

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECKITT BENCKISER GROUP PLC

1. Our opinion is unmodified

In our opinion:

- the financial statements of Reckitt Benckiser Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Additional opinion in relation to IFRS as issued by the IASB:

- As explained in Note 1 to the Group Financial Statements, the Group, in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").
- In our opinion the Group Financial Statements have been properly prepared in accordance with IFRS as issued by the IASB.

What our opinion covers

We have audited the Group and Parent Company financial statements of Reckitt Benckiser Group plc ("the Company") for the year ended 31 December 2022 ("FY22") included in the Annual Report, which comprise:

Group (Reckitt Benckiser Group plc and its subsidiaries)	Parent Company (Reckitt Benckiser Group plc)
Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statements of Changes in Equity, Group Cash Flow Statement and Notes 1 to 31 to the Group financial statements, including the accounting policies in note 1.	Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and Notes 1 to 12, including the accounting policies in Note 1 to the Parent Company Financial Statements.

Basis for opinion

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

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

2. Overview of our audit

Factors driving our view of risks

Following our FY21 audit, and considering developments affecting the Group since then, we have updated our risk assessment.

The macro-economic environment continues to drive our risk assessment as the uncertainty which arose during the COVID-19 pandemic has evolved into increasing consumer spending pressures associated with rising inflation and interest rates. As the world started to recover from the Omicron variant in early 2022, the conflict between Russia and Ukraine led to further geopolitical uncertainty which increased pressure on areas such as inflation, raw material prices and supply chain disruptions. The level of judgment required to be exercised by the Group in key estimates such as in trade spend arrangements, uncertain tax positions and recoverability of goodwill and indefinite life intangible asset assumptions, continue to be a focus area.

Our risk assessment also considered compliance with laws and regulations, specifically those that could reasonably be expected to have a material effect on the financial statements.

Key Audit Matters

	Vs FY21	Item
Revenue recognition in relation to trade spend arrangements and associated accruals		4.1
Recoverability of goodwill and indefinite life intangible assets:		4.2
Biofreeze	New	
IFCN		
Provisions for uncertain tax positions		4.3
Contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) law		4.4
Recoverability of the Parent Company's investment in Reckitt Benckiser Limited		4.5

Audit Committee interaction

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

The matters included in the Audit Committee Chair's report on page 113 are materially consistent with our observations of those meetings.

INDEPENDENT AUDITOR'S REPORT CONTINUED

2. Overview of our audit continued**Our independence**

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

Apart from the matters noted below, we have not performed any non-audit services during the year ended FY22 or subsequently which are prohibited by the FRC Ethical Standard.

During 2023, we identified that certain KPMG member firms had provided preparation of local GAAP financial statement services and, in some cases, foreign language translation of those financial statements over the period 2019 to 2022. Some of those entities to whom services were provided are and have been in scope for the group audit. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work in each case had no direct or indirect effect on Reckitt Benckiser Group plc's consolidated financial statements.

In our professional judgement, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. The audit committee concurred with this view.

We were first appointed as auditor by the shareholders for the year-ended 31 December 2018. The period of total uninterrupted engagement is for the 5 financial years ended 31 December 2022.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Andrew Bradshaw, he will be required to rotate off after the FY26 audit.

The average tenure of partners responsible for component audits as set out in section 7 below is 3 years, with the shortest being 1 and the longest being 5.

Total audit fee	£19.5m
Audit related fees (including interim review)	£0.8m
Other services	£2.7m
Non-audit fee as a % of total audit and audit related fee %	17.9%
Date first appointed	3rd May 2018
Uninterrupted audit tenure	5 years
Next financial period which requires a tender	FY28
Tenure of Group engagement partner	1 year
Average tenure of component signing partners	3 years

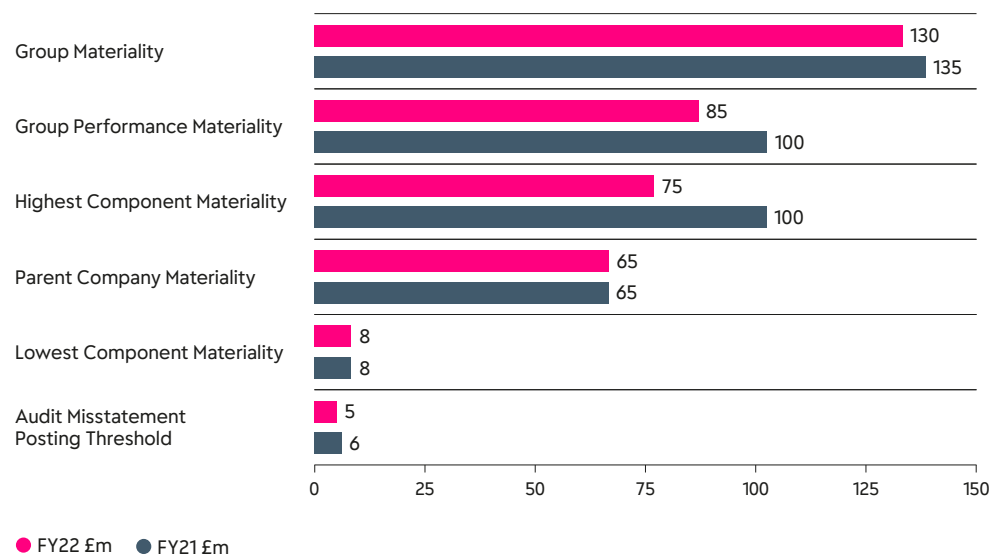
Materiality**(item 6 below)**

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

We have determined overall materiality for the Group financial statements as a whole at £130m (FY21: £135m) and for the Parent Company financial statements as a whole at £65m (FY21: £65m).

Consistent with FY21, we determined that normalised profit before tax from continuing operations (PBTCO) remains the benchmark for the Group. Reckitt Benckiser Group plc is well established and operates in a stable environment across multiple geographies. Therefore, users of the financial statements will be primarily interested in the profitability of the Group and its ability to generate a return for shareholders, of which the most relevant benchmark is normalised PBTCO. As such, we based our Group materiality on normalised PBTCO, of which it represents 4% (FY21: 5%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.45% (FY21: 0.59%).



INDEPENDENT AUDITOR'S REPORT CONTINUED

2. Overview of our audit continued**Group scope**
(item 7 below)

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

The Group operates in more than 60 countries across six continents with the largest market being the United States of America. The Group is organised into three Global Business Units being Hygiene, Health and Nutrition.

We scoped the audit by obtaining an understanding of the Group and its environment and assessing the risk of material misstatement at the Group and component level.

We have considered components on the basis of their contribution to Group Net Revenue, total profits and losses that made up Group profit before tax and Group total assets.

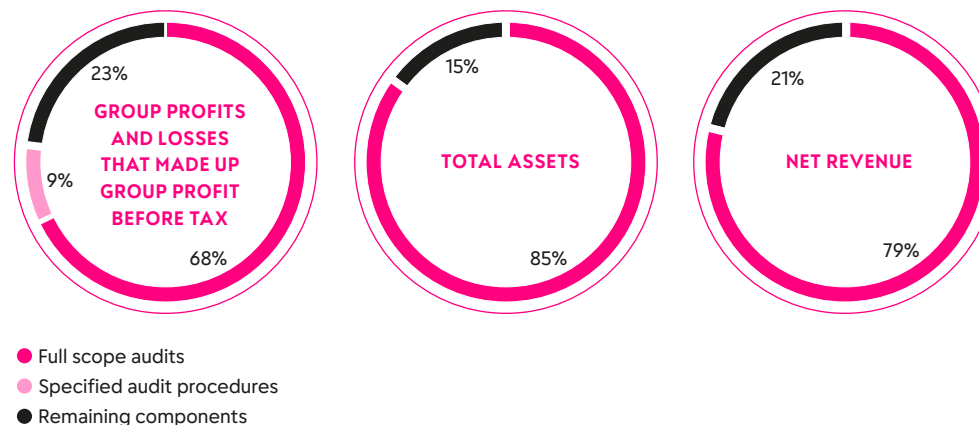
Of the Group's 406 (FY21: 422) reporting components, we instructed 53 components (FY21: 47) across 23 overseas countries (FY21: 20 countries) to perform full scope audits for Group purposes, one component was scoped in for specified audit procedures (FY21: 0) and there were no components subject to audit of account balances (FY21: 1).

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

As shown in the graphs, our scoping provided 79% coverage of net revenue (FY21: 76%), 85% coverage of total assets (FY21: 84%), and 77% of Group profits and losses that made up Group profit/(loss) before tax (FY21: 83%).

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

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

Coverage of Group financial statements**The impact of climate change on our audit**

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its financial statements. The Group has set out its targets as part of their 2030 Sustainability Ambitions, which include energy, emissions, water, waste and packaging related metrics. This includes targets to reduce absolute Scope 1 and 2 GHG emissions by 65%, absolute Scope 3 GHG emissions by 50% both by 2030 from a 2015 base year. Additionally, the targets aim to reduce product carbon footprint and increase the use of renewable electricity to 100% by 2030, alongside a target for 100% of plastic packaging to be recyclable or reusable by 2025. Further information is provided in the Strategic Report on page 16 and in the TCFD sections on pages 59 to 61.

Whilst the Group has set these targets, in note 1 to the Consolidated Financial Statements the Directors have stated that they have considered the impact of climate change risks and that they do not believe that there is a material impact on the financial reporting judgements and estimates and as a result the valuations of the Group's assets and liabilities have not been significantly impacted by these risks as at 31 December 2022.

As a part of our audit we have performed a risk assessment to determine if the potential impacts of climate change may materially affect the financial statements and our audit. We did this by making enquiries of management and inspecting internal and external reports in order to independently assess the climate-related risks and their potential impact. We held discussions with our own climate change professionals to challenge our risk assessment.

The most likely potential impact of climate risk and plans on these financial statements would be on the forward-looking assessments of non-current assets.

INDEPENDENT AUDITOR'S REPORT CONTINUED

2. Overview of our audit continued

We have considered the sensitivity of the assumptions used in the impairment testing of goodwill and indefinite-life intangible assets. Given that the climate change related assumptions are not considered a major source of estimation uncertainty, the carrying amounts of these assets in the financial statements are not considered to be materially sensitive to the impact of risks arising from climate change. We have also considered the impact of climate change targets on the fair value of pension assets, however given the nature of the assets being primarily bonds and insurance contracts, this has not been considered to be a key assumption in the valuation. As a result of this, and any other long-term assets which could be impacted by climate change risks, we determined that climate related risks do not have a significant impact on our audit and there is no significant impact of these risks on our key audit matters. We have also considered the costs and consumer preferences impact of climate change as part of our consideration of the going concern basis of preparation.

We have also read the Group's disclosures of climate related information in the Strategic Report and Group's TCFD Summary on pages 59 to 61 and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

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

Going concern

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

- The current inflationary environment, and the economic uncertainty it is causing, disruption at a number of the Group's key production facilities, the viability of key suppliers and customers, and the impact on consumer demand for the Group's brands;
- A significant product safety issue leading to reputational damage with customers, consumer or regulators; and
- The impact of a significant business continuity issue, outside of those risks presented by the inflationary environment, affecting the Group's manufacturing facilities or those of its suppliers.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the Financial Statements gives a complete and accurate description of the Directors' assessment of going concern.

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

Our conclusions:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 160 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability**Our responsibility**

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

3. Going concern, viability and principal risks and uncertainties continued

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

- the directors' confirmation within the Viability Statement (page 87) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement set out on page 87 under the Listing Rules.

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

Our reporting

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

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

4. Key audit matters**What we mean**

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


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

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

4.1 Revenue recognition in relation to trade spend arrangements and associated accruals**Financial Statement Elements**

	FY22	FY21
Trade spend accruals	£1,137m	£1,137 m

Our assessment of risk vs FY21

	Vs FY21
We have not identified any significant changes to our assessment of the level of risk relating to trade spend arrangements and associated accruals compared to FY21	

Our results**FY22: Acceptable**

FY21: Acceptable

Description of the Key Audit Matter**The risk: subjective estimate**

The Group regularly enters into complex arrangements providing pricing, placement and other promotional rebates and allowances to its customers. These trade spend arrangements can vary in complexity by market, product category and customer.

Revenue is measured net of outflows arising from such arrangements which, for agreements or practices spanning a period end, requires an estimate of the extent and value of future activity. These estimates can be subjective and require the use of assumptions that are susceptible to management bias and fraud.

The Group operates a variable compensation scheme with outturns directly linked to financial performance against targets. Strong financial performance could create an incentive to defer revenues into the next financial year by overstating trade spend accruals. Weaker financial performance may also create a bias to misstate trade spend accruals. Whilst the risk of a material misstatement in an individual market is remote, there is a risk that unacceptable judgements in multiple markets may, in aggregate, materially misstate the Group Financial Statements.

The effect of these matters is that, as part of our risk assessment, we determined that trade spend accruals carry a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Group Financial Statements as a whole.

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. Key audit matters continued*Our response to the risk***Our procedures included:**

Accounting policies: We critically assessed the appropriateness of the Group's accounting policies relating to trade spend.

Historical comparisons: We, through instruction of our component teams, assessed the accuracy of the Group's accruals by comparing, for a selection of the more judgemental accruals, those recognised in the prior year to the actual trade spend incurred. Where we identified significant differences between the expected and final quantum of outflow, we considered whether such differences were as a result of a change in estimate or error in order to respond to the fraud risk. We performed an assessment of whether an overstatement of accruals identified through these procedures was material.

