Financial statements

In this section

Directors' statement of responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration report and the Group and parent company financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group consolidated financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice) (Financial Reporting Standard 101 Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS, as issued by the IASB and in conformity with the requirements of the Companies Act 2006;
- state with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; provide additional disclosures when compliance with the specific requirements in IFRS Standards 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; and make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements and the Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group financial statements for the year ended 31 December 2023, comprising principal statements and supporting notes, are set out in the 'Financial statements' on pages 180 to 266 of this report. The parent company financial statements for the year ended 31 December 2023, comprising the balance sheet and the statement of changes in equity for the year ended 31 December 2023 and supporting notes, are set out on pages 267 to 271.

The responsibilities of the auditor in relation to the financial statements are set out in the Independent Auditor's report on pages 166 to 179.

The financial statements for the year ended 31 December 2023 are included in the Annual Report, which is published in printed form and made available on our website. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the current Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report 2023 confirms that, to the best of his or her knowledge:

- the Group financial statements, which have been prepared in accordance with the applicable set of accounting standards and in conformity with the requirements of Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the strategic report and risk sections of the Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the company and the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statement, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Directors' statement of responsibilities continued

Disclosure of information to auditor

The Directors in office at the date of this Annual Report have each confirmed that:

– so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and
– he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern basis

Pages 78 to 106 and pages 62 to 69 contain information on the performance of the Group, its financial position, cash flows, net debt position, borrowing facilities and climate related risks. Further information, including Treasury risk management policies, exposures to market and credit risk and hedging activities, is given in Note 44, 'Financial instruments, and related disclosures' to the financial statements. Having assessed the principal risks and other matters considered in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Internal control

The Board, through the Audit & Risk Committee, has reviewed the assessment of risks and the internal control framework that operates in GSK and has considered the effectiveness of the system of internal control in operation in the Group for the year covered by this Annual Report and up to the date of its approval by the Board of Directors. Further detail on the review of internal controls is set out in the Governance report on page 134.

The 2018 UK Corporate Governance Code

The Board considers that GSK plc applies the principles and complies with the provisions of the UK Corporate Governance Code maintained by the Financial Reporting Council, as described in the Corporate Governance section on pages 118 to 138. The Board further considers that the Annual Report, 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.

As required by the Financial Conduct Authority's Listing Rules, the auditor has considered the Directors' statement of compliance in relation to those points of the UK Corporate Governance Code which are specified for their review.

Annual Report

The Annual Report for the year ended 31 December 2023, comprising the Report of the Directors, the Remuneration report, the Financial statements and Additional information for investors, has been approved by the Board of Directors and signed on its behalf by

Sir Jonathan Symonds

Chair
27 February 2024

Independent Auditor's report to the members of GSK plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- The financial statements of GSK plc (the 'Parent company') and its subsidiaries (the 'Group') 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 United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- The Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise the

Group
– Consolidated balance sheet as at 31 December 2023;
– Consolidated income statement for the year then ended;
– Consolidated statement of comprehensive income for the year then ended;
– Consolidated statement of changes in equity for the year then ended;
– Consolidated cash flow statement for the year then ended; and
– Notes 1 to 48 to the financial statements, which includes the material accounting policy information.
Parent company
– Balance sheet as at 31 December 2023;
– Statement of changes in equity for the year then ended; and
– Notes A to L to the financial statements, which includes the material accounting policy information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the Group and the Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent company, as noted in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report on page 133 and the disclosure provided in Note 8 regarding fees payable to the Group's auditor.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation of the ViiV Healthcare Shionogi contingent consideration liability
- Valuation of US Returns and Rebates (RAR) accruals
- Valuation of other intangible assets
- Valuation of uncertain tax positions, including transfer pricing
- Valuation of the contingent liabilities and significant legal proceedings.

Materiality

- The materiality that we used for the group financial statement was £280 million (2022: £210 million) which was determined on the basis of Statutory profit before tax, Adjusted profit before tax, Revenue and Net cash flows from operations.

Scoping

- The following components were subject to audit procedures as well as the assessment of the effectiveness of internal controls over financial reporting: Belgium, Canada, China, France, Germany, Italy, Japan, United Kingdom and the United States.

  Our audit scope addressed 80% (2022: 79%) of the Group's revenue, 92% (2022: 91%) of the Group's profit before tax and 76% (2022: 86%) of the Group's total assets.

Significant changes in our approach

- We have removed the key audit matters relating to the Consumer Healthcare demerger and IT systems that impact financial reporting.

Independent Auditor's report continued

Report on the audit of the financial statements continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent company's ability to continue to adopt the going concern basis of accounting included:

- Enquiries of the Group directors and management regarding the assumptions used in the going concern models, including the potential impact of climate change;
- Evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities, including the impact of changes in interest rates on profitability;
- Reading analyst reports, industry data and other external information, including understanding the macroeconomic environment, to determine if it provided corroborative or contradictory evidence in relation to assumptions used;
- Comparing forecasted sales to recent historical financial information;
- Testing the underlying data generated to prepare the forecast scenarios and determined whether there was adequate support for the assumptions underlying the forecast; and
- Evaluating the Group's disclosures on going concern against the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion on the financial statements as a whole, we do not provide a separate opinion on these matters.

We have removed two key audit matters in 2023; the Consumer Healthcare Demerger key audit matter following the completion of the demerger in the prior year, and the key audit matter relating to IT systems that impact financial reporting following the remediation of control deficiencies relating to governance and operation of infrastructure privileged access management in the prior year.

Independent Auditor's report continued

Report on the audit of the financial statements continued

Key audit matter description	How the scope of our audit responded to the key audit matter
Valuation of the ViiV Healthcare Shionogi contingent consideration liability The Group has completed a number of significant transactions which resulted in the recognition of material contingent consideration liabilities, which are a key source of estimation uncertainty. The most significant of these liabilities was the ViiV Healthcare Shionogi Contingent Consideration Liability (ViiV CCL). The Group completed the acquisition of the remaining 50% interest in the Shionogi-ViiV Healthcare joint venture in 2012. Upon completion, the Group recognised a contingent consideration liability for the fair value of the expected future payments to be made to Shionogi. As at 31 December 2023 the liability was valued at £5,718 million. We identified the ViiV CCL as a key audit matter because of the significant estimates and assumptions relating to the sales forecasts used in valuing the ViiV CCL and the sensitivity of the valuation to these inputs. The most significant of these relate to sales forecasts in the United States (US) on certain products in the treatment and prevention portfolio. Such forecasts are based on an assessment of the expected launch dates for pipeline assets, the ability to shift market practice and prescriber behaviour towards long-acting injectable treatments and 2-drug regimens, the size of long-acting prevention market and subsequent sales volumes. There is incremental challenge in forecasting sales associated with recently launched products due to the lack of historical actual data. The sales forecasts also required significant audit effort to perform appropriate audit procedures to challenge and evaluate the reasonableness of those forecasts. Contingent consideration liabilities, including the ViiV CCL, are disclosed as a key source of estimation uncertainty in Note 3, of the Group financial statements with further disclosures provided in Note 33. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.	**Audit procedures performed** We performed the following audit procedures, amongst others, related primarily to the sales forecasts: – Tested the controls over the key inputs and assumptions used in the valuation of the contingent consideration liability, including review controls over the sales forecasts of the treatment product portfolio used to value the ViiV CCL; – Obtained the Group's assessment of the key inputs and assumptions used in the sales forecasts and challenged the reasonableness of these, including through enquiries of key individuals from the senior leadership team, commercial strategy team and key personnel involved in the budgeting and forecasting process, and inspection of supporting evidence; – Challenged the US volume assumptions made by the Group to estimate sales forecasts. This involved benchmarking forecast market share data against external data, such as total prescription volumes and new patient prescription volumes, in order to assess for any sources of contradictory evidence; – Challenged the reasonableness of US pricing assumptions by the Group, by comparing the forecasted Returns and Rebates rate by product against the current rate, and assessing the forecasted Returns and Rebates against comparable products considering expected changes in payer policy; – Considered the results of clinical studies undertaken in the year by the Group and key competitors in order to assess whether these are corroborative or contradictory to assumptions used in the product portfolio sales forecasts in the US; – Benchmarked the Group's sales forecasts against those included in reports from nine analysts and considered sales forecasts on both a total ViiV basis and an individual product basis, assessing against identified contradictory data; and – Together with our valuations specialists, assessed the reasonableness of the overall valuation methodology, including benchmarking the discount rate used and testing the valuation model for mechanical accuracy. **Key observations communicated to the Audit & Risk Committee** The sales forecasts used in the valuation are reasonable and in line with relevant supporting information. We are satisfied that the sales forecasts appropriately reflect trends in the overall HIV treatment and prevention markets including the impacts of competition, healthcare reform and a predicted shift towards long-acting injectable products. The approach to valuing the ViiV CCL was consistent with prior periods and overall we are satisfied that the valuation liability is reasonable and consistent with IFRS.

Independent Auditor's report continued

Report on the audit of the financial statements continued

Key audit matter description	How the scope of our audit responded to the key audit matter
Valuation of US Returns and Rebates (RAR) accruals In the US, the Group sells to customers under various commercial and government mandated contracts and reimbursement arrangements that include rebates, chargebacks and a right of return for certain pharmaceutical products. As such, revenue recognition reflects gross-to-net sales adjustments. These adjustments are known as the Returns and Rebates (RAR) accruals and are a source of significant estimation uncertainty which could have a material impact on reported revenue. In the US Commercial business in 2023, £16,539 million of RAR deductions were made to gross revenue of £32,359 million, resulting in net revenue of £15,820 million. The balance sheet accrual at 31 December 2023 for the US Commercial business amounted to £5,951 million. The four most significant payer channels (also referred to as buying groups) to which the RAR accrual relates are managed healthcare organisations, Medicaid, Ryan White and Medicare Part D. The two main causes of significant estimation uncertainty are: – The utilisation rate, which is the portion of total sales that will be made into each payer channel, estimated in recording the accruals. The utilisation assumption is the most challenging of the key assumptions used to derive the accrual given that it is influenced by market demand and other factors outside the control of the Group; and – The time lag between the point of sale and the point at which exact rebate amounts are known to the Group upon receipt of a claim. Those payer channels with the longest time lag result in a greater accrued period, and therefore, a greater level of estimation uncertainty in estimating the period-end accrual. The level of estimation uncertainty is also impacted by significant shifts in channel mix driven by changes in the competitive landscape, including competitor and generic product launches, changes in government legislation and other macroeconomic factors. As such, we focus on the utilisation assumptions for those products where we deem the level of estimation uncertainty to be the most significant. We also focus on the period-end adjustments made to the RAR accruals. These adjustments reflected updates made to the initial assumptions included within the forecasted RAR rates and, in our view, present the greatest opportunity for fraud in revenue recognition (notwithstanding the existence of internal controls). US Commercial Operations returns and rebates are disclosed as a key source of estimation uncertainty in Note 3 of the Group financial statements with further disclosures provided in Note 29. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.	**Audit procedures performed** We performed the following audit procedures, amongst others, related to estimates in the RAR accruals: – Tested the key controls over the estimation of RAR accruals including the controls associated with the forecasting of utilisation rates process and the month-end accrual review controls; – Challenged assumptions for a selection of utilisation rates, focusing on certain products where we concluded the accrual is most sensitive to these assumptions. Our challenge included comparison to historical utilisation rates, consideration of historical accuracy and assessment of how market changes such as the impact of competition, new product launches, changes in government legislation and macroeconomic factors are appropriately reflected in the RAR accruals; – Supplemented this with substantive analytical procedures by developing an independent expectation of the accrual balance for each of the key segments, based on historical claims received adjusted to reflect market changes in the period including an assessment of the time lag between the initial point of sale and the claim receipt. We then compared this independent expectation to those recorded to evaluate the appropriateness of the year ending accrual position; – Considered the historical accuracy of estimates and evaluated whether forecast assumptions had been appropriately updated in a selection of cases where the actual rebate claims differed to the amount accrued; – Evaluated the appropriateness of, and completeness of, period-end adjustments to the liability made as part of the ongoing review of the estimated accrual; and – Performed audit procedures over the actual rebate payments made in the year by agreeing to the relevant contract to assess whether the rebate payments were in line with the contractual terms. **Key observations communicated to the Audit & Risk Committee** We are satisfied that the estimated liability of the RAR accruals at the year-end is appropriate. We observed a level of prudence in the estimate when assessing against our own independent expectations, which is in accordance with the requirements of IFRS 15 Revenue from contracts with customers to limit the risk of a significant reversal of revenue.

Independent Auditor's report continued

Report on the audit of the financial statements continued

Key audit matter description

Valuation of other intangible assets

As at 31 December 2023, the Group held £14,166 million of other intangible assets (including licenses, patents, trademarks, and trade names, but excluding goodwill and computer software). This includes £1,438 million of intangible assets acquired as part of the acquisition of Bellus Health during the year.

Intangible assets which are in-development and not available for use should be tested at least annually for impairment irrespective of whether an indication of impairment exists.

When the carrying amount of an individual intangible asset, or an cash-generating unit to which an intangible asset belongs, exceeds its recoverable amount, an impairment occurs. Recoverability of an intangible asset is derived from certain assumptions and estimates of future trading performance which create significant estimation uncertainty.

The underlying assumptions include forecast sales pricing, volume, growth rates and probability of technical and regulatory success of ongoing clinical trials. This includes assumptions on timing of cash flows determined by anticipated launch year, peak year sales, subsequent sales erosion due to generic product competition and profit margin levels. In addition, due to the impact of uncertainty driven by ongoing global macroeconomic volatility, the valuation of intangible assets will also be affected by discount rate assumptions made by the Group.

During 2023, impairment charges of £398 million were recorded. These were primarily full impairments due to cessation of research and development dictated by negative clinical trial readouts or lack of commercial attractiveness.

We identified the valuation of other intangible assets as a key audit matter due to the inherent judgements involved in estimating future cash flows. Auditing such assumptions and estimates required extensive audit effort to challenge and evaluate the reasonableness of forecasts and management judgements.

The disclosures relating to other intangible assets, including those acquired as part of business combinations, are included in Note 20 and Note 41 of the Group financial statements. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.

.

How the scope of our audit responded to the key audit matter

Audit procedures performed

We performed the following audit procedures, amongst others, over the forecast sales pricing, volume, growth rates, probability of technical and regulatory success, profit margin levels, and discount rates used in the assessment of the valuation of other intangible assets, such as those acquired as part of the Group's acquisition of Bellus Health:

- Tested review controls over the key inputs and assumptions used in the valuation of other intangible assets. The controls encompass review of the valuation models, which contain a number of assumptions such as the probability of technical and regulatory success, launch dates plus other revenue and cost assumptions;
- Inquired with key individuals from the corporate development team, commercial forecasting leads, and key personnel involved in the assets research and development process. We used the outcome of these inquiries to evaluate the Group's evidence to support key assumptions such as overall sales forecasts, peak year sales (including anticipated market share, volume and uptake alongside price points where required), foreseeable competitive landscape, growth rates, probability of regulatory and technical success and margins;
- Evaluated the key inputs and assumptions applied in estimating sales and profit margin forecasts, including benchmarking of forecasts against external market data. This included independent market research of therapeutic area price points, price growth rates, and anticipated competitor market landscape, currently and at the time of forecast regulatory approval, plus assessment of any sources of contradictory evidence;
- Compared the forecast sales and profit margin levels to the Plan data (asset by asset internal forecasts) approved by the GSK Leadership Team and the Board of Directors, where the in-development intangible asset is forecast to launch within the next 3-year period;
- Assessed the historical accuracy of sales forecasts by performing retrospective reviews across marketed assets within the business;
- Engaged our fair valuation specialists to assess the reasonableness of discount rates and valuation methodology applied as well as performing mechanical accuracy checks; and
- Considered whether events or transactions that occurred after the balance sheet date, but before the reporting date, affect the conclusions reached on the carrying values of the assets and associated disclosures.

Key observations communicated to the Audit & Risk Committee

For those intangible assets which were acquired during the period as part of the Bellus Health business acquisition we concluded that the assumptions underpinning the fair value of intangible assets reflected in the purchase price allocations were reasonable and in accordance with IFRS.
For those intangible assets in-development and subject to impairment reviews we concluded that the judgements made by management were reasonable and in accordance with IFRS.

Independent Auditor's report continued

Report on the audit of the financial statements continued

Key audit matter description	How the scope of our audit responded to the key audit matter
Valuation of uncertain tax positions, including transfer pricing The Group operates in numerous jurisdictions and there are open tax and transfer pricing matters and exposures with UK, US and overseas tax authorities that give rise to uncertain tax positions. There is a wide range of possible outcomes for provisions and contingencies. Certain judgements in respect of estimates of tax exposures and contingencies are required in order to assess the adequacy of tax provisions, which are sometimes complex as a result of the considerations required over multiple tax laws and regulations. At 31 December 2023, the Group has recorded provisions of £584 million in respect of uncertain tax positions. Valuation of uncertain tax positions is disclosed as a key source of estimation uncertainty in Note 3 of the Group financial statements with further disclosures included in Note 14. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.	**Audit procedures performed** With the support of our tax specialists, we assessed the appropriateness of the uncertain tax provisions, focused on those jurisdictions where the Group has the greatest potential exposure and where the highest level of judgement is required, by performing the following audit procedures amongst others: – Tested key controls over preparation, review and reporting of judgmental tax balances and transactions, which include provisions for uncertain tax provisions; – Assessed the assumptions and judgements that are required to determine the range of possible outcomes for recognition and measurement of provisions for uncertain tax positions in compliance with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments; – Involved our transfer pricing specialists to evaluate the transfer pricing methodology of the Group and associated approach to provision recognition and measurement; and – Considered evidence such as the actual results from the recent tax authority audits and enquiries, third-party tax advice obtained by the Group and our tax specialists' own knowledge of market practice in relevant jurisdictions. **Key observations communicated to the Audit & Risk Committee** We are satisfied that the estimates in relation to uncertain tax positions and the related disclosures are in accordance with IFRS. From our work we concluded that a consistent approach has been applied to estimating uncertain tax provisions which is appropriate and in accordance with IFRIC 23.

Independent Auditor's report continued

Report on the audit of the financial statements continued

Key audit matter description	How the scope of our audit responded to the key audit matter
Valuation of the contingent liabilities and significant legal proceedings The Group operates in an environment where it is subject to significant legal and administrative proceedings, including product liability, intellectual property, tax, anti-trust, consumer fraud and governmental regulations. The Group is currently exposed to a number of regulatory and litigation matters. The Group's provision for these matters is £267 million at 31 December 2023. Other matters are disclosed as contingent liabilities where the criteria for recognising a provision under IAS 37 Provisions, Contingent Liabilities and Contingent Assets are not met, including the *Zantac* litigation described in Note 47. Significant judgement is required by the Group in determining whether, under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in particular in relation to the *Zantac* litigation, as to: – Whether the outcome will result in a probable outflow, particularly where the outcome of litigation is uncertain and subject to additional court proceedings; – The determination of a reliable estimate can be made of the amounts of the obligation; and – The nature and extent of any contingent liabilities and underlying significant estimation uncertainties disclosed. Contingent liabilities and significant legal proceedings are disclosed in Notes 35 and 47, respectively. The key audit matter is discussed within the Corporate Governance section of the Annual Report.	**Audit procedures performed** We performed the following audit procedures: – Tested the Group's controls over the completeness of provisions, the robustness of the provision against the requirements of IAS 37, the appropriateness of judgements used to determine a 'best estimate' and completeness and accuracy of data used in the process; – Evaluated the assessment of the provisions, associated probabilities, and potential outcomes in accordance with IAS 37; – Evaluated the methodology, data and significant judgements and assumptions used in the valuation of the provisions are appropriate in the context of the applicable financial reporting framework; – Inquired with and inspected correspondence from the Group's internal and external counsel to assess the litigation matter and evaluate the Group's significant judgements and assumptions; – Where no provision was made for actual or expected trial outcomes or settlements, evaluated the Group's conclusion, supportive and contradictory evidence and the requirements of IAS 37, particularly with respect to the *Zantac* litigation; – Read board minutes and settlement agreements to evaluate management's approach in respect of the litigation, and agreed the terms and conditions of such arrangements to the payments made to evaluate provisions already recorded and whether there is a requirement for additional provisions; – In respect of the *Zantac* litigation, inspected the evidence presented in relevant scientific studies and the outcomes of other product liability litigation in the same jurisdictions alongside the entity's assessment of possible outcomes of each ongoing trial and expectation of which trials will go ahead as per the schedule of future trials; and – Evaluated whether the disclosures made in the financial statements appropriately reflect the facts and critical accounting judgements. **Key observations communicated to the Audit & Risk Committee** We are satisfied that the estimation of the provisions and contingent liability disclosures are consistent with the requirements of IAS 37.

Independent Auditor's report continued

Report on the audit of the financial statements continued

6 Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<table>
<tr><th></th><th>Group financial statements</th><th>Parent company financial statements</th></tr>
<tr><td>Materiality</td><td>£280 million
(2022: £210 million)</td><td>£280 million
(2022: £52.5 million)</td></tr>
<tr><td>Basis for determining materiality</td><td>In determining our benchmark for materiality, we considered the metrics used by investors and other readers of the financial statements. In particular, we considered: Statutory profit before tax, Adjusted profit before tax, Revenue and Net cash flows from operations.

Using professional judgement, we have determined materiality to be £280 million. See below for how our materiality compares to our benchmark metrics.
<table><tr><th>Metric</th><th>%</th></tr><tr><td>Statutory profit before tax</td><td>4.62%</td></tr><tr><td>Adjusted profit before tax*</td><td>3.45%</td></tr><tr><td>Revenue</td><td>0.92%</td></tr><tr><td>Net cash inflow from operating activities</td><td>4.14%</td></tr></table>* A reconciliation between the Statutory profit before tax and Adjusted profit before tax is detailed in the Adjusting Items section of the strategic report.</td><td>Materiality was determined using the total assets benchmark capped at 100% (2022: 25%) of Group materiality. Our materiality represents 0.62% of total assets.</td></tr>
<tr><td>Rationale for the benchmark applied</td><td>Given the importance of the above metrics used by investors and other readers of the financial statements, we concluded `Statutory profit before tax` to be the primary benchmark. The adjusted profit before tax, Revenue and Net cash inflow from operating activities, have been used as supporting benchmarks.

The component materiality allocated to the in-scope components ranged between £66 million and £196 million (2022: between £40 million and £125 million).</td><td>The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern for the Parent company is the payment of dividends. Using a benchmark of total assets is therefore the appropriate metric.

The current year materiality has been increased to reflect the size, scale and nature of the Parent company. Where account balances are audited for the purpose of the consolidated financial statements, a lower component materiality is used.</td></tr>
</table>

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group and Parent company performance materiality was set at 70% of Group and Parent materiality respectively for the 2023 audit (2022:70%). In determining performance materiality, we considered factors including:

– Our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and

– Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £10 million (2022: £10 million) as well as any differences below this threshold, which in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's report continued

Report on the audit of the financial statements continued

7. Audit scope and execution

We structured our approach to the audit to reflect how the Group is organised and ensured our audit was both effective and risk focused.

The central control and common systems throughout the Group enables us to deploy and utilise technology and data analytics across the breadth of the Group, enabling a more detailed understanding of the flow of transactions, enabling us to focus our risk assessment and design targeted audit testing procedures.

We embed technology throughout our audit to improve quality and effectiveness, including in the areas of planning and scoping, project management, risks and controls assessment, substantive testing and reporting insights to management and the Audit and Risk Committee. We have piloted the use of artificial intelligence powered tools as we continue to invest in our use of technology across the audit.

Our audit approach can be summarised into the following areas that enabled us to obtain the evidence required to form an opinion on the Group and Parent company financial statements:

- **Risk assessment and audit planning at a Group level.** Our risk assessment procedures considered, amongst other factors, the impact of climate change and the wider macroeconomic environment on the account balances, disclosures and company practices. Our data analytical tools allow us to scrutinise large transactional data sets for unusual trends, characteristics, outliers or transaction flows to support our identification of audit risks. For example, we analysed US RAR data by product and payment channel to identify products where there are high values of total rebate deductions recognised, where there are significant differences on rebate rates offered between payers or where qualitative factors impacted the brands (see Section 5 - Valuation of US Returns and Rebates (RAR) accruals). We also used data analytics to determine products and regions where the valuation of the ViiV Healthcare Shionogi contingent consideration liability was most sensitive to the assumptions used (see Section 5 - Valuation of the ViiV Healthcare Shionogi contingent consideration liability). We appointed partners from the Group audit team to lead the global audit of the operating segments (commercial operations and research & development), in addition to partners responsible for the component and legal entity audits in each country. These segment partners met regularly with senior segment management to understand the strategy, performance and other matters which arose throughout the year that could have impacted the financial reporting. In addition, we held regular meetings with members of the Internal Audit, the internal Legal Counsel and the Global Ethics & Compliance teams to understand their work and to review their reports to enhance our risk assessment;
- **Audit work performed at global shared service centres** A significant amount of the Group's operational processes that cover financial reporting is undertaken in shared service centres. Our Group audit team included senior individuals responsible for each of the global processes who coordinated our audit work at the shared service centres utilising a live global project management platform. This structure enables us to develop a good understanding of the end-to-end processes that supported material account balances, classes of transactions and disclosures within the Group financial statements. We then evaluated the effectiveness of internal controls over financial reporting for these processes and considered the implications for the remainder of our audit work;
- **Audit work executed at component level and individual legal entities.** The following components were subject to audit procedures as well as the assessment of the effectiveness of internal controls over financial reporting: Belgium, Canada, China; France, Germany, Italy, Japan, United Kingdom and the United States. The Group audit team was in active dialogue throughout the audit with the component audit teams responsible for the audit work under the direction and supervision of the Group audit team. This included determining whether the work was planned and performed in accordance with the overall Group audit strategy and the requirements of our Group audit instructions to the components. As part of supervising the work of the components, senior Group audit team members visited Belgium, USA, UK and China, as well as the shared service centre audits for Malaysia and Poland. To satisfy ourselves that our oversight and supervision was appropriate we performed reviews of audit working papers, increased the frequency and length of those reviews depending on the significance and risk of the component and continued to attend the planning and clearance meetings of components;
- **Audit procedures undertaken at a Group level and on the parent company**. In addition to the above, we also performed audit work on the Group and Parent company financial statements, including but not limited to the consolidation of the Group's results, the preparation of the financial statements, certain disclosures within the Directors' Remuneration report, litigation provisions and exposures in addition to entity level and oversight controls relevant to financial reporting. All components or legal entities with annual revenue greater than 1.8% (2022:1.8%) of the total Group revenue were included in our audit scope. The components or legal entities not covered by our audit scope were subject to analytical procedures confirming that there were no significant risks of material misstatement in the aggregated financial information; and
- **Internal controls testing approach**. We tested the effectiveness of internal controls over financial reporting across all in-scope entities and entity level controls at the Group level. Common systems allowed for relevant IT controls to be tested centrally across all components and we utilised an automated controls testing tool which was leveraged to support our testing of both IT controls and automated business controls. We were able to place reliance on controls where planned.

Our audit scope addressed 80% (2022:79%) of the Group's revenue, 92% (2022: 91%) of the Group's profit before tax and 76% (2022: 86%) of the Group's total assets.

Independent Auditor's report continued

Report on the audit of the financial statements continued

The impact of climate change on our audit

Climate change has the potential to impact the Group in a number of ways as set out in the strategic report on pages 62 to 70 of the Annual Report and Notes 17, 19 and 20 on pages 207, 209 and 210 of the financial statements. The Group has committed to net zero greenhouse gas emissions across the Group's full value chain by 2045.

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

We have sought to understand the Group's identification and assessment of the potential impacts of climate change, how these risks influence the Group's strategy and their implications on the financial statements.

The Group's assessment focused on the impacts of more frequent extreme weather conditions, water scarcity, changes in the political landscape and media focus which has the propensity to cause changes in consumer and market behaviour; volatility in the costs and availability of materials and resources that could impact future financial performance and asset valuations.

In consultation with our climate change specialists, we:

- Conducted detailed risk assessment procedures across all in-scope balances and transactions to determine any risks of material misstatement in the financial statements by applying the expected impact of climate change to our understanding of the business;
- Challenged the appropriateness of the Group's assessment of the potential impact of climate change and the impact of these on the financial statements, including in the area of intangible assets; and
- Used our own assessment of the impact of climate change to challenge the Group's assessment of going concern, including considering the potential impact on future performance and availability of financing.

As part of our audit procedures, we are required to read and consider these disclosures to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit. We did not identify any material inconsistencies as a result of these procedures.

Independent Auditor's report continued

Report on the audit of the financial statements continued

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We summarise below our work in relation to areas of the other information including those areas upon which we are specifically required to report:

Matters we are specifically required to report

Our responsibility	Our reporting
Principal risks and viability statement Review the confirmation and description in the light of the knowledge gathered during the audit, such as through considering the directors' processes to support the statements made, challenging key judgements and estimates, consideration of historical forecasting accuracy and evaluating macro-economic assumptions. Consider if the statements are aligned with the relevant provisions of the Code.	As set out in the "Corporate governance statement" section, we have nothing material to report, add or draw attention to in respect of these matters.
Directors' Remuneration report Report whether the part of the Directors' Remuneration report to be audited is properly prepared and the disclosures specified by the Companies Act have been made.	As set out in the 'Opinions on other matters prescribed by the Companies Act 2006' section, in our opinion, the part of the Directors' Remuneration report to be audited has been prepared in accordance with the Companies Act 2006.
Strategic report and directors' report Report whether they are consistent with the audited financial statements and are prepared in accordance with applicable legal requirements. Report if we have identified any material misstatements in either report in the light of the knowledge and understanding of the Group and of the Parent company and their environment obtained in the course of the audit.	As set out in the "Opinions on other matters prescribed by the Companies Act 2006" section, in our opinion, based on the work undertaken in the course of the audit, the information in these reports is consistent with the audited financial statements and has been prepared in accordance with applicable legal requirements. As referenced on page 70, we have provided limited assurance in accordance with International Standards for Assurance Engagements (ISAE) 3000 and ISAE 3410 over selected metrics on page 70.

Independent Auditor's report continued

Report on the audit of the financial statements continued

Other reporting on other information

Our responsibility	Our reporting
Alternative performance measures (APMs) APMs are measures that are not defined by generally accepted accounting practice (GAAP) and therefore are not typically included in the financial statement part of the Annual Report. The Group use APMs, such as adjusted profit, free cash flow and constant currency growth rates in its reporting of financial performance. We have reviewed and assessed the calculation and reporting of these metrics to assess consistency with the Group's published definitions and policies for these items. We have also considered and assessed whether the use of APMs in the Group's reporting results is consistent with the guidelines produced by regulators such as the European Securities and Markets Authority (ESMA) guidelines on the use of APMs and the FRC Alternative Performance Measures Thematic Review published in October 2021. We also considered whether there was an appropriate balance between the use of statutory metrics and APMs, in addition to whether clear definitions and reconciliation for APMs used in financial reporting have been provided.	In our opinion: – The use, calculation and disclosure of APMs is consistent with the Group's published definitions and policies; – The use of APMs in the Group's reporting results is consistent with the guidelines produced by ESMA and FRC; and – There is an appropriate balance between the use of statutory metrics and APMs, together with clear definitions and reconciliation for APMs used in financial reporting.
Dividends and distribution policy Consider whether the dividends policy is transparent, and the dividends paid are consistent with the policy, as outlined in the strategic report on page 92.	In our opinion the dividends policy is appropriately disclosed, and dividends paid are consistent with the policy.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's report continued

Report on the audit of the financial statements continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of the senior leadership team, internal audit and the Audit & Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- the matters discussed among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the provisions of the UK Companies Act, pensions legislation and tax legislation. We have also considered key laws and regulations that had a fundamental effect on the operations of the Group, including the Good Clinical Practice, the FDA regulations, General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

Audit response to risks identified

As a result of performing the above, we identified the Valuation of US Returns and Rebates accruals as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures in response to that key audit matter. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of the senior leadership team, the Audit & Risk Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with regulators; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Independent Auditor's report continued

Report on the audit of the financial statements continued

13. Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 165;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate is set out on page 76;
- the directors' statement on fair, balanced and understandable Annual Report set out on page 138;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 57 to 61;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 134 to 135; and
- the section describing the work of the Audit and Risk committee set out on page 133 to 138.

14. Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

Auditor tenure

Following the recommendation of the Audit & Risk Committee, with effect from 1 January 2018 we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement of the firm is six years.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R-DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R-DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R-DTR 4.1.18R.

The Parent company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.

