon plc continued

4. Key Audit Matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- The overall audit strategy;
- The allocation of resources in the audit; and
- Directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Valuation of indefinite life brands (group)

Financial Statement Elements

	FY23
Intangible Assets – Indefinite life brands	£18,073m
Intangible Assets – Impairment	£184m

Our results

FY23: Acceptable

Description of the Key Audit Matter

Forecast-based assessment

Indefinite life brands are impaired when their carrying amount exceeds their recoverable amount. There is inherent uncertainty with regard to assumptions and estimates involved in the Group's forecast based assessment of the recoverable amount of indefinite life brands. In particular, there is significant auditor judgement involved in evaluating the terminal growth rate and discount rate used in the analysis of the recoverable amount of the indefinite life brands.

The indefinite life brands most at risk of material misstatement were identified using sensitivity analysis on key assumptions and a review of potential triggering events that could be indicative of an impairment in the carrying value of the brands. An impairment charge of £129m was recognised during the prior year, largely in relation to Preparation H, with an impairment charge of £184m recognised during the current year, largely in relation to the impairment of the ChapStick brand upon transfer to held-for-sale of £170m. We identified that the indefinite life brand most sensitive to possible change in key assumptions used in the valuation models is Preparation H, for which the carrying value is £1,103m as at 31 December 2023.

The effect of these matters is that, as part of our risk assessment, we determined that the evaluation of the recoverability of the carrying value of Preparation H has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (Note 14) disclose the sensitivity estimated by the Group for this brand.

Our response to the risk

Our procedures to address the risk included:

- **Control design and operation:** Evaluating the design and testing the operating effectiveness of certain internal controls within the indefinite life brands impairment testing process, including controls related to the development of the terminal growth rate and discount rate;
- **Sensitivity analysis:** Performing sensitivity analysis on the terminal growth rate and discount rate to assess their impact on the Group's determination that the fair value less cost to sell (FVLCTS) exceeds the carrying value;
- **Valuation expertise:** Involving our own valuation professional with specialised skills and knowledge, who assisted in independently developing a range of terminal growth rate and discount rate using publicly available market data for comparable companies and comparing these rates to those utilised by the Group to assess their reasonableness;
- **Historical comparison:** Challenging projected revenue by comparing historical projections to actual results to assess the Group's ability to accurately forecast;
- **Benchmarking and assessing assumptions:** Assessing and challenging revenue growth rate against externally derived publicly available data, including broker and analyst reports, industry reports, media reports, macro-economic assumptions, academic and scientific studies, and regulatory changes; and
- **Assessing transparency:** Assessing whether the Group's disclosures detail the critical estimates and sensitivities including any impact of reasonable possible changes regarding the impairment testing of indefinite life brands.

Communications with Haleon plc's Audit & Risk Committee

Our discussions with and reporting to the Audit & Risk Committee included:

- Our approach to the audit of indefinite life brands, including details of our planned substantive procedures and extent of our controls reliance;
- Our conclusions on the appropriateness of the Group's impairment assessment, including assumptions used by the Group in their FVLCTS based assessment to calculate the recoverable amount of indefinite life brands and whether the terminal growth rate and discount rate used by the Group were reasonable; and
- The adequacy of disclosures, particularly as it relates to the critical estimates and sensitivities with regard to the impairment testing.

Areas of particular auditor judgement

The evaluation of the assumptions used by the Group in the analysis of the recoverable amount of indefinite life brands is an area requiring significant auditor judgement. The assumptions are the terminal growth rate and discount rate.

Our results

We found the indefinite life brands balance, and the related impairment charge, to be acceptable.

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 72 for details on how the Audit & Risk Committee considered recoverable amount of indefinite life brands as an area of significant attention, Note 3 for the accounting policy on indefinite life brands and Note 14 for the financial disclosures.

4.2 Recoverability of the company's investment in subsidiaries (parent company only)

Financial Statement Elements

	FY23
Investment in Subsidiaries	£22,266m

Our results

FY23: Acceptable

Description of the Key Audit Matter

Low risk, high value

The carrying amount of the Company's investment in subsidiaries represents 99.9% of the Company's total assets.

We do not consider the carrying amounts of these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in context of the Parent Company accounts, this is considered to be the area with the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit of the parent company.

Our response to the risk

We performed a substantive approach rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below.

Our procedures to address the risk included:
- **Tests of detail:** Comparing the carrying amount of the Parent Company's direct investments with the relevant subsidiary's draft balance sheet to identify whether their net assets, being an approximation of the minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit making;
- **Comparing valuations:** Comparing the carrying amount of the Company's investment in subsidiaries with the expected value of the business based on the net assets of the Group, as well as to the market capitalisation; and
- **Indicators:** Evaluating the considerations of indicators of impairment of the Parent Company's direct investments.

Communications with Haleon plc's Audit & Risk Committee

Our discussions with and reporting to the Audit & Risk Committee included:
- Our approach to the audit of the recoverability of the parent company's investments in subsidiaries, including the planned substantive procedures; and
- An assessment of indicators of impairment from the conclusion reached in the Group impairment workings.

Our results

We found the conclusion that there is no impairment of the investment in subsidiaries to be acceptable.

Further information in the Annual Report and Accounts: See Note 2 of the parent company financial statements for the accounting policy and Note 5 of the parent company financial statements for the financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud

Fraud Risk Assessment	To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud, or provide an opportunity to commit fraud. Our risk assessment procedures included: – Inquiring of directors, the Audit & Risk Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud; – Reading Board and Audit & Risk Committee minutes; – Considering remuneration and incentive schemes and performance targets for senior management; – Using analytical procedures to identify unusual or unexpected relationships; and – Using our own forensic professionals with specialised skills and knowledge to assist us in identifying the fraud risks based on discussions of the circumstances of the Group.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and requests to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet profit targets, we performed procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates. On this audit we do not believe there is a fraud risk related to revenue recognition as the revenue model is non-complex with limited estimation or manual intervention. Revenue is disaggregated between a significant number of components and remuneration targets are based on Group performance rather than component performance. We did not identify any additional fraud risks.

Independent auditor's report to the members of Haleon plc continued

Procedures to address fraud risks	In determining the audit procedures, we have taken into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls. We also performed the following: – Identifying journal entries to test for all in-scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted to seldom used accounts, journal entries posted by a user who only posted few entries for the fiscal year, journal entries containing a pre-defined list of keywords and those posted with an unusual account combination; and – Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by the auditing standards), from inspection of the Group's regulatory and legal correspondence and discussion with the Directors and other management the policies and procedures regarding compliance with laws and regulations.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to in-scope component audit teams of relevant laws and regulations identified at a Group level, and requested for in-scope component auditors to report any instances of non-compliance with laws and regulations that could give rise to a material misstatement at a Group level.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: – Competition legislation (reflecting the Group's involvement in a number of ongoing investigations by national competition authorities); – Employment legislation (reflecting the Group's significant and geographically diverse work force); – Health and safety regulation (reflecting the nature of the Group's production and distribution processes); – Consumer product law such as product safety and product claims (reflecting the nature of the Group's diverse product base); – Fraud, corruption and bribery legislation, including the Foreign Corrupt Practices Act and UK bribery act (reflecting the Group's global operations, including higher risk jurisdictions); – Sanctions (reflecting the Group's global operations, including higher risk jurisdictions); – Contract legislation (reflecting the Group's extensive use of trademarks, copyright and patents); – Data privacy (requirements from existing data privacy laws); and – Environmental regulation (reflecting nature of the Group's production and distribution processes). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Known actual or suspected matters	In relation to the criminal investigations into allegations of misconduct by competition investigation in Germany discussed in Note 22, we performed inquiries, obtained legal confirmations, and assessed disclosures against our understanding from legal correspondence.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£100M
Materiality for the group financial statements as a whole

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £100m, determined with reference to a benchmark of Group profit before tax, normalised to exclude specific separation costs of £120m, certain restructuring costs of £147m, and the impairment of the ChapStick brand upon transfer to held for sale of £170m. We adjusted for these items because they do not represent the normal, continuing operations of the Group.

We determined that normalised Profit before Taxation is the main benchmark for the Group. We consider normalised Profit before Taxation to be a key indicator of performance, the basis for earnings, and therefore the primary focus of a reasonable investor. We have inspected analyst consensus data and other investor commentary for signals of alternate significant influencers of economic decisions. No revisions to our calculation methodology resulted therefrom.

Our Group materiality of £100m was determined by applying a percentage to the normalised Profit before Taxation. When using a benchmark of normalised Profit before Taxation to determine overall materiality, KPMG's approach for listed considers a guideline range up to 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.8% to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £97m, determined with reference to a benchmark of Parent Company total assets, of which it represents 0.4%.

£75M
Performance materiality

What we mean

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied

The Group performance materiality was set at £75m, which equates to 75% of materiality for Haleon plc's Group financial statements as a whole.

The Parent Company performance materiality was set at £74m, which equates to 75% of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality because, although we did identify specific IT findings, the majority of factors did not indicate an elevated level of risk.

£5M
Audit misstatement posting threshold

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to Haleon plc's Audit & Risk Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at £5m, which equates to 5% of our materiality for the Group financial statements. We also report to the Audit & Risk Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £100m compares as follows to the main financial statement caption amounts:

	Total Group Revenue FY23	Group profit before tax FY23	Total Group Assets FY23
Financial statement caption	£11,302m	£1,628m	£34,055m
Group Materiality as % of caption	0.9%	6.1%	0.3%

Independent auditor's report to the members of Haleon plc continued

7. The scope of our audit

Group scope

What we mean
How the Group audit team determined the procedures to be performed across the Group.

The Group has 199 reporting components that are primarily country based. In order to determine the work performed at the reporting component level, we identified those components which we consider to be of individual financial significance, those which were significant due to risk and those remaining components on which we are required to perform procedures to provide us with the evidence we require in order to conclude on the Group financial statements as a whole.

The Group has 16 in-scope reporting components over which we required procedures to be performed to provide us with the evidence required to conclude on the Group Financial Statements as a whole. We performed a full scope audit at 1 component and specified audit procedures at 15 components. The Group team performed procedures on the items excluded from normalised Group profit before tax.

We have determined individually financially significant components as those contributing at least 10% of revenue or total assets. We selected revenue and total assets because these are the most representative of the relative size of components. All individually financially significant components are full-scope audits. The components for which we performed specified audit procedures were not financially significant enough to require a full scope audit for Group reporting purposes but did present specific individual risks that needed to be addressed.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

Scope	Number of components	Range of materiality applied
Full scope audit	1	£80m
Audit of one or more account balances	0	–
Specified audit procedures	15	£10m-£50m

In addition to the full scope audit over one component, we subjected 12 components to specified risk-focused audit procedures over revenue, 10 components to specific risk-focused audit procedures over purchases, 10 components to specific risk focused audit procedures over inventory, 4 components to specific risk focused audit procedures over income tax and 3 components to specific risk-focused audit procedures over payroll expenses.

We were able to rely upon the Group's internal control over financial reporting in some areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

The Group operates four shared service centres in Poland, Malaysia, Costa Rica and India. Their outputs are included in the financial information of the reporting components they service and therefore are not considered separate reporting components.

The Group audit team and shared service centre teams have performed audit procedures on the following areas of behalf of the components:

- Testing of manual controls operated from the Group's shared service centres;
- Testing of automated controls and system generated information within centrally managed IT systems
- Testing of general IT controls over centrally managed IT systems; and
- Performance of specific risk focused audit procedures over purchases, revenue, payroll and journal entries

The Group team instructed auditors of the shared service centres to perform specified risk-focused audit procedures, predominantly the testing of transaction processing and review controls, and the information to be reported back. Additional procedures are performed at certain reporting components to address the audit risks not covered by the work performed over the shared service centres.

These items were audited centrally because the processes and controls were operated and managed centrally at the Group or shared service centre level. The Group team communicated the results of these procedures to the component teams. The work on all components was performed by component auditors, whilst the parent company audit was performed by the Group team.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

As part of determining the scope and preparing our audit plan and strategy the Group audit team held various meetings with our component auditors across the world to discuss key audit risks and obtain input from component teams.

Instructions

The Group audit team instructed component auditors as to the areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group audit team allocated components materialities and approved the statutory materiality when components used it for reporting purposes, having regard to the mix of size and risk profile of the components.

Virtual meetings and calls

The Group audit team held regular virtual meetings with the component auditors in scope for Group reporting. These meetings were held to understand the business, any updates to the risk assessment and any issues and findings. The findings reported to the Group audit team were discussed in more detail with component auditors and any further work required by the Group audit team was then performed by the component auditors.

Global conference

The Group team hosted a conference in June 2023 in London. This conference emphasised key areas of the Group audit instructions and allowed for the sharing of risk assessment considerations and Group updates. It helped the Group team to enhance our understanding of the component auditors' perspective on the overall audit approach and improve two-way communication.

The conference covered key Group developments, the origins of risk and the deployment of data and analytic tools.

Site visits

The Group audit team visited the following component teams during the year:

- Shared Service Centres: Poland, Malaysia, Costa Rica and India
- Other component auditors: United States, China, Switzerland, Italy and Japan

Review of work papers

The Group audit team also inspected selections of the component team's key work papers related to significant and certain other audit risks and assessed the appropriateness of conclusions and consistencies between reported findings and work performed.

Independent auditor's report to the members of Haleon plc continued

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All Other Information

Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic Report and Directors' Report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

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

Directors' Remuneration Report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit & Risk Committee, including the significant issues that the Audit & Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

Our responsibility

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

Our reporting

We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 98, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rules (DTR) 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. 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.

Nicholas Frost (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
15 March 2024

Report of independent registered public accounting firm

To the Shareholders and Board of Directors
Haleon plc:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting
We have audited the accompanying consolidated balance sheet of Haleon plc and subsidiaries (the Company) as of December 31, 2023, the related consolidated income statement, statement of comprehensive income, statement of changes in equity, and cash flow statement for the year ended December 31, 2023 and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission.

Basis for Opinions
The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that is material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the recoverable amounts for the Preparation H intangible assets

As discussed in Note 14 to the Consolidated Financial Statements, as of December 31, 2023, the Company has £1,103 million of indefinite useful life intangible asset related to its Preparation H brand. As discussed in Note 3, the Company performs impairment testing on an annual basis and whenever events or changes in circumstances indicate that a brand's carrying value may exceed its recoverable amount. The recoverable amount utilised in the impairment test is estimated using a fair value less costs to sell model, which relies on certain assumptions and estimates. Key assumptions and estimates used by management in determining the recoverable amounts include the terminal growth rate and discount rate.

We identified the assessment of the recoverable amount for the Preparation H intangible asset as a critical audit matter. A high degree of auditor judgment was required to evaluate the terminal growth rate and discount rate used to estimate the recoverable amount of the brand. The terminal growth rate and discount rate included subjective determinations of future market and economic conditions that were sensitive to variation. Minor changes to the assumptions used could have had a significant effect on the Company's determination of the recoverable amount. Additionally, specialised skills and knowledge were needed to evaluate the discount rate.

The following are the primary procedures we performed to address this critical audit matter:

- evaluated the design and tested operating effectiveness of certain internal controls related to the indefinite life brands impairment process. This included controls over the development of the terminal growth rate and discount rate
- challenged the Company's terminal growth rate by comparing to publicly available data
- performed sensitivity analysis on the terminal growth rate and discount rate to assess their impact on the Company's determination that the fair value exceeds the carrying value
- involved a valuation professional with specialised skills and knowledge who assisted in independently developing a range of discount rates and terminal growth rates using publicly available market data for comparable companies and comparing these rates with the rates by the Company.

/s/ KPMG LLP

We have served as the Company's auditor since 2023.

London, United Kingdom

15 March 2024

Report of independent registered public accounting firm

To the Shareholders and the Board of Directors.
Haleon plc:

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheet of Haleon plc and subsidiaries (the Company) as of December 31, 2022, the related consolidated income statement, statement of comprehensive income, statement of changes in equity, and cash flow statement for the year ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit(s) in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter
The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment testing of Indefinite Life Brands
As disclosed in Notes 3 and 14 to the consolidated financial statements, at December 31, 2022, the Company's balance sheet includes £19,333 million of indefinite useful life intangible assets related to its brands (Indefinite Life Brands). The Company performs impairment testing on an annual basis and whenever events or changes in circumstances indicate that a brand's carrying value may exceeds its recoverable amounts. The recoverable amounts utilized in the impairment tests are estimated using a fair value less costs to sell model, which relies on certain assumptions and estimates. Key assumptions and estimates used by management in determining the recoverable amounts include revenue growth rates and discount rates.

We identified the impairment testing of Indefinite Life Brands as a critical audit matter. A high degree of challenging auditor judgment was required to evaluate the projected revenue growth rates and discount rates used to estimate the recoverable amounts of the brands. The revenue growth rates and discount rates included subjective determinations of future market and economic conditions that were sensitive to variation. Minor changes to assumptions used could have had a significant effect on the Company's determination of the recoverable amounts. Additionally, specialized skills and knowledge were needed to evaluate the discount rates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the Indefinite Life Brands impairment process. This included controls over the development of the revenue growth rates and discount rates. We evaluated the revenue growth rates used in the Indefinite Life Brands impairment by:

- comparing the Company's historical forecasts to actual results to evaluate the Company's historical ability to accurately forecast
- comparing the Company's historical results to the forecasts to evaluate the Company's ability to accurately forecast
- comparing the cash flow projections used in the impairment tests with available external industry data to assess the reasonableness of the assumptions used.

We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the discount rates used in the impairment tests by comparing them to discount rates that were developed using publicly available market data, including that of comparable companies.

/s/KPMG LLP

We served as the Company's auditor for 2022.

New York, New York
March 20, 2023

To the Shareholders and the Board of Directors of Haleon UK Holdings (No.2) Limited (formerly known has GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited).

Opinion on the Financial Statements

We have audited the accompanying consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated cash flow statements of Haleon UK Holdings (No.2) Limited (formerly known as GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited) and its subsidiaries (the "Company") (predecessor to Haleon plc), for the year ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended December 31, 2021, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

London, United Kingdom

11 March 2022 (20 March 2023 as to Note 11)

We began serving as the Company's auditor in 2019. In 2022 we became the predecessor auditor.

Consolidated income statement
for the year ended

	Notes	**31 December 2023 £m**	31 December 2022 £m	31 December 2021 £m
Revenue	4	**11,302**	10,858	9,545
Cost of sales		**(4,555)**	(4,281)	(3,595)
Gross profit		**6,747**	**6,577**	**5,950**
Selling, general and administration		**(4,413)**	(4,483)	(4,086)
Research and development		**(311)**	(300)	(257)
Other operating (expense)/income	5	**(27)**	31	31
Operating profit	6	**1,996**	**1,825**	**1,638**
Finance income	8	**34**	51	17
Finance expense	8	**(402)**	(258)	(19)
Net finance costs		**(368)**	**(207)**	**(2)**
Profit before tax		**1,628**	**1,618**	**1,636**
Income tax	9	**(517)**	(499)	(197)
Profit after tax for the year		**1,111**	**1,119**	**1,439**
Profit attributable to shareholders of the Group		**1,049**	1,060	1,390
Profit attributable to non-controlling interests		**62**	59	49
Basic earnings per share (pence)	11	**11.4**	11.5	15.1
Diluted earnings per share (pence)	11	**11.3**	11.5	15.1

Consolidated statement of comprehensive income
for the year ended

	Notes	31 December 2023 £m	31 December 2022 £m	31 December 2021 £m
Profit after tax for the year		**1,111**	**1,119**	**1,439**
Other comprehensive (expenses)/income for the year				
Items that may be subsequently reclassified to the income statement:				
Exchange movements on overseas net assets	23	**(420)**	598	(34)
Exchange movements on overseas net assets of non-controlling interests	23	**(7)**	(10)	–
Fair value movements on cash flow hedges	25	**8**	204	11
Reclassification of cash flow hedges to the income statement	25	**(23)**	(18)	–
Related tax on items that may be subsequently reclassified to the income statement[1]	9	**4**	(44)	(2)
Total		**(438)**	**730**	**(25)**
Items that will not be reclassified to the income statement:				
Remeasurement gains on defined benefit plan	20	**5**	123	27
Related tax on items that will not be reclassified to the income statement	9	**1**	(29)	(12)
Total		**6**	**94**	**15**
Other comprehensive (expenses)/income, net of tax for the year		**(432)**	**824**	**(10)**
Total comprehensive income, net of tax for the year		**679**	1,943	1,429
Total comprehensive income for the year attributable to:				
Shareholders of the Group		**624**	1,894	1,380
Non-controlling interests		**55**	49	49

[1] Includes tax on fair value movements on cash flow hedges of £(2)m (2022: £(48)m), netted off by tax on reclassification of cash flow hedges to the income statement of £6m (2022: £4m).

Consolidated balance sheet
as at

	Notes	31 December 2023 £m	31 December 2022 £m
Non-current assets			
Property, plant and equipment	12	**1,780**	1,757
Right of use assets	13	**122**	142
Intangible assets	14	**26,855**	28,436
Deferred tax assets	9	**265**	220
Post-employment benefit assets	20	**36**	25
Derivative financial instruments	25	**65**	44
Other non-current assets	16	**114**	132
Total non-current assets		**29,237**	**30,756**
Current assets			
Inventories	15	**1,408**	1,348
Trade and other receivables	16	**1,856**	1,881
Cash and cash equivalents	17	**1,044**	684
Derivative financial instruments	25	**23**	50
Current tax receivables		**91**	96
Assets held for sale	27	**396**	–
Total current assets		**4,818**	**4,059**
Total assets		**34,055**	**34,815**
Current liabilities			
Short-term borrowings	19	**(656)**	(437)
Trade and other payables	18	**(3,526)**	(3,621)
Derivative financial instruments	25	**(40)**	(31)
Current tax payables		**(288)**	(210)
Short-term provisions	21	**(130)**	(71)
Total current liabilities		**(4,640)**	**(4,370)**
Non-current liabilities			
Long-term borrowings	19	**(8,800)**	(10,003)
Deferred tax liabilities	9	**(3,487)**	(3,601)
Post-employment benefit obligations	20	**(157)**	(161)
Derivative financial instruments	25	**(150)**	(175)
Long-term provisions	21	**(39)**	(26)
Other non-current liabilities		**(53)**	(22)
Total non-current liabilities		**(12,686)**	**(13,988)**
Total liabilities		**(17,326)**	**(18,358)**
Net assets		**16,729**	**16,457**
Equity			
Share capital	23	**92**	92
Other reserves	23	**(10,960)**	(10,491)
Retained earnings		**27,474**	26,730
Shareholders' equity		**16,606**	**16,331**
Non-controlling interests		**123**	126
Total equity		**16,729**	**16,457**

The accompanying notes form part of these financial statements. The financial statements on pages 116-176 were approved by the Board of Directors and signed on its behalf by:

Tobias Hestler
Chief Financial Officer
15 March 2024

Consolidated statement of changes in equity
for the year ended

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	**Shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2023		**92**	**–**	**(10,491)**	**26,730**	**16,331**	**126**	**16,457**
Profit after tax		**–**	**–**	**–**	**1,049**	**1,049**	**62**	**1,111**
Other comprehensive (expenses)/income		**–**	**–**	**(431)**	**6**	**(425)**	**(7)**	**(432)**
Total comprehensive (expenses)/income		**–**	**–**	**(431)**	**1,055**	**624**	**55**	**679**
Distributions to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(58)**	**(58)**
Dividends to equity shareholders	10	**–**	**–**	**–**	**(388)**	**(388)**	**–**	**(388)**
Share-based incentive plans	26	**–**	**–**	**–**	**76**	**76**	**–**	**76**
Tax on share-based incentive plans		**–**	**–**	**–**	**1**	**1**	**–**	**1**
Purchase of shares by employee benefit trusts		**–**	**–**	**(38)**	**–**	**(38)**	**–**	**(38)**
At 31 December 2023		**92**	**–**	**(10,960)**	**27,474**	**16,606**	**123**	**16,729**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	**Shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2022		**1**	**–**	**(11,184)**	**37,538**	**26,355**	**125**	**26,480**
Profit after tax		–	–	–	1,060	1,060	59	1,119
Other comprehensive income/(expenses)		–	–	740	94	834	(10)	824
Total comprehensive income		**–**	**–**	**740**	**1,154**	**1,894**	**49**	**1,943**
Issue of share capital of the former ultimate holding company		21,758	–	–	–	21,758	–	21,758
Capital reduction of the former ultimate holding company		(21,758)	–	–	–	(21,758)	–	(21,758)
Transactions between the former ultimate holding company and equity shareholders[1]		–	70	–	–	70	–	70
Effect of change of ultimate holding company		(1)	(70)	(47)	–	(118)	–	(118)
Transactions with equity shareholders[1]		–	–	–	(47)	(47)	–	(47)
Distributions to non-controlling interests		–	–	–	–	–	(48)	(48)
Dividends to equity shareholders[1]	10	–	–	–	(11,930)	(11,930)	–	(11,930)
Issue of share capital		11,543	10,607	–	–	22,150	–	22,150
Capital reduction		(11,451)	(10,607)	–	–	(22,058)	–	(22,058)
Share-based incentive plans	26	–	–	–	15	15	–	15
At 31 December 2022		**92**	**–**	**(10,491)**	**26,730**	**16,331**	**126**	**16,457**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	**Shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2021		**1**	**–**	**(11,170)**	**37,281**	**26,112**	**111**	**26,223**
Profit after tax		–	–	–	1,390	1,390	49	1,439
Other comprehensive income/(expenses)		–	–	(25)	15	(10)	–	(10)
Total comprehensive income/(expenses)		**–**	**–**	**(25)**	**1,405**	**1,380**	**49**	**1,429**
Contribution from parent	23	–	–	11	–	11	–	11
Distributions to non-controlling interests		–	–	–	–	–	(35)	(35)
Dividends to equity shareholders[1]	10	–	–	–	(1,148)	(1,148)	–	(1,148)
At 31 December 2021		**1**	**–**	**(11,184)**	**37,538**	**26,355**	**125**	**26,480**

[1] Equity shareholders refers to GSK and Pfizer, which held equity interests of 68% and 32% in the Group respectively prior to the demerger as described in Note 1.

