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 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 event 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 2022, comprising principal statements and supporting notes, are set out in the 'Financial statements' on pages 182 to 267 of this report. The parent company financial statements for the year ended 31 December 2022, comprising the balance sheet and the statement of changes in equity for the year ended 31 December 2022 and supporting notes, are set out on pages 268 to 272.

The responsibilities of the auditor in relation to the financial statements are set out in the Independent Auditor's report on pages 168 to 181.

The financial statements for the year ended 31 December 2022 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 2022 confirms that, to the best of his or her knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS, as issued by the IASB 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 66 to 95 and pages 55 to 61 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 to the financial statements, 'Financial instruments and related disclosures'. 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 125.

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 97 to 131. 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 2022, 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
9 March 2023

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 2022 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 2022; – 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 47 to the financial statements, which includes the accounting principles and policies.

Parent company
– Balance sheet as at 31 December 2022; – Statement of changes in equity for the year then ended; and – Notes A to M to the financial statements, which includes the accounting principles and policies.

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 124 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. Audit scope and execution

We structured our approach to the audit to reflect how the Group is organised as well as ensuring our audit was both effective and risk focused. 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**. The central control and common systems throughout most of the Group enabled us to structure our audit centrally. The use of data analytic tools allowed for a more detailed understanding of the flow of transactions, enabling us to focus our risk assessment and design targeted audit testing procedures. Our risk assessment procedures considered, amongst other factors, the impact of the global pandemic and climate change on the account balances, disclosures and company practices. We appointed partners from the Group audit team to lead the global audit of the revised operating segments (commercial operations, research & development and consumer healthcare), 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. Our risk assessment and audit planning included consideration of the separation of the consumer healthcare business from the Group on 18 July 2022. 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;

Independent Auditor's report continued

Report on the audit of the financial statements continued

- **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 in-scope for the Group audit to enable 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, which include in-scope entities in the consumer healthcare segment prior to demerger: Australia; Belgium; Canada; China; France; Germany; Italy; Japan; Spain; 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. We have planned and performed site visits of components where overseas travel restrictions allowed. 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% (2021-1.8%) 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 to confirm our conclusion 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, including in the consumer healthcare segment pre-demerger, and entity level controls at the Group level. Common systems allowed for relevant IT controls to be tested centrally across all components. The consumer healthcare demerger impacted relevant IT systems prior to the demerger which was reflected in the scope of our IT testing. We were able to place reliance on controls where planned and it was more efficient. Notwithstanding the IT controls deficiencies disclosed in the key audit matters section of this report, mitigating controls existed which allowed us to continue to take reliance on controls where planned.

Our audit scope addressed 79% (2021: 73%) of the Group's revenue, 91% (2021: 76%) of the Group's profit before tax and 86% (2021: 85%) of the Group's total assets.

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 55 to 62 of the Annual Report and Notes 17, 19 and 20 of the financial statements. The Group has set out their environmental goals under the Paris Climate Accord to have a net zero impact on climate and a net positive impact on nature by 2030.

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 as described in section 6 to this report; 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.

4. 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.

Independent Auditor's report continued

Report on the audit of the financial statements continued

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>£210 million
(2021: £275 million)</td><td>£52.5 million
(2021: £68 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 £210 million. Materiality reduced compared to the prior year predominantly due to the lower benchmarks resulting from the Consumer Healthcare demerger. We have removed the impact of the Gilead Settlement of £924 million received in Q1 2022 in determining our profit before tax benchmark as this is a nonrecurring item which it is not reflective of the underlying trade and due to its size would distort materiality.

The below benchmarks are from continuing operations only as these were considered most relevant to the users of the financial statements.

Metric | %
Statutory profit before tax | 3.7%
Adjusted profit before tax* | 2.9%
Revenue | 0.7%
Net cash inflow from operating activities | 3.2%

* 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 25% of Group materiality. Our materiality represents 0.1% 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 £40 million and £125 million.

The range of materiality allocated across components (not including the parent company) in the audit of the prior year's Group financial statements was between £83 million and £193 million.</td><td>The Parent company holds the Group's investments and is not in itself profit-oriented. 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.</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 2022 audit (2021: 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 (2021: £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.

5. 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 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.

Independent Auditor's report continued

Report on the audit of the financial statements continued

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 accounting.

6. 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.

We have included two additional key audit matters in 2022: the consumer healthcare demerger and the valuation of the contingent liabilities and significant legal proceedings. This reflects the additional audit effort required this year in relation to these.

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

Key audit matter description

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 2022 the liability was valued at £5,890 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 portfolio. Such forecasts are based on an assessment of the expected launch dates, the ability to shift market practice and prescriber behaviour towards long-acting injectable treatments and 2-drug regimens, the impact of healthcare reform and subsequent sales volumes and pricing. There is incremental challenge in forecasting sales associated with recently launched products due to the lack of historical actual data. The 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 Notes 29, 33 and 44. 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, related to the sales forecasts:

- Obtained the Group's assessment of the key inputs and assumptions used in the 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 and healthcare reform implications;
- 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
- 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.

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 shifts 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 US Commercial Operations in 2022 £15,272 million of RAR deductions were made to gross revenue of £29,814 million, resulting in net revenue of £14,542 million. The balance sheet accrual at 31 December 2022 for US Commercial Operations amounted to £5,855 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 by the Group 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 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.

Furthermore, auditing standards presume that a significant fraud risk exists in revenue recognition. In line with this presumption, 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:

- 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 drivers of market changes such as the impact of competition and macroeconomic trends;
- 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
- 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.

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

Valuation of other intangible assets

As at 31 December 2022, the Group held £13,663 million of other intangible assets (including licenses, patents, trademarks, and trade names, but excluding goodwill and computer software). This includes £2,964 million of intangible assets acquired as part of business combinations with Sierra Oncology Inc and Affinivax Inc during the year. During 2022, impairment charges of £330 million were recorded.

An individual intangible asset, or an intangible asset which forms part of a cash-generating unit, is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of these other intangible assets relies on certain assumptions and estimates of future trading performance which create estimation uncertainty.

Future trading performance of intangible assets includes key assumptions such as 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.

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 judgements.

The disclosures relating to other intangible assets, including those acquired as part of business combinations, are included in Note 20 and 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.

Audit procedures performed

We performed the following audit procedures, amongst others, related to the future sales pricing, volume, growth rates and probability of technical and regulatory success, profit margin levels, and discount rates used in the assessment in the valuation of other intangible assets:

- Inquired with the key individuals from the corporate development team, commercial forecasting leads, and key personnel involved in the assets research and development process to discuss and evaluate the Group's evidence to support the future pricing, volume, sales growth rates and probability of regulatory and technical success;
- 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;
- Inspected independent research and literature to consider corroborative and contradictory evidence to assess assumptions on probability of technical and regulatory success;
- 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;
- 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;
- Engaged Internal Fair Valuation Specialists (IFVS) to assess the reasonableness of discount rates and valuation methodology applied; and
- 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 number of assumptions such as the revenue growth rates and profit margins.

Key observations communicated to the Audit & Risk Committee

For those intangible assets which were acquired during the period as part of the Sierra Oncology Inc and Affinivax Inc business acquisition, although we identified some control deficiencies we concluded that the complex 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 the directors were reasonable and in accordance with IFRS. We are satisfied that the controls over intangible assets are designed and operating effectively or control deficiencies identified were mitigated by compensating controls.

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 2022, the Group has recorded provisions of £551 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 tax specialists, we assessed the appropriateness of the uncertain tax provisions by performing the following audit procedures amongst others: – Assessed and challenged provisions for uncertain tax positions through the evaluation of possible outcomes. Our procedures were focused on those jurisdictions where the Group has the greatest potential exposure and where the highest level of judgement is required; – Assessed the assumptions and judgements that are required to determine the range of possible outcomes for recognition and measurement of uncertain tax positions in compliance with the requirements of IFRIC 23; – Involved our transfer pricing specialists to evaluate the transfer pricing methodology of the Group and associated approach to provision recognition and measurement; – 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; and – Tested key controls over preparation, review and reporting of judgmental tax balances and transactions, which include provisions for uncertain tax provisions. **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, whilst continuing to be prudent as required by IFRIC 23, are appropriate and supportable.

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

Consumer Healthcare Demerger
As set out in Note 41, 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. GSK retained 13.5% of Haleon (7.5% are held by Scottish Limited Partnership structures (SLPs)) which are recognised as an equity investment as set out in Note 22. The Group derecognised net assets and liabilities of £12.9 billion and recognised a gain on demerger of £10.1 billion.
 	
The Consumer Healthcare trading results to the demerger date have been presented as a part of discontinued operations and the comparative results have been restated on a consistent basis. At the demerger date the assets and liabilities of the Consumer business have been derecognised from the balance sheet, with the difference between the value of the net assets and the fair value of the demerged business recognised in the consolidated income statement as a gain on demerger. The cumulative exchange differences arising on translation of those Consumer Healthcare foreign currency net assets, previously included in other comprehensive income, have also been recognised in the consolidated income statement.
 	
We identified the demerger of Consumer Healthcare as a key audit matter because of the significant estimates related to calculating the gain on demerger and remeasuring the retained stake upon demerger, assessing the perimeters of the demerged business, validating the cumulative exchange differences arising on translation of the foreign currency net assets of the divested businesses, evaluating the Group's tax treatment of the demerger and assessing the impact on relevant IT systems prior to the demerger. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our technical accounting, tax, and IT specialists, when performing audit procedures.
 	
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 the Consumer Healthcare demerger:
	– Consulted with technical accounting specialists to evaluate the entity's accounting conclusions in respect of the relevant accounting standards for the demerger steps including:
	  – the presentation of Consumer Healthcare results as a part of discontinued operations;
	  – the calculation of the gain on demerger; and
	  – the retained stake upon demerger.
	– Recalculated the gain on demerger and the fair value of the Consumer Healthcare business at the demerger date;
	– Tested the accuracy and completeness of the perimeters of the demerged business by inspecting legal agreements and recalculating the cumulative exchange differences arising on translation of the foreign currency net assets;
	– Engaged tax specialists to assess the impact of the demerger on the Group tax balances;
	– Engaged IT specialists to assess the impact on the relevant IT systems prior to the demerger of Consumer Healthcare; and
	– Tested key controls over IT and the reporting of the Consumer Healthcare Demerger including the review and approval of the accounting considerations, accuracy and completeness of transactions to the demerger date, the cumulative exchange reserve and the adjustments required in relation to the classification between continued and discontinued operations.
	
	Key observations communicated to the Audit & Risk Committee
	We are satisfied that the Group's accounting conclusions, calculation of the gain from demerger and presentation of discontinued operations in respect of the demerger of the Consumer Healthcare business are appropriate 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
IT systems that impact financial reporting The IT systems within the Group form a critical component of the Group's financial reporting activities and impact all account balances. We identified the IT systems that impact financial reporting as a key audit matter because of the: – Pervasive reliance on complex technology that is integral to the operation of key business processes and financial reporting; – Reliance on technology which continues to increase in line with the business strategy, such as the increase in the use of automation across the Group; – Importance of the IT controls in maintaining an effective control environment. A key interdependency exists between the ability to rely on IT controls and the ability to rely on financial data, system configured automated controls and system reports; – Continued remediation of IT controls supporting the application systems relevant to the Group's financial reporting activities; and – Separation activities undertaken across the Technology environment as part of the GSK Consumer Healthcare separation programme. IT systems which impact financial reporting are discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.	**Audit procedures performed** Our IT audit scope is driven by the level of reliance placed on technology to obtain sufficient audit evidence within a business process. The technology deemed relevant to the audit is based on the financial data, system configured automated controls and/or key financial reports that reside within it. We used IT specialists to support our evaluation of the risks associated with technology and with the testing of the design and operation of IT controls. Testing over the technology deemed relevant to the audit included the following areas: – General IT controls, including user access and change management controls; – Key financial reports and system configured automated controls; – Controls to provide assurance over the completeness and accuracy of relevant data migrations, including GSK Consumer Healthcare separation activities; and – Testing of remediation of previously identified deficiencies. Our risk assessment procedures included an assessment of the impact of all unremediated IT control deficiencies to determine the impact on our audit plan. Where relevant, the audit plan was adjusted to include the testing of additional manual business process controls to mitigate the unaddressed IT risk. **Key observations communicated to the Audit & Risk Committee** We are satisfied that IT controls impacting the Group's financial reporting activities are designed and operating effectively or control deficiencies identified were remediated by year end or mitigated by compensating controls. Significant progress was made in remediating control deficiencies relating to user access and change management. The Group has many layers of business process controls to mitigate the risk associated with the remaining IT control deficiencies.

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. In the current year, the Group classified the *Zantac* litigation as a significant legal matter due to the increase in cases. The Group's provision for these matters is £218 million at 31 December 2022. 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. We identified contingent liabilities and significant legal proceedings as a key audit matter because of the significant judgement required by the Group in determining whether, under IAS 37, in particular in relation to the *Zantac* matter, 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, we critically evaluated the Group's conclusion supportive and contradictory evidence and the requirements of IAS 37, particularly with respect to the *Zantac* matter; – In respect of the *Zantac* matter, we 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 and 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

7. 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 62, we have provided limited assurance in accordance with International Standards for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Emissions 3410 (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over selected metrics.

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 80.	In our opinion the dividends policy is appropriately disclosed, and dividends paid are consistent with the policy.

8. 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.

9. 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

10. 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; and
- 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

11. 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.

Independent Auditor's report continued

Report on the audit of the financial statements continued

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.

12. 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 167;
- 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 64;
- the directors' statement on fair, balanced and understandable Annual Report set out on page 129;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 51 to 54;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 125 to 126; and
- the section describing the work of the audit and risk committee set out on page 124 to 129.

13. 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.

14. 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 five 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).

15. 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.

In due course, as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF)-prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

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
9 March 2023

Consolidated income statement

for the year ended 31 December 2022

	Notes	2022 £m	2021[1] £m	2020[1] £m
Turnover	6	**29,324**	24,696	24,354
Cost of sales		**(9,554)**	(8,163)	(7,929)
Gross profit		**19,770**	16,533	16,425
Selling, general and administration		**(8,372)**	(7,070)	(7,437)
Research and development		**(5,488)**	(5,019)	(4,793)
Royalty income		**758**	417	321
Other operating (expense)/income	7	**(235)**	(504)	1,463
Operating profit	8	**6,433**	4,357	5,979
Finance income	11	**76**	14	32
Finance expense	12	**(879)**	(769)	(874)
Loss on disposal of interest in associates	13	**–**	(36)	–
Share of after tax (loss)/profits of associates and joint ventures		**(2)**	33	33
Profit before taxation		**5,628**	3,599	5,170
Taxation	14	**(707)**	(83)	(67)
Profit after taxation from continuing operations		**4,921**	3,516	5,103
Profit after taxation from discontinued operations and other gains/(losses) from the demerger		**3,049**	1,580	1,285
Re-measurement of discontinued operations distributed to shareholders on demerger		**7,651**	–	–
Profit after taxation from discontinued operations		**10,700**	1,580	1,285
Total profit after taxation for the year		**15,621**	5,096	6,388
Profit attributable to non-controlling interests from continuing operations		**460**	200	230
Profit attributable to shareholders from continuing operations		**4,461**	3,316	4,873
Profit attributable to non-controlling interests from discontinued operations		**205**	511	409
Profit attributable to shareholders from discontinued operations		**10,495**	1,069	876
		15,621	5,096	6,388
Total profit attributable to non-controlling interests		**665**	711	639
Total profit attributable to shareholders		**14,956**	4,385	5,749
		15,621	5,096	6,388
Basic earnings per share (pence) from continuing operations	15	**110.8p**	82.9p	122.4p
Basic earnings per share (pence) from discontinued operations		**260.6p**	26.7p	22.0p
Total Basic earnings per share (pence)		**371.4p**	109.6p	144.4p
Diluted earnings per share (pence) from continued operations	15	**109.2p**	81.8p	120.9p
Diluted earnings per share (pence) from discontinued operations		**257.0p**	26.4p	21.7p
Total diluted earnings per share (pence)		**366.2p**	108.2p	142.6p

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £m	2021[a] £m	2020[a] £m
Total profit for the year		**15,621**	5,096	6,388
Other comprehensive income/(expense) for the year				
Items that may be subsequently reclassified to continuing operations income statement:				
Exchange movements on overseas net assets and net investment hedges	38	**113**	(339)	(416)
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	38	**2**	(25)	36
Fair value movements on cash flow hedges		**(18)**	5	(19)
Reclassification of cash flow hedges to income statement		**14**	12	54
Deferred tax on fair value movements on cash flow hedges		**9**	(8)	(18)
		120	(355)	(363)
Items that will not be reclassified to continuing operations income statement:				
Exchange movements on overseas net assets of non-controlling interests	38	**(28)**	(20)	(10)
Fair value movements on equity investments		**(754)**	(911)	1,346
Tax on fair value movements on equity investments		**56**	131	(220)
Remeasurement (losses)/gains on defined benefit plans		**(786)**	940	(164)
Tax on remeasurement losses/(gains) on defined benefit plans		**211**	(223)	55
Fair value movements on cash flow hedges		**(6)**	–	–
		(1,307)	(83)	1,007
Other comprehensive expense for the year from continuing operations	38	**(1,187)**	(438)	644
Other comprehensive income for the year from discontinued operations		**356**	101	326
Total comprehensive income for the year		**14,790**	4,759	7,358
Total comprehensive income for the year attributable to:				
Shareholders		**14,153**	4,068	6,753
Non-controlling interests		**637**	691	605
Total comprehensive income for the year		**14,790**	4,759	7,358

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41) and/or the impact of Share Consolidation (see Note 37).