Deloitte LLP

Statutory Auditor
London, United Kingdom
27 February 2024

Consolidated income statement

for the year ended 31 December 2023

	Notes	2023 £m	2022 £m	2021 £m
Turnover	6	**30,328**	29,324	24,696
Cost of sales		**(8,565)**	(9,554)	(8,163)
Gross profit		**21,763**	19,770	16,533
Selling, general and administration		**(9,385)**	(8,372)	(7,070)
Research and development		**(6,223)**	(5,488)	(5,019)
Royalty income		**953**	758	417
Other operating income/(expense)	7	**(363)**	(235)	(504)
Operating profit	8	**6,745**	6,433	4,357
Finance income	11	**115**	76	14
Finance expense	12	**(792)**	(879)	(769)
Share of after tax profit/(loss) of associates and joint ventures	13	**(5)**	(2)	33
Profit/(loss) on disposal of interests in associates and joint ventures	13	**1**	–	(36)
Profit before taxation		**6,064**	5,628	3,599
Taxation	14	**(756)**	(707)	(83)
Profit after taxation from continuing operations		**5,308**	4,921	3,516
Profit after taxation from discontinued operations and other gains/(losses) from the demerger		**–**	3,049	1,580
Re-measurement of discontinued operations distributed to shareholders on demerger		**–**	7,651	–
Profit after taxation from discontinued operations		**–**	10,700	1,580
Total profit after taxation for the year		**5,308**	15,621	5,096
Profit attributable to non-controlling interests from continuing operations		**380**	460	200
Profit attributable to shareholders from continuing operations		**4,928**	4,461	3,316
Profit attributable to non-controlling interests from discontinued operations		**–**	205	511
Profit attributable to shareholders from discontinued operations		**–**	10,495	1,069
		5,308	15,621	5,096
Total profit attributable to non-controlling interests		**380**	665	711
Total profit attributable to shareholders		**4,928**	14,956	4,385
		5,308	15,621	5,096
Basic earnings per share (pence) from continuing operations	15	**121.6p**	110.8p	82.9p
Basic earnings per share (pence) from discontinued operations		**–**	260.6p	26.7p
Total basic earnings per share (pence)		**121.6p**	371.4p	109.6p
Diluted earnings per share (pence) from continued operations	15	**119.9p**	109.2p	81.8p
Diluted earnings per share (pence) from discontinued operations		**–**	257.0p	26.4p
Total diluted earnings per share (pence)		**119.9p**	366.2p	108.2p

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Notes	2023 £m	2022 £m	2021 £m
Total profit for the year		**5,308**	15,621	5,096
Other comprehensive income/(expense) for the year				
Items that may be reclassified subsequently to continuing operations income statement:				
Exchange movements on overseas net assets and net investment hedges	38	**(22)**	113	(339)
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries associates	38	**(34)**	2	(25)
Fair value movements on cash flow hedges		**(1)**	(18)	5
Deferred tax on fair value movements on cash flow hedges		**1**	9	(8)
Reclassification of cash flow hedges to income statement		**4**	14	12
		(52)	120	(355)
Items that will not be reclassified to continuing operations income statement:				
Exchange movements on overseas net assets of non-controlling interests	38	**(25)**	(28)	(20)
Fair value movements on equity investments		**(244)**	(754)	(911)
Tax on fair value movements on equity investments		**14**	56	131
Fair value movements on cash flow hedges		**(40)**	(6)	–
Remeasurement gains/(losses) on defined benefit plans		**71**	(786)	940
Tax on remeasurement losses/(gains) on defined benefit plans		**(41)**	211	(223)
		(265)	(1,307)	(83)
Other comprehensive income /(expense) for the year from continuing operations	38	**(317)**	(1,187)	(438)
Other comprehensive income for the year from discontinued operations		**–**	356	101
Total comprehensive income for the year		**4,991**	14,790	4,759
Total comprehensive income for the year attributable to:				
Shareholders		**4,636**	14,153	4,068
Non-controlling interests		**355**	637	691
Total comprehensive income for the year		**4,991**	14,790	4,759

Consolidated balance sheet
as at 31 December 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Property, plant and equipment	17	9,020	8,933
Right of use assets	18	937	687
Goodwill	19	6,811	7,046
Other intangible assets	20	14,768	14,318
Investments in associates and joint ventures	21	55	74
Other investments	23	1,137	1,467
Deferred tax assets	14	6,049	5,658
Other non-current assets	24	1,584	1,194
Total non-current assets		40,361	39,377
Current assets			
Inventories	25	5,498	5,146
Current tax recoverable	14	373	405
Trade and other receivables	26	7,385	7,053
Derivative financial instruments	44	130	190
Current equity investments	22	2,204	4,087
Liquid investments	30	42	67
Cash and cash equivalents	27	2,936	3,723
Assets held for sale	28	76	98
Total current assets		18,644	20,769
Total assets		59,005	60,146
Current liabilities			
Short-term borrowings	30	(2,813)	(3,952)
Contingent consideration liabilities	33	(1,053)	(1,289)
Trade and other payables	29	(15,844)	(16,263)
Derivative financial instruments	44	(114)	(183)
Current tax payable	14	(500)	(471)
Short-term provisions	32	(744)	(652)
Total current liabilities		(21,068)	(22,810)
Non-current liabilities			
Long-term borrowings	30	(15,205)	(17,035)
Corporation tax payable	14	(75)	(127)
Deferred tax liabilities	14	(311)	(289)
Pensions and other post-employment benefits	31	(2,340)	(2,579)
Other provisions	32	(495)	(532)
Contingent consideration liabilities	33	(5,609)	(5,779)
Other non-current liabilities	34	(1,107)	(899)
Total non-current liabilities		(25,142)	(27,240)
Total liabilities		(46,210)	(50,050)
Net assets		12,795	10,096
Equity			
Share capital	37	1,348	1,347
Share premium account	37	3,451	3,440
Retained earnings	38	7,239	4,363
Other reserves	38	1,309	1,448
Shareholders' equity		13,347	10,598
Non-controlling interests		(552)	(502)
Total equity		12,795	10,096

The financial statements on pages 180 to 266 were approved by the Board on 27 February, 2024 and signed on its behalf by

Sir Jonathan Symonds
Chair

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Shareholders' equity						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves* £m	Total £m	Non-controlling interests £m	**Total equity £m**
At 31 December 2020	1,346	3,281	6,755	3,205	14,587	6,221	**20,808**
Profit for the year	–	–	4,385	–	4,385	711	**5,096**
Other comprehensive income/(expense) for the year	–	–	454	(771)	(317)	(20)	**(337)**
Total comprehensive income/(expense) for the year	**–**	**–**	**4,839**	**(771)**	**4,068**	**691**	**4,759**
Distributions to non-controlling interests	–	–	–	–	–	(642)	**(642)**
Contributions from non-controlling interests	–	–	–	–	–	7	**7**
Dividends to shareholders	–	–	(3,999)	–	(3,999)	–	**(3,999)**
Shares issued	1	20	–	–	21	–	**21**
Realised after tax profits on disposal of equity investments	–	–	132	(132)	–	–	**–**
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	7	(7)	–	–	**–**
Write-down of shares held by ESOP Trusts	–	–	(168)	168	–	–	**–**
Share-based incentive plans	–	–	367	–	367	–	**367**
Transaction with non-controlling interests	–	–	–	–	–	10	**10**
Tax on share-based incentive plans	–	–	11	–	11	–	**11**
At 31 December 2021	1,347	3,301	7,944	2,463	15,055	6,287	**21,342**
Profit for the year	–	–	14,956	–	14,956	665	**15,621**
Other comprehensive income/(expense) for the year	–	–	(89)	(714)	(803)	(28)	**(831)**
Total comprehensive income/(expense) for the year	**–**	**–**	**14,867**	**(714)**	**14,153**	**637**	**14,790**
Distributions to non-controlling interests	–	–	–	–	–	(1,409)	**(1,409)**
Non-cash distribution to non-controlling interests	–	–	–	–	–	(2,960)	**(2,960)**
Contributions from non-controlling interests	–	–	–	–	–	8	**8**
Changes to non-controlling interests	–	–	–	–	–	(20)	**(20)**
Deconsolidation of former subsidiaries	–	–	–	–	–	(3,045)	**(3,045)**
Dividends to shareholders	–	–	(3,467)	–	(3,467)	–	**(3,467)**
Non-cash dividend to shareholders	–	–	(15,526)	–	(15,526)	–	**(15,526)**
Realised after tax losses on disposal or liquidation of equity investments	–	–	14	(14)	–	–	**–**
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	7	(7)	–	–	**–**
Shares issued	–	25	–	–	25	–	**25**
Write-down of shares held by ESOP Trusts	–	–	(911)	911	–	–	**–**
Shares acquired by ESOP Trusts	–	114	1,086	(1,200)	–	–	**–**
Share-based incentive plans	–	–	357	–	357	–	**357**
Tax on share-based incentive plans	–	–	(8)	–	(8)	–	**(8)**
Hedging gain after taxation transferred to non-financial assets	–	–	–	9	9	–	**9**
At 31 December 2022	1,347	3,440	4,363	1,448	10,598	(502)	**10,096**
Profit for the year	–	–	4,928	–	4,928	380	**5,308**
Other comprehensive income/(expense) for the year	–	–	(45)	(247)	(292)	(25)	**(317)**
Total comprehensive income/(expense) for the year	**–**	**–**	**4,883**	**(247)**	**4,636**	**355**	**4,991**
Distributions to non-controlling interests	–	–	–	–	–	(412)	**(412)**
Contributions from non-controlling interests	–	–	–	–	–	7	**7**
Dividends to shareholders	–	–	(2,247)	–	(2,247)	–	**(2,247)**
Realised after tax losses on disposal or liquidation of equity investments	–	–	(26)	26	–	–	**–**
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	(7)	7	–	–	**–**
Shares issued	1	9	–	–	10	–	**10**
Write-down of shares held by ESOP Trusts	–	–	(324)	324	–	–	**–**
Shares acquired by ESOP Trusts	–	2	283	(285)	–	–	**–**
Share-based incentive plans	–	–	307	–	307	–	**307**
Hedging gain/(loss) after taxation transferred to non-financial assets	–	–	–	36	36	–	**36**
Tax on share-based incentive plans	–	–	7	–	7	–	**7**
At 31 December 2023	**1,348**	**3,451**	**7,239**	**1,309**	**13,347**	**(552)**	**12,795**

* an analysis of Other reserves is presented as part of Note 38, 'Movements in equity'.

Consolidated cash flow statement
for the year ended 31 December 2023

	Notes	2023 £m	2022 £m	2021 £m
Cash flow from operating activities				
Profit after taxation from continuing operations for the year		5,308	4,921	3,516
Adjustments reconciling profit after tax to operating cash flows	42	2,788	3,023	3,733
Cash generated from operations attributable to continuing operations		8,096	7,944	7,249
Taxation paid		(1,328)	(1,310)	(972)
Net cash inflow/(outflow) from continuing operating activities		6,768	6,634	6,277
Cash generated from operations attributable to discontinued operations		–	932	1,994
Taxation paid from discontinued operations		–	(163)	(319)
Net operating cash flows attributable to discontinued operations		–	769	1,675
Total net cash inflow/(outflow) from operating activities		6,768	7,403	7,952
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,314)	(1,143)	(950)
Proceeds from sale of property, plant and equipment		28	146	132
Purchase of intangible assets		(1,030)	(1,115)	(1,704)
Proceeds from sale of intangible assets		12	196	641
Purchase of equity investments		(123)	(143)	(162)
(Increase)/decrease in liquid investments		72	1	18
Purchase of businesses, net of cash acquired	41	(1,457)	(3,108)	–
Proceeds from sale of equity investments		1,832	238	202
Contingent consideration paid		(11)	(79)	(114)
Disposal of businesses	41	49	(43)	(17)
Investments in associates and joint ventures		–	(1)	(1)
Proceeds from disposal of associates and joint ventures		1	–	277
Interest received		115	64	14
Dividend and distributions from investments		220	–	–
Dividends from associates and joint ventures		11	6	9
Net cash inflow/(outflow) from continuing investing activities		(1,595)	(4,981)	(1,655)
Net investing cash flows attributable to discontinued operations		–	(3,791)	(122)
Total net cash inflow/(outflow) from investing activities		(1,595)	(8,772)	(1,777)
Cash flow from financing activities				
Issue of share capital	37	10	25	21
Repayment of long-term loans		(144)	(1,594)	–
Issue of long-term notes		223	1,025	–
Repayment of short-term loans		(2,116)	(5,074)	(2,304)
Net increase in/(repayment of) other short-term loans		(333)	1,021	301
Repayment of lease liabilities		(197)	(202)	(181)
Interest paid		(766)	(848)	(772)
Dividends paid to shareholders		(2,247)	(3,467)	(3,999)
Distributions to non-controlling interests		(412)	(521)	(239)
Contributions from non-controlling interests		7	8	7
Other financing items		334	376	40
Net cash inflow/(outflow) from continuing financing activities		(5,641)	(9,251)	(7,126)
Net financing cash flows attributable to discontinued operations		–	10,074	(463)
Total net cash inflow/(outflow) from financing activities		(5,641)	823	(7,589)
Increase/(decrease) in cash and bank overdrafts	43	(468)	(546)	(1,414)
Cash and bank overdrafts at the beginning of year		3,425	3,819	5,262
Exchange adjustments		(99)	152	(29)
Increase/(decrease) in cash and bank overdrafts in the year		(468)	(546)	(1,414)
Cash and bank overdrafts at the end of year		2,858	3,425	3,819
Cash and bank overdrafts at end of year comprise:				
Cash and cash equivalents		2,936	3,723	4,274
Overdrafts		(78)	(298)	(455)
		2,858	3,425	3,819

Notes to the financial statements

1. Presentation of the financial statements

Description of business

GSK is a global biopharma group which prevents and treats disease with vaccines, specialty and general medicines. GSK focuses on the science of the immune system and the use of new platform and data technologies, investing in four core therapeutic areas: infectious diseases, HIV, respiratory/ immunology and oncology.

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards as issued by the IASB.

Composition of financial statements

The consolidated financial statements are drawn up in Sterling, the functional currency of GSK plc, and in accordance with IFRS accounting presentation. The financial statements comprise:

– Consolidated income statement
– Consolidated statement of comprehensive income
– Consolidated balance sheet
– Consolidated statement of changes in equity
– Consolidated cash flow statement
– Notes to the financial statements.

Composition of the Group

A list of the subsidiaries and associates which, in the opinion of the Directors, principally affected the amount of profit or net assets of the Group is given in Note 46, 'Principal Group companies'.

Financial period

These financial statements cover the financial year from 1 January to 31 December 2023, with comparative figures for the financial years from 1 January to 31 December 2022 and, where appropriate, from 1 January to 31 December 2021.

Accounting principles and policies

The financial statements have been prepared using the historical cost convention modified by the revaluation of certain items, as stated in the accounting policies, and on a going concern basis.

The financial statements have been prepared in accordance with the Group's accounting policies approved by the Board and described in Note 2, 'Accounting principles and policies'. Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Critical accounting judgements and key sources of estimation uncertainty'.

The preparation of the financial statements 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In preparing the consolidated financial statements, the Group has considered the impact of both physical and transitional climate change risks, as well as the plans to mitigate against these, on the current valuation of assets and liabilities; particularly in the context of the risks identified in the Task Force on Climate-related Financial Disclosures ("TCFD").

The Group does not believe that there is a material impact to judgements and estimates in relation to climate-related risks and, as a result, the valuation of the assets or liabilities have not been significantly impacted as at 31 December 2023. The Group has reviewed the recoverable values of property, plant and equipment, inventories, goodwill and intangible assets as those are the material balances impacted by climate-related risks, and the Group's transition plans to mitigate those risks.

One of the climate-related risks identified relates to metered-dose inhalers (MDI). The Group is addressing this risk by transitioning to a lower-carbon propellant. The transition is not expected to have a material impact on the recoverable amount, or estimated useful lives, of related property, plant and equipment. See Note 17 'Property, plant and equipment' for further details.

Whilst there is currently no significant medium-term impact expected, the Group is aware of the ever-changing risks attached to climate change and continues to assess the impact on judgements and estimates, and on the preparation of the consolidated financial statements.

Parent company financial statements

The financial statements of the parent company, GSK plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The company balance sheet is presented on page 267 and the accounting policies are given on pages 268 to 271.

Notes to the financial statements continued

2. Accounting principles and policies

Consolidation

The consolidated financial statements include:

- the assets and liabilities, and the results and cash flows, of the company and its subsidiaries, including ESOP Trusts
- the Group's share of the results and net assets of associates and joint ventures
- the Group's share of assets, liabilities, revenue and expenses of joint operations.

The financial statements of entities consolidated are made up to 31 December each year.

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, are accounted for as subsidiaries.

Where the Group has the ability to exercise joint control over, and rights to, the net assets of entities, the entities are accounted for as joint ventures. Where the Group has the ability to exercise joint control over an arrangement, but has rights to specified assets and obligations for specified liabilities of the arrangement, the arrangement is accounted for as a joint operation. Where the Group has the ability to exercise significant influence over entities, they are accounted for as associates. The results and assets and liabilities of associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. The assets, liabilities, revenue and expenses of joint operations are included in the consolidated financial statements in accordance with the Group's rights and obligations. Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group. The relevant proportion of profits on transactions with joint ventures, joint operations and associates is also deferred until the products are sold to third parties. 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.

Business combinations

Business combinations 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.

The fair value of contingent consideration liabilities is reassessed at each balance sheet date with changes recognised in the income statement. Payments of contingent consideration reduce the balance sheet liability and as a result are not recorded in the income statement.

The part of each payment relating to the original estimate of the fair value of the contingent consideration on acquisition is reported within investing activities in the cash flow statement and the part of each payment relating to the increase in the liability since the acquisition date is reported within operating cash flows.

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. The costs of effecting an acquisition are charged to the income statement in the period in which they are incurred.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates. Goodwill is denominated in the currency of the operation acquired.

Where the cost of acquisition is below the Group's interest in the net assets acquired, the difference is recognised directly in the income statement.

Where not all of 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. Changes in the Group's ownership percentage of subsidiaries are accounted for within equity.

Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group company at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement.

On consolidation, assets and liabilities, including related goodwill, of overseas subsidiaries, associates and joint ventures, are translated into Sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries, associates and joint ventures are translated into sterling using average rates of exchange.

Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiaries, associates and joint ventures are translated into Sterling, less exchange differences arising on related foreign currency borrowings which hedge the Group's net investment in these operations, are taken to a separate component of equity within Retained Earnings.

When translating into Sterling the assets, liabilities, results and cash flows of overseas subsidiaries, associates and joint ventures which are reported in currencies of hyper-inflationary economies, adjustments are made where material to reflect current price levels. Any loss on net monetary assets is charged to the consolidated income statement.

Notes to the financial statements continued

2. Accounting principles and policies continued

Revenue

Turnover

The Group receives revenue for supply of goods to external customers against orders received. The majority of contracts that GSK enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical and vaccine products. The average duration of a sales order is less than 12 months.

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.

Product revenue represents net invoice value including 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. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Estimates associated with returns and rebates are revisited at each reporting date or when they are resolved and revenue is adjusted accordingly. Please refer to Note 3, 'Critical accounting judgements and key sources of estimation uncertainty' for the details on rebates, discounts and allowances.

The Group has entered into collaborative agreements, typically with other pharmaceutical or biotechnology companies to develop, produce and market drug candidates and vaccines that do not qualify as joint arrangements. When GSK has control over the commercialisation activities, the Group recognises turnover and cost of sales on a gross basis. Profit sharing amounts and royalties due to the counterparty are recorded within cost of sales. Cost of sales includes net recoveries of cost of £45 million (2022: cost of £1,635 million; 2021: cost of £640 million) from profit sharing arrangements and royalties due to the counterparty. When the counterparty controls the commercialisation activities and records the sale, the Group is not the principal in the customer contract and instead records its share of gross profit as co-promotion income, on a net basis, within turnover. The nature of co-promotion activities is such that the Group records no costs of sales. Commercial Operations turnover includes co-promotion revenue of £1 million (2022: £3 million; 2021: £7 million). Reimbursements to and from the counterparty under collaboration agreements for 'selling, general and administration' and 'research and development' costs are recorded net in the respective lines in the consolidated income statement.

Other operating income and royalty income

GSK enters into development and marketing collaborations and out-licences of the Group's compounds or products to other parties. These contracts give rise to fixed and variable consideration from upfront payments, development milestones, sales-based milestones and royalties.

Income dependent on the achievement of a development milestone is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, which is usually when the related event occurs. Sales-based milestone income is recognised when it is highly probable that the sales threshold will be reached.

Sales-based royalties on a licence of intellectual property are not recognised until the relevant product sale occurs.

For all revenue, if the time between the recognition of revenue and payment from the customer is expected to be more than one year and the impact is material, the amount of consideration is discounted using appropriate discount rates.

Value added tax and other sales taxes are excluded from revenue.

Expenditure

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. Manufacturing start-up costs between validation and the achievement of normal production are expensed as incurred.

Advertising and promotion expenditure is charged to the income statement as incurred.

Shipment costs on inter-company transfers are charged to cost of sales; distribution costs on sales to customers are included in selling, general and administration expenditure.

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 appropriate communication to those affected has been undertaken.

Software as a service (SaaS) configuration costs are expensed as they are incurred where the software being configured is controlled by the SaaS provider.

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy.

Notes to the financial statements continued

2. Accounting principles and policies continued

Legal and other disputes

Provision is made for the anticipated settlement costs of legal or other disputes against the Group where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In respect of product liability claims related to certain products, provision is made when there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover asserted and unasserted claims.

In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate. In addition, provision is made for legal or other expenses arising from claims received or other disputes.

The Group may become involved in legal proceedings, in respect of which it is not possible to meaningfully assess whether the outcome will result in a probable outflow, or to quantify or reliably estimate the liability. In these cases, appropriate disclosure about such cases is included but no provision is made.

Costs associated with claims made by the Group against third parties are charged to the income statement as they are incurred.

Pensions and other post-employment benefits

The costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, consistent with the advice of qualified actuaries.

Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high-quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date.

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, in accordance with the advice of qualified actuaries.

The service cost of providing retirement benefits to employees during the year, together with the cost of any curtailment, is charged to operating profit in the year.

Actuarial gains and losses and the effect of changes in actuarial assumptions are recognised in the statement of comprehensive income in the year in which they arise.

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

Employee share plans

Incentives in the form of shares are provided to employees under share option and share award schemes.

The fair values of these options and awards are calculated at their grant dates using a Black-Scholes option pricing model and charged to the income statement over the relevant vesting periods.

The Group provides finance to ESOP Trusts to purchase company shares to meet the obligation to provide shares when employees exercise their options or awards. Costs of running the ESOP Trusts are charged to the income statement.

Shares held by the ESOP Trusts are deducted from other reserves. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise.

Property, plant and equipment

Property, plant and equipment (PP&E) is stated at the cost of purchase or construction, less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost less residual value of PP&E, excluding freehold land, using the straight-line basis over the expected useful life. Residual values and lives are reviewed, and where appropriate adjusted annually. The normal expected useful lives of the major categories of PP&E are:

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

On disposal of PP&E, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

Leases

The Group recognises right of use assets under lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Rights to use assets owned by third parties under lease agreements are capitalised at the inception of the lease and recognised on the consolidated balance sheet.

The corresponding liability to the lessor is recognised as a lease obligation within short 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 with annual payments of £2 million or more, the implicit rate in the lease is used. If this is not available, the incremental borrowing rate with a lease specific adjustment is used. If neither of these is available, and for leases with annual payments of less than £2 million, the incremental borrowing rate is used. The incremental borrowing rate is the rate of interest at which GSK would have been able to borrow for a similar term and with a similar security the funds necessary to obtain a similar asset in a similar market.

Notes to the financial statements continued

2. Accounting principles and policies continued

Finance costs are charged to the income statement so as 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. Lease rental costs for short-term and low-value leases which are not capitalised are also charged to the income statement as incurred.

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.

If modifications or reassessments of lease obligations occur, the lease liability and right of use asset are remeasured.

Right of use assets where title is expected to pass to GSK at a point in the future are depreciated on a basis consistent with similar owned assets. In other cases, right of use assets are depreciated over the shorter of the useful life of the asset or the lease term.

Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, this excess is recognised immediately as a gain in the income statement.

Other intangible assets

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 30 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives (exclusivity period), where applicable, as well as the value obtained from periods of non-exclusivity. For Pharmaceutical intangible assets, depending on the characteristics, competitive environment and estimated long-term profits of the asset, between 80% to 90% of the book value is amortised over the exclusivity period on a straight-line basis and the remaining book value is amortised over a non-exclusivity period of 5-15 years on a straight-line basis. For Vaccines intangible assets, cost is usually amortised over the exclusivity period plus 10 years, or 30 years if no exclusivity period is granted, on a straight-line basis. Asset lives are reviewed, and where appropriate adjusted, annually.

Contingent milestone payments are recognised at the point that the contingent event becomes probable. 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, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

Acquired in process R&D and marketed products are valued independently as part of the fair value of businesses acquired from third parties where they have a value which is substantial and long term and where the assets either are contractual or legal in nature or can be sold separately from the rest of the businesses acquired.

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 a durable asset controlled by the Group. ERP systems software is amortised over seven to ten years and other computer software over three to five years using the straight-line basis.

Impairment of non-current assets

The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill 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 in the year concerned.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets 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 depreciation or amortisation, had no impairments been recognised.

Investments in associates, joint ventures and joint operations

Investments in associates and joint ventures are carried in the consolidated balance sheet at the Group's share of their net assets at date of acquisition and of their post-acquisition retained profits or losses and other comprehensive income together with any goodwill arising on the acquisition. The Group recognises the assets, liabilities, revenue and expenses of joint operations in accordance with its rights and obligations.

Inventories

Inventories are included in the 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 generally determined on a first in, first out basis. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point a provision is made against the carrying value to reduce it to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

Notes to the financial statements continued

2. Accounting principles and policies continued

Financial instruments

Financial assets

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 (ECL) 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 ECL. If there is no realistic prospect of recovery, the asset is written off.

Expected credit losses are recognised in the income statement on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments.

Current equity investments

Current equity investments comprise equity investments which the Group holds with the intention to sell and which it may sell in the short term. Where acquired with this intention, they are measured at FVTPL. They are initially recorded at fair value and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in the income statement. Dividend income is recognised in the income statement when the Group's right to receive payment is established. Purchases and sales of current equity investments are accounted for on the trade date.

Other investments

Other investments comprise equity investments and investments in limited life funds. The Group has elected to designate the majority of its equity investments as measured at FVTOCI. They are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in other comprehensive income. On disposal of the equity investment, gains and losses that have been deferred in other comprehensive income are transferred directly to retained earnings.

Investments in limited life funds are measured at FVTPL. They are initially recorded at fair value and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in the income statement.

Dividends on equity investments and distributions from funds are recognised in the income statement when the Group's right to receive payment is established.

Purchases and sales of Other investments are accounted for on the trade date.

Trade receivables

Trade receivables are measured in accordance with the business model under which each portfolio of trade receivables is held. The Group has portfolios in each of the three business models under IFRS 9: to collect the contractual cash flows where there is no factoring agreement in place (measured at amortised cost); to sell the contractual cash flows where the trade receivables will be sold under a factoring agreement (measured at FVTPL); and both to collect and to sell the contractual cash flows where the trade receivables may be sold under a factoring arrangement (measured at FVTOCI). Trade receivables measured at amortised cost are carried at the original invoice amount less allowances for expected credit losses.

Expected credit losses are calculated in accordance with the simplified approach permitted by IFRS 9, using a provision matrix applying lifetime historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether, and the extent to which, settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key drivers of the loss rate are the nature of the business unit and the location and type of customer.

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.

Cash and cash equivalents

Cash held in deposit accounts is measured at amortised cost. Investments in money market funds are held at fair value through profit or loss because the funds fail the solely payments of principal and interest (SPPI) test.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, 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.

Derivative financial instruments

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by GSK are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial assets and liabilities, including derivatives embedded in host contracts which have been separated from the host contract, are measured at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Notes to the financial statements continued

2. Accounting principles and policies continued

Hedge accounting

Derivatives designated as the hedging instruments are classified at inception of hedge relationship as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective and accumulated in the cash flow hedge reserve. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in the cash flow hedge reserve are reclassified to the income statement when the hedged item affects profit or loss, or if the hedged forecast transaction is to purchase a non-financial asset, the amount deferred in the cash flow hedge reserve is transferred directly from equity and included in the carrying value of the recognised non-financial asset.

Net investment hedges are accounted for in a similar way to cash flow hedges which are reclassified to the income statement when the hedged item affects profit or loss.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

Taxation

Current tax is provided at the amounts expected to be paid, applying tax rates that have been enacted or substantively enacted by the balance sheet date. The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Where an uncertain tax position is identified, management will make a judgement as to what the probable outcome will be, assuming the relevant tax authority has full knowledge of the situation. Where it is assessed that an economic outflow is probable to arise, a provision is made for the best estimate of the liability. In estimating any such liability GSK applies a risk-based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice.

Discounting

Where the time value of money is material, balances are discounted to current values using appropriate discount rates. The unwinding of the discounts is recorded in finance income and finance expense.

Assets and liabilities held for sale or distribution and discontinued operations

Disposal groups are classified as held for sale or distribution if their carrying amount will be recovered principally through sale or a distribution to shareholders rather than through continuing use, they are available for sale or distribution in their present condition and the sale or distribution is considered highly probable. Assets held in Assets held for sale or distribution are measured at the lower of their carrying amount and fair value less costs to sell or distribute. Non-current assets included in Assets held for sale or distribution are not depreciated or amortised. Assets and liabilities classified as held for sale or distribution are presented in current assets and current liabilities separately from the other assets and liabilities in the balance sheet.

A discontinued operation is a component of the Group that has been disposed of, distributed or is classified as held for sale or distribution and that represents a separate major line of business. The results of discontinued operations are presented separately in the consolidated income statement, the consolidated statement of other comprehensive income and the consolidated statement of cash flows and comparatives are restated on a consistent basis.

Notes to the financial statements continued

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make judgements about when or how items should be recognised in the financial statements and estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the critical accounting judgements and key sources of estimation uncertainty.

Turnover

Reported Group turnover for 2023 was £30,328 million (2022: £29,324 million).

Estimates

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Sales of pharmaceutical and vaccine products in the US have complex arrangements for rebates, discounts and allowances. Turnover of Commercial Operations products in the US for 2023 of £15,820 million (2022: £14,542 million) was after recording deductions of £16,539 million (2022: £15,272 million) for rebates, allowances, returns and other discounts. At 31 December 2023, the total accrual amounted to £5,951 million (2022: £5,855 million). Due to the nature of these accruals it is not practicable to give meaningful sensitivity estimates due to the large volume of variables that contribute to the overall rebates, chargebacks, returns and other revenue accruals.

As there can be significant variability in final outcomes, the Group applies a constraint when measuring the variable element within revenue, so that revenue is recognised at a suitably cautious amount. The objective of the constraint is to ensure that it is highly probable that a significant reversal of revenue will not occur when the uncertainties are resolved. The constraint is applied by making suitably cautious estimates of the inputs and assumptions used in estimating the variable consideration. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The constraints applied in recognising revenue mean that the risk of a material downward adjustment to revenue in the next financial year is low.

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. It is reasonably possible that there could be a significant adjustment within the next 12 months to recognise additional revenue, if actual outcomes are better than the cautious constrained estimates.

Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The amount of turnover recognised in the year from performance obligations satisfied in previous periods is set out in Note 6, 'Turnover and segment information', and is an indication of the level of sensitivity in the estimate.

Future events could cause the assumptions on which the accruals are based to change, which could materially affect the future results of the Group.

Taxation

The tax charge for the year was £756 million (2022: £707 million). At 31 December 2023, current tax payable was £500 million (2022: £471 million), non-current corporation tax payable was £75 million (2022: £127 million) and current tax recoverable was £373 million (2022: £405 million).

Judgement and estimates

The Group has open tax issues with a number of revenue authorities. Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the outcome of the dispute. If insufficient information is available, no provision is made.

If sufficient information is available, in estimating a potential tax liability GSK applies a risk-based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge.

At 31 December 2023, the Group had recognised provisions of £584 million in respect of uncertain tax positions (2022: £551 million). 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. No uncertain tax position is individually material to the Group.

Factors affecting the tax charge in future years are set out in Note 14, 'Taxation'. GSK continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. Where open issues 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.

Notes to the financial statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

Legal and other disputes

Legal costs for the year were £271 million (2022: £144 million). At 31 December 2023 provisions for legal and other disputes amounted to £267 million (2022: £218 million).

Judgement

Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the likely outcome of the dispute and the legal and other expenses arising from claims against the Group. If insufficient information is available, no provision is made and disclosure of the claim is given.

The estimated provisions take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Details of the status and various uncertainties involved in the significant unresolved disputes are set out in Note 47, 'Legal proceedings'.

The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims.

The Group may become involved in legal proceedings, in respect of which it is not possible to meaningfully assess whether the outcome will result in a probable outflow, or to quantify or reliably estimate the liability. In these cases, appropriate disclosure about such cases would be provided, but no provision would be made and no contingent liability can be quantified.

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The 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 the amount of the provisions reported in the Group's financial statements by a material amount.

Contingent consideration

The 2023 income statement charge for contingent consideration was £768 million (2022: £1,645 million).

At 31 December 2023, the liability for contingent consideration amounted to £6,662 million (2022: £7,068 million). Of this amount, £5,718 million (2022: £5,890 million) related to the acquisition of the former Shionogi-ViiV Healthcare joint venture in 2012.

Estimates

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate post-tax discount rates. The fair values are reviewed on a regular basis, and any changes are reflected in the income statement. See Note 33, 'Contingent consideration liabilities'.

Pensions and other post-employment benefits

Judgement

Where a surplus on a defined benefit scheme arises, or there is potential for a surplus to arise from committed future contributions, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. Three UK schemes are in surplus (2022: two UK schemes), with a combined surplus of £457 million at 31 December 2023 (2022: £109 million). There are further recognised pension surpluses totalling £177 million spread across five countries (2022: £120 million across five countries). GSK has made the judgement that these amounts meet the requirements of recoverability.

Estimates

The costs of providing pensions and other post-employment benefits are assessed on the basis of assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates, and are disclosed in Note 31, 'Pensions and other post-employment benefits'.

Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. A sensitivity analysis is provided in Note 31, 'Pensions and other post-employment benefits', a 0.25% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £391 million and an increase in the annual pension cost of approximately £18 million. Similarly, a 0.25% increase in the discount rate would lead to a decrease in the net pension deficit of approximately £373 million and a decrease in the annual pension cost of approximately £18 million.

A 0.75% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £1,231 million and an increase in the annual pension cost of approximately £51 million. Similarly, a 0.75% increase in the discount rate would lead to a decrease in the net pension deficit of approximately £1,071 million and a decrease in the annual pension cost of approximately £58 million. The selection of different assumptions could affect the future results of the Group.

Notes to the financial statements continued

4. New accounting requirements

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

The Group has adopted the amendments to IAS 12 which have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation.