Tests of detail: We focused our testing on those trade spend accruals we considered to be more judgemental or potentially subject to management bias or fraud and performed procedures to a precision level sufficient to address the risk of fraud. For a sample of these trade spend accruals, our component teams:

- reperformed the calculation to assess whether it was mathematically accurate;
- identified the key assumptions in the calculation of each accrual selected, such as forecast sales volumes, rebate structure and settlement mechanism;
- agreed those key assumptions to relevant documentation, such as invoices received after the balance sheet date, customer agreements or third-party consumption data; and
- assessed whether the key assumptions were consistent with external data points and the Group's historic experience of comparable trade spend arrangements.

Assessing transparency: We assessed the adequacy of the Group's disclosures in relation to the degree of estimation involved in arriving at the trade spend accruals and the resulting amount of trade spend deducted in determining Net Revenue.

We performed the detailed tests above rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls and related IT controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Communications with the Reckitt Benckiser Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the trade spend accruals including details of our planned substantive procedures and the extent of our control reliance
- Our assessment of findings from our component team's retrospective reviews of FY21 accruals, including our consideration of whether any release of accruals in relation to trade spend was material
- Our assessment of findings from our component team's audits, including our consideration of whether the FY22 accruals in relation to trade spend were acceptable

Areas of particular auditor judgement

We performed an assessment of whether the Groups' overall estimate, considering the Group's accounting policies, and the complex nature of the agreements entered into, is acceptable. We also considered whether an unadjusted misstatement identified through our procedures directly related to the key audit matter was material.

Our results

We found the trade spend accruals recognised to be acceptable (FY21 result: acceptable)

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 113 for details on how the Audit Committee considered revenue recognition in relation to trade spend arrangements and associated accruals as an area of significant attention, page 183 for the accounting policy on revenue recognition in relation to trade spend arrangements and associated accruals, and page 209/note 21 for the financial disclosures.

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. Key audit matters continued**4.2 Recoverability of goodwill and indefinite life intangible assets (Biofreeze and IFCN)***Financial Statement Elements*

	FY22	FY21
Goodwill and indefinite life intangible assets (Biofreeze and IFCN)	£7,038m	£6,521m
Impairment charge (Biofreeze)	£152m	£nil

Our assessment of risk vs FY21

	Vs FY21
We have assessed the recoverability of the "Biofreeze CGU" to be part of the key audit matter in the period in light of ongoing geopolitical and economic events.	New
"IFCN CGU" – The risk in relation to this key audit matter has decreased in the year due to the business performance of the CGU.	

*Our results***FY22: Acceptable**

FY21: Acceptable

*Description of the Key Audit Matter***The risk: the forecast-based valuation**

The recoverability of goodwill and indefinite life intangible assets is assessed using forecast financial information within a discounted cash flow model ("the model").

Our risk is focussed on two cash generating units (CGUs); Biofreeze and IFCN. This is due to the level of headroom and sensitivity of key assumptions within these CGUs, particularly in light of current levels of uncertainty in relation to geopolitical and economic events. We also identified a fraud risk related to recoverability of goodwill and intangible assets in response to possible pressures to realise value from significant acquisitions.

In the current year the Group recognised an impairment charge to Biofreeze goodwill of £152m (FY21:nil), reflecting the current macroeconomic environment, which has introduced uncertainty into the Biofreeze cashflows resulting in an increase to the pre-tax discount rate. The IFCN CGU is sensitive to reasonable changes in key assumptions albeit business performance alongside temporary competitor supply shortages in the US has reduced the risk over this CGU from prior year.

The recoverable amount of the two CGUs, and consequently the impairment charge, is therefore subject to a high degree of estimation uncertainty with a range of possible outcomes in excess of materiality and as such, we consider there to be a significant risk over the valuation of goodwill and indefinite life intangible assets.

Key assumptions in the models include the discount rate, forecast financial performance, in particular net revenue and margin growth; as well as external factors such as forecast growth of the relevant categories and terminal growth rates.

*Our response to the risk***Our procedures included:**

Sensitivity analysis: We considered the sensitivity of the goodwill and intangible asset valuation to reasonably possible changes in assumptions and focused our attention to those assumptions which we considered the most critical to the valuation.

Benchmarking assumptions: In response to the risk of fraud, we evaluated the Net Revenue growth assumptions in the model with reference to historic performance and external market data relating to projected growth for the relevant categories. For Biofreeze, we critically challenged the Group on its assumptions relating to price and volume growth through comparison to external market data sources. For IFCN, we challenged the Group's assumptions relating to the market share assumptions considering competitor supply issues, and inflationary effects including through comparison to external market data sources.

We benchmarked margin assumptions against actual margin achievement, external market volume and cost inflation growth forecasts, our assessment of the Group's ability to achieve productivity savings and the Group's historic ability to pass on cost inflation through price rises. We also benchmarked the long-term growth rate assumptions against market forecasts.

Personnel interviews: We compared judgements made centrally to direct discussions with the relevant members of global business units and country management. We considered and challenged the group's assumptions and corroborated these views with the groups' in-market teams.

Valuation expertise: We engaged internal valuation specialists to challenge the appropriateness of the key assumptions underlying the CGU valuations, principally the discount rates and long-term growth rates used. We also benchmarked the recoverable amount of the CGUs using implied earnings multiples to comparative companies and the historic transactions within the industry, and for Biofreeze to acquisition multiples, as well as considering latest market conditions.

Assessing transparency: We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of goodwill and indefinite life intangible assets.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. Key audit matters continued

Communications with the Reckitt Benckiser Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the valuation of the CGUs including details of our planned substantive procedures and the extent of our control reliance
- For the recoverable amounts, an indication of whether and where the Group's estimate lay within our reasonable range
- The adequacy of the disclosures, particularly as they relate to the sensitivity of the recoverable amount to key assumptions e.g. revenue growth, margin growth and discount rate

Areas of particular auditor judgement

We identified an area of particular auditor judgment to be the assessment of whether the Directors' overall estimate for Biofreeze, considering key assumptions including net revenue, gross margin, discount rate and long-term growth rate, fell within an acceptable range.

Our results

We found the Group's conclusion that there is no impairment of goodwill and indefinite life intangible assets relating to the IFCN CGU to be acceptable (FY21 result: acceptable); and for the Biofreeze CGU we found the goodwill and indefinite life intangible assets balance, and the related impairment charge, to be acceptable (FY21 result: not applicable, as this was not a key audit matter).


Further information in the Annual Report and Accounts: See the Audit Committee Report on page 113 for details on how the Audit Committee considered recoverability of goodwill and indefinite life intangible assets relating to the Biofreeze and IFCN CGUs as an area of significant attention, page 183 for the accounting policy on recoverability of goodwill and indefinite life intangible assets and page 194/note 9 for the financial disclosures.

4.3 Provisions for uncertain tax positions

Financial Statement Elements

	FY22	FY21
Uncertain tax positions	£722m	£770m

Our assessment of risk vs FY21

	Vs FY21
We have not identified any significant changes to our assessment of the level of risk relating to provisions for uncertain tax positions compared to FY21.	

*Our results***FY22: Acceptable**

FY21: Acceptable

*Description of the Key Audit Matter***The risk: subjective estimate**

Due to the Group operating across a number of different tax jurisdictions, and the complexities of transfer pricing and other international tax legislation, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business.

These challenges by the local tax authorities include but are not limited to:

- transfer pricing arrangements relating to the Group's operating model;
- transfer pricing arrangements relating to the ownership of intellectual property rights that are used across the Group;
- deductibility of interest on intra-Group borrowings;
- the European Commission's ongoing State Aid investigations into transfer pricing ruling practices of certain member states.

Provision for uncertain tax positions requires the Directors to make judgements and estimates in relation to tax issues and exposures where the Group may be challenged by local tax authorities on its interpretation of tax legislation. Auditor judgement is required to assess whether the Directors' overall estimate falls within an acceptable range. This takes into account the method and assumptions underpinning exposures calculated such as: the clarity of relevant legislation and related guidance; advice from in-house specialists; opinions of professional firms; past experience; and precedents set by a particular tax authority.

The effect of these matters is that, as part of our risk assessment, we determined that the estimates of uncertain tax positions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Group Financial Statements as a whole and possibly many times that amount.

*Our response to the risk***Our procedures included:**

Our tax expertise: We used our own international and local tax specialists to assist us to:

- Inspect and assess the Group's centrally prepared transfer pricing policies to determine whether they reflect the risks, activities and substance of each of the entities within the supply chain; and
- Assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine provisions for tax uncertainties based on our knowledge and experiences of the application of tax legislation

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. Key audit matters continued

Historical comparisons: We assessed the historical accuracy of the provision level following any recent tax authority audits and results of those, considered the impact on the remaining provision.

Assessing transparency: We assessed the adequacy of the Group's disclosures in respect of uncertain tax positions.

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

Communications with the Reckitt Benckiser Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the uncertain tax positions including details of our planned substantive procedures and the extent of our control reliance
- For the uncertain tax positions, an indication of whether and where the Group's estimate lay within our reasonable range
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the uncertain tax position to possible changes in key assumptions

Areas of particular auditor judgement

We identified an area of particular auditor judgment to be the clarity of the associated disclosure in relation to the estimation uncertainty associated with uncertain tax positions.

Our results

We found the level of uncertain tax provisioning to be acceptable (FY21 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 113 for details on how the Audit Committee considered provisions for uncertain tax positions as an area of significant attention, page 188 for the accounting policy on provisions for uncertain tax positions, and page 210/note 22 for the financial disclosures.

4.4 Contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) law

Our assessment of risk vs FY21

Vs FY21

We have not identified any significant changes to our assessment of the level of risk relating to contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) Law compared to FY21.

*Our results***FY22: Acceptable**

FY21: Acceptable

*Description of the Key Audit Matter***The risk: dispute outcome**

The Group is involved in an ongoing litigation relating to the HS issue in South Korea. The HS law amendment enacted on 25 September 2020 significantly altered the legal framework under which HS claims were previously made and settled. As a result, judgement is needed to assess whether the recognition criteria for a provision have been met for additional litigation under the HS law amendment. The Group must assess the likelihood and extent of any future economic outflow arising from the HS law amendment. The amounts involved are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided for, is inherently subjective. Given the uncertainty relating to the amount and timing of any possible outflow, there is a risk over the presentation of any contingent liability and the transparency of disclosures therein.

*Our response to the risk***Our procedures included:**

Enquiry of lawyers: We enquired of the Group's internal and external counsel to obtain an understanding of developments, in particular the progress of litigations and the establishment of a mediation panel between HS companies and claimant groups.

We made inquiries of the Group's external legal counsel to understand developments in the matter. We requested and received formal correspondence directly from the Group's external counsel that evaluated the current status of legal proceedings, the probability of economic outflow in relation to the 2020 law amendment, and the ability to reliably estimate any economic outflow.

We corroborated the consistency of the judgement made by the Directors to enquiries with both internal and external legal counsel.

Assessing transparency: We assessed the adequacy of the Group's disclosures of contingent liabilities related to the HS law amendment in Note 20 of the Group Financial Statements, particularly the uncertainties relating to the amount and probability of outflow.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. Key audit matters continued

Communications with the Reckitt Benckiser Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the assessment over the ongoing litigations relating to the HS issue in South Korea
- Our conclusions on the appropriateness of the Group's methodology and accounting policies
- The adequacy of the disclosures, particularly as it relates to the uncertainties in relation to the amount and probability of outflow

Areas of particular auditor judgement

We identified an area of particular auditor judgement to be consideration of whether the contingent liability disclosure is sufficiently transparent in respect of the uncertainties that exist in relation to the amount and timing of any resulting outflow.

Our results

We found the Group's treatment of the impact of the HS law amendment as contingent liabilities and transparency of disclosure to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 113 for details on how the Audit Committee considered contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) law as an area of significant attention, page 188 for the accounting policy on contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) law, and page 208/note 20 for the financial disclosures.

4.5 Recoverability of the Parent Company's investment in the subsidiary, Reckitt Benckiser Limited (Parent Company)

Financial Statement Elements

	FY22	FY21
Parent Company Investment	£15,078m	£15,001m

Our assessment of risk vs FY21

Vs FY21

We have not identified any significant changes to our assessment of the level of risk relating to the recoverability of the Parent Company's investment in the subsidiary, Reckitt Benckiser Limited, compared to FY21.

*Our results*

FY22: Acceptable

FY21: Acceptable

*Description of the Key Audit Matter**The risk: low risk, high value*

The carrying amount of the Parent Company's investment in its subsidiary, Reckitt Benckiser Limited, represents 99.6% (FY21: 99.5%) of the Parent Company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

*Our response to the risk**Our procedures included:*

Comparing valuations: We compared the carrying amount of the investment to the market capitalisation of the Group as Reckitt Benckiser Limited, either directly or indirectly, owns all other subsidiaries of the Group.