Consolidated cash flow statement
for the year ended

	Notes	**31 December 2023 £m**	31 December 2022 £m	31 December 2021 £m
Cash flows from operating activities				
Profit after tax		**1,111**	1,119	1,439
Taxation charge	9	**517**	499	197
Net finance costs	8	**368**	207	2
Depreciation of property, plant and equipment and right of use assets	12, 13	**201**	180	174
Amortisation of intangible assets	14	**108**	107	94
Impairment and assets written off, net of reversals	4	**200**	143	1
Loss/(gain) on sale of intangible assets, property, plant and equipment and businesses		**12**	(30)	(31)
Share-based incentive plan expense	26	**76**	15	–
Other non-cash movements		**(11)**	9	(22)
Increase/(decrease) in pension and other provisions		**70**	(43)	(36)
Changes in working capital:				
Increase in inventories		**(131)**	(292)	(17)
Decrease/(increase) in trade receivables		**38**	(85)	14
Increase in trade payables		**112**	387	41
Net change in other receivables and payables		**(126)**	171	(190)
Taxation paid		**(445)**	(324)	(310)
Net cash inflow from operating activities		**2,100**	**2,063**	**1,356**
Cash flows from investing activities				
Purchase of property, plant and equipment		**(234)**	(304)	(228)
Proceeds from sale of property, plant, and equipment		**–**	–	12
Purchase of intangible assets		**(102)**	(24)	(70)
Proceeds from sale of intangible assets		**246**	36	137
Purchase of business, net of cash acquired	27	**(71)**	–	–
Loans to related parties	24	**–**	(9,211)	–
Proceeds from settlement of amounts invested with GSK finance companies	24	**–**	700	100
Interest received		**27**	19	16
Net cash outflow from investing activities		**(134)**	**(8,784)**	**(33)**
Cash flows from financing activities				
Payment of lease liabilities		**(55)**	(45)	(38)
Interest paid		**(404)**	(163)	(15)
Dividends paid to shareholders		**(388)**	(2,682)	(1,148)
Distributions to non-controlling interests		**(58)**	(48)	(35)
Contribution from parent		**–**	18	4
Repayment of borrowings	19	**(553)**	(1,518)	–
Proceeds from borrowings	19	**–**	11,004	8
Purchase of shares by employee benefit trust		**(38)**	–	–
Other financing cash flows		**(72)**	345	(12)
Net cash (outflow)/inflow from financing activities		**(1,568)**	**6,911**	**(1,236)**
Increase in cash and cash equivalents and bank overdrafts		**398**	**190**	**87**
Cash and cash equivalents and bank overdrafts at the beginning of the year		**611**	406	323
Exchange adjustments		**(15)**	15	(4)
Increase in cash and cash equivalents and bank overdrafts		**398**	190	87
Cash and cash equivalents and bank overdrafts at the end of the year		**994**	**611**	**406**
Cash and cash equivalents and bank overdrafts at the end of the year comprise:				
Cash and cash equivalents	17	**1,044**	684	414
Overdrafts		**(50)**	(73)	(8)
Cash and cash equivalents and bank overdrafts at the end of the year		**994**	**611**	**406**

Notes to the Consolidated Financial Statements

1. General information

Haleon is a public company limited by shares, incorporated under the laws of England and Wales with registered number 13691224. The Company has ordinary shares with a nominal value of £0.01 per share. The Group's shares are listed and traded on the London Stock Exchange (LSE) with American Depositary Shares (ADSs) listed and traded on the New York Stock Exchange (NYSE) (LSE/NYSE: HLN). The registered address of the Company is Building 5, First Floor, The Heights, Weybridge, Surrey, England, KT13 0NY.

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB IFRS), including interpretations issued by the IFRS Interpretations Committee (IFRIC) and International Financial Reporting Standards as adopted by the United Kingdom (UK IFRS) (together IFRS) and the Companies Act 2006. IFRS as adopted by the UK differs in certain respects from IFRS as issued by the IASB. The differences have no impact on the Group's Consolidated Financial Statements for the years presented.

Until July 2022, Haleon UK Holdings (No.2) Limited (HHL2) (previously, GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited (CHHL2)), the former ultimate holding company of the Group and the accounting predecessor, was jointly owned by GSK plc and its subsidiaries which held the majority controlling equity interest of 68%, and Pfizer Inc. and its subsidiaries which held a non-controlling equity interest of 32%. In July 2022, following the execution of a series of legal acts and contractual arrangements, including the spin-off to the shareholders of GSK, the Company was established to succeed HHL2 as the new ultimate holding company of the Group, with 55% of its equity interest held by the shareholders of GSK, 32% of its equity interest held by Pfizer and approximately 13% of its equity interest held by GSK. This corporate restructuring was contemplated and executed as one single economic event yet sequenced via multiple legal proceedings and activities. Management concluded that the predecessor (carryover) basis of accounting is appropriate because the corporate restructuring was instigated by GSK and its shareholders without the involvement of outside third parties or new investors.

This set of Consolidated Financial Statements have been prepared as if the Group had been in existence throughout all the periods presented by applying the principles of predecessor accounting in accordance with SEC Regulation C Rule 405 and IFRS although the actual legal transaction and corporate reorganisation occurred in July 2022. There was no economic change or event impacting the reporting entity because the business activities of the predecessor and successor remained identical and only the legal form and ownership allocation has changed.

Accounting convention

The Consolidated Financial Statements are prepared on a historical cost basis unless otherwise indicated. The Consolidated Financial Statements are presented in Pound Sterling (GBP, £), the functional currency of the Company and presentation currency of the Group, and all values are denominated in millions of GBP (£m or £ million) unless stated otherwise.

Financial period

These Consolidated Financial Statements cover the financial year from 1 January 2023 to 31 December 2023, with comparative figures for the financial years from 1 January 2022 to 31 December 2022 and from 1 January 2021 to 31 December 2021.

Going concern

The Directors have reviewed the Group's cash flow forecasts, financial position and exposure to principal risks and have formed the view that the Group will generate sufficient cash to meet its ongoing requirements for at least 12 months from the date the Financial Statements have been authorised. At 31 December 2023, the Group had cash and cash equivalents, net of bank overdrafts, of £994m and undrawn credit facilities of $1.3bn and £900m with initial maturity dates of September 2024 and September 2026, respectively. As a result, the Directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the Group's Consolidated Financial Statements.

Basis of consolidation

Entities over which the Group has the power to direct the relevant activities so as to affect the returns to the Group, generally through control over the financial and operating policies from either voting or contractual rights, are accounted for as subsidiaries. Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are deconsolidated from the date control ceases.

Notes to the Consolidated Financial Statements continued

Where, as part of a business combination, the Group is not able to exercise control over a particular operation due to the existence of legal or other restrictions, the associated assets and liabilities are not consolidated, and a financial asset or liability is recognised for the economic benefit or obligation to be received under the contribution agreement. The assets and liabilities are consolidated, and the associated financial asset or liability derecognised, on the date at which the Group is able to exercise control over these operations.

Transactions and balances between subsidiaries are eliminated and no profit before tax is recognised on sales between subsidiaries until the products are sold to customers outside the Group. Transactions with non-controlling interests are recorded directly in equity. Deferred tax relief on unrealised intra-group profit is accounted for only to the extent that it is considered recoverable. Refer to Note 30 'Subsidiaries' for a list of the Group's subsidiary undertakings.

Foreign currencies

The Consolidated Financial Statements are presented in GBP, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions in individual Group companies are translated into functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions, and from translation of monetary assets and liabilities at the rates prevailing on the reporting period date, are recognised in the income statement except when deferred in equity as qualifying hedges. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

In preparing the Consolidated Financial Statements, the balances in individual Group companies are translated from their functional currency into GBP. The income statement, the cash flow statement and all other movements in assets and liabilities are translated at average rates of exchange as a proxy for the transaction rate, or at the transaction rate itself if more appropriate. Assets and liabilities are translated at the closing rates at the end of the reporting period.

The effect of exchange rate differences during the year on net assets of foreign operations is recorded in equity.

The Group applies hedge accounting to certain exchange differences arising between the functional currencies of a foreign operation and the functional currency of the parent entity, regardless of whether the net investment is held directly or through an intermediate parent. Differences arising on retranslation of a financial liability designated as a foreign currency net investment hedge are recorded in other comprehensive income/(expenses) and accumulated in equity to the extent that the hedge is effective, which may be subsequently reclassified to the consolidated income statement. These differences are reported within profit or loss to the extent that the hedge is ineffective. Gains and losses on the hedging instrument accumulated in equity are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

The principal currencies and relevant exchange rates in the key markets where the Group operates are shown below:

	Average rates			Year end rates		
	2023	2022	2021	**2023**	2022	2021
USD/£	**1.24**	1.24	1.38	**1.27**	1.20	1.35
Euro/£	**1.15**	1.17	1.16	**1.15**	1.13	1.19
CNY/£	**8.81**	8.31	8.86	**9.06**	8.31	8.56

Impact of climate change

In preparing these Consolidated Financial Statements we have considered the impact of climate change. The Group does not believe that there is a material impact on the financial reporting judgements and estimates arising from climate change in the short term and as a result the valuation of our assets and liabilities has not been significantly impacted by these risks as at 31 December 2023.
In concluding, we specifically considered the impact of climate change on the following areas:

Financial Statement area	Relevant climate-related risks	Relevant ESG targets	Relevant Note for further information
Property, plant and equipment	– Damage and disruption caused by extreme weather events – Carbon pricing regulations	– Carbon reduction – Water neutrality at our manufacturing sites	Note 12 'Property, plant and equipment'
Goodwill and intangible brands	– Damage and disruption caused by extreme weather events – Reduced availability and increased price volatility of raw materials due to climate change – Carbon pricing regulations – Loss of attractiveness due to consumers' increasing expectations	– Carbon reduction – Recycle-ready packaging – Sustainably sourced and deforestation-free ingredients and packaging – Reduced use of virgin petroleum-based plastic	Note 14 'Intangible assets'
Inventory	– Reduced availability and increased price volatility of raw materials due to climate change – Carbon pricing regulations	– Recycle-ready packaging – Sustainably sourced and deforestation-free ingredients and packaging – Reduced use of virgin petroleum-based plastic	Note 15 'Inventories'
Going concern and viability	– Damage and disruption caused by extreme weather events		Viability assessment

Whilst there is currently no short-term impact anticipated from climate change, the judgements and estimates of the Group will be regularly reviewed in light of the increasing risks and dynamic regulatory landscape as this continues to evolve.

2. Accounting policies

The accounting policies adopted are the same as those which were applied for the previous financial year except as set out below under the heading 'Recent accounting developments'.

Where an accounting policy is generally applicable to a specific note to the Consolidated Financial Statements, the policy is described within that note.

The accounting policies below have been applied throughout the Consolidated Financial Statements and apply to the Financial Statements as a whole.

Revenue

The Group receives revenue for supply of goods to external customers against orders received. The majority of contracts that the Group enters into relate to sales orders containing single performance obligations for the delivery of consumer health products.

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

Revenue represents net invoice value (i.e., list price after the deduction of discounts, pricing allowances, customer incentives, promotional rebates and coupons). Revenue includes fixed and variable consideration.

Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Discounts can either be on-invoice or off-invoice whilst allowances and rebates are generally off-invoice. The discounts, allowances and promotional rebates are recognised as a deduction from revenue at the time that the related revenue is recognised or when the Group has committed to pay the consideration, whichever is later. Variable consideration is not included in the transaction price until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Notes to the Consolidated Financial Statements continued

The methodology and assumptions used to estimate returns and rebates are monitored and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly. The differences between actual amounts settled and the estimated accrued amounts are recognised as a change in management estimate in the subsequent reporting period. The assumptions used in estimation are based on known facts with a high level of accuracy. In addition, the Group's promotional programmes are typically short-term in nature resulting in lower inherent estimation uncertainty.

Some contracts for the sale of consumer health products provide customers with a right to return the goods within a specified period. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer. The Group uses the most likely amount method to estimate the variable consideration in contracts with a right to return.

The Group also provides retrospective volume rebates to certain customers once the products purchased during the period exceed the threshold specified in the contract. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price). The Group applies the most likely amount method to estimate the variable consideration in the contract related to rebates. Volume rebates and refund liabilities are recognised in trade and other payables.

The Group has elected to apply the practical expedient not to disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

Research and development

Research and development (R&D) expenditure is charged to the income statement in the period in which it is incurred. R&D expenditure comprises expenditure that is directly attributable to the research and development of new products or variants, including the costs attributable to the generation or improvement of intellectual property and product registrations, depreciation and amortisation of equipment, real estate and IT assets used by the R&D function.

Recent accounting developments

On 20 June 2023, the UK Finance (No.2) Bill 2022-23 was substantively enacted in the UK, including legislation to implement in the UK certain parts of the OECD's Pillar Two regime for periods beginning on or after 1 January 2024. Refer to Note 9 'Taxation' for further information about the anticipated impact of this legislation. On 19 July 2023, the UK Endorsement Board adopted the temporary, mandatory deferred tax exception to IAS 12, as issued by the IASB in May 2023. The exception has been applied and the Group has neither recognised nor disclosed information about deferred tax assets or liabilities relating to Pillar Two income taxes.

IFRS 17 'Insurance Contracts' is effective from 1 January 2023 and introduces a new model for accounting for insurance contracts. We have reviewed existing arrangements and concluded that IFRS 17 is not material for the Group. We have also reviewed other new standards or amendments to standards that have been issued by the IASB and are effective from 1 January 2023 and concluded that they are not material to the Group.

All new accounting standards, amendments to accounting standards and interpretations that have been published by the IASB and are not effective for 31 December 2023 reporting periods, have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing the Consolidated Financial Statements, management is required to make judgements about when or how items should be recognised in the Consolidated Financial Statements and estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported in the Consolidated Financial Statements. Actual amounts and results could differ from those estimates.

There are no critical accounting judgements. The following is the key source of estimation uncertainty.

Indefinite life brands

Estimation of the recoverable amount of indefinite life brands requires significant estimates of the value of each brand. The Group reviews indefinite life brands for impairment at least annually or when there is an indication that the assets may be impaired. The recoverable amounts of indefinite life brands are estimated using the fair value less costs to sell methodology. These calculations use management's estimates consistent with current budgets and plans that have been formally approved, assumptions of market participants and are based on discounted cash flow forecasts using estimated long-term growth rates. Refer to Note 14 'Intangible assets' for further details about the Group's indefinite life brands and sensitivity analysis of Preparation H.

4. Segment information

The Group is organised into business units based on geographical areas and has three reportable segments:

- North America
- Europe, Middle East, Africa and Latin America (EMEA & LatAm)
- Asia Pacific (APAC)

No operating segments have been aggregated to form the above reportable operating segments.

The Group's Commercial Operations Board, which consists of the CEO, CFO and other members of senior leadership, is the Chief Operating Decision Maker (CODM) who monitors the operating results of the Group's reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. The CODM uses a measure of adjusted operating profit to assess the performance of the reportable segments. Adjusted operating profit is defined as operating profit less net intangible amortisation and impairment of brands, licences, and patents, restructuring costs, transaction-related costs, separation and admission costs, and disposals and others. The CODM does not review IFRS operating profit or total assets on a segment basis.

The composition of these geographical segments is reviewed on an annual basis. Analysis of revenue and adjusted operating profit by geographical segment is included below:

Revenue by segment

	2023 £m	2022 £m	2021 £m
North America	**4,195**	4,116	3,525
EMEA & LatAm	**4,545**	4,270	3,877
APAC	**2,562**	2,472	2,143
Group revenue	**11,302**	**10,858**	**9,545**

Transactions between Haleon's geographical regions are carried out at arm's length terms in accordance with appropriate transfer pricing rules and Organisation for Economic Cooperation and Development (OECD) principles.

Adjusted operating profit by segment

	2023 £m	2022 £m	2021 £m
Group operating profit	**1,996**	**1,825**	**1,638**
Reconciling items between Group operating profit and Group adjusted operating profit[1]	**553**	647	534
Total	**2,549**	**2,472**	**2,172**
North America	**1,107**	1,070	828
EMEA & LatAm	**1,010**	977	960
APAC	**541**	506	461
Corporate and other unallocated	**(109)**	(81)	(77)
Total	**2,549**	**2,472**	**2,172**

[1] The reconciling items above include:
[a] Net amortisation and impairment of intangible assets of £224m (2022: £172m, 2021: £16m): Amortisation and impairment of intangible assets, excluding computer software and impairment of goodwill net of reversals of impairment.
[b] Restructuring costs of £169m (2022: £41m, 2021: £195m): Expenses related to business transformation activities where the plans are sufficiently detailed and well advanced, and where a valid expectation to those affected has been created.
[c] Transaction-related costs of £2m (2022: £8m, 2021: £nil): Costs related to acquisition of a manufacturing site.
[d] Separation and admission costs of £120m (2022: £411m, 2021: £278m): Costs incurred in relation to and in connection with separation and listing of the Group as a standalone business.
[e] Disposals and others of £38m (2022: £15m, 2021: £45m): Gains and losses on disposals of assets and businesses, tax indemnities related to business combinations and other items.

The primary products sold by each of the reportable segments consist of Oral Health, Vitamins, Minerals and Supplements, Pain Relief, Respiratory Health, Digestive Health and Other products and the product portfolio is consistent across the reportable segments. Analysis of revenue by market category is included below:

Revenue by market category

	2023 £m	2022 £m	2021 £m
Oral Health	**3,136**	2,957	2,724
Vitamins, Minerals and Supplements	**1,640**	1,675	1,501
Pain Relief	**2,652**	2,551	2,237
Respiratory Health	**1,736**	1,579	1,132
Digestive Health and Other	**2,138**	2,096	1,951
Group revenue	**11,302**	**10,858**	**9,545**

Revenue attributable to the country of domicile and foreign countries with the most significant contribution to the Group's revenue are included below:

Revenue by geography

	2023 £m	2022 £m	2021 £m
UK	**381**	348	327
US & Puerto Rico	**3,755**	3,692	3,187
China	**966**	907	801
Rest of the World	**6,200**	5,911	5,230
Group revenue	**11,302**	**10,858**	**9,545**

Other segmental information

	North America £m	EMEA & LatAm £m	APAC £m	Other reconciling items £m	**Total £m**
Year ended 31 December 2023					
Impairment charges	**3**	**5**	**2**	**190**	**200**
Impairment reversal	**–**	**–**	**–**	**–**	**–**
Year ended 31 December 2022					
Impairment charges	2	7	1	133	**143**
Impairment reversal	–	–	–	–	**–**
Year ended 31 December 2021					
Impairment charges	5	5	2	25	**37**
Impairment reversal	–	–	–	(48)	**(48)**

Non-current assets attributable to the country of domicile and all foreign countries with significant non-current assets are included below:

	2023 £m	2022 £m	2021 £m
UK	**405**	440	430
US & Puerto Rico	**7,622**	8,519	7,884
Rest of the World	**20,844**	21,508	20,551
Non-current assets	**28,871**	**30,467**	**28,865**

Non-current assets by location excludes derivatives, deferred tax assets and post-employment benefit assets.

5. Other operating (expense)/ income

Other operating expense/income includes income and expense from all other operating activities which are not related to the ordinary course of business of the Group, such as gains/losses from disposals and transaction-related costs.

In 2023, the Group recognised £10m loss on disposal of the Lamisil brand.

In 2022, the Group recognised a £24m gain on the disposal of the Polocard brand, a product sold in Poland. In 2021 the Group recognised a net gain on disposals of intangible assets and businesses of £31m, which included divestments of Transderm Scop, Acne-Aid and Baldriparan.

6. Operating profit

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Advertising & Promotion (A&P) expenditure is charged to the income statement as incurred. Shipment costs on intercompany transfers are charged to cost of sales; distribution costs on sales to customers are included in selling, general and administration (SG&A).

Key expenses included in operating profit

	2023 £m	2022 £m	2021 £m
Advertising and promotion[1]	**2,023**	2,026	1,941
Distribution costs[1]	**237**	237	209
Separation and admission costs	**120**	411	278
Restructuring costs	**169**	41	195

[1] Reported within selling, general and administration expense

Separation and admission costs represent costs incurred in relation to and in connection with the separation and listing of the Group as a standalone business in 2022. Separation and admission costs are reported within cost of sales (2023: £4m, 2022: £4m, 2021: £nil) and the selling, general and administration expense (2023: £116m, 2022: £407m, £2021: £278m).

Restructuring costs

Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, and where a valid expectation to those affected has been created by either starting to implement the restructuring plans or announcing its main features. Restructuring costs are those mainly related to specific Board-approved restructuring programmes, including integration costs following material acquisitions, which are structural in nature and significant in scale.

Restructuring costs include severance and other personnel costs, professional fees, impairments of assets, and other related items.

Haleon may undertake restructuring programmes in response to changes in the Group's trading environment and overall strategy or following significant acquisitions. Costs, both cash and non-cash, of these programmes are provided for as individual elements are approved and meet the accounting recognition criteria. As a result, charges may be incurred over a number of years following the initiation of a major restructuring programme.

Restructuring costs in 2023 mainly relate to business transformation activities associated with our programme to increase productivity and agility. In 2022 and 2021, restructuring costs mainly related to activities aiming to generate synergies from the integration of the Pfizer Group's Consumer Healthcare business into the Group's business, following the Pfizer Transaction completed on 31 July 2019. Refer to Note 21 'Provisions' for further details about the Group's restructuring provisions.

A breakdown of the restructuring costs is included below:

	2023 £m	2022 £m	2021 £m
Cost of sales	**26**	19	44
Selling, general and administration, and other operating expenses	**129**	25	150
Research and development	**14**	(3)	1
Total	**169**	**41**	**195**

	2023 £m	2022 £m	2021 £m
Cash	**168**	39	175
Non-cash	**1**	2	20
Total	**169**	**41**	**195**

Notes to the Consolidated Financial Statements
continued

Fees payable to the Group's auditors (and their associates) included in operating profit

In April 2023 KPMG LLP (UK) was appointed as external auditor for the Group. In the previous year, in light of UK and US rules on independence, the Group had two external auditors KPMG LLP (US) and Deloitte LLP. KPMG LLP (US) was appointed to conduct an audit of the Group's financial statements under the rules and standards of the US Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB) standards. Deloitte LLP was engaged in respect of the statutory audit of the financial statements of the Group's parent company and its subsidiaries in accordance with International Standards of Auditing (UK ISAs). A fee breakdown for each firm is shown in the table below.

		2023 £m	2022 £m	2021 £m
KPMG LLP (UK)	Audit of Group Consolidated Financial Statements	**11**	–	–
	Audit of the Company's subsidiaries	**5**	–	–
	Audit services	**16**	**–**	**–**
	Other services[1]	**1**	–	–
Total		**17**	**–**	**–**
KPMG LLP (US)	Audit of Group Consolidated Financial Statements	**–**	14	–
	Audit services	**–**	**14**	**–**
	Other services[1]	**–**	3	–
Total		**–**	**17**	**–**
Deloitte LLP	Audit of Parent Company and Consolidated Financial Statements[2]	**–**	10	5
	Audit of the Company's subsidiaries	**–**	5	6
	Audit services	**–**	**15**	**11**
	Other assurance services[3]	**–**	6	2
Total		**–**	**21**	**13**

1 Other services provided by KPMG relate to permissible tax compliance and advisory services £nil (2022: £2.5m), other audit-related services £1.2m (2022: £0.3m) and other services £nil (2022: £0.2m)
2 Includes (2022: £nil, 2021: £0.9m) in relation to incremental audit work performed for audit opinions issued in compliance with PCAOB auditing standards in preparation for the proposed separation of the Group from GSK.
3 Includes (2022: £3m, 2021: £2.4m) in relation to reporting accountant work performed in preparation for the proposed separation of the Group from GSK.