GSK has applied the mandatory exception and is not recognising any deferred tax impact. Further information about the impact of the Pillar Two model framework, including the impact on the effective tax rate for 2024, is set out in Note 14, 'Taxation'.

Other amendments

The adoption of IFRS 17 *Insurance Contracts* and amendments to certain other IFRS accounting standards in the year ended 31 December 2023, did not have a material impact on the results or financial position of the Group.

Certain amendments to IFRS accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been adopted early by the Group. These amendments and interpretations are not expected to have a material impact on the results or financial position of the Group in future reporting periods.

Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures - Supplier Finance Arrangements*, require additional disclosure of information about Group supplier finance arrangements. The disclosure requirements will apply for annual reporting periods beginning on or after 1 January 2024, but not for any interim periods ending on or before 31 December 2024.

5. Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries, joint ventures and associates into sterling and period end rates to translate the net assets of those entities. The currencies which most influence these translations and the relevant exchange rates were:

	2023	2022	2021
Average rates:			
US$/£	**1.24**	1.24	1.38
Euro/£	**1.15**	1.17	1.16
Yen/£	**175**	161	151

	2023	2022	2021
Period end rates:			
US$/£	**1.27**	1.20	1.35
Euro/£	**1.15**	1.13	1.19
Yen/£	**180**	159	155

Notes to the financial statements continued

6. Turnover and segment information

Operating segments are reported based on the financial information provided to the Chief Executive Officer and the responsibilities of the GSK Leadership Team (GLT). GSK reports under two segments; Commercial Operations and Total R&D. Members of the GLT are responsible for each segment.

Originally GSK reported 2021 results under four segments: Pharmaceuticals, Pharmaceuticals R&D, Vaccines and Consumer Healthcare. However, the reporting of operating segments was changed in 2022 and with the demerger of Consumer Healthcare only two operating segments are reportable. Comparative information was retrospectively revised on a consistent basis in 2022. There is no change to the reportable segments in 2023.

R&D investment is essential for the sustainability of the business. However for segment reporting the Commercial Operating profits exclude allocations of globally funded R&D.

The Total R&D segment is the responsibility of the Chief Scientific Officer and is reported as a separate segment. The operating costs of this segment includes R&D activities across Specialty Medicines, including HIV and Vaccines. It includes R&D and some Selling, General and Administrative (SG&A) costs relating to regulatory and other functions.

The Group's management reporting process allocates intra-Group profit on a product sale to the segment in which that sale is recorded, and the profit analyses below have been presented on that basis.

Turnover by segment	**2023 £m**	2022 £m	2021 £m
Commercial operations	**30,328**	29,324	24,696
	30,328	29,324	24,696

For 2023, product sales are reported within three product groups: Vaccines, Specialty Medicines and General Medicines.

Commercial Operations:	**2023 £m**	2022 £m	2021 £m
Shingles	**3,446**	2,958	1,721
Meningitis	**1,260**	1,116	961
RSV	**1,238**	–	–
Influenza	**504**	714	679
Established Vaccines	**3,266**	3,085	2,970
	9,714	7,873	6,331
Pandemic Vaccines	**150**	64	447
Vaccines	**9,864**	7,937	6,778
HIV	**6,444**	5,749	4,777
Respiratory/Immunology and Other	**3,025**	2,609	2,027
Oncology	**731**	602	489
	10,200	8,960	7,293
Pandemic	**44**	2,309	958
Specialty Medicines	**10,244**	11,269	8,251
Respiratory	**6,825**	6,548	6,048
Other General Medicines	**3,395**	3,570	3,619
General Medicines	**10,220**	10,118	9,667
Total Commercial Operations	**30,328**	29,324	24,696

Notes to the financial statements continued

6. Turnover and segment information continued

During 2023, sales were made to three US wholesalers of £4,494 million (2022:£4,045 million; 2021: £3,159 million), £4,498 million (2022: £4,161 million; 2021: £3,081 million) and £3,531 million (2022: £3,227 million; 2021: £2,670 million) respectively, after allocating final-customer discounts to the wholesalers.

Revenue recognised in the year from performance obligations satisfied in previous periods totalled £1,751 million (2022: £1,601 million) including £728 million (2022: £898 million) impacting turnover arising from changes to prior year estimates of RAR (returns and rebates) accruals, £37 million (2022: £115 million) of milestone income and £986 million (2022: £588 million) of royalty income recognised in the current year.

Segment profit	2023 £m	2022 £m	2021 £m
Commercial Operations	14,656	13,590	11,467
Research and development	(5,607)	(5,060)	(4,567)
Segment profit	9,049	8,530	6,900
Corporate and other unallocated costs	(263)	(379)	(407)
Other reconciling items between segment profit and operating profit	(2,041)	(1,718)	(2,136)
Total Operating profit	6,745	6,433	4,357
Finance income	115	76	14
Finance costs	(792)	(879)	(769)
Gain/(loss) on disposal of interest in associates	1	–	(36)
Share of after-tax profits/(losses) of associates and joint ventures	(5)	(2)	33
Profit before taxation from continuing operations	6,064	5,628	3,599
Taxation	(756)	(707)	(83)
Profit after taxation for the year from continuing operations	5,308	4,921	3,516

Other reconciling items between segment profit and operating profit comprise items not specifically allocated to segment profit. These include impairment and amortisation of intangible assets; major restructuring costs, which include impairments of tangible assets and computer software; transaction-related adjustments related to significant acquisitions; proceeds and costs of disposals of products and businesses, significant legal charges and expenses on the settlement of litigation and government investigations, other operating income other than royalty income and other items. Please refer to the detail of Other reconciling items between segment profit and operating profit in the analysis of adjusting items (Group financial review).

Depreciation and amortisation by segment	2023 £m	2022 £m	2021 £m
Commercial Operations	893	829	915
Research and development	572	467	378
Segment depreciation and amortisation	1,465	1,296	1,293
Corporate and other unallocated depreciation and amortisation	110	112	68
Other reconciling items between segment depreciation and amortisation and total depreciation and amortisation	719	739	761
Total depreciation and amortisation	2,294	2,147	2,122

Notes to the financial statements continued

6. Turnover and segment information continued

PP&E, intangible asset and goodwill impairment by segment	2023 £m	2022 £m	2021 £m
Commercial Operations	27	29	30
Research and development	13	32	55
Segment impairment	40	61	85
Corporate and other unallocated impairment	35	20	63
Other reconciling items between segment impairment and total impairment	432	420	392
Total impairment	507	501	540

PP&E and intangible asset impairment reversals by segment			
Commercial Operations	(16)	(6)	(8)
Research and development	(9)	(19)	(2)
Segment impairment reversals	(25)	(25)	(10)
Corporate and other unallocated impairment reversals	(14)	–	–
Other reconciling items between segment impairment reversals and total impairment reversals	–	(1)	(2)
Total impairment reversals	(39)	(26)	(12)

Net operating assets by segment	2023 £m	2022 £m
Commercial Operations	12,302	10,288
Research and development	7,021	7,299
Segment net operating assets	19,323	17,587
Corporate and other unallocated net operating assets	625	264
Net operating assets	19,948	17,851
Net debt	(15,040)	(17,197)
Investments in associates and joint ventures	55	74
Current equity investment	2,204	4,087
Derivative financial instruments	16	7
Current and deferred taxation	5,536	5,176
Assets held for sale (excluding cash and cash equivalents)	76	98
Net assets	12,795	10,096

The Commercial Operations segment includes the Shionogi-ViiV Healthcare contingent consideration liability of £5,718 million (2022: £5,890 million) and the Pfizer put option of £848 million (2022: £1,093 million).

Geographical information

The UK is regarded as being the Group's country of domicile.

Turnover by location of customer	2023 £m	2022 £m	2021 £m
UK	693	695	656
US	15,820	14,542	11,914
Rest of World	13,815	14,087	12,126
External turnover	30,328	29,324	24,696

Non-current assets by location of subsidiary	2023 £m	2022 £m
UK	6,464	5,134
US	13,280	14,024
Belgium	5,337	5,415
Rest of World	6,606	6,593
Non-current assets	31,687	31,166

Non-current assets by location excludes amounts relating to other investments, deferred tax assets, derivative financial instruments, pension assets, amounts receivable under insurance contracts and certain other non-current receivables. There are no other countries with individually material external revenue or non-current assets.

Notes to the financial statements continued

7. Other operating income/(expense)

	2023 £m	2022 £m	2021 £m
Upfront settlement income[1]	–	922	–
Fair value remeasurements of equity investments	(122)	256	37
Disposal of businesses and assets	61	215	552
Fair value remeasurements on contingent consideration recognised in business combinations	(791)	(1,607)	(1,058)
Remeasurement of ViiV Healthcare put option liabilities and preferential dividends	245	(85)	(48)
Fair value adjustments on derivative financial instruments	7	3	(4)
Other income	237	61	17
	(363)	(235)	(504)

(1) On 1 February 2022, ViiV Healthcare reached agreement with Gilead Sciences, Inc (Gilead) to settle the global patent infringement litigation relating to the commercialisation of Gilead's Biktarvy concerning ViiV Healthcare's patents relating to dolutegravir, an anti-retroviral medication used, together with other medicines, to treat human immunodeficiency virus (HIV). Under the terms of the global settlement and licensing agreement, Gilead made an upfront payment of $1.25 billion (£922 million) to ViiV Healthcare on 15 February 2022. In addition, Gilead will also pay a 3% royalty on all future US sales of Biktarvy and in respect of the bictegravir component of any other future bictegravir-containing products sold in the US. These royalties will be payable by Gilead to ViiV Healthcare from 1 February 2022 until the expiry of ViiV Healthcare's US Patent No. 8,129,385 on 5 October 2027 and will be recorded as royalty income in the income statement.

Fair value remeasurement on equity investments in 2023 included a loss of £17 million from the remeasurement of the Group's retained investment in Haleon plc. See details in Note 22 'Current equity investments'.

Disposal of businesses and assets in 2023 primarily includes milestone income.

Disposal of businesses and assets in 2022 includes milestone income and the reversal of provisions no longer required.

Disposal of businesses and assets in 2021 included a net gain on disposal of the rights to the royalty stream for cabozantinib and a net gain on disposal of the cephalosporin antibiotic brands to Sandoz.

Fair value re-measurements on contingent consideration recognised as business combinations included a net charge of £934 million related to the acquisition of the former Shionogi-ViiV Healthcare joint venture, £187 million net credit payable to Novartis related to the Vaccines acquisition, together with fair value movements on related hedging contracts and a charge of £44 million relating to the contingent consideration on the acquisition of Affinivax primarily relating to the unwind of the discount.

Other income in 2023 primarily includes net income from dividends related to investments, including £49 million dividends received from the retained investment in Haleon plc.

Notes to the financial statements continued

8. Operating profit

The following items have been included in operating profit:	2023 £m	2022 £m	2021 £m
Employee costs (Note 9)	8,473	7,693	7,680
Advertising	835	735	433
Distribution costs	199	192	169
Depreciation of property, plant and equipment	892	885	855
Impairment of property, plant and equipment, net of reversals	17	70	87
Depreciation of right of use assets	190	176	179
Impairment of right of use assets	10	40	5
Amortisation of intangible assets	1,212	1,086	1,088
Impairment of intangible assets, net of reversals	418	365	435
Impairment of tangible and intangible assets held for sale, net of reversals	23	–	1
Net foreign exchange (gains)/losses	11	11	(4)
Inventories:			
Cost of inventories included in cost of sales	6,576	6,137	5,885
Write-down of inventories	979	687	800
Reversal of prior year write-down of inventories	(598)	(483)	(325)
Short-term lease charge	8	6	7
Low-value lease charge	2	2	3
Variable lease payments	17	9	10
Fees payable to the company's auditor and its associates in relation to the Group (see below)	22.0	26.9	31.7

The reversals of prior year write-downs of inventories principally arise from the reassessment of usage or demand expectations prior to inventory expiration.

Net foreign exchange (gains)/losses include a net gain of £34 million (2022: £2 million loss; 2021: £35 million gain) arising from the recycling of exchange on liquidation or disposal of overseas subsidiaries. The recycling of exchange on disposal of overseas associates is £nil (2022: £nil). The recycling of exchange on disposal of overseas subsidiaries does not include recycling of exchange on disposal of Consumer Healthcare subsidiaries as this is reported as Profit after taxation on demerger of discontinued operations.

Included within operating profit are Major restructuring charges of £382 million (2022: £321 million; 2021: £424 million), see Note 10, 'Major restructuring costs'.

Fees payable to the company's auditor and its associates:	2023 £m	2022 £m	2021 £m
Audit of parent company and consolidated financial statements including attestation under s.404 of Sarbanes-Oxley Act 2002	10.2	10.9	13.2
Audit of the company's subsidiaries	10.2	9.7	14.5
Total audit services	20.4	20.6	27.7
Audit-related and other assurance services	1.6	6.3	4.0
Total audit services, audit-related and other assurance services	22.0	26.9	31.7

The other assurance services provided by the auditor related to agreed upon procedures and other assurance services outside of statutory audit requirements. Audit related and other assurance services include £nil (2022: £4.4 million; 2021: £2.4 million) due to reporting accountant work performed in preparation for the Consumer Healthcare demerger.

In addition to the above, fees paid to the auditor in respect of the GSK pension schemes were:

	2023 £m	2022 £m	2021 £m
Audit	0.2	0.2	0.2

Notes to the financial statements continued

9. Employee costs

	2023 £m	2022 £m	2021 £m
Wages and salaries	**6,706**	6,110	5,858
Social security costs	**818**	763	793
Pension and other post-employment costs, including augmentations (Note 31)	**356**	369	415
Cost of share-based incentive plans	**321**	314	345
Severance and other costs from integration and restructuring activities	**272**	137	269
	8,473	7,693	7,680

The Group provides benefits to employees, commensurate with local practice in individual countries, including in some markets, healthcare insurance, subsidised car schemes and personal life assurance.

The cost of share-based incentive plans is analysed as follows:

	2023 £m	2022 £m	2021 £m
Share value plan	**244**	243	258
Performance share plan	**58**	55	51
Share option plans	**5**	4	5
Cash settled and other plans	**14**	12	31
	321	314	345

The average number of persons employed by the Group (including Directors) during the year:

	2023 Number	2022 Number	2021 Number
Manufacturing	**23,209**	22,946	23,562
Selling, general and administration	**34,446**	34,642	36,909
Research and development	**12,589**	11,542	10,874
Total Continuing Operations	**70,244**	69,130	71,345
Discontinued Operations	**–**	21,292	20,616
Total	**70,244**	90,422	91,961

Note: Consumer Healthcare was divested on 18 July 2022 and is shown as Discontinued Operations in the above table.

The average monthly number of Group employees excludes temporary and contract staff. The numbers of Group employees at the end of each financial year are given in the financial record on page 276.

The compensation of the Directors and senior management (members of the GLT) in aggregate, was as follows:

	2023 £m	2022 £m	2021 £m
Wages and salaries	**37**	31	27
Social security costs	**4**	5	3
Pension and other post-employment costs	**1**	2	3
Cost of share-based incentive plans	**32**	28	27
	74	66	60

Further information on the remuneration of the Directors is given in the sections of the Annual Report on remuneration labelled as audited within pages 143 to 149.

Notes to the financial statements continued

10. Major restructuring costs

Within the Pharmaceuticals sector, the highly regulated manufacturing operations and supply chains and long lifecycle of the business mean that restructuring programmes, particularly those that involve the rationalisation or closure of manufacturing or R&D sites, are likely to take several years to complete.

Major restructuring costs are those related to specific Board-approved Major restructuring programmes, including integration costs following material acquisitions, which are structural and are of a significant scale where the costs of individual or related projects exceed £25 million.

In January 2020, the Board approved a Separation Preparation programme to prepare for the separation of GSK into two companies. This programme is largely complete. After the acquisition of Sierra Oncology (July 2022) and Affinivax (August 2022), the Board approved a Major restructuring programme for the integration of significant acquisitions designed to integrate and achieve synergies. In June 2023 GSK acquired Bellus Health Inc.

The total restructuring costs of £382 million in 2023 (2022: £321 million; 2021: £424 million) were incurred in the following areas:

- Restructuring costs for separation of GSK into two companies
- Continued transformation of central functions, including GSK technology platforms and interfaces, to deliver greater digital synergies, simplification of applications and staff reductions
- The integration of acquisitions.

The analysis of the costs charged to operating profit under these programmes was as follows:

	2023 £m	2022 £m	2021 £m
Increase in provision for Major restructuring programmes (see Note 32)	**172**	138	321
Amount of provision reversed unused (see Note 32)	**(55)**	(111)	(140)
Impairment losses recognised	**33**	122	14
Other non-cash charges/(credit)	**86**	(7)	25
Other cash costs	**146**	179	204
	382	321	424

Provision reversals of £55 million reflected provision releases mainly related to the Separation Preparation programme. Asset impairments of £33 million and other non-cash charges of £86 million principally comprised fixed asset write-downs of manufacturing and administrative facilities and accelerated depreciation where asset lives have been shortened in the supply chain manufacturing network as a result of the Major restructuring programmes. All other charges have been or will be settled in cash and include site closure costs, consultancy and project management costs.

The analysis of Major restructuring charges by programme was as follows:

			2023
	Cash £m	Non-cash £m	Total £m
Separation Preparation programme	199	117	**316**
Significant acquisitions	65	1	**66**
Legacy programmes	(1)	1	**–**
	263	119	**382**

			2022
	Cash £m	Non-cash £m	Total £m
Separation Preparation programme	177	110	287
Significant acquisitions	20	–	20
Legacy programmes	9	5	14
	206	115	321

The analysis of Major restructuring charges by income statement line was as follows:

	2023 £m	2022 £m	2021 £m
Cost of sales	**164**	102	102
Selling, general and administration	**216**	180	277
Research and development	**2**	39	45
	382	321	424

Notes to the financial statements continued

11. Finance income

	2023 £m	2022 £m	2021 £m
Finance income arising from:			
Financial assets measured at amortised cost	**48**	31	11
Financial assets measured at fair value through profit or loss	**60**	31	2
Net gains arising from the forward element of forward contracts in net investment hedge relationships	**–**	12	–
Other finance income	**7**	2	1
	115	76	14

12. Finance expense

	2023 £m	2022 £m	2021 £m
Finance expense arising on:			
Financial liabilities at amortised cost	**(672)**	(789)	(735)
Net losses arising from:			
Financial instruments mandatorily measured at fair value through profit or loss	**(23)**	743	(565)
Retranslation of loans	**25**	(761)	565
Reclassification of hedges from other comprehensive income	**(4)**	(2)	(2)
Unwinding of discounts on provisions	**(15)**	(7)	(2)
Finance expense arising on lease liabilities	**(38)**	(30)	(27)
Other finance expense	**(65)**	(33)	(3)
	(792)	(879)	(769)

Notes to the financial statements continued

13. Associates and joint ventures

The Group's share of after-tax profits and losses of associates and joint ventures is set out below:

	2023 £m	2022 £m	2021 £m
Share of after-tax (losses)/profits of associates	(2)	1	36
Share of after-tax losses of joint ventures	(3)	(3)	(3)
	(5)	(2)	33

During the year, the Group disposed of an investment in a joint venture for £nil consideration, with the release of related commitments for future capital contributions resulting in a net £1 million profit on disposal.

In May 2021, the Group agreed with Innoviva Inc. to sell all of its shares in Innoviva back to Innoviva for £277 million. Following the disposal, at 31 December 2023, 31 December 2022 and 31 December 2021, the Group held no significant individual associates.

Summarised income statement information in respect of Innoviva until May 2021 is set out below.

The results of Innoviva included in the summarised income statement information below represent the estimated earnings of Innoviva in the relevant periods, based on publicly available information. Figures for 2021 include share of Innoviva's turnover, profit and total comprehensive income until the date of the disposal.

	2021 £m
Turnover	108
Profit after taxation	106
Total comprehensive income	106

Aggregated financial information in respect of GSK's share of other associated undertakings and joint ventures is set out below:

	2023 £m	2022 £m	2021 £m
Share of after-tax losses	(5)	(2)	–
Share of other comprehensive income/(expense)	7	(9)	28
Share of total comprehensive income/(expense)	2	(11)	28

The Group's sales to associates and joint ventures were £nil in 2023 (2022: £nil; 2021: £nil).

Please refer to the balance sheet information on Note 21, 'Investments in associates and joint ventures'.

Notes to the financial statements continued

14. Taxation

The Group's tax charge is the sum of the total current and deferred tax expense.

Taxation charge based on profits for the year	2023 £m	2022 £m	2021 £m
UK current year charge	**207**	200	119
Rest of World current year charge	**1,371**	1,351	593
Charge/(credit) in respect of prior periods	**43**	(60)	219
Current taxation	**1,621**	1,491	931
Deferred taxation	**(865)**	(784)	(848)
	756	707	83

In 2023, GSK made corporate income tax payments globally of £1.3 billion (2022: £1.5 billion), of which £205 million (2022: £48 million) was UK corporation tax paid to HMRC. These amounts are for corporate income tax only, and do not include the various other business taxes borne by GSK each year.

The deferred tax credits in each period reflect current year losses where offset against taxable profits in future periods is probable and the release of deferred tax liabilities. The latter relates primarily to the unwind of deferred tax liabilities on intangible assets.

The following table reconciles the tax charge calculated at the UK statutory rate on the Group profit before tax with the actual tax charge for the year.

Reconciliation of taxation on Group profits	2023 £m	2023 %	2022 £m	2022 %	2021 £m	2021 %
Profit before tax	**6,064**		5,628		3,599	
UK statutory rate of taxation	**1,425**	**23.5**	1,069	19.0	685	19.0
Differences in overseas taxation rates	**159**	**2.6**	318	5.6	302	8.4
Benefit of intellectual property incentives	**(696)**	**(11.5)**	(600)	(10.7)	(382)	(10.6)
R&D credits	**(121)**	**(2.0)**	(119)	(2.1)	(100)	(2.8)
Permanent differences on disposals, acquisitions and transfers	**10**	**0.2**	275	4.9	(3)	(0.1)
Other permanent differences	**102**	**1.7**	82	1.5	(4)	(0.1)
Re-assessments of prior year current tax estimates	**43**	**0.7**	(60)	(1.1)	219	6.1
Re-assessments of prior year deferred tax estimates	**(147)**	**(2.4)**	(233)	(4.1)	(281)	(7.8)
Changes in tax rates	**(19)**	**(0.3)**	(25)	(0.4)	(353)	(9.8)
Tax charge/tax rate	**756**	**12.5**	707	12.6	83	2.3

As a global biopharmaceutical company, we have a substantial business and employment presence in many countries around the world. The impact of differences in overseas taxation rates arose from profits being earned in countries with tax rates higher than the UK statutory rate, the most significant of which in 2023 were Belgium and Japan. This adverse impact was offset by the benefit of intellectual property incentives such as the UK Patent Box and Belgian Innovation Income Deduction regimes, which provide a reduced rate of corporation tax on profits earned from qualifying patents. We claim these incentives in the manner intended by the relevant statutory or regulatory framework.

Permanent differences on disposals, acquisitions and transfers in 2022 includes tax on internal restructuring to simplify the group structure.

The Group's tax rate is also influenced by updates to estimates of prior period tax liabilities following closure of open issues with tax authorities in various jurisdictions and changes in tax rates. The cumulative impact of these items in 2023 is a 2% reduction in the tax rate.

In 2021, 'Changes in tax rates' included credits in relation to the enactment of the increase in the headline rate of UK corporate income tax from 19% to 25% (effective 2023).

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

During 2023 the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the Organisation for Economic Co-operation and Development's (OECD) Pillar Two model framework. We anticipate that the rules will restrict our ability to benefit from innovation incentives, such as the UK and Belgium Patent Box regimes, and consequently our underlying effective tax rate is forecast to increase by around 2% from 2024.

Notes to the financial statements continued

14. Taxation continued

Tax on items charged to equity and statement of comprehensive income	2023 £m	2022 £m	2021 £m
Current taxation			
Share-based payments	(1)	(3)	–
Defined benefit plans	(143)	–	–
Fair value movements on cash flow hedges	–	–	5
Fair value movements on equity investments	(6)	12	36
	(150)	9	41
Deferred taxation			
Share-based payments	(6)	11	(11)
Defined benefit plans	184	(211)	223
Fair value movements on cash flow hedges	(1)	(9)	3
Fair value movements on equity investments	(8)	(68)	(167)
	169	(277)	48
Total charge/(credit) to equity and statement of comprehensive income	19	(268)	89

All of the above items have been charged to the statement of comprehensive income except for tax on share based payments.

Issues relating to taxation

The integrated nature of the Group's worldwide operations involves significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets. In line with current OECD guidelines, we base our transfer pricing policy on the arm's length principle and support our transfer prices with economic analysis and reports. However, different tax authorities may seek to attribute further profit to activities being undertaken in their jurisdiction potentially resulting in double taxation. The Group also has open items in several jurisdictions concerning such matters as the deductibility of particular expenses and the tax treatment of certain business transactions. GSK applies a risk based approach to determine the transactions most likely to be subject to challenge and the probability that the Group would be able to obtain compensatory adjustments under international tax treaties.

The calculation of the Group's total tax charge therefore necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. At 31 December 2023 the Group had recognised provisions of £584 million in respect of such uncertain tax positions (2022: £551 million). The net increase in recognised provisions during 2023 was driven by the reassessment of estimates, the agreement of a number of open issues with tax authorities in various jurisdictions and amounts related to discontinued operations. Whilst the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with the relevant tax authorities, or litigation where appropriate, the Group continues to consider that it has made appropriate provision for periods which are open and not yet agreed by the tax authorities.

A provision for deferred tax liabilities of £165 million as at 31 December 2023 (2022: £157 million) has been made in respect of taxation that would be payable on the remittance of profits by certain overseas subsidiaries. Whilst the aggregate amount of unremitted profits at the balance sheet date was approximately £18 billion (2022: £16 billion), the majority of these unremitted profits would not be subject to tax (including withholding tax) on repatriation, as UK legislation relating to company distributions provides for exemption from tax for most overseas profits, subject to certain exceptions. Deferred tax is not provided on temporary differences of £869 million (2022: £660 million) arising on unremitted profits as management has the ability to control any future reversal and does not consider such a reversal to be probable.

Notes to the financial statements continued

14. Taxation continued

Movement in deferred tax assets and liabilities

	Accelerated capital allowances £m	Intangible assets £m	Contingent consideration £m	Intra-Group profit £m	Pensions & other post employment benefits £m	Tax losses £m	Share option and award schemes £m	Other net temporary differences £m	Total
At 1 January 2022	(211)	(3,711)	850	999	640	1,450	91	1,554	1,662
Exchange adjustments	(29)	(264)	–	(40)	64	6	1	160	(102)
Credit/(charge) to income statement	122	126	142	258	(32)	104	(22)	190	888
Credit/(charge) to statement of comprehensive income	–	–	–	–	182	42	(11)	(12)	201
Acquisitions/Disposals	(1)	(637)	–	–	–	67	–	76	(495)
R&D credits utilisation	–	–	–	–	–	–	–	(76)	(76)
Transfer of assets for sale/distribution	62	3,667	–	(118)	(60)	(8)	(2)	(250)	3,291
At 31 December 2022	(57)	(819)	992	1,099	794	1,661	57	1,642	5,369
Exchange adjustments	11	58	–	(70)	(24)	(2)	–	(100)	(127)
Credit/(charge) to income statement	72	229	(71)	223	(15)	335	12	80	865
Credit/(charge) to statement of comprehensive income	–	–	–	–	(184)	–	5	10	(169)
Acquisitions/Disposals	–	(144)	–	–	–	–	–	–	(144)
R&D credits utilisation	–	–	–	–	–	–	–	(56)	(56)
At 31 December 2023	26	(676)	921	1,252	571	1,994	74	1,576	5,738

Deferred tax liabilities in relation to intangible assets predominately relate to temporary differences arising as a result of historic business combinations. Acquisitions within the year predominantly relate to Bellus Health (see Note 41, 'Acquisitions and disposals').

The Group continues to recognise deferred tax assets on future obligations in respect of contingent consideration amounts payable to minority shareholders. These payments are tax deductible at the point in time at which payment is made.

A deferred tax asset is recognised on intra-Group profits arising on inter-company inventory which are eliminated within the consolidated accounts. As intra-Group profits are not eliminated from the individual entities' tax returns a temporary difference arises that will reverse at the point in time inventory is sold externally.

The deferred tax asset of £1,994 million (2022: £1,661 million) recognised on tax losses relates to trading losses. Such deferred tax assets are only recognised to the extent Group long-range forecasts indicate sufficient future taxable profits will be available to utilise such assets by around 2030. Other net temporary differences included accrued expenses for which a tax deduction is only available on a paid basis.

Deferred tax asset and liabilities are recognised on the balance sheet as follows:

	2023 £m	2022 £m
Deferred tax assets	**6,049**	5,658
Deferred tax liabilities	**(311)**	(289)
	5,738	5,369

Unrecognised tax losses	2023 Tax losses £m	2023 Unrecognised deferred tax asset £m	2022 Tax losses £m	2022 Unrecognised deferred tax asset £m
Trading losses expiring:				
Within 10 years	**939**	**149**	967	175
More than 10 years	**1,238**	**66**	44	13
Available indefinitely	**228**	**47**	192	41
At 31 December	**2,405**	**262**	1,203	229
Capital losses expiring:				
Available indefinitely	**2,261**	**567**	2,326	548
At 31 December	**2,261**	**567**	2,326	548

Deferred tax assets are only recognised where it is probable that future taxable profit will be available to utilise losses.

Notes to the financial statements continued

15. Earnings per share

	2023 pence	2022 pence	2021 pence
Basic earnings per share from continuing operations	121.6	110.8	82.9
Basic earnings per share from discontinued operations	–	260.6	26.7
Total basic earnings per share	121.6	371.4	109.6
Diluted earnings per share from continuing operations	119.9	109.2	81.8
Diluted earnings per share from discontinued operations	–	257.0	26.4
Total diluted earnings per share	119.9	366.2	108.2

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period after deducting shares held by the ESOP Trusts for the future exercise of share options and share awards and Treasury shares. The trustees have waived their rights to cash dividends on the GSK shares held by the ESOP Trusts.

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. A potentially dilutive share forms part of the employee share schemes where its exercise price is below the average market price of GSK shares during the period and any performance conditions attaching to the scheme have been met at the balance sheet date.

The numbers of shares used in calculating basic and diluted earnings per share are reconciled below.

Weighted average number of shares in issue	2023 millions	2022 millions	2021 millions
Basic	4,052	4,026	4,003
Dilution for share options and awards	59	58	49
Diluted	4,111	4,084	4,052

16. Dividends

	2023			2022			2021		
	Paid/payable	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m
First interim	13 July 2023	14.00	567	1 July 2022	17.50	704	8 July 2021	23.75	951
Second interim	12 October 2023	14.00	568	6 October 2022	16.25	654	7 October 2021	23.75	951
Third interim	11 January 2024	14.00	568	12 January 2023	13.75	555	13 January 2022	23.75	952
Fourth interim	11 April 2024	16.00	649	13 April 2023	13.75	557*	7 April 2022	28.75	1,157
Total		58.00	2,352		61.25	2,470		100	4,011

* The estimate for the fourth interim dividend for 2022 disclosed in the 2022 annual report was £555 million, £2 million less than the dividend that was ultimately paid.

Under IFRS, interim dividends are only recognised in the financial statements when paid and not when declared. GSK normally pays a dividend two quarters after the quarter to which it relates and one quarter after it is declared. The 2023 financial statements recognise those dividends paid in 2023, namely the third and fourth interim dividends for 2022, and the first and second interim dividends for 2023.

The demerger of Consumer Healthcare in 2022 was effected by GSK declaring an interim dividend in specie of Haleon plc shares. The fair value of the distribution was £15,526 million.

The amounts recognised in each year were as follows:

	2023 £m	2022 £m	2021 £m
Cash dividends to shareholders	2,247	3,467	3,999
Dividends in specie to shareholders in Haleon plc shares (Note 41)	–	15,526	–
	2,247	18,993	3,999

Notes to the financial statements continued

17. Property, plant and equipment

	Land and buildings £m	Plant, equipment and vehicles £m	Assets in construction £m	Total £m
Cost at 1 January 2022	7,212	11,816	1,750	**20,778**
Exchange adjustments	403	542	105	**1,050**
Additions through business combinations	5	8	17	**30**
Other additions	13	79	1,153	**1,245**
Capitalised borrowing costs	–	–	21	**21**
Disposals and write-offs	(64)	(222)	(5)	**(291)**
Reclassifications	146	689	(874)	**(39)**
Transfer to assets held for sale/distribution	(1,067)	(1,959)	(317)	**(3,343)**
Cost at 31 December 2022	6,648	10,953	1,850	**19,451**
Exchange adjustments	(189)	(265)	(44)	**(498)**
Additions through business combinations	–	–	–	**–**
Other additions	11	99	1,185	**1,295**
Capitalised borrowing costs	–	–	36	**36**
Disposals and write-offs	(136)	(732)	(16)	**(884)**
Reclassifications	134	701	(869)	**(34)**
Transfer to assets held for sale/distribution	(13)	(52)	(22)	**(87)**
Cost at 31 December 2023	6,455	10,704	2,120	**19,279**
Depreciation at 1 January 2022	(3,281)	(6,744)	–	**(10,025)**
Exchange adjustments	(191)	(310)	–	**(501)**
Charge for the year	(226)	(726)	–	**(952)**
Disposals and write-offs	47	181	–	**228**
Transfer to assets held for sale/distribution	376	1,130	–	**1,506**
Depreciation at 31 December 2022	(3,275)	(6,469)	–	**(9,744)**
Exchange adjustments	90	153	–	**243**
Charge for the year	(210)	(682)	–	**(892)**
Disposals and write-offs	66	662	–	**728**
Transfer to assets held for sale/distribution	6	29	–	**35**
Reclassifications	–	(4)	–	**(4)**
Depreciation at 31 December 2023	(3,323)	(6,311)	–	**(9,634)**
Impairment at 1 January 2022	(264)	(514)	(43)	**(821)**
Exchange adjustments	(9)	(14)	(1)	**(24)**
Disposals and write-offs	9	47	5	**61**
Impairment losses	(33)	(45)	(5)	**(83)**
Reversal of impairments	–	9	–	**9**
Transfer to assets held for sale/distribution	37	45	2	**84**
Impairment at 31 December 2022	(260)	(472)	(42)	**(774)**
Exchange adjustments	4	7	1	**12**
Disposals and write-offs	27	114	13	**154**
Impairment losses	(11)	(32)	–	**(43)**
Reversal of impairments	3	23	–	**26**
Transfer to assets held for sale/distribution	–	–	–	**–**
Reclassifications	–	–	–	**–**
Impairment at 31 December 2023	(237)	(360)	(28)	**(625)**
Total depreciation and impairment at 31 December 2022	(3,535)	(6,941)	(42)	**(10,518)**
Total depreciation and impairment at 31 December 2023	(3,560)	(6,671)	(28)	**(10,259)**
Net book value at 1 January 2022	3,667	4,558	1,707	**9,932**
Net book value at 31 December 2022	3,113	4,012	1,808	**8,933**
Net book value at 31 December 2023	2,895	4,033	2,092	**9,020**

Notes to the financial statements continued

17. Property, plant and equipment continued

The weighted average interest rate for capitalised borrowing costs in the year was 4% (2022: 4%). Disposals and write-offs in the year included a number of assets with nil net book value that are no longer in use in the business.