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

Communications with the Reckitt Benckiser Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the assessment of the carrying amount of the parent company's investment in the subsidiary
- For the carrying amount, our conclusion on the valuation being acceptable

Our results

We found the Company's conclusion that there is no impairment of its investment in the subsidiary to be acceptable (FY21 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 113 for details on how the Audit Committee considered recoverability of the Parent Company's investment in the subsidiary, Reckitt Benckiser Limited as an area of significant attention, page 225 for the accounting policy on recoverability of the Parent Company's investment in the subsidiary, Reckitt Benckiser Limited, and page 226/note 2 of Parent Company accounts for the financial disclosures.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5. Our ability to detect irregularities, and our response**Fraud – Identifying and responding to risks of material misstatement due to fraud****Fraud risk assessment**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Consultation with our own forensic specialists to assist us in identifying fraud risks based on their experience of comparable businesses, similar sector, as well as of the geographies in which the Group operates. The forensic specialists participated in the initial fraud risk assessment discussions and were consulted throughout the audit when further guidance was deemed necessary;
- Enquiry of directors, operational managers, the General Counsel, the Chief Ethics and Compliance Officer and members of the internal audit function as well as inspection of minutes of meetings of the Board, Audit Committee, Executive Committee and Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee;
- Inspection of the Group's policies and procedures to prevent, detect and respond to the risks of fraud, internal audit reports issued during the year and reports to the Group's whistleblowing hotline and the responses to those reports, including those concerning investigations;
- Consideration of the Group's results against performance targets and the Group's remuneration policies.

Risk communications

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to all component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

Fraud risks

As required by auditing standards, and after considering the impact of the Group's results against performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We assessed that there is an inherent risk that Group and component management may be in a position to make inappropriate accounting entries, and risk of bias in accounting estimates and judgements. We determined that these risks would most likely manifest themselves in two key areas being:

- Trade spend and other accruals may be manipulated to alter the timing of recognition of revenue and profit; and
- Management bias in the recoverability of goodwill and indefinite life intangible assets arising from possible external pressure to realise value in relation to IFCN and the recent acquisition of Biofreeze.

Link to Key Audit Matters

Further detail in respect of the fraud risks is set out in the key audit matter disclosures in section 4 of this report.

Procedures to address fraud risks

We performed procedures including:

- For all components within scope, identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual journal entries associated with trade spend and other operational expenditure accruals
- Increase in the number of in-scope components from 48 to 54, as well as six unannounced components where out of scope component teams performed interim analytics, trade spend and other operational expenditure accruals procedures, and journal entry testing
- Reduction in performance materiality from 75% to 65% for the Group and component audits.

We discussed with the Audit Committee matters related to actual or suspected fraud and considered any implications for our audit. See Key Audit Matters section for procedures performed in response to the fraud risks which are related to the key audit matters.

Actual or suspected fraud discussed with Audit Committee

In the prior year, we discussed with the Audit Committee matters related to actual or suspected fraud, which included the results of an investigation commissioned by the Directors to assess evidence supporting the creation, utilisation and release of certain operational expenditure and trade investment accruals within the Hygiene GBU (page 137), and considered any implications for our audit. As part of FY22 audit procedures, we have continued to discuss this risk with the Audit Committee and the directors and our response to it.

Laws and regulations – Identifying and responding to risks of material misstatement relating to compliance with laws and regulations**Laws and regulations risk assessment**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience. We held enquiries with the Directors and other management (as required by auditing standards), and inspected regulatory and legal correspondence received by the Group. We held enquiries with the Group's external legal counsel where considered necessary, and we also inspected the policies and procedures regarding compliance with laws and regulations.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5. Our ability to detect irregularities, and our response continued*Risk communications*

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to all component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

Direct laws context and link to audit

The potential effect of these laws and regulations on the Financial Statements varies considerably.

The Group is subject to laws and regulations that directly impact the Financial Statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation (direct and indirect). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statement items.

Most significant indirect law/ regulation areas

We identified the following areas as those most likely to have such an effect:

- Employee health and safety, reflecting the nature of the Group's production and distribution process;
- Anti-bribery and corruption, reflecting that the Group operates in a number of countries where there is an opportunity to engage in bribery given more limited regulation;
- Interaction with healthcare professionals, reflecting the nature of the Group's products in the Health and Nutrition Global Business Units;
- Global competition laws, reflecting the nature of the Group's business and certain market share positions;
- Consumer product law such as product safety, quality standards and product claims, reflecting the nature of the Group's diverse product base;
- Data privacy laws, reflecting the Group's growing amounts of personal data held; and
- Intellectual property legislation, reflection the potential of the Group to infringe trademarks, copyright and patents.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation or the loss of the Group's permission to operate in countries where the non-adherence to laws could prevent trading in such countries.

Link to Key Audit Matters

Further detail in respect of the effect of ongoing litigation relating to the HS Law Amendment in South Korea is set out in the key audit matter disclosures in section 4 of this report.

*Context**Context of the ability of the audit to detect fraud or breaches of law or regulation*

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

6. Our determination of materiality

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

Materiality for the group financial statements as a whole**£130m****(FY21: £135m)****What we mean**

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

Basis for determining materiality and judgements applied:

Our Group materiality of £130m (FY21: £135m) was determined by applying a percentage to the normalised profit before tax from continuing operations (PBTCO). When using a benchmark of normalised profit before tax to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 3% – 5% of the measure. In setting overall Group materiality, we applied a percentage of 4% (FY21: 5%) to the benchmark.

Consistent with FY21, we determined that normalised profit before tax from continuing operations (PBTCO) remains the benchmark for the Group. Reckitt Benckiser Group plc is well established and operates in a stable environment across multiple geographies. Therefore, users of the financial statements will be primarily interested in the profitability of the Group and its ability to generate a return for shareholders, of which the most relevant benchmark is normalised PBTCO.

We normalised PBTCO (FY21: normalised PBTCO) by adding back adjustments that do not represent the normal, continuing operations of the Group. The items we adjusted for the impairment of goodwill, and other adjusting items as disclosed on pages 78 to 79 in the table reconciling the Group's IFRS measures to its adjusted measures for the year ended 31 December 2022, totalling £90 million net (FY21: £2,854 million, adjustments related to loss on disposal of brands, disposal of IFCN China, reclassified foreign exchange translation on liquidation of subsidiaries and other adjusting items as defined on pages 78 and 79).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.45% (FY21: 0.59%). The Parent Company's principal activity is holding the investment in Reckitt Benckiser Limited, and therefore the total assets are the most relevant benchmark to the users of the financial statements, as this reflects the value of the investment.

Performance materiality**£85m****(FY21: £100m)****What we mean:**

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial

misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied:

We have considered performance materiality at a level of 65% (FY21: 75%) of materiality for Reckitt Benckiser Group plc financial statements as a whole to be appropriate. This therefore has been set at £85m (FY21: £100m). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

The Parent Company performance materiality was set at £49m (FY21: £49m) which equates to 75% (FY21: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality to remain consistent with the Group.

Audit misstatement posting threshold**£5m****(FY21: £6m)****What we mean:**

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

This is also the amount above which all misstatements identified are communicated to Reckitt Benckiser Group plc's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied:

We set our audit misstatement posting threshold at 3.9% (FY21: 4.4%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £130m (FY21: £135m) compares as follows to the main financial statement caption amounts:

	Total Group Net Revenue		Group profit before tax		Total Group Assets	
	FY22	FY21	FY22	FY21	FY22	FY21
Financial statement Caption	£14,453m	£13,234m	£3,067m	£(260)m	£28,742m	£26,946m
Group Materiality as a percentage of caption	0.9%	1.0%	4.2%	51.9%	0.5%	0.5%

INDEPENDENT AUDITOR'S REPORT CONTINUED

7. The scope of our audit**Group scope****What we mean**

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

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

The Group operates in more than 60 countries across six continents with the largest market being the United States of America. The Group is organised into three Global Business Units being Hygiene, Health and Nutrition.

We scoped the audit by obtaining an understanding of the Group and its environment and assessing the risk of material misstatement at the Group and component level.

We have considered components on the basis of their contribution to Group Net Revenue, total profits and losses that made up Group profit before tax and Group total assets.

Of the Group's 406 (FY21: 422) reporting components, we instructed 53 components (FY21: 47) across 23 overseas countries (FY21: 20 countries) to perform full scope audits for Group purposes, one component (FY21: none) to performed specified audit procedures and there were no components subject to audit of account balances (FY21: 1). Please see table below for a summary.

Scope	Number of components	Range of materiality applied
Full scope audit	53	£8m – £75m
Specified audit procedures	1	£64m

The Group audit team has performed audit procedures on the testing of General IT Controls on behalf of the components. These items were audited by the Group team because these they are managed centrally. The Group team communicated the results of these procedures to the component teams.

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

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

The work on 51 of the 54 components (FY21: 46 of the 48 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Group audit team oversight**What we mean**

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

The Group audit team is required to instruct the component teams about their responsibilities in relation to the consolidated Group audit and to understand the approach taken by component auditors to meet these responsibilities. The Group audit team is also required to understand the conclusions reached by component auditors and to review and challenge the work they have performed to reach these conclusions.

Unlike in previous years the Group audit team were able to physically visit 19 countries in November and December FY22 to attend management balance sheet reviews ahead of the year end (FY21: 0, as a result of COVID-19 travel restrictions). The Group audit team were therefore able to have face to face communications with both our KPMG component teams and local Reckitt management.

As well as physical visits, we had regular contact with our component auditors throughout the year, including:

- Issuing instructions to component auditors on the scope of their work including specifying minimum procedures to perform in their audit of trade spend and other operational accruals;
- Approval by the Group audit team of the component materiality for all components, which ranged from £8 million to £75 million (FY21: £8 million to £100 million), having regard to the mix of size and risk profile of the Group across the components, including considering the benchmark for each component;
- Attendance by senior members of the Group audit team and relevant component auditors at management's balance sheet reviews for all in-scope component locations;
- Risk assessment and challenge sessions with each component audit team in the planning and final phases of the audit led by a senior member of the Group audit team;
- Attendance by members of the Group audit team and relevant component auditors at year end clearance meetings where the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditors; and
- Inspection of component audit teams' key working papers within component audit files (using remote technology capabilities) to evaluate the quality of execution of the audits of the components, with a particular focus on the minimum procedures instructed in relation to our key audit matter, trade spend arrangements and other operational accruals.

INDEPENDENT AUDITOR'S REPORT CONTINUED

8. Other information in the annual report

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

All other information*Our responsibility*

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

Our reporting

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

Strategic report and directors' report*Our responsibility and reporting*

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

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

Directors' remuneration report*Our responsibility*

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

Our reporting

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

Corporate governance disclosures*Our responsibility*

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

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

Our reporting

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

Our responsibility

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

Our reporting

We have nothing to report in this respect.

Other matters on which we are required to report by exception*Our responsibility*

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT CONTINUED

9. Respective responsibilities**Directors' responsibilities**

As explained more fully in their statement set out on page 160, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

ANDREW BRADSHAW (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR

Chartered Accountants
15 Canada Square
London

28 February 2023

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

GROUP INCOME STATEMENT

For the year ended 31 December	Note	2022 £m	2021 £m
CONTINUING OPERATIONS			
Net Revenue	2	14,453	13,234
Cost of sales		(6,092)	(5,558)
Gross profit		8,361	7,676
Gain/(loss) on disposal of intangible assets and related businesses	29	14	(3,518)
Other net operating expenses	3	(5,126)	(4,962)
Total net operating expenses		(5,112)	(8,480)
Operating profit/(loss)	2	3,249	(804)
Foreign exchange net gain on liquidation of subsidiaries	6	69	766
Other net finance expense	6	(230)	(219)
Net finance (expense)/income	6	(161)	547
Impairment of equity-accounted investments	11	(19)	-
Share of loss of equity-accounted investments, net of tax	11	(2)	(3)
Profit/(loss) before income tax		3,067	(260)
Income tax (charge)/credit	7	(711)	208
Net income/(loss) from continuing operations		2,356	(52)
Net (loss)/income from discontinued operations	30	(7)	31
Net income/(loss)		2,349	(21)
Attributable to non-controlling interests		19	11
Attributable to owners of the parent company		2,330	(32)
Net income/(loss)		2,349	(21)
Basic earnings/(loss) per ordinary share			
From continuing operations (pence)	8	326.7	(8.8)
From discontinued operations (pence)	8	(1.0)	4.3
From total operations (pence)	8	325.7	(4.5)
Diluted earnings/(loss) per ordinary share			
From continuing operations (pence)	8	325.7	(8.8)
From discontinued operations (pence)	8	(1.0)	4.3
From total operations (pence)	8	324.7	(4.5)

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2022 £m	2021 £m
Net income/(loss)		2,349	(21)
Other comprehensive income/(expense)			
<i>Items that have or may be reclassified to the Income Statement in subsequent years</i>			
Net exchange gain/(loss) on foreign currency translation, net of tax	7, 26	1,065	(374)
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	7, 26	(56)	(550)
(Losses)/gains on net investment hedges, net of tax	7, 26	(115)	84
Gains on cash flow hedges, net of tax	7, 26	2	30
		896	(810)
<i>Items that will not be reclassified to the Income Statement in subsequent years</i>			
Remeasurements of defined benefit pension plans, net of tax	7	24	133
Revaluation of equity instruments, net of tax	7	(87)	(1)
		(63)	132
Other comprehensive income/(expense), net of tax		833	(678)
Total comprehensive income/(expense)		3,182	(699)
Attributable to non-controlling interests		20	11
Attributable to owners of the parent company		3,162	(710)
Total comprehensive income/(expense)		3,182	(699)
Total comprehensive income/(expense) attributable to owners of the parent company arising from:			
Continuing operations		3,169	(741)
Discontinued operations		(7)	31
		3,162	(710)