7. Employees and remuneration of key management personnel

Employees

The average number of employees by individual geographical segment and the Group's total employment costs are included below.

Average number of employees

	2023 '000	2022 '000	2021 '000
North America	**5**	5	6
EMEA & LatAm	**12**	10	12
APAC	**7**	6	5
Total[1]	**24**	**21**	**23**

1 The increase in average number of employees is mainly due to the build-up of sales force in India after the termination of the Consignment Selling Agreement (CSA) with Unilever, employees of the acquired manufacturing site in Brazil, and the recruitment for Haleon standalone support function after the demerger. The increase was partially offset by the impact of the productivity programme.

Aggregate remuneration of all employees including Directors

	2023 £m	2022 £m	2021 £m
Wages and salaries	**1,723**	1,534	1,287
Social security costs	**176**	163	147
Pensions and other post-employment costs (Note 20)	**54**	52	30
Share-based incentive plans (Note 26)	**88**	78	59
Severance costs from integration and restructuring activities	**108**	8	95
Total	**2,149**	**1,835**	**1,618**

Remuneration of key management personnel

Key management personnel comprises the Executive Directors and the Executive Team. The compensation of key management personnel in respect of their services to the Group in aggregate was as follows:

Remuneration of key management personnel

	2023 £m	2022 £m	2021 £m
Wages and salaries	**19**	18	12
Social security costs	**2**	1	1
Pensions and other post-employment costs	**1**	1	2
Share-based incentive plans	**15**	9	7
Non-executive directors fees	**2**	–	–
Total	**39**	**29**	**22**

Directors' remuneration

In 2021, two of GSK nominated Directors had responsibility for managing the Consumer Healthcare business and also undertook a variety of work relating to the wider GSK. It is not deemed practicable to make an apportionment of remuneration for the Company. The remainder were remunerated as Executives of GSK or Pfizer and received no remuneration in respect of their services to the Company.

8. Net finance costs

Net finance costs comprise finance expense and finance income. Finance income includes income on cash and cash equivalents and income on other financial assets. Finance expense includes interest costs in relation to financial liabilities including interest on bonds and lease liabilities, which represents the unwind of the discount rate applied to lease liabilities. Borrowing costs are recognised based on the effective interest method.

Net finance costs

	2023 £m	2022 £m	2021 £m
Interest income on financial assets at amortised cost:			
Other receivables	**–**	38	10
Cash and cash equivalents	**25**	18	3
Financial assets measured at fair value through profit or loss	**7**	(5)	4
Net gains and losses arising from:			
Financial instruments mandatorily measured at fair value through profit or loss	**(109)**	208	(35)
Retranslation of loans and bonds	**111**	(208)	35
Total finance income	**34**	**51**	**17**
Interest expense arising on:			
Financial liabilities at amortised cost	**(409)**	(274)	(7)
Derivatives at fair value through profit or loss	**–**	6	(5)
Reclassification of hedges from other comprehensive income	**23**	18	–
Finance expense arising on lease liabilities	**(5)**	(4)	(4)
Other finance expense	**(11)**	(4)	(3)
Total finance expense	**(402)**	**(258)**	**(19)**
Net finance costs	**(368)**	**(207)**	**(2)**

9. Taxation

Income tax

Income tax expense represents the sum of the current and deferred taxes.

Current tax payable or recoverable is based on taxable profit for the year, and any adjustments in respect of prior periods. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid to, or received from, tax authorities. It is calculated using tax rates and laws that have been substantively enacted at the reporting date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements continued

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income/(expense) or directly to equity, in which case the tax is recognised in other comprehensive income/(expense) or in equity.

The Group recognises provisions for uncertain tax positions when it is probable that a tax authority would not accept an uncertain tax treatment. This is done by assuming the tax authority will examine all the amounts and would have full knowledge of all related information when making those examinations. Uncertain tax positions are assessed and measured on an issue-by-issue basis within the jurisdictions that we operate either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes.

Where open tax matters exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings. At 31 December 2023, the Group had recognised provisions of £148m in respect of such uncertain tax positions (2022: £159m and 2021: £150m). Due to the number of uncertain tax positions held and the number of jurisdictions to which these relate, it is not practicable to give meaningful sensitivity estimates.

The Group recognises interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense.

Tax charged to the income statement

The major components of income tax expense are:

Taxation charge/(credit) based on profits for the period

	2023 £m	2022 £m	2021 £m
Current year charge	**570**	412	361
Charge in respect of prior periods	**(31)**	25	(50)
Total current taxation	**539**	**437**	**311**
Total deferred taxation	**(22)**	62	(114)
Total	**517**	**499**	**197**

The tax charge on the Group's profit for the year can be reconciled from the standard rate of corporation tax in the UK of 23.5% (2022: 19%, 2021: 19%) as follows:

Reconciliation of the taxation rate on the Group profits

	2023 £m	2022 £m	2021 £m
Profit before tax	**1,628**	1,618	1,636
UK statutory rate of taxation of 23.5% (2022: 19%, 2021: 19%)	**383**	307	311
Differences in overseas taxation rates	**(2)**	72	105
Benefit of substance-based tax rulings	**(21)**	(15)	(18)
R&D tax credits	**(6)**	(3)	(2)
Tax losses not recognised	**–**	1	3
Permanent differences on disposals, acquisitions and transfers	**155**	–	(164)
Items non-deductible/taxable for tax purposes	**55**	56	3
Re-assessment of prior year estimates	**(65)**	5	(70)
Changes in tax rates	**18**	76	29
Total tax charge	**517**	**499**	**197**

The Group has a substantial business presence in many countries around the world. The effect of overseas tax rates represents the tax impact on profits arising outside the UK that are then taxed at rates different to the statutory rate in the UK. In 2023 this results in a reduction to the tax charge due to the increase in the statutory rate of tax in the UK, whereas in 2022 and 2021 this impact was to increase the tax charge. In all years, beneficial incentives offered in certain countries have reduced the overall tax charge.

The tax effect of disposals, acquisitions and transfers can vary from the accounting profit or loss that arises. The items recorded in 2023 and 2021 relate to intra-group transfers. The tax impact of these transfers are a charge and a credit respectively, reflected in deferred tax, and relates to the different tax rates and rules that exist in various jurisdictions around the world.

Items non-deductible/taxable for tax purposes include irrecoverable withholding taxes, charges on controlled foreign companies, as well as legal and transactional fees that are not deductible for tax purposes.

The re-assessment of prior year estimates includes settlements reached following conclusion of tax authority review and differences between final tax return submissions and liabilities accrued in these financial statements; the release of prior year uncertain tax positions and a one-off deferred tax adjustment of £37m.

The impact of changes in tax rates results from the revaluation of temporary differences due to new tax rates coming into force. In 2023, this primarily relates to new Cantonal legislation substantively enacted in Switzerland that increases the applicable tax rate from 2025. In 2022 and 2021, similar changes to tax rates impacted the Group in the US and the UK respectively.

Future tax charges, and therefore the effective tax rate, may be affected by factors such as acquisitions, disposals, restructurings, the location of research and development activity, tax regime reforms, agreements with tax authorities and resolution of open matters as the Group continues to bring its tax affairs up to date around the world.

On 20 June 2023, the UK Finance (No.2) Bill 2022-23 was substantively enacted in the UK, including legislation to implement in the UK certain parts of the OECD's Pillar Two regime for periods beginning on or after 1 January 2024. These rules will apply to the Group. The primary purpose of this legislation is to introduce a global minimum tax rate of 15%, to address concerns about the tax contributions of large multinationals. The Group operates in territories where the tax rate is below 15%.

Tax authorities around the world are responding to the new rules in a variety of ways, with examples being the introduction of corporate income tax, amendments to statutory rates of tax, and the introduction of 'Domestic Minimum Top Up Taxes'. The precise implementation of the changes will dictate how any additional tax will be calculated and reported by the Group in the future. Based on the rules in force at the reporting date, it is estimated that the impact of Pillar Two will increase the adjusted effective tax rate of the Group by less than 1%, primarily driven by top up taxes in respect of Switzerland.

In addition to the amounts charged to the income statement, tax of £6m has been credited directly to equity or through comprehensive income/(expense) (2022: £73m debit, 2021: £14m debit) of which a £5m credit (2022: £5m debit, 2021: £nil), is included in current tax and a £1m credit (2022: £68m debit, 2021: £14m debit) is included in deferred tax and principally relates to cash flow hedges and post-employment benefits.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill. In addition, the Group has neither recognised nor disclosed information about deferred tax assets or liabilities relating to Pillar Two income taxes as required by the temporary, mandatory deferred tax exception to IAS 12. Refer to Note 2 'Accounting policies'.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred tax assets and liabilities comprise of:

	2023 £m	2022 £m
Deferred tax assets	**265**	220
Deferred tax liabilities	**(3,487)**	(3,601)
Total	**(3,222)**	**(3,381)**

Notes to the Consolidated Financial Statements continued

Movement in deferred tax assets and liabilities

	Accelerated capital allowances £m	Intangibles £m	Pensions & other post-employment benefits £m	Tax losses £m	Intra-group profit £m	Other net temporary differences £m	Total £m
As at 1 January 2023	**(90)**	**(3,641)**	**30**	**14**	**135**	**171**	**(3,381)**
Exchange adjustments	**6**	**153**	**(1)**	**(1)**	**(12)**	**(9)**	**136**
(Charge)/credit to income statement	**(10)**	**(125)**	**6**	**(2)**	**52**	**101**	**22**
(Charge)/credit to statement of comprehensive income	**–**	**–**	**(3)**	**–**	**–**	**3**	**–**
Credit directly to equity	**–**	**–**	**–**	**–**	**–**	**1**	**1**
At 31 December 2023	**(94)**	**(3,613)**	**32**	**11**	**175**	**267**	**(3,222)**

	Accelerated capital allowances £m	Intangibles £m	Pensions & other post-employment benefits £m	Tax losses £m	Intra-group profit £m	Other net temporary differences £m	**Total £m**
As at 1 January 2022	**(66)**	**(3,438)**	**50**	**9**	**117**	**283**	**(3,045)**
Exchange adjustments	(6)	(233)	3	1	12	17	**(206)**
(Charge)/credit to income statement	(18)	(78)	1	4	6	23	**(62)**
(Charge)/credit to statement of comprehensive income	–	–	(24)	–	–	(44)	**(68)**
Reclassification and other movements	–	108	–	–	–	(108)	**–**
At 31 December 2022	**(90)**	**(3,641)**	**30**	**14**	**135**	**171**	**(3,381)**

Provision for deferred tax liabilities of £37m (2022: £40m) has been made in respect of the taxation that would arise on the future distribution of retained profits by certain overseas subsidiaries. Deferred tax is not provided on temporary differences of £206m (2022: £385m) arising on unremitted profits as management can control any future reversal and does not consider such a reversal to be probable.

The Group has recognised a deferred tax asset for trading losses of £11m (2022: £14m) on the basis of management forecasts which demonstrate these losses should be recovered in the foreseeable future. No deferred tax asset has been recognised in respect of gross tax losses of £260m (2022: £266m) due to the unpredictability of future profits. Included in this unrecognised amount are US state tax losses of £175m (2022: £178m) which can only be carried forward for between 15 and 20 years. These losses expire at various dates over the next 17 years. Other unrecognised losses may be carried forward indefinitely.

10. Dividends

Dividends are recognised on the date that the shareholder's right to receive payment is established. Interim dividends are recognised when they become payable to Company's shareholders. Final dividends are recognised when they are approved by shareholders. The Board are proposing a final dividend for the year ended 31 December 2023 of 4.2p per ordinary share. Subject to shareholder approval at the AGM, it will be paid on 16 May 2024 to holders of ordinary shares and ADS on the register as of 15 March 2024.

Dividends declared and paid during the year

	2023			2022			2021		
	Paid/payable	**Dividend per share (pence)**	**Total dividend (£m)**	Paid/payable	Dividend per share (£)	**Total dividend (£m)**	Paid/payable	Dividend per share (£)	**Total dividend (£m)**
2023 interim dividend	**5 Oct 2023**	**1.8**	**166**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
2022 final dividend	**27 Apr 2023**	**2.4**	**222**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Pre-demerger dividends[1]	**n/a**	**n/a**	**n/a**	n/a	11,930	**11,930**	n/a	1,148	**1,148**

1 During 2022 and 2021, the Group declared and paid a series of dividends to GSK and Pfizer under the Shareholders' Agreement valid at that time. The dividends per share for the dividends declared and paid before the demerger activities that took place in July 2022 were paid from the former ultimate holding company of CHHL2 and were calculated based on CHHL2's share structure. In 2022, the Group utilised a £9,211m loan plus £37m of interest receivable from its former equity shareholders, prior to the demerger, to partially fund the pre-separation dividend and the final sweep dividend.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the Company's weighted average number of share units in issue during the year after deducting treasury shares or shares held by employee benefit trusts (EBTs) if any.

Basic earnings per share for the year ended 31 December 2021 has been adjusted retrospectively, as required by IAS 33 'Earnings per share', to reflect the share structure of the Company resulting from the increase in the number of ordinary shares outstanding as a result of the demerger activities that took place in July 2022. As a result, basic earnings per share for the year ended 31 December 2021 has been calculated by dividing the profit attributable to shareholders by the Company's weighted average number of shares in issue, with 9,234,573,831 shares outstanding upon the completion of the demerger activities.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares. There were no dilutive shares in 2021.

The total number of shares held in connection with employee long-term incentive schemes as at 31 December 2023 was 10.4m. These were acquired for the purpose of meeting equity settled share-based payment obligations and are sufficient for the expected vesting in Q1 2024.

Earnings per share

	2023	2022	2021
Profit after tax attributable to equity shareholders (£m)	**1,049**	1,060	1,390
Weighted average number of shares (million)	**9,235**	9,235	9,235
Weighted average number of shares (held by EBTs) (million)[1]	**(2)**	–	–
Basic weighted average number of shares (million)	**9,233**	9,235	9,235
Effect of dilutive potential shares (million)	**30**	4	–
Diluted weighted average number of shares (million)	**9,263**	9,239	9,235
Basic earnings per share (pence)	**11.4**	11.5	15.1
Diluted earnings per share (pence)	**11.3**	11.5	15.1

1 The total number of shares held as at 31 December 2023 was 10.4m. The impact of these shares on the basic weighted average number of shares was only 2m because these shares were acquired towards the end of the accounting period. These shares were acquired to meet the equity settled share-based payment obligations vesting in Q1 2024.

12. Property, plant and equipment

Land, buildings, plant, equipment and vehicles are valued at their cost, less any accumulated depreciation and any accumulated impairment losses.

Assets under construction are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in acquisition and installation of the assets.

Depreciation is recognised on a straight-line basis, over the estimated useful lives of the asset. Residual values and useful lives are reviewed, and where appropriate adjusted annually. Estimated useful lives of the major categories of assets are shown below:

Freehold buildings	20 to 50 years
Leasehold land and buildings	Lease term or 20 to 50 years
Plant and machinery	10 to 20 years
Equipment and vehicles	3 to 10 years

Property, plant and equipment is subject to review for impairment if triggering events or circumstances indicate an impairment may exist. If an indication of impairment exists, the recoverable amount of the asset or cash generating unit is estimated and any impairment loss is charged to the income statement as it arises.

Where there has been a change in the estimates used to determine recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years and an impairment loss reversal is recognised immediately in the income statement.

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are derecognised from the Consolidated Financial Statements and the net amount, less any proceeds, is taken to the income statement.

Notes to the Consolidated Financial Statements continued

Property, plant and equipment

	Land and buildings £m	Plant, equipment and vehicles £m	Assets under construction £m	Total £m
Cost at 1 January 2022	**920**	**1,486**	**299**	**2,705**
Exchange adjustments	59	86	20	**165**
Additions	4	9	292	**305**
Disposals and write-offs	(13)	(130)	–	**(143)**
Reclassifications	(40)	201	(222)	**(61)**
Cost at 31 December 2022	**930**	**1,652**	**389**	**2,971**
Exchange adjustments	**(44)**	**(69)**	**(19)**	**(132)**
Additions	**1**	**1**	**230**	**232**
Additions from business acquisitions	**24**	**14**	**22**	**60**
Disposals and write-offs	**(4)**	**(54)**	**–**	**(58)**
Reclassifications	**63**	**164**	**(249)**	**(22)**
Cost at 31 December 2023	**970**	**1,708**	**373**	**3,051**
Depreciation at 1 January 2022	**(277)**	**(833)**	**–**	**(1,110)**
Exchange adjustments	(16)	(52)	–	**(68)**
Charge for the year	(29)	(113)	–	**(142)**
Disposals and write-offs	9	110	–	**119**
Depreciation at 31 December 2022	**(313)**	**(888)**	**–**	**(1,201)**
Exchange adjustments	**12**	**40**	**–**	**52**
Charge for the year	**(33)**	**(119)**	**–**	**(152)**
Disposals and write-offs	**2**	**44**	**–**	**46**
Reclassifications	**2**	**(2)**	**–**	**–**
Depreciation at 31 December 2023	**(330)**	**(925)**	**–**	**(1,255)**
Impairment at 1 January 2022	**(6)**	**(22)**	**(4)**	**(32)**
Exchange adjustments	(1)	(3)	–	**(4)**
Impairment losses	–	(8)	–	**(8)**
Disposals and write-offs	4	20	–	**24**
Reclassifications	–	7	–	**7**
Impairment at 31 December 2022	**(3)**	**(6)**	**(4)**	**(13)**
Exchange adjustments	**–**	**1**	**–**	**1**
Impairment losses	**–**	**(4)**	**(3)**	**(7)**
Disposals and write-offs	**–**	**3**	**–**	**3**
Impairment at 31 December 2023	**(3)**	**(6)**	**(7)**	**(16)**
Depreciation and impairment at 31 December 2022	**(316)**	**(894)**	**(4)**	**(1,214)**
Depreciation and impairment at 31 December 2023	**(333)**	**(931)**	**(7)**	**(1,271)**
Net book value at 31 December 2022	**614**	**758**	**385**	**1,757**
Net book value at 31 December 2023	**637**	**777**	**366**	**1,780**

No impairment losses have been charged to cost of sales for 2023 (2022: £nil, 2021: £2m), and £7m for 2023 (2022: £8m, 2021: £15m) has been charged to selling, general and administration.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. No impairment reversals have been credited to cost of sales for 2023 (2022: £nil, 2021: £12m).

Reclassifications include £22m for 2023 (2022: £54m) related to assets under construction that have been reclassified to computer software in intangible assets during the year.

Impact of climate change
Management undertook a modelling exercise to estimate the potential impact that extreme weather events could have on the Group's manufacturing sites. Management considered that the hazards with the greatest potential impact over the long-term time horizon are riverine and flash flooding, and heatwaves. Given the geographical spread of the Group's manufacturing sites, the prospect of every site being impacted in any given year, or for every year, is considered remote and as a result, the level of loss potentially arising would not be considered significant for the Group. In addition, the majority of the Group's assets have useful lives that end ahead of the medium- to long-term timescales expected for extreme climate events to occur. Therefore, we consider that there is no material impairment risk on the property, plant, and equipment balances for the year as a result of climate change.

13. Right of use assets
When the Group leases an asset, a 'right of use asset' is recognised for the leased item and a lease liability is recognised for any lease payments to be paid over the lease term at the lease commencement date except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as assets with an initial fair value less than approximately £10,000).

The right of use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering into the lease and less any lease incentives received. Non-lease components are accounted for separately from the lease components in plant and equipment leases but are not separately accounted for in land and buildings or vehicle leases.

Right of use assets where title is expected to pass to the Group at a point in the future are depreciated in a manner consistent to that for owned property, plant and equipment. In other cases, right of use assets are depreciated over the shorter of the useful life of the asset or the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options. If right of use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the value of the lease payments over the lease term that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments or if the Group's assessment of the lease term changes; any changes in the lease liability as a result of these changes also results in a corresponding change in the recorded right of use asset.

Right of use assets

	Land and buildings £m	Plant and equipment £m	Vehicles £m	**Total £m**
Net book value at 1 January 2022	**88**	**1**	**10**	**99**
Exchange adjustments	8	–	1	**9**
Additions	62	–	10	**72**
Depreciation	(30)	(1)	(7)	**(38)**
Net book value at 31 December 2022	**128**	**–**	**14**	**142**
Exchange adjustments	**(6)**	**–**	**(1)**	**(7)**
Additions	**39**	**1**	**13**	**53**
Depreciation	**(39)**	**–**	**(10)**	**(49)**
Disposals and write-offs	**(17)**	**–**	**–**	**(17)**
Net book value at 31 December 2023	**105**	**1**	**16**	**122**

The total cash outflow for leases amounted to £55m in 2023 (2022: £45m, 2021: £38m). The Group has lease commitments relating to leases that have not commenced at year end of £1m (2022: £30m). Refer to Note 19 'Borrowings' for further details on the Group's lease liabilities.

Notes to the Consolidated Financial Statements
continued

14. Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiaries at the date of acquisition. Goodwill is not subject to amortisation but is tested annually for impairment, or more frequently where indicators of impairment exist and is carried at cost less any accumulated impairment losses.

For the purpose of impairment testing, assets are grouped in cash generating units (CGUs). A CGU is identified as the lowest aggregation of assets that generate largely independent cash inflows, and which is looked at by management for monitoring and managing the business.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss is immediately recognised in the consolidated income statement and an impairment loss recognised for goodwill is not subsequently reversed.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Management uses the approved three-year strategic plan and the projected cash flows for a further two-year period as the basis for the Group CGUs value in use calculations.

On disposal, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Other intangibles

Intangible assets are recognised when they are identifiable, the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Separately purchased brands are initially measured at cost, being the purchase price as at the date of acquisition. Acquired brands are valued independently and recognised at fair value when the Group completes a business combination from third parties, where brands have a value which is substantial and long term and where the brands either are contractual or legal in nature or can be sold separately from the rest of the businesses acquired. The determination of the fair values of the separately identified intangibles is based, to a considerable extent, on management's judgement. Brands are amortised over their estimated useful lives of up to 20 years, except where it is considered that the useful economic life is indefinite.

Indefinite life brands mainly comprise trademarks and brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of the brands and the level of advertising and promotion support. These brands are in relatively similar, stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the brands is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors which could limit their useful lives. Accordingly, they are not amortised.

Intangible assets are stated at cost less provisions for amortisation and impairments. Licences, patents, know-how and marketing rights separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis from the time they are available for use. The estimated useful lives for determining the amortisation charge consider patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed and, where appropriate, adjusted annually.

Any development costs incurred by the Group and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement when incurred.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of an asset. Enterprise Resource Planning (ERP) systems software is amortised over 7-10 years and other computer software over 3-5 years.

The carrying values of all non-current assets are reviewed for impairment, either on a standalone basis or as part of a larger CGU, when there is an indication that the assets might be impaired. Additionally, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the income statement. If the recoverable amount of an intangible is less than the carrying amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of fair value less costs of disposal and value in use. Impairment losses are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of amortisation, had no impairments been recognised.

Intangible assets

	Goodwill £m	Indefinite life brands £m	Amortised brands, licences and patents £m	Computer software £m	Assets under construction £m	Total £m
Cost at 1 January 2022	**8,246**	**18,325**	**697**	**472**	**–**	**27,740**
Exchange adjustments	150	1,090	(3)	14	–	**1,251**
Additions	–	178	3	21	–	**202**
Disposals and write-offs	–	(122)	(23)	(6)	–	**(151)**
Reclassifications	–	–	–	54	–	**54**
Transfer to assets held for sale	–	(6)	–	–	–	**(6)**
Cost at 31 December 2022	**8,396**	**19,465**	**674**	**555**	**–**	**29,090**
Exchange adjustments	**(82)**	**(689)**	**(11)**	**(10)**	**(1)**	**(793)**
Additions	**3**	**–**	**7**	**4**	**76**	**90**
Disposals and write-offs	**–**	**–**	**(28)**	**(24)**	**–**	**(52)**
Reclassifications	**–**	**(7)**	**44**	**17**	**8**	**62**
Transfer to assets held for sale	**–**	**(556)**	**(295)**	**–**	**–**	**(851)**
Cost at 31 December 2023	**8,317**	**18,213**	**391**	**542**	**83**	**27,546**
Amortisation at 1 January 2022	**–**	**–**	**(197)**	**(219)**	**–**	**(416)**
Exchange adjustments	–	–	(12)	(3)	–	**(15)**
Charge for the period	–	–	(43)	(64)	–	**(107)**
Disposals and write-offs	–	–	23	5	–	**28**
Transfer to assets held for sale	–	–	–	–	–	**–**
Amortisation at 31 December 2022	**–**	**–**	**(229)**	**(281)**	**–**	**(510)**
Exchange adjustments	**–**	**–**	**8**	**8**	**–**	**16**
Charge for the period	**–**	**–**	**(39)**	**(69)**	**–**	**(108)**
Disposals and write-offs	**–**	**–**	**28**	**21**	**–**	**49**
Reclassifications	**–**	**–**	**(32)**	**–**	**–**	**(32)**
Transfer to assets held for sale	**–**	**–**	**53**	**–**	**–**	**53**
Amortisation at 31 December 2023	**–**	**–**	**(211)**	**(321)**	**–**	**(532)**
Impairment at 1 January 2022	**–**	**(122)**	**–**	**(7)**	**–**	**(129)**
Exchange adjustments	–	(3)	–	–	–	**(3)**
Impairment losses	–	(129)	–	(6)	–	**(135)**
Disposals and write-offs	–	122	–	1	–	**123**
Impairment at 31 December 2022	**–**	**(132)**	**–**	**(12)**	**–**	**(144)**
Exchange adjustments	**–**	**6**	**–**	**–**	**–**	**6**
Impairment losses	**–**	**(184)**	**(1)**	**(1)**	**–**	**(186)**
Reversal of impairment losses	**–**	**–**	**–**	**–**	**–**	**–**
Reclassifications	**–**	**–**	**(8)**	**–**	**–**	**(8)**
Disposals and write-offs	**–**	**–**	**–**	**3**	**–**	**3**
Transfer to assets held for sale	**–**	**170**	**–**	**–**	**–**	**170**
Impairment at 31 December 2023	**–**	**(140)**	**(9)**	**(10)**	**–**	**(159)**
Amortisation and impairment at 31 December 2022	**–**	**(132)**	**(229)**	**(293)**	**–**	**(654)**
Amortisation and impairment at 31 December 2023	**–**	**(140)**	**(220)**	**(331)**	**–**	**(691)**
Net book value at 31 December 2022	**8,396**	**19,333**	**445**	**262**	**–**	**28,436**
Net book value at 31 December 2023	**8,317**	**18,073**	**171**	**211**	**83**	**26,855**

The net book value of computer software included £122m (2022: £133m) of internally generated costs. During the year ended 31 December 2022, additions to indefinite life brands included £174m of non-cash purchases which were settled by offsetting a liability owed to the Group by GSK.