The impairment losses principally arose from decisions to rationalise facilities and were calculated based on fair value less costs of disposal. The fair value less costs of disposal 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. These calculations determine the net present value of the projected risk-adjusted, post-tax cash flows of the relevant asset or cash generating unit, applying a discount rate of the Group post-tax weighted average cost of capital (WACC) of 7%, adjusted where appropriate for specific segment, country and currency risk.

Assets that continue to be used by the Group are generally assessed as part of their associated cash generating unit on a value in use basis. For value in use calculations, the post-tax cash flows do not include the impact of future uncommitted restructuring plans or improvements. Where an impairment is indicated and a pre-tax cash flow calculation is expected to give a materially different result, the test would be reperformed using pre-tax cash flows and a pre-tax discount rate. The Group WACC is equivalent to a pre-tax discount rate of approximately 9%.

Net impairment reversals have been credited to cost of sales: £1 million (2022: net impairment losses £11 million) and R&D: £5 million (2022: net impairment losses £7 million). Net impairment losses have been charged to SG&A: £23 million (2022: £55 million), after charging impairment losses of £27 million (2022: £34 million) arising from the Major restructuring programmes.

Reversals of impairment arose from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments were deemed no longer to apply. £17 million of the impairment reversal has been credited to cost of sales, £5 million of the impairment reversal has been credited to R&D expenses and £4 million of the impairment reversal has been credited to SG&A. During 2022, the full impairment reversal of £9 million was credited to cost of sales.

During 2023, £34 million (2022: £39 million) of computer software was reclassified from assets in construction to intangible assets on becoming ready for use.

The Group has assessed the qualitative and quantitative impact of climate related risks on asset recoverable amounts and concluded that there are no material impairments. As of 31 December 2023, £53 million has been capitalised in property, plant and equipment regarding the transition to a lower-carbon propellant.

18. Right of use assets

	Land and buildings £m	Plant and equipment £m	Vehicles £m	**Total £m**
Net book value at 1 January 2022	633	9	98	**740**
Exchange adjustments	47	–	8	**55**
Additions through business combinations	53	–	–	**53**
Other additions	140	2	91	**233**
Depreciation	(131)	(3)	(58)	**(192)**
Transfer to assets held for sale/distribution	(115)	(1)	(11)	**(127)**
Disposals	(27)	(1)	(8)	**(36)**
Impairments	(39)	–	–	**(39)**
Net book value at 31 December 2022	561	6	120	**687**
Exchange adjustments	(30)	–	(6)	**(36)**
Additions through business combinations	1	–	–	**1**
Other additions	355	–	144	**499**
Depreciation	(121)	(2)	(67)	**(190)**
Transfer to assets held for sale/distribution	–	–	–	**–**
Disposals	(11)	–	(9)	**(20)**
Impairments	(10)	–	–	**(10)**
Reclassifications	6	–	–	**6**
Net book value at 31 December 2023	751	4	182	**937**

The Group has entered into some commitments for lease contracts that have not yet commenced. See Note 36, 'Commitments'.

An analysis of lease liabilities is set out in Note 30, 'Net debt'.

Notes to the financial statements continued

19. Goodwill

	2023 £m	2022 £m
Cost at 1 January	7,046	10,552
Exchange adjustments	(313)	550
Additions through business combinations (Note 41)	109	1,127
Other movements (Note 41)	(31)	–
Transfer to assets held for sale/distribution	–	(5,183)
Cost at 31 December	6,811	7,046
Net book value at 1 January	7,046	10,552
Net book value at 31 December	6,811	7,046

All goodwill is allocated to the Group's segments as follows:

	2023 £m	2022 £m
Commercial operations	5,951	6,148
Total R&D	860	898
Net book value at 31 December	6,811	7,046

The recoverable amounts of the cash generating units are assessed using a fair value less costs of disposal model. Fair value less costs of disposal is calculated using a discounted cash flow approach, with a post-tax discount rate applied to the projected risk-adjusted post-tax cash flows and terminal value.

The discount rate used is based on the Group WACC of 7% (2022: 7%), as most cash generating units have integrated operations across large parts of the Group. The discount rate is adjusted where appropriate for specific segment, country and currency risks. The valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as level 3 in the fair value hierarchy.

The R&D segment is evaluated on an arm's length pricing model, see assumptions below.

Details relating to the discounted cash flow models used in the impairment tests are as follows:

Valuation basis	Fair value less costs of disposal		
Key assumptions	Sales growth rates Profit margins Terminal growth rate Discount rate Taxation rate		
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 based on management's estimate of future long-term average growth rates. Discount rates based on Group WACC, adjusted where appropriate. Taxation rates based on appropriate rates for each jurisdiction.		
Period of specific projected cash flows	Five years		
Terminal growth rate and discount rate		Terminal growth rate	Discount rate
	2023		
	Commercial operations	0% p.a	7% p.a
	R&D	0% p.a	7% p.a
	2022		
	Commercial operations	0% p.a	7% p.a
	R&D	0% p.a	7% p.a

The terminal growth rate does not exceed the long-term projected growth rates for relevant markets, reflects the impact of future generic competition and take account of new product launches. Goodwill is monitored for impairment at the segmental level and the valuations indicated sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

The Group has assessed the qualitative and quantitative impact of climate related risks on asset recoverable amounts and concluded that there are no material impairments.

Notes to the financial statements continued

20. Other intangible assets

	Computer software £m	Licences, patents, amortised brands £m	Indefinite life brands £m	Total £m
Cost at 1 January 2022	2,424	21,439	18,626	**42,489**
Exchange adjustments	63	934	1,112	**2,109**
Capitalised development costs	–	317	–	**317**
Additions through business combinations	–	2,964	–	**2,964**
Other additions	149	626	–	**775**
Disposals and asset write-offs	(203)	(33)	–	**(236)**
Transfer to assets held for sale/distribution	(513)	(496)	(19,772)	**(20,781)**
Reclassifications	39	(34)	34	**39**
Cost at 31 December 2022	1,959	25,717	–	**27,676**
Exchange adjustments	(30)	(664)	–	**(694)**
Capitalised development costs	–	363	–	**363**
Additions through business combinations	–	1,438	–	**1,438**
Other additions	144	525	–	**669**
Disposals and asset write-offs	(125)	(13)	–	**(138)**
Transfer to assets held for sale/distribution	2	–	–	**2**
Reclassifications	34	(3)	–	**31**
Cost at 31 December 2023	1,984	27,363	–	**29,347**
Amortisation at 1 January 2022	(1,369)	(8,262)	–	**(9,631)**
Exchange adjustments	(33)	(307)	–	**(340)**
Charge for the year	(204)	(931)	–	**(1,135)**
Disposals and asset write-offs	129	19	–	**148**
Transfer to assets held for sale	254	300	–	**554**
Amortisation at 31 December 2022	(1,223)	(9,181)	–	**(10,404)**
Exchange adjustments	18	174	–	**192**
Charge for the year	(203)	(1,009)	–	**(1,212)**
Disposals and asset write-offs	100	8	–	**108**
Transfer to assets held for sale/distribution	(3)	–	–	**(3)**
Reclassifications	4	1	–	**5**
Amortisation at 31 December 2023	(1,307)	(10,007)	–	**(11,314)**
Impairment at 1 January 2022	(91)	(2,480)	(208)	**(2,779)**
Exchange adjustments	(2)	(138)	(1)	**(141)**
Impairment losses	(72)	(313)	(17)	**(402)**
Transfer to assets held for sale/distribution	10	34	226	**270**
Reversal of impairments	1	17	–	**18**
Disposals and asset write-offs	73	7	–	**80**
Impairment at 31 December 2022	(81)	(2,873)	–	**(2,954)**
Exchange adjustments	1	70	–	**71**
Impairment losses	(23)	(398)	–	**(421)**
Transfer to assets held for sale/distribution	–	–	–	**–**
Reversal of impairments	3	–	–	**3**
Disposals and asset write-offs	25	11	–	**36**
Impairment at 31 December 2023	(75)	(3,190)	–	**(3,265)**
Total amortisation and impairment at 31 December 2022	(1,304)	(12,054)	–	**(13,358)**
Total amortisation and impairment at 31 December 2023	(1,382)	(13,197)	–	**(14,579)**
Net book value at 1 January 2022	964	10,697	18,418	**30,079**
Net book value at 31 December 2022	655	13,663	–	**14,318**
Net book value at 31 December 2023	602	14,166	–	**14,768**

The weighted average interest rate for capitalised borrowing costs in the year was 4% (2022: 4%).

The net book value of computer software included £270 million (2022: £479 million) of internally generated costs.

The carrying value at 31 December 2023 of intangible assets, for which impairments have been charged in the year following those impairments, was £533 million (2022: £83 million), resulting from the appraisal of GSK's assumptions related to in-licences and collaboration agreements. The carrying value at 31 December 2023 of intangible assets, for which impairment reversals have been charged in the year following those impairment reversals, was £nil million (2022: £776 million). No individual intangible asset accounted for a material impairment.

Notes to the financial statements continued

20. Other intangible assets continued

The patent expiry dates of the Group's most significant assets, where relevant, are set out on pages 281 to 283. Please refer to Note 2, 'Accounting principles and policies' to the Group's accounting policy and estimate of the useful life for intangible assets over the exclusivity and non-exclusivity periods.

Amortisation and impairment losses, net of reversals, have been charged in the income statement as follows:

	Amortisation		Net impairment losses	
	2023 £m	2022 £m	2023 £m	2022 £m
Cost of sales	668	663	1	2
Selling, general and administration	103	116	18	66
Research and development	441	307	399	299
	1,212	1,086	418	367

Licences, patents, amortised brands etc. includes a large number of acquired licences, patents, know-how agreements and marketing rights, which are either marketed or in use, or still in development. Note 41, 'Acquisitions and disposals' gives details of additions through business combinations in the year. The book values of the largest individual items are as follows:

	2023 £m	2022 £m
Tesaro Assets	2,656	2,858
Meningitis Portfolio	1,717	1,855
Momelotinib	1,470	1,499
Camlipixant	1,438	–
Affinivax Assets	1,429	1,473
Dolutegravir (including Cabotegravir)	1,059	1,150
Iteos Assets	443	443
Alector Assets	425	509
Benlysta	424	541
Shingrix	289	288
Okairos	198	202
BMS Assets	191	196
CureVac Assets	191	178
Spero	163	163
RSV	139	40
Relvar/Breo/Anoro	125	181
Stiefel Trade Name	116	142
Wave Life Sciences	116	–
UCB	115	137
Arrowhead	114	90
DT	104	115
Fluarix/FluLaval	100	147
Vir Assets	1	159
Others	1,143	1,297
	14,166	13,663

After announcement on 13 December 2022, GSK and Wave Life Sciences Ltd. entered into a strategic collaboration in January 2023, to advance oligonucleotide therapeutics focusing on novel genetic targets.

On 28 June 2023, GSK has completed the acquisition of Bellus Health Inc, a late-stage biopharmaceutical company. The acquisition provides GSK access to camlipixant. (Refer to Note 41, 'Acquisitions and disposals').

The Group does not consider that any reasonably possible changes in the key assumptions would cause the recoverable amount of the intangible assets disclosed above to fall below their carrying values.

The Group has assessed the qualitative and quantitative impact of climate related risks on asset recoverable amounts and concluded that there are no material impairments.

Notes to the financial statements continued

21. Investments in associates and joint ventures

	Joint ventures £m	Associates £m	2023 Total £m	Joint ventures £m	Associates £m	2022 Total £m
At 1 January	10	64	**74**	12	76	88
Exchange adjustments	–	(3)	**(3)**	1	1	2
Additions	–	–	**–**	–	1	1
Disposals	(7)	–	**(7)**	–	–	–
Distributions received	–	(11)	**(11)**	–	(6)	(6)
Net fair value movements through other comprehensive income	–	7	**7**	–	(9)	(9)
Impairment of interest in associates	–	–	**–**	–	–	–
Profit/(loss) after tax recognised in the consolidated income statement	(3)	(2)	**(5)**	(3)	1	(2)
At 31 December	–	55	**55**	10	64	74

During the year, the Group disposed of an investment in a joint venture for £nil consideration.

Please refer to the income statement information in Note 13, 'Associates and joint ventures'.

22. Current equity investments

Current	Investments measured at FVTPL 2023 £m	Investments measured at FVTPL 2022 £m
At 1 January	**4,087**	–
Additions	**–**	3,852
Net fair value movements through profit or loss	**(17)**	233
Disposals and Settlements	**(1,863)**	–
Exchange adjustments	**(3)**	2
At 31 December	**2,204**	4,087

Current equity investments represent Haleon plc shares held after the demerger of Consumer Healthcare. Shares are held for trading and measured at fair value through profit or loss (FVTPL) based on the Haleon plc share price. Changes in fair value are presented as Other operating income/(expense) in continuing operations. The Group's investment in Haleon plc at the end of December 2023 is held by Glaxo Group Limited, 2.8% (2022: 5.4%), GSK Scottish Limited Partnership (No.1), 4.6% (2022: 4.7%), GSK Scottish Limited Partnership (No.2), nil (2022: 1.8%), GSK Scottish Limited Partnership (No.3), nil (2022: 1.0%) and the ESOP Trusts, nil (2022: 0.6%).

Notes to the financial statements continued

23. Other investments

Non-current	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	2023 £m	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	2022 £m
1 January	1,153	314	**1,467**	1,927	199	2,126
Exchange adjustments	(26)	(15)	**(41)**	75	25	100
Additions	93	29	**122**	87	63	150
Net fair value movements through other comprehensive income	(253)	–	**(253)**	(716)	–	(716)
Net fair value movements through profit or loss	–	(122)	**(122)**	–	27	27
Held for sale	(16)	–	**(16)**	–	–	–
Disposals	(20)	–	**(20)**	(220)	–	(220)
31 December	931	206	**1,137**	1,153	314	1,467

Non-current other investments comprise non-current equity investments which are recorded at fair value at each balance sheet date. For investments traded in an active market, the fair value is determined by reference to the relevant stock exchange quoted bid price. For other investments, the fair value is estimated by management with reference to relevant available information, including the current market value of similar instruments, recent financing rounds and discounted cash flows of the underlying net assets. Net fair value movements include the impact of exchange losses of £37 million through Other comprehensive income and £nil through profit or loss (2022: gains of £134 million through Other comprehensive income and £nil through profit or loss). Other investments include listed investments of £741 million (2022: £823 million).

GSK has elected to designate the majority of its equity investments as measured at fair value through Other comprehensive income (FVTOCI). The most significant of these investments held at 31 December 2023 were in Crispr Therapeutics AG, which had a fair value at 31 December 2023 of £158 million (2022: £109 million) and Vir Biotechnology.Inc. which had a fair value at 31 December 2023 of £67 million (2022: £180 million). The fair value of the investment in Nimbus Therapeutics, LLC, disclosed as a significant investment at 31 December 2022, was £5 million at 31 December 2023 (2022: £139 million). The other investments include equity stakes in companies with which GSK has research collaborations and in companies which provide access to biotechnology developments of potential interest.

On disposal of equity investments measured at FVTOCI, the accumulated fair value movements are reclassified from the fair value reserve to retained earnings. Investments measured at FVTOCI with a fair value of £20 million (2022: £220 million) were disposed of during the year. The cumulative loss on these investments after tax was £26 million (2022: gain of £14 million).

Certain other investments, such as investments in funds with limited lives and investments acquired with an intention to sell, are measured at fair value through profit or loss (FVTPL). The most significant of these investments held at 31 December 2023 was SR One Capital Fund I-B, LP which had a fair value at 31 December 2023 of £102 million (2022: £211 million).

24. Other non-current assets

	2023 £m	2022 £m
Amounts receivable under insurance contracts	**854**	857
Pension schemes in surplus	**634**	229
Other receivables	**96**	108
	1,584	1,194

Amounts receivable under insurance contracts are held at cash surrender value with movements through profit or loss.

Within the other receivables of £96 million (2022: £108 million), £27 million (2022: £34 million) is classified as financial assets of which £18 million (2022: £13 million) is classified as fair value through profit or loss. On the remaining balance of £9 million (2022: £21 million), the expected credit loss allowance was immaterial at 31 December 2023 and 2022.

Other receivables include £7 million relating to carbon-based nature removal projects (2022: £2 million).

Notes to the financial statements continued

25. Inventories

	2023 £m	2022 £m
Raw materials and consumables	**1,594**	1,576
Work in progress	**2,449**	2,286
Finished goods	**1,455**	1,284
	5,498	5,146

As part of the TCFD one of the climate-related risks identified affects the metered dose inhalers (MDI). There is no impact on the recoverable value of the associated inventories held at year end.

26. Trade and other receivables

	2023 £m	2022 £m
Trade receivables, net of loss allowance	**5,905**	5,452
Accrued income	**69**	19
Prepayments	**355**	343
Interest receivable	**2**	2
Employee loans and advances	**9**	11
Other receivables	**1,045**	1,226
	7,385	7,053

There were no trade or other receivable balances (2022: £nil) due from associates and joint ventures. The most significant component of other receivables comprises receivables for indirect and other taxes of £565 million (2022: £492 million). Other significant balances within other receivables are royalties receivable of £226 million (2022: £188 million) and an amount receivable from collaboration partners of £nil (2022: £263 million).

Loss allowance - trade receivables	2023 £m	2022 £m
At 1 January	**91**	150
Exchange adjustments	**(6)**	9
Charge for the year	**11**	35
Transfer to assets held for sale	**–**	(60)
Subsequent recoveries of amounts provided for	**(9)**	(19)
Utilised	**(2)**	(24)
At 31 December	**85**	91

Of the total trade receivables balance, £10 million (2022: £58 million) is considered credit impaired, against which a £8 million (2022: £26 million) expected credit loss allowance has been applied. No amount was purchased or originated credit impaired.

Within the other receivables of £1,045 million (2022: £1,226 million), £408 million (2022: £683 million) is classified as financial assets of which £nil (2022: £nil) is classified as held at fair value through profit or loss. At 31 December 2023, an expected credit loss allowance of £3 million (2022: £6 million) was recognised in respect of financial assets, with a release in expected credit loss allowance of £3 million (2022: £nil) reported in profit or loss during the year.

For more discussion on credit risk practices, please refer to Note 44, 'Financial instruments and related disclosures'.

Notes to the financial statements continued

27. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	748	879
Cash equivalents	2,188	2,844
	2,936	3,723

Cash and cash equivalents included £190 million (2022: £200 million) not available for general use due to restrictions applying in the subsidiaries where it is held. Restrictions include exchange controls and taxes on repatriation. During 2022, £1,421 million was transferred to assets held for sale relating to Consumer Healthcare which was demerged during that year (see Note 41, 'Acquisitions and disposals').

28. Assets held for sale

	2023 £m	2022 £m
Property, plant and equipment	60	83
Other	16	15
	76	98

Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered highly probable. They are held at the lower of carrying amount and fair value less costs to sell.

Notes to the financial statements continued

29. Trade and other payables

	2023 £m	2022 £m
Trade payables	3,717	3,866
Wages and salaries	1,683	1,488
Social security	126	126
ViiV Healthcare put option	848	1,093
Other payables	346	418
Deferred income	222	299
Customer return and rebate accruals	6,799	6,627
Other accruals	2,103	2,346
	15,844	16,263

Trade and other payables included £nil (2022: £nil) due to associates and joint ventures. The Group provides limited supplier financing arrangements to certain suppliers. The amounts involved at 31 December 2023 were not material.

Revenue recognised in the year that was included in deferred income at 1 January 2023 was £192 million (2022: £85 million).

Customer return and rebate accruals are provided for by the Group at the point of sale in respect of estimated rebates, discounts or allowances payable to customers as more fully described in the Group financial review on page 105. At 31 December 2023, customer return and rebate accruals included £5,781 million (2022: £5,717 million) in respect of US Commercial Operations. 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. As the amounts are estimated, they may not fully reflect the final outcome and are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted quarterly in light of historical experience of actual amounts paid and any changes in arrangements. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

Pfizer's put option over its shareholding in ViiV Healthcare is currently exercisable. Pfizer may request an IPO of ViiV Healthcare at any time and if either GSK does not consent to such IPO or an offering is not completed within nine months, Pfizer could require GSK to acquire its shareholding. The amount of the liability for this put option, which is held on the gross redemption basis, is derived from an internal valuation of the ViiV Healthcare business, utilising both discounted forecast future cash flow and multiples-based methodologies.

The table below shows on an indicative basis the income statement and balance sheet sensitivity of the Pfizer put option to reasonably possible changes in key assumptions.

Increase/(decrease) in financial liability and loss/(gain) in Income statement	2023 £m	2022 £m
10% increase in sales forecasts*	84	100
15% increase in sales forecasts*	126	149
10% decrease in sales forecasts*	(84)	(99)
15% decrease in sales forecast*	(126)	(149)
1% (100 basis points) increase in discount rate	(18)	(32)
1.50% (150 basis points) increase in discount rate	(26)	(48)
1% (100 basis points) decrease in discount rate	19	35
1.50% (150 basis points) decrease in discount rate	28	53
10 cent appreciation of US Dollar	54	66
15 cent appreciation of US Dollar	85	103
10 cent depreciation of US Dollar	(46)	(56)
15 cent depreciation of US Dollar	(67)	(80)
10 cent appreciation of Euro	22	29
15 cent appreciation of Euro	34	46
10 cent depreciation of Euro	(18)	(24)
15 cent depreciation of Euro	(26)	(35)

* The sales forecast is for ViiV Healthcare sales only in respect of the ViiV Healthcare put option.

Other accruals includes interest accrued on financial liabilities at amortised cost of £162 million (2022: £207 million).

An explanation of the accounting for ViiV Healthcare is set out on page 84.

Notes to the financial statements continued

30. Net debt

	Listing exchange	2023 £m	2022 £m
Current assets:			
Liquid investments		**42**	67
Cash and cash equivalents		**2,936**	3,723
		2,978	3,790
Short-term borrowings:			
Commercial paper		**(815)**	(1,191)
Bank loans, overdrafts and other		**(191)**	(448)
0.125% € Euro Medium Term Note 2023	London Stock Exchange	**–**	(665)
0.000% € Euro Medium Term Note 2023	London Stock Exchange	**–**	(443)
0.534% US$ Medium Term Note 2023	New York Stock Exchange	**–**	(1,038)
3.000% US$ US Medium Term Note 2024	New York Stock Exchange	**(784)**	–
1.375% € Euro Medium Term Note 2024	London Stock Exchange	**(867)**	–
Lease liabilities		**(156)**	(167)
		(2,813)	(3,952)
Long-term borrowings:			
3.000% US$ US Medium Term Note 2024	New York Stock Exchange	**–**	(829)
1.375% € Euro Medium Term Note 2024	London Stock Exchange	**–**	(884)
4.000% € Euro Medium Term Note 2025	London Stock Exchange	**(650)**	(663)
3.625% US$ US Medium Term Note 2025	New York Stock Exchange	**(783)**	(827)
1.000% € Euro Medium Term Note 2026	London Stock Exchange	**(608)**	(620)
1.250% € Euro Medium Term Note 2026	London Stock Exchange	**(867)**	(885)
3.000% € Euro Medium Term Note 2027	London Stock Exchange	**(434)**	(442)
3.375% £ Euro Medium Term Note 2027	London Stock Exchange	**(306)**	(306)
3.875% US$ US Medium Term Note 2028	New York Stock Exchange	**(1,370)**	(1,450)
0.883% ¥ Euro Medium Term Note 2028	London Stock Exchange	**(235)**	–
1.250% £ Euro Medium Term Note 2028	London Stock Exchange	**(745)**	(744)
3.375% US$ US Medium Term Note 2029	New York Stock Exchange	**(778)**	(822)
1.375% € Euro Medium Term Note 2029	London Stock Exchange	**(433)**	(441)
1.750% € Euro Medium Term Note 2030	London Stock Exchange	**(650)**	(663)
3.125% € Euro Medium Term Note 2032	London Stock Exchange	**(604)**	(616)
5.250% £ Euro Medium Term Note 2033	London Stock Exchange	**(566)**	(640)
5.375% US$ US Medium Term Note 2034	London Stock Exchange	**(390)**	(412)
1.625% £ Euro Medium Term Note 2035	London Stock Exchange	**(745)**	(744)
6.375% US$ US Medium Note 2038	New York Stock Exchange	**(2,139)**	(2,264)
6.375% £ Euro Medium Term Note 2039	London Stock Exchange	**(627)**	(695)
5.250% £ Euro Medium Term Note 2042	London Stock Exchange	**(472)**	(472)
4.200%US$ US Medium Term Note 2043	New York Stock Exchange	**(385)**	(408)
4.250% £ Euro Medium Term Note 2045	London Stock Exchange	**(366)**	(366)
Other long-term borrowings		**(1)**	(1)
Lease liabilities		**(1,051)**	(841)
		(15,205)	(17,035)
Net debt		**(15,040)**	(17,197)

Notes to the financial statements continued

30. Net debt continued

Current assets

Liquid investments are classified as financial assets at amortised cost. At 31 December 2023, they included US Treasury Notes and other government bonds. The effective interest rate on liquid investments at 31 December 2023 was approximately 0.9% (2022: approximately 0.1%). Liquid investment balances at 31 December 2023 earning interest at floating rates amount to £31 million (2022: £67 million). Liquid investment balances at 31 December 2023 earning interest at fixed rates amount to £11 million (2022: £nil).

Balances reported within cash and cash equivalents have an original maturity of three months or less. The effective interest rate on cash and cash equivalents at 31 December 2023 was approximately 4.7% (2022: approximately 3.1%). Cash and cash equivalents at 31 December 2023 earning interest at floating and fixed rates amounted to £2,720 million and £38 million respectively (2022: £3,441 and £10 million) and non-interest bearing holdings amounted to £178 million (2022: £272 million).

GSK's policy regarding the credit quality of cash and cash equivalents is set out in Note 44, 'Financial instruments and related disclosures'.

Short-term borrowings

GSK has a $10 billion (£7.8 billion) US commercial paper programme, of which $850 million (£667 million) was in issue at 31 December 2023 (2022: $900 million (£748 million)). GSK has a £5 billion Euro commercial paper programme, of which €170 million (£148 million) was in issue at 31 December 2023 (2022: €500 million (£443 million)). GSK has a £1.6 billion three-year committed facility and $2.2 billion (£1.7 billion) 364 day committed facility. The three-year committed facility was agreed in February 2022 and extended by one year in August 2023 to September 2026. The 364-day committed facility was agreed in September 2023. These facilities were undrawn at 31 December 2023.

The weighted average interest rate on commercial paper borrowings at 31 December 2023 was 5.1% (2022: 3.5%).

The weighted average interest rate on current bank loans and overdrafts at 31 December 2023 was 4.6% (2022: 7.8%).

The average effective pre-swap interest rate of notes classified as short-term at 31 December 2023 was 2.4% (2022: 0.4%).

Long-term borrowings

At the year-end, GSK had long-term borrowings of £15.2 billion (2022: £17.0 billion), of which £8.7 billion (2022: £11.1 billion) fell due in more than five years.

During 2023 through a bilateral buyback for outstanding Sterling Notes, GSK repurchased £76m of the 5.250% £ Euro Medium Term Note 2033 and £69m of the 6.375% £ Euro Medium Term Note 2039.

The average effective pre-swap interest rate of all notes in issue at 31 December 2023 was approximately 3.7% (2022: approximately 3.5%).

Long-term borrowings repayable after five years carry interest at effective rates between 1.5% and 6.6%, with repayment dates ranging from 2029 to 2045.

Both effective rates exclude the impact of one-off premiums associated with the early repayment of the Sterling Notes.

Pledged assets

The Group held pledged investments in US Treasury Notes with a par value of $54 million (£42 million), (2022: $56 million (£47 million)) as security against irrevocable letters of credit issued on the Group's behalf in respect of the Group's self-insurance activity. Provisions in respect of self-insurance are included within the provisions for legal and other disputes discussed in Note 32, 'Other provisions'.

Lease liabilities

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

	2023 £m	2022 £m
Rental payments due within one year	156	167
Rental payments due between one and two years	214	201
Rental payments due between two and three years	134	127
Rental payments due between three and four years	114	97
Rental payments due between four and five years	88	80
Rental payments due after five years	501	336
Total lease liabilities	1,207	1,008

Notes to the financial statements continued

31. Pensions and other post-employment benefits

Pension and other post-employment costs	2023 £m	2022 £m	2021 £m
UK pension schemes	96	114	185
US pension schemes	56	48	40
Other overseas pension schemes	146	154	153
Unfunded post-retirement healthcare schemes	58	53	37
	356	369	415
Analysed as:			
Funded defined benefit/hybrid pension schemes	134	152	231
Unfunded defined benefit pension schemes	35	31	23
Unfunded post-retirement healthcare schemes	58	53	37
Defined benefit schemes	227	236	291
Defined contribution pension schemes	129	133	124
	356	369	415

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

	2023 £m	2022 £m	2021 £m
Cost of sales	94	104	106
Selling, general and administration	91	90	136
Research and development	42	42	49
	227	236	291

GSK entities operate 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.

Pension costs of defined benefit schemes for accounting purposes have been calculated using the projected unit credit method. In certain countries pension benefits are provided on an unfunded basis, some administered by trustee companies. Formal, independent, actuarial valuations of the Group's main plans are undertaken regularly, normally at least every three years.

Remeasurement movements in the year are recognised through the statement of comprehensive income. Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. Discount rates are selected to reflect the term of the expected benefit payments. Projected inflation rates and pension increases are long-term predictions based on the yield gap between long-term index-linked and fixed interest government bonds. In the UK, mortality rates are determined by adjusting the SAPS S3 standard mortality tables to reflect recent scheme experience. These rates are then projected to reflect improvements in life expectancy in line with the CMI 2022 projections with a long-term rate of improvement of 1.0% per year for both males and females. In the US, mortality rates are calculated using the PRI-2012 white collar table adjusted to reflect recent experience. These rates are projected using MP-2020 to allow for future improvements in life expectancy.

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

The average life expectancy assumed now for an individual at the age of 60 and projected to apply in 2043 for an individual then at the age of 60 is as follows:

	UK		US	
	Male Years	Female Years	Male Years	Female Years
Current	27.1	28.0	27.3	28.7
Projected for 2043	28.2	29.2	28.9	30.2

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 physical asset allocation strategy for three of the four UK plans is 36% in return-seeking assets and 64% in liability-matching assets. During 2019, a buy-in insurance contract was purchased to cover substantially all of the obligations of the other UK plan. At 31 December 2023, the value of the insurance contract was £387 million (2022: £402 million). The asset allocation of the US plans is currently set at 25% return-seeking assets and 75% liability-matching assets.

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.

In line with the agreed mix of return-seeking assets to generate future returns and liability-matching assets to better match future pension obligations, the Group has defined an overall long-term investment strategy for the plans, with investments across a broad range of assets. The main market risks within the asset and hedging portfolio are against credit risk, interest rates, long-term inflation, equities, property, currency and bank counterparty 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 interest rate risk and credit rate risk in the US are partially hedged. The targets are based on an accounting measure of the plan liabilities.

For the UK plans, there is an interest rate and inflation hedging strategy in place. The targets are based on an economic measure of the plan liabilities.

Climate-related impacts, along with other environmental, social and governance (ESG) considerations, can be financially material with regard both to expected returns and to risk implications. The incorporation of such considerations into investment policy is subject to local regulations and fiduciary obligations.

In the UK, the defined benefit pension schemes operated for the benefit of former Glaxo Wellcome employees and former SmithKline Beecham employees remain separate. These schemes were closed to new entrants in 2001 and subsequent UK employees are entitled to join a defined contribution scheme. In addition, the Group operates a number of post-retirement healthcare schemes, the principal one of which is in the US.

The UK defined benefit plans closed to future accrual effective from 31 March 2022. As a result, post closure the accrued benefits of active participants are revalued in line with inflation (RPI for the legacy Glaxo Wellcome plans and CPI for the legacy SmithKline Beecham plans subject to the relevant caps for each arrangement) rather than capped pay increases. From 1 April 2022, former defined benefits plans employees were transferred to the defined contribution plans. All defined benefit plan participants who were still active at 1 April 2022 received a defined pension contribution of £10,000 each in 2022.

The US cash balance pension plan closed to future accrual from 1 January 2021.