GROUP BALANCE SHEET

As at 31 December	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	20,203	18,868
Property, plant and equipment	10	2,473	2,178
Equity instruments	11	86	194
Deferred tax assets	12	244	197
Retirement benefit surplus	23	294	355
Other non-current receivables	14	157	149
Total non-current assets		23,457	21,941
Current assets			
Inventories	13	1,825	1,459
Trade and other receivables	14	2,082	1,926
Derivative financial instruments	15, 17	59	61
Current tax recoverable		155	155
Cash and cash equivalents	16	1,157	1,261
Total current assets		5,278	4,862
Assets held for sale	29	7	143
Total assets		28,742	26,946
LIABILITIES			
Current liabilities			
Short-term borrowings	17	(1,721)	(2,485)
Provisions for liabilities and charges	18	(227)	(191)
Trade and other payables	21	(5,547)	(5,267)
Derivative financial instruments	15, 17	(55)	(52)
Current tax liabilities	22	(791)	(93)
Total current liabilities		(8,341)	(8,088)
Non-current liabilities			
Long-term borrowings	17	(7,163)	(7,078)
Deferred tax liabilities	12	(3,037)	(2,806)
Retirement benefit obligations	23	(240)	(318)
Provisions for liabilities and charges	18	(59)	(44)
Derivative financial instruments	15, 17	(249)	(71)
Non-current tax liabilities	22	(54)	(826)
Other non-current liabilities	21	(116)	(262)
Total non-current liabilities		(10,918)	(11,405)
Total liabilities		(19,259)	(19,493)
Net assets		9,483	7,453

As at 31 December	Note	2022 £m	2021 £m
EQUITY			
Capital and reserves			
Share capital	24	74	74
Share premium		254	253
Merger reserve		(14,229)	(14,229)
Other reserves	26	(294)	(1,189)
Retained earnings		23,638	22,490
Attributable to owners of the parent company		9,443	7,399
Attributable to non-controlling interests		40	54
Total equity		9,483	7,453

The accompanying notes form part of these Financial Statements. The Financial Statements on pages 177 to 221 were approved by the Board of Directors and signed on its behalf on 28 February 2023 by:

CHRISTOPHER SINCLAIR
DIRECTOR
Reckitt Benckiser Group plc

NICANDRO DURANTE
DIRECTOR
Reckitt Benckiser Group plc

GROUP STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Merger reserves ¹ £m	Other reserves ² £m	Retained earnings £m	Total attributable to owners of the parent company £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2021		74	252	(14,229)	(379)	23,397	9,115	44	9,159
Comprehensive income									
Net (loss)/income		-	-	-	-	(32)	(32)	11	(21)
Other comprehensive (expense)/income		-	-	-	(810)	132	(678)	-	(678)
Total comprehensive (expense)/income		-	-	-	(810)	100	(710)	11	(699)
Transactions with owners									
Treasury shares reissued	24	-	1	-	-	79	80	-	80
Purchase of ordinary shares by employee share ownership trust		-	-	-	-	(5)	(5)	-	(5)
Issuance of shares to non-controlling interest		-	-	-	-	-	-	7	7
Share-based payments	25	-	-	-	-	30	30	-	30
Cash dividends	28	-	-	-	-	(1,246)	(1,246)	(17)	(1,263)
Transactions with non-controlling interests		-	-	-	-	135	135	-	135
Disposal of non-controlling interest in IFCN China		-	-	-	-	-	-	9	9
Total transactions with owners		-	1	-	-	(1,007)	(1,006)	(1)	(1,007)
Balance at 31 December 2021		74	253	(14,229)	(1,189)	22,490	7,399	54	7,453
Comprehensive income									
Net income		-	-	-	-	2,330	2,330	19	2,349
Other comprehensive income/(expense)		-	-	-	895	(63)	832	1	833
Total comprehensive income		-	-	-	895	2,267	3,162	20	3,182
Transactions with owners									
Treasury shares reissued	24	-	1	-	-	53	54	-	54
Issuance of shares to non-controlling interest		-	-	-	-	-	-	1	1
Share-based payments	25	-	-	-	-	78	78	-	78
Tax on share awards	7	-	-	-	-	(1)	(1)	-	(1)
Cash dividends	28	-	-	-	-	(1,249)	(1,249)	(35)	(1,284)
Total transactions with owners		-	1	-	-	(1,119)	(1,118)	(34)	(1,152)
Balance at 31 December 2022		74	254	(14,229)	(294)	23,638	9,443	40	9,483

1. The merger reserve relates to the 1999 combination of Reckitt & Colman plc and Benckiser N.V. and a Group reconstruction in 2007 treated as a merger under Part 27 of the Companies Act 2006

2. Refer to Note 26 for an explanation of other reserves

GROUP CASH FLOW STATEMENT

For the year ended 31 December	Note	2022 £m	2021 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		3,067	(260)
Net finance expense/(income)		161	(547)
Share of loss and impairment of equity-accounted investments		21	3
Operating profit/(loss) from continuing operations		3,249	(804)
(Profit)/loss on sale of property, plant and equipment and intangible assets		(82)	3,442
Depreciation, amortisation and impairment		607	481
Share-based payments		78	30
Increase in inventories		(254)	(57)
Increase in trade and other receivables		(23)	(130)
Decrease in payables and provisions		(145)	(126)
Cash generated from continuing operations		3,430	2,836
Interest paid		(243)	(251)
Interest received		34	29
Tax paid		(831)	(915)
Net cash flows attributable to discontinued operations	30	7	(2)
Net cash generated from operating activities		2,397	1,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(362)	(373)
Purchase of intangible assets		(81)	(77)
Proceeds from the sale of property, plant and equipment		84	9
Proceeds from sale of intangible assets and related businesses, net of cash disposed		247	1,622
Acquisition of businesses		(12)	(915)
Other investing activities		(15)	(27)
Net cash (used in)/generated from investing activities		(139)	239

For the year ended 31 December	Note	2022 £m	2021 £m
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares reissued	24	54	80
Purchase of ordinary shares by employee share ownership trust		-	(5)
Proceeds from borrowings	17	2,274	38
Repayment of borrowings	17	(3,807)	(1,044)
Dividends paid to owners of the parent company	28	(1,249)	(1,246)
Dividends paid to non-controlling interests		(35)	(17)
Other financing activities ¹		383	(92)
Net cash used in financing activities		(2,380)	(2,286)
Net decrease in cash and cash equivalents		(122)	(350)
Cash and cash equivalents at beginning of the year		1,259	1,644
Exchange gains/(losses)		19	(35)
Cash and cash equivalents at end of the year		1,156	1,259
Cash and cash equivalents comprise:			
Cash and cash equivalents ²	16	1,157	1,261
Overdrafts	17	(1)	(2)
		1,156	1,259

1. Cash flows from other financing activities are principally composed of cash receipts and payments on derivative contracts used to hedge foreign exchange gains or losses on non-Sterling financing assets and financing liabilities between the Group's treasury company and fellow Group subsidiaries
2. Included within cash and cash equivalents is £276 million of cash (2021: £66 million) which is restricted for use by the Group but is available on demand and freely available for use within the relevant subsidiary (see Note 16)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

Basis of preparation

These Financial Statements have been prepared in accordance with the recognition, measurement and presentation requirements of UK-adopted International Accounting Standards and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income. A summary of the Group's accounting policies is set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of Financial Statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the Balance Sheet date and revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates.

New standards, amendments and interpretations

The following amended standards and interpretations were adopted by the Group during the year ending 31 December 2022. These amended standards and interpretations have not had a significant impact on the consolidated Financial Statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020

The following new and amended standards are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted the new or amended standards, where applicable, in preparing these consolidated Financial Statements. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

- IFRS 17 Insurance Contracts

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

- COVID-19 Related Rent Concessions beyond 30 June 2021: Amendment to IFRS 16 Leases

Going concern

Having assessed the principal risks and other matters discussed in connection with the Viability Statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements. When reaching this conclusion, the Directors took into account the Group's overall financial position, exposure to principal risks and future business forecasts. At 31 December 2022, the Group had cash and cash equivalents of £1.2 billion. The Group also had access to committed borrowing facilities of £4.5 billion, which were undrawn at year end and of which £4.45 billion are not subject to renewal until 2025 onwards. Further detail is contained within the Viability Statement on page 87.

Basis of consolidation

The consolidated Financial Statements include the results of Reckitt Benckiser Group plc, a company registered in the UK, and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Reckitt Benckiser Group plc. Control exists where the Group is exposed to, or has the rights to variable returns from its involvement with, the investee and has the ability to use its power over the investee to affect its returns.

Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with accounting policies adopted by the Group.

Climate change

In preparing the Financial Statements, management have considered the impact of climate change, specifically with reference to the disclosures included in the Strategic Report and the Group's 2030 Sustainability Ambitions. These factors have not had a significant effect on the Group's critical accounting estimates and judgments made with respect to the current year.

Foreign currency translation

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial Statements are presented in Sterling, which is the Group's presentational currency.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated monetary assets and liabilities are recognised in the Income Statement, except where hedge accounting is applied.

The Financial Statements of subsidiary undertakings with a non-Sterling functional currency are translated into Sterling on the following basis:

- Assets and liabilities: at the rate of exchange ruling at the year end date
- Income Statement items: at the average rate of exchange for the year

Exchange differences arising from the translation of the net investment in subsidiary undertakings with a non-Sterling functional currency, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity on consolidation.

Business combinations

The acquisition method is used to account for the acquisition of subsidiaries and businesses. Identifiable net assets acquired (including intangible assets) in a business combination are measured initially at their fair values at the acquisition date.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and retrospectively applied.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired is recorded as goodwill.

The consideration transferred is measured at the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition-related costs are expensed as incurred.

The results of the subsidiaries and businesses acquired are included in the consolidated Financial Statements from the acquisition date.

Assets held for sale and disposal groups

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale and presented separately in the Balance Sheet when the following criteria are met: the Group is committed to selling the asset or disposal group; it is available for immediate sale in its current condition; an active plan of sale has commenced and been approved in line with Group policy; and in the judgement of Group management it is highly probable that the sale will be completed within 12 months.

Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting standards. Goodwill (including cost and accumulated impairment) is allocated to the disposal group using a relative value approach, unless a different method better reflects goodwill associated with the disposal.

Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement to fair value less costs of disposal, are recognised in the Income Statement. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Disposals of intangible assets and subsidiaries

The financial performance of subsidiaries and businesses are included in the consolidated Financial Statements up to the point at which the Group ceases to have control over that subsidiary. Intangible assets not disposed of through the sale of shares in subsidiaries are treated as disposed at the point that the Group ceases to control the asset.

The difference between the fair value of the consideration (net of costs) and the carrying value of the assets and liabilities disposed is recognised as a gain or loss in the Income Statement. Any amounts previously recognised in other comprehensive income in respect of that subsidiary or asset, including exchange gains or losses on foreign currency translation, are accounted for as if the Group had directly disposed of related assets and liabilities. This results in a reclassification of amounts previously recognised in other comprehensive income to the Income Statement and included within the loss on disposal of intangible assets and related businesses.

Where the assets and liabilities disposed represent a partial disposal of a cash generating unit to which goodwill has been allocated, goodwill is allocated using a relative value approach to the disposal group, unless a different method better reflects goodwill associated with the disposal.

Where the tax base will not be transferred with the disposed assets, the deferred tax balances relating to the intangible assets are not considered part of the assets disposed and are instead credited or charged to the Income Statement within income tax expense.

Liquidation of subsidiaries

The Group liquidates subsidiaries that are no longer required in order to simplify the Group structure. As part of this process, the Group ensures any outstanding matters relating to the subsidiary are resolved before liquidation. Any amounts previously recognised in other comprehensive income in respect of that subsidiary, including exchange gains and losses on foreign currency translation, are reclassified to the Income Statement on disposal which is typically on entering liquidation. The amounts previously recognised in other comprehensive income are included within net finance (expense)/income in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued**Non-controlling interests**

On an acquisition-by-acquisition basis, the non-controlling interest is measured at either fair value or a proportionate share of the acquiree's net assets.

Purchases of non-controlling interests are accounted for as transactions with the owners and therefore no goodwill is recognised as a result of such transactions.

Revenue

Revenue from the sale of products is recognised in the Group Income Statement as and when performance obligations are satisfied by transferring control of the product or service to the customer.

Net Revenue is defined as the amount invoiced to external customers during the year and comprises, as required by IFRS 15, gross sales net of trade spend, customer allowances for credit notes, returns and consumer coupons. The methodology and assumptions used to estimate credit notes, returns and consumer coupons are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

Trade spend, which consists primarily of customer pricing allowances, placement/listing fees and promotional allowances, is governed by sales agreements with the Group's trade customers (retailers and distributors). Trade spend also includes reimbursement arrangements under the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), payable to the respective US state WIC agencies.

Accruals are recognised under the terms of these agreements to reflect the expected activity level and the Group's historical experience. These accruals are reported within trade and other payables.

Value-added tax and other sales taxes are excluded from Net Revenue.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

Research and development

Research expenditure is expensed in the year in which it is incurred.