In 2023, the Group completed the disposal of the rights in Lamisil, an amortised brand, for cash consideration of £235m. This resulted in a pre-tax loss on disposal of £10m. Lamisil was transferred to asset held for sale, and subsequently disposed of before the end of the year.

Notes to the Consolidated Financial Statements continued

On 21 December 2023, the Group entered into a binding agreement for the sale of the ChapStick brand to Suave Brands Company, a portfolio company of Yellow Wood Partners. Under the terms of the transaction, the Group will receive pre-tax cash proceeds of approximately £337m ($430m), as well as a passive minority interest in the Suave Brands Company. Cash proceeds include approximately £16m ($20m) from the release of working capital allocated to ChapStick. At the time of entering into the binding agreement, the minority interest in the Suave Brands Company was valued at approximately £63m ($80m).

The Group recognised an impairment of £170m in the income statement as the consideration received net of cost to sell was less than the carrying value of the brand. The Group has reclassified £377m of intangible asset after impairment and £16m of inventory relating to the brand as an asset held for sale. The divestment is consistent with the Group's strategy of proactively managing its portfolio.

Asset held for sale include the recoverable assets attributable to the ChapStick brand.

Goodwill impairment
Goodwill mainly arose from the Novartis Transaction in 2015 (£2.6bn) and the Pfizer Transaction in 2019 (£5.6bn).

Goodwill is allocated to the Group's CGUs as follows:

	2023 £m	2022 £m
North America	**3,247**	3,277
EMEA & LatAm	**2,926**	2,955
APAC	**2,144**	2,164
Net book value at 31 December	**8,317**	**8,396**

The recoverable amounts of the CGUs are assessed using a value in use model (2022: value in use). Value in use is calculated using a discounted cash flow approach, with a pre-tax discount rate applied to the projected risk-adjusted pre-tax cash flows and terminal value.

The discount rate used is based on the pre-tax weighted average cost of capital (WACC) of the CGUs. The discount rates are specific to each CGU and are determined based on the cost of capital, including a market premium and country-specific political risk premiums.

Details relating to the discounted cash flow model used in the impairment tests of the APAC, EMEA & LatAm, and North America CGUs are as follows:

Valuation basis	Value in use		
Key assumptions	Sales growth rates		
	Profit margins		
	Terminal growth rates		
	Discount rates		
	Taxation rates		
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information.		
	Margins reflect past experience, adjusted for expected changes.		
	Terminal growth rates are based on internal projections and external forecasts of the relevant markets.		
	Discount rates are based on the Group WACC, adjusted where appropriate.		
	Taxation rates are based on appropriate rates for each CGU.		
Period of specific projected cash flows	Five years		
Terminal growth rates		**2023**	2022
	North America	**2.0% p.a.**	2.4% p.a.
	EMEA & LatAm	**2.6% p.a.**	3.3% p.a.
	APAC	**2.4% p.a.**	3.3% p.a.
Discount rates (pre-tax)		**2023**	2022
	North America	**7.9%**	8.0%
	EMEA & LatAm	**13.2%**	11.9%
	APAC	**10.2%**	9.3%

The terminal growth rate does not exceed the long-term projected growth rate for the Group. Goodwill is monitored for impairment at individual CGU level. In each case the valuation indicated substantial headroom such that it is remote that a reasonably possible change to key assumptions would result in an impairment of goodwill.

Indefinite life brands and amortised brands impairment

Indefinite life brands comprise a portfolio of consumer health products. The net book value of the major brands are as follows:

	2023 £m	2022 £m
Advil	**3,521**	3,707
Voltaren	**2,725**	2,725
Centrum	**1,850**	1,943
Caltrate	**1,680**	1,811
Otrivin	**1,385**	1,385
Robitussin	**1,174**	1,239
Preparation H	**1,103**	1,164
Nexium	**706**	743
Fenistil	**598**	598
Emergen-C	**464**	490
Theraflu	**444**	452
Panadol	**396**	395
Sensodyne	**281**	291
Nicotinell	**246**	246
Excedrin	**186**	196
Polident	**130**	134
Biotene	**126**	130
Vitasprint	**118**	120
Corega	**116**	118
ChapStick[1]	**–**	575
Other brands	**824**	871
Total	**18,073**	**19,333**

[1] ChapStick has been classified as an asset held for sale as at 31 December 2023.

The Group tests all its indefinite life brands for impairment by applying a fair value less costs to sell model using a three-year strategic plan approved by management and cash flows beyond the three-year period are extrapolated using the terminal growth rates. All brands were tested for impairment using brand-specific assumptions which included a discount rate equal to the Group's post-tax WACC of 7.5% (2022: 7.0%; 2021: 6.0%) adjusted where appropriate for country and currency risks, and apply to the post-tax cash flows. This valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy. In addition to the discount rate, the main assumptions include future sales price and volume growth, product contribution and the future expenditure required to maintain the product's marketability and registration in the relevant jurisdictions. These assumptions are based on past experience and are reviewed as part of management's budgeting and strategic planning cycle. The terminal growth rates applied of between 0% and 3% (2022: 0% and 3%; 2021: -3% and 3%) are management's estimates which align with those of market participants' estimate of future long-term average growth rates for the relevant markets.

In 2023, the Group recorded a non-cash impairment charge of £170m upon signing a definitive agreement to dispose ChapStick, an indefinite life brand, which has been classified as an asset held for sale as at 31 December 2023. In addition, the Group also recorded an impairment of £15m relating to a collection of smaller brands as these brands are experiencing sales volume decline year on year.

Additionally, in 2023, the carry value of Preparation H continues to be sensitive to reasonably possible changes in key assumptions. The post-tax discount rate used for the brand is 6.8% (2022: 6.75%) and terminal growth rate is 2.5% (2022: 2.5%). If the discount rate for Preparation H had been 0.5% higher or the terminal growth rate, had been 0.5% lower than management's estimates respectively, the Group would have had to recognise an impairment of £115m or £75m, respectively.

Other than as disclosed above, management do not consider that any reasonably possible changes in the key assumptions would cause the fair value less costs to sell of the individually significant brands disclosed above to fall below their carrying values.

In 2022, the Group recorded an impairment charge of £111m for Preparation H since the carrying value of the brand was higher than the recoverable amount. The decrease in recoverable amount was mainly driven by an increase in the discount rate applied to the forecasted future cash flows from 6% to 6.75%. If the discount rate for Preparation H had been 0.25% higher or the revenue growth rate, including terminal growth rate, had been 0.25% lower than management's estimates respectively, the Group would have had to recognise a further impairment of £70m or £75m respectively.

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For Robitussin's impairment testing in 2023, we have applied a post-tax discount rate of 6.5% (2022: 6.75%) and terminal growth rate of 2.5% (2022: 2.5%). Robitussin's carrying value is no longer sensitive to any reasonably possible changes to key assumptions in 2023.

Robitussin was sensitive to reasonably possible changes in key assumptions in 2021 and continued to be sensitive in 2022. Although the brand had recovered from the lower cold and flu incidence resulting from COVID-19 social distancing measures from previous years, the discount rate increased in 2022 causing the brand's headroom to continue to be low at approximately 15% of its carrying value. The only reasonably possible change in key assumptions that would make the recoverable amount of Robitussin be equal or less than the carrying value would be to increase the discount rate of 6.75% by 0.6%.

For 2021, the income statement charge for net impairment losses includes impairments of Zyrtec, Treely and capitalised costs for a discontinued research and development project, netted off by reversal of impairments in relation to Alvedon, Abreva and Solpadeine.

Certain assets were transferred from intangible assets to assets held for sale and subsequently disposed of during the year.

A breakdown of the amortisation, impairment losses and reversals is included below:

	Amortisation			Net impairment losses/(reversals)		
	2023 £m	2022 £m	2021 £m	**2023 £m**	2022 £m	2021 £m
Cost of sales	**55**	61	57	**185**	129	(32)
Selling, general and administration	**53**	46	37	**1**	6	8
Research and development	**–**	–	–	**–**	–	8
Total	**108**	**107**	**94**	**186**	**135**	**(16)**

Impact of climate change
The Group has stress tested the future cash flows for the potential impact of climate change and concluded that there is sufficient headroom for goodwill. Preparation H's recoverable amount is sensitive to reasonably possible changes in key assumptions that would lead to an immaterial additional impairment charge due to either physical damage in our manufacturing sites or the associated costs of future transition risk. Carbon pricing is the highest potential transition risk that could have a medium risk in medium- to long-term time frame. With continued decarbonisation efforts and Haleon's focus on meeting the targets to minimise carbon pricing impacts, this is not expected to have a material impact on the key assumptions used in the impairment assessment.

15. Inventories
Inventories are included in the Consolidated Financial Statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is the estimated selling price less the estimated costs necessary to make a sale.

Composition of inventory balances

	2023 £m	2022 £m
Raw materials and consumables	**298**	310
Work in progress	**20**	35
Finished goods	**1,090**	1,003
Total	**1,408**	**1,348**

The total cost of inventories recognised as an expense and included in cost of sales amounted to £4,196m in 2023 (2022: £3,970m, 2021: £3,462m). This includes inventory write-down of £178m (2022: £118m, 2021: £174m). The Group reverses and reassesses its inventory provisions in full every reporting period.

The reversals of prior year write-downs of inventories in 2023 is £74m (2022: £40m, 2021: £63m) and these reversals principally arise from the reassessment of usage or demand expectations prior to inventory expiration.

Impact of climate change
The Group's inventory turnover cycle is much shorter than the longer-term time horizons associated with the climate-related risks and therefore the risk of material write-down of Haleon's inventory is deemed to be low.

16. Trade and other receivables

Trade receivables are initially measured at the original invoice amount and subsequently measured at amortised cost less allowances for expected credit losses which are measured at an amount equal to lifetime expected credit losses. In determining credit risk, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis based on the Group's ageing of the receivables, customers' payment history, and forward-looking information including wider macroeconomic factors. Trade receivables sold under a non-recourse factoring agreement are derecognised at the point of sale as risks and rewards are substantially transferred.

When a trade receivable is determined to have no reasonable expectation of recovery it is written off, firstly against any expected credit loss allowance available and then to the income statement.

Subsequent recoveries of amounts previously provided for or written off are credited to the income statement. Long-term receivables are discounted where the effect is material.

Trade and other receivables

	2023			2022		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	**Total £m**
Trade receivables, net of expected credit loss allowance	**1,352**	**–**	**1,352**	1,487	–	**1,487**
Other prepayments and accrued income	**107**	**–**	**107**	106	–	**106**
Employee loans and advances	**5**	**–**	**5**	6	–	**6**
Other third-party receivables	**392**	**114**	**506**	282	132	**414**
Total	**1,856**	**114**	**1,970**	**1,881**	**132**	**2,013**

Expected credit loss allowance

	2023 £m	2022 £m
At 1 January	**41**	53
Exchange adjustments	**(2)**	2
Charge for the year	**2**	14
Subsequent recoveries of amounts provided for	**(7)**	(19)
Utilised	**(5)**	(9)
At 31 December	**29**	**41**

Set out below is the information about the credit risk exposure of the Group's trade receivables using a provision matrix:

Year ended 31 December 2023

	Trade receivables						
		Days past due					
	Current £m	**0-30 days £m**	**31-90 days £m**	**91-180 days £m**	**181 days-1 year £m**	**Greater than 1 year £m**	**Total £m**
Estimated total gross carrying amount at default	**1,210**	**102**	**25**	**12**	**15**	**17**	**1,381**
Expected credit loss	**5**	**1**	**1**	**2**	**4**	**16**	**29**

Year ended 31 December 2022

	Trade receivables						
		Days past due					
	Current £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m	**Total £m**
Estimated total gross carrying amount at default	1,386	58	30	15	12	27	**1,528**
Expected credit loss	6	1	1	2	4	27	**41**

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Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. No single customer represents more than 10% of the Group's sales.

Within other third-party receivables, £230m (2022: £157m) was classified as financial assets. The expected credit loss in other receivables is not deemed significant, hence no credit loss allowance is recognised. Refer to Note 25 'Capital and financial risk management' for further information on credit risk.

17. Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and short-term highly liquid deposits which are primarily held for operating purposes with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes.

Cash and cash equivalents include £50m in 2023 (2022: £78m) not available for general use due to restrictions applying in the subsidiaries where it is held. Restrictions include exchange controls and taxes on repatriation.

Cash and cash equivalents held in the following currencies, that mostly influence the Group, are presented below:

	2023 £m	2022 £m
Pound Sterling (GBP)	634	253
Taiwan Dollar (TWD)	46	72
United States Dollar (USD)	39	59
Indian Rupee (INR)	36	49
Euro (EUR)	29	25
Others	260	226
Total	**1,044**	**684**

18. Trade and other payables

Trade payables are initially recognised at fair value and then held at amortised cost. Long-term payables are discounted where the effect is material. Trade payables are derecognised when the original liability is either discharged, usually through payment, or substantially modified.

Composition of trade and other payables

	2023 £m	2022 £m
Trade payables	1,855	1,835
Customer return and rebate accruals	717	738
Other payables and accruals	374	558
Wages and salaries	365	290
Accrued interest on financial liabilities	100	104
Social security	45	39
VAT payables	49	34
Deferred income	21	23
Total	**3,526**	**3,621**

Customer return and rebate accruals are provided for by the Group at the point of sale in respect of the estimated rebates, discounts or allowances payable to customers. Accruals are made at the time of sale but the actual amounts paid are based on claims made some time after the initial recognition of the sale. The level of accrual is reviewed and adjusted quarterly in light of historical experience of actual rebates, discounts or allowances given and returns made and any changes in arrangements. The assumptions used in estimation are based on known facts with a high level of accuracy. In addition, the Group's promotional programmes are typically short-term in nature resulting in lower inherent estimation uncertainty. As a result, management considered no likelihood of material change in the next financial year.

Customer return and rebate accruals are not presented net against any trade receivables that may be owing from the same customer as the offsetting criteria in IAS 32 have not been met.

Refer to Note 24, 'Related party transactions' for further details on amounts payable to GSK and Pfizer.

The Group does not have significant financing arrangements for trade payables.

19. Borrowings

All borrowings are initially recorded at fair value, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Lease liabilities

The corresponding liability to the lessor is recognised as a lease obligation within short-term and long-term borrowings. The carrying amount is subsequently increased to reflect interest on the lease liability and reduced by lease payments made.

For calculating the discounted lease liability on leases, the implicit rate in the lease is used. If this is not available, the incremental borrowing rate with a lease-specific adjustment is used. Finance costs are charged to the income statement to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Variable rents are not part of the lease liability and the right of use asset. These payments are charged to the income statement as incurred. Short-term and low-value leases are not capitalised, and lease rentals are also charged to the income statement as incurred.

Composition of borrowings

	2023			2022		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	**Total £m**
Commercial paper	**–**	**–**	**–**	(302)	–	**(302)**
Loan and overdrafts	**(60)**	**–**	**(60)**	(91)	–	**(91)**
Lease liabilities	**(48)**	**(89)**	**(137)**	(44)	(117)	**(161)**
Non-voting preference shares	**–**	**(25)**	**(25)**	–	(25)	**(25)**
Bonds	**(548)**	**(8,686)**	**(9,234)**	–	(9,861)	**(9,861)**
Total	**(656)**	**(8,800)**	**(9,456)**	**(437)**	**(10,003)**	**(10,440)**

Notes to the Consolidated Financial Statements continued

Bonds[1]	Carrying value 2023 £m	2022 £m
$300m SOFR + 0.89% callable medium term note due 2024[2]	–	249
$700m 3.024% callable medium term note due 2024	**548**	581
$1,750m 3.125% medium term note due 2025	**1,336**	1,385
€850m 1.250% medium term note due 2026	**707**	694
$2,000m 3.375% medium term note due 2027	**1,561**	1,653
£300m 2.875% medium term note due 2028	**299**	299
$1,000m 3.375% medium term note due 2029	**775**	822
€750m 1.750% medium term note due 2030	**650**	663
$2,000m 3.625% medium term note due 2032	**1,551**	1,652
€750m 2.125% medium term note due 2034	**646**	659
£400m 3.375% medium term note due 2038	**398**	398
$1,000m 4.000% medium term note due 2052	**763**	806
Total	**9,234**	**9,861**

1 These instruments contain a variety of different features including early redemption options, call options, put options and mandatory early redemption options, which depend on different triggering events such as change in control, change in laws, regulations and tax law. These features are considered embedded derivatives. These features have not been accounted for separately from the instruments as they are considered closely related to the bonds.
2 The Group exercised its option to redeem at par the $300m of Callable Floating Rate Senior Notes due 2024 on 24 March 2023.

The issuers, Haleon UK Capital plc (formerly GSK Consumer Healthcare Capital UK plc), Haleon US Capital LLC (formerly GSK Consumer Healthcare Capital US LLC) and Haleon Netherlands Capital B.V. (formerly GSK Consumer Healthcare Capital NL B.V.) formally changed their names in March 2023.

Short-term borrowings

As at 31 December 2023, the Group had within short-term borrowings, Pre-Separation USD Notes of $700m (£548m) (31 December 2022: £nil). The average effective pre-swap interest rate of all short-term notes in issue as at 31 December 2023 was 3.02% (31 December 2022: nil).

The Group has access to a £2bn Euro commercial paper programme and a $10bn US Dollar commercial paper programme pursuant to which members of the Group may issue commercial paper from time to time. The weighted average interest rate on the commercial paper as at 31 December 2023 was nil (31 December 2022: 3.23%).

As at 31 December 2023, the Group had short-term bank loans of £10m (31 December 2022: £18m). The weighted average interest rate on short-term bank loans as at 31 December 2023 was 7.8% (31 December 2022: 6.7%).

Long-term borrowings

As at 31 December 2023, the Group had within long-term borrowings, Euro Medium Term Notes and USD Notes of £8,686m (31 December 2022: £9,861m), of which £4,783 m (31 December 2022: £5,299m) will fall due in more than five years. The average effective pre-swap and post-swap interest rate of all long-term notes in issue as at 31 December 2023 was 3.0% and 3.6% respectively (31 December 2022: 3.1% and 3.2%).

On 2 March 2023, the Group exercised its option to redeem at par the $300m of Callable Floating Rate Senior Notes due 2024 on 24 March 2023. The carrying value of the bond was equal to the par value at the settlement date hence no gain or loss was recognised.

On 17 July 2022, as part of the demerger activities, the Company issued 25,000,000 non-voting preference shares of £1.00 each to Pfizer Inc. with a coupon rate of 9.5% per annum. The non-voting preference shares (NVPS) command a mandatory quarterly coupon and can only be redeemed after a period of five years. The Group has, therefore, classified the non-voting preference shares as a financial liability. Pfizer Inc. has subsequently disposed of the NVPS to an external third party.

Committed credit facilities

The Group has undrawn credit facilities of £900m and $1,300m with initial maturity dates of September 2026 and September 2024 respectively. As at 31 December 2023, no amounts were drawn under these facilities.

Lease liabilities

The maturity analysis of lease liabilities recognised on the Group balance sheet is as follows:

	2023 £m	2022 £m
Due within one year	**(48)**	(44)
Due between one and two years	**(36)**	(36)
Due between two and three years	**(25)**	(25)
Due between three and four years	**(14)**	(21)
Due between four and five years	**(7)**	(13)
Due after five years	**(7)**	(22)
Total	**(137)**	**(161)**

Refer to Note 8 'Net finance costs' for further details on finance expense arising on lease liabilities.

Movement in assets and liabilities arising from financing activities

	At 1 January 2023 £m	**Cash flows £m**	**Foreign exchange £m**	**Fair value adjustments, interest and reclassification £m**	**At 31 December 2023 £m**
Reconciliation of movement in liabilities to cash flow statement					
Long-term borrowings	**(9,886)**	**243**	**412**	**520**	**(8,711)**
Short-term borrowings	**(320)**	**310**	**15**	**(563)**	**(558)**
Lease liabilities	**(161)**	**55**	**8**	**(39)**	**(137)**
Derivative financial instruments	**(112)**	**72**	**–**	**(62)**	**(102)**
Total financial liabilities arising from financing activities	**(10,479)**	**680**	**435**	**(144)**	**(9,508)**
Cash and cash equivalents net of bank overdrafts	**611**	**398**	**(15)**	**–**	**994**
Total	**(9,868)**	**1,078**	**420**	**(144)**	**(8,514)**

	At 1 January 2022 £m	Cash flows £m	Foreign exchange £m	Fair value adjustments, interest and other movements £m	At 31 December 2022 £m
Reconciliation of movement in liabilities to cash flow statement					
Long-term borrowings	–	(9,209)	(772)	95	(9,886)
Short-term borrowings	(41)	(277)	–	(2)	(320)
Lease liabilities	(117)	45	(11)	(78)	(161)
Derivative financial instruments	(2)	(345)	–	235	(112)
Total financial liabilities arising from financing activities	**(160)**	**(9,786)**	**(783)**	**250**	**(10,479)**
Cash and cash equivalents net of bank overdrafts	406	190	15	–	611
Total	**246**	**(9,596)**	**(768)**	**250**	**(9,868)**

Notes to the Consolidated Financial Statements
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20. Pensions and other post-employment benefits

The Group operates pension arrangements which cover the Group's material obligations to provide pensions to retired employees. These arrangements have been developed in accordance with local practices in the countries concerned. Pension benefits can be provided by state schemes, by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee, or by defined benefit schemes, whereby retirement benefits are based on employee pensionable remuneration and length of service. In certain countries, pension benefits are provided on an unfunded basis, some are administered by trustee companies. The Group also provides other post-employment benefits, mainly post-employment healthcare plans in the US. These plans are predominantly unfunded. Formal, independent, actuarial valuations of the Group's main plans are undertaken regularly, normally at least every three years.

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or a liability on the consolidated balance sheet. Defined benefit plan liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date consistent with the advice of qualified actuaries. Pension scheme assets are measured at fair value at the balance sheet date. The amount of any pension fund asset recognised on the balance sheet is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

The amount charged to operating costs in the income statement is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit changes, settlements, curtailments plus the finance charge for interest on net liability (such events are recognised immediately in the income statement).

Remeasurements of the net defined benefit liability (or asset) comprise actuarial gains and losses and the return on plan assets excluding amounts included in net interest. Actuarial gains and losses are taken to the consolidated statement of comprehensive income. Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising from differences between the previous actuarial assumptions and what has actually occurred. The return on plan assets, in excess of interest income, and costs incurred for the management of plan assets are also taken to other comprehensive income.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be derived from the employees' services. Future cash flows are discounted at rates reflecting the yields of high-quality corporate bonds.

The Group's contributions to defined contribution plans are charged to the income statement as incurred.

Discount rates are derived from AA-rated corporate bond yields, except in countries where there is no deep market in corporate bonds, government bond yields are used instead. Discount rates are selected to reflect the term of the expected benefit payments. Projected inflation rate and pension increases are long-term predictions based on the yield gap between long-term index-linked and fixed-interest government bonds, where available, or on long-term inflation forecasts.

For the year ended 31 December 2021, GSK operated certain pension schemes in which the Group's UK and US employees participated. These schemes included defined benefit arrangements where the assets were held independently of the Group's finances and which were funded partly by contributions from members and partly by contributions from GSK at rates advised by independent qualified actuaries.