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

	UK			US			Rest of World		
	2023 % pa	2022 % pa	2021 % pa	2023 % pa	2022 % pa	2021 % pa	2023 % pa	2022 % pa	2021 % pa
Rate of increase of future earnings	**n/a**	n/a	2.00	**n/a**	n/a	n/a	**3.20**	3.40	2.90
Discount rate	**4.60**	4.80	2.00	**5.00**	5.30	2.70	**3.10**	3.40	1.10
Expected pension increases	**2.90**	3.10	3.20	**n/a**	n/a	n/a	**2.50**	2.40	2.30
Cash balance credit/conversion rate	**n/a**	n/a	n/a	**4.00**	3.90	2.00	**0.60**	0.80	0.20
Inflation rate	**2.90**	3.10	3.20	**2.50**	2.50	2.25	**2.00**	2.30	1.90

Sensitivity analysis detailing the effect of changes in assumptions is provided on page 227. The analysis provided reflects the assumption changes which have the most material impact on the results of the Group.

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

The amounts recorded in the income statement and statement of comprehensive income for the three years ended 31 December 2023 in relation to the defined benefit pension and post-retirement healthcare schemes were as follows:

				Pensions	Post-retirement benefits
2023	UK £m	US £m	Rest of World £m	**Group £m**	**Group £m**
Amounts charged to operating profit					
Current service cost	–	5	91	**96**	**12**
Past service cost	3	–	–	**3**	**–**
Net interest cost	(5)	35	16	**46**	**47**
Gains from settlements	–	–	(6)	**(6)**	**–**
Expenses	14	16	–	**30**	**(1)**
	12	56	101	**169**	**58**
Remeasurement gains/(losses) recorded in the statement of comprehensive income	28	45	38	**111**	**(40)**

				Pensions	Post-retirement benefits
2022	UK £m	US £m	Rest of World £m	Group £m	Group £m
Amounts charged to operating profit					
Current service cost	13	7	126	146	22
Past service cost/(credit)	6	–	–	6	–
Net interest (income)/cost	(11)	20	9	18	32
Gains from settlements	–	–	(22)	(22)	–
Expenses	14	21	–	35	(1)
	22	48	113	183	53
Remeasurement gains/(losses) recorded in the statement of comprehensive income	(1,169)	36	261	(872)	228

				Pensions	Post-retirement benefits
2021	UK £m	US £m	Rest of World £m	Group £m	Group £m
Amounts charged to operating profit					
Current service cost	53	9	119	181	17
Past service cost/(credit)	27	2	(10)	19	(3)
Net interest (income)/cost	3	18	7	28	22
Gains from settlements	–	–	(2)	(2)	–
Expenses	15	12	2	29	–
	98	41	116	255	36
Remeasurement gains/(losses) recorded in the statement of comprehensive income[1]	572	98	186	856	68

The amounts included within past service costs in the UK included £3 million (2022: £6 million; 2021: £26 million) of augmentation costs which arose from Major restructuring programmes.

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

A summarised balance sheet presentation of the Group defined benefit pension schemes and other post-retirement benefits is set out in the table below:

	2023 £m	2022 £m	2021 £m
Recognised in other non-current assets:			
Pension schemes in surplus	**634**	229	741
Recognised in pensions and other post-employment benefits:			
Pension schemes in deficit	**(1,397)**	(1,585)	(1,870)
Post-retirement benefits	**(943)**	(994)	(1,243)
	(2,340)	(2,579)	(3,113)

In the event of a plan wind-up, GSK believes the UK pension scheme rules provide the company with the right to a refund of surplus assets following the full settlement of plan liabilities. As a result, the net surplus in the UK defined benefit pension schemes is recognised in full.

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

At 31 December 2023		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	1,647	447	349	**2,443**
	– unlisted	–	–	2	**2**
Multi-asset funds		852	–	–	**852**
Property:	– listed	–	–	–	**–**
	– unlisted	467	119	24	**610**
Corporate bonds:	– listed	2,019	698	205	**2,922**
	– unlisted	–	–	15	**15**
Government bonds:	– listed	4,897	774	527	**6,198**
Insurance contracts		990	–	771	**1,761**
Other (liabilities)/assets		(1,374)	104	89	**(1,181)**
Fair value of assets		9,498	2,142	1,982	**13,622**
Present value of scheme obligations		(9,222)	(2,757)	(2,406)	**(14,385)**
Net surplus/(obligation)		276	(615)	(424)	**(763)**
Included in other non-current assets		457	–	177	**634**
Included in pensions and other post-employment benefits		(181)	(615)	(601)	**(1,397)**
		276	(615)	(424)	**(763)**
Actual return on plan assets		647	196	138	**981**

The multi-asset funds comprise investments in pooled investment vehicles that are invested across a range of asset classes, increasing diversification within the growth portfolio. The value of funds in this asset class with a quoted market price is £209 million (2022: £211 million).

The 'Other (liabilities)/assets' category comprises cash and mark to market values of derivative positions.

Index-linked gilts held as part of a UK repo programme are included in government bonds. The related loan of £1,853 million at 31 December 2023 (2022: £2,376 million; 2021: £513 million) is deducted within 'Other assets'.

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

At 31 December 2022		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	1,351	437	371	2,159
	– unlisted	–	–	2	2
Multi-asset funds		1,101	–	–	1,101
Property:	– listed	–	–	19	19
	– unlisted	464	140	1	605
Corporate bonds:	– listed	1,692	779	124	2,595
	– unlisted	–	–	15	15
Government bonds:	– listed	4,048	723	558	5,329
Insurance contracts		1,003	–	691	1,694
Other (liabilities)/assets		(645)	181	89	(375)
Fair value of assets		9,014	2,260	1,870	13,144
Present value of scheme obligations		(9,117)	(3,030)	(2,353)	(14,500)
Net surplus/(obligation)		(103)	(770)	(483)	(1,356)
Included in other non-current assets		109	–	120	229
Included in pensions and other post-employment benefits		(212)	(770)	(603)	(1,585)
		(103)	(770)	(483)	(1,356)
Actual return on plan assets		(4,710)	(253)	(550)	(5,513)

At 31 December 2021		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	3,954	522	731	5,207
	– unlisted	–	–	4	4
Multi-asset funds		1,415	–	–	1,415
Property:	– listed	–	–	68	68
	– unlisted	502	154	1	657
Corporate bonds:	– listed	1,503	975	140	2,618
	– unlisted	–	–	15	15
Government bonds:	– listed	5,054	724	984	6,762
Insurance contracts		1,334	–	917	2,251
Other (liabilities)/assets		(130)	149	72	91
Fair value of assets		13,632	2,524	2,932	19,088
Asset ceiling restrictions		–	–	(26)	(26)
Present value of scheme obligations		(13,299)	(3,248)	(3,644)	(20,191)
Net surplus/(obligation)		333	(724)	(738)	(1,129)
Included in Other non-current assets		606	–	135	741
Included in Pensions and other post-employment benefits		(273)	(724)	(873)	(1,870)
		333	(724)	(738)	(1,129)
Actual return on plan assets		541	97	48	686

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

				Pensions	Post-retirement benefits
Movements in fair values of assets	UK £m	US £m	Rest of World £m	Group £m	Group £m
Assets at 1 January 2021	13,582	2,635	2,989	**19,206**	**–**
Exchange adjustments	–	31	(184)	**(153)**	**–**
Interest income	187	57	18	**262**	**–**
Expenses	(15)	(12)	–	**(27)**	**–**
Settlements and curtailments	–	–	(7)	**(7)**	**–**
Remeasurement	354	40	30	**424**	**–**
Employer contributions	139	40	133	**312**	**105**
Scheme participants' contributions	3	–	24	**27**	**15**
Benefits paid	(618)	(267)	(97)	**(982)**	**(120)**
Assets at 31 December 2021	13,632	2,524	2,906	**19,062**	**–**
Exchange adjustments	–	286	122	**408**	**–**
Interest income	271	71	28	**370**	**–**
Expenses	(14)	(21)	–	**(35)**	**–**
Settlements and curtailments	–	–	(8)	**(8)**	**–**
Remeasurement	(4,981)	(324)	(578)	**(5,883)**	**–**
Employer contributions	755	50	114	**919**	**117**
Scheme participants' contributions	–	–	15	**15**	**18**
Transfer to assets held for sale/distribution	–	–	(624)	**(624)**	**–**
Benefits paid	(649)	(326)	(105)	**(1,080)**	**(135)**
Assets at 31 December 2022	9,014	2,260	1,870	**13,144**	**–**
Exchange adjustments	—	(125)	(84)	**(209)**	**–**
Interest income	430	111	60	**601**	**–**
Expenses	(14)	(16)	—	**(30)**	**–**
Settlements and curtailments	–	–	2	**2**	**–**
Remeasurement	217	85	78	**380**	**–**
Employer contributions	363	125	118	**606**	**98**
Scheme participants' contributions	–	–	11	**11**	**18**
Transfer to assets held for sale/distribution	–	–	–	**–**	**–**
Benefits paid	(512)	(298)	(73)	**(883)**	**(116)**
Assets at 31 December 2023	9,498	2,142	1,982	**13,622**	**–**

The final instalment of the cash funding or technical provision deficits of £1,080 million identified in the 31 December 2020 pension scheme valuations in three GSK UK Pension Schemes was paid in 2023.

During March 2022, GSK transferred 7,004 GSK Consumer Healthcare Holdings Limited (GSKCHH) C Ordinary Shares (representing 11.03%. (in aggregate) of GSK's interest in GSKCHH to three Scottish Limited Partnerships ("SLPs"), each providing a funding mechanism for a separate GSK UK defined benefit pension scheme. As part of the steps relating to the demerger and separation, the SLPs transferred their applicable portion of GSKCHH C Ordinary Shares to Haleon plc ("Haleon") in consideration for shares in Haleon. At the time of demerger the SLPs together held shares representing 7.5% of the total issued share capital of Haleon. The contributions were collateralised by the creation of three Scottish Limited Partnerships (SLPs). Each of the three principal UK defined benefit pension schemes (two benefiting current and former Glaxo Welcome employees, with the third benefiting current and former SmithKline Beecham employees) had an interest in one of the SLPs at the time of demerger.

Scottish Limited Partnership	General Partner	Limited Partners	
GSK (No. 1) Scottish Limited Partnership	GSK GP1 Ltd	GSK LP Ltd	Berkeley Square Pension Trustee Company Ltd acting on behalf of the GSK Pension Scheme (ceased to be a Limited Partner effective from 28 June 2023)
GSK (No. 2) Scottish Limited Partnership	GSK GP1 Ltd	GSK LP Ltd	Berkeley Square Pension Trustee Company Ltd acting on behalf of the GSK Pension Fund (ceased to be a Limited Partner effective from 28 June 2023)
GSK (No. 3) Scottish Limited Partnership	GSK GP2 Ltd	GSK LP Ltd	SmithKline Beecham Pension Plan Trustee Ltd acting on behalf of the SmithKline Beecham Pension Plan (ceased to be a Limited Partner effective from 28 June 2023)

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

Each pension scheme, through its SLP interest received a distribution from that SLP with regards to the net proceeds of sales of Haleon shares and dividend income on the Haleon shares up to the amount equal to the agreed threshold ("Proceeds Threshold"). of £1,080 million increased by £7 million notional interest. Payment of this amount fully funded the cash funding or "technical provisions" deficits in the three pension schemes shown by the 31 December 2020 valuations. As at 31 December 2023, total cash contributions totalling £353 million (2022: £691 million; 2021: £44 million) were made towards the Proceeds Threshold leaving no further outstanding amount due to the UK pension schemes. The cash contributions included £17 million of distributions of dividends on Haleon shares from the SLPs to the Schemes.

The GSK UK Pension Schemes exited the SLP partnership on 28 June 2023 after receipt of the Proceeds Threshold and notional interest. The remaining economic interest in the SLPs is held by GSK LP Ltd, a 100% owned subsidiary of GSK plc and the GSK-controlled General Partner of each SLP.

Employer contributions for 2024, are estimated to be approximately £350 million in respect of defined benefit pension schemes and £80 million in respect of other post-retirement benefits.

	Pensions				Post-retirement benefits
Movements in defined benefit obligations	UK £m	US £m	Rest of World £m	Group £m	Group £m
Obligations at 1 January 2021	(13,858)	(3,445)	(4,007)	**(21,310)**	**(1,363)**
Exchange adjustments	–	(40)	258	**218**	**4**
Service cost	(56)	(9)	(151)	**(216)**	**(29)**
Past service cost	(28)	(2)	25	**(5)**	**(12)**
Interest cost	(190)	(76)	(23)	**(289)**	**(26)**
Settlements and curtailments	–	–	17	**17**	**–**
Remeasurement	218	57	164	**439**	**78**
Scheme participants' contributions	(3)	–	(24)	**(27)**	**(15)**
Benefits paid	618	267	97	**982**	**120**
Obligations at31 December 2021	(13,299)	(3,248)	(3,644)	**(20,191)**	**(1,243)**
Exchange adjustments	–	(371)	(124)	**(495)**	**(125)**
Service cost	(13)	(7)	(126)	**(146)**	**(22)**
Past service cost	(6)	–	–	**(6)**	**–**
Interest cost	(260)	(91)	(37)	**(388)**	**(32)**
Settlements and curtailments	–	–	29	**29**	**–**
Remeasurement	3,812	360	839	**5,011**	**228**
Scheme participants' contributions	–	–	(15)	**(15)**	**(18)**
Transfer to assets held for sale/distribution	–	–	621	**621**	**83**
Benefits paid	649	326	105	**1,080**	**135**
Obligations at 31 December 2022	(9,117)	(3,031)	(2,352)	**(14,500)**	**(994)**
Exchange adjustments	–	166	87	**253**	**53**
Service cost	–	(5)	(91)	**(96)**	**(13)**
Past service cost	(3)	–	–	**(3)**	**–**
Interest cost	(425)	(145)	(76)	**(646)**	**(47)**
Settlements and curtailments	–	–	4	**4**	**–**
Remeasurement	(189)	(40)	(40)	**(269)**	**(40)**
Scheme participants' contributions	–	–	(11)	**(11)**	**(18)**
Transfer to assets held for sale/distribution	–	–	–	**–**	**–**
Benefits paid	512	298	73	**883**	**116**
Obligations at 31 December 2023	(9,222)	(2,757)	(2,406)	**(14,385)**	**(943)**

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

The defined benefit pension obligation is analysed as follows:

	2023 £m	2022 £m	2021 £m
Funded	(13,782)	(13,887)	(19,419)
Unfunded	(603)	(613)	(772)
	(14,385)	(14,500)	(20,191)

The liability for the US post-retirement healthcare scheme has been assessed using the same assumptions as for the US pension scheme, together with the assumption for future medical inflation of 6.75% (2022: 7%) in 2023, grading down to 5% in 2031 and thereafter. At 31 December 2023, the US post-retirement healthcare scheme obligation was £785 million (2022: £870 million; 2021: £1,059 million). Post-retirement benefits are unfunded.

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

	2023 £m	2022 £m	2021 £m
At 1 January	(1,356)	(1,129)	(2,104)
Exchange adjustments	44	(87)	65
Service cost	(96)	(146)	(216)
Past service cost	(3)	(6)	(5)
Interest cost	(45)	(18)	(27)
Settlements and curtailments	6	21	10
Remeasurements:			
Return on plan assets, excluding amounts included in interest	380	(5,883)	424
(Loss)/gain from change in demographic assumptions	135	92	(62)
Gain/(loss) from change in financial assumptions	(137)	5,868	716
Experience (loss)/gain	(267)	(949)	(215)
Employer contributions	606	919	312
Transfer to assets held for sale/distribution	–	(3)	–
Expenses	(30)	(35)	(27)
At 31 December	(763)	(1,356)	(1,129)

The remeasurements included within post-retirement benefits are detailed below:

	2023 £m	2022 £m	2021 £m
Gain from change in demographic assumptions	7	21	19
Gain/(loss) from change in financial assumptions	(43)	219	35
Experience gains	(4)	(12)	24
	(40)	228	78

The defined benefit pension obligation analysed by membership category is as follows:

	2023 £m	2022 £m	2021 £m
Active	1,508	1,390	4,196
Retired	8,730	8,540	11,115
Deferred	4,147	4,570	4,880
	14,385	14,500	20,191

The post-retirement benefit obligation analysed by membership category is as follows:

	2023 £m	2022 £m	2021 £m
Active	277	306	494
Retired	666	688	748
Deferred	–	–	1
	943	994	1,243

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

	2023 years	2022 years	2021 years
Pension benefits	11	12	15
Post-retirement benefits	10	10	12

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

Sensitivity analysis

The effect of changes in assumptions used on the benefit obligations and on the 2024 annual defined benefit pension and post-retirement 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 memberships.

	0.25% increase £m	0.25% decrease £m
Discount rate		
(Decrease)/increase in annual pension cost	(18)	18
Increase/(decrease) in annual post-retirement benefits cost	1	(1)
(Decrease)/increase in pension obligation	(373)	391
(Decrease)/increase in post-retirement benefits obligation	(20)	22
	0.75% increase £m	0.75% decrease £m
(Decrease)/increase in annual pension cost	(58)	51
Increase/(decrease) in annual post-retirement benefits cost	3	(3)
(Decrease)/increase in pension obligation	(1,071)	1,231
(Decrease)/increase in post-retirement benefits obligation	(57)	66

	0.25% increase £m	0.25% decrease £m
Inflation rate		
Increase/(decrease) in annual pension cost	16	(14)
Increase/(decrease) in pension obligation	289	(280)
	0.75% increase £m	0.75% decrease £m
Increase/(decrease) in annual pension cost	46	(40)
Increase/(decrease) in pension obligation	897	(803)

	1 year increase £m
Life expectancy	
Increase in annual pension cost	20
Increase in annual post-retirement benefits cost	2
Increase in pension obligation	432
Increase in post-retirement benefits obligation	32

	1% increase £m
Rate of future healthcare inflation	
Increase in annual post-retirement benefits cost	2
Increase in post-retirement benefits obligation	34

Notes to the financial statements continued

32. Other provisions

	Legal and other disputes £m	Major restructuring programmes £m	Employee related provisions £m	Other provisions £m	Total £m
At 1 January 2023	218	351	309	306	**1,184**
Exchange adjustments	(21)	(13)	(9)	(5)	**(48)**
Charge for the year	266	172	177	124	**739**
Reversed unused	(4)	(55)	(33)	(143)	**(235)**
Unwinding of discount	10	–	–	–	**10**
Utilised	(202)	(169)	(62)	(88)	**(521)**
Transfer to assets held for sale/distribution	–	–	–	–	**–**
Additions through business combinations	–	–	–	–	**–**
Reclassifications and other movements	–	(1)	1	113	**113**
Transfer to Pension obligations	–	(3)	–	–	**(3)**
At 31 December 2023	267	282	383	307	**1,239**
To be settled within one year	248	215	172	109	**744**
To be settled after one year	19	67	211	198	**495**
At 31 December 2023	267	282	383	307	**1,239**

Legal and other disputes

The Group is involved in a substantial number of legal and other disputes, including notification of possible claims, as set out in Note 47, 'Legal proceedings'. Provisions for legal and other disputes include amounts relating to product liability, anti-trust, government investigations, contract terminations and self insurance.

The Group may become involved in significant legal proceedings in respect of which it is not possible to meaningfully assess whether the outcome will result in a probable outflow, or to quantify or reliably estimate the liability, if any, that could result from ultimate resolution of the proceedings. In these cases, the Group would provide appropriate disclosures about such cases, but no provision would be made.

The net charge for the year of £262 million (including reversals and estimated insurance recoveries) primarily related to provisions for product liability cases, commercial disputes and various other government investigations.

The discount on the provision is £10 million in 2023 (2022: £3 million). The discount was calculated using risk-adjusted projected cash flows and risk-free rates of return.

In respect of product liability claims related to certain products, provision is made when there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims, and to determine the probability of the outflow of cash. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

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 amount of the provisions reported in the Group's financial accounts.

It is in the nature of the Group's business that a number of these matters may be the subject of negotiation and litigation over many years. Litigation proceedings, including the various appeal procedures, often take many years to reach resolution, and out-of-court settlement discussions can also often be protracted. Indemnified disputes will result in a provision charge and a corresponding receivable.

The Group is in potential settlement discussions in a number of the disputes for which amounts have been provided and, based on its current assessment of the progress of these disputes, estimates that £248 million of the amount provided at 31 December 2023 will be settled within one year. For a discussion of legal issues, see Note 47, 'Legal proceedings'.

Major restructuring programmes

During 2023, the Group had two major restructuring programmes: the Separation Preparation programme which focused on preparing for the separation of GSK into two companies and is now largely complete, plus the Significant Acquisitions programme which is focused on the integration of recent acquisitions.

Restructuring provisions primarily include severance costs when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected and appropriate consultation procedures completed, where appropriate. No provision is made for staff severance payments that are paid immediately.

The discount on the provisions increased by £0.4 million in 2023 (2022: increased by £1 million).

Pension augmentation includes £3 million relating to the defined benefit plan arising from staff redundancies, as shown in Note 31, 'Pensions and other post-employment benefits'.

Notes to the financial statements continued

32. Other provisions continued

Employee related provisions

Employee related provisions include obligations for certain medical benefits to disabled employees and their spouses in the US.

At 31 December 2023, the provision for these benefits amounted to £48 million (2022: £66 million). Other employee benefits reflect a variety of provisions for severance costs, jubilee awards and other long-service benefits.

Given the nature of these provisions, the amounts are likely to be settled over many years.

Other provisions

Included in other provisions are provisions for onerous contracts, insurance provisions and a number of other provisions including vehicle insurance and regulatory matters.

33. Contingent consideration liabilities

The consideration for certain acquisitions includes amounts contingent on future events such as development milestones or sales performance. The Group has provided for the fair value of this contingent consideration as follows:

	Shionogi-ViiV Healthcare £m	Affinivax £m	Novartis Vaccines £m	Other £m	Total £m
At 1 January 2021	5,359	–	477	33	**5,869**
Remeasurement through income statement	1,026	–	32	5	**1,063**
Cash payments: operating cash flows	(721)	–	(21)	–	**(742)**
Cash payments: investing activities	(105)	–	(9)	–	**(114)**
At 31 December 2021	5,559	–	479	38	**6,076**
Remeasurement through income statement	1,431	17	231	(34)	**1,645**
Exchange movement through reserves	–	2	–	–	**2**
Initial recognition from business combinations	–	482	–	–	**482**
Cash payments: operating cash flows	(1,031)	–	(27)	–	**(1,058)**
Cash payments: investing activities	(69)	–	(10)	–	**(79)**
At 31 December 2022	5,890	501	673	4	**7,068**
Remeasurement through income statement	934	44	(210)	–	**768**
Exchange movement through reserves	–	(29)	–	–	**(29)**
Cash payments: operating cash flows	(1,106)	–	(28)	–	**(1,134)**
Cash payments: investing activities	–	–	(11)	–	**(11)**
At 31 December 2023	5,718	516	424	4	**6,662**

Of the contingent consideration payable at 31 December 2023, £1,053 million (2022: £1,289 million) is expected to be paid within one year.

The consideration payable for the acquisition of the Shionogi-ViiV Healthcare joint venture, Affinivax and the Novartis Vaccines business are expected to be paid over a number of years. As a result, the total estimated liabilities are discounted to their present values, shown above. The Shionogi-ViiV Healthcare contingent consideration liability is discounted at 8% (2022: 8%), the Affinivax contingent consideration liability is discounted at 8.5% (2022: 9.9%) and the Novartis Vaccines contingent consideration liability is discounted at 7.5% (2022: 7.5%) for commercialised products and at 8.5% (2022: 8.5%) for pipeline assets.

The Shionogi-ViiV Healthcare and Novartis Vaccines contingent consideration liabilities are calculated principally based on the forecast sales performance of specified products over the lives of those products.

The Affinivax contingent consideration is based upon two potential milestone payments, each of $0.6 billion (£0.5 billion) which will be paid if certain paediatric clinical development milestones are achieved.

Notes to the financial statements continued

33. Contingent consideration liabilities continued

The table below shows on an indicative basis the income statement and balance sheet sensitivity to reasonably possible changes in key inputs to the valuations of the contingent consideration liabilities.

	2023			2022		
Increase/(decrease) in financial liability and loss/(gain) in income statement	**Shionogi-ViiV Healthcare £m**	**Affinivax £m**	**Novartis Vaccines £m**	Shionogi-ViiV Healthcare £m	Affinivax £m	Novartis Vaccines £m
10% increase in sales forecasts*	**539**	**N/A**	**63**	556	N/A	103
15% increase in sales forecasts*	**807**	**N/A**	**94**	834	N/A	154
10% decrease in sales forecasts*	**(539)**	**N/A**	**(62)**	(555)	N/A	(103)
15% decrease in sales forecasts*	**(808)**	**N/A**	**(92)**	(833)	N/A	(153)
1% increase in discount rate	**(174)**	**(12)**	**(26)**	(199)	(7)	(55)
1.5% increase in discount rate	**(256)**	**(18)**	**(38)**	(292)	(10)	(80)
1% decrease in discount rate	**184**	**13**	**30**	214	7	65
1.5% decrease in discount rate	**281**	**19**	**47**	328	11	101
10 cent appreciation of US Dollar	**386**	**44**	**11**	411	45	22
15 cent appreciation of US Dollar	**604**	**69**	**17**	645	71	36
10 cent depreciation of US Dollar	**(330)**	**(38)**	**(8)**	(347)	(38)	(19)
15 cent depreciation of US Dollar	**(478)**	**(54)**	**(12)**	(501)	(56)	(27)
10 cent appreciation of Euro	**91**	**N/A**	**19**	109	N/A	23
15 cent appreciation of Euro	**144**	**N/A**	**30**	171	N/A	36
10 cent depreciation of Euro	**(79)**	**N/A**	**(16)**	(91)	N/A	(19)
15 cent depreciation of Euro	**(113)**	**N/A**	**(22)**	(130)	N/A	(28)
10% increase in probability of milestone success	**n/a**	**75**	**21**	N/A	82	20
10% decrease in probability of milestone success	**n/a**	**(75)**	**(10)**	N/A	(82)	(10)

* The sales forecast is for ViiV Healthcare sales only in respect of the Shionogi-ViiV Healthcare contingent consideration. An explanation of the accounting for ViiV Healthcare is set out on page 84.

34. Other non-current liabilities

	2023 £m	2022 £m
Accruals	**4**	11
Deferred income	**254**	83
Other payables	**849**	805
	1,107	899

Other payables includes a number of employee-related liabilities including employee savings plans.

35. Contingent liabilities

At 31 December 2023, contingent liabilities where GSK has a present obligation as a result of a past event, comprising guarantees and other items arising in the normal course of business, amounted to £32 million (2022: £58 million). At 31 December 2023, £0.2 million (2022: £0.5 million) of financial assets were pledged as collateral for contingent liabilities. 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. If it is not possible to meaningfully assess whether the outcomes will result in a probable outflow, or to quantify or reliably estimate the liability, if any, no provision is recorded. Descriptions of the significant legal and other disputes to which the Group is a party are set out in Note 47, 'Legal proceedings'.

Notes to the financial statements continued

36. Commitments

Contractual obligations and commitments	2023 £m	2022 £m
Contracted for but not provided in the financial statements:		
Intangible assets	**16,329**	10,659
Property, plant and equipment	**762**	743
Investments	**153**	138
Purchase commitments	**31**	161
Pensions and post-retirement benefits	**–**	345
Interest on loans	**5,446**	6,322
Future finance charges on leases	**254**	146
Lease contracts that have not yet commenced	**5**	395
	22,980	18,909

The commitments related to intangible assets include milestone payments, which are dependent on successful clinical development or on meeting specified sales targets, and which represent the maximum that would be paid if all milestones, however unlikely, are achieved. The amounts disclosed are not risk-adjusted or discounted. The increase in intangible asset commitments in 2023 is mainly attributable to new R&D collaborations including collaborations with Wave Life Sciences USA, Inc. and Shanghai Hansoh Biomedical Co. Ltd.

In 2022, GSK reached an agreement with the trustees of the UK pension schemes to make additional contributions of £1,080 million, to eliminate the pension deficit identified at the 31 December 2020 actuarial funding valuation. Prior to the Consumer Healthcare demerger, GSK agreed to collateralise this commitment and accelerate funding with additional contributions (Refer to Note 31 'Pensions and other post-employment benefits'). At 31 December 2023, £nil (2022: £345 million) additional contributions were unpaid.

Included within the total commitments above is £30 million related to nature based carbon removal projects that support GSK's net-zero and nature positive goals and £46 million related to the transition to a lower-carbon propellant.

The table excludes any amounts already capitalised in the Financial Statements for the year end 2023.

Notes to the financial statements continued

37. Share capital and share premium account

Share Consolidation

Following completion of the Consumer Healthcare business demerger on 18 July 2022, GSK plc Ordinary shares were consolidated to maintain share price comparability before and after demerger. The consolidation was approved by GSK shareholders at a General Meeting held on 6 July 2022. Shareholders received 4 new Ordinary shares with a nominal value of 31¼ pence each for every 5 existing Ordinary shares which had a nominal value of 25 pence each. Earnings per share, diluted earnings per share, adjusted earnings per share and dividends per share were retrospectively adjusted to reflect the Share Consolidation in all the periods presented in years 2021 and 2022.

	Ordinary shares of 25p each pre-share consolidation Ordinary shares of 31¼p each post-share consolidation		Share premium
	Number	£m	£m
Share capital issued and fully paid:			
At 1 January 2021	5,385,189,617	1,346	3,281
Issued under employee share schemes	1,825,442	1	20
Ordinary shares acquired by ESOP Trusts	–	–	–
At 31 December 2021	5,387,015,059	1,347	3,301
Impact of share consolidation	(1,077,403,011)	–	–
Issued under employee share schemes	1,731,293	–	25
Ordinary shares acquired by ESOP Trusts	–	–	114
At 31 December 2022	4,311,343,341	1,347	3,440
Issued under employee share schemes	802,642	1	9
Ordinary shares acquired by ESOP Trusts	–	–	2
At 31 December 2023	4,312,145,983	1,348	3,451

At 31 December 2023, of the issued share capital, 58,817,197 shares were held in the ESOP Trusts, out of which 58,493,518 shares were held for the future exercise of share options and share awards and 323,679 shares were held for the Executive Supplemental Savings plan. 197,068,169 shares were held as Treasury shares and 4,056,260,617 shares were in free issue. All issued shares are fully paid and there are no shares authorised but not in issue. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 45, 'Employee share schemes'.

38. Movements in equity

Retained earnings and other reserves amounted to £8,548 million at 31 December 2023 (2022: £5,811 million; 2021: £10,407 million) of which £451 million (2022: £463 million; 2021: £476 million) related to associates and joint ventures.

The cumulative translation exchange in equity is as follows:

	Net translation exchange included in:			
	Retained earnings £m	Fair value reserve £m	Non-controlling interests £m	Total translation exchange £m
At 1 January 2021	(539)	(9)	(161)	**(709)**
Exchange movements on overseas net assets and net investment hedges	(239)	–	(20)	**(259)**
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	(25)	–	–	**(25)**
At 31 December 2021	(803)	(9)	(181)	**(993)**
Exchange movements on overseas net assets and net investment hedges	109	4	(28)	**85**
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	2	–	–	**2**
Movement attributable to continuing operations	(692)	(5)	(209)	**(906)**
Movement attributable to discontinued operations[1]	263	–	112	**375**
At 31 December 2022	(429)	(5)	(97)	**(531)**
Exchange movements on overseas net assets and net investment hedges	(41)	19	(25)	**(47)**
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	(34)	–	–	**(34)**
At 31 December 2023	(504)	14	(122)	**(612)**

(1) Includes £554 million reclassification to the consolidated income statement of net exchange gains related to the demerger of the Consumer Healthcare business.

Notes to the financial statements continued

38. Movements in equity continued

The analysis of other comprehensive income by equity category is as follows:

2023	Retained earnings £m	Other reserves £m	Non-controlling interests £m	**Total £m**
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	(41)	19	–	**(22)**
Reclassification of exchange movements on liquidation or disposal of subsidiaries and associates	(34)	–	–	**(34)**
Fair value movements on cash flow hedges	–	(1)	–	**(1)**
Tax on fair value movements on cash flow hedges	–	1	–	**1**
Reclassification of cash flow hedges to income	–	4	–	**4**
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(25)	**(25)**
Fair value movements on equity investments	–	(244)	–	**(244)**
Tax on fair value movements on equity investments	–	14	–	**14**
Remeasurement on defined benefit plans	71	–	–	**71**
Tax on remeasurement defined benefit plans	(41)	–	–	**(41)**
Fair value movements on cash flow hedges	–	(40)	–	**(40)**
Total other comprehensive (expense)/income for the year	(45)	(247)	(25)	**(317)**

2022	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	109	4	–	113
Reclassification of exchange movements on liquidation or disposal of subsidiaries and associates	2	–	–	2
Fair value movements on cash flow hedges	–	(18)	–	(18)
Tax on fair value movements on cash flow hedges	–	9	–	9
Reclassification of cash flow hedges to income	–	14	–	14
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(28)	(28)
Fair value movements on equity investments	–	(754)	–	(754)
Tax on fair value movements on equity investments	–	56	–	56
Remeasurement on defined benefit plans	(786)	–	–	(786)
Tax on remeasurement defined benefit plans	211	–	–	211
Fair value movements on cash flow hedges	–	(6)	–	(6)
Other comprehensive (expense)/income for the year from continuing operations	(464)	(695)	(28)	(1,187)
Other comprehensive (expense)/income for the year from discontinued operations	375	(19)	–	356
Total other comprehensive (expense)/income for the year	(89)	(714)	(28)	(831)

2021	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	(239)	–	–	(239)
Reclassification of exchange movements on liquidation or disposal of subsidiaries and associates	(25)	–	–	(25)
Fair value movements on cash flow hedges	–	5	–	5
Tax on fair value movements on cash flow hedges	–	(8)	–	(8)
Reclassification of cash flow hedges to income statement	–	12	–	12
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(20)	(20)
Fair value movements on equity investments	–	(911)	–	(911)
Tax on fair value movements on equity investments	–	131	–	131
Remeasurement losses on defined benefit plans	941	–	–	941
Tax on remeasurement defined benefit plans	(223)	–	–	(223)
Other comprehensive (expense)/income for the year	454	(771)	(20)	(337)

Notes to the financial statements continued

38. Movements in equity continued

Information on net investment hedges is provided in part (d) of Note 44 'Financial instruments and related disclosures'.