Development expenditure is expensed in the year in which it is incurred, unless it meets the requirements of IAS 38 to be capitalised and then amortised over the useful life of the developed product.

Income tax

Income tax on the income/(loss) for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in each jurisdiction at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

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 consolidated Financial Statements. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the Balance Sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the investor is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities within the same tax jurisdiction are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle these balances on a net basis.

Goodwill and other intangible assets**(i) Goodwill**

Goodwill is allocated to the cash generating unit (CGU), or group of CGUs (GCGU), to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued*(ii) Brands*

Separately acquired brands are shown at cost less accumulated amortisation and impairment. Brands acquired as part of a business combination, and that are separately identifiable, are recognised at fair value and amortised over their useful economic life as determined at the acquisition date (up to 20 years), except when their life is determined as being indefinite.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and continuing marketing investment. Within the Group, a brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. Indefinite life brands are allocated to the CGUs or GCGUs to which they relate and are tested annually for impairment.

The Directors also review the useful economic life of brands annually, to ensure that these lives are still appropriate. If a brand is considered to have a finite life, its carrying value is amortised over its remaining estimated useful economic life.

(iii) Software

Expenditure relating to the acquisition of computer software licences and systems are capitalised at cost. The assets are amortised on a straight-line basis over a period of seven years for systems and five years or less for all other software licences.

(iv) Distribution rights

Payments made in respect of product registration, acquired and reacquired distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands. If the registration or distribution rights are for a defined time period, the intangible asset is amortised over that period. If no time period is defined, the intangible asset is treated in the same way as acquired brands.

(v) Customer contracts

Acquired customer contracts are capitalised at cost. These costs are amortised on a straight-line basis over the period of the contract.

(vi) Customer relationships

Customer relationships are shown at cost less accumulated amortisation and impairment. Customer relationships acquired as part of a business combination, and that are separately identifiable, are recognised at fair value and amortised over their useful economic life as determined at the acquisition date (up to 10 years).

(vii) Acquired intellectual property

Intellectual property rights acquired as part of the business and that are separately identifiable are recognised at fair value and amortised over their useful economic life as determined at the acquisition date (up to 20 years).

Amortisation of intangible assets in (ii) to (vii) is charged to cost of goods sold or net operating expenses depending on the use of the asset.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Except for freehold land and assets under construction, the cost of property, plant and equipment is depreciated on a straight-line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

- freehold buildings: not more than 50 years;
- leasehold land and buildings: the lesser of 50 years or the life of the lease; and
- owned plant and equipment: not more than 15 years (except for environmental assets and spray dryers which are not more than 30 years).

In general, production plant and equipment and office equipment are depreciated over 10 years or less and motor vehicles and computer equipment over 5 years or less.

Assets' residual values and useful lives are reviewed, and adjusted if necessary, at each Balance Sheet date. Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate. Freehold land is reviewed for impairment on an annual basis.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the asset's carrying value with any sale proceeds and are included in the Income Statement.

Leases

The Group has various lease arrangements for buildings (such as offices and warehouses), cars, and IT and other equipment. Lease terms are negotiated on an individual basis locally and subject to domestic rules and regulations. At the inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period in exchange for consideration, in which case it is identified as a lease. The Group recognises a right of use asset and a corresponding lease liability with respect to all 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. Low value leases are those with an underlying asset value of USD 5,000 or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued**Right of use assets**

At commencement date, right of use assets are measured at cost, which comprises the following:

- the initial measurement of the lease liability;
- prepayments before commencement date of the lease;
- initial direct costs; and
- costs to restore.

Subsequent to initial recognition right of use assets are depreciated on a straight-line basis over the duration of the contract. Right of use assets are assessed for impairment where indicators of impairment are present.

Lease liabilities

At commencement date, lease liabilities are measured at the present value of lease payments not yet paid including:

- fixed payments excluding lease incentive receivables;
- future contractually agreed fixed increases; and
- payments related to renewals or early termination, when options to renew or for early termination are reasonably certain to be exercised.

Subsequent to initial recognition lease liabilities are increased by the interest costs on the lease liabilities and decreased by lease payments made. Lease liabilities held are remeasured to account for revised future payments.

Impairment of assets

Assets that have indefinite lives, including goodwill and brands, are tested annually for impairment at the level where cash flows are considered to be largely independent. This testing is performed at either the CGU or GCGU level. All CGUs and GCGUs are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If the carrying value exceeds its recoverable amount an impairment loss is recognised in the Income Statement. The recoverable amount is the higher of the CGU's or GCGU's value-in-use and its fair value less costs of disposal.

Value-in-use is calculated with reference to the future and terminal cash flows expected to be generated by each CGU or GCGU (or group of assets where cash flows are not identifiable to specific assets). The discount rates used in the impairment reviews are based on weighted average cost of capital (WACC) specific to each CGU and GCGU, with the WACC converted to the implied pre-tax rates.

Fair value less costs of disposal is calculated using a discounted cash flow approach prepared on a market participant basis, with a post-tax discount rate applied to projected risk-adjusted post-tax cash flows and terminal value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses (based on normal operating capacity) required to get the inventory to its present location and condition. Inventory valuation is determined on a first in, first out (FIFO) basis. Net realisable value represents the estimated selling price less applicable selling expenses.

Trade and other receivables

Trade and other receivables are initially recognised at the fair value of consideration less transaction costs and subsequently held at amortised cost, less provision for discounts and doubtful debts. Allowance losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk.

Trade and other payables

Trade and other payables are initially recognised at fair value including transaction costs and subsequently carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and other deposits with a maturity of less than three months when deposited.

For the purpose of the Cash Flow Statement, bank overdrafts that form an integral part of the Group's cash management, and are repayable on demand, are included as a component of cash and cash equivalents. Bank overdrafts are included within short-term borrowings in the Balance Sheet.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less, where permitted by IFRS 9, any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Cash flows relating to interest are presented within operating cash flows. Proceeds and repayment of principal amounts are presented as financing cash flows and are presented gross, except for borrowings with maturities of less than three months (including commercial paper), which are presented net.

Derivative financial instruments and hedging activity

The Group may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued

At the inception of designated hedge relationships, the Group documents its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items.

The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges); or
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).

Derivatives designated as cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve. Any gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other transactions, the amounts accumulated in the hedging reserve are recycled to the Income Statement in the period (or periods) when the hedged item affects the Income Statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. The amount that has been accumulated in the hedging reserve remains in equity until it is either included in the cost of a non-financial item or recycled to the Income Statement.

Derivatives designated as fair value hedges

Fair value hedges are used to manage the currency and/or interest rate risks to which the fair value of certain assets and liabilities are exposed. Changes in the fair value are recognised in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If such a hedge relationship no longer meets hedge accounting criteria, fair value movements on the derivative continue to be taken to the Income Statement while any fair value adjustments made to the underlying hedged item to that date are amortised through the Income Statement over its remaining life using the effective interest rate method.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

Net investment hedges

Gains and losses on those hedging instruments designated as hedges of the net investments in foreign operations are recognised in other comprehensive income to the extent that the hedging relationship is effective. Gains and losses accumulated in the foreign currency translation reserve are recycled to the Income Statement when the foreign operation is disposed of.

Equity investments

Equity investments are investments that are neither held for trading nor classified as investments in subsidiaries, associates or joint arrangements. Subsequent to their initial recognition, equity investments are stated at their fair value. Gains and losses arising from subsequent changes in the fair value are recognised in the Income Statement or in other comprehensive income on a case-by-case basis. Accumulated gains and losses included in other comprehensive income are not recycled to the Income Statement. Dividends from other investments are recognised in the Income Statement.

Investment in associates

Investments in associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence, being the power to participate in the investee's financial and operating policy decisions without control or joint control.

Interests in associates are stated in the consolidated Balance Sheet at cost, adjusted for the movement in the Group's share of their net assets and liabilities. The Group's share of the profit or loss after tax of associates is included in the Group's consolidated profit before taxation. Unrealised intragroup profits or losses from transactions are offset against the carrying amount of the investment on a pro-rata basis during consolidation, if material.

When the Group's share of losses exceeds its interest in an associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Financial Statements of the companies accounted for using the equity method are prepared in accordance with uniform accounting and measurement methods throughout the Group.

Employee share schemes

Incentives in the form of shares are provided to employees under share option and conditional award schemes vested in accordance with non-market conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Additional employer costs, including social security taxes, in respect of options and awards are charged to the Income Statement over the same period with a corresponding liability recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued**Repurchase and reissuance of ordinary shares**

When shares recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are classified as Treasury shares and are presented in retained earnings. When Treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and any resulting surplus is presented within share premium or deficit presented within retained earnings.

Pension commitments

Group companies operate defined contribution and (funded and unfunded) defined benefit pension plans.

The cost of providing pensions to employees who are members of defined contribution plans is charged to the Income Statement as contributions are made. The Group has no further payment obligations once the contributions have been paid.

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

Past service costs are recognised immediately in the Income Statement.

The net interest amount is calculated by applying the discounted rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset.

The net pension plan interest is presented as other finance income/other finance expense.

Post-retirement benefits other than pensions

Some Group companies provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognised in the Balance Sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Where it is possible that an outflow of resources may be required to settle the obligation or it is not possible to make a reliable estimate of the estimated financial impact, appropriate disclosure is made but no provision recognised.

Share capital transactions

When the Group purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Purchased shares are either held in Treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled would be transferred from retained earnings.

Dividend distribution

Dividends to owners of the parent company are recognised as a liability in the period in which the dividends are approved by the company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Dividend payments are recorded at fair value. Where non-cash dividend payments are made, gains arising as a result of fair value remeasurements are recognised in the Income Statement in the same period.

Accounting estimates and judgements

In preparing these consolidated Financial Statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts and results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Over the course of the year, management has made a number of critical judgements in the application of the Group's accounting policies. These include the following:

- Management has identified matters (including the Korea Humidifier Sanitiser and Necrotizing Enterocolitis issues) that may incur liabilities in the future but does not recognise these liabilities when it is too early to determine the likely outcome or make a reliable estimate (Note 18, Note 20).
- The continuing enduring nature of the Group's brands supports the indefinite life assumption for certain of these assets (Note 9).
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (Note 12).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting Policies continued*Key sources of estimation uncertainty*

Each year, management is required to make a number of assumptions regarding the future. The related year end accounting estimates will, by definition, seldom equal the final actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Goodwill and indefinite life intangible assets:

Under IFRS, goodwill and other indefinite life intangible assets must be tested for impairment on at least an annual basis. As disclosed further in Note 9, this testing generally requires management to make multiple estimates, for example around individual market pressures and forces, future price and volume growth, future margins, terminal growth rates and discount rates.

In 2022, the Group recognised impairment losses of £167 million (2021: £nil), of which £152 million related to the Biofreeze CGU. The recoverability of the Group's goodwill and indefinite-lived intangible assets in relation to Biofreeze is sensitive to reasonably possible changes in key assumptions. Further information on key estimates and assumptions, including details on the sensitivities of the value-in-use estimates to reasonable changes in key assumptions, is included in Note 9.

Tax:

The actual tax paid on profits is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference is charged or credited to the Income Statement in the period in which it is determined (Note 7).

The Group operates in an international tax environment and is subject to tax examinations and uncertainties in a number of jurisdictions. The issues involved can be complex and disputes may take a number of years to resolve. Each uncertainty is separately assessed and management applies judgement in the recognition and measurement of the uncertainty based on the relevant circumstances. The exposure recognised is calculated based on the expected value method or the most likely outcome method, depending on whether there are a wide range of possible outcomes or if resolution of the uncertainty is concentrated on one outcome. In particular, the range of possible outcomes relating to transfer pricing exposures can be wide and, in these scenarios, the expected value method is employed. The accounting estimates and judgements considered include:

- status of the unresolved matter;
- clarity of relevant legislation and related guidance;
- pre-clearances issued by taxing authorities;
- advice from in-house specialists and opinions of professional firms;

- resolution process and range of possible outcomes;
- past experience and precedents set by the particular taxing authority;
- decisions and agreements reached in other jurisdictions on comparable issues;
- unutilised tax losses, tax credits and availability of mutual agreement procedures between tax authorities; and
- statute of limitations.

Management is of the opinion that the carrying values of the uncertain tax positions made in respect of these matters represent its best estimate once all facts and circumstances have been taken into account. Nevertheless, the final amounts paid to discharge the liabilities arising (either through negotiated settlement or litigation) may be different from the position recognised. The net liabilities recognised in respect of uncertain tax positions as at 31 December 2022 are £722 million (2021: £770 million) (Note 22).

Trade spend:

The Group provides for amounts payable to our trade customers for promotional activity and government reimbursement arrangements. Where an activity spans the year end, an accrual is reflected in the consolidated Financial Statements based on our estimation of customer and consumer uptake during the relevant period and the extent to which temporary funded activity has occurred. As there is a timing difference between that initial estimation and final settlement of trade spend with our customers, differences can result on final settlement. As at 31 December 2022, the Group recognised total accruals of £1,137 million (2021: £1,137 million) in respect of amounts payable to trade customers and government bodies for trade spend. The Group's trade spend arrangements vary considerably by market and category, and the Group's trade spend accruals are made up of many individually small accruals. Therefore, an aggregated disclosure of sensitivity analysis on the key inputs to trade spend accrual estimates would not be practicable nor meaningful. Nevertheless, a 11% (2021: 12%) difference between those initial estimates and final settlement would cause a material charge or credit to the Income Statement in the next financial year. During 2022, adjustments to trade spend accruals as at 31 December 2021, due to changes in accounting estimates, were not material.