Consolidated balance sheet
as at 31 December 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	17	8,933	9,932
Right of use assets	18	687	740
Goodwill	19	7,046	10,552
Other intangible assets	20	14,318	30,079
Investments in associates and joint ventures	21	74	88
Other investments	23	1,467	2,126
Deferred tax assets	14	5,658	5,218
Derivative financial instruments	44	–	18
Other non-current assets	24	1,194	1,676
Total non-current assets		39,377	60,429
Current assets			
Inventories	25	5,146	5,783
Current tax recoverable	14	405	486
Trade and other receivables	26	7,053	7,860
Derivative financial instruments	44	190	188
Current equity investments	22	4,087	–
Liquid investments	30	67	61
Cash and cash equivalents	27	3,723	4,274
Assets held for sale	28	98	22
Total current assets		20,769	18,674
Total assets		60,146	79,103
Current liabilities			
Short-term borrowings	30	(3,952)	(3,601)
Contingent consideration liabilities	33	(1,289)	(958)
Trade and other payables	29	(16,263)	(17,554)
Derivative financial instruments	44	(183)	(227)
Current tax payable	14	(471)	(489)
Short-term provisions	32	(652)	(841)
Total current liabilities		(22,810)	(23,670)
Non-current liabilities			
Long-term borrowings	30	(17,035)	(20,572)
Corporation tax payable	14	(127)	(180)
Deferred tax liabilities	14	(289)	(3,556)
Pensions and other post-employment benefits	31	(2,579)	(3,113)
Other provisions	32	(532)	(630)
Derivative financial instruments	44	–	(1)
Contingent consideration liabilities	33	(5,779)	(5,118)
Other non-current liabilities	34	(899)	(921)
Total non-current liabilities		(27,240)	(34,091)
Total liabilities		(50,050)	(57,761)
Net assets		10,096	21,342
Equity			
Share capital	37	1,347	1,347
Share premium account	37	3,440	3,301
Retained earnings	38	4,363	7,944
Other reserves	38	1,448	2,463
Shareholders' equity		10,598	15,055
Non-controlling interests		(502)	6,287
Total equity		10,096	21,342

The financial statements on pages 182 to 267 were approved by the Board on 9 March 2023 and signed on its behalf by

Sir Jonathan Symonds
Chair

Consolidated statement of changes in equity

for the year ended 31 December 2022

	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 2019	1,346	3,174	4,530	2,355	11,405	6,952	**18,357**
Profit for the year	–	–	5,749	–	5,749	639	**6,388**
Other comprehensive (expense)/income for the year	–	–	(133)	1,137	1,004	(34)	**970**
Total comprehensive income for the year	**–**	**–**	**5,616**	**1,137**	**6,753**	**605**	**7,358**
Distributions to non-controlling interests	–	–	–	–	–	(1,208)	**(1,208)**
Contributions from non-controlling interests	–	–	–	–	–	3	**3**
Changes in non-controlling interests	–	–	–	–	–	(131)	**(131)**
Dividends to shareholders	–	–	(3,977)	–	(3,977)	–	**(3,977)**
Realised profits after taxation on disposal of equity investments	–	–	163	(163)	–	–	**–**
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	44	(44)	–	–	**–**
Shares issued	–	29	–	–	29	–	**29**
Shares acquired by ESOP Trusts	–	78	531	(609)	–	–	**–**
Write-down of shares held by ESOP Trusts	–	–	(529)	529	–	–	**–**
Share-based incentive plans	–	–	381	–	381	–	**381**
Tax on share-based incentive plans	–	–	(4)	–	(4)	–	**(4)**
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 (expense)/income for the year	–	–	454	(771)	(317)	(20)	**(337)**
Total comprehensive income 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 (expense)/income for the year	–	–	(89)	(714)	(803)	(28)	**(831)**
Total comprehensive income 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**

* 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 2022

	Notes	2022 £m	2021(1) £m	2020(1) £m
Cash flow from operating activities				
Profit after taxation from continuing operations for the year		4,921	3,516	5,103
Adjustments reconciling profit after tax to operating cash flows	42	3,023	3733	2,571
Cash generated from operations attributable to continuing operations		7,944	7,249	7,674
Taxation paid		(1,310)	(972)	(1,086)
Net cash inflow from continuing operating activities		6,634	6,277	6,588
Cash generated from operations attributable to discontinued operations		932	1,994	2,422
Taxation paid from discontinued operations		(163)	(319)	(569)
Net operating cash flows attributable to discontinued operations		769	1,675	1,853
Total net cash inflows from operating activities		7,403	7,952	8,441
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,143)	(950)	(989)
Proceeds from sale of property, plant and equipment		146	132	49
Purchase of intangible assets		(1,115)	(1,704)	(956)
Proceeds from sale of intangible assets		196	641	343
Purchase of equity investments		(143)	(162)	(411)
Purchase of businesses, net of cash acquired	41	(3,108)	–	–
Proceeds from sale of equity investments		238	202	3,269
Contingent consideration paid		(79)	(114)	(120)
Disposal of businesses	41	(43)	(17)	117
Investments in associates and joint ventures	41	(1)	(1)	(4)
Proceeds from disposal of associates and joint ventures		–	277	–
Interest received		64	14	27
Decrease/(increase) in liquid investments		1	18	(1)
Dividends from associates and joint ventures		6	9	31
Net cash outflow from continuing investing activities		(4,981)	(1,655)	1,355
Net cash investing cash flows attributable to discontinued operations		(3,791)	(122)	806
Total net cash (outflow)/inflow from investing activities		(8,772)	(1,777)	2,161
Cash flow from financing activities				
Issue of share capital	37	25	21	29
Repayment of long-term loans		(1,594)	–	–
Issue of long-term notes		1,025	–	3,298
Repayment of short-term loans		(5,074)	(2,304)	(3,738)
Increase in/(repayment of) other short-term loans		1,021	301	(3,594)
Repayment of lease liabilities		(202)	(181)	(182)
Interest paid		(848)	(772)	(851)
Dividends paid to shareholders		(3,467)	(3,999)	(3,977)
Distributions to non-controlling interests		(521)	(239)	(442)
Contributions from non-controlling interests		8	7	3
Other financing items		376	40	(89)
Net cash outflow from continuing financing activities		(9,251)	(7,126)	(9,543)
Net financing cash flows attributable to discontinued operations		10,074	(463)	(589)
Total net cash inflow/(outflow) from financing activities		823	(7,589)	(10,132)
(Increase)/decrease in cash and bank overdrafts	43	(546)	(1,414)	470
Cash and bank overdrafts at the beginning of year		3,819	5,262	4,831
Exchange adjustments		152	(29)	(39)
Increase/(Decrease) in cash and bank overdrafts in the year		(546)	(1,414)	470
Cash and bank overdrafts at the end of year		3,425	3,819	5,262
Cash and bank overdrafts at end of year comprise:				
Cash and cash equivalents		3,723	4,274	6,292
Overdrafts		(298)	(455)	(1,030)
		3,425	3,819	5,262

(1) The 2021 and 2020 comparative results have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

Notes to the financial statements

1. Presentation of the financial statements

Description of business
GSK is a global biopharma group which makes innovative vaccines and specialty medicines to prevent and treat disease. GSK's R&D focuses on the science of the immune system, human genetics and advanced technologies primarily in the following four therapeutic areas: infectious diseases, HIV, oncology and immunology/respiratory.

Compliance with applicable law and IFRS
The financial statements have been prepared in accordance with 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 2022, with comparative figures for the financial years from 1 January to 31 December 2021 and, where appropriate, from 1 January to 31 December 2020. Income statement and cash flow comparatives have been restated on a consistent basis from those previously published to reflect the classification of the Consumer Healthcare business as a discontinued operation (see Note 41).

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.

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 268 and the accounting policies are given on pages 269 to 272.

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.

Notes to the financial statements continued

2. Accounting principles and policies continued

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.

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, vaccine and (prior to the demerger of the Consumer Healthcare business) consumer healthcare 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 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 profit sharing costs and royalties due to the counterparty of £1,635 million (2021: £640 million; 2020: £4 million). When the counterparty controls the commercialisation activities and records the sale, the Group is not deemed 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 £3 million (2021: £7 million; 2020: £12 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.

Notes to the financial statements continued

2. Accounting principles and policies continued

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.

Environmental expenditure

Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to the income statement. The Group recognises its liability on a site-by-site basis when it can be reliably estimated. This liability includes the Group's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

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.

Notes to the financial statements continued

2. Accounting principles and policies continued

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 calculated at 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.

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.

Notes to the financial statements continued

2. Accounting principles and policies continued

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 brands 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.

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.

Notes to the financial statements continued

2. Accounting principles and policies continued

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 classified as held-for-trading and 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.

Hedge accounting
Derivatives designated as 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.

Notes to the financial statements continued

2. Accounting principles and policies continued

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.

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 2022 was £29,324 million (2021[(1)]: £24,696 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 2022 of £14,542 million (2021: £11,914 million) was after recording deductions of £15,272 million (2021: £12,518 million) for rebates, allowances, returns and other discounts. At 31 December 2022, the total accrual amounted to £5,855 million (2021: £5,044 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.

(1) The 2021 comparative results have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see page 238).

Notes to the financial statements continued

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

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 £707 million (2021[1]: £83 million). At December 2022, current tax payable was £471 million (2021: £489 million), non-current corporation tax payable was £127 million (2021: £180 million) and current tax recoverable was £405 million (2021: £486 million).

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 2022, the Group had recognised provisions of £551 million in respect of uncertain tax positions (2021: £858 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 significant 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.

(1) The 2021 comparative results have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see page 238).

Legal and other disputes

Legal costs for the year were £144 million (2021[1]: £50 million). At 31 December 2022 provisions for legal and other disputes amounted to £218 million (2021: £196 million).

Estimates

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 2022 income statement charge for contingent consideration was £1,645 million (2021: £1,063 million).

At 31 December 2022, the liability for contingent consideration amounted to £7,068 million (2021: £6,076 million). Of this amount, £5,890 million (2021: £5,559 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, at least annually, and any changes are reflected in the income statement. See Note 33, 'Contingent consideration liabilities'.

Notes to the financial statements continued

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

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. Two UK schemes are in surplus (2021: three UK schemes), with a combined surplus of £109 million at 31 December 2022 (2021: £606 million). There are further recognised pension surpluses totalling £120 million spread across five countries (2021: £135 million across six 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 £424 million and an increase in the annual pension cost of approximately £19 million. Similarly, a 0.25% increase in the discount rate would lead to a decrease in the net pension deficit of approximately £400 million and a decrease in the annual pension cost of approximately £19 million. A 0.75% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £1,341 million and an increase in the annual pension cost of approximately £52 million. Similarly, a 0.75% increase in the discount rate would lead to a decrease in the net pension deficit of approximately £1,147 million and a decrease in the annual pension cost of approximately £60 million. The selection of different assumptions could affect the future results of the Group.

4. New accounting requirements

Amendments to accounting standards issued by the IASB and adopted in the year ended 31 December 2022 did not have a material impact on the results or financial position of the Group.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been adopted early by the Group. These standards, amendments and interpretations are not expected to have a material impact on the results or financial position of the Group in future reporting periods.

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:

	2022	2021	2020
Average rates:			
US$/£	1.24	1.38	1.29
Euro/£	1.17	1.16	1.13
Yen/£	161	151	137

	2022	2021	2020
Period end rates:			
US$/£	1.20	1.35	1.36
Euro/£	1.13	1.19	1.11
Yen/£	159	155	141

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 has revised its operating segments from Q1 2022 and from Q2 2022. Previously GSK reported results under four segments: Pharmaceuticals, Pharmaceuticals R&D, Vaccines and Consumer Healthcare. For the first quarter 2022, GSK reported results under three segments: Commercial Operations, Total R&D and Consumer Healthcare. From Q2 2022, GSK reports under two segments from continuing operations as the demerger of the Consumer Healthcare segment was completed on 18 July 2022. Members of the GLT are responsible for each segment. Comparative information has been retrospectively revised on a consistent basis.

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 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	2022 £m	2021 (revised) £m	2020 (revised) £m
Commercial operations	29,324	24,696	24,232
Consumer Healthcare	–	–	122
	29,324	24,696	24,354

On 1 April 2020, GSK completed its divestment of Horlicks and other Consumer Healthcare nutrition products in India and a number of other countries (excluding Bangladesh) to Unilever and the merger of GSK's Indian listed Consumer Healthcare entity with Hindustan Unilever, an Indian listed company. GSK completed the divestment of Bangladesh on 30 June 2020.

This business was excluded from the Consumer Healthcare Joint Venture but was included in the Consumer Healthcare segment performance in 2020.

For 2022, product sales are reported within three product groups: Specialty Medicines, Vaccines and General Medicines.

Commercial Operations:	2022 £m	2021[1] (revised) £m	2020[1] (revised) £m
HIV	5,749	4,777	4,876
Oncology	602	489	372
Immuno-inflammation, respiratory and other	2,609	2,027	1,721
	8,960	7,293	6,969
Pandemic	2,309	958	–
Specialty Medicines	11,269	8,251	6,969
Meningitis	1,116	961	1,029
Influenza	714	679	733
Shingles	2,958	1,721	1,989
Established Vaccines	3,085	2,970	3,231
	7,873	6,331	6,982
Pandemic Vaccines	64	447	–
Vaccines	7,937	6,778	6,982
Respiratory	6,548	6,048	6,006
Other General Medicines	3,570	3,619	4,275
General Medicines	10,118	9,667	10,281
Total Commercial Operations	29,324	24,696	24,232
Total Consumer Healthcare	–	–	122

(1) The 2021 and 2020 comparatives have been revised to reflect the Commercial Operations segment.

Notes to the financial statements continued

6. Turnover and segment information continued

During 2022, sales were made to three US wholesalers of £4,045 million (2021: £3,159 million; 2020: £2,928 million), £4,161 million (2021: £3,081 million; 2020: £3,085 million) and £3,227 million (2021: £2,670 million; 2020: £2,795 million) respectively, after allocating final-customer discounts to the wholesalers.

Revenue recognised in the year from performance obligations satisfied in previous periods totalled £1,601 million (2021[1]: £1,438 million) including £898 million (2021[1]: £949 million) impacting turnover arising from changes to prior year estimates of RAR (returns and rebates) accruals, £115 million (2021: £61 million) of milestone income and £588 million (2021: £428 million) of royalty income recognised in the current year.

Segment profit	2022 £m	2021[1] (revised) £m	2020[1] (revised) £m
Commercial Operations	13,590	11,467	11,297
Research and development	(5,060)	(4,567)	(4,397)
Consumer Healthcare	–	–	55
Segment profit	8,530	6,900	6,955
Corporate and other unallocated costs	(379)	(407)	(299)
Other reconciling items between segment profit and operating profit	(1,718)	(2,136)	(677)
Total Operating profit	6,433	4,357	5,979
Finance income	76	14	32
Finance costs	(879)	(769)	(874)
Loss on disposal of interest in associates	–	(36)	–
Share of after-tax profits/(losses) of associates and joint ventures	(2)	33	33
Profit before taxation from continuing operations	5,628	3,599	5,170
Taxation	(707)	(83)	(67)
Profit after taxation for the year from continuing operations	4,921	3,516	5,103

On 1 April 2020, GSK completed its divestment of Horlicks and other Consumer Healthcare nutrition products in India and a number of other countries (excluding Bangladesh) to Unilever and the merger of GSK's Indian listed Consumer Healthcare entity with Hindustan Unilever, an Indian listed company. GSK completed the divestment of Bangladesh on 30 June 2020.

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	2022 £m	2021[a] (revised) £m	2020[a] (revised) £m
Commercial Operations	829	915	904
Research and development	467	378	355
Segment depreciation and amortisation	1,296	1,293	1,259
Corporate and other unallocated depreciation and amortisation	112	68	67
Other reconciling items between segment depreciation and amortisation and total depreciation and amortisation	739	761	724
Total depreciation and amortisation	2,147	2,122	2,050

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

Notes to the financial statements continued

6. Turnover and segment information continued

PP&E, intangible asset and goodwill impairment by segment	2022 £m	2021(1) (revised)(2) £m	2020(1) (revised)(2) £m
Commercial Operations	29	30	87
Research and development	32	55	37
Segment impairment	61	85	124
Corporate and other unallocated impairment	20	63	5
Other reconciling items between segment impairment and total impairment	420	392	583
Total impairment	501	540	712

PP&E and intangible asset impairment reversals by segment	2022 £m	2021(1) (revised)(2) £m	2020(1) (revised)(2) £m
Commercial Operations	(6)	(8)	(14)
Research and development	(19)	(2)	(4)
Segment impairment reversals	(25)	(10)	(18)
Corporate and other unallocated impairment reversals	–	–	(1)
Other reconciling items between segment impairment reversals and total impairment reversals	(1)	(2)	(35)
Total impairment reversals	(26)	(12)	(54)

Net operating assets by segment	2022 £m	2021 (revised)(2) £m
Commercial Operations	10,288	9,440
Research and development	7,299	3,461
Segment net operating assets	17,587	12,901
Corporate and other unallocated net operating assets	264	1,504
Discontinued operations	–	25,208
Net operating assets	17,851	39,613
Net debt	(17,197)	(19,838)
Investments in associates and joint ventures	74	88
Current Equity Investment	4,087	–
Derivative financial instruments	7	(22)
Current and deferred taxation	5,176	1,479
Assets held for sale (excluding cash and cash equivalents)	98	22
Net assets	10,096	21,342

The Commercial Operations segment includes the Shionogi-ViiV Healthcare contingent consideration liability of £5,890 million (2021: £5,559 million) and the Pfizer put option of £1,093 million (2021: £1,008 million).

Geographical information

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

Turnover by location of customer	2022 £m	2021(1) (revised)(2) £m	2020(1) (revised)(2) £m
UK	695	656	659
US	14,542	11,914	11,148
Rest of World	14,087	12,126	12,547
External turnover	29,324	24,696	24,354

Non-current assets by location of subsidiary	2022 £m	2021 £m
UK	5,134	6,618
US	14,024	17,852
Belgium	5,415	5,065
Switzerland	34	6,552
Rest of World	6,559	15,390
Non-current assets	31,166	51,477

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.

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

(2) The 2021 and 2020 comparatives have been revised to reflect the new segments.