Before the demerger from GSK in July 2022, it was announced that GSK's UK defined benefit plans and US cash balance pension plans were closed to future accruals and GSK would continue to maintain the plans only for existing participants. GSK charged the Group a management fee relating to the pension arrangements for the Group's UK and US employees calculated as if the arrangements were on a defined contribution basis. The costs of such defined contribution arrangements were not included with the pension charge. This arrangement is not in practice post demerger.

Following the demerger from GSK, the Group operates its own defined contribution pension schemes for the Group's UK and US employees.

In addition, there are a number of post-employment healthcare schemes, the principal one of which is in the US.

Assumptions

The Group has applied the following financial assumptions in assessing the defined benefit liabilities:

	2023 %pa	2022 %pa
Germany		
Rate of increase of future earnings	**3.0**	3.0
Discount rate	**3.3**	3.7
Expected pension increases	**2.1**	2.5
Inflation rate	**2.1**	2.5
Switzerland		
Rate of increase of future earnings	**2.0**	2.0
Discount rate	**1.4**	2.2
Expected pension increases	**N/A**	N/A
Inflation rate	**1.3**	1.3
Ireland		
Rate of increase of future earnings	**2.0**	2.0
Discount rate	**3.3**	3.6
Expected pension increases	**3.0**	3.0
Inflation rate	**2.1**	2.4
Rest of World		
Rate of increase of future earnings	**N/A**	N/A
Discount rate	**5.1**	5.4
Expected pension increases	**N/A**	N/A
Inflation rate	**2.5**	2.5

The average life expectancy assumed now for an individual at the age of 60 and projected to apply in the years stated below for an individual then at the age of 60 is as follows:

As at 31 December 2023

	Germany		**Switzerland**		**Ireland**		**Rest of World**	
Years	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Current	**25.3**	**29.0**	**26.6**	**28.5**	**26.9**	**29.7**	**27.3**	**28.7**
Projected for 2043	**28.1**	**31.3**	**28.5**	**30.2**	**29.7**	**31.9**	**28.9**	**30.2**

As at 31 December 2022

	Germany		Switzerland		Ireland		Rest of World	
Years	Male	Female	Male	Female	Male	Female	Male	Female
Current	25.7	29.4	26.5	28.4	26.8	29.5	27.3	28.6
Projected for 2042	28.7	31.7	28.4	30.1	29.4	31.7	28.8	30.1

The mortality rates are based on standard tables in each country (Heubeck 2018 in Germany, BVG 2020 in Switzerland and ILT15 in Ireland) with allowances for future improvements.

Income statement

	2023 £m	2022 £m	2021 £m
German pension schemes	**5**	5	4
Swiss pension schemes	**9**	9	5
Irish pension schemes	**2**	5	6
Other overseas pension schemes	**28**	24	5
Unfunded post-employment healthcare schemes	**10**	9	10
Total	**54**	**52**	**30**
Analysed as:			
Defined benefit pension schemes	**26**	27	22
Defined contribution pensions schemes	**28**	25	8

The costs of the defined benefit pension and post-employment healthcare schemes are charged in the income statement as follows:

	Net pensions total £m	Other post-employ retirement obligations total £m	**Total post-employ retirement obligations £m**
2023			
Cost of sales	**10**	**8**	**18**
Research and development	**1**	**–**	**1**
Selling, general and administration	**7**	**–**	**7**
31 December 2023	**18**	**8**	**26**
2022			
Cost of sales	12	9	**21**
Research and development	1	–	**1**
Selling, general and administration	5	–	**5**
31 December 2022	**18**	**9**	**27**
2021			
Cost of sales	10	10	**20**
Research and development	–	–	**–**
Selling, general and administration	2	–	**2**
31 December 2021	**12**	**10**	**22**

The amounts recorded in the income statement and statement of comprehensive income in relation to the defined benefit pension and post-employment healthcare schemes were as follows:

	2023			2022			2021		
	Pensions £m	**Other post-employment benefits £m**	**Total £m**	Pensions £m	Other post-employment benefits £m	**Total £m**	Pensions £m	Other post-employment benefits £m	**Total £m**
31 December									
Amounts charged to operating profit:									
Current service cost	**16**	**6**	**22**	16	7	**23**	18	8	**26**
Past service cost/(credit)	**1**	**–**	**1**	1	–	**1**	(4)	–	**(4)**
Gain from settlement	**–**	**–**	**–**	–	–	**–**	(3)	–	**(3)**
Net interest cost	**1**	**2**	**3**	1	2	**3**	1	2	**3**
Total	**18**	**8**	**26**	**18**	**9**	**27**	**12**	**10**	**22**
Remeasurements recorded in the statement of comprehensive income	**(6)**	**1**	**(5)**	**(91)**	**(32)**	**(123)**	**(8)**	**(19)**	**(27)**

Balance sheet

The assets of funded schemes are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund or are insurance contracts. Assets are invested in different classes in order to maintain a balance between risk and return. Investments are diversified to limit the financial effect of the failure of any individual investment.

The pension plans are exposed to risk that arises because the estimated market value of the plans' assets might decline, the investment returns might reduce, or the estimated value of the plans' liabilities might increase.

Long-term investment strategies for the plans, with investments across a broad range of assets, have been agreed with the trustees to include return-seeking assets to generate future returns and liability-matching assets to better match future pension obligations. The main market risks within the asset portfolio are credit risk, interest rates, long-term inflation, equities and property risk.

The plan liabilities are a series of future cash flows with relatively long duration. On an IAS 19 basis, these cash flows are sensitive to changes in the expected long-term inflation rate and the discount rate (AA corporate bond yield curve) where an increase in long-term inflation corresponds with an increase in the liabilities, and an increase in the discount rate corresponds with a decrease in the liabilities.

The fair values of the assets and liabilities of the German, Swiss and Irish defined benefit pension schemes, together with aggregated data for other defined benefit pension schemes in the Group are as follows:

31 December 2023

	Germany £m	Switzerland £m	Ireland £m	Rest of World £m	Total £m
Listed equities	**53**	**76**	**47**	**5**	**181**
Property	**–**	**71**	**–**	**–**	**71**
Listed bonds	**56**	**91**	**154**	**19**	**320**
Insurance contracts	**23**	**49**	**–**	**–**	**72**
Other assets	**1**	**31**	**2**	**12**	**46**
Fair value of assets	**133**	**318**	**203**	**36**	**690**
Asset ceiling restriction	**–**	**(29)**	**–**	**–**	**(29)**
Fair value of assets after asset ceiling	**133**	**289**	**203**	**36**	**661**
Present value of scheme obligations	**(184)**	**(289)**	**(174)**	**(50)**	**(697)**
Recognised on the balance sheet	**(51)**	**–**	**29**	**(14)**	**(36)**
Included in post-employment benefit assets	**–**	**–**	**29**	**7**	**36**
Included in post-employment benefit obligations	**(51)**	**–**	**–**	**(21)**	**(72)**
Total	**(51)**	**–**	**29**	**(14)**	**(36)**
Actual return on plan assets	**11**	**16**	**20**	**2**	**49**

31 December 2022

	Germany £m	Switzerland £m	Ireland £m	Rest of World £m	Total £m
Listed equities	48	81	69	6	**204**
Property	–	70	–	–	**70**
Listed bonds	49	80	110	21	**260**
Insurance contracts	26	46	–	–	**72**
Other assets	–	8	2	12	**22**
Fair value of assets	**123**	**285**	**181**	**39**	**628**
Asset ceiling restriction	–	(34)	–	–	**(34)**
Fair value of assets after asset ceiling	**123**	**251**	**181**	**39**	**594**
Present value of scheme obligations	(185)	(251)	(163)	(47)	**(646)**
Recognised on the balance sheet	**(62)**	**–**	**18**	**(8)**	**(52)**
Included in post-employment benefit assets	–	–	18	7	**25**
Included in post-employment benefit obligations	(62)	–	–	(15)	**(77)**
Total	**(62)**	**–**	**18**	**(8)**	**(52)**
Actual loss on plan assets	**(19)**	**(36)**	**(67)**	**(3)**	**(125)**

The defined benefit pension obligation is analysed as follows:

	2023 £m	2022 £m
Funded	**(684)**	(633)
Unfunded	**(13)**	(13)
Total	**(697)**	**(646)**

Notes to the Consolidated Financial Statements continued

The movement in the net defined benefit liability is as follows:

	Fair value of assets £m	Present value of obligation £m	**Net pensions total £m**	**Net post-employment obligations £m**
At 1 January 2022	**680**	**(822)**	**(142)**	**(100)**
Exchange adjustments	45	(56)	**(11)**	**(8)**
Service cost	–	(16)	**(16)**	**(7)**
Past service cost	–	(1)	**(1)**	**–**
Interest income/(cost)	6	(7)	**(1)**	**(2)**
Remeasurements:				
Return on plan assets, excluding amounts included in interest	(131)	–	**(131)**	**–**
Gain from change in financial assumptions	–	235	**235**	**25**
Experience (losses)/gains	–	(13)	**(13)**	**7**
Employers' contributions	28	–	**28**	**–**
Scheme participants' contributions	7	(7)	**–**	**–**
Benefits paid	(41)	41	**–**	**1**
At 31 December 2022	**594**	**(646)**	**(52)**	**(84)**
Exchange adjustments	**6**	**(8)**	**(2)**	**6**
Service cost	**–**	**(16)**	**(16)**	**(6)**
Past service cost	**–**	**(1)**	**(1)**	**–**
Interest income/(cost)	**18**	**(19)**	**(1)**	**(2)**
Remeasurements:				
Return on plan assets, excluding amounts included in interest	**31**	**–**	**31**	**–**
Gain from change in financial assumptions	**–**	**(24)**	**(24)**	**(1)**
Experience (losses)/gains	**–**	**(3)**	**(3)**	**2**
Employers' contributions	**32**	**–**	**32**	**–**
Scheme participants' contributions	**7**	**(7)**	**–**	**–**
Benefits paid	**(27)**	**27**	**–**	**1**
At 31 December 2023	**661**	**(697)**	**(36)**	**(85)**

A reconciliation of the net post-employment benefit to the balances recognised on the consolidated balance sheet is as follows:

	2023 £m	2022 £m
Net pension obligations	**(36)**	(52)
Net post-employment obligations	**(85)**	(84)
Net post-employment benefit	**(121)**	**(136)**
Post-employment benefit assets recognised on the consolidated balance sheet	**36**	25
Post-employment benefit obligations recognised on the consolidated balance sheet	**(157)**	(161)
Net post-employment benefit	**(121)**	**(136)**

Employer contributions for 2024 are estimated to be approximately £31m in respect of defined benefit pension schemes and £1m in respect of post-employment medical benefits.

The defined benefit pension and post-employment obligations analysed by membership category is as follows:

	Pension		Post-employment obligations	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Active	**(354)**	(389)	**(76)**	(81)
Retired	**(229)**	(150)	**(5)**	(3)
Deferred	**(115)**	(107)	**(4)**	–
Total	**(697)**	**(646)**	**(85)**	**(84)**

The approximate effect of changes in assumptions used on the benefit obligations and on the annual defined benefit and post-employment costs are detailed below. This information has been determined by taking into account the duration of the liabilities and the overall profile of the plan membership.

Sensitivity analysis

	2023 £m	2022 £m
0.50% decrease in discount rate:		
Increase in annual pension cost	**2.2**	2.2
Increase in annual post-employment benefits cost	**0.2**	0.2
Increase in pension obligation	**47.4**	42.9
Increase in post-employment benefits obligation	**3.8**	3.7
0.50% increase in discount rate:		
Decrease in annual pension cost	**(2.1)**	(2.5)
Decrease in annual post-employment benefits cost	**(0.2)**	(0.2)
Decrease in pension obligation	**(42.7)**	(38.8)
Decrease in post-employment benefits obligation	**(3.5)**	(3.3)
1% increase in the rate of future healthcare inflation:		
Increase in annual post-retirement cost	**0.3**	0.3
Increase in post-retirement obligation	**2.4**	2.3
1% decrease in the rate of future healthcare inflation:		
Decrease in annual post-retirement cost	**(0.3)**	(0.3)
Decrease in post-retirement obligation	**(2.4)**	(2.6)
A one year increase in life expectancy:		
Increase in annual pension cost	**0.7**	0.6
Increase in annual post-employment benefits cost	**0.1**	–
Increase in pension obligation	**18.0**	16.2
Increase in post-employment benefits obligation	**0.9**	1.0

The weighted average duration of the defined benefit obligation is as follows:

Years	2023	2022
Pension benefits	**14**	15
Post-employment benefits	**14**	13

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21. Provisions
Provisions are recognised where a legal or constructive obligation exists at the balance sheet date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provisions are measured at management's best estimate of the most likely outcome of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Provisions are classified as non-current where the exact timing of settlement is uncertain but they are expected to be settled in more than 12 months.

Provisions

	Restructuring programmes £m	Other provisions £m	**Total £m**
As at 1 January 2022	**(112)**	**(27)**	**(139)**
Exchange adjustments	(4)	(2)	**(6)**
Charge for the period	(7)	(50)	**(57)**
Reversed unused	35	5	**40**
Utilised	50	15	**65**
Other movements	2	(2)	**–**
As at 31 December 2022	**(36)**	**(61)**	**(97)**
Exchange adjustments	**1**	**2**	**3**
Charge for the period	**(87)**	**(30)**	**(117)**
Reversed unused	**4**	**3**	**7**
Utilised	**25**	**10**	**35**
Other movements	**(1)**	**1**	**–**
As at 31 December 2023	**(94)**	**(75)**	**(169)**

	2023 £m	2022 £m
To be settled within one year	**(130)**	(71)
To be settled after one year	**(39)**	(26)
Total provisions	**(169)**	**(97)**

Other provisions include employee-related, legal, environmental, and other provisions. Refer to Note 6, 'Operating profit' for further details about the Group's restructuring costs.

22. Contingent liabilities and commitments
Contingent liabilities
Contingent liabilities are potential future outflows where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably. No provision is made for contingent liabilities, but there is a chance that they will result in an obligation in the future.

At 31 December 2023, contingent liabilities, comprising guarantees and other items arising in the normal course of business, amounted to £29m (2022: £30m).

The Group is involved in significant legal and administrative proceedings, principally relating to product liabilities. The most significant of these matters, other than tax matters, are described herein. Provision is made for the outcome of tax, legal and other disputes where it is both probable that the Group will suffer an outflow of funds and it is possible to make a reliable estimate of that outflow.

Legal proceedings
The Group may become involved in legal proceedings, in respect of which it is not possible to determine whether a potential outflow is probable, or to make a reliable estimate of the expected financial effect, if any, that could result from the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Group against third parties are charged to the income statement as they are incurred.

The Group makes provision for these proceedings on a regular basis as summarised in the accounting policy above.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, the Group is unable to make a reliable estimate of the expected financial effect at this stage. The Group does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

The Group's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the value of the provisions reported in the Group's financial statements. If this were to happen, it could have a material adverse impact on the results of operations of the Group in the reporting period in which the judgements are incurred or the settlements entered into.

Zantac litigation

GSK and/or Pfizer have been named as defendants (alongside other manufacturers of ranitidine, as well as retailers and distributors) in personal injury lawsuits, as well as economic injury and medical monitoring class actions, filed in the US involving Zantac. The Group understands that outside the US, there are class actions and individual actions pending against GSK and Pfizer in Canada, along with a class action against GSK in Israel.

The Group is not a party to any Zantac claims and the Group has never marketed Zantac in any form in the US or Canada. The Group is not primarily liable for any OTC or prescription Zantac claims.

The Group has received notices of potential claims for indemnification relating to OTC Zantac arising out of the Stock and Asset Purchase Agreement (SAPA), which the Group has rejected on the basis that the scope of the indemnities set out in the SAPA only covers the Consumer Healthcare businesses of GSK and Pfizer as conducted when their Consumer Healthcare joint venture was formed in 2018. At that time, neither GSK nor Pfizer marketed OTC Zantac in the US or Canada.

Proton pump inhibitor litigation

The Group is a defendant in the ongoing proton pump inhibitor (PPI) litigation, in which plaintiffs allege that their use of PPIs caused serious bodily injuries, predominantly kidney-related injuries.

The Group reached a settlement agreement with plaintiffs' counsel to resolve the vast majority of PPI cases (Nexium24HR and Prevacid24HR) pending against the Group. The financial impact was recognised in the Group's Consolidated Financial Statements for 2022, and is not material to the Group's financial position, results of operations or cash flows.

German competition litigation

In 2013, GlaxoSmithKline Consumer Healthcare GmbH & Co. KG and other members of a working group of a German trademark association were fined by the Federal Cartel Office of Germany as a result of the exchange of certain information related to retailers during meetings from 2004 to 2006.

Following the fine imposed by the Federal Cartel Office in 2013, the Group is party to civil proceedings in Germany brought by or on behalf of retailers against the Group and other manufacturers of branded drugstore products, alleging that the exchange of information within the working group led to higher purchase prices being paid by the retailers, and claiming that the Group and other working group members are jointly and severally liable for potential damages. The proceedings are taking place in different courts across Germany and are at different stages.

Commitments

Commitments are contractual obligations to acquire certain classes of assets in the future. These amounts are not recorded in the Consolidated Financial Statements.

	2023 £m	2022 £m
Contracted for but not provided in the Consolidated Financial Statements:		
Intangible assets	**134**	107
Property, plant and equipment	**58**	126
Total	**192**	**233**

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23. Share capital, share premium and other reserves
Share capital represents the par value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other reserves include the following:

- EBT shares reserve comprise shares held by an employee benefit trust in connection with the Group's share-based incentive plans.
- Cash flow hedge reserve comprises gains and losses relating to these types of financial instruments.
- Merger reserve arises as a result of business combinations of entities under common control.
- Other reserves comprise mainly differences between the fair value of the consideration paid for an investment, and the carrying value of assets and liabilities acquired from business combinations under common control.

Translation reserve arises from the foreign currency translation of the Group's foreign operations into the Group's presentation currency.

Retained earnings includes all current and prior years' retained profits, remeasurement gains/(losses), including any tax impacts on defined benefit plans.

Share capital and share premium

		At 31 December 2022 and 2023
Ordinary shares at £0.01 each	Number	**9,234,573,831**
Share capital	**£'000**	**92,346**
Share premium	**£'000**	**–**

The table above presents the movement of share capital and share premium of the Company for the year ended 31 December 2023. All ordinary shares are issued and fully paid. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued. The redeemable preference shares carry limited class voting rights and no dividend rights.

Other reserves
The analysis of other reserves is as follows:

	Cumulative translation reserve £m	EBT shares reserve[1] £m	Cash flow hedge reserve £m	Merger reserve £m	**Total £m**
As at 1 January 2022	448	–	8	(11,640)	**(11,184)**
Other comprehensive income	–	–	142	–	**142**
Effective portion of changes in fair value of hedging instruments	–	–	–	–	**–**
Amount reclassified to income statement	–	–	–	–	**–**
Effect of change in ultimate holding company	–	–	–	(47)	**(47)**
Exchange movements on overseas net assets	598	–	–	–	**598**
As at 31 December 2022	**1,046**	**–**	**150**	**(11,687)**	**(10,491)**
Other comprehensive income	**–**	**–**	**12**	**–**	**12**
Effective portion of changes in fair value of hedging instruments	**–**	**–**	**–**	**–**	**–**
Amount reclassified to income statement	**–**	**–**	**(23)**	**–**	**(23)**
Purchase of shares by employee benefit trust	**–**	**(38)**	**–**	**–**	**(38)**
Exchange movements on overseas net assets	**(420)**	**–**	**–**	**–**	**(420)**
As at 31 December 2023	**626**	**(38)**	**139**	**(11,687)**	**(10,960)**

[1] Shares owned through an EBT. The total number of shares held in connection with employee share schemes as at 31 December 2023 was 10.4m.

The cumulative translation exchange in equity is attributable to:

	Shareholders of the Group £m	Non-controlling interests £m	**Total cumulative translation reserve £m**
As at 1 January 2022	448	16	**464**
Exchange movements on overseas net assets	598	(10)	**588**
As at 31 December 2022	**1,046**	**6**	**1,052**
Exchange movements on overseas net assets	**(420)**	**(7)**	**(427)**
As at 31 December 2023	**626**	**(1)**	**625**

24. Related party transactions

A related party under IFRS is a person or entity that is related to the Group. These include both people and entities that have, or are subject to, influence or control over the Group.

Related parties

Upon the completion of the demerger on 18 July 2022, GSK ceased to be a related party of the Group under IAS 24, 'Related Party Disclosures'.

There were no significant transactions with Pfizer for the year ended 31 December 2023. The Group undertook significant transactions with entities from within GSK during the period ended 18 July 2022, and the year ended 31 December 2021 and with entities from within Pfizer for the years ended 31 December 2022 and 2021.

The Group had transactions with related parties under manufacture and supply agreements, distribution agreements, support service agreements, provision of research and development, toll-manufacturing services and transitional services agreements. In addition, the Group earned net interest income resulting from funds on-lent to GSK and Pfizer. All related party transactions are undertaken at arm's length in accordance with the Group transfer pricing policy.

Where the legal completion of local transfer of assets and liabilities has been delayed, but the Group is able to exercise control over the relevant activities, the relevant net assets and profits have been recognised in the results.

Transaction values for the year ended 31 December (unless otherwise indicated):

	Pfizer companies			GSK companies	
	2023 £m	2022 £m	2021 £m	Period ended 18 July 2022 £m	2021 £m
Sales of goods	**–**	–	–	91	114
Purchases of goods	**–**	–	–	(41)	(81)
Services, royalties, and other income	**–**	–	–	74	20
Services, royalties, and other expense	**–**	(5)	(68)	(135)	(354)
Interest income	**–**	12	–	30	10
Interest expense	**–**	–	–	(2)	(4)
Dividend paid	**124**	3,801	367	8,129	781

Balance outstanding as at 31 December:

	Pfizer companies		GSK companies	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Other amounts owing to related parties	**–**	–	**–**	–
Other amounts owing from related parties	**–**	–	**32**	51
Loan amounts owing to related parties	**–**	–	**–**	–
Loan amounts owing from related parties	**–**	–	**–**	–

Pre demerger, the Group had a £9,211m loan receivable from GSK/Pfizer together with £37m accrued interest receivable. This loan was primarily funded by proceeds from the bond offerings during the first half of 2022 (refer to Note 19 'Borrowings'). The loan receivable and interest accrued were exchanged to partially settle the £11,930m of pre-demerger dividend.

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As at 31 December 2023, other amounts owing from GSK of £32m (2022: £51m) comprise balances arising from arrangements set up with GSK before the demerger activities. Since these balances occurred when GSK was still a related party of the Group, they are disclosed in the table above.

As at 31 December 2021, the loan amounts owing from related parties of £1,508m were held with GSK finance companies as part of the Group's banking arrangements received at the new risk-free benchmark rate -0.05% and were repayable on demand.

As at 31 December 2021, the loan amounts owing to related parties of £825m were held with GSK finance companies as part of the Group's banking arrangements. These balances were unsecured with interest largely paid at the new risk free benchmark rate +0.10% and were repayable on demand.

25. Capital and financial risk management

Financial assets are measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. For financial assets other than trade receivables, a 12-month expected credit loss allowance is recorded on initial recognition. If there is subsequent evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime expected credit loss. If there is no realistic prospect of recovery, the asset is written off.

Derivatives and hedge accounting

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by the Group are forward foreign exchange contracts and swaps.

Derivative financial instruments are classified as held-for-trading and are measured at fair value. Derivatives designated as hedging instruments are classified on inception as fair value hedges, cash flow hedges or net investment hedges. The treatment of changes in the value of derivatives depends on their use as explained below.

Fair value hedges

Certain derivatives are held to hedge the risk of changes in value of a specific bond or other loan. In these situations, the Group designates the liability and related derivative to be part of a fair value hedge relationship. The carrying value of the bond is adjusted by the fair value of the risk being hedged, with changes going to the income statement. Gains and losses on the corresponding derivative are also recognised in the income statement. The amounts recognised are offset in the income statement to the extent that the hedge is effective. Ineffectiveness may occur if the critical terms do not exactly match, or if there is a value adjustment resulting from a change in credit risk (in either the Group or the counterparty to the derivative) that is not matched by the hedged item. When the relationship no longer meets the criteria for hedge accounting, the fair value hedge adjustment made to the bond is amortised to the income statement using the effective interest method.

Cash flow hedges

Derivatives are also held to hedge the uncertainty in timing or amount of future forecast cash flows. Such derivatives are designated as being part of cash flow hedge relationships. For an effective hedge, gains and losses from changes in the fair value of derivatives are recognised in equity. Any ineffective elements of the hedge are recognised in the income statement. Ineffectiveness may occur if there are changes to the expected timing of the hedged transaction. If the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts deferred in equity are taken to the income statement at the same time as the related cash flow. When a derivative no longer qualifies for hedge accounting, any cumulative gain or loss remains in equity until the related cash flow occurs. When the cash flow takes place, the cumulative gain or loss is taken to the income statement. If the hedged cash flow is no longer expected to occur, the cumulative gain or loss is taken to the income statement immediately.