Legal provisions:

The Group recognises legal provisions when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. The level of provisioning in relation to civil and/or criminal investigations is an area where management and legal judgement are important, with individual provisions being based on best estimates of the possible loss, considering all available information, external advice and historical experience. As at 31 December 2022, the Group recognised legal provisions of £221 million (2021: £180 million) in relation to a number of historical regulatory and other matters in various jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Operating Segments

The Group's operating segments comprise the Hygiene, Health and Nutrition business units reflecting the way in which information is presented to and reviewed by the Group's Chief Operating Decision Maker (CODM) for the purposes of making strategic decisions and assessing Group-wide performance.

The CODM is the Group Executive Committee. This Committee is responsible for the implementation of strategy (approved by the Board), the management of risk (delegated by the Board) and the review of Group operational performance and ongoing business integration.

The Group Executive Committee assesses the performance of these operating segments based on Net Revenue from external customers and segment profit being adjusted operating profit. Intercompany transactions between operating segments are eliminated. Finance income and expense are not allocated to segments, as each is managed on a centralised basis.

The segment information for the operating segments for the year ended 31 December 2022 and 31 December 2021 is as follows:

Year ended 31 December 2022	Hygiene £m	Health £m	Nutrition £m	Adjusting items £m	Total £m
Net revenue	5,960	5,992	2,501	–	14,453
Depreciation and amortisation	(135)	(177)	(90)	(35)	(437)
Operating profit	1,214	1,648	577	(190)	3,249
Net finance expense					(161)
Impairment of equity-accounted investments					(19)
Share of loss of equity-accounted investments, net of tax					(2)
Profit before income tax					3,067
Income tax charge					(711)
Net income from continuing operations					2,356

Year ended 31 December 2021 (restated) ¹	Hygiene £m	Health ¹ £m	Nutrition ^{1,2} £m	Adjusting items £m	Total £m
Net revenue	5,911	5,053	2,270	–	13,234
Depreciation and amortisation	(111)	(155)	(96)	(61)	(423)
Operating profit/(loss)	1,401	1,242	234	(3,681)	(804)
Net finance income					547
Share of loss of equity-accounted investments, net of tax					(3)
Loss before income tax					(260)
Income tax credit					208
Net loss from continuing operations					(52)

1. Segmental information for the year ended 31 December 2021 has been restated to reflect the Group's current operating segments, the composition of which changed with effect from 1 January 2022 when the Vitamins, Minerals and Supplements (VMS) business was moved from Nutrition to Health

2. Following the start of the strategic review of IFCN China, the CODM also reviewed financial information for net revenue and adjusted operating profit excluding IFCN China (which was disposed in September 2021, see Note 29). In the year ended 31 December 2021, Nutrition net revenue based on current operating segments and excluding IFCN China was £1,887 million and Nutrition adjusted operating profit excluding IFCN China was £301 million

Financial information for the Hygiene, Health and Nutrition operating segments is presented on an adjusted basis which excludes certain cash and non-cash items. These items have a pattern of recognition that is largely uncorrelated with the trading performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Further detail on adjusting items is included on pages 75 to 79.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Operating Segments continued

The company is domiciled in the UK. The split of Net Revenue from external customers and Non-current assets (other than equity instruments, deferred tax assets and retirement benefit surplus assets) between the UK, the US (being the biggest country outside the country of domicile) and that from all other countries is:

	UK £m	US £m	All other countries £m	Total £m
2022				
Net Revenue	778	4,603	9,072	14,453
Goodwill and other intangible assets	1,875	10,905	7,423	20,203
Property, plant and equipment	314	828	1,331	2,473
Other non-current receivables	22	54	81	157
2021				
Net Revenue	739	3,873	8,622	13,234
Goodwill and other intangible assets	1,843	9,905	7,120	18,868
Property, plant and equipment	316	669	1,193	2,178
Other non-current receivables	29	63	57	149

Major customers are typically large grocery chains, multiple retailers and e-commerce platforms. The Group's customer base is diverse with no individual customer accounting for more than 10% of net revenue (2021: one customer accounting for £1,337 million of net revenue across all segments).

3 Analysis of Other Net Operating Expenses

	2022 £m	2021 £m
Distribution costs	(3,438)	(3,460)
Research and development costs	(325)	(313)
Other administrative expenses	(1,205)	(1,190)
Impairment of goodwill	(167)	–
Other net operating income	9	1
Other net operating expenses	(5,126)	(4,962)

A net foreign exchange loss of £13 million (2021: loss of £2 million) has been recognised through the Income Statement.

Other administrative expenses include a gain of £59 million (2021: £nil) on sale and leaseback of a factory site in the Philippines.

Impairment of goodwill principally comprises a charge of £152 million from the impairment of goodwill related to the acquisition of Biofreeze (see Note 9). Biofreeze is reported in the Health operating segment.

4 Auditor Remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the company's Auditor and its associates:

	2022 £m	2021 £m
Audit services pursuant to legislation		
Audit of the Group's Annual Report and Financial Statements	8.4	6.4
Audit of the Financial Statements of the Group's subsidiaries	11.1	9.5
Audit-related assurance services	0.8	0.5
Total audit and audit-related services	20.3	16.4
Fees payable to the company's Auditor and its associates for other services		
Other assurance services	2.7	0.1
Total non-audit services	2.7	0.1
	23.0	16.5

5 Employee Costs

Total employee costs, including those for Directors, were:

	Note	2022 £m	2021 £m
Wages and salaries		1,988	1,935
Social security costs		281	251
Other pension costs	23	61	60
Share-based payments	25	78	30
Total staff costs		2,408	2,276

Executive and Non-Executive Directors' aggregate emoluments are disclosed on pages 140 and 152 of the Directors' Remuneration Report, respectively. Compensation awarded to key management (defined as the members of the Group Executive Committee and the Non-Executive Directors) was:

	2022 £m	2021 £m
Short-term employee benefits	26	25
Post-employment and other long-term benefits	–	–
Share-based payments	15	10
	41	35

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 Employee Costs continued**Staff numbers**

The monthly average number of people employed by the Group, including Directors, during the year was:

	2022 '000	2021 '000
North America	5.1	5.0
Europe/ANZ	14.3	14.8
Rest of world	20.6	22.0
	40.0	41.8

6 Net Finance (Expense)/Income

	2022 £m	2021 £m
Foreign exchange net gain on liquidation of subsidiaries		
Gains on liquidation	69	1,048
Losses on liquidation	–	(282)
Total foreign exchange net gain on liquidation of subsidiaries	69	766
Other finance income		
Interest income on cash and cash equivalents	29	29
Pension net finance income	5	1
Movement on put option liability	–	14
Finance income on tax balances	26	1
Other finance income	1	–
Total other finance income	61	45
Other finance expense		
Interest payable on borrowings	(233)	(244)
Foreign exchange losses on intercompany financing, net of hedging	(24)	–
Other finance expense	(34)	(20)
Total other finance expense	(291)	(264)
Other net finance expense	(230)	(219)
Net finance (expense)/income	(161)	547

As a result of the simplification of the Group's legal entity structure, a number of entities have been liquidated. Upon liquidation, the cumulative foreign exchange reserves were recycled to the Income Statement, resulting in a net foreign exchange gain of £69 million (2021: gain of £766 million), principally from the liquidation of intermediate financing and holding companies.

7 Income Tax Expense

	2022 £m	2021 £m
Current tax	766	711
Adjustment in respect of prior periods	(23)	53
Total current tax	743	764
Origination and reversal of temporary differences	(20)	(1,089)
Impact of changes in tax rates	(5)	185
Total deferred tax	(25)	(904)
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	(7)	(68)
Income tax charge/(credit)	711	(208)

Current tax includes tax incurred by UK entities of £177 million (2021: £133 million). This is comprised of UK corporation tax of £126 million (2021: £55 million) and overseas tax suffered of £51 million (2021: £78 million). UK current tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year, net of relief for overseas taxes where available. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Cash tax paid in the year was £831 million (2021: £915 million). The variance from the current year tax charge of £766 million is attributable to movements on uncertain tax positions (shown in Note 22) and timing differences arising between the accrual and payment of current income tax liabilities.

Origination and reversal of temporary differences includes adjustments in respect of prior periods of £19 million benefit (2021: £86 million benefit).

Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement relates to deferred tax on assets disposed in the year (see Note 29).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 Income Tax Expense continued

The total tax charge on the Group's profit/(loss) for the year can be reconciled to the notional tax charge calculated at the UK tax rate as follows:

Continuing operations	2022 £m	2021 £m
Profit/(loss) before income tax	3,067	(260)
Tax at the notional UK corporation tax rate of 19% (2021: 19%)	583	(49)
Effect of:		
Overseas tax rates	114	112
Movement in provision related to uncertain tax positions	(58)	(43)
Net impact of divestments and assets reclassified to held for sale	(25)	(264)
Unrecognised tax losses, other unrecognised tax assets and deferred tax liability on unremitted earnings	71	68
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	(7)	(68)
Withholding and local taxes	47	43
Reassessment of prior year estimates	(42)	(33)
Impact of changes in tax rates	(5)	185
Non-taxable foreign exchange gain arising from legal entity simplification (Note 6)	(13)	(146)
Other permanent differences	46	(13)
Income tax charge/(credit)	711	(208)

Our effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years, and may be affected by variations in profit mix and changes in tax laws, regulations and related interpretations.

In December 2021 the OECD published the Pillar Two GloBE rules, which seek to ensure multinationals pay a minimum tax of 15% in each jurisdiction. The Group is within the scope of these rules and has operations in countries where the tax rate is currently below 15%. The impact of Pillar Two, now expected to be effective from 1 January 2024, is not expected to be material to the Group's Financial Statements.

OECD member governments are in the process of introducing the Pillar 2 rules; however, the Group does not consider that this legislation has been substantively enacted by any participating country as at the end of the reporting period. Accordingly, the tax accounting impact will be considered when the Pillar Two GloBE rules are translated into domestic legislation, expected during 2023.

The effect of overseas tax rates represents the impact of profits arising outside the UK that are taxed at different rates to the UK rate.

The net impact of divestments and assets reclassified to held for sale in 2022 represents the net tax effect of the sale of Dermicool and E45 (2021: sale of IFCN China, Scholl, EnfaBebé and reclassification of E45 to held for sale). The bases on which tax charges are calculated differ from the accounting bases.

Withholding and local taxes suffered in the year are adjusted for previously accrued deferred tax liabilities on unremitted earnings.

The reassessment of prior year estimates includes settlements reached following conclusion of tax authority review and differences between final tax return submissions and liabilities accrued in these Financial Statements.

The impact of changes in tax rates in 2021 primarily resulted from the revaluation of deferred tax assets following substantive enactment of the increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) on 24 May 2021.

UK deferred tax assets and liabilities have been calculated based on the substantively enacted rate of 25% after factoring in the expected timing of reversal of the related temporary differences (2021: 25%). This tax rate change will increase the company's future tax charge on profits arising in the UK.

We conduct business operations in a number of countries, and are therefore subject to tax and intercompany pricing laws in multiple jurisdictions. We have in the past faced, and may in the future face, audits and challenges brought by tax authorities, and we are involved in ongoing tax investigations in a number of countries. If material challenges were to be successful, our effective tax rate may increase, we may be required to modify structures at significant costs to us, we may also be subject to interest and penalty charges and we may incur costs in defending litigation or reaching a settlement. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

EC State Aid

With regard to the European Commission's (EC's) challenge to certain aspects of the Gibraltar tax system a judgement was received in April 2022. This judgment was partially favourable to the Group and was not appealed and the judgment therefore stands. The amounts involved were not material. On 31 October 2022, in a new development, the EU Commission issued a press release announcing its intention to extend the scope of its ongoing in-depth inquiry into Gibraltar's corporate tax regime which focuses on MJN Gibraltar. This matter will remain under review as the investigation progresses.