7. Other operating income/(expense)

	2022 £m	2021[1] £m	2020[1] £m
Upfront settlement income[2]	**922**	–	–
Fair value remeasurements of equity investments	**256**	37	(6)
Disposal of businesses and assets	**215**	552	2,621
Fair value remeasurements on contingent consideration recognised in business combinations	**(1,607)**	(1,058)	(1,286)
Remeasurement of ViiV Healthcare put option liabilities and preferential dividends	**(85)**	(48)	52
Fair value adjustments on derivative financial instruments	**3**	(4)	20
Other income	**61**	17	62
	(235)	(504)	1,463

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

(2) 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 2022 included a gain/loss of £229 million from the remeasurement of the Group's retained investment in Haleon plc to fair value at 31 December 2022 from the initial recognition fair value (five-day average share price after the demerger). See details in Note 22.

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.

Disposal of businesses and assets in 2020 included a net profit on disposal of the Horlicks and other Consumer Healthcare nutritional brands and two subsidiaries in India and Bangladesh of £2,815 million, which reflected reversal of £240 million of embedded derivative gains on the value of the shares taken in prior years. This was partly offset by the related £476 million loss on the shares in Hindustan Unilever Limited, including fair value remeasurement losses between their acquisition as consideration for the divestment of GSK Consumer Healthcare Limited in India and their subsequent disposal. Other operating income also included an increase in profit and milestone income from a number of asset disposals.

Fair value remeasurements on contingent consideration recognised as business combinations included £1,431 million related to the acquisition of the former Shionogi-ViiV Healthcare joint venture and £193 million payable to Novartis related to the Vaccines acquisition, together with fair value movements on related hedging contracts.

Notes to the financial statements continued

8. Operating profit

The following items have been included in operating profit:	2022 £m	2021[1] £m	2020[1] £m
Employee costs (Note 9)	7,693	7,680	8,555
Advertising	735	433	361
Distribution costs	192	169	176
Depreciation of property, plant and equipment	885	855	822
Impairment of property, plant and equipment, net of reversals	70	87	424
Depreciation of right of use assets	176	179	182
Impairment of right of use assets	40	5	2
Amortisation of intangible assets	1,086	1,088	1,046
Impairment of intangible assets, net of reversals	365	435	230
Impairment of intangible assets held for sale, net of reversals	–	1	–
Impairment of goodwill allocated to a disposal group, net of reversals	–	–	2
Net foreign exchange (gains)/losses	11	(4)	99
Inventories:			
Cost of inventories included in cost of sales	6,137	5,885	5,934
Write-down of inventories	687	800	607
Reversal of prior year write-down of inventories	(483)	(325)	(250)
Short-term lease charge	6	7	11
Low-value lease charge	2	3	5
Variable lease payments	9	10	11
Fees payable to the company's auditor and its associates in relation to the Group (see below)	26.9	31.7	29.9

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 loss of £2 million (2021: £35 million gain; 2020: £36 million loss) arising from the recycling of exchange on liquidation or disposal of overseas subsidiaries. The recycling of exchange on disposal of overseas associates of a loss of £nil (2021: £10 million) is reported through loss on disposal of interest in associates. 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 £321 million (2021: £424 million; 2020: £1,178 million), see Note 10, 'Major restructuring costs'.

Fees payable to the company's auditor and its associates:	2022 £m	2021 £m	2020 £m
Audit of parent company and consolidated financial statements including attestation under s.404 of Sarbanes-Oxley Act 2002	10.9	13.2	13.8
Audit of the company's subsidiaries	9.7	14.5	14.5
Total audit services	20.6	27.7	28.3
Audit-related and other assurance services	6.3	4.0	1.6
Total audit services, audit-related and other assurance services	26.9	31.7	29.9

The other assurance services provided by the auditor related to agreed upon procedures and other assurance services outside of statutory audit requirements. In addition to the above, fees paid to the auditor in respect of the GSK pension schemes were:

	2022 £m	2021 £m	2020 £m
Audit	0.2	0.2	0.2

There were immaterial fees of £0.1 million paid in 2022 (versus 2021: £nil; 2020 £0.2 million) to other auditors in respect of audits of certain of the company's subsidiaries.

Audit related and other assurance services include £4.4 million (2021: £2.4 million) due to reporting accountant work performed in preparation for the Consumer Healthcare demerger.

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

9. Employee costs

	2022 £m	2021(1) £m	2020(1) £m
Wages and salaries	6,110	5,858	6,464
Social security costs	763	793	775
Pension and other post-employment costs, including augmentations (Note 31)	369	415	466
Cost of share-based incentive plans	314	345	330
Severance and other costs from integration and restructuring activities	137	269	520
	7,693	7,680	8,555

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:

	2022 £m	2021(1) £m	2020(1) £m
Share Value Plan	243	258	266
Performance Share Plan	55	51	56
Share option plans	4	5	4
Cash settled and other plans	12	31	4
	314	345	330

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

	2022 Number	2021(1) Number	2020(1) Number
Manufacturing	22,946	23,562	24,536
Selling, general and administration	34,642	36,909	37,977
Research and development	11,542	10,874	10,744
Total Continuing Operations	69,130	71,345	73,257
Discontinued Operations	21,292	20,616	22,628
Total	90,422	91,961	95,885

Note: Consumer Healthcare divested on 18 July 2022 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 277.

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

	2022 £m	2021(1) £m	2020(1) £m
Wages and salaries	31	27	21
Social security costs	5	3	4
Pension and other post-employment costs	2	3	3
Cost of share-based incentive plans	28	27	23
	66	60	51

Further information on the remuneration of the Directors is given in the sections of the Annual Report on remuneration labelled as audited within pages 133 to 164.

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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. Materially all of the Separation Preparation restructuring programme has been included as part of continuing operations. The legacy Consumer Healthcare Joint Venture integration programme is now included as part of discontinued operations.

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.

The total restructuring costs of £321 million in 2022 were incurred in the following areas:

– Restructuring costs to prepare 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 from continuing operations under these programmes was as follows:

	2022 £m	2021[1] £m	2020[1] £m
Increase in provision for Major restructuring programmes (see Note 32)	138	321	606
Amount of provision reversed unused (see Note 32)	(111)	(140)	(71)
Impairment losses recognised	122	14	347
Other non-cash charges/(credit)	(7)	25	62
Other cash costs	179	204	234
	321	424	1,178

Provision reversals of £111 million (2021[1]: £140 million; 2020[1]: £71 million) reflected provision releases mainly related to the Separation Preparation programme. Asset impairments of £122 million and other non-cash credit of £7 million principally comprised fixed asset write-downs of manufacturing facilities and accelerated depreciation where asset lives have been shortened in the supply chain manufacturing network as a result of the Major restructuring programmes, offset by profit on disposals. 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 from continuing operations by programme was as follows:

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

2021[1]	Cash £m	Non-cash £m	Total £m
Separation Preparation programme	353	59	412
Legacy programmes	32	(20)	12
	385	39	424

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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10. Major restructuring costs continued

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

	2022 £m	2021[(1)] £m	2020[(1)] £m
Cost of sales	102	102	585
Selling, general and administration	180	277	395
Research and development	39	45	198
	321	424	1,178

11. Finance income

	2022 £m	2021[(1)] £m	2020[(1)] £m
Finance income arising from:			
Financial assets measured at amortised cost	31	11	17
Financial assets measured at fair value through profit or loss	31	2	9
Net gains arising from the forward element of forward contracts in net investment hedge relationships	12	–	5
Other finance income	2	1	1
	76	14	32

12. Finance expense

	2022 £m	2021[(1)] £m	2020[(1)] £m
Finance expense arising on:			
Financial liabilities at amortised cost	(789)	(735)	(811)
Net losses arising from:			
Financial instruments mandatorily measured at fair value through profit or loss	743	(565)	382
Retranslation of loans	(761)	565	(384)
Reclassification of hedges from other comprehensive income	(2)	(2)	(2)
Unwinding of discounts on provisions	(7)	(2)	(3)
Finance expense arising on lease liabilities	(30)	(27)	(33)
Other finance expense	(33)	(3)	(23)
	(879)	(769)	(874)

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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:

	2022 £m	2021[1] £m	2020[1] £m
Share of after-tax profits of associates	1	36	33
Share of after-tax losses of joint ventures	(3)	(3)	–
	(2)	33	33

(1) 2021 and 2020 comparatives have not been restated, as the demerged Consumer Healthcare business contained no associates or joint ventures.

Following the disposal of Innoviva, Inc in May 2021 (see details in Note 41), at 31 December 2022 and 31 December 2021 the Group held no significant individual associates. At 31 December 2020, the Group held one significant associate, Innoviva, Inc.

Summarised income statement information in respect of Innoviva until May 2021 is set out below. The Group's 2021 share of after-tax profits of associates and other comprehensive income included a profit of £33 million and other comprehensive income of £nil in respect of Innoviva.

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 at the balance sheet date. Figures for 2021 include share of Innoviva's turnover, profit and total comprehensive income until the date of the disposal.

	2021 £m	2020 £m
Turnover	108	253
Profit after taxation	106	174
Total comprehensive income	106	174

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

	2022 £m	2021 £m	2020 £m
Share of after-tax losses	(2)	–	(8)
Share of other comprehensive income/(expense)	(9)	28	53
Share of total comprehensive income/(expense)	(11)	28	45

The Group's sales to associates and joint ventures were £nil in 2022 (2021: £nil; 2020: £nil).

Please refer to the Balance sheet information on associates and joint ventures in Note 21.

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	2022 £m	2021[1] £m	2020[1] £m
UK current year charge	200	119	(45)
Rest of World current year charge	1,351	593	745
Charge/(credit) in respect of prior periods	(60)	219	11
Current taxation	1,491	931	711
Deferred taxation	(784)	(848)	(644)
	707	83	67

In 2022, GSK made corporate income tax payments globally of £1.5 billion for continuing and discontinued operations, of which £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 deferred tax credit in 2021 also reflected the impact of the remeasurement of deferred tax assets and liabilities following enactment of the increase in the headline rate of UK corporation tax from 19% to 25%.

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	2022 £m	2022 %	2021[1] £m	2021 %	2020[1] £m	2020 %
Profit before tax	5,628		3,599		5,170	
UK statutory rate of taxation	1,069	19.0	685	19.0	984	19.0
Differences in overseas taxation rates	318	5.6	302	8.4	363	7.0
Benefit of intellectual property incentives	(600)	(10.7)	(382)	(10.6)	(516)	(9.9)
R&D credits	(119)	(2.1)	(100)	(2.8)	(103)	(2.0)
Permanent differences on disposals, acquisitions and transfers	275	4.9	(3)	(0.1)	(316)	(6.1)
Other permanent differences	82	1.5	(4)	(0.1)	90	1.7
Re-assessments of prior year current tax estimates	(60)	(1.1)	219	6.1	11	0.2
Re-assessments of prior year deferred tax estimates	(233)	(4.1)	(281)	(7.8)	(283)	(5.5)
Changes in Tax Rates	(25)	(0.4)	(353)	(9.8)	(163)	(3.1)
Tax charge/tax rate	707	12.6	83	2.3	67	12.9

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 2022 were the US, Belgium, Germany 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.

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). In 2020, 'Changes in tax rates' included credits in relation to the UK, where a reduction in the corporate income tax rate from 19% to 17% was cancelled, and India, where the tax treatment of dividends changed with effect from 1 April 2020.

Permanent differences on disposals, acquisitions and transfers in 2022 includes tax on internal restructuring to simplify the group structure. The tax credit in 2020 reflected the tax impact of the disposal of Horlicks and other Consumer Healthcare brands to, and subsequent disposal of shares received in, Hindustan Unilever.

The Group's 2022 tax rate has also been influenced by updates to estimates of prior period tax liabilities following closure of open issues with tax authorities in various jurisdictions.

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

Notes to the financial statements continued

14. Taxation continued

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.

The UK Government has confirmed that the Spring Finance Bill 2023 will include legislation introducing a 15% global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework. The detail of the measures and how they are to be accounted for is still being finalised and so it is not possible to accurately quantify the impact for GSK at this stage.

Tax on items charged to equity and statement of comprehensive income	2022 £m	2021(1) £m	2020(1) £m
Current taxation			
Share-based payments	(3)	–	(14)
Defined benefit plans	–	–	(4)
Fair value movements on cash flow hedges	–	5	12
Fair value movements on equity investments	12	36	89
	9	41	83
Deferred taxation			
Share-based payments	11	(11)	18
Defined benefit plans	(211)	223	(51)
Fair value movements on cash flow hedges	(9)	3	6
Fair value movements on equity investments	(68)	(167)	131
	(277)	48	104
Total credit to equity and statement of comprehensive income	(268)	89	187

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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 2022 the Group had recognised provisions of £551 million in respect of such uncertain tax positions (2021: £858 million). The net decrease in recognised provisions during 2022 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 £157 million as at 31 December 2022 (2021: £204 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 £16 billion (2021: £15 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 £660 million (2021: £831 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 £m
At 1 January 2021	(296)	(3,982)	843	1,024	874	1,060	60	1,104	687
Exchange adjustments	17	(41)	–	6	(17)	(1)	–	–	(36)
Credit/(charge) to income statement	65	312	7	(31)	6	391	20	232	1,002
Credit/(charge) to statement of comprehensive income	–	–	–	–	(223)	–	11	164	(48)
Acquisitions/Disposals	3	–	–	–	–	–	–	(4)	(1)
R&D credits utilisation	–	–	–	–	–	–	–	58	58
At 31 December 2021	(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 held 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

Deferred tax liabilities in relation to intangible assets predominately relate to temporary differences arising as a result of historic business combinations.

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 recognised on tax losses of £1,661 million (2021: £1,450 million) relates to trading losses. Such deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses, as supported by long-range product level forecasts. Current forecasts indicate the assets will be utilised by around 2030. Other net temporary differences included accrued expenses for which a tax deduction is only available on a paid basis.

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

	2022 £m	2021 £m
Deferred tax assets	**5,658**	5,218
Deferred tax liabilities	**(289)**	(3,556)
	5,369	1,662

	2022		2021	
Unrecognised tax losses	**Tax losses £m**	**Unrecognised deferred tax asset £m**	Tax losses £m	Unrecognised deferred tax asset £m
Trading losses expiring:				
Within 10 years	**967**	**175**	1,068	198
More than 10 years	**44**	**13**	390	62
Available indefinitely	**192**	**41**	200	43
At 31 December	**1,203**	**229**	1,658	303
Capital losses expiring:				
Available indefinitely	**2,326**	**548**	2,356	557
At 31 December	**2,326**	**548**	2,356	557

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

	2022 pence	2021[1] pence	2020[1] pence
Basic earnings per share from continuing operations	110.8	82.9	122.4
Basic earnings per share from discontinued operations	260.6	26.7	22.0
Total basic earnings per share	371.4	109.6	144.4
Diluted earnings per share from continuing operations	109.2	81.8	120.9
Diluted earnings per share from discontinued operations	257.0	26.4	21.7
Total diluted earnings per share	366.2	108.2	142.6

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41) and/or the impact of Share Consolidation (see Note 37).

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 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	2022 millions	2021[2] millions	2020[2] millions
Basic	4,026	4,003	3,981
Dilution for share options and awards	58	49	49
Diluted	4,084	4,052	4,030

(2) Restated to reflect the impact share consolidation (see Note 37).

16. Dividends

	2022			2021			2020		
	Paid/payable	Dividend per share (pence)[3]	Total dividend £m	Paid	Dividend per share (pence)[3]	Total dividend £m	Paid	Dividend per share (pence)[3]	Total dividend £m
First interim	1 July 2022	17.50	704	8 July 2021	23.75	951	9 July 2020	23.75	946
Second interim	6 October 2022	16.25	654	7 October 2021	23.75	951	8 October 2020	23.75	946
Third interim	12 January 2023	13.75	555	13 January 2022	23.75	952	14 January 2021	23.75	946
Fourth interim	13 April 2023	13.75	555	7 April 2022	28.75	1,157*	8 April 2021	28.75	1,151
Total		61.25	2,468		100	4,011		100	3,989

* The estimate for the fourth interim dividend for 2021 disclosed in the 2021 annual report was £1,152 million, £5 million less than the dividend that was ultimately paid.

(3) Dividends per share were retrospectively adjusted to reflect the Share Consolidation in all the periods presented. See details in Note 37.

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 2022 financial statements recognise those dividends paid in 2022, namely the third and fourth interim dividends for 2021, and the first and second interim dividends for 2022.

The demerger of the Consumer Healthcare business 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:

	2022 £m	2021 £m	2020 £m
Cash dividends to shareholders	3,467	3,999	3,977
Dividends in specie to shareholders in Haleon plc shares (Note 41)	15,526	–	–
	18,993	3,999	3,977

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 2021	7,488	12,105	1,890	**21,483**
Exchange adjustments	(214)	(315)	(47)	**(576)**
Other additions	16	98	1,091	**1,205**
Capitalised borrowing costs	–	–	16	**16**
Disposals and write-offs	(217)	(940)	(17)	**(1,174)**
Reclassifications	202	906	(1,182)	**(74)**
Transfer to assets held for sale/distribution	(63)	(38)	(1)	**(102)**
Cost at 31 December 2021	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**
Depreciation at 1 January 2021	(3,310)	(7,140)	–	**(10,450)**
Exchange adjustments	100	191	–	**291**
Charge for the year	(267)	(715)	–	**(982)**
Disposals and write-offs	169	893	–	**1,062**
Transfer to assets held for sale/distribution	27	27	–	**54**
Depreciation at 31 December 2021	(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)**
Impairment at 1 January 2021	(280)	(551)	(26)	**(857)**
Exchange adjustments	7	10	3	**20**
Disposals and write-offs	30	76	13	**119**
Impairment losses	(21)	(54)	(37)	**(112)**
Reversal of impairments	–	5	4	**9**
Impairment at 31 December 2021	(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)
Total depreciation and impairment at 31 December 2021	(3,545)	(7,258)	(43)	**(10,846)**
Total depreciation and impairment at 31 December 2022	(3,535)	(6,941)	(42)	(10,518)
Net book value at 1 January 2021	3,898	4,414	1,864	**10,176**
Net book value at 31 December 2021	3,667	4,558	1,707	**9,932**
Net book value at 31 December 2022	3,113	4,012	1,808	**8,933**

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% (2021: 3%). 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%.