The analysis of other reserves is as follows:

	ESOP Trust shares £m	Fair value reserve £m	Cash flow hedge reserve £m	Other reserves £m	Total £m
At 1 January 2021	(195)	1,302	(31)	2,129	**3,205**
Exchange adjustments	(1)	–	–	–	**(1)**
Transferred to income and expenses in the year on impairments of equity investments	168	–	–	–	**168**
Transferred to retained earnings in the year on disposal of equity investments	–	(139)	–	–	**(139)**
Net fair value movement in the year	–	(780)	10	–	**(770)**
At 31 December 2021	(28)	383	(21)	2,129	**2,463**
Exchange adjustments	(36)	28	12	–	**4**
Transferred to retained earnings in the year on disposal of equity investments	–	(21)	17	–	**(4)**
Balances derecognised on demerger	–	–	(169)	–	**(169)**
Net fair value movement in the year	–	(698)	141	–	**(557)**
Ordinary shares acquired by ESOP Trusts	(1,200)	–	–	–	**(1,200)**
Write-down of shares held by ESOP Trusts	911	–	–	–	**911**
At 31 December 2022	(353)	(308)	(20)	2,129	**1,448**
Exchange adjustments	26	(5)	(2)	–	**19**
Transferred to retained earnings in the year on disposal of equity investments	–	33	–	–	**33**
Reclassification of cash flow hedges to income statement	–	–	4	–	**4**
Hedging gain/(loss) transferred to non-financial assets	–	–	36	–	**36**
Net fair value movement in the year (including tax)	–	(230)	(40)	–	**(270)**
Ordinary shares acquired by ESOP Trusts	(285)	–	–	–	**(285)**
Write-down of shares held by ESOP Trusts	324	–	–	–	**324**
At 31 December 2023	(288)	(510)	(22)	2,129	**1,309**

Other reserves include various non-distributable merger and pre-merger reserves amounting to £1,849 million at 31 December 2023 (2022: £1,849 million; 2021: £1,849 million). Other reserves also include the capital redemption reserve created as a result of the share buy-back programme amounting to £280 million at 31 December 2023 (2022: £280 million; 2021: £280 million).

39. Non-controlling interests

Total non-controlling interests includes the following individually material non-controlling interests. Other non-controlling interests are individually not material.

ViiV Healthcare

GSK holds 78.3% of the ViiV Healthcare sub-group, giving rise to a material non-controlling interest. Summarised financial information available at the latest practicable date in respect of the ViiV Healthcare sub-group is as follows:

	2023 £m	2022 £m	2021 £m
Turnover	**6,308**	5,619	4,637
Profit after taxation	**2,034**	1,528	1,087
Other comprehensive income/(expense)	**(19)**	94	(17)
Total comprehensive income	**2,015**	1,622	1,070

	2023 £m	2022 £m
Non-current assets	**2,528**	2,716
Current assets	**3,330**	3,354
Total assets	**5,858**	6,070
Current liabilities	**(3,881)**	(3,762)
Non-current liabilities	**(8,453)**	(8,983)
Total liabilities	**(12,334)**	(12,745)
Net liabilities	**(6,476)**	(6,675)

Notes to the financial statements continued

39. Non-controlling interests continued

	2023 £m	2022 £m	2021 £m
Net cash inflow from operating activities	**2,192**	3,442	2,128
Net cash outflow from investing activities	**(2)**	(174)	(287)
Net cash outflow from financing activities	**(2,463)**	(2,718)	(1,608)
Increase/(decrease) in cash and bank overdrafts in the year	**(273)**	550	233

The above financial information relates to the ViiV Healthcare group on a stand-alone basis, before the impact of Group-related adjustments, primarily related to the recognition of preferential dividends. The profit after taxation of £2,034 million (2022: £1,528 million; 2021: £1,087 million) is stated after charging preferential dividends payable to GSK and Pfizer and after a charge of £858 million (2022: £1,483 million; 2021: £1,218 million) for remeasurement of contingent consideration payable. This consideration is expected to be paid over a number of years.

The following amounts attributable to the ViiV Healthcare group are included in GSK's financial statements:

	2023 £m	2022 £m	2021 £m
Share of profit for the year attributable to non-controlling interest	**373**	415	196
Dividends paid to non-controlling interest	**398**	480	224
Non-controlling interest in the consolidated balance sheet	**(648)**	(611)	(570)

40. Related party transactions

At 31 December 2023, a loan of £0.8 million (2022: £nil) to Index Ventures and a loan of £0.6 million (2022: £nil) to Medicxi Ventures I LP remained due to GSK. Cash distributions were received from investment in Medicxi Ventures I LP of £10.7 million (2022: Medicxi Ventures I LP of £6 million).

In December 2023, Qura Therapeutics LLC was liquidated, the investment and the associated commitment for future contributions were de-recognised from the balance sheet. An immaterial gain (less than £1 million) was recognised.

The Group had no other significant related party transactions which might reasonably be expected to influence decisions made by the users of these Financial Statements.

The aggregate compensation of the Directors and GLT is given in Note 9, 'Employee costs'.

Notes to the financial statements continued

41. Acquisitions and disposals

Details of the acquisition and disposal of significant subsidiaries, associates, joint ventures and other businesses are given below:

2023

Business acquisitions

On 28 June 2023, GSK completed the acquisition of BELLUS Health Inc. ("Bellus") which was effected through a Plan of Arrangement (the "Arrangement") pursuant to the Canada Business Corporations Act. The Arrangement was approved by Bellus' shareholders on 16 June 2023. Upon completion, GSK acquired all outstanding common shares of Bellus for US$14.75 per common share in cash, representing a total equity value of US$2 billion (£1.6 billion). The acquisition provides GSK access to camlipixant, a potential best-in-class and highly selective P2X3 antagonist currently in phase III development for the first-line treatment of adult patients with refractory chronic cough (RCC).

	Total £m
Net assets acquired:	
Intangible assets	1,438
Non-current equity investments	2
Right of use assets	1
Trade and other receivables	96
Investments held as current assets	51
Cash and cash equivalents	148
Lease liabilities	(1)
Trade and other payables	(103)
Deferred tax liabilities	(136)
	1,496
Non-controlling interest	–
Goodwill	109
Total consideration	1,605

In 2023, the provisional values of the identifiable assets and liabilities acquired in the Affinivax, Inc. business combination were updated for the finalisation of the fair value of intangible assets, resulting in an increase in intellectual property of £39 million, a decrease to goodwill of £31 million and a decrease to deferred tax of £8 million. The amounts recognised at 31 December 2022 have not been restated on the basis of materiality.

Business disposals

GSK completed no material business disposals in 2023.

Associates and joint ventures

GSK completed no material investments or disposals of associates or joint ventures during the year.

Cash flows

	Business Acquisitions £m	Business Disposals £m
Cash consideration (paid)/ received	(1,605)	68
Net deferred consideration paid	–	(19)
Transaction costs	(17)	–
Cash and cash equivalents acquired/(divested)	148	–
Cash (outflow)/inflow	(1,474)	49

Notes to the financial statements continued

41. Acquisitions and disposals continued

2022

Business acquisitions

On 1 July 2022, GSK completed the acquisition of 100% of Sierra Oncology, Inc., a California-based, late-stage biopharmaceutical company focused on targeted therapies for the treatment of rare forms of cancer, for $1.9 billion (£1.6 billion). The main asset is momelotinib which targets the medical needs of myelofibrosis patients with anaemia. Total transaction costs were £52 million.

On 15 August 2022, GSK completed the acquisition of 100% of Affinivax, Inc. a clinical-stage biopharmaceutical company based in Cambridge, Boston, Massachusetts focused on pneumococcal vaccine candidates. The consideration for the acquisition comprised an upfront payment of $2.2 billion (£1.8 billion) as adjusted for working capital acquired paid upon closing and two potential milestone payments each of $0.6 billion (£0.5 billion) to be paid upon the achievement of certain paediatric clinical development milestones. The estimated fair value of the contingent consideration payable was £482 million. The values were provisional and were subject to change. The total transaction costs were £71 million.

During 2022, no sales arising from the Sierra Oncology or Affinivax businesses were included in Group turnover and no revenue is expected until regulatory approval is received on the acquired assets.

GSK continues to support the ongoing development of the acquired assets and consequently these assets will be loss making until regulatory approval on these assets is received. The development of these assets has been integrated into the Group's existing R&D activities, so it was impracticable to quantify these development costs or the impact on Total profit after taxation for the period ended 31 December 2022.

Goodwill of £1,127 million (£162 million for Sierra Oncology and £965 million for Affinivax), which is not expected to be deductible for tax purposes, has been recognised. The goodwill represents workforce in place, and specific synergies available to GSK from the business combinations. The goodwill has been allocated to the Group's Commercial Operations and R&D segments (refer to Note 19 'Goodwill' for allocation methodology).

	Sierra Oncology £m	Affinivax £m	Total £m
Net assets acquired			
Intangible assets	1,497	1,467	2,964
Property, plant and equipment	–	30	30
Right of use assets	1	52	53
Inventory	60	–	60
Trade and other receivables	2	17	19
Cash and cash equivalents	175	109	284
Lease liabilities	(1)	(55)	(56)
Trade and other payables	(40)	(77)	(117)
Taxation	(259)	(236)	(495)
	1,435	1,307	2,742
Goodwill	162	965	1,127
Total	1,597	2,272	3,869
Total cash	1,597	1,790	3,387
Fair value of contingent consideration	–	482	482

On 24 November 2022 GSK signed an agreement to buy out the 25% non-controlling interest in Glaxo Saudi Arabia Ltd for SAR94 million (£21 million), paid in 2023.

Notes to the financial statements continued

41. Acquisitions and disposals continued

Demerger of Consumer Healthcare business

On 18 July 2022, GSK plc separated its Consumer Healthcare business from the GSK Group to form Haleon, an independent listed company. The separation was effected by way of a demerger of 80.1% of GSK's 68% holding in the Consumer Healthcare business to GSK shareholders. Following the demerger, 54.5% of Haleon was held in aggregate by GSK shareholders, 6.0% was held by GSK (including shares received by GSK's consolidated ESOP trusts) and 7.5% was held by certain Scottish Limited Partnerships (SLPs) set up to provide collateral for a funding mechanism pursuant to which GSK will provide additional funding for GSK's UK defined benefit pension schemes (Note 31, 'Pensions and other post-employment benefits'). The aggregate ownership by GSK (including ownership by the ESOP trusts and SLPs) after the demerger of 13.5% was measured at fair value with changes through profit or loss. In 2022, Pfizer held 32% of Haleon after the demerger.

Under IFRIC 17 'Distributions of Non-cash Assets to Owners' a liability and an equity distribution are measured at the fair value of the assets to be distributed when the dividend is appropriately authorised and it is no longer at the entity's discretion. The liability and equity movement, and associated gain on distribution were recognised in Q3 2022 when the demerger distribution was authorised and occurred.

The asset distributed was the 54.5% ownership of the Consumer Healthcare business. The net carrying value of the Consumer Healthcare business in the consolidated financial statements, including the retained 13.5% and net of the amount attributable to the non-controlling interest, was approximately £11 billion at the end of June. GSK's £6.3 billion share of the shareholder loans made in Q1 2022 in advance of the pre-separation dividends was eliminated in the consolidated financial statements. The assets distributed were reduced by Consumer Healthcare transactions up to 18 July that principally included pre-separation dividends declared and settled after the end of Q2 2022 and before 18 July 2022. Those dividends included: £10.4 billion (£7.1 billion attributable to GSK) of dividends funded by Consumer Healthcare debt that was partially on-lent during Q1 2022 and dividends of £0.6 billion (£0.4 billion attributable to GSK) from available cash balances.

The fair value of the 54.5% ownership of the Consumer Healthcare business distributed was £15.5 billion. This was measured by reference to the quoted average Haleon share price over the first five days of trading, this being a fair value measured with observable inputs which was considered to be representative of the fair value at the distribution date. A gain on distribution of this fair value less book value of the attributable net assets of the Consumer Healthcare business of £7.7 billion was recorded in the income statement in 2022. There was an additional gain of £2.4 billion to remeasure the retained 13.5% from its book value to fair value of £3.9 billion using the same fair value methodology as used for the distributed shares. The gain on distribution and on remeasurement of the retained stake upon demerger was presented as part of discontinued operations. Any future gains or losses on the retained stake in Haleon will be recognised in continuing operations. In addition, there was a reclassification of the Group's share of cumulative exchange differences arising on translation of the foreign currency net assets of the divested subsidiaries and offsetting net investment hedges from reserves into the income statement of £0.6 billion. The total gain on demerger of Consumer Healthcare was £10.1 billion. These transactions were presented in profit from discontinued operations in 2022.

	2022 £m
Fair value of the Consumer Healthcare business distributed (54.5%)	15,526
Fair value of the retained ownership in Haleon plc (13.5%)	3,853
Total fair value	19,379
Carrying amount of the net assets and liabilities distributed/de-recognised	(12,887)
Carrying amount of the non-controlling interest de-recognised	3,038
Gain on demerger before exchange movements and transaction costs	9,530
Reclassification of exchange movements and net investment hedge movements on disposal of overseas subsidiaries	554
Total gain on the demerger of Consumer Healthcare	10,084

Consumer Healthcare was presented as a discontinued operation as at 30 June 2022 and disclosed as such in the interim financial statements. The Consolidated Income Statement and Consolidated Cash Flow Statement distinguish discontinued operations from continuing operations. Comparative figures have been restated on a consistent basis. Financial information relating to the operations of Consumer Healthcare for the period is set out on the following page and includes financial information until 18 July 2022.

This financial information differs both in purpose and basis of preparation from the Historical Financial Information and the Interim Financial Information included in the Haleon prospectus and from that which was published by Haleon on 2 March 2023. As a result, whilst the two sets of financial information are similar, they are not the same because of certain differences in accounting and disclosure under IFRS.

Notes to the financial statements continued

41. Acquisitions and disposals continued

Total results	2022	2021
Turnover	5,581	9,418
Expense	(4,730)	(7,575)
Profit before tax	851	1,843
Taxation	(235)	(263)
Tax rate %	27.6%	14.3%
(Loss)/profit after taxation from discontinued operations: Consumer Healthcare	616	1,580
Other gains/(losses) on demerger	2,433	–
Remeasurement of discontinued operations distributed to shareholders on demerger	7,651	–
Profit after taxation on demerger of discontinued operations	10,700	1,580
Non-controlling interest in discontinued operations	205	511
Earnings attributable to shareholders from discontinued operations	10,495	1,069
Earnings per share from discontinued operations	260.6p	26.7p

Other business disposals

There were no other material business disposals in 2022.

Cash flows	Business acquisitions £m	Business disposals - demerger £m	Business disposals - other £m
Cash consideration	(3,392)	–	–
Net deferred consideration paid	–	–	(34)
Cash and cash equivalents (divested)/acquired	284	(933)	(9)
	(3,108)	(933)	(43)
Transaction costs paid	(79)	(141)	–
Cash (outflow)/inflow	(3,187)	(1,074)	(43)

Cash consideration for business acquisitions included £5 million related to other business acquisition activity.

2021

Business acquisitions

GSK completed no material business acquisitions in 2021.

Business disposals

GSK made a number of business disposals for net cash consideration received in the year of £10 million. The profit on the disposal of the businesses in the year of £24 million was calculated as follows:

	Total £m
Consideration:	
Cash consideration including currency forwards, purchase adjustments and deferred consideration	10
Total	10
Net assets sold:	
Property, plant and equipment	3
Cash and cash equivalents	1
Other net assets	1
Total	5
Costs:	
Deal costs	(16)
Reclassification of exchange from other comprehensive income	35
Gain on disposals in 2021	24

Notes to the financial statements continued

41. Acquisitions and disposals continued

Associates and joint ventures

On 20 May 2021 GSK agreed with Innoviva, Inc. ("Innoviva") to sell all of its approximately 32 million shares of common stock of Innoviva back to Innoviva at a price of $12.25 per share, raising gross proceeds of approximately $392 million. Following settlement of the transaction, GSK will no longer hold any Innoviva stock. See details in Note 21 'Investment in associates and joint ventures'.

Cash flows

	Business disposals £m	Associates and joint ventures disposals £m
Cash consideration received	43	277
Net deferred consideration paid	(51)	–
Transaction costs	(8)	–
Cash and cash equivalents (divested)/acquired	(1)	–
Cash (outflow)/inflow	(17)	277

.

42. Adjustments reconciling Total profit after tax to operating cash flows

	2023 £m	2022 £m	2021 £m
Total profit after tax from continuing operations	5,308	4,921	3,516
Tax on profits	756	707	83
Share of after-tax (profits)/losses of associates and joint ventures	5	2	(33)
Finance expense net of finance income	677	803	755
Depreciation	1,082	1,061	1,034
Amortisation of intangible assets	1,212	1,086	1,088
Impairment and assets written off	467	481	529
Profit on sale of businesses	–	(36)	(47)
Profit on sale of intangible assets	(12)	(185)	(539)
(Profit)/loss on sale of investments in associates	(1)	–	36
Profit on sale of equity investments	–	(1)	(8)
Changes in working capital:			
Decrease/(increase) in inventories	(424)	(269)	51
(Increase) in trade receivables	(794)	(158)	(780)
Increase/(decrease) in trade payables	(15)	494	229
(Increase)/decrease in other receivables	145	(458)	(382)
Contingent consideration paid (see Note 33)	(1,134)	(1,058)	(742)
Other non-cash increase in contingent consideration liabilities	492	1,628	1,063
Increase/(decrease) in other payables	689	(5)	1,505
Decrease in pension and other provisions	(457)	(962)	(299)
Share-based incentive plans	307	346	343
Fair value adjustments	(107)	(283)	(31)
Other	(100)	(170)	(122)
Operating cash flow from continuing operations	8,096	7,944	7,249
Operating cash flow from discontinued operations	–	932	1,994
Total cash generated from operations	8,096	8,876	9,243

Notes to the financial statements continued

43. Reconciliation of net cash flow to movement in net debt

	2023 £m	2022 £m	2021 £m
Net debt, at beginning of year, as adjusted	(17,197)	(19,838)	(20,780)
Decrease in cash and bank overdrafts	(468)	(7,597)	(2,504)
Decrease in liquid investments	(72)	(1)	(18)
Issue of long-term loans	(223)	(1,025)	–
Repayment of short-term notes	2,116	5,074	2,304
Repayment of/(increase in) other short-term loans	333	(1,021)	(301)
Repayment of long-term loans	144	1,594	–
Repayment of lease liabilities	197	202	181
Investments/(debt) of subsidiary undertakings acquired	50	(24)	–
Exchange adjustments	554	(1,531)	314
Other non-cash movements	(474)	(207)	(134)
Decrease/(increase) in net debt from continuing operations	2,157	(4,536)	(158)
Decrease/(increase) in net debt from discontinued operations	–	7,177	1,100
Total net debt at end of year	(15,040)	(17,197)	(19,838)

Analysis of changes in net debt	At 1 January 2023 £m	Exchange £m	Other £m	Interest expense £m	Change in fair value £m	Reclass-ifications £m	Cash flow £m	At 31 December 2023 £m
Liquid investments	67	(4)	51	–	–	–	(72)	42
Cash and cash equivalents	3,723	(105)	–	–	–	–	(682)	2,936
Overdrafts	(298)	6	–	–	–	–	214	(78)
	3,425	(99)	–	–	–	–	(468)	2,858
Debt due within one year:								
Commercial paper	(1,191)	56	–	–	–	–	320	(815)
European/US MTN & Bank facilities	(2,146)	48	–	–	–	(1,669)	2,116	(1,651)
Lease liabilities	(167)	12	(3)	–	–	(195)	197	(156)
Other	(150)	21	3	–	–	–	13	(113)
	(3,654)	137	–	–	–	(1,864)	2,646	(2,735)
Debt due after one year:								
European/US MTN & Bank facilities	(16,194)	469	–	(19)	–	1,669	(79)	(14,154)
Lease liabilities	(841)	42	(447)	–	–	195	–	(1,051)
	(17,035)	511	(447)	(19)	–	1,864	(79)	(15,205)
Net debt	(17,197)	545	(396)	(19)	–	–	2,027	(15,040)
Interest payable	(207)	1	(29)	(693)	–	–	766	(162)
Derivative financial instruments	8	–	–	–	343	–	(335)	16
Total liabilities from financing activities*	(20,888)	649	(476)	(712)	343	–	2,998	(18,086)

* Excluding cash and cash equivalents, overdrafts and liquid investments.

Notes to the financial statements continued

43. Reconciliation of net cash flow to movement in net debt continued

Analysis of changes in net debt	At 1 January 2022 £m	Exchange £m	Other £m	Interest expense £m	Change in fair value £m	Reclass-ifications £m	Demerger £m	Cash flow £m	At 31 December 2022 £m
Liquid investments	61	7	–					(1)	67
Cash and cash equivalents	3,861	99	1	–	–	–	7,496	(7,734)	3,723
Overdrafts	(450)	15	–	–	–	–	–	137	(298)
Liquid investments attributed to continuing operations	3,411	114	1	–	–	–	7,496	(7,597)	3,425
Liquid investments attributed to discontinued operations	407	37	–	–	–	–	(7,496)	7,052	–
	3,818	151	1	–	–	–	–	(545)	3,425
Debt due within one year:									
Commercial paper	(252)	(30)	–	–	–	–	–	(909)	(1,191)
European/US MTN & Bank facilities	(2,596)	(174)	–	–	–	(4,426)	–	5,050	(2,146)
Lease liabilities	(173)	(14)	5	–	–	(186)	–	201	(167)
Other	(52)	(2)	(9)	–	–	–	–	(87)	(150)
Debt due within one year attributed to continuing operations	(3,073)	(220)	(4)	–	–	(4,612)	–	4,255	(3,654)
Debt due within one year attributed to discontinued operations	(72)	(3)	(15)	–	–	(3)	1,559	(1,466)	–
	(3,145)	(223)	(19)	–	–	(4,615)	1,559	2,789	(3,654)
Debt due after one year:									
European/US MTN & Bank facilities	(19,760)	(1,386)	–	(43)	–	4,426	–	569	(16,194)
Lease liabilities	(725)	(59)	(243)	–	–	186	–	–	(841)
Debt due after one year attributed to continuing operations	(20,485)	(1,445)	(243)	(43)	–	4,612	–	569	(17,035)
Debt due after one year attributed to discontinued operations	(87)	(777)	(6)	(4)	48	3	10,059	(9,236)	–
	(20,572)	(2,222)	(249)	(47)	48	4,615	10,059	(8,667)	(17,035)
Net debt	(19,838)	(2,287)	(267)	(47)	48	–	11,618	(6,424)	(17,197)
Interest payable	(244)	(5)	(33)	(865)	–	–	92	848	(207)
Derivative financial instruments	(22)	–	–	–	670	–	–	(640)	8
Total liabilities from financing activities*	(23,983)	(2,450)	(301)	(912)	718	–	11,710	(5,670)	(20,888)

* Excluding cash and cash equivalents, overdrafts and liquid investments.

For further information on significant changes in net debt see Note 30, 'Net debt'.

Notes to the financial statements continued

44. Financial instruments and related disclosures

The objective of GSK's Treasury activities is to minimise the net cost of financial operations and reduce its volatility to benefit earnings and cash flows. GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise foreign exchange forward contracts and swaps which are used to swap borrowings and liquid assets into currencies required for Group purposes as well as interest rate swaps which are used to manage exposure to financial risks from changes in interest rates. These financial instruments reduce the uncertainty of foreign currency transactions and interest payments.

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

Capital management

GSK's financial strategy supports the Group's strategic priorities and is regularly reviewed by the Board. GSK manages the capital structure of the Group through an appropriate mix of debt and equity.

The capital structure of the Group consists of net debt of £15 billion (see Note 30, 'Net debt') and total equity, including items related to non-controlling interests, of £13 billion (see 'Consolidated statement of changes in equity' on page 182). Total capital, including that provided by non-controlling interests, is £28 billion.

The Group continues to manage its financial policies to a credit profile that particularly targets ratings of at least A2/A (Moody's/S&P), through the cycle. The Group's long-term credit rating with Standard & Poor's is A (stable outlook) and with Moody's Investor Services ('Moody's') is A2 (stable outlook). The Group's short-term credit ratings are A-1 and P-1 with Standard & Poor's and Moody's respectively.

Liquidity risk management

GSK's policy is to borrow centrally in order to meet anticipated funding requirements. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets. Each day, GSK sweeps cash to or from a number of global subsidiaries and central Treasury accounts for liquidity management purposes. GSK utilises both physical and notional 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, GSK had £2.8 billion of borrowings repayable within one year and held £3.0 billion of cash and cash equivalents and liquid investments of which £2.2 billion was held centrally.

GSK has access to short-term finance under a \$10 billion (£7.8 billion) US commercial paper programme; \$850 million (£667 million) was in issue at 31 December 2023 (2022: \$900 million (£748 million)). GSK has access to short-term finance under a £5 billion Euro commercial paper programme; €170 million (£148 million) was in issue at 31 December 2023 (2022: €500 million (£443 million)). GSK has a £1.6 billion three-year and a \$2.2 billion (£1.7 billion) 364 day committed facility. These committed facilities were undrawn at 31 December 2023. GSK considers this level of committed facilities to be adequate, given current liquidity requirements.

GSK has a £20 billion Euro Medium Term Note programme and at 31 December 2023, £9.2 billion of notes were in issue under this programme. The Group also had \$8.4 billion (£6.6 billion) of notes in issue at 31 December 2023 under a US shelf registration. GSK's borrowings mature at dates between 2024 and 2045.

The put option owned by Pfizer in ViiV Healthcare is exercisable. In reviewing liquidity requirements GSK considers that sufficient financing options are available should the put option be exercised.

Market risk

Interest rate risk management

GSK's objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating rates over time.

The Group's main interest rate risk arises from borrowings and investments with floating rates and refinancing of maturing fixed rate debt where any changes in interest rates will affect future cash flows or the fair values of financial instruments. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the Board.

The majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge. Short-term borrowings including bank facilities are exposed to the risk of future changes in market interest rates as are the majority of cash and liquid investments.

Foreign exchange risk management

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 transaction exposures arising on external and internal trade flows are selectively hedged. GSK's internal trading transactions are matched centrally and inter-company payment terms are managed to reduce foreign currency risk. Where possible, GSK manages the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

In order to reduce foreign currency translation exposure, the Group seeks to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US Dollars, Euros and Sterling. Borrowings can be swapped into other currencies as required.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

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 (see 'Net investment hedges' section of this note for further details).

Credit risk

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 at 31 December 2023 to be £9,528 million (31 December 2022: £10,180 million) which is the total of the Group's financial assets with the exception of 'Other investments' (comprising equity investments) which bear equity risk rather than credit risk. See page 247 for details on the Group's total financial assets. At 31 December 2023, GSK's greatest concentration of credit risk was £1.2 billion with a wholesaler in the US (2022: £1.1 billion with a wholesaler in the US). See page 245 for further information on the Group's credit risk exposure in respect of the three largest US wholesaler customers.

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 or at FVTOCI since the adoption of IFRS 9 at the start of the 2018 reporting period.

Treasury-related credit risk

GSK sets global counterparty limits for each of GSK's banking and investment counterparties based on long-term credit ratings from Moody's and Standard & Poor's. Usage of these limits is actively monitored.

GSK actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. This is part of GSK's strategy to regionalise cash management and to concentrate cash centrally as much as possible. The table below sets out the credit exposure to counterparties by rating for liquid investments, cash and cash equivalents and derivatives.

The gross asset position on each derivative contract is considered for the purpose of this table, although, under ISDA agreements, the amount at risk is the net position with each counterparty. Table (e) on page 255 sets out the Group's financial assets and liabilities on an offset basis.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

At 31 December 2023, £44 million (2022: £60 million) of cash is categorised as held with unrated or sub-investment grade rated counterparties (lower than BBB-/Baa3). This exposure is concentrated in overseas banks used for local cash management or investment purposes, including: £18 million in Saudi Arabia with Saudi British Bank; £15 million with Halk Bank in the UK; £7 million in Nigeria held with United Bank for Africa, Zenith Bank, Access Bank and Stanbic IBTC Bank; £2 million in Brazil held with Banco Bradesco, Itau UniBanco, Banco Do Brasil and Caixa Economica Federal; and £1 million with Banco De La Produccion in Ecuador. Of the £55 million of bank balances and deposits held with BBB/Baa rated counterparties, £3.4 million was held with BBB-/Baa3 rated counterparties, including balances or deposits of £2.6 million with State Bank of India in India. These banks are used for local investment purposes.

GSK measures expected credit losses over cash and cash equivalents as a function of individual counterparty credit ratings and associated 12 month default rates. Expected credit losses over cash and cash equivalents and third-party financial derivatives are deemed to be immaterial and no such loss has been experienced during 2023.

Credit ratings are assigned by Standard & Poor's and Moody's respectively. Where the opinions of the two rating agencies differ, GSK assigns the lower rating of the two to the counterparty. Where local rating agency or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of Standard & Poor's or Moody's using published conversion tables. These credit ratings form the basis of the assessment of the expected credit loss on Treasury-related balances held at amortised cost being bank balances and deposits and Government securities.

2023	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	**Total £m**
Bank balances and deposits	–	28	1,815	55	44	**1,942**
US Treasury and Treasury repo only money market funds	155	–	–	–	–	**155**
Liquidity funds	839	–	–	–	–	**839**
Government securities	–	42	–	–	–	**42**
Third party financial derivatives	–	–	130	–	–	**130**
Total	994	70	1,945	55	44	**3,108**

2022	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	Total £m
Bank balances and deposits	–	–	1,215	49	60	1,324
US Treasury and Treasury repo only money market funds	146	–	–	–	–	146
Liquidity funds	2,253	–	–	–	–	2,253
Government securities	–	67	–	–	–	67
Third party financial derivatives	–	–	188	–	–	188
Total	2,399	67	1,403	49	60	3,978

GSK's centrally managed cash reserves amounted to £2.2 billion at 31 December 2023, all available within three months. This includes £2.0 billion of cash managed by the Group for ViiV Healthcare, a 78.3% owned subsidiary. The Group has invested centrally managed liquid assets in bank deposits, Aaa/AAA rated US Treasury and Treasury repo only money market funds and Aaa/AAA rated liquidity funds.

Wholesale and retail credit risk

Outside the US, no customer accounts for more than 5% of the Group's trade receivables balance.

In the US, in line with other pharmaceutical companies, the Group sells its products through a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups. Sales to the three largest wholesalers amounted to approximately 79% (2022:79%) of the sales of the US Commercial Operations business in 2023.

At 31 December 2023, the Group had trade receivables due from these three wholesalers totalling £3,319 million or 56% of total trade receivables (2022: £3,001 million or 55%). The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them encounters financial difficulty, it could materially and adversely affect the Group's financial results.

This concentration of trade receivables is reflective of standard market practice in the US pharmaceuticals sector where a significant portion of sales are made to these three wholesalers, as disclosed in Note 6 'Turnover and segment information'. GSK's assessment is that there is limited credit risk associated with these customers.

The Group's credit risk monitoring activities relating to these wholesalers include a review of their quarterly financial information and Standard & Poor's credit ratings, development of GSK internal risk ratings, and establishment and periodic review of credit limits.

All new customers are subject to a credit vetting process and existing customers will be subject to a review at least annually. The vetting process and subsequent reviews involve obtaining information including the customer's status as a government or private sector entity, audited financial statements, credit bureau reports, debt rating agency (e.g. Moody's, Standard & Poor's) reports, payment performance history (from trade references, industry credit groups) and bank references.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Trade receivables consist of amounts due from a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased or factoring arrangements put in place.

The amount of information obtained is proportional to the level of exposure being considered. The information is evaluated quantitatively (i.e. credit score) and qualitatively (i.e. judgement) in conjunction with the customer's credit requirements to determine a credit limit.

Trade receivables are grouped into customer segments that have similar loss patterns to assess credit risk while other receivables and other financial assets are assessed individually. Historical and forward-looking information is considered to determine the appropriate expected credit loss allowance.

The Group believes there is no further credit risk provision required in excess of the allowance for expected credit losses (see Note 26, 'Trade and other receivables').

Credit enhancements

The Group uses credit enhancements including factoring and credit insurance to minimise the credit risk of the trade receivables in the Group. At 31 December 2023, £421 million (2022: £332 million) of trade receivables were insured in order to protect the receivables from loss due to credit risks such as default, insolvency and bankruptcy.

Each Group entity assesses the credit risk of its private customers to determine if credit insurance is required.

Factoring arrangements are managed locally by entities and are used to mitigate risk arising from large credit risk concentrations. All factoring arrangements are non-recourse.

Fair value of financial assets and liabilities excluding lease liabilities

The table on page 247 presents the carrying amounts and the fair values of the Group's financial assets and liabilities excluding lease liabilities at 31 December 2023 and 31 December 2022.

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 are used to measure the fair values of significant financial instruments carried at fair value on the balance sheet:

- Other investments – equity investments traded in an active market determined by reference to the relevant stock exchange quoted bid price; other equity investments determined by reference to the current market value of similar instruments, recent financing rounds or the discounted cash flows of the underlying net assets
- Trade receivables carried at fair value – based on invoiced amount
- Interest rate swaps, foreign exchange forward contracts, swaps and options – based on the present value of contractual cash flows or option valuation models using market sourced data (exchange rates or interest rates) at the balance sheet date
- Cash equivalents carried at fair value – based on net asset value of the funds
- Contingent consideration for business acquisitions and divestments – based on present values of expected future cash flows.