On 8 June 2022, the General Court delivered its judgment in the state aid case concerning the UK CFC Group Financing Exemption. This judgement ruled in favour of the EC on all arguments but has subsequently been appealed. Although not a direct applicant in the case, the Group remains an interested party. We believe that the matter is finely balanced and have therefore now appropriately provided for the matter. The amounts are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 Income Tax Expense continued

The tax credited/(charged) relating to components of other comprehensive income is as follows:

	2022			2021		
	Before tax £m	Tax (charge)/ credit £m	After tax £m	Before tax £m	Tax (charge)/ credit £m	After tax £m
Net exchange gains/(losses) on foreign currency translation	1,065	–	1,065	(374)	–	(374)
Reclassification of foreign currency translation reserves on disposals or liquidation of foreign operations	(56)	–	(56)	(550)	–	(550)
(Losses)/gains on cash flow and net investment hedges	(112)	(1)	(113)	118	(4)	114
Remeasurement of defined benefit pension plans (Note 23)	29	(5)	24	179	(46)	133
Revaluation of equity instruments – FVOCI	(109)	22	(87)	(1)	–	(1)
Other comprehensive income/(expense)	817	16	833	(628)	(50)	(678)
Current tax		13			–	
Deferred tax (Note 12)		3			(50)	
		16			(50)	

The tax (charged)/credited directly to the Statement of Changes in Equity during the year is as follows:

	2022 £m	2021 £m
Current tax	(1)	4
Deferred tax (Note 12)	–	(4)
	(1)	–

8 Earnings Per Share

	2022 pence	2021 pence
Basic earnings/(loss) per share		
From continuing operations	326.7	(8.8)
From discontinued operations	(1.0)	4.3
Total basic earnings/(loss) per share	325.7	(4.5)
Diluted earnings/(loss) per share		
From continuing operations	325.7	(8.8)
From discontinued operations	(1.0)	4.3
Total diluted earnings/(loss) per share	324.7	(4.5)

Basic

Basic earnings per share is calculated by dividing the net income/(loss) attributable to owners of the parent company from continuing operations (2022: £2,337 million income, 2021: £63 million loss) and discontinued operations (2022: £7 million loss; 2021: £31 million income) by the weighted average number of ordinary shares in issue during the year (2022: 715,284,629; 2021: 713,758,909).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The company has the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Conditional Awards) and Employee Sharesave Scheme Options. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2022, there were 14,219,133 (2021: 10,683,109) Executive Share Awards excluded from the dilution because the exercise price for the options was greater than the average share price for the year or the performance criteria have not been met.

	2022 average number of shares	2021 average number of shares
On a basic basis	715,284,629	713,758,909
Dilution for Executive Share Awards ¹	1,858,996	–
Dilution for Employee Sharesave Scheme Options outstanding ¹	350,982	–
On a diluted basis	717,494,607	713,758,909

1. As there was a loss in 2021, the effect of potentially dilutive shares was anti-dilutive

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Goodwill and Other Intangible Assets

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2021	17,673	11,408	490	185	29,756
Additions	5	–	72	–	77
Arising on business combinations	596	370	–	76	1,042
Disposals	(4,494)	(1,543)	(2)	–	(6,039)
Reclassifications to held for sale	(112)	(28)	–	–	(140)
Exchange adjustments	(220)	5	(13)	5	(223)
At 31 December 2021	13,448	10,212	547	266	24,473
Additions	–	–	77	4	81
Arising on business combinations	–	(2)	–	7	5
Disposals	(59)	(6)	(3)	–	(68)
Reclassifications	–	–	16	(16)	–
Exchange adjustments	1,136	832	16	17	2,001
At 31 December 2022	14,525	11,036	653	278	26,492
Accumulated amortisation and impairment					
At 1 January 2021	449	6,039	190	99	6,777
Amortisation and impairment	39	–	66	27	132
Disposals	(143)	(1,176)	(2)	–	(1,321)
Exchange adjustments	(3)	21	(2)	1	17
At 31 December 2021	342	4,884	252	127	5,605
Amortisation and impairment	21	167	68	19	275
Disposals	–	–	(1)	–	(1)
Reclassifications	–	–	8	(8)	–
Exchange adjustments	16	376	8	10	410
At 31 December 2022	379	5,427	335	148	6,289
Net book value					
At 31 December 2021	13,106	5,328	295	139	18,868
At 31 December 2022	14,146	5,609	318	130	20,203

The amount stated for brands represents the fair value of brands acquired since 1985 at the date of acquisition. Other includes product registration, distribution rights, capitalised product development costs and customer contracts.

Software includes intangible assets under construction of £40 million (2021: £28 million).

The net book values of significant brand intangible assets acquired through business combinations are as follows:

Acquisition	Acquisition year	2022 £m	2021 £m
Mead Johnson Nutrition Company	2017	4,740	4,352
SSL International	2010	1,918	1,831
Boots Healthcare International	2006	1,440	1,387
Adams Respiratory Therapeutics	2008	1,275	1,138
Schiff Nutrition International	2012	1,088	971
L&F Household	1994	877	786
Lanai Holdings	2021	680	609
American Home Products Corporation	1990	459	418
Bristol-Myers Squibb OTC	2013	338	287
K-Y	2014	280	280

The majority of brands, all of goodwill and certain other intangible assets are considered to have indefinite lives (see Note 1) and therefore are subject to an annual impairment review. The MJN global brand and acquired customer relationships are deemed to have a finite life and are amortised accordingly. Amortisation is recognised in net operating expenses or cost of goods sold depending on the use of the asset.

The net book values of indefinite and finite life intangible assets are as follows:

Net book value	2022 £m	2021 £m
Indefinite life assets		
Brands	14,034	12,983
Goodwill	5,609	5,328
Other	65	39
Total indefinite life assets	19,708	18,350
Finite life assets		
Brands	112	123
Software	318	295
Other	65	100
Total finite life assets	495	518
Total net book value of intangible assets	20,203	18,868

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Goodwill and Other Intangible Assets continued**Cash Generating Units**

Goodwill and other intangible assets with indefinite lives are allocated to either individual cash generating units (CGUs), or groups of cash generating units (together GCGUs). The goodwill and intangible assets with indefinite lives are tested for impairment at the level at which identifiable cash inflows are largely independent. Generally, this is at a GCGU level, but for certain intangible assets this is at a CGU level.

After considering all the evidence available, including how brand and production assets generate cash inflows and how management monitors the business, the Directors have concluded that for the purpose of impairment testing of goodwill and other intangible assets, the Group's GCGUs are Health, Hygiene and IFCN, with the Group's CGUs being VMS and Biofreeze.

An analysis of the net book value of indefinite life assets and goodwill by GCGU/CGU is shown below:

GCGU/CGU	2022			2021		
	Indefinite life assets £m	Goodwill £m	Total £m	Indefinite life assets £m	Goodwill £m	Total £m
Health	5,779	3,556	9,335	5,455	3,350	8,805
Hygiene	1,924	45	1,969	1,760	45	1,805
IFCN	4,661	1,570	6,231	4,260	1,408	5,668
VMS	1,089	277	1,366	971	248	1,219
Biofreeze	646	161	807	576	277	853
	14,099	5,609	19,708	13,022	5,328	18,350

Within the Health GCGU, the cash flows of certain brands are separately identifiable. As a result, the carrying values of the associated indefinite life assets have been tested for impairment as CGUs. This is in addition to the impairment testing over the Health GCGU. The CGUs tested separately are shown below.

Indefinite life assets excluding goodwill	2022 £m	2021 £m
Intimate Wellness	2,213	2,124
Oriental Pharma	52	51

Annual Impairment Review

Goodwill and other indefinite life intangible assets must be tested for impairment on at least an annual basis. An impairment loss is recognised when the recoverable amount of a GCGU or CGU falls materially below its net book value at the date of testing.

The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, is inherently judgemental and requires management to make multiple estimates, for example around individual market pressures and forces, future price and volume growth, future margins, terminal growth rates and discount rates.

When forecasting the annual cash flows that support the recoverable amount, the Group generally uses its short-term budgets and medium-term strategic plans, with additional senior management and Board-level review. Cash flows beyond the five-year period are projected using terminal growth rates. These rates do not exceed the long-term average growth rate for the products and markets in which the GCGU or CGU operates.

The cash flows are discounted back to their present value using a pre-tax discount rate considered appropriate for each GCGU and CGU. These rates have been derived from management's views on the relevant weighted average cost of capital, subsequently converted to the pre-tax equivalent discount rate.

For the Health, Hygiene and IFCN GCGUs, and the Intimate Wellness and VMS CGUs, any reasonably possible change in the key valuation assumptions would not imply possible impairment. The recoverable amount for each of these GCGUs and CGUs was determined utilising the value-in-use basis (2021: value-in-use basis) with key assumptions including a pre-tax discount rate of 9% for Health, Hygiene, IFCN and Intimate Wellness (2021: 9% for Health, Hygiene and Intimate Wellness, 10% for IFCN) or 10% for VMS (2021: 10%), and a terminal growth rate of either 2.5% for Health, Intimate Wellness and VMS (2021: 2.5%), or 2.0% for Hygiene and IFCN (2021: 2%).

Biofreeze

On 12 July 2021, the Group acquired 100% of the equity interests in Lanai Holdings, owner of the Biofreeze and TheraPearl brands, for cash consideration of \$1,060 million (£766 million). Biofreeze is a leader in over-the-counter topical pain relief, with a strong footprint in the North America retail and clinical channels and a growing international presence.

2022

During 2022, Biofreeze performed below expectations following a short-term category slowdown, in part due to the current macroeconomic conditions. The outlook for the category remains positive and the Group remains confident in the long-term potential for Biofreeze.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Goodwill and Other Intangible Assets continued

This underperformance, together with the current macroeconomic environment, has introduced additional uncertainty into future Biofreeze cash flows. To reflect this uncertainty, management has increased the pre-tax discount rate used to determine value-in-use to 12.0%. This resulted in the book value of the Biofreeze CGU exceeding its recoverable amount at 31 December 2022, therefore management has recorded a goodwill impairment of £152 million to record Biofreeze at its recoverable amount of £698 million (\$843 million).

The recoverable amount for the Biofreeze CGU at 31 December 2022 has been determined on a value-in-use basis using a discounted cash flow approach, with future cash flows derived from a detailed five-year plan. Cash flows beyond the five-year plan have been projected using a terminal growth rate of 2.5%.

The determination of the recoverable amount for Biofreeze at 31 December 2022 incorporates certain key assumptions, some of which are subject to considerable uncertainty. These assumptions include but are not limited to anticipated market share improvement, the commercial success of new product launches and international market expansion. As no headroom exists between the Biofreeze recoverable amount and net book value, any changes to these assumptions, or any deterioration in other macroeconomic or business-level assumptions supporting the Biofreeze recoverable amount could necessitate the recognition of impairment losses in future periods.

The key assumptions used in the estimation of value-in-use of Biofreeze are outlined below.

	2022
Pre-tax discount rate	12.0%
Terminal growth rate	2.5%
Net revenue compound annual growth rate (CAGR) for the period 2022-2027	11%
Gross margin CAGR for the period 2022-2027	14%

The key estimates incorporated within the determination of the Biofreeze recoverable amount are summarised below:

Key estimates	Commentary
Net Revenue	In the short to medium term, the valuation model assumes a five-year CAGR of 11%, to be delivered through category growth and market share growth driven by a mix of innovation arising from format expansion of existing products and international expansion.
Margins	In the short to medium term, the valuation model assumes Biofreeze margins (both gross and operating) to increase from current levels as the temporary factors which impacted margins in 2022 unwind and Biofreeze benefits from productivity initiatives on integrating into Reckitt.
Discount rate	Management determined the Biofreeze-specific weighted average cost of capital (WACC) and the implied pre-tax discount rate with the support of a third-party expert. For valuation purposes management used the upper end of the calculated range to reflect uncertainty in certain key assumptions.
Terminal growth rate	Management is satisfied with the reasonableness of the terminal growth rate when compared against independent market growth projections and long-term country inflation rates.

The table below shows the sensitivity of the 2022 recoverable amount to reasonably possible changes in key assumptions. The table assumes no related response by management (for example, to drive further cost savings) and is hence theoretical in nature.

	2022 £m
Expected Net Revenue growth rates (2023 to 2027) adjusted by 100bps	+40/-35
Expected EBIT growth rates (2023 to 2027) adjusted by 100bps	+25/-25
Terminal growth rate (applied from 2028) adjusted by 50bps	+25/-25
Pre-tax discount rate adjusted by 50bps	+40/-35

2021

At 31 December 2021, management determined that the Biofreeze recoverable amount was consistent with the acquisition price, such that at the end of 2021 there was no headroom between the recoverable amount and the carrying value of the Biofreeze CGU. Given the proximity to acquisition, the recoverable amount for Biofreeze was calculated using the income approach on a fair value less costs of disposal basis utilising a post-tax discount rate of 11% and a 2.5% terminal growth rate. The fair value measurement of Biofreeze was categorised within level 3 of the fair value hierarchy, based on inputs into the valuation technique used.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 Property, Plant and Equipment

	Land and buildings £m	Plant and equipment £m	Right of use assets £m	Assets under construction £m	Total £m
Cost					
At 1 January 2021	1,245	2,101	409	332	4,087
Additions	20	61	110	292	483
Arising on business combinations	5	15	–	–	20
Disposals	(81)	(210)	(50)	(8)	(349)
Reclassifications (including held for sale)	51	151	–	(207)	(5)
Exchange adjustments	(20)	(45)	(8)	(1)	(74)
At 31 December 2021	1,220	2,073	461	408	4,162
Additions	26	80	137	256	499
Disposals	(19)	(75)	(58)	(6)	(158)
Reclassifications (including held for sale)	91	168	(1)	(293)	(35)
Exchange adjustments	91	122	41	29	283
At 31 December 2022	1,409	2,368	580	394	4,751
Accumulated depreciation and impairment					
At 1 January 2021	431	1,301	122	–	1,854
Charge for the year	58	168	71	–	297
Disposals	(33)	(105)	(34)	–	(172)
Impairment	38	8	1	5	52
Reclassifications (including held for sale)	(2)	1	(1)	–	(2)
Exchange adjustments	(10)	(32)	(3)	–	(45)
At 31 December 2021	482	1,341	156	5	1,984
Charge for the year	62	184	83	–	329
Disposals	(12)	(66)	(45)	(4)	(127)
Impairment	–	1	–	2	3
Reclassifications (including held for sale)	(6)	(18)	(3)	–	(27)
Exchange adjustments	30	69	15	2	116
At 31 December 2022	556	1,511	206	5	2,278
Net book value					
As at 31 December 2021	738	732	305	403	2,178
As at 31 December 2022	853	857	374	389	2,473

At 31 December 2022, the Group's right of use assets included land and buildings of £350 million (2021: £284 million) and other assets of £24 million (2021: £21 million). The Group recognised depreciation of £70 million (2021: £58 million) on the land and buildings and depreciation of £13 million (2021: £13 million) on the other assets.