The net impairment losses have been charged to cost of sales: £11 million (2021: £46 million), R&D: £7 million (2021: £3 million) and SG&A: £55 million (2021: £54 million), and included £34 million (2021: £20 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. All of the reversals have been credited to cost of sales.

During 2022, £39 million (2021: £74 million) of computer software was reclassified from assets in construction to intangible assets on becoming ready for use.

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

18. Right of use assets

	Land and buildings £m	Plant and equipment £m	Vehicles £m	Total £m
Net book value at 1 January 2021	699	18	113	**830**
Exchange adjustments	(9)	(1)	(5)	**(15)**
Additions	152	1	62	**215**
Depreciation	(149)	(5)	(59)	**(213)**
Disposals	(53)	(4)	(13)	**(70)**
Impairments	(7)	–	–	**(7)**
Net book value at 31 December 2021	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**

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

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

Notes to the financial statements continued

19. Goodwill

	2022 £m	2021 £m
Cost at 1 January	10,552	10,597
Exchange adjustments	550	(55)
Additions through business combinations (Note 41)	1,127	–
Other movements	–	10
Transfer to assets held for sale/distribution	(5,183)	–
Cost at 31 December	7,046	10,552
Net book value at 1 January	10,552	10,597
Net book value at 31 December	7,046	10,552

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

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

In 2021, prior to changes in the Group's segment reporting (Note 6) Goodwill was allocated as follows:

	2021 £m
Pharmaceuticals	4,228
Vaccines	1,264
Consumer Healthcare	5,060
Net book value at 31 December	10,552

Goodwill of £5,183 million allocated to Consumer Healthcare was transferred to 'assets held for sale/distribution' prior to the Consumer Healthcare demerger (Note 41).

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% (2021: 6.5%), 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 arms 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
	2022		
	Commercial operations	0% p.a.	7% p.a
	R&D	0% p.a.	7% p.a
	2021		
	Pharmaceuticals	0% p.a.	7% p.a
	Vaccines	0% p.a.	7% p.a
	Consumer Healthcare	2.5% p.a.	6% 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.

GSK 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 etc. £m	Indefinite life brands £m	Total £m
Cost at 1 January 2021	2,403	20,822	18,613	**41,838**
Exchange adjustments	(15)	(207)	65	**(157)**
Capitalised development costs	–	346	–	**346**
Other additions	184	1,410	–	**1,594**
Disposals and asset write-offs	(221)	(935)	–	**(1,156)**
Transfer to assets held for sale/distribution	(1)	(6)	(43)	**(50)**
Reclassifications	74	9	(9)	**74**
Cost at 31 December 2021	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**
Amortisation at 1 January 2021	(1,322)	(7,932)	–	**(9,254)**
Exchange adjustments	13	52	–	**65**
Charge for the year	(225)	(956)	–	**(1,181)**
Disposals and asset write-offs	165	572	–	**737**
Transfer to assets held for sale	–	2	–	**2**
Amortisation at 31 December 2021	(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/distribution	254	300	–	**554**
Amortisation at 31 December 2022	(1,223)	(9,181)	–	**(10,404)**
Impairment at 1 January 2021	(28)	(2,487)	(245)	**(2,760)**
Exchange adjustments	–	5	–	**5**
Impairment losses	(93)	(362)	–	**(455)**
Reversal of impairments	–	2	37	**39**
Disposals and asset write-offs	30	362	–	**392**
Impairment at 31 December 2021	(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)**
Total amortisation and impairment at 31 December 2021	(1,460)	(10,742)	(208)	**(12,410)**
Total amortisation and impairment at 31 December 2022	(1,304)	(12,054)	–	**(13,358)**
Net book value at 1 January 2021	1,053	10,403	18,368	**29,824**
Net book value at 31 December 2021	964	10,697	18,418	**30,079**
Net book value at 31 December 2022	655	13,663	–	**14,318**

The weighted average interest rate for capitalised borrowing costs in the year was 4% (2021: 3%).

The net book value of computer software included £479 million (2021: £526 million) of internally generated costs.

The carrying value at 31 December 2022 of intangible assets, for which impairments have been charged in the year following those impairments, was £83 million (2021: £694 million). The carrying value at 31 December 2022 of intangible assets, for which impairment reversals have been charged in the year following those impairment reversals, was £776 million (2021: £104 million). No individual intangible asset accounted for a material impairment.

The patent expiry dates of the Group's most significant assets, where relevant, are set out on pages 282 to 284. Please refer to Note 2 to the Group's accounting policy and estimate of the useful life for intangible assets over the exclusivity and non-exclusivity periods.

Notes to the financial statements continued

20. Other intangible assets continued

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

	Amortisation		Net impairment losses	
	2022 £m	2021[a] £m	2022 £m	2021[a] £m
Cost of sales	663	750	2	–
Selling, general and administration	116	126	66	65
Research and development	307	212	299	373
	1,086	1,088	367	438

(a) The 2021 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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:

	2022 £m	2021 £m
Tesaro Assets	2,858	2,677
Meningitis portfolio	1,855	1,889
Momelotinib	1,499	–
Affinivax Assets	1,473	–
Dolutegravir	1,150	1,093
Benlysta	541	644
Alector Assets	509	509
iTeos Assets	443	444
Shingrix	288	268
Okairos	202	191
BMS Assets	196	219
Spero	163	–
Vir Assets	159	212
Fluarix/FluLaval	147	180
Stiefel trade name	142	151
CureVac Assets	106	164
Lamisil[a]	–	259
Others	1,932	1,797
	13,663	10,697

(a) Disposed of as part of the Consumer Healthcare demerger (Note 41).

On 1 July 2022, GSK completed the acquisition of Sierra Oncology Inc, The main asset is momelotinib.

On 15 August 2022, GSK completed the acquisition of Affinivax, Inc.

Indefinite life brands related to healthcare brands used within the Consumer Healthcare business. Indefinite life brands were disposed of as part of the Consumer Healthcare demerger (Note 41).

The Group do 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.

GSK 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	2022 Total £m	Joint ventures £m	Associates £m	2021 Total £m
At 1 January	12	76	**88**	15	349	364
Exchange adjustments	1	1	**2**	–	(15)	(15)
Additions	–	1	**1**	–	1	1
Disposals	–	–	**–**	–	(278)	(278)
Distributions received	–	(6)	**(6)**	–	(9)	(9)
Net fair value movements through Other comprehensive income	–	(9)	**(9)**	–	28	28
Impairment of interest in associates	–	–	**–**	–	(36)	(36)
Profit/(loss) after tax recognised in the consolidated income statement	(3)	1	**(2)**	(3)	36	33
At 31 December	10	64	**74**	12	76	88

On 20 May 2021, the Group agreed with Innoviva Inc to sell all of its shares in Innoviva back to Innoviva for £277 million. Following settlement of the transaction, GSK no longer held any Innoviva stock. A loss of £46 million (including £10 million of recycling of exchange differences in Innoviva) is presented in Loss on disposal of interest in associates in the 2021 Consolidated income statement. The transaction did not include any changes in Innoviva's commercial interest in royalties paid by GSK. Loss on disposal of interest in associates in 2021 also includes a £10 million gain from a disposal of another immaterial associate.

Please refer to the Income statement information on associates and joint ventures in Note 13.

22. Current equity investments

Current	Investments measured at FVTPL 2022 £m
At 1 January	–
Exchange adjustments	2
Additions	3,852
Net fair value movements through profit or loss	233
At 31 December	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 after the demerger are presented as Other operating income/expense in continuing operations. The Group's investment in Haleon plc at the end of December 2022 is held by Glaxo Group Limited (5.4%), Scottish Limited Partnerships (SLPs) which were set up to collateralise agreed additional funding for GSK's UK Defined Benefit pension schemes (7.5%) (Note 31) and the ESOP Trusts (0.6%). Net fair value movement through profit or loss of £233 million includes a fair value gain of £229 million and £4 million of other adjustments.

Notes to the financial statements continued

23. Other investments

Non-current	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	2022 £m	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	2021 £m
At 1 January	1,927	199	**2,126**	2,939	121	3,060
Exchange adjustments	75	25	**100**	5	–	5
Additions	87	63	**150**	125	52	177
Net fair value movements through Other comprehensive income	(716)	–	**(716)**	(902)	–	(902)
Net fair value movements through profit or loss	–	27	**27**	–	37	37
Disposals	(220)	–	**(220)**	(240)	(11)	(251)
At 31 December	1,153	314	**1,467**	1,927	199	2,126

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. Movements arising on the translation of overseas net assets for consolidation into the Group accounts are recorded as Exchange adjustments. Net fair value movements include the impact of other exchange gains of £134 million through Other comprehensive income and £nil through profit or loss (2021: gains of £15 million through Other comprehensive income and £2 million through profit or loss). Other investments include listed investments of £823 million (2021: £1,736 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 2022 were in Vir Biotechnology, Inc. which had a fair value at 31 December 2022 of £180 million (2021: £266 million) and Nimbus Therapeutics, LLC which had a fair value at 31 December 2022 of £139 million (2021: £32 million). The fair value of the investment in CureVac N.V., disclosed as a significant investment at 31 December 2021, was £75 million at 31 December 2022 (2021: £380 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 £220 million (2021: £240 million) were disposed of during the year. The cumulative gain on these investments after tax was £14 million (2021: £132 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).

Notes to the financial statements continued

24. Other non-current assets

	2022 £m	2021 £m
Amounts receivable under insurance contracts	857	849
Pension schemes in surplus	229	741
Other receivables	108	86
	1,194	1,676

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

Within the other receivables of £108 million (2021: £86 million), £34 million (2021: £44 million) is classified as financial assets of which £13 million (2021: £23 million) is classified as fair value through profit or loss. On the remaining balance of £21 million (2021: £21 million), the expected credit loss allowance was immaterial at 31 December 2022 and 2021.

25. Inventories

	2022 £m	2021 £m
Raw materials and consumables	1,576	1,772
Work in progress	2,286	1,889
Finished goods	1,284	2,122
	5,146	5,783

26. Trade and other receivables

	2022 £m	2021 £m
Trade receivables, net of loss allowance	5,452	6,246
Accrued income	19	12
Prepayments	343	315
Interest receivable	2	3
Employee loans and advances	11	18
Other receivables	1,226	1,266
	7,053	7,860

There were no trade or other receivable balances (2021: £nil) due from associates and joint ventures. The most significant component of other receivables comprises receivables for taxes other than corporate income tax. Other significant balances within other receivables are royalties receivable and amounts receivable from collaboration partners.

Loss allowance - trade receivables	2022 £m	2021 £m
At 1 January	150	151
Exchange adjustments	9	(3)
Charge for the year	35	52
Transfer to assets held for sale	(60)	–
Subsequent recoveries of amounts provided for	(19)	(39)
Utilised	(24)	(11)
At 31 December	91	150

Of the total trade receivables balance, £58 million (2021: £86 million) is considered credit impaired, against which a £26 million (2021: £4 million) expected credit loss allowance has been applied. No amount was purchased or originated credit impaired.

Within the other receivables of £1,226 million (2021: £1,266 million), £683 million (2021: £553 million) is classified as financial assets of which £nil (2021: £nil) is classified as held at fair value through profit or loss. At 31 December 2022 an expected credit loss allowance of £6 million (2021: £5 million) was recognised in respect of financial assets with no charge reported in profit or loss during the year.

For more discussion on credit risk practices, please refer to Note 44.

Notes to the financial statements continued

27. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	879	1,427
Short-term deposits	2,844	2,847
	3,723	4,274

During 2022 £1,421 million was transferred to assets held for sale relating to the Consumer Healthcare business that was demerged during the year (see Note 41). Cash and cash equivalents included £0.2 billion (2021: £0.2 billion) not available for general use due to restrictions applying in the subsidiaries where it is held. Restrictions include exchange controls and taxes on repatriation.

28. Assets held for sale

	2022 £m	2021 £m
Property, plant and equipment	83	22
Other	15	–
	98	22

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.

In Q2 2022, the Consumer Healthcare business was classified as held for sale. Following completion of the demerger of the Consumer Healthcare business in Q3 2022, a total of £12.9 billion of net assets and liabilities were distributed/derecognised as part of the gain on the demerger.

Notes to the financial statements continued

29. Trade and other payables

	2022 £m	2021 £m
Trade payables	3,866	4,535
Wages and salaries	1,488	1,470
Social security	126	152
ViiV Healthcare put option	1,093	1,008
Other payables	418	518
Deferred income	299	307
Customer return and rebate accruals	6,627	6,322
Other accruals	2,346	3,242
	16,263	17,554

Trade and other payables included £nil (2021: £nil) due to associates and joint ventures. The Group provides limited supplier financing arrangements to certain customers. The amounts involved at 31 December 2022 were not material.

Revenue recognised in the year that was included in deferred income at 1 January 2022 was £85 million (2021: £29 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 94. At 31 December 2022, Customer return and rebate accruals included £5,717 million (2021: £5,044 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	2022 £m	2021 £m
10% increase in sales forecasts*	100	89
15% increase in sales forecasts*	149	133
10% decrease in sales forecasts*	(99)	(89)
15% decrease in sales forecast*	(149)	(134)
1% (100 basis points) increase in discount rate	(32)	(30)
1.50% (150 basis points) increase in discount rate	(48)	(45)
1% (100 basis points) decrease in discount rate	35	34
1.50% (150 basis points) decrease in discount rate	53	50
10 cent appreciation of US Dollar	66	55
15 cent appreciation of US Dollar	103	81
10 cent depreciation of US Dollar	(56)	(47)
15 cent depreciation of US Dollar	(80)	(64)
10 cent appreciation of Euro	29	26
15 cent appreciation of Euro	46	41
10 cent depreciation of Euro	(24)	(22)
15 cent depreciation of Euro	(35)	(32)

* 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 £207 million (2021: £244 million).

An explanation of the accounting for ViiV Healthcare is set out on page 71.

Notes to the financial statements continued

30. Net debt

	Listing exchange	2022 £m	2021 £m
Current assets:			
Liquid investments		67	61
Cash and cash equivalents		3,723	4,274
		3,790	4,335
Short-term borrowings:			
Commercial paper		(1,191)	(252)
Bank loans, overdrafts and other		(448)	(550)
2.850% US$ US Medium Term Note 2022	New York Stock Exchange	–	(1,483)
2.875% US$ US Medium Term Note 2022	New York Stock Exchange	–	(1,113)
0.125% € European Medium Term Note 2023	London Stock Exchange	(665)	–
0.000% € European Medium Term Note 2023	London Stock Exchange	(443)	–
0.534% US$ Medium Term Note 2023	New York Stock Exchange	(1,038)	–
Lease liabilities		(167)	(203)
		(3,952)	(3,601)
Long-term borrowings:			
2.800% US$ US Medium Term Note 2023	New York Stock Exchange	–	(926)
0.125% € Euro Medium Term Note 2023	London Stock Exchange	–	(629)
3.375% US$ US Medium Term Note 2023	New York Stock Exchange	–	(925)
0.000% US$ US Medium Term Note 2023	New York Stock Exchange	–	(204)
0.000% € Euro Medium Term Note 2023	London Stock Exchange	–	(420)
0.534% US$ US Medium Term Note 2023	New York Stock Exchange	–	(926)
3.000% US$ US Medium Term Note 2024	New York Stock Exchange	(829)	(739)
1.375% € Euro Medium Term Note 2024	London Stock Exchange	(884)	(836)
4.000% € Euro Medium Term Note 2025	London Stock Exchange	(663)	(627)
3.625% US$ US Medium Term Note 2025	New York Stock Exchange	(827)	(738)
1.000% € Euro Medium Term Note 2026	London Stock Exchange	(620)	(587)
1.250% € Euro Medium Term Note 2026	London Stock Exchange	(885)	(838)
3.000% € Euro Medium Term Note 2027	London Stock Exchange	(442)	–
3.375% £ Euro Medium Term Note 2027	London Stock Exchange	(306)	(595)
3.875% US$ US Medium Term Note 2028	New York Stock Exchange	(1,450)	(1,294)
1.250% £ Euro Medium Term Note 2028	London Stock Exchange	(744)	(743)
3.375% US$ US Medium Term Note 2029	New York Stock Exchange	(822)	(733)
1.375% € Euro Medium Term Note 2029	London Stock Exchange	(441)	(418)
1.750% € Euro Medium Term Note 2030	London Stock Exchange	(663)	(628)
3.125% € Euro Medium Term Note 2032	London Stock Exchange	(616)	–
5.250% £ Euro Medium Term Note 2033(1)	London Stock Exchange	(640)	(984)
5.375% US$ US Medium Term Note 2034	London Stock Exchange	(412)	(368)
1.625% £ Euro Medium Term Note 2035	London Stock Exchange	(744)	(744)
6.375% US$ US Medium Term Note 2038	New York Stock Exchange	(2,264)	(2,022)
6.375% £ Euro Medium Term Note 2039(1)	London Stock Exchange	(695)	(695)
5.250% £ Euro Medium Term Note 2042	London Stock Exchange	(472)	(987)
4.200% US$ US Medium Term Note 2043	New York Stock Exchange	(408)	(364)
4.250% £ Euro Medium Term Note 2045	London Stock Exchange	(366)	(789)
Other long-term borrowings		(1)	(1)
Lease liabilities		(841)	(812)
		(17,035)	(20,572)
Net debt		(17,197)	(19,838)

(1) Partially purchased and cancelled on 13 February 2023.

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 2022, they included US Treasury Notes and other government bonds. The effective interest rate on liquid investments at 31 December 2022 was approximately 0.1% (2021: approximately 0.1%). Liquid investment balances at 31 December 2022 earning interest at floating rates amount to £67 million (2021: £2 million). Liquid investment balances at 31 December 2022 earning interest at fixed rates amount to £nil (2021: £59 million).