The following methods and assumptions are used to estimate the fair values of significant financial instruments which are not measured at fair value on the balance sheet:

- Receivables and payables, including put options, carried at amortised cost – approximates to the carrying amount
- Liquid investments – approximates to the carrying amount
- Cash and cash equivalents carried at amortised cost – approximates to the carrying amount
- Long-term loans – based on quoted market prices (a level 1 fair value measurement) in the case of European and US Medium Term Notes; approximates to the carrying amount in the case of other fixed rate borrowings and floating rate bank loans
- Short-term loans, overdrafts and commercial paper – approximates to the carrying amount because of the short maturity of these instruments.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

	Notes	2023 Carrying value £m	2023 Fair value £m	2022 Carrying value £m	2022 Fair value £m
Financial assets measured at amortised cost:					
Other non-current assets	b	9	9	21	21
Trade and other receivables	b	3,829	3,829	3,789	3,789
Liquid investments		42	42	67	67
Cash and cash equivalents		1,942	1,942	1,324	1,324
Financial assets measured at fair value through other comprehensive income (FVTOCI):					
Other investments designated at FVTOCI	a	931	931	1,153	1,153
Trade and other receivables	a,b	2,541	2,541	2,327	2,327
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):					
Current equity investments and other investments	a	2,410	2,410	4,401	4,401
Other non-current assets	a,b	18	18	13	13
Trade and other receivables	a,b	23	23	50	50
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	98	98	165	165
Cash and cash equivalents	a	994	994	2,399	2,399
Derivatives designated and effective as hedging instruments (fair value movements through other comprehensive income)	a,d,e	32	32	25	25
Total financial assets		12,869	12,869	15,734	15,734
Financial liabilities measured at amortised cost:					
Borrowings excluding obligations under lease liabilities:					
– bonds in a designated hedging relationship	d	(5,348)	(5,233)	(6,322)	(6,035)
– other bonds		(10,456)	(10,762)	(12,017)	(11,930)
– bank loans and overdrafts		(191)	(191)	(447)	(447)
– commercial paper in a designated hedging relationship		(148)	(148)	(443)	(443)
– other commercial paper		(667)	(667)	(748)	(748)
– other borrowings		(1)	(1)	(2)	(2)
Total borrowings excluding lease liabilities	f	(16,811)	(17,002)	(19,979)	(19,605)
Trade and other payables	c	(13,383)	(13,383)	(14,065)	(14,065)
Other provisions	c	(199)	(199)	(63)	(63)
Other non-current liabilities	c	(54)	(54)	(84)	(84)
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):					
Contingent consideration liabilities	a,c	(6,662)	(6,662)	(7,068)	(7,068)
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	(78)	(78)	(77)	(77)
Derivatives designated and effective as hedging instruments (fair value movements through other comprehensive income)	a,d,e	(36)	(36)	(106)	(106)
Total financial liabilities excluding lease liabilities		(37,223)	(37,414)	(41,442)	(41,068)
Net financial assets and financial liabilities excluding lease liabilities		(24,354)	(24,545)	(25,708)	(25,334)

The valuation methodology used to measure fair value in the above table is described and categorised on page 246.

Trade and other receivables, Other non-current assets, Trade and other payables, Other provisions, Contingent consideration liabilities and Other non-current liabilities are reconciled to the relevant Notes on pages 249 to 250.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Fair value of investments in GSK shares

At 31 December 2023, the Employee Share Ownership Plan (ESOP) Trusts held GSK shares with a carrying value of £288 million (2022: £354 million) and a market value of £853 million (2022: £861 million) based on quoted market price. The shares are held by the ESOP Trusts to satisfy future exercises of options and awards under employee incentive schemes. In 2023, the carrying value, which is the lower of cost or expected proceeds, of these shares has been recognised as a deduction from other reserves. At 31 December 2023, GSK held Treasury shares at a cost of £3,447 million (2022: £3,797 million) which has been deducted from retained earnings.

(a) Financial instruments held at fair value

The following tables categorise the Group's financial assets and liabilities held at fair value 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. Other investments classified as Level 3 in the tables below comprise equity investments in unlisted entities with which the Group has entered into research collaborations and investments which provide access to biotechnology developments of potential interest.

At 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value				
Financial assets measured at fair value through other comprehensive income (FVTOCI):				
Other investments designated at FVTOCI	741	–	190	**931**
Trade and other receivables	–	2,541	–	**2,541**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):				
Current equity investments and other investments	2,204	–	206	**2,410**
Other non-current assets	–	–	18	**18**
Trade and other receivables	–	23	–	**23**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	98	–	**98**
Cash and cash equivalents	994	–	–	**994**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	32	–	**32**
	3,939	2,694	414	**7,047**
Financial liabilities at fair value				
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):				
Contingent consideration liabilities	–	–	(6,662)	**(6,662)**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(78)	–	**(78)**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	(36)	–	**(36)**
	–	(114)	(6,662)	**(6,776)**

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value				
Financial assets measured at fair value through other comprehensive income (FVTOCI):				
Other investments designated at FVTOCI	823	–	330	**1,153**
Trade and other receivables	–	2,327	–	**2,327**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):				
Current equity investments and other investments	4,087	–	314	**4,401**
Other non-current assets	–	–	13	**13**
Trade and other receivables	–	50	–	**50**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	165	–	**165**
Cash and cash equivalents	2,399	–	–	**2,399**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	25	–	**25**
	7,309	2,567	657	**10,533**
Financial liabilities at fair value				
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):				
Contingent consideration liabilities	–	–	(7,068)	**(7,068)**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(77)	–	**(77)**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	(106)	–	**(106)**
	–	(183)	(7,068)	**(7,251)**

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Movements in the year for financial instruments measured using Level 3 valuation methods are presented below:

	2023 £m	2022 £m
At 1 January	(6,411)	(5,657)
Exchange adjustments	–	46
Net losses recognised in the income statement	(863)	(1,627)
Net (losses)/ gains recognised in other comprehensive income	(142)	91
Contingent consideration related to business acquisitions in the period	–	(482)
Settlement of contingent consideration liabilities	1,145	1,137
Additions	57	97
Disposals and settlements	(25)	(16)
Transfers from Level 3	(9)	–
At 31 December	(6,248)	(6,411)

Of the total net losses of £863 million (2022: £1,627 million) attributable to Level 3 financial instruments which were recognised in the income statement, £857 million (2022: £1,623 million) were in respect of financial instruments which were held at the end of the year and were reported in Other operating income/expense. Charges of £934 million (2022: £1,431 million) arose from remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture. A remeasurement gain of £210 million (2022: £231 million loss) arose from remeasurement of the contingent consideration payable for the acquisition of the Novartis Vaccines business. The acquisition of Affinivax in 2022 resulted in the additon of £482 million of contingent consideration to Level 3 financial liabilities, with charges of £44 million (2022: £17 million) arising on the remeasurement of the contingent consideration liability for the year. There were transfers of £9 million out of Level 3 financial instruments in the year (2022: no transfers into or out of Level 3 financial instruments). Movements arising on the translation of overseas net assets for consolidation into the Group accounts are recorded as exchange adjustments. Net gains and losses include the impact of other exchange movements.

Financial liabilities measured using Level 3 valuation methods at 31 December included £5,718 million (2022: £5,890 million) in respect of contingent consideration payable for the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products and movements in certain foreign currencies. A further £424 million (2022: £673 million) is in respect of contingent consideration for the acquisition in 2015 of the Novartis Vaccines business. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products, the achievement of certain milestone targets and movements in certain foreign currencies. As a result of the acquisition of Affinivax in 2022, contingent consideration payable of £516 million (2022: £501 million) is recognised at 31 December. This consideration is expected to be paid over a number of years and will vary in line with the achievement of certain development milestones and movements in the USD/GBP exchange rate. Sensitivity analysis on these balances is provided in Note 33, 'Contingent consideration liabilities'.

(b) Trade and other receivables and Other non-current assets in scope of IFRS 9

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, pension surplus balances and prepayments, which are outside the scope of IFRS 9.

	2023						2022					
	At FVTPL £m	At FVTOCI £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m	At FVTPL £m	At FVTOCI £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other receivables (Note 26)	23	2,541	3,829	6,393	992	7,385	50	2,327	3,789	6,166	887	7,053
Other non-current assets (Note 24)	18	–	9	27	1,557	1,584	13	–	21	34	1,160	1,194
	41	2,541	3,838	6,420	2,549	8,969	63	2,327	3,810	6,200	2,047	8,247

Trade and other receivables include trade receivables of £5,905 million (2022: £5,452 million). The Group has portfolios in each of the three business models under IFRS 9: £23 million (2022: £50 million), measured at FVTPL, is held to sell the contractual cash flows as the receivables will be sold under a factoring arrangement, £2,541 million (2022: £2,327 million), measured at FVTOCI, is held to either collect or sell the contractual cash flows as the receivables may be sold under a factoring agreement, and £3,341 million (2022: £3,075 million), measured at amortised cost, is held to collect the contractual cash flows and there is no factoring agreement in place.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

(c) Trade and other payables, Other provisions, Contingent consideration liabilities and Other non-current liabilities in scope of IFRS 9

The following table reconciles financial instruments within Trade and other payables, Other provisions, Contingent consideration liabilities and Other non-current liabilities which fall within the scope of IFRS 9 to the relevant balance sheet amounts. The financial liabilities are predominantly non-interest bearing. 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.

	2023					2022				
	At FVTPL £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m	At FVTPL £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other payables (Note 29)	–	(13,383)	(13,383)	(2,461)	(15,844)	–	(14,065)	(14,065)	(2,198)	(16,263)
Other provisions (Note 32)	–	(199)	(199)	(1,040)	(1,239)	–	(63)	(63)	(1,121)	(1,184)
Contingent consideration liabilities (Note 33)	(6,662)	–	(6,662)	–	(6,662)	(7,068)	–	(7,068)	–	(7,068)
Other non-current liabilities (Note 34)	–	(54)	(54)	(1,053)	(1,107)	–	(84)	(84)	(815)	(899)
	(6,662)	(13,636)	(20,298)	(4,554)	(24,852)	(7,068)	(14,212)	(21,280)	(4,134)	(25,414)

(d) Derivative financial instruments and hedging programmes

Derivatives are only used for economic hedging purposes and not as speculative investments and are classified as 'held for trading', other than designated and effective hedging instruments, and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are classified as non-current. The Group has the following derivative financial instruments:

	2023 Fair value		2022 Fair value	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current				
Cash flow hedges – Foreign exchange contracts (net principal amount – £175 million (2022: £167 million))	–	(2)	5	–
Net investment hedges – Foreign exchange contracts (net principal amount – £12,339 million (2022: £7,197 million))	32	(34)	20	(106)
Derivatives designated and effective as hedging instruments	32	(36)	25	(106)
Current				
Foreign exchange contracts (net principal amount – £10,375 million (2022: £5,908 million))	98	(78)	163	(76)
Embedded and other derivatives	–	–	2	(1)
Derivatives classified as held for trading	98	(78)	165	(77)
Total derivative instruments	130	(114)	190	(183)

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Fair value hedges

At 31 December 2023 and 31 December 2022, the Group had no designated fair value hedges.

Net investment hedges

At 31 December 2023, certain foreign exchange contracts 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), American (USD), Singaporean (SGD), Canadian (CAD) and Japanese (JPY) foreign operations as shown in the table below.

The carrying value of bonds on page 247 included £5,348 million (2022: £6,322 million) that were designated as hedging instruments in net investment hedges.

Cash flow hedges

During 2022 and 2023, the Group entered into forward foreign exchange contracts which have been designated as cash flow hedges. These were entered into to hedge the foreign exchange exposure arising on cash flows from Euro denominated coupon payments relating to notes issued under the Group's European Medium Term Note programme, and to hedge foreign currency payments due on acquisitions, and collaboration or licensing arrangements.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. In addition, the Group carries a balance in reserves that arose from pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior years and in the current year. The balance is reclassified to finance costs over the life of these bonds.

Foreign exchange risk

In the current year, the Group has designated certain foreign exchange forward contracts and swaps as cash flow and net investment hedges. Foreign exchange derivative financial assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet. The following tables detail the foreign exchange forward contracts and swaps outstanding at the end of the reporting period, as well as information on the related hedged items.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts and swaps, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships. No ineffectiveness was recorded from cash flow hedges in 2023 (2022: £nil). No ineffectiveness was recorded from net investment hedges (2022: £nil).

					2023
Hedging instruments	Average exchange rate	Foreign currency	Net Notional value £m	Carrying value £m	Periodic change in value for calculating hedge ineffectiveness £m
Cash flow hedges					
Foreign exchange contracts					
Buy foreign currency:					
Less than 3 months	1.27	USD	145	(1)	(1)
3 to 6 months	–	–	–	–	–
Over 6 months	1.25	USD	35	(1)	(1)
Sell foreign currency:					
Less than 3 months	1.16	EUR	(5)	–	–
			175	(2)	(2)

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Hedging instruments	Average exchange rate	Foreign currency	Net notional value £m	Carrying value £m	Periodic change in value for calculating hedge ineffectiveness £m
					2023
Net investment hedges					
Foreign exchange contracts					
Sell foreign currency:					
Less than 3 months	1.15	EUR	9,146	(12)	126
	181.42	JPY	133	(1)	28
	1.27	USD	2,633	8	97
Over 6 months	1.67	CAD	260	2	10
	1.66	SGD	167	1	7
Borrowings:					
Less than 3 months		EUR	148	(148)	12
3 to 6 months		–	–	–	–
Over 6 months		JPY	236	(235)	(3)
		EUR	5,127	(5,113)	125
			17,850	(5,498)	402

Hedged items	Periodic change in value for calculating hedge ineffectiveness £m	Cumulative balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges £m	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied £m
			2023
Cash flow hedges			
Variability in cash flows from a highly probable forecast transaction	2	(2)	–
Net investment hedges			
Net investment in foreign operations	(402)	(725)	–

Hedging instruments	Average exchange rate	Foreign currency	Net notional value £m	Carrying value £m	Periodic change in value for calculating hedge ineffectiveness £m
					2022
Cash flow hedges					
Foreign exchange contracts					
Buy foreign currency:					
Less than 3 months	1.23	USD	100	2	2
3 to 6 months	1.16	EUR	50	2	2
Over 6 months	1.15	EUR	24	1	1
Sell foreign currency:					
Less than 3 months	1.14	EUR	(7)	–	–
			167	5	5

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Hedging instruments	Average exchange rate	Foreign currency	Net notional value £m	Carrying value £m	Periodic change in value for calculating hedge ineffectiveness £m
					2022
Net investment hedges					
Foreign exchange contracts					
Sell foreign currency:					
Less than 3 months	1.14	EUR	6,559	(103)	(317)
	160.90	JPY	194	(3)	(9)
3 to 6 months	–	–	–	–	–
Over 6 months	1.57	CAD	270	18	15
	1.59	SGD	174	2	1
Borrowings:					
Less than 3 months		EUR	293	(293)	(4)
3 to 6 months		EUR	150	(150)	(3)
Over 6 months		EUR	6,341	(6,322)	(300)
			13,981	(6,851)	(617)

Hedged items	Periodic change in value for calculating hedge ineffectiveness £m	Cumulative balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges £m	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied £m
			2022
Cash flow hedges			
Variability in cash flows from a highly probable forecast transaction	(2)	2	–
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	(3)	2	–
Net investment hedges			–
Net investment in foreign operations	617	(1,120)	–

£nil (2022: £3 million) of balances in the cash flow hedge reserve arise from hedging relationships for which hedge accounting is no longer applied.

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

				Amount reclassified to profit or loss			Amount reclassified to balance sheet	2023
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	Due to hedged item affecting profit or loss £m	Line item in profit or loss in which reclassification adjustment is included	Due to hedged item affecting balance sheet £m	Line item in balance sheet in which reclassification adjustment is included
Cash flow hedges								
Variability in cash flows from a highly probable forecast transaction	(41)	–	Finance income or expense	–	–	Finance income or expense	37	Intangible assets
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	(1)	–	Finance income or expense	–	–	Finance income or expense	–	–
Net investment hedges								
Net investment in foreign operations	402	–	Finance income or expense	–	7	Other income or expense	–	–

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

2022								
				Amount reclassified to profit or loss			Amount reclassified to balance sheet	
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	Due to hedged item affecting profit or loss £m	Line item in profit or loss in which reclassification adjustment is included	Due to hedged item affecting balance sheet £m	Line item in balance sheet in which reclassification adjustment is included
Cash flow hedges								
Variability in cash flows from a highly probable forecast transaction	(5)	–	Finance income or expense	–	–	–	8	Intangible assets
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	4	–	Finance income or expense	–	(2)	Finance income or expense	–	–
Net investment hedges								
Net investment in foreign operations	(617)	–	Finance income or expense	–	194	Discontinued Operations (1)	–	–

(1) Reclassified to the Consolidated income statement on the demerger of the Consumer Healthcare business.

Interest rate risk

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, where at quarterly intervals the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts are exchanged.

There are none of these swaps outstanding at 31 December 2023 or at 31 December 2022.

The only impact on these financial statements of interest rate swaps is where the interest rate risk on an element of future debt issuance has been managed by entering into forward starting interest rate swaps, effectively to lock in the interest rates on the debt in advance. These were closed out at the time of issuing the debt, and the resulting gain or loss held in the Cash flow hedge reserve and reclassified to income statement as the interest payments on the debt impacted the income statement.

Forward starting interest rate swaps

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 future fixed rate debt.

Interest rate swaps

Interest rate swap contract assets and liabilities are presented (when applicable) in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet.

£21 million (2022: £24 million) of balances in the cash flow hedge reserve arise from hedge relationships for which hedge accounting is no longer applied.

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

2023						
				Amount reclassified to profit or loss		
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Due to hedged future cash flows no longer expected to occur £m	Due to hedged item affecting profit or loss £m	Line item in profit or loss in which reclassification adjustment is included
Cash flow hedges						
Pre-hedging of long-term interest rates: Matured in the past	–	–	Finance income or expense	–	4	Finance income or expense

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

				2022		
				Amount reclassified to profit or loss		
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Due to hedged future cash flows no longer expected to occur £m	Due to hedged item affecting profit or loss £m	Line item in profit or loss in which reclassification adjustment is included
Cash flow hedges						
Pre-hedging of long-term interest rates:						
Matured in the past	(23)	–	Finance income or expense	–	3	Finance income or expense

(e) 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.

31 December 2023	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per balance sheet £m	Related amounts not set off in the balance sheet £m	Net £m
Financial assets					
Trade and other receivables	6,394	(1)	6,393	–	6,393
Derivative financial instruments	130	–	130	**(108)**	22
Financial liabilities					
Trade and other payables	(13,384)	1	(13,383)	–	(13,383)
Derivative financial instruments	(114)	–	(114)	**108**	(6)

31 December 2022	Gross financial assets/ (liabilities) £m	Gross Financial (liabilities)/ assets offset £m	Net financial assets/ (liabilities) £m	Related amounts not offset £m	Net balance £m
Financial assets					
Trade and other receivables	6,166	–	**6,166**	–	6,166
Derivative financial instruments	190	–	**190**	(163)	27
Financial liabilities					
Trade and other payables	(14,065)	–	**(14,065)**	–	(14,065)
Derivative financial instruments	(183)	–	**(183)**	163	(20)

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 ISDA (International Swaps and Derivatives Association) 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 table above.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

(f) Debt interest rate repricing table

The following table sets out the exposure of the Group to interest rates on debt, including commercial paper. The maturity analysis of fixed rate debt is stated by contractual maturity and of floating rate debt by interest rate repricing dates. For the purpose of this table, debt is defined as all classes of borrowings other than lease liabilities.

	2023 Total debt £m	2022 Total £m
Floating and fixed rate debt less than one year	**(2,657)**	(3,785)
Between one and two years	**(1,434)**	(1,714)
Between two and three years	**(1,475)**	(1,490)
Between three and four years	**(740)**	(1,505)
Between four and five years	**(2,350)**	(748)
Between five and ten years	**(3,031)**	(4,736)
Greater than ten years	**(5,124)**	(6,001)
Total	**(16,811)**	(19,979)
Original issuance profile:		
Fixed rate interest	**(15,847)**	(18,355)
Floating rate interest	**(964)**	(1,624)
	(16,811)	(19,979)

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

(g) Sensitivity analysis

The tables below illustrate the estimated impact on the income statement and equity as a result of hypothetical market movements in foreign exchange and interest rates in relation to the Group's financial instruments. The range of variables chosen for the sensitivity analysis reflects management's view of changes which are reasonably possible over a one-year period.

Foreign exchange sensitivity

The Group operates internationally and is primarily exposed to foreign exchange risk in relation to Sterling against movements in US Dollar, Euro and Japanese Yen. Foreign exchange risk arises from the translation of financial assets and liabilities which are not in the functional currency of the entity that holds them. Based on the Group's net financial assets and liabilities as at 31 December, a weakening and strengthening of Sterling against these currencies, with all other variables held constant, is illustrated in the tables below. The tables exclude financial instruments that expose the Group to foreign exchange risk where this risk is fully hedged with another financial instrument.

	2023	2022
Income statement impact of non-functional currency foreign exchange exposures	Increase/(decrease) in income £m	Increase/(decrease) in income £m
10 cent appreciation of the US Dollar	61	99
15 cent appreciation of the US Dollar	97	155
10 cent appreciation of the Euro	(4)	(7)
15 cent appreciation of the Euro	(7)	(12)
10 yen appreciation of the Yen	–	–
15 yen appreciation of the Yen	–	(1)

	2023	2022
Income statement impact of non-functional currency foreign exchange exposures	Increase/(decrease) in income £m	Increase/(decrease) in income £m
10 cent depreciation of the US Dollar	(52)	(84)
15 cent depreciation of the US Dollar	(76)	(121)
10 cent depreciation of the Euro	4	6
15 cent depreciation of the Euro	5	9
10 yen depreciation of the Yen	–	–
15 yen depreciation of the Yen	–	–

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) foreign operations and cash flow hedges of its foreign exchange exposure arising on Euro denominated coupon payments relating to notes issued under the Group's European Medium Term Note programme.

	2023	2022
Equity impact of non-functional currency foreign exchange exposures	Increase/(decrease) in equity £m	Increase/(decrease) in equity £m
10 cent appreciation of the US Dollar	(209)	–
15 cent appreciation of the US Dollar	(327)	–
10 cent appreciation of the Euro	(1,372)	(1,290)
15 cent appreciation in Euro	(2,160)	(2,034)

	2023	2022
Equity impact of non-functional currency foreign exchange exposures	Increase/(decrease) in equity £m	Increase/(decrease) in equity £m
10 cent depreciation of the US Dollar	178	–
15 cent depreciation of the US Dollar	258	–
10 cent depreciation of the Euro	1,152	1,080
15 cent depreciation of the Euro	1,662	1,557

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

The tables below present the Group's sensitivity to a weakening and strengthening of Sterling against the relevant currency based on the composition of net debt as shown in Note 30, 'Net debt', adjusted for the effects of foreign exchange derivatives that are not part of net debt but affect future foreign currency cash flows.

	2023	2022
Impact of foreign exchange movements on net debt	(Increase)/decrease in net debt £m	(Increase)/decrease in net debt £m
10 cent appreciation of the US Dollar	(622)	(999)
15 cent appreciation of the US Dollar	(974)	(1,570)
10 cent appreciation of the Euro	386	11
15 cent appreciation of the Euro	609	17
10 yen appreciation of the Yen	(5)	13
15 yen appreciation of the Yen	(7)	20

	2023	2022
Impact of foreign exchange movements on net debt	(Increase)/decrease in net debt £m	(Increase)/decrease in net debt £m
10 cent depreciation of the US Dollar	531	846
15 cent depreciation of the US Dollar	769	1,222
10 cent depreciation of the Euro	(325)	(9)
15 cent depreciation of the Euro	(468)	(13)
10 yen depreciation of the Yen	4	(12)
15 yen depreciation of the Yen	6	(17)

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 majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge, although the majority of cash and liquid investments earn floating rates of interest.

The table below hypothetically shows the Group's sensitivity to changes in interest rates in relation to Sterling, US Dollar and Euro floating rate financial assets and liabilities. A 1% (100 basis points) or 1.5% (150 basis points) movement in EUR, USD or Sterling interest rates is not deemed to have a material effect on equity. A 1% (100 basis points) or 1.5% (150 basis points) decrease in EUR, USD or Sterling interest rates would have an equal and opposite impact to that shown below.

	2023	2022
Income statement impact of interest rate movements	Increase/(decrease) in income £m	Increase/(decrease) in income £m
1% (100 basis points) increase in Sterling interest rates	41	36
1.5% (150 basis points) increase in Sterling interest rates	62	55
1% (100 basis points) increase in US Dollar interest rates	(34)	(34)
1.5% (150 basis points) increase in US Dollar interest rates	(51)	(51)
1% (100 basis points) increase in Euro interest rates	(9)	(13)
1.5% (150 basis points) increase in Euro interest rates	(13)	(19)

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

(h) Contractual cash flows for non-derivative financial liabilities and derivative instruments

The following tables provide an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as all classes of borrowings except for lease liabilities. Interest is calculated based on debt held at 31 December 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 31 December.

At 31 December 2023	Debt £m	Interest on debt £m	Lease liabilities £m	Finance charge on lease liabilities £m	Trade payables and other liabilities not in net debt £m	Total £m
Due in less than one year	(2,660)	(547)	(156)	(41)	(14,526)	**(17,930)**
Between one and two years	(1,436)	(507)	(214)	(36)	(1,469)	**(3,662)**
Between two and three years	(1,477)	(466)	(134)	(31)	(1,150)	**(3,258)**
Between three and four years	(742)	(449)	(114)	(27)	(1,406)	**(2,738)**
Between four and five years	(2,359)	(399)	(88)	(23)	(940)	**(3,809)**
Between five and ten years	(3,054)	(1,611)	(325)	(75)	(2,037)	**(7,102)**
Greater than ten years	(5,172)	(1,467)	(176)	(21)	(1,043)	**(7,879)**
Gross contractual cash flows	(16,900)	(5,446)	(1,207)	(254)	(22,571)	**(46,378)**

At 31 December 2022	Debt £m	Interest on debt £m	Lease liabilities £m	Finance charge on lease liabilities £m	Trade payables and other liabilities not in net debt £m	Total £m
Due in less than one year	(3,786)	(594)	(167)	(25)	(15,362)	**(19,934)**
Between one and two years	(1,717)	(570)	(201)	(22)	(1,097)	**(3,607)**
Between two and three years	(1,496)	(531)	(127)	(19)	(1,034)	**(3,207)**
Between three and four years	(1,508)	(489)	(97)	(15)	(1,277)	**(3,386)**
Between four and five years	(751)	(472)	(80)	(13)	(1,008)	**(2,324)**
Between five and ten years	(4,765)	(1,810)	(201)	(41)	(2,641)	**(9,458)**
Greater than ten years	(6,063)	(1,856)	(135)	(11)	(1,134)	**(9,199)**
Gross contractual cash flows	(20,086)	(6,322)	(1,008)	(146)	(23,553)	**(51,115)**

The table below provides an analysis of the anticipated contractual cash flows for the Group's derivative instruments excluding equity options which do not give rise to cash flows, and other embedded derivatives, which are not material, 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 purpose of this table although, in practice, the Group uses standard settlement arrangements to reduce its liquidity requirements on these instruments.

	2023		2022	
	Gross cash inflows	Gross cash outflows	Gross cash inflows	Gross cash outflows
	Foreign exchange forward contracts and swaps £m	Foreign exchange forward contracts and swaps £m	Foreign exchange forward contracts and swaps £m	Foreign exchange forward contracts and swaps £m
Less than one year	**31,961**	**(31,944)**	24,418	(24,410)
Gross contractual cash flows	**31,961**	**(31,944)**	24,418	(24,410)

Notes to the financial statements continued

45. Employee share schemes

GSK operates several employee share schemes, including the Share Value Plan, whereby awards are granted to employees to acquire shares or ADS in GSK plc at no cost after a three-year vesting period and the Performance Share Plan, whereby awards are granted to employees to acquire shares or ADS in GSK plc at no cost, subject to the achievement by the Group of specified performance targets. The granting of these restricted share awards has replaced the granting of options to employees as the cost of the schemes more readily equates to the potential gain to be made by the employee. The Group also operates savings related share option schemes, whereby options are granted to employees to acquire shares in GSK plc at a discounted price.

Grants of restricted share awards are normally exercisable at the end of the three-year vesting or performance period. Awards are normally granted to employees to acquire shares or ADS in GSK plc but in some circumstances may be settled in cash. Grants under savings-related share option schemes are normally exercisable after three years' saving. In accordance with UK practice, the majority of options under the savings-related share option schemes are granted at a price 20% below the market price ruling at the date of grant. Options under historical share option schemes were granted at the market price ruling at the date of grant.

The total charge for share-based incentive plans in 2023 was £321 million (2022: £314 million; 2021: £345 million). Of this amount, £244 million (2022: £243 million; 2021: £258 million) arose from the Share Value Plan. See Note 9, 'Employee costs' for further details.

GSK share award schemes

Share Value Plan

Under the Share Value Plan, share awards are granted to certain employees at no cost. The awards vest after two and a half to three years and there are no performance criteria attached. The fair value of these awards is determined based on the closing share price on the day of grant, after deducting the expected future dividend yield of 3.8% (2022: 3.2%; 2021: 3.8%) over the duration of the award.

Number of shares and ADS issuable	Shares Number (000)	Weighted fair value	ADS Number (000)	Weighted fair value
At 1 January 2021	28,874		16,116	
Awards granted	11,220	£13.28	6,358	$36.68
Awards exercised	(10,074)		(5,240)	
Awards cancelled	(1,776)		(1,705)	
At 31 December 2021	28,244		15,529	
Awards granted	10,987	£13.00	6,133	$30.64
Awards exercised	(9,538)		(4,919)	
Awards cancelled	(1,718)		(1,314)	
At 31 December 2022	27,975		15,429	
Awards granted	11,548	£12.79	6,449	$31.65
Awards exercised	(8,599)		(4,856)	
Awards cancelled	(1,144)		(797)	
At 31 December 2023	29,780		16,225	

Performance Share Plan

Under the Performance Share Plan, share awards are granted to Directors and senior executives 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. For awards granted from 2020, the performance conditions are based on four measures over a three-year performance period. These are adjusted free cash flow (30%), TSR (30%), R&D new product performance (20%) and pipeline progress (20%). For awards granted from 2022, the performance conditions are based on five measures over a three-year performance period. These are TSR (30%), pipeline progress (20%), profit measure (20%), sale measure (20%) and ESG environment (10%).

The fair value of the awards is determined based on the closing share price on the day of grant. For TSR performance elements, this is adjusted by the likelihood of that condition being met, as assessed at the time of grant.

During 2023, awards were made of 4.3 million shares at a weighted fair value of £12.40 and 1.0 million ADS at a weighted fair value of £29.96. At 31 December 2023, there were outstanding awards over 13.3 million shares and 2.7 million ADS.

Notes to the financial statements continued

45. Employee share schemes continued

Share options and savings-related options

For the purposes of valuing savings-related options 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	2021 Grant
Risk-free interest rate	**4.57%**	3.37%	0.74%
Dividend yield	**4.0%**	3.3%	3.8%
Volatility	**34%**	36%	27%
Expected life	**3 years**	3 years	3 years
Savings-related options grant price (including 20% discount)	**£11.20**	£11.39	£12.07

Options outstanding for the Share Save Plan	Savings-related share option schemes		
	Number 000		Weighted exercise price
At 31 December 2023	6,196		£11.13
Range of exercise prices on options outstanding at year end	£10.34	—	£14.15
Weighted average market price on exercise during year			£14.32
Weighted average remaining contractual life			1.9 years

Options over 1.9 million shares were granted during the year under the savings-related share option scheme at a weighted average fair value of £4.08. At 31 December 2023, 4.2 million of the savings-related share options were not exercisable.

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

Employee Share Ownership Plan Trusts

The Group sponsors Employee Share Ownership Plan (ESOP) Trusts to acquire and hold shares in GSK plc to satisfy awards made under employee incentive plans and options granted under employee share option schemes. The trustees of the ESOP Trusts purchase shares with finance provided by the Group by way of loans or contributions. The costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves and amortised down to the value of proceeds, if any, receivable from employees on exercise by a transfer to retained earnings. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

At 31 December 2023, 58,817,197 shares were held in the ESOP Trusts, out of which 58,493,518 were held for the future exercise of share options and share awards and 323,679 shares were held for the Executive Supplemental Savings Plan.

Shares held for share award schemes	**2023**	2022
Number of shares (000)	**58,817**	59,814

	£m	£m
Nominal value	**18**	19
Carrying value	**288**	353
Market value	**853**	861

Shares held for share option schemes	**2023**	2022
Number of shares (000)	**–**	65

	£m	£m
Nominal value	**–**	–
Carrying value	**–**	1
Market value	**–**	1

Notes to the financial statements continued

46. Principal Group companies

The following represent the principal subsidiaries and their countries of incorporation of the Group at 31 December 2023. The equity share capital of these entities is shown in the percentage columns. All companies are incorporated in their principal country of operation except where stated.