Net investment hedges

Certain derivatives and financial liabilities are designated as hedges of the currency risk on the Group's investment in foreign subsidiaries. Differences arising on retranslation of a financial liability designated as a foreign currency net investment hedge and the fair value of derivatives are recorded in equity to the extent that the hedge is effective. These differences on retranslation and the fair value of derivatives are reported within the income statement to the extent that the hedge is ineffective. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivatives for which hedge accounting is not applied

Derivatives not designated as hedges are held in order to hedge certain balance sheet items and commodity exposures. No hedge accounting is applied to these derivatives, which are carried at fair value with changes being recognised in the income statement.

Risk management

The key objectives of the Group's treasury activities are to minimise the net cost of financial operations and reduce volatility arising from financial risks.

Treasury activities are governed by the Board. The Group has a Treasury Risk Committee (TRC), chaired by the CFO, that meets on a regular basis to review treasury activities. The TRC's members receive management information relating to treasury activities.

The Group may use a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise of foreign exchange forward contracts and swaps which are used to manage interest rate and foreign exchange risk on borrowings.

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Capital management

The Group manages its capital to ensure that entities in the Group are able to operate as going concerns whilst availing themselves of intercompany funding where appropriate.

	2023 £m	2022 £m
Cash and cash equivalents	**1,044**	684
Short-term borrowings	**(656)**	(437)
Long-term borrowings	**(8,800)**	(10,003)
Derivative financial assets associated with long-term borrowings	**69**	44
Derivative financial liabilities associated with long-term borrowings	**(169)**	(181)
Total equity	**16,729**	16,457
Total capital	**8,217**	**6,564**

As at 31 December 2023, the Group's long-term credit rating with S&P Global Ratings (S&P) is BBB (stable outlook) (2022: BBB) and with Moody's Investors Service (Moody's) it is Baa1 (stable outlook) (2022: Baa1). The Group's short-term credit ratings are A-2 and P-2 with S&P and Moody's, respectively (2022: A-2 and P-2 respectively).

Liquidity risk management

The Group's policy is to borrow centrally in order to meet anticipated funding requirements. The strategy is to diversify liquidity sources and to maintain broad access to financial markets. Each day, the Group sweeps cash to or from a number of global subsidiaries and central treasury accounts for liquidity management purposes.

The Group uses both notional and physical cash pool arrangements as appropriate by location and currency. For notional cash pools, liquidity is drawn against foreign currency balances to provide both local funding and central liquidity as required and with balances actively managed and maintained to appropriate levels. As balances in notional pooling arrangements are not settled across currencies, gross cash and overdraft balances are reported. At 31 December 2023, the Group had £656m (2022: £437m) of borrowings repayable within one year and held £1,044m (2022: £684m) of cash and cash equivalents.

The Group uses short-term financing to manage working capital requirements and has access to a $10,000m US commercial paper programme and a £2,000m Euro commercial paper programme, both of which were established in August 2022. At 31 December 2023, the Group had nil (2022: $225m) of US commercial paper in issue and nil (2022: €130m) of Euro commercial paper in issue.

The Group has access to two revolving credit facilities: a $1,300m facility maturing in September 2024; and a £900m facility maturing in September 2026 with a one-year extension option. These committed facilities were undrawn at 31 December 2023.

Long-term financing consists of $8,448m in USD bonds, as well as €2,350m Euro bonds and £700m GBP bonds issued under a £10,000m Euro Medium Term Note programme. Refer to Note 19 'Borrowings' for further details about the Group's bonds.

Foreign exchange risk management

Foreign currency transaction exposures arising on internal and external trade flows are selectively hedged. The Group's objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. Foreign currency cash flows may be hedged selectively as approved by the TRC. Cash surpluses or borrowing requirements of subsidiary companies are usually managed centrally using foreign exchange forward contracts and swaps to hedge future repayments back into the originating currency.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas assets. Refer to 'Net investment hedges' section of this Note for further details.

Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group, and arises on cash and cash equivalents and favourable derivative financial instruments held with banks and financial institutions as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The Group considers its maximum credit risk to be £2,777m (2022: £2,441m) which is the total of the Group's financial assets, excluding other investments which bear equity risk rather than credit risk.

The Group's greatest concentration of credit risk at 31 December 2023 is £342m with HSBC (A-/A3), and £158m with Citigroup Inc. (BBB+/A3). The Group's greatest concentration of credit risk at 31 December 2022 was £310m with HSBC (A-/A3), and £158m with Citigroup Inc. (BBB+/A3).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for financial assets at amortised cost since the adoption of IFRS 9.

Treasury-related credit risk

The Group has continued to maintain a consistent approach to counterparty risk throughout the year. The aggregate credit risk in respect of financial instruments that the Group may have with one counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by a recognised credit rating agency (e.g., S&P or Moody's.) The Group measures expected credit losses over cash and cash equivalents as a function of individual counterparty credit ratings and associated 12-month default rates. Based on the available credit ratings, the credit risk of outstanding financial instruments has not increased significantly since their initial recognition. Expected credit losses over cash and cash equivalents and third-party financial derivatives are deemed to be immaterial and so have not been recognised. No such loss has been experienced during 2023 and 2022. The credit ratings of counterparties are set out in the below table.

	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below or unrated £m	**Total £m**
2023						
Bank balances and deposits	**22**	**2**	**229**	**248**	**84**	**585**
Money market funds	**93**	**363**	**–**	**–**	**–**	**456**
Cash and cash equivalents	**115**	**365**	**229**	**248**	**84**	**1,041**
Government securities	**–**	**–**	**–**	**–**	**3**	**3**
Derivative financial instruments	**–**	**2**	**87**	**–**	**–**	**89**
Total	**115**	**367**	**316**	**248**	**87**	**1,133**
2022						
Bank balances and deposits	–	87	276	252	59	**674**
Money market funds	10	–	–	–	–	**10**
Cash and cash equivalents	**10**	**87**	**276**	**252**	**59**	**684**
Derivative financial instruments	–	–	59	35	–	**94**
Total	**10**	**87**	**335**	**287**	**59**	**778**

The credit ratings in the above tables are as assigned by S&P and Moody's. Where the opinion of the two rating agencies differs, the lower rating of the two is assigned to the counterparty. Where local rating or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of S&P or Moody's using published conversion tables.

Wholesale and retail credit risk

The Group does not have a substantial wholesale and retail credit risk as a result of its diversified geographical presence, product offering, consumer profile, and historical credit loss information. Where appropriate, the Group utilises credit insurance and receivables factoring to minimise the credit risk of the trade receivables in the Group (refer to Note 16 'Trade and other receivables' for further details about the Group's expected credit losses). Factoring arrangements are based on a portfolio approach and are used to mitigate risk arising from large credit risk concentrations. All factoring arrangements are non-recourse.

Interest rate risk management

The Group manages the interest rate risk on its net debt portfolio, with the objectives of minimising the effective net interest cost and income statement volatility.

The Group's main interest rate risk arises from borrowings and investments with floating rates and from the refinancing of maturing fixed-rate debt where any changes in interest rates will affect future cash flows. The policy on interest rate risk management limits the net amount of floating-rate debt to a specific cap.

77% of the Group's debt was held at fixed rates as at 31 December 2023 (2022: 87%), including the impact of swaps. Any bond debt with less than three months to maturity is considered floating rate.

Interest rate and forward starting interest rate swaps

The forward starting interest rate contracts, exchanging floating interest for fixed interest, were designated as cash flow hedges to hedge the interest variability of the interest cash flows associated with the future fixed-rate debt.

The interest rate swap contracts, exchanging fixed interest rate for floating interest, have been designated as fair value hedges to hedge the variability in fair value associated with the Group's fixed-rate debt. The interest rate swaps and the interest payments on the loan occur simultaneously and the fair value of interest rate swaps and the fair value of related debt affect the income statement at the same time.

Derivative financial instruments and hedging

Derivative financial instruments are used to mitigate exposure to foreign exchange transactional risks of the Group. The fair value of a derivative financial instrument is classified as a non-current asset or liability if the remaining maturity is more than 12 months and as a current asset or liability if the maturity is less than 12 months. All foreign exchange contracts are for periods of 12 months or less.

The Group has the following derivative financial instruments:

	2023			2022		
	Notional amount £m	**Fair value of assets £m**	**Fair value of liabilities £m**	Notional amount £m	Fair value of assets £m	Fair value of liabilities £m
Non-current						
Fair value hedges – interest rate swap contracts	**3,210**	**–**	**(109)**	2,207	2	(139)
Net investment hedges – cross currency interest rate swaps	**910**	**44**	**–**	910	1	(36)
Current						
Net investment hedges – foreign exchange contracts	**1,140**	**5**	**(3)**	329	1	(8)
Cash flow hedges – foreign exchange contracts	**437**	**14**	**(5)**	–	–	–
Derivatives designated and effective as hedging instruments	**5,697**	**63**	**(117)**	**3,446**	**4**	**(183)**
Non-current						
Cross currency interest rate swap contracts	**1,409**	**20**	**(40)**	1,409	41	–
Current						
Foreign exchange contracts	**2,116**	**5**	**(33)**	3,364	49	(23)
Derivatives classified as held for trading	**3,525**	**25**	**(73)**	**4,773**	**90**	**(23)**
Total derivative instruments	**9,222**	**88**	**(190)**	**8,219**	**94**	**(206)**

Fair value hedges

At issuance in March 2022, $1,750m and €850m bonds were converted from fixed rate to floating rate using interest rate swaps as shown in the above table. These bonds and swaps were designated in fair value hedges.

Cash flow hedges

In 2022, the Group entered into forward starting interest rate swaps (derivatives) to pre-hedge interest rate risk on the fixed rate bonds issued in March 2022. These derivatives were designated in a cash flow hedge relationship. The derivatives were settled in March 2022 and as a result cash flow hedges were terminated with a net cash inflow of £206m. The element of gains/losses of these cash flow hedges relating to other comprehensive income is being amortised to the income statement as per the maturity profile of the loan notes.

In 2023, the Group established a programme of hedging highly probable forecast transactional foreign exchange exposure using foreign exchange contracts (FX forwards and FX swaps). The key exposure designated under cash flow hedge accounting are forecast receipts from customers and payments to suppliers, capital expenditure and other administration expenses payable in foreign currency.

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Net investment hedges

At 31 December 2023 and 31 December 2022, certain foreign exchange contracts and cross currency interest rate swaps were designated as net investment hedges in respect of the foreign currency translation risk arising on consolidation of the Group's net investment in its European (Euro) and Chinese (CNY) foreign operations as shown in the table above.

The carrying value of the EUR bonds in Note 19 'Borrowings' included £1,503m (2022: £1,526m) that were also designated as hedging instruments in net investment hedges in respect of the foreign currency translation risk arising on consolidation of the Group's net investment in its European (Euro) foreign operations. For net investment hedges, the balance in the foreign currency translation reserve in relation to continuing hedges is £(77)m (2022: £140m).

The following tables provide information regarding hedging instruments and the related hedged items as at 31 December:

Hedging instruments

	Average strike price	Notional principal value £m	Change in fair value for recognising hedge ineffectiveness £m	Carrying value assets/ (liabilities) £m
2023				
Cash flow hedges				
Below 10 years				
FX forward contracts/FX swaps	**N/A**	**437**	**8**	**8**
Fair value hedges				
Below 10 years				
EUR IRS	**1.3%**	**739**	**(35)**	**(35)**
USD IRS	**3.4%**	**2,471**	**(74)**	**(74)**
Net investment hedges				
Below 10 years				
EUR FX swaps	**1.1**	**631**	**1**	**1**
CNH CCIRS	**8.6**	**910**	**44**	**44**
CNH FX swaps/forward	**9.0**	**510**	**1**	**1**
EUR bonds	**N/A**	**869**	**18**	**(858)**
10-30 years				
EUR bonds	**N/A**	**652**	**13**	**(646)**
2022				
Fair value hedges				
Below 10 years				
EUR IRS	1.3%	754	(59)	(59)
USD IRS	3.1%	1,454	(78)	(78)
Net investment hedges				
Below 10 years				
EUR FX swaps	1.2	329	(7)	(7)
CNH CCIRS	8.6	910	(35)	(35)
EUR bonds	N/A	887	(55)	(867)
10-30 years				
EUR bonds	N/A	665	(43)	(659)

Hedged items

	2023				2022			
	Carrying amount £m	**Accumulated fair value adjustments[1] £m**	**Change in value for calculating hedge ineffectiveness £m**	**Balance in cash flow hedge reserve[2] £m**	Carrying amount £m	Accumulated fair value adjustments[1] £m	Change in value for calculating hedge ineffectiveness £m	Balance in cash flow hedge reserve[2] £m
Cash flow hedges								
Pre-hedging of long-term interest rate	**–**	**–**	**–**	**(133)**	–	–	–	(150)
Transactional FX forecast exposure[3]	**437**	**–**	**–**	**(7)**	–	–	–	
Fair value hedges								
Bonds[4]	**(3,131)**	**109**	**109**	**–**	(2,078)	122	122	–
Net investment hedges								
Net assets in foreign currency[5]	**3,571**	**(77)**	**(77)**	**–**	2,791	140	140	–

[1] Accumulated fair value adjustments on the hedged items included in the carrying amount of the hedged item.
[2] Balance in cash flow hedge reserve for continued transactional FX forecast hedges and discontinued hedges net of tax.
[3] In 2023 the Group established a programme to hedge forecast transactional foreign exchange exposure.
[4] The difference in change in value for calculating hedge ineffectiveness between derivatives and bonds is due to upfront cash receipt on derivatives and hedge ineffectiveness.
[5] Relates to net investment hedges which is part of the translation reserve in equity.

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to the income statement for cash flow hedges, recognised under finance income or expense. There was no ineffectiveness on fair value or net investment hedges.

	Hedging gains/(losses) in other comprehensive income £m	Hedge ineffectiveness in profit or loss £m	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m
2023				
Cash flow hedges				
Transactional FX hedge	**9**	**–**	**–**	**2**
Pre-hedging of long-term interest rates				
Below 10 years	**158**	**–**	**–**	**19**
10-30 years	**29**	**–**	**–**	**3**
2022				
Cash flow hedges				
Pre-hedging of long-term interest rates				
Below 10 years	169	3	–	18
10-30 years	35	–	–	–

Fair value of financial assets and liabilities excluding lease liabilities

The table on the next page presents the carrying amounts and the fair values of the Group's financial assets and liabilities. The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents carried at amortised cost, trade and other receivables and certain other non-current assets, loans amounts owing from/(to) related parties, trade and other payables and certain other non-current liabilities: approximates to the carrying amount.
- Cash and cash equivalents (money market funds) carried at fair value: based on net asset value of the funds.
- Short-term loans, overdrafts and commercial paper: approximates to the carrying amount because of the short maturity of these instruments.
- Interest rate swaps and foreign exchange contracts: based on present value of contractual cash flows using market-sourced data (exchange rates and interest rates) at the balance sheet date.
- Long-term loans: based on executable quotes or thinly traded prices (a level 2 fair value measurement) for European and US Medium Term Notes; based on present value of contractual cash flows for non-voting preference shares and based on the approximation of the carrying amount in the case of other floating-rate bank loans.

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	2023		2022	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets measured at amortised cost:				
Cash and cash equivalents	**588**	**588**	674	674
Trade and other receivables and certain other non-current assets	**1,595**	**1,595**	1,663	1,663
Loan amounts owing from related parties	**–**	**–**	–	–
Financial assets mandatorily measured at fair value through profit or loss:				
Held for trading derivatives that are not in a designated and effective hedging relationship	**25**	**25**	90	90
Cash and cash equivalents (money market funds)	**456**	**456**	10	10
Derivatives designated and effective as hedging instruments				
Fair value hedge	**–**	**–**	2	2
Cash flow hedge	**14**	**14**	–	–
Net investment hedge	**49**	**49**	2	2
Total financial assets	**2,727**	**2,727**	**2,441**	**2,441**
Financial liabilities measured at amortised cost:				
Short-term loans and overdrafts	**(60)**	**(60)**	(91)	(91)
Other bonds	**(4,601)**	**(4,301)**	(7,783)	(6,935)
Commercial papers	**–**	**–**	(302)	(302)
Non-voting preference shares	**(25)**	**(25)**	(25)	(25)
Trade and other payables and certain other non-current liabilities in scope of IFRS 9	**(3,123)**	**(3,123)**	(3,253)	(3,253)
Bonds in a designated hedge relationship	**(4,634)**	**(4,474)**	(2,078)	(2,081)
Financial liabilities mandatorily measured at fair value through profit or loss:				
Held for trading derivatives that are not in a designated and effective hedging relationship	**(73)**	**(73)**	(23)	(23)
Derivatives designated and effective as hedging instruments				
Fair value hedge	**(109)**	**(109)**	(139)	(139)
Cash flow hedge	**(5)**	**(5)**	–	–
Net investment hedge	**(3)**	**(3)**	(44)	(44)
Total financial liabilities	**(12,633)**	**(12,173)**	**(13,738)**	**(12,893)**
Net financial assets and financial liabilities	**(9,906)**	**(9,446)**	**(11,297)**	**(10,452)**

Financial instruments held at fair value shown according to the fair value hierarchy is provided below. Financial assets and liabilities held at fair value are categorised by the valuation methodology applied in determining their fair value. Where possible, quoted prices in active markets are used (level 1). Where such prices are not available, the asset or liability is classified as level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as level 3.

At 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss:				
Held for trading derivatives that are not in a designated and effective hedging relationship	–	25	–	25
Cash and cash equivalents (money market funds)	456	–	–	456
Derivatives designated and effective as hedging instruments:				
Cash flow hedge	–	14	–	14
Net investment hedge	–	49	–	49
Total financial assets	456	88	–	544
Financial liabilities at fair value through profit or loss:				
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(73)	–	(73)
Derivatives designated and effective as hedging instruments				
Fair value hedge	–	(109)	–	(109)
Cash flow hedge	–	(5)	–	(5)
Net investment hedge	–	(3)	–	(3)
Total financial liabilities	–	(190)	–	(190)

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss:				
Held for trading derivatives that are not in a designated and effective hedging relationship	–	90	–	90
Cash and cash equivalents (money market funds)	10	–	–	10
Derivatives designated and effective as hedging instruments in a fair value hedge				
Fair value hedge	–	2	–	2
Cash flow hedge	–	–	–	–
Net investment hedge	–	2	–	2
Total financial assets	10	94	–	104
Financial liabilities at fair value through profit or loss:				
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(23)	–	(23)
Derivatives designated and effective as hedging instruments in a fair value hedge				
Fair value hedge	–	(139)	–	(139)
Cash flow hedge	–	–	–	–
Net investment hedge	–	(44)	–	(44)
Total financial liabilities	–	(206)	–	(206)

Other assets and liabilities in scope of IFRS 9
Trade and other receivables and other non-current assets

The following table reconciles financial instruments within trade and other receivables and other non-current assets which fall within the scope of IFRS 9 to the relevant balance sheet amounts.

The financial assets are predominantly non-interest earning. Non-financial instruments include tax receivables and prepayments, which are outside the scope of IFRS 9.

	At 31 December 2023			At 31 December 2022		
	Financial instruments £m	Non-financial instruments £m	Total £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other receivables (Note 16)	1,567	289	1,856	1,634	247	1,881
Other non-current assets (Note 16)	28	86	114	29	103	132
Total	1,595	375	1,970	1,663	350	2,013

Notes to the Consolidated Financial Statements continued

Trade and other payables, other provisions and other non-current liabilities

The following table reconciles financial liabilities within trade and other payables, other provisions and other non-current liabilities which fall within the scope of IFRS 9 to the relevant balance sheet amounts. Accrued wages and salaries are included within financial liabilities. Non-financial instruments include payments on account, tax and social security payables and provisions which do not arise from contractual obligations to deliver cash or another financial asset, which are outside the scope of IFRS 9.

	At 31 December 2023			At 31 December 2022		
	Financial instruments £m	**Non-financial instruments £m**	**Total £m**	Financial instruments £m	Non-financial instruments £m	**Total £m**
Trade and other payables (Note 18)	**(3,064)**	**(462)**	**(3,526)**	(3,224)	(397)	**(3,621)**
Provisions (Note 21)	**(11)**	**(158)**	**(169)**	(11)	(86)	**(97)**
Other non-current liabilities	**(48)**	**(5)**	**(53)**	(18)	(4)	**(22)**
Total	**(3,123)**	**(625)**	**(3,748)**	**(3,253)**	**(487)**	**(3,740)**

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

The following tables set out the financial assets and liabilities that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2023 and 31 December 2022. The column 'Net amount' shows the impact on the Group's balance sheet if all offset rights were exercised.

At 31 December 2023	Gross financial assets/ (liabilities) £m	Gross financial assets/ (liabilities) set off £m	Net financial assets/ (liabilities) per balance sheet £m	Related amounts not offset £m	**Net amount £m**
Financial assets					
Derivative financial assets	**88**	**–**	**88**	**(68)**	**20**
Financial liabilities					
Derivative financial liabilities	**(190)**	**–**	**(190)**	**68**	**(122)**
At 31 December 2022					
Financial assets					
Derivative financial assets	94	–	94	(58)	36
Financial liabilities					
Derivative financial liabilities	(206)	–	(206)	58	(148)

Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances principally relate to derivative transactions under International Swaps and Derivatives Association (ISDA) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party. As there is presently not a legally enforceable right of offset, these amounts have not been offset in the balance sheet but have been presented separately in the tables above.

Sensitivity analysis

Foreign exchange sensitivity

The two major foreign currencies in which the Group's financial instruments are denominated are US Dollars and Euros. Financial instruments are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them. Intercompany loans which are fully hedged to maturity with a currency swap have been excluded from this analysis.

	2023 (Decrease)/ increase in income £m	2022 (Decrease)/ increase in income £m
10 cent appreciation of the US Dollar	**–**	(1)
10 cent depreciation of the US Dollar	**–**	1
10 cent appreciation of the Euro	**3**	13
10 cent depreciation of the Euro	**(2)**	(10)

The equity impact, shown below, for foreign exchange sensitivity relates to derivative and non-derivative financial instruments hedging the Group's net investments in its European (Euro) and Chinese (CNY) foreign operations.

	2023 (Decrease)/ increase in equity £m	2022 (Decrease)/ increase in equity £m
10 cent appreciation of the CNY	**(17)**	(11)
10 cent depreciation of the CNY	**16**	11
10 cent appreciation of the Euro	**(210)**	(182)
10 cent depreciation of the Euro	**177**	152

Interest rate sensitivity

The Group is exposed to interest rate risk on its outstanding borrowings and investments where any changes in interest rates will affect future cash flows or the fair values of financial instruments. The table below shows the Group's hypothetical sensitivity to changes in interest rates in relation to Pound Sterling, US Dollar and Euro variable rate financial assets and liabilities, including derivatives. If the interest rates applicable to floating-rate financial assets and liabilities were to have increased by 1% (100 basis points), and assuming other variables had remained constant, it is estimated that the Group's finance income for 2023 would have decreased by approximately £47m (2022: decreased by approximately £45m). A 1% (100 basis points) movement in US Dollar interest rates would not have any impact to equity (2022: no impact to equity). A 1% (100 basis points) movement in interest rates in relation to Pound Sterling or Euro is not deemed to have a material effect on equity (2022: not deemed to have a material effect on equity).

	2023 Increase/ (decrease) in income £m	2022 Increase/ (decrease) in income £m
1% (100 basis points) increase in Pound Sterling interest rates	**17**	6
1% (100 basis points) increase in US Dollar interest rates	**(43)**	(32)
1% (100 basis points) increase in Euro interest rates	**(19)**	(18)

Contractual cash flows for non-derivative financial liabilities and derivative instruments

The following table provides an analysis of the anticipated contractual cash flows including interest payable for the Group's borrowings on an undiscounted basis. Interest is calculated based on debt held at the balance sheet date without taking account of future issuance. Floating-rate interest is estimated using the prevailing interest rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at the balance sheet date.

At 31 December 2023	Borrowings £m	Interest on borrowings £m	Lease liabilities £m	Interest on lease liabilities £m	Trade payables and other liabilities not in net debt £m	Total £m
Due in less than one year	**608**	**275**	**48**	**22**	**3,110**	**4,063**
Between one and two years	**1,336**	**236**	**36**	**5**	**13**	**1,626**
Between two and three years	**707**	**220**	**25**	**2**	**–**	**954**
Between three and four years	**1,561**	**176**	**14**	**1**	**–**	**1,752**
Between four and five years	**299**	**163**	**7**	**–**	**–**	**469**
After five years	**4,783**	**1,143**	**7**	**–**	**–**	**5,933**
Gross contractual cash flows	**9,294**	**2,213**	**137**	**30**	**3,123**	**14,797**

At 31 December 2022						
Due in less than one year	393	316	44	3	3,242	3,998
Between one and two years	830	291	36	2	9	1,168
Between two and three years	1,385	248	25	2	1	1,661
Between three and four years	694	230	21	1	1	947
Between four and five years	1,653	184	13	1	–	1,851
After five years	5,299	1,370	22	2	–	6,693
Gross contractual cash flows	**10,254**	**2,639**	**161**	**11**	**3,253**	**16,318**

The table below provides an analysis of the anticipated contractual cash flows for the Group's derivative instruments, using undiscounted cash flows. Cash flows in foreign currencies are translated using spot rates at 31 December. The gross cash flows of foreign exchange contracts are presented for the purposes of this table although, in practice, the Group uses standard settlement arrangements to reduce its liquidity requirements on these instruments.