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 2022 was approximately 3.1% (2021: approximately 0.6%). Cash and cash equivalents at 31 December 2022 earning interest at floating and fixed rates amounted to £3,441 million and £10 million respectively (2021: £3,906 million and £39 million) and non-interest bearing holdings amounted to £272 million (2021: £329 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 (£8.3 billion) US commercial paper programme, of which $900 million (£748 million) was in issue at 31 December 2022 (2021: $nil). GSK has a £5 billion Euro commercial paper programme, of which €500 million (£443 million) was in issue at 31 December 2022 (2021: €300 million (£252 million)). In February 2022 GSK cancelled the £1.9 billion three year and $2.5 billion (£2.1 billion) 364 day committed facilities and replaced them with new revolving credit facilities of equivalent size with maturities in September 2025 and September 2023 respectively. Post separation of the Consumer Healthcare business these facilities were reduced to £1.6 billion and $2.2 billion (£1.8 billion) respectively.

The weighted average interest rate on commercial paper borrowings at 31 December 2022 was 3.5% (2021: -0.5%).

The weighted average interest rate on current bank loans and overdrafts at 31 December 2022 was 7.8% (2021: 7.9%).

The average effective pre-swap interest rate of notes classified as short-term at 31 December 2022 was 0.4% (2021: 3.0%).

Long-term borrowings

At the year-end, GSK had long-term borrowings of £17.0 billion (2021: £20.6 billion), of which £11.1 billion (2021: £11.7 billion) fell due in more than five years.

During 2022, three bonds were repaid earlier than original maturity, those being the 2.800% US$ US Medium Term Note 2023, the 3.375% US$ US Medium Term Note 2023 and the 0.000% US$ US Medium Term Note 2023. Also, during 2022 GSK undertook a tender on outstanding Sterling Notes, repaying face values of £292 million on the 3.375% £ Euro Medium Term Note 2027, £350 million on the 5.250% £ Euro Medium Term Note 2033, £522 million on the 5.250% £ Euro Medium Term Note 2042 and £429 million on the 4.250% £ Euro Medium Term Note 2045.

The average effective pre-swap interest rate of all notes in issue at 31 December 2022 was approximately 3.5% (2021: approximately 3.3%).

Long-term borrowings repayable after five years carry interest at effective rates between 1.4% and 6.4%, with repayment dates ranging from 2027 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 $56 million (£47 million), (2021: $56 million (£42 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:

	2022 £m	2021 £m
Rental payments due within one year	167	203
Rental payments due between one and two years	201	185
Rental payments due between two and three years	127	120
Rental payments due between three and four years	97	93
Rental payments due between four and five years	80	73
Rental payments due after five years	336	341
Total lease liabilities	1,008	1,015

Notes to the financial statements continued

31. Pensions and other post-employment benefits

Pension and other post-employment costs	2022 £m	2021[(a)] £m	2020[(a)] £m
UK pension schemes	114	185	239
US pension schemes	48	40	58
Other overseas pension schemes	154	153	170
Unfunded post-retirement healthcare schemes	53	37	(1)
	369	415	466
Analysed as:			
Funded defined benefit/hybrid pension schemes	152	231	318
Unfunded defined benefit pension schemes	31	23	30
Unfunded post-retirement healthcare schemes	53	37	(1)
Defined benefit schemes	236	291	347
Defined contribution pension schemes	133	124	119
	369	415	466

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

	2022 £m	2021[(a)] £m	2020[(a)] £m
Cost of sales	104	106	128
Selling, general and administration	90	136	167
Research and development	42	49	52
	236	291	347

(a) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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 Gilts. 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 2021 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 2042 for an individual then at the age of 60 is as follows:

	UK		US	
	Male Years	Female Years	Male Years	Female Years
Current	27.3	28.2	27.3	28.6
Projected for 2042	28.5	29.5	28.8	30.1

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 2022, the value of the insurance contract was £402 million (2021: £570 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.

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.

Following a period of consultation with impacted employees, it was announced on 17 December 2020 that the UK defined benefit plans would be closed to future accrual effective from 31 March 2022. As a result, post closure the accrued benefits of active participants will be 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. In addition, all defined benefit plan participants who were still active at 1 April 2022 received a defined pension contribution of £10,000 each. The effect of closure and the defined contribution enhancement together resulted in a one-off cost of £74 million in 2020. As announced, the plan was closed to new entrants at 31 March 2022. From 1 April 2022, former defined benefits plans employees were transferred to the defined contribution plans.

It was announced on 9 September 2020 that the US cash balance pension plans would be closed to future accrual from 1 January 2021. This change resulted in a credit of £56 million. On 1 June 2020 and 9 September 2020, two amendments were made to the retiree healthcare plans in the US resulting in a credit of £55 million.

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

	UK			US			Rest of World		
	2022 % pa	2021 % pa	2020 % pa	**2022 % pa**	2021 % pa	2020 % pa	**2022 % pa**	2021 % pa	2020 % pa
Rate of increase of future earnings	**n/a**	2.00	2.00	**n/a**	n/a	n/a	**3.40**	2.90	2.60
Discount rate	**4.80**	2.00	1.40	**5.30**	2.70	2.30	**3.40**	1.10	0.60
Expected pension increases	**3.10**	3.20	2.80	**n/a**	n/a	n/a	**2.40**	2.30	2.10
Cash balance credit/conversion rate	**n/a**	n/a	n/a	**3.90**	2.00	1.90	**0.80**	0.20	0.10
Inflation rate	**3.10**	3.20	2.80	**2.50**	2.25	2.00	**2.30**	1.90	1.30

Sensitivity analysis detailing the effect of changes in assumptions is provided on page 228. 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 2022 in relation to the defined benefit pension and post-retirement healthcare schemes were as follows:

2022	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	13	7	126	146	22
Past service cost	6	–	–	6	–
Net interest 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)]	(1,169)	36	261	(872)	228

2021[(2)]	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits 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	572	98	186	856	68

2020[(2)]	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	58	72	125	255	22
Past service cost/(credit)	93	(49)	1	45	(53)
Net interest (income)/cost	3	23	8	34	36
Gains from settlements	–	12	(7)	5	(6)
Expenses	9	–	–	9	–
	163	58	127	348	(1)
Remeasurement losses recorded in the statement of comprehensive income	51	(96)	(45)	(90)	(73)

The amounts included within past service costs in the UK included £6 million (2021[(2)]: £26 million; 2020[(2)]: £23 million) of augmentation costs which arose from Major restructuring programmes, together with a charge of £nil (2021: £nil; 2020[(2)]: £70 million) in relation to the impact of the closure of the defined benefit schemes to future accrual.

In 2020, the past service credit of £49 million in the US reflected the closure of the cash balance pension plans from 1 January 2021. Amendments to the retiree healthcare plan in the US in 2020[(2)] resulted in a credit of £53 million to past service costs in post-retirement benefits in 2020.

(1) These numbers do not include remeasurement gains/(losses) related to the demerged Consumer Healthcare business.

(2) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

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:

	2022 £m	2021 £m	2020 £m
Recognised in Other non-current assets:			
Pension schemes in surplus	229	741	183
Recognised in Pensions and other post-employment benefits:			
Pension schemes in deficit	(1,585)	(1,870)	(2,287)
Post-retirement benefits	(994)	(1,243)	(1,363)
	(2,579)	(3,113)	(3,650)

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 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)

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 £211 million (2021: £350 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 £2,376 million at 31 December 2022 (2021: £513 million; 2020: £650 million) is deducted within 'Other assets'.

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

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

At 31 December 2020		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	2,686	539	686	3,911
	– unlisted	–	–	5	5
Multi-asset funds		2,075	–	–	2,075
Property:	– listed	–	–	57	57
	– unlisted	447	136	2	585
Corporate bonds:	– listed	1,113	1,066	154	2,333
	– unlisted	–	–	20	20
Government bonds:	– listed	6,055	758	999	7,812
Insurance contracts		1,409	–	988	2,397
Other (liabilities)/assets		(203)	136	78	11
Fair value of assets		13,582	2,635	2,989	19,206
Present value of scheme obligations		(13,858)	(3,445)	(4,007)	(21,310)
Net surplus/(obligation)		(276)	(810)	(1,018)	(2,104)
Included in Other non-current assets		77	–	106	183
Included in Pensions and other post-employment benefits		(353)	(810)	(1,124)	(2,287)
		(276)	(810)	(1,018)	(2,104)
Actual return on plan assets		1,092	159	177	1,428

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

Movements in fair values of assets	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Assets at 1 January 2020	12,981	2,789	2,662	18,432	–
Exchange adjustments	–	(86)	138	52	–
Interest income	256	87	29	372	–
Expenses	(9)	(12)	–	(21)	–
Settlements and curtailments	–	–	(20)	(20)	–
Remeasurement	836	72	148	1,056	–
Employer contributions	156	33	124	313	105
Scheme participants' contributions	3	–	18	21	18
Benefits paid	(641)	(248)	(110)	(999)	(123)
Assets at 31 December 2020	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	–

In connection with the demerger of Consumer Healthcare, the 31 December 2020 pension scheme valuations identified cash funding or technical provisions deficits in three GSK UK Pension Schemes.

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. The SLPs together hold shares representing 7.5% of the total issued share capital of Haleon.

Each pension scheme, through its SLP interest, is entitled to receive a distribution from that SLP in an amount equal to the net proceeds of sales of Haleon shares, and to receive dividend income on the Haleon shares until it has received an aggregate amount equal to an agreed threshold ("Proceeds Threshold"). The Proceeds Thresholds total £1,080 million (as increased by notional interest on the remaining balance from time to time), and payment of this amount would fully fund the cash funding or "technical provisions" deficits in the three pension schemes shown by the 31 December 2020 valuations. Once the applicable Proceeds Threshold has been reached the GSK-controlled General Partner of each SLP is entitled to sell the remaining Haleon shares held by the SLP and distribute the proceeds to GSK. If a pension scheme does not receive aggregate cash equal to the applicable Proceeds Threshold within 18 months after separation, then the trustee of that pension scheme will have the ability to require the SLP to instruct a broker to liquidate any remaining Haleon shares on behalf of the SLP in accordance with an agreed mandate.

During 2022, the Group made additional funding contributions to the UK pension schemes of £691 million (2021: £44 million; 2020: £76 million) but no additional funding (2021: £nil; 2020: £nil) to the US schemes.

As at 31 December 2022, total cash contributions totalling £735 million were made towards the Proceeds Thresholds leaving a principal amount of £345 million outstanding to the UK pension schemes. The cash contributions of £735 million include voluntary cash contributions made by GSK in Q4 2022 to two of the UK defined benefit pension schemes totalling £334 million in response to the market volatility in the UK gilt markets.

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

The outstanding accelerated contributions were collateralised by the creation of three Scottish Limited Partnerships (SLPs), into which GSK inserted a total of 692,593,037 Haleon ordinary shares across the three 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) has an interest in one of the SLPs as shown below:

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
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
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

Under each of the SLP partnership agreements, the limited partners have no involvement in the management of the business and shall not take any part in the control of SLP. The general partner (in all cases, controlled by GSK plc) is responsible for the management and control of each SLP and, as such, each SLP is consolidated into the results of the Group. Each SLP therefore takes advantage of the exemption in Regulation 7 of The Partnership (Accounts) Regulations 2008 Act to not prepare and deliver audited accounts to the UK registrar.

Under the SLP partnership agreement, distributions will be made from partnership income to the defined benefit pension schemes if equivalent payments have not already been made to the three defined benefit pension schemes by another GSK entity. To date, £735 million has been paid to the defined benefit pension schemes by GSK under this structure and once contributions under this structure reach £1,080 million, the defined benefit pension schemes interests' in the SLPs ends. The remaining economic interest in the SLPs will be held by GSK LP Ltd, a 100% owned subsidiary of GSK plc. At 31 December 2022, £345 million of these additional contributions remains to be paid.

Employer contributions for 2023, excluding special funding contributions stated above, are estimated to be approximately £350 million in respect of defined benefit pension schemes and £100 million in respect of 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 2020	(13,293)	(3,506)	(3,554)	**(20,353)**	**(1,418)**
Exchange adjustments	–	118	(188)	**(70)**	**36**
Disposals	–	–	–	**–**	**9**
Service cost	(61)	(83)	(147)	**(291)**	**(36)**
Past service cost	(98)	56	(1)	**(43)**	**55**
Interest cost	(259)	(110)	(39)	**(408)**	**(39)**
Settlements and curtailments	–	–	38	**38**	**7**
Remeasurement	(785)	(168)	(208)	**(1,161)**	**(82)**
Scheme participants' contributions	(3)	–	(18)	**(21)**	**(18)**
Benefits paid	641	248	110	**999**	**123**
Obligations at 31 December 2020	(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 at 31 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)**

Notes to the financial statements continued

31. Pensions and other post-employment benefits continued

The defined benefit pension obligation is analysed as follows:

	2022 £m	2021 £m	2020 £m
Funded	(13,887)	(19,419)	(20,504)
Unfunded	(613)	(772)	(806)
	(14,500)	(20,191)	(21,310)

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 7% (2021: 6.25%) in 2022, grading down to 5% in 2031 and thereafter. At 31 December 2022, the US post-retirement healthcare scheme obligation was £870 million (2021: £1,059 million; 2020: £1,124 million). Post-retirement benefits are unfunded.

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

	2022 £m	2021 £m	2020 £m
At 1 January	(1,129)	(2,104)	(1,921)
Exchange adjustments	(87)	65	(18)
Service cost	(146)	(216)	(291)
Past service cost	(6)	(5)	(43)
Interest cost	(18)	(27)	(36)
Settlements and curtailments	21	10	18
Remeasurements:			
Return on plan assets, excluding amounts included in interest	(5,883)	424	1,056
(Loss)/gain from change in demographic assumptions	92	(62)	69
Gain/(loss) from change in financial assumptions	5,868	716	(1,340)
Experience (loss)/gain	(949)	(215)	110
Employer contributions	919	312	313
Transfer to assets held for sale/distribution	(3)	–	–
Expenses	(35)	(27)	(21)
At 31 December	(1,356)	(1,129)	(2,104)

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

	2022 £m	2021 £m	2020 £m
Gain from change in demographic assumptions	21	19	7
Gain/(loss) from change in financial assumptions	219	35	(93)
Experience gains	(12)	24	4
	228	78	(82)

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

	2022 £m	2021[(1)] £m	2020[(1)] £m
Active	1,390	4,196	4,660
Retired	8,540	11,115	11,257
Deferred	4,570	4,880	5,393
	14,500	20,191	21,310

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

	2022 £m	2021[(1)] £m	2020[(1)] £m
Active	306	494	551
Retired	688	748	808
Deferred	–	1	4
	994	1,243	1,363

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

	2022 years	2021 years	2020 years
Pension benefits	12	15	16
Post-retirement benefits	10	12	12

(1) Membership numbers are not restated as the disclosure relates to the post-retirement benefit obligations.

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31. Pensions and other post-employment benefits continued

Sensitivity analysis

The effect of changes in assumptions used on the benefit obligations and on the 2023 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	(19)	19
Increase/(decrease) in annual post-retirement benefits cost	1	(1)
(Decrease)/increase in pension obligation	(400)	424
(Decrease)/increase in post-retirement benefits obligation	(21)	21
	0.75% increase £m	**0.75% decrease £m**
(Decrease)/increase in annual pension cost	(60)	52
Increase/(decrease) in annual post-retirement benefits cost	2	(3)
(Decrease)/increase in pension obligation	(1,147)	1,341
(Decrease)/increase in post-retirement benefits obligation	(61)	70

	0.25% increase £m	0.25% decrease £m
Inflation rate		
Increase/(decrease) in annual pension cost	17	(15)
Increase/(decrease) in pension obligation	301	(290)
	0.75% increase £m	**0.75% decrease £m**
Increase/(decrease) in annual pension cost	50	(43)
Increase/(decrease) in pension obligation	945	(827)

	1 year increase £m
Life expectancy	
Increase in annual pension cost	22
Increase in annual post-retirement benefits cost	2
Increase in pension obligation	432
Increase in post-retirement benefits obligation	34

	1% increase £m
Rate of future healthcare inflation	
Increase in annual post-retirement benefits cost	1
Increase in post-retirement benefits obligation	25

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 2022	196	652	322	301	**1,471**
Exchange adjustments	28	21	16	20	**85**
Charge for the year	145	144	125	141	**555**
Reversed unused	(12)	(131)	(40)	(78)	**(261)**
Unwinding of discount	3	1	–	–	**4**
Utilised	(126)	(277)	(91)	(45)	**(539)**
Transfer to assets held for sale/distribution	(16)	(60)	(22)	(21)	**(119)**
Additions through business combinations	–	15	–	8	**23**
Reclassifications and other movements	–	(8)	(1)	(20)	**(29)**
Transfer to Pension obligations	–	(6)	–	–	**(6)**
At 31 December 2022	218	351	309	306	**1,184**
To be settled within one year	190	259	75	128	**652**
To be settled after one year	28	92	234	178	**532**
At 31 December 2022	218	351	309	306	**1,184**

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 £133 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 £3 million in 2022 (2021: £nil). 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. 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 £190 million of the amount provided at 31 December 2022 will be settled within one year. At 31 December 2022, it was expected that £nil (2021: £4 million) of the provision made for legal and other disputes will be reimbursed by third parties. For a discussion of legal issues, See Note 47, 'Legal proceedings'.

Major restructuring programmes

During 2022, the Group had two major restructuring programmes in progress: the Separation Preparation programme which focused on preparing for the separation of GSK into two new companies and 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 £1 million in 2022 (2021: increased by £2 million).

Pension augmentation includes £6 million relating to the defined benefit plan arising from staff redundancies, as shown in Note 30, 'Pensions and other post-employment benefits'.