England

England	%
Glaxo Group Limited	100
Glaxo Operations UK Limited	100
Glaxo Wellcome UK Limited	100
GlaxoSmithKline Capital plc	100
GlaxoSmithKline Export Limited	100
GlaxoSmithKline Finance plc	100
GlaxoSmithKline Holdings Limited[(a)]	100
GlaxoSmithKline IHC Limited	100
GlaxoSmithKline Intellectual Property (No.2) Limited	100
GlaxoSmithKline Intellectual Property (No.3) Limited	100
GlaxoSmithKline Intellectual Property (No.4) Limited	100
GlaxoSmithKline Intellectual Property Development Limited	100
GlaxoSmithKline Intellectual Property Limited	100
GlaxoSmithKline Research & Development Limited	100
GlaxoSmithKline Services Unlimited[(a)]	100
GlaxoSmithKline UK Limited	100
GlaxoSmithKline US Trading Limited	100
Setfirst Limited	100
SmithKline Beecham Limited	100
ViiV Healthcare Finance Limited	78.3
ViiV Healthcare UK (No.3) Limited	78.3
Viiv Healthcare UK Limited	78.3

Europe

Europe	
GlaxoSmithKline AG (Switzerland)	100
Glaxo Wellcome Production S.A.S (France)	100
GlaxoSmithKline B.V. (Netherlands)	100
GlaxoSmithKline Biologicals SA (Belgium)	100
GlaxoSmithKline GmbH & Co. KG (Germany)	100
GlaxoSmithKline Manufacturing SpA (Italy)	100
GlaxoSmithKline Pharma GmbH (Austria)	100
GlaxoSmithKline Pharmaceuticals SA (Belgium)	100
GlaxoSmithKline S.A. (Spain)	100
GlaxoSmithKline S.p.A. (Italy)	100
GlaxoSmithKline Single Member A.E.B.E. (Greece)	100
GlaxoSmithKline Trading Services Limited (Republic of Ireland)[(b)]	100
GSK Capital B.V. (Netherlands)[(b)]	100
GSK Services Sp z o.o. (Poland)	100
GSK Vaccines GmbH (Germany)	100
GSK Vaccines S.r.l. (Italy)	100
JSC GlaxoSmithKline Trading (Russia)	100
Laboratoire GlaxoSmithKline (France)	100
Laboratorios ViiV Healthcare, S.L. (Spain)	78.3
ViiV Healthcare GmbH (Germany)	78.3
ViiV Healthcare S.r.l. (Italy)	78.3
ViiV Healthcare SAS (France)	78.3

Scotland

Scotland	%
GSK (No.1) Scottish Limited Partnership	100

US

US	%
Affinivax, Inc	100
Corixa Corporation	100
GlaxoSmithKline Capital Inc.	100
GlaxoSmithKline Holdings (Americas) Inc.	100
GlaxoSmithKline LLC	100
GSK Equity Investments, Limited	100
Human Genome Sciences, Inc	100
Stiefel Laboratories, Inc	100
Tesaro, Inc.	100
ViiV Healthcare Company	78.3

Others

Others	%
Glaxo Saudi Arabia Limited (Saudi Arabia)	100
Glaxo Wellcome Manufacturing Pte Ltd (Singapore)	100
GlaxoSmithKline (Thailand) Limited (Thailand)	100
GlaxoSmithKline Australia Pty Ltd (Australia)	100
GlaxoSmithKline Brasil Limitada (Brazil)	100
GlaxoSmithKline Far East B.V. (Taiwan)	100
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S. (Turkey)	100
GlaxoSmithKline Inc. (Canada)	100
GlaxoSmithKline K.K. (Japan)	100
GlaxoSmithKline Korea Limited (Republic of Korea)	100
GlaxoSmithKline Limited (Hong Kong)	100
GlaxoSmithKline Mexico S.A. de C.V. (Mexico)	100
GlaxoSmithKline Pakistan Limited (Pakistan)	82.6
GlaxoSmithKline Pharmaceuticals Limited (India)	75
GSK Enterprise Management Co, Ltd (China)	100
GSK Pharma Vietnam Company Limited (Vietnam)	100
ID Biomedical Corporation of Quebec (Canada)	100
ViiV Healthcare K.K (Japan)	78.3
ViiV Healthcare ULC (Canada)	78.3

(a) Directly held wholly-owned subsidiary of GSK plc.
(b) Tax resident in UK.

The subsidiaries and associates listed above principally affect the figures in the Group's financial statements. Each of GlaxoSmithKline Capital Inc., GlaxoSmithKline Capital plc, GlaxoSmithKline Finance plc, GSK Capital BV and GlaxoSmithKline LLC, is a wholly-owned finance subsidiary of the company, and the Company has fully and unconditionally guaranteed the securities issued by each of GlaxoSmithKline Capital Inc., GlaxoSmithKline Capital plc, GlaxoSmithKline Finance plc, GSK Capital BV and GlaxoSmithKline LLC.

+ **See pages 306 to 314 for a complete list of subsidiary undertakings, associates and joint ventures, which form part of these financial statements.**

Notes to the financial statements continued

47. Legal proceedings

The Group is involved in significant legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust, consumer fraud and governmental investigations. The most significant of these matters, other than tax matters, are described below. The Group makes provision for these proceedings on a regular basis as summarised in Note 2, 'Accounting principles and policies' and Note 32, 'Other provisions'. Note 2 also describes when disclosure is made of proceedings for which there is no provision. Legal expenses incurred and provisions related to legal claims are charged to selling, general and administration costs. The Group does not believe that information about the amount sought by 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.

At 31 December 2023, the Group's aggregate provision for legal and other disputes (not including tax matters described in Note 14, 'Taxation') was £267 million. There can be no assurance that any losses that result from the outcome of any legal proceedings will not materially exceed the amount 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.

Intellectual property

Intellectual property claims include challenges to the validity and enforceability of the Group's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in such cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group.

Coreg

In 2014, GSK initiated suit against Teva for inducing infringement of its patent relating to the use of carvedilol (*Coreg*) in decreasing mortality caused by congestive heart failure. In June 2017, the case proceeded to a jury trial in the US District Court for the District of Delaware. The jury returned a verdict in GSK's favour, awarding GSK lost profits and reasonable royalties for a total award of $235.51 million. On 29 March 2018, the trial judge ruled on post-trial motions filed by Teva and found that substantial evidence at trial did not support the jury's finding of induced infringement, overturning the jury award. GSK appealed, and on 2 October 2020, a divided panel of the Court of Appeals for the Federal Circuit reversed the district court's ruling and reinstated the jury award in GSK's favour.

On 2 December 2020, Teva filed a petition for rehearing en banc. The court granted Teva's petition, but only for a rehearing by the three-member panel that issued the original decision. On 5 August 2021, the original panel issued its rehearing opinion where the majority again reinstated the jury's damages award of $235.51 million in GSK's favour.

Teva again filed a petition for rehearing en banc which was rejected by the Court of Appeals for the Federal Circuit on 11 February 2022. On 11 July 2022, Teva filed a petition for writ of certiorari with the Supreme Court of the United States seeking to overturn the Federal Court decision. On 15 May 2023, the US Supreme Court denied Teva's request. Certain issues remain to be resolved at the District Court and the parties await the scheduling of a status conference.

Dolutegravir Proceedings

– *Tivicay/Triumeq*

In September 2021, ViiV Healthcare received a paragraph IV letter from Lupin relating to the *Tivicay* 5mg dosage for oral suspension, challenging only the crystal form patent. On 2 November 2021, ViiV Healthcare filed suit against Lupin in the US District Court for the District of Delaware. In March 2023, the parties reached a settlement, thereby concluding the matter.

– *Juluca*

On 12 June 2020, Cipla sent ViiV Healthcare a paragraph IV letter related to *Juluca*, and on 22 July 2020, ViiV Healthcare filed suit against Cipla in federal court in Delaware. In March 2023, the parties reached a settlement, thereby concluding the matter.

RSV

On 7 June 2022, Pfizer, Inc. filed suit in the London High Court challenging the validity and requesting revocation of three GSK European patents relating to RSV vaccine technology. Corresponding invalidity suits against additional patents were filed in the District Court of the Hague in the Netherlands in January 2023 and in the French-speaking Enterprise Court of Brussels in Belgium in March 2023. In each of those matters GSK counterclaimed that Pfizer's RSV vaccine infringes GSK's patents. On 2 August 2023, GSK filed a patent infringement suit against Pfizer in the United States District Court for the District of Delaware alleging infringement of four US GSK patents by Pfizer's RSV vaccine, Abrysvo. Another two GSK patents were added to the US litigation on 30 November 2023.

The trial in the UK action took place in June 2023. A decision is expected by the end of Q2 2024. In the Netherlands, two separate first-instance hearings have been scheduled. The first was held on 26 January 2024 and the second is scheduled for 1 March 2024. In Belgium, trial on the merits is expected in Q3 2024 with a first instance decision likely in Q1 2025. A trial date in the US has yet to be set. GSK is seeking monetary compensation from Pfizer for Pfizer's infringing sales of Abrysvo. GSK's sales of *Arexvy* are not at issue in these litigations.

Notes to the financial statements continued

47. Legal proceedings continued

Product liability

The Group is currently a defendant in a number of product liability lawsuits.

Avandia

There are two pending US class actions (both filed in 2010) by third-party payers which assert claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) and state consumer protection laws. In December 2019, the Third Circuit Court of Appeals reversed the summary judgements granted in favour of the Group and remanded the third-party payer cases back to district court. Discovery is complete, and class certification and summary judgment briefing has been completed. A hearing on certain Daubert motions relating to experts was held on 1 February 2024. GSK has requested oral argument on class certification, which could be scheduled thereafter.

Zantac

In 2019, the Group was contacted by several regulatory authorities regarding the detection of N-Nitroso-dimethylamine (NDMA) in *Zantac* (ranitidine) products. Based on information available at the time and correspondence with regulators, the Group made the decision to suspend the release, distribution and supply of all dose forms of *Zantac* to all markets pending the outcome of the ongoing tests and investigations. Also, as a precautionary action, the Group made the decision to initiate a voluntary pharmacy/retail level recall of *Zantac* products globally.

On 30 April 2020, the European Medicines Agency (EMA) recommended the suspension of ranitidine medicines. Following the publication of the EMA's recommendation, the Company communicated a decision not to re-enter the market. In the US, FDA requested that all manufacturers withdraw ranitidine products from the market.

The Group was named as a defendant in approximately 2,200 personal injury cases filed in the federal *Zantac* Multidistrict Litigation (MDL) court proceeding in the Southern District of Florida. In the MDL, plaintiffs originally identified 10 different types of cancers they wished to pursue. Plaintiffs subsequently dropped 5 of the 10 cancers, and proceeded only as to bladder, esophageal, stomach, liver, and pancreatic cancers, although plaintiffs in state courts continue to pursue claims beyond the 5 designated cancers. On 6 December 2022, the court presiding over the federal MDL proceeding granted Defendants' Daubert motions, finding that Plaintiffs' experts' causation opinions regarding whether *Zantac* can cause the five cancers at issue in the MDL (liver, bladder, pancreatic, esophageal, and stomach) are unreliable and thus inadmissible. Without expert causation opinions, the MDL Court granted summary judgment to GSK and the other brand defendants. The MDL Court found that "there is no scientist outside this litigation who concluded ranitidine causes cancer, and the plaintiffs' scientists within this litigation systemically utilized unreliable methodologies," and failed to use "consistent, objective, science-based standards for the even-handed evaluation of data." This ruling effectively dismissed approximately 2,200 filed cases in the MDL and is binding on all of the claims in the Census Registry. Approximately 13,000 Plaintiffs (which includes plaintiffs with filed cases and registry claimants) have appealed the MDL decision to the Eleventh Circuit Court of Appeals. Plaintiffs' briefs are due on 10 April 2024. Following the Court's Daubert decision, it entered a final order dismissing the medical monitoring and consumer class actions based on the reasoning in its Daubert holding. Plaintiffs have filed a notice of appeal in the medical monitoring and consumer class action cases.

GSK has been named as a defendant by approximately 78,000 plaintiffs in several US state jurisdictions. Of these plaintiffs, approximately 72,000 plaintiffs filed in Delaware. Most of the Delaware plaintiffs allege a cancer other than the five cancers being pursued by Plaintiffs in the MDL proceeding. The Delaware court held a general causation hearing on the admissibility of expert testimony for the 10 cancers Plaintiffs have decided to pursue (breast, colorectal, kidney, prostate, pancreatic, lung, bladder, liver, esophageal, and stomach) on 22-24 January 2024.

In the California *Zantac* litigation Cases JCCP 5150 (JCCP), the court issued a Sargon ruling in the first case scheduled for trial (Goetz). The court found that the plaintiff's experts' causation opinions are admissible and can be presented to a jury. The ruling applied only to the Goetz case and does not affect any other state court cases. On 23 June 2023, GSK reached a confidential settlement in the Goetz case. On 11 October 2023, GSK announced it had reached confidential settlements in the Cantlay/Harper case as well as the three remaining breast cancer bellwether cases in California. On 1 February 2024, GSK announced it had reached a confidential settlement in the Browne case filed in California state court. The case, which was set to begin trial on 20 February 2024, will be dismissed. The settlements reflect GSK's desire to avoid the distraction related to protracted litigation. GSK does not admit any liability in the settlements and will continue to vigorously defend itself based on the facts and the science in all other *Zantac* cases. The next case scheduled for trial in the JCCP is *Boyd* (colorectal). The Court has set a Sargon hearing for 29 February 2024 and a trial date of 2 April 2024. Additional bellwether cases in the JCCP have been and will be set for trial in Q2 and Q3 2024.

Multiple trials in other state courts have been set with dates in 2024 and 2025, including in Illinois, Texas, and Florida. The first of these cases is *Valadez* (colorectal) which is scheduled for trial on 25 April 2024. There are 14 additional cases in Illinois with trial dates in 2024 and 2025. Cases in Texas and Florida do not yet have firm trial dates, although trials are expected to occur in 2024 and 2025.

Outside the US, there are two proposed class actions pending against GSK in Ontario and Quebec, Canada along with a class action in Israel. In Canada, a certification hearing was held in October 2022 in the British Columbia proposed class action. This was the first class action to proceed to a certification hearing and the class action sought to certify a national class. In May 2023, the Court dismissed the proposed class action against the manufacturer defendants. An appeal from that decision was abandoned. The Ontario action will also be discontinued. There are also approximately 120 individual actions that have been filed in Canada.

Given the complex ownership and marketing of *Zantac* prescription and over-the-counter (OTC) medicine over many years, numerous claims involve several defendants. As a result, some defendants have served one another, including the Group, with notice of potential indemnification claims about possible liabilities connected particularly with *Zantac* OTC. Given the current stage of the proceedings, the Group cannot meaningfully assess what liability, if any, it may have, nor can it meaningfully assess the liability of other parties under relevant indemnification provisions.

Notes to the financial statements continued

47. Legal proceedings continued

In addition, on 20 March 2020, the Department of Justice (DOJ) sent the Group notice of a civil investigation it had opened into allegations of False Claims Act violations by the Group related to *Zantac*. On 18 June 2020, the DOJ served a Civil Investigative Demand (CID) on the Group, formalising its request for documents. The Group continues to cooperate with the DOJ on the CID. On the same day, the New Mexico Attorney General filed a lawsuit against multiple defendants, including the Group, alleging violations of state consumer protection and false advertising statutes, among other claims.

On 11 November 2020, the Mayor & City of Baltimore filed an action against the Group alleging that *Zantac* increased the risk of cancer and/or caused cancer in Baltimore patients, and that the Group failed to warn of or concealed those risks. Fact and expert discovery is ongoing. The court has set a trial date of 2 June 2025.

Zofran

The Group was a defendant in over 400 product liability cases involving Zofran pending in a Multidistrict Litigation (MDL) proceeding in the District of Massachusetts. The cases alleged that children suffered birth defects due to their mothers' ingestion of Zofran and/or generic ondansetron for pregnancy-related nausea and vomiting. Plaintiffs asserted that the Group sold Zofran knowing it was unsafe for pregnant women, failed to warn of the risks and illegally marketed Zofran "off-label" for use by pregnant women.

On 1 June 2021, the MDL Court granted the Group's motion for summary judgment on federal pre-emption grounds. The Court found that the FDA was fully informed of all relevant safety information regarding Zofran and had repeatedly rejected any attempt to add a birth defect warning to the label. At that time, the Court granted judgment for the Group in all cases pending in the MDL (approximately 431 cases) and closed the MDL proceeding. Plaintiffs appealed this decision and, on 9 January 2023, the United States Court of Appeals for the First Circuit affirmed the district court's decision in favour of the Group.

There remains one state court case and four proposed class actions in Canada, which are not currently active.

Sales and marketing and regulation

The Group's marketing and promotion of its Pharmaceutical and Vaccine products are the subject of certain governmental investigations and private lawsuits brought by litigants under various theories of law.

GSK Korea – Proceedings under Fair Trade Laws

In August 2020, GSK Korea was indicted under Korea's Monopoly Regulation and Fair Trade laws in relation to government tenders of HPV (*Cervarix*) and PCV (*Synflorix*) vaccines in 2018 and 2019. The prosecutor alleged that GSK Korea, through the actions of at least one of its employees, interfered with the tender process under the National Immunisation Programme by using "straw bidders."

A former GSK Korea employee was also charged in his individual capacity by the prosecutor in relation to the same matter. Further, a number of wholesalers are co-defendants in the proceedings. On 1 February 2023, the court rendered a guilty verdict in respect of all defendants. GSK Korea was fined KRW70 million which is approximately £45,000. Appeal proceedings are ongoing.

The Korea Fair Trade Commission (KFTC) also commenced proceedings regarding the same matter. KFTC hearings took place in July 2023 and GSK Korea was found in violation of applicable fair trade law. The KFTC imposed a fine of KRW351 million which is approximately £212,000.

US electronic health records subpoena

On 19 March 2023, the Group received a subpoena from the United States Attorney's Office for the Western District of Virginia, which is working with the United States Department of Justice Civil Division, seeking documents relating to the Group's electronic health record programmes. The Group is cooperating with this enquiry.

Senate HELP Enquiry

The Group received a letter dated 8 January 2024 from majority members of the US Senate Health, Education, Labor and Pensions ("HELP") Committee initiating an investigation into the pricing of inhalers for the treatment of asthma and COPD. The letter is similar to letters received by a number of other pharmaceutical companies and requests information on pricing, research in the treatment of respiratory diseases, patenting and business practices. The Group is cooperating with the enquiry.

Orange Book Challenge

In November 2023, the US Federal Trade Commission (FTC) wrote to the Group and identified five patents that it is challenging through an FDA Orange Book listing dispute process, reserving the right to take further action. A number of other companies were also contacted, with the FTC citing a total of 62 patents. As to the five patent listings challenged by the FTC, the Group has asked the FDA to remove four patents from the Orange Book with respect to certain products. It is the Group's position that these patents were properly listed at the time of the listing decision. No generic competition was impacted by the previous listings and all de-listed patents remain valid and enforceable. Subsequent to the FTC's challenge, the Group received letters from US Senator Elizabeth Warren and US Congresswoman Pramila Jayapal, US Senator Amy Klobuchar, and US Senator Tammy Baldwin, reiterating the FTC position and requesting further information about the Group's Orange Book-listed patents and the Group's response to the FDA challenge process. The Group is cooperating with these enquiries.

Anti-trust/competition

Certain governmental actions and private lawsuits have been brought against the Group alleging violation of competition or anti-trust laws.

Lamictal

Purported classes of direct purchasers filed suit in the US District Court for the District of New Jersey alleging that the Group and Teva Pharmaceuticals unlawfully conspired to delay generic competition for *Lamictal*, resulting in overcharges to the purchasers, by entering into an allegedly anti-competitive reverse payment settlement to resolve patent infringement litigation. A separate count accuses the Group of monopolising the market.

On 13 December 2018, the trial judge granted plaintiffs' class certification motion, certifying a class of direct purchasers. The Group filed a Rule 23(f) motion in the Court of Appeals for the Third Circuit, challenging the class certification decision. On 22 April 2020, the Court of Appeals vacated the lower court's grant of class certification and remanded the issue back to the lower court for further analysis.

Notes to the financial statements continued

47. Legal proceedings continued

On 9 October 2020, the district court heard argument on plaintiffs' renewed motion for class certification after remand. On 9 April 2021, the district court denied Plaintiffs' motion for class certification of the putative direct purchaser class, leaving a potential class of brand-only purchasers. Plaintiffs moved to supplement their expert report and seek additional discovery to support the addition of certain generic purchasers. On 21 January 2022, the district court denied Plaintiffs' motion to supplement their expert report and seek additional discovery and held that the issue of generic purchasers had already been decided and denied in the court's ruling on decertification. The parties conducted briefing on class certification as to the remaining brand-only purchasers, with plaintiffs also seeking to add a smaller category of purchasers.

On 1 February 2023, the district court denied Plaintiffs' renewed class certification motion. A series of follow-on complaints have been filed in the US District Court for the Eastern District of Pennsylvania by groups of alleged purchasers. The cases have been consolidated with the previously pending case in the District of New Jersey. Discovery is ongoing.

Commercial and corporate

The Group is involved in certain contractual and/or commercial disputes.

Zejula Royalty Dispute

In October 2012, Tesaro, Inc. (now a wholly owned subsidiary of GSK) entered into two worldwide patent license agreements with AstraZeneca UK Limited related to niraparib (later approved as *Zejula*).

In May 2021, AstraZeneca filed a lawsuit against Tesaro in the High Court, England and Wales alleging that Tesaro failed to pay some of the royalties due under the license agreements. Tesaro has counterclaimed based on a calculated overpayment. Trial was held the week of 6 March 2023 and judgment was entered against the Group on 5 April 2023, ruling that all current uses of *Zejula* generate royalty-bearing sales under the wording of the two license agreements. On 12 June 2023, the Court of Appeal of England and Wales granted the Group's request for permission to appeal the 5 April 2023 judgment. The appeal was heard on 17 January 2024 and on 9 February 2024 the Court of Appeal ruled in the Group's favour, overturning the trial court's judgment and determining that only *Zejula* sales for uses falling within the licensed patents could be deemed royalty-bearing. The appropriate quantum of royalties in accord with the Court of Appeal's judgment may be the subject of further proceedings.

48. Post balance sheet events

Acquisition of Aiolos Bio, Inc

On 9 January 2024, GSK announced it had entered into an agreement to acquire Aiolos Bio, Inc, (Aiolos) a clinical stage biopharmaceutical company focused on addressing the unmet treatment needs of patients with certain respiratory and inflammatory conditions, for an upfront payment of US$1 billion and up to US$400 million in certain success-based regulatory milestone payments. In addition, GSK will also be responsible for success-based milestone payments as well as tiered royalties owed to Jiangsu Hengrui Pharmaceuticals Co., Ltd. (Hengrui). The transaction was subject to customary conditions, including applicable regulatory agency clearances under the Hart- Scott-Rodino Act in the US, and subsequently closed on 14 February 2024. Given the timing of the closure of the transaction, GSK expects to disclose the provisional accounting for the acquisition in the Q1 2024 Results Announcement.

Disposal of shares in Haleon plc

On 17 January 2024, GSK completed the sale of 300 million shares in Haleon plc equivalent to 3.2% of Haleon plc's issued share capital at a price of 326 pence per share, raising gross proceeds of £978 million. Following the sale, GSK holds approximately 385 million ordinary shares in Haleon plc, representing over 4.0% of the issued share capital of Haleon plc.

Company balance sheet – UK GAAP

(including FRS 101 'Reduced Disclosure Framework') as at 31 December 2023

	Notes	2023 £m	2023 £m	2022 £m	2022 £m
Fixed assets – investments	E		**22,631**		22,881
Current assets:					
Trade and other receivables	F		**22,657**		17,748
Cash at bank			**17**		20
Total current assets			**22,674**		17,768
Trade and other payables	G		**(740)**		(545)
Total current liabilities			**(740)**		(545)
Net current assets			**21,934**		17,223
Total assets less current liabilities			**44,565**		40,104
Provisions for liabilities	H		**(20)**		(13)
Other non-current liabilities	I		**(388)**		(645)
Net assets			**44,157**		39,446
Capital and reserves					
Share capital	J		**1,348**		1,347
Share premium account	J		**3,451**		3,440
Other reserves	K		**1,420**		1,420
Retained earnings:					
At 1 January		**33,239**		50,596	
Profit/(loss) for the year		**6,643**		710	
Ordinary shares issued under share option/award schemes		**20**		–	
Treasury shares transferred to the ESOP Trust		**283**		1,089	
Dividends in specie		**–**		(15,689)	
Dividends paid to shareholders		**(2,247)**		(3,467)	
	K		37,938		33,239
Equity shareholders' funds			**44,157**		39,446

The financial statements on pages 267 to 271 were approved by the Board on 27 February 2024 and signed on its behalf by

Sir Jonathan Symonds
Chair GSK plc
Registered number: 3888792

Company statement of changes in equity

for the year ended 31 December 2023

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	**Total equity £m**
At 1 January 2022	1,347	3,301	1,420	50,596	**56,664**
Profit and Total comprehensive income attributable to shareholders	–	–	–	710	**710**
Treasury shares transferred to the ESOP Trust	–	–	–	1,089	**1,089**
Dividends to shareholders (Note D)	–	–	–	(3,467)	**(3,467)**
Dividends in specie (Note D)	–	–	–	(15,689)	**(15,689)**
Shares issued under employee share schemes	–	139	–	–	**139**
At 31 December 2022	1,347	3,440	1,420	33,239	**39,446**
Profit and Total comprehensive income attributable to shareholders	–	–	–	6,643	**6,643**
Treasury shares transferred to the ESOP Trust	–	–	–	283	**283**
Dividends to shareholders (Note D)	–	–	–	(2,247)	**(2,247)**
Shares issued under employee share schemes	1	11	–	20	**32**
At 31 December 2023	1,348	3,451	1,420	37,938	**44,157**

Notes to the company balance sheet – UK GAAP
(including FRS 101 'Reduced Disclosure Framework')

A) Presentation of the financial statements

Description of business

GSK Plc is the parent company of GSK, a major global biopharma group which prevents and treats disease with vaccines, specialty and general medicines. GSK focuses on the science of the immune system and the use of new platform and data technologies, investing in four core therapeutic areas: infectious diseases, HIV, respiratory/immunology and oncology.

Preparation of financial statements

The financial statements, which are prepared using the historical cost convention (as modified to include the revaluation of certain financial instruments) and on a going concern basis, are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and with UK accounting presentation and the Companies Act 2006 as at 31 December 2023, with comparative figures as at 31 December 2022

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

The company is included in the Group financial statements of GSK plc, which are publicly available.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'
- IFRS 7, 'Financial Instruments – Disclosures'
- Paragraphs 91-99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a) (iv) of IAS 1
- Paragraphs 10(d), 10(f), 16, 38(A), 38 (B to D), 40 (A to D), 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures' and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

Accounting convention and standards

The balance sheet has been prepared using the historical cost convention and complies with applicable UK accounting standards.

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 B. These policies have been consistently applied, unless otherwise stated.

Key accounting judgements and estimates

No key accounting judgements or estimates were required in the current year.

B) Accounting policies

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.

Dividends paid and received

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received.

Expenditure

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.

Investments in subsidiary companies

Investments in subsidiary companies are held at cost less any provision for impairment and also includes a capital contribution in relation to movements in contingent consideration.

Impairment of investments

The carrying value of investments are reviewed for impairment when there is an indication that the investment might be impaired. The 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.

Assets held for sale/distribution

Non-current assets are held for disposal/demerger only if available for immediate disposal/demerger in their present condition, a disposal/demerger is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying value and fair value less the cost of disposal.

Trade and other receivables

Trade and other receivables are carried at amortised cost less allowance of expected credit losses. Expected credit losses are calculated in accordance with the approach permitted by IFRS 9. The majority of the balance within trade and other receivables is amounts owed by Group undertakings. The Company applies a general approach to calculate the expected credit losses. If a receivable is determined to be non-collectable it is written off, firstly against any expected credit loss allowance available and then to the statement of comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income. Long term receivables are discounted where the effect is material.

Share-based payments

The company issues shares to employees on behalf of its subsidiary companies for cash consideration.

Notes to the company balance sheet – UK GAAP (including FRS 101 'Reduced Disclosure Framework')

Treasury shares

The purchase price paid for the treasury shares is included within retained earnings. Treasury shares are transferred to the ESOP trust at the fair market price at the date of the transfer for cash consideration. If the proceeds are equal to or less than the purchase price paid by the company for the shares, the proceeds are treated as a realised loss. If the proceeds exceed the purchase price, the excess over the purchase price is transferred to the share premium account. The purchase price paid by the company for the shares is determined by the use of a weighted average price method.

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to be realised or settled. Deferred tax liabilities and assets are not discounted.

Financial guarantees

Liabilities relating to guarantees issued by the company on behalf of its subsidiaries are initially recognised at fair value and subsequently measured at the higher of:

1. the Expected Credit Loss (ECL) measured used the general approach; and
2. the amount initially recorded less, when appropriate, accumulated amortisation.

C) Operating profit

A fee of £14,752 (2022: £12,600) relating to the audit of the company has been charged in operating profit.

D) Dividends

In 2023 the Directors declared four interim dividends resulting in a dividend for the year of 58.00 pence. For further details, see Note 16 'Dividends' to the Group financial statements.

The demerger of the Consumer Healthcare business was implemented by GSK declaring an interim dividend in July 2022 as follows.

	2022 £m
Dividend in specie of Haleon plc shares distributed to external shareholders	15,526
Dividend in specie of Haleon plc shares distributed to the ESOP Trusts	163
	15,689

E) Fixed assets – investments

	2023 £m	2022 £m
Shares in GlaxoSmithKline Services Unlimited	654	637
Shares in GlaxoSmithKline Holdings (One) Limited	18	18
Shares in GlaxoSmithKline Holdings Limited	17,888	17,888
Shares in GlaxoSmithKline Mercury Limited	33	33
Shares in GSK LP Limited	2,476	2,493
	21,069	21,069
Capital contribution relating to share-based payments	1,139	1,139
Contribution relating to contingent consideration	423	673
	22,631	22,881

Notes to the company balance sheet – UK GAAP (including FRS 101 'Reduced Disclosure Framework')

F) Trade and other receivables

	2023 £m	2022 £m
Amounts due within one year:		
Other debtors	1	2
Amounts owed by Group undertakings	22,367	17,422
	22,368	17,424
Amounts due after more than one year:		
Amounts owed by Group undertakings	289	324
	22,657	17,748

The amounts owed by Group undertakings due within one year primarily include a call account balance with GSK Finance plc which is unsecured, repayable on demand with interest received at SONIA rate less 0.05% per annum (2022: SONIA rate less 0.05%).

The directors consider that the carrying amount of amounts owed by Group undertakings approximates to their fair values. No provision for expected credit loss has been recognised as the counter-party has access to sufficient funds and assets to fulfil its future obligations. Amounts owed by Group undertakings are not past due and no increased credit risk experienced since initial recognition.

The movement in the Amounts owed by Group undertakings in the period, as reflected within Notes F and G, primarily reflects the receipt of dividend income from subsidiaries and utilisation of the company's current account to fund the payment of interim dividends.

G) Trade and other payables

	2023 £m	2022 £m
Amounts due within one year:		
Other creditors	349	396
Contingent consideration payable	35	28
Corporation tax	201	18
Amounts owed to Group undertakings	155	103
	740	545

The company has guaranteed debt issued by certain subsidiary companies and for which it receives an annual fee from one of the subsidiaries. In aggregate, the company has outstanding guarantees over £16.5 billion of debt instruments (2022: £19.5 billion). The financial guarantee contract liability of £327 million (2022: £371 million) is included within other creditors. The amounts due from the subsidiary company in relation to these guarantee fees will be recovered over the life of the bonds and are disclosed within 'Trade and other receivables' (see Note F).

H) Provisions for liabilities

	2023 £m	2022 £m
At 1 January	13	12
Charge for the year	28	43
Utilised	(21)	(42)
At 31 December	20	13

The provisions relate to a number of legal and other disputes in which the company is currently involved.

I) Other non-current liabilities

	2023 £m	2022 £m
Contingent consideration payable	388	645

The contingent consideration relates to the amount payable for the acquisition in 2015 of the Novartis Vaccines portfolio. The current year liability is included within 'Trade and other payables'. For further details, see Note 33 'Contingent consideration liabilities' to the Group financial statements.

Notes to the company balance sheet – UK GAAP (including FRS 101 'Reduced Disclosure Framework')

J) Share capital and share premium account

	Ordinary shares		Share premium account
	Number	£m	£m
Share capital issued and fully paid			
1 January 2022	5,387,015,059	1,347	3,301
Impact of share consolidation	(1,077,403,011)	–	–
Issued under employee share schemes	1,731,293	–	25
Ordinary shares acquired by ESOP Trust	–	–	114
At 31 December 2022	4,311,343,341	1,347	3,440
Issued under employee share schemes	802,642	1	9
Ordinary shares acquired by ESOP Trust	–	–	2
At 31 December 2023	4,312,145,983	1,348	3,451

At 31 December 2023, of the issued share capital, 58,817,197 shares were held in the ESOP Trusts (out of which 58,493,518 were held for future exercise of share options and share awards and 323,679 shares were held for the Executive Supplemental Savings Plan), 197,068,169 shares were held as Treasury shares and 4,056,260,617 shares were in free issue. All issued shares are fully paid and there are no shares authorised but not in issue. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 45, 'Employee share schemes'.

K) Retained earnings and other reserves

The profit of GSK plc for the year was £6,643 million (2022: £710 million). After dividends paid of £2,247 million (2022: £19,156 million which included the Consumer Healthcare business demerger dividend of £15,689 million), and the effect of £283 million Treasury shares transferred to a subsidiary company (2022: £1,089 million) retained earnings at 31 December 2023 stood at £37,938 million (2022: £33,239 million), of which £12,938 million is not considered by the Company to be available for distribution (2022: £8,140 million). Dividends to shareholders are paid out of the reserves of the Company considered to be available of distribution, which at 31 December 2023 amounted to £25,000 million (2022: £25,099 million).

Other reserves includes a capital redemption reserve and a reserve reflecting historical contributions of shares in the company which were issued to satisfy share option awards granted to employees of subsidiary companies.

L) Group companies

See pages 306 to 314 for a complete list of subsidiaries, associates, joint ventures and other significant shareholdings, which forms part of these financial statements.