	2023		2022	
	Receivables £m	**Payables £m**	Receivables £m	Payables £m
Foreign exchange contracts				
Due in less than one year	**6,171**	**(6,180)**	5,476	(5,455)
Interest rate swap contracts				
Due in less than one year	**216**	**(289)**	153	(198)
Between one and two years	**3,274**	**(3,326)**	173	(222)
Between two and three years	**1,332**	**(1,294)**	1,916	(2,009)
Between three and four years	**349**	**(347)**	573	(524)
Between four and five years	**30**	**(29)**	–	–
After five years	**862**	**(864)**	–	–
Gross contractual cash flows	**12,234**	**(12,329)**	**8,291**	**(8,408)**

26. Employee share schemes

Incentives in the form of share awards are provided to employees under share schemes. The fair value of equity-settled share schemes is calculated at the grant date using a fair value model and is charged to the income statement over the vesting period with a corresponding adjustment to the equity share-based payment reserve. At the end of each reporting period, the Group reviews its charge and revises it accordingly based on the number of shares expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate.

For cash-settled share-based payments, the fair value of service rendered is based on the fair value of the liability related to the share-based instrument granted.

Description of the Group's plans

The Group operates a number of share-based payment schemes for Executive Directors and other employees which are predominantly equity-settled, however may be cash-settled in certain locations.

Performance Share Plan

Under the Performance Share Plan, awards are granted to Executive Directors and other employees over ordinary shares or ADS in Haleon plc at no cost. The percentage of each award that vests is based upon the performance of the Group over a defined measurement period with dividends reinvested during the same period. The performance conditions attached to each award are based on two measures over a three-year performance period. These are currently cumulative free cash flow (50%) and the ratio of net debt/adjusted EBITDA (50%). In addition, an environmental, social and governance (ESG) qualifier applies which can reduce the level of the overall vesting by up to 75%. The fair value of the awards is determined based on the closing share price on the day of grant. Starting from 2024, the performance conditions are planned to be cumulative free cash flow (50%), adjusted diluted EPS (30%) and organic operating margin improvement (20%) with the ESG qualifier working the same way.

Share Value Plan

Under the Share Value Plan, awards are granted to qualifying employees over ordinary shares or ADS in Haleon plc at no cost. These awards generally vest after three years and there are normally no performance conditions attached. The fair value of these awards is determined based on the closing share price on the day of grant and adjusted for the expected dividend yield of 1.54% (2022: 1.59%) during the vesting period.

Share Save and Share Reward Plans

The Share Save and Share Reward Plans are HMRC-approved savings-related plans. These plans are made available to all UK employees.

The Share Save Plan enables participants to save up to £500 per month, over a fixed three-year period. At the end of the fixed period the savings can be used to purchase ordinary shares in the Company at a predetermined discount of up to 20%, which is set at the time of each Share Save launch.

Participants of the Share Reward Plan contribute up to £125 per month to purchase Haleon plc ordinary shares. The Company then matches these purchases on a one-for-one basis. Participants are eligible to receive dividends during the holding period either as cash or reinvested to buy further shares. The shares are placed in a UK resident trust and are available to the individual with tax advantages after a five-year period.

Deferred Annual Bonus Plan (DABP)

Executive Directors are required to defer 50% of any bonus earned into an award over ordinary shares or ADS under the DABP, which will normally vest on the third anniversary of grant, subject to continued employment. DABP awards are eligible for dividend equivalent payments in respect of dividends that would have been paid on the ordinary shares or ADS up to the date the awards vest.

Legacy GSK share plans

Incentives in the form of shares in the Group's equity shareholder, GSK plc, were provided to employees under share award schemes until the demerger date. The share-based compensation charge for these schemes has been recorded in the income statement as selling, general and administration (2022: £61m, 2021: £59m). This expense was incurred in the form of a charge from GlaxoSmithKline Services Unlimited, as calculated under IFRS 2. The share-based payment schemes that were operated prior to demerger have vested early with all Haleon participants treated as good leavers.

Haleon has also issued Deferred Investment Awards, representing the conversion of legacy GSK awards subsequently issued in Haleon plc ordinary shares. This is a cash-settled share-based payment transaction.

Notes to the Consolidated Financial Statements continued

The total cost between each of the relevant schemes is as below:

Charge (£m)	2023	2022
Equity-settled		
Performance Share Plan	**17**	6
Share Value Plan	**58**	9
Share Save Plan	**1**	–
Cash-settled		
Share Value Plan	**11**	2
Total	**87**	**17**

The Group has £13m of outstanding liabilities as at 31 December 2023 in relation to cash-settled awards (2022: £2m). There were no cancellations or modifications to awards in 2023 or 2022.

The movements in ordinary shares, ADS awards and share options during the year, split between each of the relevant schemes, are shown below:

	Performance Share Plan		Share Value Plan		Share Save Plan[1]
Number of share awards ('000)	Ordinary shares	ADS	Ordinary shares	ADS	Share options
At 1 January 2022					
Awards granted	9,479	1,620	23,664	7,590	4,623
Dividends reinvested		–	–		
Awards released/exercised	–	–	–	–	–
Awards cancelled	–	–	–	–	–
At 31 December 2022	**9,479**	**1,620**	**23,664**	**7,590**	**4,623**
Awards granted	**9,785**	**2,093**	**18,881**	**6,370**	**1,163**
Dividends reinvested	**230**	**44**	**7**	**–**	**n/a**
Awards released/exercised	**–**	**–**	**(653)**	**(319)**	**(9)**
Awards cancelled	**(453)**	**(206)**	**(2,958)**	**(786)**	**(287)**
At 31 December 2023	**19,041**	**3,551**	**38,941**	**12,855**	**5,490**

[1] Number of share options exercisable as at 31 December 2023 was 168,350 (2022: nil).

Fair value of awards

The weighted average fair values of share awards and share options granted during the year were as below:

Weighted fair value	2023	2022
Performance Share Plan		
Ordinary shares	**£3.33**	£2.74
ADS	**$8.37**	$6.23
Share Value Plan		
Ordinary shares	**£3.21**	£2.70
ADS	**$8.00**	$6.03
Share Save Plan[1]		
Share options	**£0.93**	£0.89

[1] Weighted average exercise prices (£) for options exercised during the year was £2.27.

For the purposes of valuing options in relation to the Share Save Plan to arrive at the share-based payment charge, a Black-Scholes option pricing model has been used. The assumptions used in the model are as follows:

	2023 Grant	2022 Grant
Weighted average fair value at the measurement date (£)	**0.93**	0.89
Risk-free interest rate (%)	**3.53**	3.54
Expected dividend yield (%)	**1.88**	1.59
Volatility (%)	**23.63**	31.37
Expected life (years)	**3.5**	3
Share Save Plan-related options grant price (including 20% discount) (£)	**£2.66**	£2.27

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share options is indicative of future trends, which may not necessarily be the actual outcome.

At 31 December 2023, the range of exercise prices on options outstanding were between £2.27 and £2.66 (2022: £2.27) with remaining weighted average contractual life of 2.3 years (2022: 3.0 years). The weighted average market price on exercise during the year was £3.28.

There has been no change in the effective exercise price of any outstanding options during the year.

Employee benefit trusts

The Group sponsors employee benefit trusts (EBTs) to acquire and hold shares in Haleon plc to satisfy awards made under employee share plans. The trustees of the EBTs purchase shares with finance provided by the Group by way of gifts or loans. The costs of running the EBTs are charged to the income statement. Shares held by the EBTs are deducted from other reserves and amortised down to the value of proceeds, if any, receivable from other subsidiaries on exercise by a transfer to retained earnings. The trustees have waived their rights to dividends on the shares held by the EBTs. At 31 December 2023, the EBTs held 10.4m shares (2022: 0.2m shares) with a market value of £34m (2022: £1m).

27. Business acquisitions and disposals

Business combinations where common control exists at the time of the transaction are accounted for by adopting the principles of predecessor accounting. Such business combinations are accounted for by recognising all assets and liabilities acquired at their previous carrying values with effect from the beginning of the earliest period reported in the financial statements. No new goodwill arises from such transactions and the differences between the fair value of the consideration paid and the carrying value of assets and liabilities acquired is recorded within equity in the merger reserve.

Business combinations where common control does not exist before the transaction are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Where the consideration transferred, together with the non-controlling interest, exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill, denominated in the currency of the operation acquired.

The costs related to business combinations are charged to the income statement in the period in which they are incurred. Where not all the equity of a subsidiary is acquired, the non-controlling interest is recognised either at fair value or at the non-controlling interest's share of the net assets of the subsidiary, on a case-by-case basis.

Disposal groups are generally measured at the lower of their carrying value or fair value less costs to sell. Any gain or loss resulting from the disposal is recognised in the consolidated income statement.

Changes in the Group's ownership percentage of subsidiaries are accounted for within equity.

Acquisitions

On 28 April 2023, the Group completed the acquisition of the Jacarepaguá (Brazil) manufacturing site from GSK for a final consideration of £70m (BRL 434m) as a part of the demerger which has been accounted for as business combination. The fair value of the assets and liabilities recorded has been finalised in the year ending 31 December 2023 which resulted in the recognition of a bargain purchase gain of £7m. The gain from bargain purchase is a result of an increase in the fair value of identified assets during the period prior to the closing date.

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28. Non-controlling interests
Non-controlling interests comprises equity interests in entities not attributable, directly or indirectly, to a parent. The Group's non-controlling interests are individually not material.

29. Post balance sheet events
On 29 February 2024 the Board proposed a final dividend of 4.2 pence per ordinary share for a total amount of £388m. Subject to shareholder approval at the Company's AGM, this dividend will be paid on 16 May 2024 to holders of ordinary shares and ADRs on the register as of 15 March 2024. The dividend will be paid out of retained profits.

30. Subsidiaries
Accounting policy
A subsidiary is an entity directly or indirectly controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original acquisition and the non-controlling shareholder's share of changes in equity since the date of the acquisition. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

No subsidiaries are excluded from the Group consolidation.

List of subsidiaries
A full list of the Company's subsidiaries (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 31 December 2023 is detailed below:

Company name	Effective % ownership	Security	Registered address
Wholly owned subsidiaries			
Altogether Services, Inc.	100%	Common	c/o United Corporate Services Inc., 10 Bank Street, Suite 560, White Plains NY 10606, United States
Consumer Healthcare Holdings Limited[2]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Consumer Healthcare Intermediate Holdings Limited[2]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Duncan Consumer Healthcare Philippines Inc.	100%	Common	23rd Floor, The Finance Centre, 26th Street Corner 9th Avenue, Bonifacio Global City, Taguig City, 1634, Philippines
Ferrosan (No.2) AB[4]	100%	Ordinary	Gävlegatan 16, 113 30, Stockholm, Sweden
Ferrosan ApS	100%	A Shares, B Shares	Delta Park 37, 2665, Vallensbæk Strand, Denmark
Glaxo Wellcome Ceylon Limited	100%	Ordinary, Ordinary B	121 Galle Road, Kaldemulla, Moratuwa, Sri Lanka
GlaxoSmithKline Asia Private Limited	100%	Equity	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	100%	Ordinary	23/F., Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong
GlaxoSmithKline Consumer Healthcare (Thailand) Limited	100%	Ordinary	13th Floor, Unit 13.06, Wave Place Building, 55 Wireless Road, Lumpini Sub-district, Pathumwan District, Bangkok, 10330, Thailand
GlaxoSmithKline Consumer Healthcare (UK) (No.1) Limited	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
GlaxoSmithKline Consumer Healthcare GmbH	100%	Ordinary	Schottenring 25, Wien, 1010
GlaxoSmithKline Consumer Healthcare GmbH & Co. KG[2]	100%	Partnership Capital	Barthstr. 4, 80339, München, Germany
GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 3) Limited[4]	100%	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland

Company name	Effective % ownership	Security	Registered address
GlaxoSmithKline Consumer Healthcare Japan K.K.	100%	Ordinary	1-8-1 Akasaka Minato-ku, Tokyo, Japan
GlaxoSmithKline Consumer Healthcare Mexico, S. De R.L. de C.V.	100%	Ordinary, Ordinary Variable	Boulevard Adolfo Ruiz Cortines No. 3720, Torre 3 Piso 11, Colonia Jardines del Pedregal, Alcaldía Alvaro Obregón, Ciudad de México, C.P. 01900, Mexico
GlaxoSmithKline Consumer Healthcare Pte. Ltd.[2]	100%	Ordinary	23, Rochester Park #03-02, Singapore, 139234, Singapore
GlaxoSmithKline Consumer Healthcare Sdn. Bhd.	100%	Ordinary	Lot 89, Jalan Enggang, Ampang / Hulu Kelang Industrial Estate, Selangor Darul Ehsan, 68000 Ampang, Malaysia
GlaxoSmithKline Consumer Healthcare Vietnam Company Limited	100%	Charter Capital	Floor 16, Metropolitan, 235 Dong Khoi, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
GlaxoSmithKline Consumer Private Limited	100%	Equity	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Dungarvan Limited	100%	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Panama S.A.	100%	Ordinary	Urbanizacion Industrial Juan D, Calles A Y B, Republic of Panama, Panama
GlaxoSmithKline Paraguay S.A.	100%	Ordinary	Oficial Gilberto Aranda 333, Planta Alta casi Salvador del Mundo, Asuncion, Paraguay
GlaxoSmithKline Tuketici Sagligi Anonim Sirketi	100%	Nominative	Esentepe Mah. Bahar Sk. Özdilek River Plaza, Vyndham Grand No: 13 İç Kapı No: 80 Şişli, Istanbul, Turkey
GSK Bangladesh Private Limited	100%	Ordinary	K-248/1 Dewalibari, Konabari, Gazipur-1700, Bangladesh, Gazipur, 1700, Bangladesh
GSK CH Caricam Sociedad de Responsabilidad Limitada	100%	Participation interests	Urbanizacion Industrial Juan D, Calles A Y B, Republic of Panama, Panama
GSK Consumer Healthcare Chile SpA	100%	Interests share	Av. Andrés Bello N°2687, 25th floor, Las Condes, Chile
GSK Consumer Healthcare Holdings (No.5) Limited	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
GSK Consumer Healthcare Holdings (No.6) Limited	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
GSK Consumer Healthcare Peru S.R.L	100%	Ordinary	Av Jorge Basadre 349, piso 5, San Isidro, Lima, 05W-109, Peru
GSK Consumer Healthcare Singapore Pte. Ltd.	100%	Ordinary	23, Rochester Park #03-02, Singapore, 139234, Singapore
GSK Consumer Healthcare Trinidad and Tobago Limited	100%	Ordinary	Level 2, Invader's Bay Tower, Invader's Bay, Port-of-Spain, Trinidad
Haleon (China) Co. Ltd (formerly GlaxoSmithKline Consumer Healthcare (China) Co. Ltd)[3]	100%	Registered Capital	Room 506, No.1 Shen'gang Boulevard, Lin-gang Special Area of China Pilot Free Trade Zone, Shanghai, 200000, China
Haleon (Shanghai) Health Management Consulting Co., Ltd.	100%	Registered Capital	Unit 03, 25th floor, No. 90 Qirong Road, Pilot Free Trade Zone, China (Shanghai), China
Haleon (Suzhou) Pharmaceutical Co., Ltd. (formerly Wyeth Pharmaceutical Co. Ltd)[3]	100%	Registered Capital	4 Baodai West Road, Suzhou, Jiangsu Province, 215128, China
Haleon (Suzhou) Technology Co., Ltd. (formerly GlaxoSmithKline (Suzhou) Trading Co. Ltd)[3]	100%	Registered Capital	Second floor of the Administrative building, No. 669, Gangpu, Guoxiang Street, Wuzhong Economic Development Zone, Suzhou, China
Haleon (Taizhou) Technology Co., Ltd (formerly GlaxoSmithKline Technology (Taizhou) Co. Ltd)[3]	100%	Registered Capital	Room 708 in Building D, Phase II of New Drug Innovation Base, Taizhou, Jiangsu Province, 225300, China
Haleon Alcala, S.A. (formerly SmithKline Beecham S.A.)[3]	100%	Ordinary	Ctra de Ajalvir Km 2.500, Alcala de Henares, 28806, Madrid, Spain
Haleon Australia Pty Ltd	100%	Ordinary	Level 48, 8 Parramatta Square, 10 Darcy Street, Parramatta, Sydney NSW 2150, Australia
Haleon Belgium N.V. (formerly GlaxoSmithKline Consumer Healthcare S.A.)[3]	100%	Ordinary	Da Vincilaan 5, 1930 Zaventem, Belgium
Haleon Brasil Distribuidora Ltda (formerly GlaxoSmithKline Brasil Produtos para Consumo e Saude Ltda)[3]	100%	Quotas	Av das Americas, 3500, 4th floor, rooms 407-420, Rio de Janeiro, RJ, 22621-000, Brazil
Haleon Canada ULC / Haleon Canada SRI (formerly GlaxoSmithKline Consumer Healthcare ULC/GlaxoSmithKline Soins De Sante Aux Consommateurs SRI)[3]	100%	A Class Preference, Common	1133 Melville Street, Suite 3500, The Stack, Vancouver BC V6E 4E5, Canada

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Company name	Effective % ownership	Security	Registered address
Haleon CH Israel Ltd (formerly GSK Consumer Healthcare Israel Ltd)[3]	100%	Ordinary	25 Basel Street, Petech Tikva 49510, Israel
Haleon CH SARL (formerly GSK Consumer Healthcare SARL)2,3	100%	Ordinary	Route de I'Etraz, 1197 Prangins, Switzerland
Haleon Colombia S.A.S. (formerly GlaxoSmithKline Consumer Healthcare Colombia S.A.S.)[3]	100%	Ordinary	Carrera 7 No. 113-43 Piso 4, Colombia
Haleon Costa Rica S.A. (formerly GlaxoSmithKline Costa Rica S.A.)[3]	100%	Ordinary	Oficentro Terracampus, Edificio, Uno, Quinto Piso, Autopista Florencio del Castillo, kilometro siete, Cartago, La Unión San Diego, Costa Rica
Haleon Czech Republic s.r.o. (formerly Consumer Healthcare Czech Republic s.r.o.)[3]	100%	Ordinary	Hvezdova 1734/2c, Prague, 4 140 00, Czech Republic
Haleon Denmark Aps (formerly GlaxoSmithKline Consumer Healthcare Aps)[3]	100%	Ordinary	Delta Park 37, 2665, Vallensbæk Strand, Denmark
Haleon EG General Trading LLC (formerly GSK Consumer Healthcare Egypt LLC)[3]	100%	Quotas	North 90th street, Boomerang Building, 5th District, Cairo, Egypt
Haleon EG Limited (formerly GSK Consumer Healthcare Egypt Limited)[3]	100%	Ordinary	North 90th street, Boomerang Building, 5th District, Cairo, Egypt
Haleon Finland Oy (formerly GlaxoSmithKline Consumer Healthcare Finland Oy)[3]	100%	Ordinary	Energiakuja 3, Helsinki, 00180, Finland
Haleon France (formerly GlaxoSmithKline Santé Grand Public)[3]	100%	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Haleon Germany GmbH	100%	Ordinary	Barthstr. 4, 80339, München, Germany
Haleon Hellas Single Member Societe Anonyme (formerly GlaxoSmithKline Consumer Healthcare Hellas Single Member Societe Anonyme)[3]	100%	Ordinary	274 Kifissias Avenue Halandri, Athens, 152 32, Greece
Haleon Holdings (No.2) LLC (formerly GSK Consumer Healthcare Holdings No. 2 LLC)[2,3]	100%	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon Hungary Korlátolt Felelosségu Társaság (formerly GlaxoSmithKline-Consumer Hungary Kft.)[3]	100%	Membership Interests	H-1124, Csorsz utca 43, Budapest, Hungary
Haleon Insurance Limited (formerly GSK Consumer Healthcare Insurance Limited)[3]	100%	Ordinary	Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey
Haleon Intermediate Holdings Limited[1,2]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon Ireland Limited (formerly GlaxoSmithKline Consumer Healthcare (Ireland) Limited)[3]	100%	Ordinary	12 Riverwalk, Citywest Business Campus, Dublin 24, Ireland
Haleon Italy Manufacturing S.r.l. (formerly Pfizer Consumer Manufacturing Italy S.r.l.)[2,3]	100%	Quotas	90, Via Nettunese, 04011, Aprilia (Prov. di Latin), Italy
Haleon Italy S.r.l. (formerly GlaxoSmithKline Consumer Healthcare S.r.l.)[3]	100%	Ordinary	Via Monte Rosa 91, Milano, Italy, 20149
Haleon Kazakhstan Limited Liability Partnership (formerly GSK CH Kazakhstan LLP)[3]	100%	Charter Capital	32 A Manasa Str., Bostandyk District, Almaty, 050008, Kazakhstan
GlaxoSmithKline Limited[3]	100%	Ordinary	Likoni Road, PO Box 78392, Nairobi, Kenya
Haleon Korea Co., Ltd. (formerly GlaxoSmithKline Consumer Healthcare Korea Co., Ltd.)[3]	100%	Ordinary	9F LS Yongsan Tower, 92 Hangang-daero, Yongsan-gu, Seoul, 04386, Republic of Korea
Haleon Levice, s.r.o. (formerly GSK Consumer Healthcare Levice, s.r.o.)[3]	100%	Ordinary	Priemyselny Park Gena, Ul. E. Sachsa 4-6, 934 01, Levice, Slovakia
Haleon Netherlands B.V. (formerly GlaxoSmithKline Consumer Healthcare B.V.)[3]	100%	Ordinary	Van Asch van Wijckstraat 55G, 3811 LP, Amersfoort, Netherlands
Haleon Netherlands Capital B.V. (formerly GSK Consumer Healthcare Capital NL B.V.)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, United Kingdom
Haleon New Zealand ULC	100%	Ordinary	Level 1, 1.04, 12 Madden Street, Auckland, 1010, New Zealand
Haleon Norway AS (formerly GlaxoSmithKline Consumer Healthcare Norway AS)[3]	100%	Ordinary	Lysaker Torg 5, 3rd floor, Lysaker, 1366, Norway
Haleon Philippines, Inc. (formerly GlaxoSmithKline Consumer Healthcare Philippines Inc.)[3]	100%	Common	23rd Floor, The Finance Centre, 26th Street Corner 9th Avenue, Bonifacio Global City, Taguig City, 1634, Philippines

Company name	Effective % ownership	Security	Registered address
Haleon Poland sp. z.o.o. (formerly GlaxoSmithKline Consumer Healthcare Sp. z.o.o.)[3]	100%	Ordinary	Rzymowskiego 53, 02-697, Warszawa, Poland
Haleon Portugal, Lda. (formerly GlaxoSmithKline Consumer Healthcare, Produtos para a Saude e Higiene, Lda)[3]	100%	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, 1495-131, Alges, Portugal
Haleon Romania SRL (formerly GlaxoSmithKline Consumer Healthcare S.R.L.)[3]	100%	Ordinary	1-5 Costache Negri Street, Opera Center One, 6th floor (Zone 2), District 5, Bucharest, Romania
GlaxoSmithKline Consumer Healthcare Saudi Limited[3]	100%	Ordinary	603 Salamah Tower, 6th Floor, Madinah Road, Al-Salamah District, Jeddah 21425, Saudi Arabia
Haleon Schweiz AG (formerly GSK Consumer Healthcare Schweiz AG)[3]	100%	Ordinary	Suurstoffi 14, 6343, Rotkreuz, Switzerland
Haleon Slovakia s. r. o. (formerly GlaxoSmithKline Consumer Healthcare Slovakia s. r. o.)[3]	100%	Ownership Interests	Galvaniho 7/A, Bratislava, 821 04, Slovakia
Haleon South Africa (Pty) Ltd (formerly GlaxoSmithKline Consumer Healthcare South Africa (Pty) Ltd)[3]	100%	Ordinary	17 Muswell Road South, Block D - Wedgefield Phase 2, Bryanston, Gauteng, 2191, South Africa
Haleon Spain, S.A. (formerly GlaxoSmithKline Consumer Healthcare, S.A.)[3]	100%	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, 28760, Madrid, Spain
Haleon Sweden AB (formerly GlaxoSmithKline Consumer Healthcare AB)[3]	100%	Ordinary	Gävlegatan 16, 113 30, Stockholm, Sweden
Haleon UK Capital plc (formerly GSK Consumer Healthcare Capital UK plc)[2,3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Corporate Director Limited (formerly GSK Consumer Healthcare Holdings (No.4) Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Corporate Secretary Limited (formerly GSK Consumer Healthcare Holdings (No.8) Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Enterprises Limited[2]	100%	Voting shares	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Export Limited (formerly GSK Consumer Healthcare Export Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, United Kingdom
Haleon UK Finance (USD) Limited (formerly GlaxoSmithKline Consumer Healthcare Finance No.2 Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Finance Limited (formerly GlaxoSmithKline Consumer Healthcare Finance Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holding Canada Limited (formerly GSK Canada Holding Company Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holding New Zealand Limited (formerly GSK New Zealand Holding Company Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holding Sri Lanka Limited (formerly GlaxoSmithKline Consumer Healthcare Sri Lanka Holdings Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holdings (No.1) Limited (formerly GSK Consumer Healthcare Holdings (No.1) Limited)[2,3]	100%	Non-voting preference shares; Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holdings (No.2) Limited (formerly GlaxoSmithKline Consumer Healthcare Holdings (No.2) Limited)[2,3]	100%	A Shares; B Shares; Preference shares; Deferred shares	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holdings (No.3) Limited (formerly GSK Consumer Healthcare Holdings (No.3) Limited)[3]	100%	Non-voting preference shares; Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Holdings (No.7) Limited (formerly GSK Consumer Healthcare Holdings (No.7) Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England