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Employee related provisions

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

At 31 December 2022, the provision for these benefits amounted to £66 million (2021: £69 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 2020	5,103	–	339	37	**5,479**
Remeasurement through income statement	1,114	–	161	–	**1,275**
Cash payments: operating cash flows	(751)	–	(14)	–	**(765)**
Cash payments: investing activities	(107)	–	(9)	(4)	**(120)**
At 31 December 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**

Of the contingent consideration payable at 31 December 2022, £1,289 million (2021: £958 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% (2021: 8%), the Affinivax contingent consideration liability is discounted at 9.9% and the Novartis Vaccines contingent consideration liability is discounted at 7.5% (2021: 7.5%) for commercialised products and at 8.5% (2021: 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 pediatric clinical development milestones are achieved.

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.

	2022			2021	
Increase/(decrease) in financial liability and loss/(gain) in Income statement	**Shionogi-ViiV Healthcare £m**	**Affinivax £m**	**Novartis Vaccines £m**	Shionogi-ViiV Healthcare £m	Novartis Vaccines £m
10% increase in sales forecasts*	**556**	**n/a**	**103**	506	61
15% increase in sales forecasts*	**834**	**n/a**	**154**	759	92
10% decrease in sales forecasts*	**(555)**	**n/a**	**(103)**	(506)	(57)
15% decrease in sales forecasts*	**(833)**	**n/a**	**(153)**	(759)	(79)
1% increase in discount rate	**(199)**	**(7)**	**(55)**	(198)	(38)
1.5% increase in discount rate	**(292)**	**(10)**	**(80)**	(286)	(55)
1% decrease in discount rate	**214**	**7**	**65**	213	45
1.5% decrease in discount rate	**328**	**11**	**101**	319	70
10 cent appreciation of US Dollar	**411**	**45**	**22**	343	4
15 cent appreciation of US Dollar	**645**	**71**	**36**	495	10
10 cent depreciation of US Dollar	**(347)**	**(38)**	**(19)**	(299)	(2)
15 cent depreciation of US Dollar	**(501)**	**(56)**	**(27)**	(398)	(3)
10 cent appreciation of Euro	**109**	**n/a**	**23**	102	19
15 cent appreciation of Euro	**171**	**n/a**	**36**	160	30
10 cent depreciation of Euro	**(91)**	**n/a**	**(19)**	(85)	(16)
15 cent depreciation of Euro	**(130)**	**n/a**	**(28)**	(124)	(23)
10% increase in probability of milestone success	**n/a**	**82**	**20**	n/a	17
10% decrease in probability of milestone success	**n/a**	**(82)**	**(10)**	n/a	(8)

* 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 71.

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34. Other non-current liabilities

	2022 £m	2021 £m
Accruals	11	13
Deferred income	83	85
Other payables	805	823
	899	921

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

35. Contingent liabilities

At 31 December 2022, 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 £58 million (2021: £126 million). At 31 December 2022, £0.5 million (2021: £0.2 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'.

36. Commitments

Contractual obligations and commitments	2022 £m	2021 £m
Contracted for but not provided in the financial statements:		
Intangible assets	10,659	12,082
Property, plant and equipment	743	616
Investments	138	146
Purchase commitments	161	484
Pensions and post-retirement benefits	345	44
Interest on loans	6,322	7,603
Future finance charges on leases	146	153
Lease contracts that have not yet commenced	395	60
	18,909	21,188

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 are not risk-adjusted or discounted. The net decrease in intangible asset commitments in 2022 is mainly attributable to the termination of certain agreements, offset by a number of new R&D collaborations including collaborations with Spero Therapeutics, Inc., Wuxi Biologics Ireland Limited, SpringWorks Therapeutics, Inc. and Arrowhead Pharmaceuticals, Inc.

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 (see Note 31). At 31 December 2022, £345 million of these additional contributions remained unpaid.

The Group also has other commitments which principally relate to revenue payments to be made under licences and other alliances.

Commitments in respect of future interest payable on loans are disclosed before taking into account the effect of interest rate swaps.

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 share 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.

	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 2020	5,383,102,231	1,346	3,174
Issued under employee share schemes	2,087,386	–	29
Ordinary shares acquired by ESOP Trusts	–	–	78
At 31 December 2020	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

At 31 December 2022, of the issued share capital, 59,878,735 shares were held in the ESOP Trusts, 217,124,760 shares were held as Treasury shares and 4,034,339,846 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 £5,811 million at 31 December 2022 (2021: £10,407 million; 2020: £9,960 million) of which £463 million (2021: £476 million; 2020: £440 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 2020	(524)	(1)	(127)	**(652)**
Exchange movements on overseas net assets and net investment hedges	(51)	(8)	(34)	**(93)**
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	36	–	–	**36**
At 31 December 2020	(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[(a)]	263	–	112	**375**
At 31 December 2022	(429)	(5)	97	**(531)**

(a) Includes £(554) million reclassification to the Consolidated income statement of exchange movements related to the demerger of the Consumer Healthcare business.

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38. Movements in equity continued

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

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)

2020	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	(51)	(8)	–	(59)
Reclassification of exchange movements on liquidation or disposal of subsidiaries and associates	36	–	–	36
Fair value movements on cash flow hedges	–	(19)	–	(19)
Tax on fair value movements on cash flow hedges	–	(18)	–	(18)
Reclassification of cash flow hedges to income statement	–	54	–	54
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(34)	(34)
Fair value movements on equity investments	–	1,348	–	1,348
Tax on fair value movements on equity investments	–	(220)	–	(220)
Remeasurement gains on defined benefit plans	(187)	–	–	(187)
Tax on remeasurement defined benefit plans	69	–	–	69
Other comprehensive (expense)/income for the year	(133)	1,137	(34)	970

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

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38. Movements in equity continued

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 2020	(135)	409	(48)	2,129	**2,355**
Exchange adjustments	20	–	–	–	**20**
Transferred to retained earnings in the year on disposal of equity investments	–	(207)	–	–	**(207)**
Net fair value movement in the year	–	1,100	17	–	**1,117**
Ordinary shares acquired by ESOP Trusts	(609)	–	–	–	**(609)**
Write-down of shares held by ESOP Trusts	529	–	–	–	**529**
At 31 December 2020	(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**

Other reserves include various non-distributable merger and pre-merger reserves amounting to £1,849 million at 31 December 2022 (2021: £1,849 million; 2020: £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 2022 (2021: £280 million; 2020: £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:

	2022 £m	2021 £m	2020 £m
Turnover	**5,619**	4,637	4,848
Profit after taxation	**1,528**	1,087	762
Other comprehensive income/(expense)	**94**	(17)	33
Total comprehensive income	**1,622**	1,070	795

	2022 £m	2021 £m
Non-current assets	**2,716**	2,796
Current assets	**3,354**	2,711
Total assets	**6,070**	5,507
Current liabilities	**(3,762)**	(3,121)
Non-current liabilities	**(8,983)**	(8,472)
Total liabilities	**(12,745)**	(11,593)
Net liabilities	**(6,675)**	(6,086)

	2022 £m	2021 £m	2020 £m
Net cash inflow from operating activities	**3,442**	2,128	2,249
Net cash outflow from investing activities	**(174)**	(287)	(294)
Net cash outflow from financing activities	**(2,718)**	(1,608)	(2,483)
Increase/(decrease) in cash and bank overdrafts in the year	**550**	233	(528)

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39. Non-controlling interests continued

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 £1,528 million (2021: £1,087 million; 2020: £762 million) is stated after charging preferential dividends payable to GSK and Pfizer and after a charge of £1,483 million (2021: £1,218 million; 2020: £1,112 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:

	2022 £m	2021 £m	2020 £m
Share of profit for the year attributable to non-controlling interest	415	196	223
Dividends paid to non-controlling interest	480	224	419
Non-controlling interest in the Consolidated balance sheet	(611)	(570)	(539)

Consumer Healthcare Joint Venture

GSK held 68% of the Consumer Healthcare sub-group until the demerger on 18 July 2022 (see details in Note 41), giving rise to a material non-controlling interest. Summarised financial information in respect of the Consumer Healthcare sub-group at 31 December 2021 is as follows:

	2021 £m
Non-current assets	29,200
Current assets	5,251
Total assets	34,451
Current liabilities	(4,238)
Non-current liabilities	(3,733)
Total liabilities	(7,971)
Net assets	26,480

The above financial information relates to the former Consumer Healthcare Joint Venture on a stand-alone basis, before the impact of Group-related adjustments and the classification of cash pooling accounts with Group companies outside the Consumer Healthcare Joint Venture but after Major restructuring charges.

The following amounts attributable to the Consumer Healthcare Joint Venture were included in GSK's financial statements in prior years:

	2021 £m	2020 £m
Non-controlling interest in the Consolidated balance sheet	6,609	6,538

40. Related party transactions

At 31 December 2022, there were no loans due to GSK from related parties (2021: £4.6 million was due from Medicxi Ventures I LP). Cash distributions were received from investment in Medicxi Ventures I LP of £6.0 million (2021: Medicxi Ventures I LP of £5.5 million, Longwood Founders Fund, LP of £3.0 million and Apollo Therapeutics LLP of £0.1 million).

As part of the joint venture agreement with Qura Therapeutics LLC, the Group has an obligation to fund the joint venture up to April 2025, with both GSK and its joint venture partner committing financial support in the amount of £21.6 million. At December 2022, the outstanding liability due to Qura was £8.3 million (2021: £10.7 million).

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'.

41. Acquisitions and disposals

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

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 are provisional and are subject to change. The total transaction costs were £71 million.

Since acquisition, no sales arising from the Sierra Oncology or Affinivax businesses have been 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 is impracticable to quantify these development costs or the impact on Total profit after taxation for the period.

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), to be 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% remains held by GSK (including shares received by GSK's consolidated ESOP trusts) and 7.5% remains 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). 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. Pfizer continued to hold 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 £11.0 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

Notes to the financial statements continued

41. Acquisitions and disposals continued

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 below 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 will be 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.

Total results	2022 £m	2021 £m	2020 £m
Turnover	5,581	9,418	9,745
Expense	(4,730)	(7,575)	(7,947)
Profit before tax	851	1,843	1,798
Taxation	(235)	(263)	(513)
Tax rate %	27.6%	14.3%	28.5%
(Loss)/profit after taxation from discontinued operations: Consumer Healthcare	616	1,580	1,285
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	1,285
Non-controlling interest in discontinued operations	205	511	409
Earnings attributable to shareholders from discontinued operations	10,495	1,069	876
Earnings per share from discontinued operations	260.6p	26.7p	22.0p

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

2020

Business acquisitions

GSK completed one smaller business acquisition when it acquired 55% of Pfizer Biotech Corporation Taiwan, a part of Pfizer's consumer healthcare business, which was not previously recognised as part of the Consumer Healthcare Joint Venture, on 28 September 2020 for non cash consideration of £129 million. This represented goodwill of £124 million, cash of £21 million and other assets acquired of £18 million less non-controlling interest of £14 million and net liabilities of £20 million.

	Total £m
Net assets acquired:	
Intangible assets	2
Property, plant and equipment	5
Inventory	5
Trade and other receivables	6
Cash and cash equivalents	21
Trade and other payables	(20)
	19
Non-controlling interest	(14)
Goodwill	124
	129
Non-cash consideration (settlement of a promissory note)	129
Total consideration	129

Business disposals

On 1 April 2020, GSK completed its divestment of Horlicks and other Consumer Healthcare nutrition products in India and a number of other countries (excluding Bangladesh) to Unilever and the merger of GSK's Indian listed Consumer Healthcare entity with Hindustan Unilever, an Indian listed public company. GSK received a 5.7% equity stake in Hindustan Unilever and £395 million in cash. GSK disposed of its equity stake in Hindustan Unilever during May 2020.

The divestment in Bangladesh closed on 30 June 2020. Total cash consideration received was £177 million.

The cash divested as part of the disposal of the India and Bangladesh Consumer Healthcare entities was £478 million.

Notes to the financial statements continued

41. Acquisitions and disposals continued

The profit on the disposal of the businesses in the year of £2,795 million was calculated as follows:

	Horlicks divestment £m	Other[1] £m	Total £m
Consideration:			
Cash consideration receivable including currency forwards and purchase adjustments	492	157	649
Equity investment in Hindustan Unilever Limited	3,124	–	3,124
Total	3,616	157	3,773
Net assets disposed:			
Goodwill	142	1	143
Intangible assets	15	103	118
Property, plant and equipment	56	12	68
Inventory	–	6	6
Cash and cash equivalents	478	3	481
Other net (liabilities)/assets	(155)	1	(154)
Total	536	126	662
Costs:			
Transaction costs	12	28	40
Derivative	240	–	240
Reclassification of exchange from other comprehensive income	36	–	36
Total	288	28	316
Gain on disposals	2,792	3	2,795

The exposure to share price movements embedded in the agreement to merge GSK's Indian listed Consumer Healthcare entity with Hindustan Unilever Limited as part of the divestment of Horlicks and other nutrition products in India and a number of other countries was recognised as a derivative between signing of the agreement in 2018 and completion of the transaction in 2020. £240 million is recorded as a cost in the table above for the derecognition of the derivative asset. This largely reflects fair value gains recognised in the Income Statement in prior periods.

Associates and joint ventures

During the year, GSK made investments into associates of £4 million and £4 million was paid in cash.

Cash flows

	Business acquisitions £m	Business disposals £m	Associates and joint ventures investments £m
Cash consideration received/(paid)	–	786	(4)
Net deferred consideration	–	(19)	–
Transaction costs	(6)	(27)	–
Cash and cash equivalents acquired/(divested)	21	(481)	–
Cash (outflow)/inflow	15	259	(4)

(1) Other includes Consumer Healthcare disposals where the income statement impact is not restated.

Notes to the financial statements continued

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

	2022 £m	2021[1] £m	2020[1] £m
Total profit after tax from continuing operations	4,921	3,516	5,103
Tax on profits	707	83	67
Share of after-tax profits of associates and joint ventures	2	(33)	(33)
Finance expense net of finance income	803	755	842
Depreciation	1,061	1,034	1,004
Amortisation of intangible assets	1,086	1,088	1,046
Impairment and assets written off	481	529	684
Profit on sale of businesses	(36)	(47)	(2,815)
Profit on sale of intangible assets	(185)	(539)	(279)
Loss on sale of investments in associates	–	36	–
Profit on sale of equity investments	(1)	(8)	(69)
Changes in working capital:			
Decrease/(increase)in inventories	(269)	51	100
Increase in trade receivables	(158)	(780)	(279)
Increase in trade payables	494	229	132
(Increase) in other receivables	(458)	(382)	(349)
Contingent consideration paid (see Note 33)	(1,058)	(742)	(765)
Other non-cash increase in contingent consideration liabilities	1,628	1,063	1,275
Increase in other payables	(5)	1,505	885
Increase/(decrease) in pension and other provisions	(962)	(299)	428
Share-based incentive plans	346	343	337
Fair value adjustments	(283)	(31)	373
Other	(170)	(122)	(13)
Operating cash flow from continuing operations	7,944	7,249	7,674
Operating cash flow from discontinued operations	932	1,994	2,422
Total cash generated from operations	8,876	9,243	10,096

(1) The 2021 and 2020 comparatives have been restated on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business (see Note 41).

Notes to the financial statements continued

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

	2022 £m	2021 £m	2020 £m
Net debt, at beginning of year, as adjusted	**(19,838)**	(20,780)	(25,215)
Increase in cash and bank overdrafts	**(7,597)**	(2,504)	(1,579)
Increase/(decrease) in liquid investments	**(1)**	(18)	1
Increase in long-term loans	**(1,025)**	–	(3,298)
Repayment of short-term Notes	**5,074**	2,304	3,738
Repayment of/(increase in) other short-term loans	**(1,021)**	(301)	3,594
Repayment of medium term notes (MTNs)	**1,594**	–	–
Repayment of lease liabilities	**202**	181	182
Debt of subsidiary undertakings acquired	**(24)**	–	–
Exchange adjustments	**(1,531)**	314	(128)
Other non-cash movements	**(207)**	(134)	(102)
Decrease/(increase) in net debt from continuing operations	**(4,536)**	(158)	2,408
Decrease/(increase) in net debt from discontinued operations	**7,177**	1,100	2,027
Total net debt at end of year	**(17,197)**	(19,838)	(20,780)

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.

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 2021 £m	Exchange £m	Other £m	Interest expense £m	Change in fair value £m	Reclass-ifications £m	Cash flow £m	At 31 December 2021 £m
Liquid investments	78	1	–	–	–	–	(18)	**61**
Cash and cash equivalents	6,292	(29)	(1)	–	–	–	(1,988)	**4,274**
Overdrafts	(1,030)	–	–	–	–	–	574	**(456)**
	5,262	(29)	(1)	–	–	–	(1,414)	**3,818**
Debt due within one year:								
Commercial paper	(17)	8	–	–	–	–	(243)	**(252)**
European/US MTN & Bank facilities	(2,350)	1	–	–	–	(2,494)	2,247	**(2,596)**
Lease liabilities	(230)	5	7	–	–	(200)	215	**(203)**
Other	(98)	15	(2)	–	–	–	(9)	**(94)**
	(2,695)	29	5	–	–	(2,694)	2,210	**(3,145)**
Debt due after one year:								
European/US MTN & Bank facilities	(22,538)	306	–	(22)	–	2,494	–	**(19,760)**
Lease liabilities	(887)	7	(132)	–	–	200	–	**(812)**
	(23,425)	313	(132)	(22)	–	2,694	–	**(20,572)**
Net debt	(20,780)	314	(128)	(22)	–	–	778	**(19,838)**
Interest payable	(247)	–	(30)	(753)	–	–	786	**(244)**
Derivative financial instruments	(74)	–	–	–	72	–	(20)	**(22)**
Total liabilities from financing activities*	(26,441)	342	(157)	(775)	72	–	2,976	**(23,983)**

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

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

44. Financial instruments and related disclosures

The objective of GSK's Treasury activities is to minimise the post-tax 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 £17.2 billion (see Note 30, 'Net debt') and total equity, including items related to non-controlling interests, of £10.1 billion (see 'Consolidated statement of changes in equity' on page 184). Total capital, including that provided by non-controlling interests, is £27.3 billion.