Notes to the Consolidated Financial Statements continued

Company name	Effective % ownership	Security	Registered address
Haleon UK Holdings Limited (formerly GlaxoSmithKline Consumer Healthcare Holdings Limited)[2,3]	100%	A Shares, B Shares, C Shares	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK IP (No.2) Limited (formerly Stiefel Consumer Healthcare (UK) Limited)[3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK IP Limited (formerly GlaxoSmithKline Consumer Healthcare (UK) IP Limited)[2,3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Research Limited	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Services Limited[2]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Trading Limited (formerly GlaxoSmithKline Consumer Healthcare (UK) Trading Limited)[2,3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, England
Haleon UK Trading Services Limited (formerly GlaxoSmithKline Consumer Trading Services Limited)[2,3]	100%	Ordinary	Building 5, First Floor, The Heights, Weybridge, Surrey, KT13 0NY, United Kingdom
Haleon US Capital LLC (formerly GSK Consumer Healthcare Capital US LLC)[2,3]	100%	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon US Holdings Inc. (formerly GSK Consumer Healthcare Holdings (US) Inc.)[3]	100%	Preferred, Common	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon US Holdings LLC (formerly GlaxoSmithKline Consumer Healthcare Holdings (US) LLC)[2,3]	100%	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon US Inc. (formerly GSK Consumer Health, Inc.)[3]	100%	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon US IP LLC (formerly GlaxoSmithKline Consumer Healthcare (US) IP LLC)[3]	100%	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon US LLC (formerly GlaxoSmithKline Consumer Healthcare L.L.C.)[3]	100%	LLC Interests	Corporation Service Company, 2595 Interstate Drive Suite 103, Harrisburg PA 17110, United States
Haleon US Services Inc. (formerly GSK Consumer Healthcare Services, Inc.)[3]	100%	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Iodosan S.p.A.	100%	Ordinary	Via Monte Rosa 91, Milano, Italy, 20149
JSC Haleon Rus (formerly GlaxoSmithKline Healthcare AO)[3]	100%	Ordinary	Premises III, Room 9, floor 6, Presnenskaya nab. 10, 123112, Moscow, Russian Federation
Kuhs GmbH	100%	Ordinary	Barthstr. 4, 80339, München, Germany
Limited Liability Company "Haleon Ukraine" (formerly GlaxoSmithKline Healthcare Ukraine O.O.O.)[3]	100%	Ownership Interests	Pavla Tychyny avenue, 1-V, Kiev, 02152, Ukraine
N.C.H. – Nutrition Consumer Health Ltd	100%	Ordinary	14 Hamephalsim St, Petach Tikva, Israel
Northstar Switzerland SARL	100%	Ordinary	Route de I'Etraz 2, c/o Haleon CH SARL, 1197 Prangins, Switzerland
P.T. Sterling Products Indonesia	100%	A Shares; B Shares	Pondok Indah Office Tower 5 Level 12, Suite 1201, Jalan Sultan Iskandar Muda Kav. V-TA, Pondok Pinang, Jakarta Selatan 12310, Indonesia
Panadol GmbH	100%	Ordinary	Barthstr. 4, 80339, München, Germany
PF Consumer Healthcare B.V.	100%	Class A, Class B	Van Asch van Wijckstraat 55G, 3811 LP Amersfoort, Netherlands
PF Consumer Healthcare Brazil Importadora e Distribuidora de Medicamentos Ltda	100%	Quota	Barueri, at Avenida Ceci, No.1900, Block III, Part 67, Tambore District, Sao Paulo, 06460, Brazil
PF Consumer Healthcare Canada ULC/ PF Soins De Sante SRI	100%	Common	1133 Melville Street, Suite, 3500, The Stack, Vancouver BC V6E 4E5, Canada
PF Consumer Healthcare Holding B.V.	100%	Ordinary	Van Asch van Wijckstraat 55G, 3811 LP Amersfoort, Netherlands
PF Consumer Taiwan LLC	100%	Interests	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States
Pfizer Laboratories PFE (Pty) Ltd.	100%	Common	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa

Company name	Effective % ownership	Security	Registered address
Pfizer PFE Colombia S.A.S	100%	Common	Carrera 7 No. 113-43 Piso 4, Colombia
PT Haleon Indonesia Trading	100%	Ordinary	Pondok Indah Office Tower 5 Level 12, Suite 1201, Jalan Sultan Iskandar Muda Kav. V-TA, Pondok Pinang, Jakarta Selatan 12310, Indonesia
PT. Bina Dentalindo[4]	100%	Ordinary	Gedung Graha Ganesha Lantai 3, Jl Raya Bekasi Km 17, No5, Jakarta Timur 13930, Indonesia
Stafford-Miller (Ireland) Limited[2]	100%	Ordinary	Clocherane, Youghal Road, Dungarvan, Co. Waterford, Ireland
Sterling Drug (Malaya) Sdn Berhad	100%	Ordinary	Lot 89, Jalan Enggang, Ampang / Hulu Kelang Industrial Estate, Selangor Darul Ehsan, 68000 Ampang, Malaysia
Sterling Products International, Incorporated	100%	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Treerly Health Co., Ltd	100%	Registered Capital	Unit 01A, Room 3901, No 16. East Zhujiang Road, Tianhe District, Guangzhou City, China
Wyeth Pharmaceuticals Company	100%	Partnership Interests	State Road No. 3, Kilometer 142.1, Guayama, 00784, Puerto Rico

Subsidiaries where the effective interest is less than 100%

Company name	Effective % ownership	Security	Registered address
GSK-Gebro Consumer Healthcare GmbH	50.0%	Ordinary	Bahnhofbichl 13, 6391 Fieberbrunn, Kitzbühel, Austria
Haleon Pakistan Limited (formerly GlaxoSmithKline Consumer Healthcare Pakistan Limited)[3]	85.8%	Ordinary	11-A, 11th Floor, Sky Tower (East Wing), Dolmen City, HC-3, Block 4, Scheme-5, Clifton, Karachi, Sindh 75600, Pakistan
Haleon US Enterprises Inc. (formerly Beecham Enterprises Inc.)[3]	88.0%	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Haleon US LP (formerly GlaxoSmithKline Consumer Healthcare, L.P.)[2,3]	88.0%	Partnership Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States
Pfizer Biotech Corporation	55.0%	Ordinary	24F, No. 66, Sec 1, Zhong Xiao W. Rd, Taipei 100, Taiwan
Sino-American Tianjin Smith Kline & French Laboratories Ltd[2]	55.0%	Ordinary	Cheng Lin Zhuang Industrial Zone, Dong Li District, Tianjin, 300163, China
SmithKline Beecham (Private) Limited	99.7%	Ordinary	World Trade Center, Level 34, West Tower, Echelon Square, Colombo 1, Sri Lanka

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006, supported by guarantees issued by Haleon plc (under Section 479C of the Companies Act 2006) over their liabilities for the year ended 31 December 2023. Unless otherwise stated, the undertakings listed below are owned, either directly or indirectly, by the Company.

Name	Company number
Consumer Healthcare Holdings Limited	11986432
Consumer Healthcare Intermediate Holdings Limited	11986416
GlaxoSmithKline Consumer Healthcare (UK) (No.1) Limited	00753340
Haleon UK Holding Canada Limited	12342809
Haleon UK Holding New Zealand Limited	12342879
Haleon UK Holding Sri Lanka Limited	09400298
Haleon UK Holdings (No.1) Limited	13355627
Haleon UK Holdings (No.3) Limited	13401293
Haleon UK Holdings (No.7) Limited	13414769

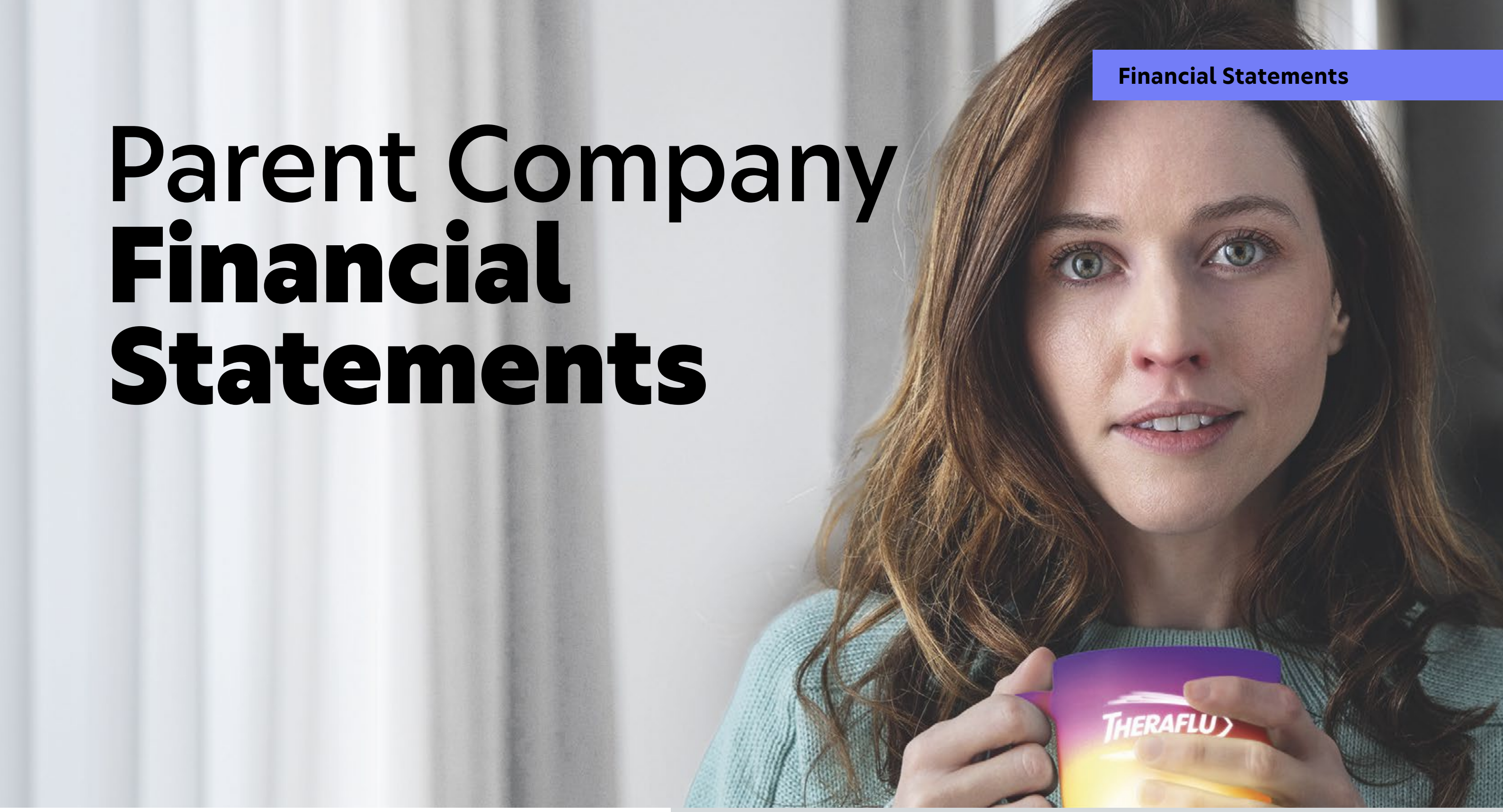
Notes to the Consolidated Financial Statements continued

The following UK subsidiaries, having not traded during the year will take advantage of the audit exemption set out within Section 480 of the Companies Act 2006 for the year ended 31 December 2023. Unless otherwise stated, the undertakings listed below are owned, either directly or indirectly, by the Company.

Name	Company number
GSK Consumer Healthcare Holdings (No. 5) Limited	13401372
GSK Consumer Healthcare Holdings (No. 6) Limited	13401308
Haleon UK Corporate Director Limited	13401336
Haleon UK Corporate Secretary Limited	13434151

1 Directly held by Haleon plc.
2 Principal subsidiary of the Group as at 31 December 2023.
3 The Company changed its name during the period between 1 January 2023 and 15 March 2024. The former name of the Company is included in brackets. The Group has a programme of action to rename and harmonise all legal entity names to reflect the Haleon brand.
4 The Company is in liquidation.

Parent Company **Financial Statements**



Theraflu:
Theraflu has a range of products to treat the symptoms of cold and flu. In 2023, the brand rolled out several new flavours to address taste barriers and expanded its 'Rest & Recover' campaign, which advocates for paid sick leave. The campaign now offers over $600k in micro-grants to give people the rest and recovery they deserve.

The image shown above is taken from the Theraflu 'Hot beats Cold' campaign.

Contents

Parent Company balance sheet
as at 31 December

	Note	2023 £m	2022 £m
Fixed assets			
Investments	5	**22,266**	22,190
Current assets			
Debtors: amounts falling due within one year	6	**308**	14
Total current assets		**308**	**14**
Creditors: amounts falling due within one year	7	**(2)**	(180)
Net current assets/(liabilities)		**306**	**(166)**
Total assets less current liabilities		**22,572**	**22,024**
Creditors: amounts falling due after one year	8	**(25)**	(25)
Net assets		**22,547**	**21,999**
Capital and reserves			
Share capital	9	**92**	92
Other reserves		**72**	15
Retained earnings[1]	11	**22,383**	21,892
Shareholder's equity		**22,547**	**21,999**

[1] The profit for the year was £879m (Period from incorporation 20 October 2021 to 31 December 2022: loss of £166m).

The notes on pages 180 to 184 form part of these Parent Company Financial Statements.

The Parent Company Financial Statements on pages 178 to 184 were approved by the Board of Directors and signed on its behalf by:

Tobias Hestler
Chief Financial Officer
15 March 2024

Parent Company statement of changes in equity
for the year ended 31 December

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2023		**92**	**–**	**15**	**21,892**	**21,999**
Ordinary shares issued	9	**–**	**–**	**–**	**–**	**–**
Capital reduction	9	**–**	**–**	**–**	**–**	**–**
Share-based incentive plans		**–**	**–**	**76**	**–**	**76**
Purchase of shares by employee benefit trust		**–**	**–**	**(19)**	**–**	**(19)**
Dividend paid		**–**	**–**	**–**	**(388)**	**(388)**
Profit for the period	11	**–**	**–**	**–**	**879**	**879**
At 31 December 2023		**92**	**–**	**72**	**22,383**	**22,547**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	**Total £m**
At 20 October 2021		–	–	–	–	**–**
Ordinary shares issued	9	11,543	10,607	–	–	**22,150**
Capital reduction	9	(11,451)	(10,607)	–	22,058	**–**
Share-based incentive plans		–	–	15	–	**15**
Loss for the period	11	–	–	–	(166)	**(166)**
At 31 December 2022		**92**	**–**	**15**	**21,892**	**21,999**

The notes on pages 180 to 184 form part of these Parent Company Financial Statements.

Notes to the Parent Company Financial Statements

1. Presentation of the Financial Statements

Description of business

Haleon plc and its subsidiary undertakings (collectively, the Group) is a group of companies focused on developing and marketing a range of Oral Health, Vitamins, Minerals and Supplements (VMS), Pain Relief, Respiratory Health, Digestive Health and Other products in more than 100 countries.

The principal activity of the Company is to act as the parent holding company of the Group.

The Company is a public company limited by shares and is incorporated and domiciled in England with registered number 13691224. The address of the Company's registered office is Building 5, First Floor, The Heights, Weybridge, Surrey, England, KT13 0NY.

In 2022, the Company's accounting reference period was extended to 31 December 2022 and hence comparatives cover the period from 20 October 2021 to 31 December 2022.

Basis of preparation

The Parent Company Financial Statements, which are prepared using the historical cost convention and on a going concern basis, are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

The Parent Company Financial Statements are presented in Pound Sterling (GBP, £), the functional currency of the Company, and all values are denominated in millions of GBP (£m or £ million) unless stated otherwise.

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented in this Annual Report.

In these Parent Company Financial Statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The requirements of Section 7 Statement of Cash Flows.
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).
- The requirements of Section 33 Related Party Disclosures.
- The requirements of Section 11 Financial Instruments.
- The requirements of Section 12 Other Financial Instruments.
- The requirements of Section 28 to disclose information about Key Management Personnel compensation.
- The requirements of Section 26 Share Based Payments.

Where required, equivalent disclosures are given in the Consolidated Financial Statements of the Group.

Going concern basis

The Company operates as the investment holding company for the Group, holding investments in subsidiaries financed by Group companies and occasionally acting as financial guarantor of certain subsidiaries of the Group. As the Company is an intrinsic part of the Group's structure and considering the likelihood of the guarantees being called upon, the Directors have a reasonable expectation that Group companies will continue to support the Company through trading and cash generated from trading for the foreseeable future.

Accounting principles and policies

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual amounts could differ from those estimates.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board and described in Note 2.

Key accounting judgements and estimates

There are no key judgements or significant estimates.

2. Accounting policies

The accounting policies below have been applied throughout the Parent Company Financial Statements and apply to the Parent Company Financial Statements as a whole.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date.

Operating income and expenditure

Income and expenditure are recognised in respect of services provided or received when supplied in accordance with contractual terms. An accrual is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Interest receivable and interest payable

Interest receivable and similar income includes interest receivable on intercompany loans. Interest payable and similar charges includes interest payable on intercompany loans. Interest receivable and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method.

Dividends

Dividends received are included in the profit and loss account in the year in which the right to receive the payment is established. Final dividends are recorded in the reserves upon shareholder approval. Interim dividends are deducted from reserves when they are paid. Dividends in the statement of changes in equity are recognised at their fair value at the date of receipt.

Taxation

Current tax is provided at the amounts expected to be paid or refunded applying tax rates that have been enacted or substantively enacted by the balance sheet date. This takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full, using the liability method, 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. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax liabilities and assets are not discounted.

The Company has applied the exception under the FRS 102 amendment for recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

The carrying value of investments are reviewed for impairment at least once a year or more frequently when there is an indication that the investment might be impaired. The primary method used to assess if the investment is impaired is to evaluate against the Group's valuation on the basis of overall market capitalisation. Another assessment method used is to compare the carrying value of each investment against its share of the net assets value of the investment or against its share of the valuation of the subsidiary based on expected discounted cash flows. Any impairment charge is recognised in the income statement in the year concerned.

Share-based payments

Incentives in the form of equity-settled share-based payments are provided to certain employees which 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 the shares that will eventually vest, adjusted for the effect of non-market based vesting conditions.

Incentives in the form of shares provided by the Company to employees of its subsidiaries represents additional capital contributions. An addition to the Company's investment in subsidiary undertakings is reported with a corresponding increase in shareholders' equity. Refer to Note 26 of the Consolidated Financial Statements for details of the charge.

The Company sponsors Employee Benefit Trusts (EBTs) to acquire and hold shares in Haleon plc to satisfy awards made under employee share plans. Shares in the Company acquired by the trust are deducted from equity until shares are vested, cancelled, reissued or disposed.

Financial assets and liabilities

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument and derecognised when it ceases to be party to such provisions. Financial liabilities are classified as current if they are legally due to be paid within 12 months of the balance sheet date.

Notes to the Parent Company Financial Statements continued

Financial assets and liabilities are initially measured at fair value and are subsequently reported at amortised cost.

Receivables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less any expected credit losses.

Amounts owed to Group undertakings and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. Non-interest bearing payables are stated at their nominal value as they are due on demand.

Non-current liabilities are classified as financial liabilities in accordance with IFRS 9. They are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

3. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company and Consolidated Financial Statements are disclosed in Note 6 to the Consolidated Financial Statements.

4. Employees

The Company has employees to provide management services to subsidiary undertakings. Below is the summary of the employee costs:

Employee costs	**2023 £m**	2022 £m
Wages and salaries	**2.1**	0.2
Social security costs	**0.3**	0.1
Pension and other post-employment costs	**0.5**	0.1
Share-based payments	**0.5**	0.1
Total	**3.4**	**0.5**

The average monthly number of persons employed by the Company during the year/period	**2023**	2022
Finance	**4**	1
Total	**4**	**1**

5. Investments

	Subsidiary undertakings £m
Cost	
At 20 October 2021	**–**
Additions	22,175
Share-based payments to employees of subsidiaries	15
At 31 December 2022	**22,190**
Additions	–
Share-based payments to employees of subsidiaries	76
At 31 December 2023	**22,266**
Impairment	
At 20 October 2021	–
At 31 December 2022	**–**
Impairment	–
At 31 December 2023	**–**
Net book value	
At 31 December 2022	22,190
At 31 December 2023	**22,266**

Details of the subsidiary undertakings of the Company as at 31 December 2023 are given in Note 30 of the Consolidated Financial Statements.

6. Debtors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed by Group undertakings	**282**	5
Other prepayments and accrued income	**6**	–
Corporation tax	**20**	9
Total	**308**	**14**

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand except for a call account balance of £275m (2022: £nil) which is unsecured and repayable on demand with interest received at SONIA rate less 0.05%.

7. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to Group undertakings	**(1)**	(180)
Other payables and accruals	**(1)**	–
Total	**(2)**	**(180)**

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand except for a call account balance of £nil (2022: £0.9m) which is unsecured and repayable on demand with interest paid at SONIA rate plus 0.1%.

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

	2023 £m	2022 £m
Other payables	**(25)**	(25)

Other payables relate to the 25,000,000 issued Non-Voting Preference Shares with a coupon rate of 9.5% per annum. The non-voting preference shares are entitled to receive a quarterly dividend and can only be redeemed after 5 consecutive calendar years commencing on the date of issue, 17 July 2022, and hence the Company has an unavoidable obligation to deliver cash. The Company has, therefore, classified the non-voting preference shares as a financial liability.

9. Share capital

	Number of shares	2023 £m	2022 £m
Issued and fully paid			
Ordinary shares of £0.01 each	**9,234,573,831**	**92**	92
Total ordinary shares of £0.01 each	**9,234,573,831**	**92**	**92**

Movements in share capital and share premium are set out in Note 23 of the Consolidated Financial Statements.

10. Other reserves

The analysis of other reserves is as follows:

	EBT shares reserve[1] £m	Share-based payment reserve £m	Total £m
As at 20 October 2021	–	–	**–**
Share-based incentive plans	–	15	**15**
As at 31 December 2022	**–**	**15**	**15**
Share-based incentive plans	**–**	**76**	**76**
Purchase of shares by employee benefit trust[1]	**(19)**	**–**	**(19)**
As at 31 December 2023	**(19)**	**91**	**72**

[1] Shares owned through an Employee Benefit Trust (EBT). The total number of shares held in connection with employee share schemes as at 31 December 2023 was 5.3m. Another 5.1m shares were held through a trust by a Group company as at 31 December 2023.

Notes to the Parent Company Financial Statements continued

11. Retained earnings
The profit of the Company for the year was £879m (2022: loss of £166m).

In the year 2023, the Company paid total dividends of £388m (2022: £nil) and as a result has £22,383m of reserves available for distribution as at 31 December 2023 (2022: £21,892m).

12. Other guarantees and contingent liabilities
The total amount of guarantees is £9,476m (2022: £10,471m). This consists of guarantees relating to:

- The bond issuances by Group companies Haleon US Capital LLC (formerly GSK Consumer Healthcare Capital US LLC), Haleon UK Capital plc (formerly GSK Consumer Healthcare Capital UK plc) and Haleon Netherlands Capital B.V. (formerly GSK Consumer Healthcare Capital NL B.V.).
- International Swaps and Derivatives Association agreements for other Group companies.
- Surety bonds for other Group companies.

Details regarding certain legal actions which involve the Company are set out in Note 22 to the Consolidated Financial Statements.