The Group continues to manage its financial policies to a credit profile that particularly targets short-term credit ratings of A-1 and P-1 while maintaining single A long-term ratings consistent with those targets. The Group's long-term credit rating with Standard & Poor's is A (stable outlook) and with Moody's Investor Services ('Moody's') it 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, we sweep 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 2022, GSK had £4 billion of borrowings repayable within one year and held £3.8 billion of cash and cash equivalents and liquid investments of which £3.1 billion was held centrally.

GSK has access to short-term finance under a $10 billion (£8.3 billion) US commercial paper programme; $900 million (£748 million) was in issue at 31 December 2022 (2021: $nil). GSK has access to short-term finance under a £5 billion Euro commercial paper programme; €500 million (£443 million) was in issue at 31 December 2022 (2021: €300 million (£252 million)). In February 2022 GSK cancelled the £1.9 billion three year and $2.5 billion (£2.1 billion) 364 day committed facilities and replaced them with new revolving credit facilities of equivalent size with maturities of September 2025 and September 2023 respectively. Post separation of the Consumer Healthcare business these facilities were reduced to £1.6 billion and $2.2 billion (£1.8 billion) respectively.

These committed facilities were undrawn at 31 December 2022. GSK considers this level of committed facilities to be adequate, given current liquidity requirements.

GSK has a £20.0 billion Euro Medium Term Note programme and at 31 December 2022, £10.3 billion of notes were in issue under this programme. The Group also had $9.7 billion (£8.1 billion) of notes in issue at 31 December 2022 under a US shelf registration. GSK is currently in the process of renewing its US shelf registration statement in order to maintain access to the US debt markets. GSK's borrowings mature at dates between 2023 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.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

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.

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 2022 to be £10,180 million (31 December 2021: £11,417 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 249 for details on the Group's total financial assets. At 31 December 2022, GSK's greatest concentration of credit risk was £1.1 billion with a wholesaler in the US (2021: £0.9 billion with a wholesaler in the US). See page 247 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 257 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 2022, £60 million (2021: £54 million) of cash is categorised as held with unrated or sub-investment grade rated counterparties (lower than BBB-/Baa3) of which £nil (2021: £7 million) is cash in transit. The remaining exposure is concentrated in overseas banks used for local cash management or investment purposes, including: £23 million in Nigeria held with United Bank for Africa, Zenith Bank, Access Bank and Stanbic IBTC Bank; £14 million with Halk Bank in the UK; £6 million with Produbanco in Ecuador; £2 million with J Trust Royal Bank in Cambodia; £2 million with Banco Do Brasil in Brazil; £1 million with Banco de Honduras in Honduras; and £1 million with BAC San José in Costa Rica. Of the £49 million of bank balances and deposits held with BBB/Baa rated counterparties, £1.4 million was held with BBB-/Baa3 rated counterparties, including balances or deposits of £1 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 2022.

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.

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**

2021	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	Total £m
Bank balances and deposits	–	7	2,687	77	54	2,825
US Treasury and Treasury repo only money market funds	54	–	–	–	–	54
Liquidity funds	1,395	–	–	–	–	1,395
Government securities	–	60	–	1	–	61
Third party financial derivatives	–	–	200	–	–	200
Total	1,449	67	2,887	78	54	4,535

GSK's centrally managed cash reserves amounted to £3.1 billion at 31 December 2022, all available within three months. This includes £2.2 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% (2021: 75%) of the sales of the US Commercial Operations business in 2022.

At 31 December 2022, the Group had trade receivables due from these three wholesalers totalling £3,001 million or 55% of total trade receivables (2021: £2,430 million or 39%). 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. 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 (eg 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 2022, £332 million (2021: £315 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 249 presents the carrying amounts and the fair values of the Group's financial assets and liabilities excluding lease liabilities at 31 December 2022 and 31 December 2021.

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 and 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	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Financial assets measured at amortised cost:					
Other non-current assets	b	21	21	21	21
Trade and other receivables	b	3,789	3,789	4,830	4,830
Liquid investments		67	67	61	61
Cash and cash equivalents		1,324	1,324	2,825	2,825
Financial assets measured at fair value through other comprehensive income (FVTOCI):					
Other investments designated at FVTOCI	a	1,153	1,153	1,927	1,927
Trade and other receivables	a,b	2,327	2,327	1,943	1,943
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):					
Current equity investments and Other investments	a	4,401	4,401	199	199
Other non-current assets	a,b	13	13	23	23
Trade and other receivables	a,b	50	50	59	59
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	165	165	83	83
Cash and cash equivalents	a	2,399	2,399	1,449	1,449
Derivatives designated and effective as hedging instruments (fair value movements through Other comprehensive income)	a,d,e	25	25	123	123
Total financial assets		15,734	15,734	13,543	13,543
Financial liabilities measured at amortised cost:					
Borrowings excluding obligations under lease liabilities:					
– bonds in a designated hedging relationship	d	(6,322)	(6,035)	(4,982)	(5,311)
– other bonds		(12,017)	(11,930)	(17,373)	(20,746)
– bank loans and overdrafts		(447)	(447)	(550)	(550)
– commercial paper in a designated hedging relationship		(443)	(443)	(252)	(252)
– other commercial paper		(748)	(748)	–	–
– other borrowings		(2)	(2)	(1)	(1)
Total borrowings excluding lease liabilities	f	(19,979)	(19,605)	(23,158)	(26,860)
Trade and other payables	c	(14,065)	(14,065)	(15,431)	(15,431)
Other provisions	d	(63)	(63)	(113)	(113)
Other non-current liabilities	c	(84)	(84)	(52)	(52)
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):					
Contingent consideration liabilities	a,c	(7,068)	(7,068)	(6,076)	(6,076)
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	(77)	(77)	(171)	(171)
Derivatives designated and effective as hedging instruments (fair value movements through Other comprehensive income)	a,d,e	(106)	(106)	(57)	(57)
Total financial liabilities excluding lease liabilities		(41,442)	(41,068)	(45,058)	(48,760)
Net financial assets and financial liabilities excluding lease liabilities		(25,708)	(25,334)	(31,515)	(35,217)

The valuation methodology used to measure fair value in the above table is described and categorised on page 248.

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 251 to 252.

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Fair value of investments in GSK shares

At 31 December 2022, the Employee Share Ownership Plan (ESOP) Trusts held GSK shares with a carrying value of £354 million (2021: £28 million) and a market value of £861 million (2021: £373 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 2022, 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 2022, GSK held Treasury shares at a cost of £3,797 million (2021: £4,969 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 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)**

At 31 December 2021	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	1,736	–	191	**1,927**
Trade and other receivables	–	1,943	–	**1,943**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):				
Other investments	–	–	199	**199**
Other non-current assets	–	–	23	**23**
Trade and other receivables	–	59	–	**59**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	77	6	**83**
Cash and cash equivalents	1,449	–	–	**1,449**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	123	–	**123**
	3,185	2,202	419	**5,806**
Financial liabilities at fair value				
Financial liabilities mandatorily measured at fair value through profit or loss (FVTPL):				
Contingent consideration liabilities	–	–	(6,076)	**(6,076)**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(171)	–	**(171)**
Derivatives designated and effective as hedging instruments (fair value movements through OCI)	–	(57)	–	**(57)**
	–	(228)	(6,076)	**(6,304)**

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:

	2022 £m	2021 £m
At 1 January	(5,657)	(5,064)
Exchange adjustments	46	4
Net losses recognised in the income statement	(1,627)	(1,024)
Net gains recognised in other comprehensive income	91	185
Contingent consideration related to business acquisitions in the period	(482)	–
Settlement of contingent consideration liabilities	1,137	856
Additions	97	99
Disposals and settlements	(16)	(19)
Transfers from Level 3	–	(694)
At 31 December	(6,411)	(5,657)

Of the total net losses of £1,627 million (2021: £1,024 million) attributable to Level 3 financial instruments which were recognised in the income statement, £1,623 million (2021: £1,024 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 £1,431 million (2021: £1,026 million) arose from remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture and £231 million (2021: £32 million) 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 a further £17 million remeasurement charge arising for the period between acquisition and 31 December 2022. There were no transfers into or out of Level 3 financial instruments in the year (2021 – transfers related to equity instruments which transferred to a Level 1 valuation methodology as a result of listing on a recognised stock exchange during the year). 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 £5,890 million (2021: £5,559 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 £673 million (2021: £479 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 Group's acquisition of Affinivax in 2022, contingent consideration payable of £501 million is recognised at 31 December 2022. 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.

	2022						2021					
	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)	50	2,327	3,789	6,166	887	7,053	59	1,943	4,830	6,832	1,028	7,860
Other non-current assets (Note 24)	13	–	21	34	1,160	1,194	23	–	21	44	1,632	1,676
	63	2,327	3,810	6,200	2,047	8,247	82	1,943	4,851	6,876	2,660	9,536

Trade and other receivables include trade receivables of £5,452 million (2021: £6,246 million). The Group has portfolios in each of the three business models under IFRS 9: £50 million (2021: £59 million), measured at FVTPL, is held to sell the contractual cash flows as the receivables will be sold under a factoring arrangement, £2,327 million (2021: £1,943 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 £3,075 million (2021: £4,244 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.

	2022					2021				
	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)	–	(14,065)	(14,065)	(2,198)	(16,263)	–	(15,431)	(15,431)	(2,123)	(17,554)
Other provisions (Note 32)	–	(63)	(63)	(1,121)	(1,184)	–	(113)	(113)	(1,358)	(1,471)
Contingent consideration liabilities (Note 33)	(7,068)	–	(7,068)	–	(7,068)	(6,076)	–	(6,076)	–	(6,076)
Other non-current liabilities (Note 34)	–	(84)	(84)	(815)	(899)	–	(52)	(52)	(869)	(921)
	(7,068)	(14,212)	(21,280)	(4,134)	(25,414)	(6,076)	(15,596)	(21,672)	(4,350)	(26,022)

(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:

	2022 Fair value		2021 Fair value	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Non-current				
Cash flow hedges – Interest rate swap contracts (principal amount – £nil (2021: £1,996 million))	–	–	12	(1)
Current				
Cash flow hedges – Foreign exchange contracts (principal amount – £167 million (2021: £160 million))	5	–	–	(3)
Net investment hedges – Foreign exchange contracts (principal amount – £7,197 million (2021: £5,469 million))	20	(106)	111	(53)
Derivatives designated and effective as hedging instruments	25	(106)	123	(57)
Non-current				
Embedded and other derivatives	–	–	6	–
Current				
Foreign exchange contracts (principal amount – £5,908 million (2021: £9,728 million))	163	(76)	77	(169)
Embedded and other derivatives	2	(1)	–	(2)
Derivatives classified as held for trading	165	(77)	83	(171)
Total derivative instruments	190	(183)	206	(228)

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

Fair value hedges

At 31 December 2022 and 31 December 2021, the Group had no designated fair value hedges.

Net investment hedges

At 31 December 2022, 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), Singaporean (SGD), Canadian (CAD) and Japanese (JPY) foreign operations as shown in the table above.

The carrying value of bonds on page 249 included £6,322 million (2021: £4,982 million) that were designated as hedging instruments in net investment hedges.

Cash flow hedges

During 2021 and 2022, 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 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 and ineffectiveness on rolling the cash flow hedges of the divestments mentioned above. No other sources of ineffectiveness emerged from these hedging relationships. No ineffectiveness was recorded from cash flow hedges in 2022 (2021: £nil). No ineffectiveness was recorded from net investment hedges (2021: £nil).

					2022
Hedging instruments	Average exchange rate	Foreign currency	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	1.23	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	Notional value £m	Carrying value £m	2022 Periodic change in value for calculating hedge ineffectiveness £m
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)
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	2022 Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied £m
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)	–

Hedging instruments	Average exchange rate	Foreign currency	Notional value £m	Carrying value £m	2021 Periodic change in value for calculating hedge ineffectiveness £m
Cash flow hedges					
Foreign exchange contracts					
Buy foreign currency:					
Less than 3 months	1.32	USD	89	(2)	–
3 to 6 months	1.17	EUR	48	(1)	(1)
Over 6 months	1.17	EUR	23	–	–
			160	(3)	(1)

Hedging instruments	Average exchange rate	Foreign currency	Notional value £m	Carrying value £m	2021 Periodic change in value for calculating hedge ineffectiveness £m
Net investment hedges					
Foreign exchange contracts					
Sell foreign currency:					
Less than 3 months	1.18	EUR	5,348	58	578
		SGD	–	–	55
	155.19	JPY	121	–	15
Borrowings					
Less than 3 months		EUR	252	(252)	11
Over 6 months		EUR	4,998	(4,982)	459
			10,719	(5,176)	1,118

Notes to the financial statements continued

44. Financial instruments and related disclosures continued

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
		2021
Cash flow hedges		
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	1	(1)
Net investment hedges		
Net investment in foreign operations	(1,117)	(873)

£3 million (2021: £19 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	2022
	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)]	–	–

					Amount reclassified to profit or loss		Amount reclassified to balance sheet	2021
	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	7	–	Other operating income/ (expense)	–	(7)	Other operating income/ (expense)	–	–
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	1,117	–	Finance income or expense	–	(7)	Finance income or expense	–	–

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

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44. Financial instruments and related disclosures continued

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 2022. At 31 December 2021, the interest rate risk on an element of future debt issuance had 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 until the debt was derecognised on demerger of the Consumer Healthcare business in July 2022.

Forward starting interest rate swaps

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

Interest rate swaps

The following tables provide information regarding interest rate swap and forward starting interest rate swap contracts outstanding and the related hedged items at 31 December 2021. There were no such swaps at 31 December 2022. Interest rate swap contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet.

£24 million (2021: £11 million) of balances in the cash flow hedge reserve arise from hedge relationships for which hedge accounting is no longer applied.

				2021
Hedging instruments	Average contracted fixed rate %	Notional principal value £m	Change in fair value for recognising hedge ineffectiveness £m	Fair value assets/ (liabilities) £m
5-10 years	1.1038	668	4	4
10-30 years	1.3385	935	3	3
More than 30 years	1.4515	393	4	4

		2021
Hedged items	Change in value used for calculating hedge ineffectiveness £m	Balance in cash flow hedge reserve for continuing hedges after tax £m
Pre-hedging of long-term interest rate	(11)	(8)

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44. Financial instruments and related disclosures continued

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

2022	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	Amount reclassified to profit or loss: Due to hedged future cash flows no longer expected to occur £m	Amount reclassified to profit or loss: Due to hedged item affecting profit or loss £m	Amount reclassified to profit or loss: 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

2021	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	Amount reclassified to profit or loss: Due to hedged future cash flows no longer expected to occur £m	Amount reclassified to profit or loss: Due to hedged item affecting profit or loss £m	Amount reclassified to profit or loss: Line item in profit or loss in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows	(11)	–	Finance income or expense	–	17	Finance income or expense
Pre-hedging of long-term interest rates:						
Matured in the past	–	–	Finance income or expense	–	2	Finance income or expense
5-10 years	4	–		–	–	
10-30 years	3	–		–	–	
>30 years	4	–		–	–	

(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 2022 and 31 December 2021. The column 'Net amount' shows the impact on the Group's balance sheet if all offset rights were exercised.

At 31 December 2022	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	6,166	–	**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)

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44. Financial instruments and related disclosures continued

At 31 December 2021	Gross financial assets/ (liabilities) £m	Financial (liabilities)/ assets offset £m	Net financial assets/ (liabilities) £m	Related amounts not offset £m	Net balance £m
Financial assets					
Trade and other receivables	6,851	(19)	**6,832**	(3)	6,829
Derivative financial instruments	206	–	**206**	(192)	14
Financial liabilities					
Trade and other payables	(15,450)	19	**(15,431)**	3	(15,428)
Derivative financial instruments	(228)	–	**(228)**	192	(36)

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.

(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.

	2022	2021
	Total debt £m	Total £m
Floating and fixed rate debt less than one year	**(3,785)**	(3,398)
Between one and two years	**(1,714)**	(4,030)
Between two and three years	**(1,490)**	(1,576)
Between three and four years	**(1,505)**	(1,365)
Between four and five years	**(748)**	(1,425)
Between five and ten years	**(4,736)**	(4,411)
Greater than ten years	**(6,001)**	(6,953)
Total	**(19,979)**	(23,158)
Original issuance profile:		
Fixed rate interest	**(18,355)**	(22,355)
Floating rate interest	**(1,624)**	(803)
	(19,979)	(23,158)

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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.

	2022	2021
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	99	5
15 cent appreciation of the US Dollar	155	8
10 cent appreciation of the Euro	(7)	(26)
15 cent appreciation of the Euro	(12)	(41)
10 yen appreciation of the Yen	–	–
15 yen appreciation of the Yen	(1)	–

	2022	2021
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	(84)	(4)
15 cent depreciation of the US Dollar	(121)	(6)
10 cent depreciation of the Euro	6	22
15 cent depreciation of the Euro	9	32
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.

	2022	2021
Equity impact of non-functional currency foreign exchange exposures	**Increase/(decrease) in equity £m**	Increase/(decrease) in equity £m
10 cent appreciation of the Euro	(1,290)	(964)
15 cent appreciation in Euro	(2,034)	(1,515)

	2022	2021
Equity impact of non-functional currency foreign exchange exposures	**Increase/(decrease) in equity £m**	Increase/(decrease) in equity £m
10 cent depreciation of the Euro	1,080	814
15 cent depreciation of the Euro	1,557	1,176

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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 adjusted for the effects of foreign exchange derivatives that are not part of net debt but affect future foreign currency cash flows.

Impact of foreign exchange movements on net debt	2022 (Increase)/decrease in net debt £m	2021 (Increase)/decrease in net debt £m
10 cent appreciation of the US Dollar	(999)	(767)
15 cent appreciation of the US Dollar	(1,570)	(1,199)
10 cent appreciation of the Euro	11	444
15 cent appreciation of the Euro	17	698
10 yen appreciation of the Yen	13	17
15 yen appreciation of the Yen	20	26

Impact of foreign exchange movements on net debt	2022 (Increase)/decrease in net debt £m	2021 (Increase)/decrease in net debt £m
10 cent depreciation of the US Dollar	846	661
15 cent depreciation of the US Dollar	1,222	959
10 cent depreciation of the Euro	(9)	(375)
15 cent depreciation of the Euro	(13)	(542)
10 yen depreciation of the Yen	(12)	(15)
15 yen depreciation of the Yen	(17)	(21)

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) movement in USD interest rates would cause an increase of £nil to equity (2021: £197 million). A 1.5% (150 basis points) movement in USD interest rates would cause an increase of £nil to equity (2021: £297 million). A 1% (100 basis points) or 1.5% (150 basis points) movement in EUR or Sterling interest rates is not deemed to have a material effect on equity.

Income statement impact of interest rate movements	2022 Increase/(decrease) in income £m	2021 Increase/(decrease) in income £m
1% (100 basis points) increase in Sterling interest rates	36	(25)
1.5% (150 basis points) increase in Sterling interest rates	55	(38)
1% (100 basis points) increase in US Dollar interest rates	(34)	11
1.5% (150 basis points) increase in US Dollar interest rates	(51)	17
1% (100 basis points) increase in Euro interest rates	(13)	3
1.5% (150 basis points) increase in Euro interest rates	(19)	5

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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 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)

At 31 December 2021	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	(3,399)	(686)	(203)	(25)	(16,432)	**(20,745)**
Between one and two years	(4,042)	(620)	(185)	(22)	(935)	**(5,804)**
Between two and three years	(1,582)	(574)	(120)	(19)	(893)	**(3,188)**
Between three and four years	(1,372)	(538)	(93)	(16)	(919)	**(2,938)**
Between four and five years	(1,428)	(500)	(73)	(14)	(924)	**(2,939)**
Between five and ten years	(4,440)	(2,046)	(205)	(44)	(2,703)	**(9,438)**
Greater than ten years	(7,033)	(2,639)	(136)	(13)	(1,571)	**(11,392)**
Gross contractual cash flows	(23,296)	(7,603)	(1,015)	(153)	(24,377)	**(56,444)**

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.

	2022				2021			
	Gross cash inflows		Gross cash outflows		Gross cash inflows		Gross cash outflows	
	Forward starting interest rate swaps £m	Foreign exchange forward contracts and swaps £m	Forward starting interest rate swaps £m	Foreign exchange forward contracts and swaps £m	Forward starting interest rate swaps £m	Foreign exchange forward contracts and swaps £m	Forward starting interest rate swaps £m	Foreign exchange forward contracts and swaps £m
Less than one year	–	24,418	–	(24,410)	–	41,252	(13)	(41,290)
Between one and two years	–	–	–	–	12	–	(26)	–
Between two and three years	–	–	–	–	24	–	(26)	–
Between three and four years	–	–	–	–	28	–	(26)	–
Between four and five years	–	–	–	–	28	–	(26)	–
Greater than five years	–	–	–	–	259	–	(220)	–
Gross contractual cash flows	–	24,418	–	(24,410)	351	41,252	(337)	(41,290)

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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 value of the plans for participating employees has been maintained after the demerger of the Consumer Healthcare business through the effect of the share consolidation (see Note 37). The total charge for share-based incentive plans in 2022 was £314 million (2021[1]: £345 million; 2020[1]: £330 million). Of this amount, £243 million (2021[1]: £258million; 2020[1]: £266 million) arose from the Share Value Plan. See Note 9, 'Employee Costs' for further details.

(1) The 2021 and 2020 comparatives have been restated to reflect on a consistent basis from those previously published to reflect the demerger of the Consumer Healthcare business. See Note 41.

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 3.2% (2021: 3.8%; 2020: 5.0%) over the duration of the award.

Number of shares and ADS issuable	Shares[1] Number (000)	Weighted fair value	ADS[1] Number (000)	Weighted fair value
At 1 January 2020	29,459		15,850	
Awards granted	11,115	£13.58	6,633	$34.43
Awards exercised	(10,284)		(5,353)	
Awards cancelled	(1,416)		(1,014)	
At 31 December 2020	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	

(1) The 2021 and 2020 comparatives have been restated to reflect the demerger of the Consumer Healthcare business and aid year on year volume comparability of awards granted to GSK employees.

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 2016 to 2019, the performance conditions are based on three equally weighted measures over a three-year performance period. These were adjusted free cash flow, TSR and R&D new product performance. 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 2022, awards for the continuing business were made of 4.0 million shares at a weighted fair value of £13.36 and 1.0 million ADS at a weighted fair value of $35.88. At 31 December 2022, there were outstanding awards over 12.6 million shares and 2.8 million ADS.

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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:

	2022 Grant	2021 Grant	2020 Grant
Risk-free interest rate	3.37%	0.74%	(0.07)%
Dividend yield	3.3%	3.8%	6.2%
Volatility	36%	27%	27%
Expected life	3 years	3 years	3 years
Savings-related options grant price (including 20% discount)	£11.39	£12.07	£10.34

Options outstanding for the Share Save Plan	Savings-related share option schemes Number 000	Savings-related share option schemes Weighted exercise price
At 31 December 2022	5,803	£11.38
Range of exercise prices on options outstanding at year end	£10.34	– £14.15
Weighted average market price on exercise during year		£16.15
Weighted average remaining contractual life		2.0 years

Options over 1.2 million shares were granted during the year under the savings-related share option scheme at a weighted average fair value of £4.34. At 31 December 2022, 5.3 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.

Shares held for share award schemes	2022	2021
Number of shares (000)	59,814	23,065
	£m	£m
Nominal value	19	6
Carrying value	353	27
Market value	860	371

Shares held for share option schemes	2022	2021
Number of shares (000)	65	139
	£m	£m
Nominal value	–	–
Carrying value	1	1
Market value	1	2

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46. Principal Group companies

The following represent the principal subsidiaries and their countries of incorporation of the Group at 31 December 2022. 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	%
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

Scotland	%
GSK (No.1) Scottish Limited Partnership[(c)]	
GSK (No.2) Scottish Limited Partnership[(c)]	
GSK (No.3) Scottish Limited Partnership[(d)]	

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

Europe	%
GlaxoSmithKline AG (Switzerland)	100
GlaxoSmithKline B.V. (Netherlands)	100
GlaxoSmithKline Biologicals SA (Belgium)	100
GlaxoSmithKline GmbH & Co. KG (Germany)	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

Others	%
Glaxo Saudi Arabia Limited (Saudi Arabia)	75
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.
(c) GSK GP 1 Limited is a subsidiary undertaking of GSK plc and Berkeley Square Pension Trustee Company Limited and is the general partner of GSK (No.1) Scottish Limited Partnership and GSK (No.2) Scottish Limited Partnership. GSK GP 1 Limited's share capital is 99% indirectly owned by GSK plc and 1% owned by Berkeley Square Pension Trustee Company Limited.
(d) GSK GP 2 Limited is a subsidiary undertaking of GSK plc and is the general partner of GSK (No.3) Scottish Limited Partnership. GSK GP 2 Limited's share capital is 100% indirectly owned by GSK plc.

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 Captial 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 307 to 314 for a complete list of subsidiary undertakings, associates and joint ventures, which form part of these financial statements.

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 2022, the Group's aggregate provision for legal and other disputes (not including tax matters described in Note 14, 'Taxation') was £218 million. 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 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 any of these 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 3 October 2022, the Supreme Court invited the United States Solicitor General to file briefs expressing the views of the United States.

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. No trial date has yet been set.

– Dovato

In September 2019, ViiV Healthcare received a paragraph IV letter from Cipla relating to *Dovato* and challenging only the crystal form patent. On 4 November 2019, ViiV Healthcare filed suit against Cipla in the US District Court for the District of Delaware. A settlement has been reached in the case.

– Juluca

In January 2020, ViiV Healthcare received a paragraph IV letter from Lupin relating to *Juluca* and challenging the crystal form patent as well as a patent relating to the combination of dolutegravir and rilpivirine that expires on 24 January 2031. On 28 February 2020, ViiV Healthcare filed suit against Lupin on both patents. A settlement has been reached with Lupin. Additionally, 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. The court has not set a trial date.

Product liability

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

Avandia

There are two pending US class actions brought 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 underway in the district court but no trial dates have yet been set. It is possible that a class certification hearing will be held in 2023.

Notes to the financial statements continued

47. Legal proceedings continued

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 has been named as a defendant in approximately 4,500 personal injury cases in US state courts and the federal Zantac Multidistrict Litigation (MDL) court proceeding in the Southern District of Florida. There are approximately 84,000 plaintiffs named in these cases. A significant majority of these plaintiffs were named in a series of multi-plaintiff complaints filed in Delaware state court and most of these plaintiffs were previously in the MDL Census Registry. They were removed because they allege a cancer other than the 5 cancers being pursued by the MDL plaintiffs. 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, gastric, liver, and pancreatic cancers, although plaintiffs in state courts continue to pursue claims beyond the 5 designated cancers. There are 46,697 unfiled claims relating to the Group and other co-defendants (32,970 mapped to the Group) concerning the 5 designated cancers in the MDL Census Registry. There are also over 2,000 California state court cases subject to an agreement between the Group and the plaintiffs which suspends the statute of limitations to allow the plaintiffs to bring their claims at a later date. These filed and unfiled counts are subject to change.

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. Plaintiffs have indicated they will appeal the MDL decision.

In the California *Zantac* litigation Cases JCCP 5150 (JCCP), the Court held a Sargon hearing regarding the admissibility of expert witness testimony, including the testimony of general and specific causation expert witnesses, for the first bellwether trial. The hearing occurred over a four-day period in February and March 2023. The first bellwether trial, which is a bladder cancer case, was expected to start on 27 February 2023 in the California JCCP, however the Court has moved the trial date to 24 July 2023. Three other California bellwether trials have been scheduled for May, August and October 2023, although these dates are likely to be extended as well.

The Illinois Supreme Court recently consolidated all Illinois ranitidine cases in Cook County for pretrial proceedings with trial dates to be set at a later date, including the previously scheduled Madison County trial.

Beyond the personal injury actions, class actions alleging economic injury and a third-party payer class action also have been filed in federal court. Plaintiffs have moved to stay the class actions pending appeal of the Daubert ruling. Defendants oppose the request for stay and are asking the Court to dismiss the class actions. Outside the US, there are seven class actions pending against the Group in Canada, along with a class action in Israel.

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 early 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.

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 on the Group, formalizing its request for documents. 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.

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.

Notes to the financial statements continued

47. Legal proceedings continued

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.

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 KRW 70 million which is approximately £45,000. Appeal proceedings are ongoing.

The Korea Fair Trade Commission also has commenced proceedings regarding the same matter. GSK Korea is cooperating with the authorities on these matters.

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.

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 have 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 follow-on complaint was filed in the US District Court for the Eastern District of Pennsylvania on 2 February 2023 by a group of alleged purchasers.

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. A trial is scheduled for March 2023

48. Post balance sheet events

There is no material post balance sheet event that requires an adjustment or a disclosure within the financial statements.

Company balance sheet – UK GAAP

(including FRS 101 'Reduced Disclosure Framework') as at 31 December 2022

	Notes	2022 £m	2022 £m	2021 £m	2021 £m
Fixed assets – investments	E		**22,881**		54,995
Current assets:					
Trade and other receivables	F		**17,748**		2,720
Cash at bank			**20**		17
Total current assets			**17,768**		2,737
Trade and other payables	G		**(545)**		(598)
Total current liabilities			**(545)**		(598)
Net current assets			**17,223**		2,139
Total assets less current liabilities			**40,104**		57,134
Provisions for liabilities	H		**(13)**		(12)
Other non-current liabilities	I		**(645)**		(458)
Net assets			**39,446**		56,664
Capital and reserves					
Share capital	J		**1,347**		1,347
Share premium account	J		**3,440**		3,301
Other reserves	K		**1,420**		1,420
Retained earnings:					
At 1 January		**50,596**		49,653	
Profit/(loss) for the year		**710**		4,942	
Treasury shares transferred to the ESOP Trust		**1,089**		–	
Dividends in specie		**(15,689)**		–	
Dividends paid to shareholders		**(3,467)**		(3,999)	
	K		**33,239**		50,596
Equity shareholders' funds			**39,446**		56,664

The financial statements on pages 268 to 272 were approved by the Board on 9 March 2023 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 2022

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	**Total equity £m**
At 1 January 2021	1,346	3,281	1,420	49,653	**55,700**
Profit and Total comprehensive income attributable to shareholders	–	–	–	4,942	**4,942**
Dividends to shareholders	–	–	–	(3,999)	**(3,999)**
Shares issued under employee share schemes	1	20	–	–	**21**
At 31 December 2021	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**

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 makes innovative vaccines and specialty medicines to prevent and treat disease. GSK's R&D focuses on the science of the immune system, human genetics and advanced technologies primarily in the following four therapeutic areas: infectious diseases, HIV, oncology and immunology/respiratory.

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 2022, with comparative figures as at 31 December 2021.

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. One of the assessment methods 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. The total amount of investments is also evaluated against the Group's valuation on the basis of overall market capitalisation. 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.

Share-based payments

The issuance by the company to its subsidiaries of a grant over the company's shares, represents additional capital contributions by the company in its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

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

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 amortised over the life of the guarantee.

C) Operating profit

A fee of £12,600 (2021: £12,600) relating to the audit of the company has been charged in operating profit.

D) Dividends

The Directors declared four interim dividends resulting in a dividend for the year of 61.25 pence adjusted for the share consolidation. For further details, see Note 16 to the Group financial statements, 'Dividends'.

In addition, the demerger of the Consumer Healthcare business was implemented by GSK declaring an interim dividend as follows.

	£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

	2022 £m	2021 £m
Shares in GlaxoSmithKline Services Unlimited	637	637
Shares in GlaxoSmithKline Holdings (One) Limited	18	18
Shares in GlaxoSmithKline Holdings Limited	17,888	17,888
Shares in GlaxoSmithKline Consumer Healthcare Holdings Limited	–	34,800
Shares in GlaxoSmithKline Mercury Limited	33	33
Shares in GSK LP Limited	2,493	–
	21,069	53,376
Capital contribution relating to share-based payments	1,139	1,139
Contribution relating to contingent consideration	673	480
	22,881	54,995

The investments in GlaxoSmithKline Consumer Healthcare Holdings Limited were derecognised of as part of the demerger of the Consumer Healthcare business, which was executed in specie shares (see Note 41 to the Group financial statements).

F) Trade and other receivables

	2022 £m	2021 £m
Amounts due within one year:		
UK Corporation tax recoverable	–	9
Other debtors	2	–
Amounts owed by Group undertakings	17,422	2,319
	17,424	2,328
Amounts due after more than one year:		
Amounts owed by Group undertakings	324	392
	17,748	2,720

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 including the pre-demerger dividend from GlaxoSmithKline Consumer Healthcare Holdings Limited and utilisation of the company's current account to fund the payment of interim dividends.

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

G) Trade and other payables

	2022 £m	2021 £m
Amounts due within one year:		
Other creditors	396	457
Contingent consideration payable	28	22
Corporation tax	18	–
Amounts owed to Group undertakings	103	119
	545	598

The company has guaranteed debt issued by its subsidiary companies from one of which it receives fees. In aggregate, the company has outstanding guarantees over £19.5 billion of debt instruments (2021: £22.4 billion). 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 26).

H) Provisions for liabilities

	2022 £m	2021 £m
At 1 January	12	7
Charge for the year	43	24
Utilised	(42)	(19)
At 31 December	13	12

The provisions relate to a number of legal and other disputes in which the company is currently involved.

I) Other non-current liabilities

	2022 £m	2021 £m
Contingent consideration payable	645	458

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 to the Group financial statements, 'Contingent consideration liabilities'.

J) Share capital and share premium account

	Ordinary shares		Share premium account
	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
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 Trust	–	–	114
At 31 December 2022	4,311,343,341	1,347	3,440

At 31 December 2022, of the issued share capital, 59,878,735 shares were held in the ESOP Trusts, 217,124,760 shares were held as Treasury shares and 4,034,339,846 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'.

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

K) Retained earnings and other reserves

The profit of GSK plc for the year was £710 million (2021: £4,942 million profit). After dividends paid and distributed in specie of £19,156 million (including the Consumer Healthcare business demerger dividend of £15,689 million) (2021: £3,999 million), and the effect of £1,089 million Treasury shares transferred to a subsidiary company (2021: £nil) retained earnings at 31 December 2022 stood at £33,239 million (2021: £50,596 million), of which £8,140 million was unrealised (2021: £38,896 million). Dividends to shareholders are paid out of the realised profits of the company, which at 31 December 2022 amounted to £25,099 million (2021: £11,700 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) Divestment

On 18 July 2022, GSK plc separated its Consumer Healthcare business from the GSK Group to form Haleon plc, 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, 54.47% of Haleon plc is held in aggregate by GSK Shareholders, 6.03% is held by GSK (including shares received by GSK's consolidated ESOT trusts) and 7.5% is held by three 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 Pension Schemes. The aggregate ownership by GSK (including ownership by the ESOT trust and SLPs) after the demerger is 13.53%.

Following completion of the Consumer Healthcare business demerger, on 18 July 2022, GSK plc Ordinary shares were consolidated in order to maintain share price comparability before and after demerger. The consolidation was approved by GSK plc shareholders at a General Meeting held on 6 July 2022. Shareholders of GSK plc received 4 new Ordinary shares with a nominal value of 31.25 pence each for each existing 5 Ordinary share which had a nominal value of 25 pence each.

M) Group companies

See pages 307 to 314 for a complete list of subsidiaries, associates, joint ventures and other significant shareholdings, which forms part of these financial statements.