The Group has commitments to purchase property, plant and equipment of £76 million (2021: £80 million).

11 Equity Instruments

	2022 £m	2021 £m
Equity investments	82	171
Investments in associates accounted for using the equity method	4	23
Total equity instruments	86	194

Equity investments at 31 December 2022 and 2021 is composed of a number of listed and unlisted equity investments in which the Group has a minority stake. This includes 13% of the outstanding units in Packable Holdings LLC, which were revalued to £nil during 2022 (31 December 2021: £114 million).

Investments accounted for using the equity method relate predominantly to the Group's investment in Your.MD AS (trading as Healthily). The Group's share of the result of Healthily amounts to a loss of £2 million (2021: loss of £3 million). The Group has also recognised an impairment charge of £19 million (2021: £nil) within the Group Income Statement with respect to this investment. There are no gains or losses recognised within other comprehensive income with respect to this investment.

12 Deferred Tax

	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax						
At 1 January 2022	(49)	(3,023)	442	27	(6)	(2,609)
Credited/(charged) to the Income Statement	2	1	16	15	(9)	25
Credited/(charged) to other comprehensive income	–	–	8	–	(5)	3
Exchange differences	(7)	(252)	37	4	6	(212)
At 31 December 2022	(54)	(3,274)	503	46	(14)	(2,793)
2022						
Deferred tax assets	20	(36)	221	28	11	244
Deferred tax liabilities	(74)	(3,238)	282	18	(25)	(3,037)
Deferred tax	(54)	(3,274)	503	46	(14)	(2,793)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 Deferred Tax continued

Deferred tax	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2021	(55)	(3,766)	427	52	38	(3,304)
Credited/(charged) to the Income Statement	3	864	59	(24)	2	904
(Charged) to other comprehensive income	–	–	(4)	–	(46)	(50)
(Charged) directly to equity	–	–	(4)	–	–	(4)
Arising on business acquisitions/disposals	4	(151)	(31)	–	–	(178)
Exchange differences	(1)	30	(5)	(1)	–	23
At 31 December 2021	(49)	(3,023)	442	27	(6)	(2,609)

2021	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets	(2)	(37)	189	24	23	197
Deferred tax liabilities	(47)	(2,986)	253	3	(29)	(2,806)
Deferred tax	(49)	(3,023)	442	27	(6)	(2,609)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

Unrecognised deferred tax assets

Deferred tax assets on certain corporation tax losses and other short-term temporary differences totalling £3,029 million gross (2021: £2,091 million gross) have not been recognised at 31 December 2022 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences become probable.

Unrecognised deferred tax liabilities

The aggregate amount of gross temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures, for which deferred tax liabilities have not been recognised at 31 December 2022 is £7,630 million (2021: £7,900 million).

Deferred tax on short-term temporary differences of £503 million (2021: £442 million) are comprised of accrued expenses deductible for tax on a cash basis of £418 million (2021: £337 million), other short-term temporary differences of £143 million (2021: £135 million) and net of deferred tax liabilities on unremitted earnings of £58 million (2021: £30 million).

13 Inventories

	2022 £m	2021 £m
Raw materials and consumables	471	383
Work in progress	88	70
Finished goods and goods held for resale	1,266	1,006
Total inventories	1,825	1,459

The total cost of inventories recognised as an expense and included in cost of sales amounted to £5,810 million (2021: £5,292 million). This includes inventory write-offs and losses of £184 million (2021: £191 million).

The Group inventory provision at 31 December 2022 was £164 million (2021: £151 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 Trade and Other Receivables

	2022 £m	2021 £m
Amounts falling due within one year		
Trade receivables	1,766	1,587
Less: Provision for impairment of receivables	(42)	(36)
Trade receivables – net	1,724	1,551
Other receivables	264	291
Prepayments and accrued income	94	84
Trade and other receivables	2,082	1,926

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022 £m	2021 £m
Currency analysis		
US dollar	678	574
Euro	289	302
Sterling	165	167
Brazilian real	132	128
Other currencies	818	755
Trade and other receivables	2,082	1,926

The maximum exposure to credit risk at the year end is the carrying value of each class of receivable mentioned above.

a. Trade receivables

Trade receivables consist of amounts due from customers. The Group's customer base is large and diverse and consequently there is limited concentration of credit risk. Credit risk is assessed at a subsidiary and Group level and takes into account the financial positions of customers, past experience, future expectations and other relevant factors. Individual credit limits are established based on those factors.

The following table provides an ageing analysis of trade receivables at year end:

	2022 £m	2021 £m
Ageing analysis		
Not overdue	1,543	1,318
Up to 3 months overdue	157	219
Over 3 months overdue	66	50
Trade receivables	1,766	1,587

At 31 December 2022, a provision of £42 million (2021: £36 million) was recorded against certain trade receivables based on a forward-looking assessment of the lifetime expected credit loss as required by IFRS 9. This assessment considered the ageing profiles of specific trade receivable balances along with the risk of future customer defaults.

As at 31 December 2022, trade receivables of £181 million (2021: £233 million) were past due but not impaired. These receivables were not impaired because having considered their nature and historical collection, recovery of the unprovided amounts is expected in due course.

b. Other receivables

Other receivables includes recoverable indirect tax of £191 million (2021: £212 million). This contains £1 million (2021: £2 million) of impaired assets all aged over three months from a broad range of countries within the Group.

c. Other non-current receivables

Other non-current receivables at 31 December 2022 of £157 million (2021: £149 million) includes non-current recoverable sales tax and long-term prepayments.

d. Financial instruments (Note 15)

At 31 December 2022, £2,071 (2021: £1,926 million) of the current and non-current receivables totalling £2,239 million (2021: £2,075 million) are financial assets. These mainly related to amounts owed from customers or government bodies and are typically non-interest bearing. Amounts that are not financial assets are mostly prepayments and employee benefit assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management

Financial instruments by category

	Note	At 31 December 2022					At 31 December 2021				
		Amortised cost £m	Derivatives used for hedging £m	Fair value through the Income Statement £m	Equity instruments £m	Carrying value total £m	Amortised cost £m	Derivatives used for hedging £m	Fair value through the Income Statement £m	Equity instruments £m	Carrying value total £m
Assets as per the Balance Sheet											
Current and non-current trade and other receivables	14d	2,071	–	–	–	2,071	1,926	–	–	–	1,926
Derivative financial instruments – FX forward exchange contracts	17	–	34	25	–	59	–	41	21	–	62
Equity instruments	11	–	–	–	82	82	–	–	–	171	171
Cash and cash equivalents	16	1,157	–	–	–	1,157	1,261	–	–	–	1,261
Liabilities as per the Balance Sheet											
Borrowings (commercial paper, loans and overdrafts) ¹	17	1,252	–	–	–	1,252	37	–	–	–	37
Lease obligations	19	389	–	–	–	389	328	–	–	–	328
Bonds	17	5,874	–	–	–	5,874	7,969	–	–	–	7,969
Senior notes	17	1,369	–	–	–	1,369	1,229	–	–	–	1,229
Derivative financial instruments – FX forward exchange contracts	17	–	22	34	–	56	–	16	36	–	52
Derivative financial instruments – Interest rate swaps	17	–	164	–	–	164	–	22	–	–	22
Derivative financial instruments – Cross currency interest rate swaps	17	–	84	–	–	84	–	49	–	–	49
Current and non-current trade and other payables	21	5,344	–	–	–	5,344	5,193	–	–	–	5,193

1. The categories in this disclosure are determined by IFRS 9. Lease obligations are outside the scope of IFRS 9, but they remain within the scope of IFRS 7, and therefore have been shown separately. Borrowings largely relate to commercial paper. As at 31 December 2022, the Group had commercial paper in issue amounting to €841 million (nominal value) at rates between 0.92% and 2.74% with maturities ranging from 6 January 2023 to 30 June 2023, and \$550 million (nominal value) at rates between 4.55% and 4.95% with maturities ranging from 3 January 2023 to 23 March 2023

The fair value measurement hierarchy levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management continued

The following table categorises the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value.

	At 31 December 2022				At 31 December 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets as per the Balance Sheet								
Derivative financial instruments – FX forward exchange contracts	–	59	–	59	–	62	–	62
Equity instruments	29	–	53	82	14	114	43	171
Liabilities as per the Balance Sheet								
Derivative financial instruments – FX forward exchange contracts	–	56	–	56	–	52	–	52
Derivative financial instruments – Interest rate swaps	–	164	–	164	–	22	–	22
Derivative financial instruments – Cross currency interest rate swaps	–	84	–	84	–	49	–	49

The fair value of forward foreign exchange contracts was determined using forward exchange rates derived from market sourced data at the Balance Sheet date, with the resulting value discounted back to present value (level 2 classification). The fair value of the interest rate swap contracts and the cross currency interest rate swaps was calculated using discounted future cash flows at floating market rates (level 2 classification).

The fair value of equity instruments at 31 December 2022 was determined using both quoted share price information (level 1 classification) and other non-market information (level 3 classification). At 31 December 2021, the fair value of the investment in Packable Holdings LLC (previously Pharmapacks) was calculated using a publicly available valuation from the latest funding round (level 2 classification).

Except for the bonds and senior notes, the fair values of other financial assets and liabilities at amortised cost approximate their carrying values. The fair value of the bonds as at 31 December 2022 is a liability of £5,612 million (2021: £8,238 million) and the fair value of the senior notes as at 31 December 2022 is a liability of £1,250 million (2021: £1,400 million). The fair value of the bonds and senior notes was derived using quoted market rates in an active market (level 1 classification).

Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In certain circumstances – for example, when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default event.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of recognised financial assets/liabilities in the Balance Sheet £m	Related financial instruments that are not offset £m	Net amount £m
At 31 December 2022			
Financial assets			
FX forward exchange contracts	59	(36)	23
Other financial assets	1,157	–	1,157
	1,216	(36)	1,180
Financial liabilities			
FX forward exchange contracts	(56)	36	(20)
Other financial liabilities	(249)	–	(249)
	(305)	36	(269)
At 31 December 2021			
Financial assets			
FX forward exchange contracts	62	(32)	30
Other financial assets	1,261	–	1,261
	1,323	(32)	1,291
Financial liabilities			
FX forward exchange contracts	(52)	32	(20)
Other financial liabilities	(73)	–	(73)
	(125)	32	(93)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management continued**Financial risk management**

The Group's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into Group Treasury (GT) to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks and flows generated by the underlying commercial operations; speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of Treasury activity and individually approves significant activities. The GT function is subject to periodic independent reviews and audits, both internal and external.

1. Market risk**(a) Currency risk**

The Group operates internationally and enters into transactions in many currencies and as such is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

It is the Group's policy to monitor and, where appropriate, hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans. Where the Group enters into hedges and applies hedge accounting, hedges are documented and tested for effectiveness on an ongoing basis with any ineffectiveness recorded in the Income Statement.

The local business units enter into forward foreign exchange contracts with GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the position where possible, using spot and forward foreign currency exchange contracts.

The Group's strategy is to minimise Income Statement volatility by monitoring foreign currency balances, external financing, and external hedging arrangements. The Group's hedging profile is regularly reviewed to ensure it is appropriate and to mitigate these risks as far as possible.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2022 was £5,395 million receivable (2021: £7,036 million) and £5,376 million payable (2021: £7,027 million).

The Group held forward foreign exchange contracts designated as cash flow hedges primarily in Euro, Sterling, US dollar, Canadian dollar, Australian dollar, Mexican peso and Turkish lira. The notional value of the payable leg resulting from these financial instruments was as follows:

	2022 £m	2021 £m
Cash flow hedge profile		
Euro	343	327
Sterling	247	310
US dollar	218	273
Canadian dollar	96	113
Australian dollar	92	107
Mexican peso	74	51
Turkish lira	73	42
Other	394	434
	1,537	1,657

These forward foreign exchange contracts are mainly expected to mature over the period January 2023 to December 2023 (2021: January 2022 to December 2022). Of the total amount, £20 million (2021: £11 million) is due between January 2024 and January 2026 (2021: January 2023 and January 2024).

Cash flow hedging is applied with the economic relationship and expected effectiveness being assessed at inception, with any ineffectiveness recognised in the Income Statement. The ineffective portion recognised in the Income Statement arising from cash flow hedges is immaterial (2021: immaterial).

Gains recognised in other comprehensive income and the hedging reserve on forward exchange contracts in 2022 of £2 million gain, net of tax (2021: £30 million gain, net of tax) are recognised in the Income Statement in the periods in which the hedged forecast transaction affects the Income Statement.

At 31 December 2022, the Group had forward contracts used for cash flow hedging with total fair value of £12 million asset (2021: £15 million asset). These contracts are denominated in a diverse range of currency pairings, where a fluctuation of 5% in any one of the contract pairings, with all others remaining constant, would have a maximum effect of £7 million (2021: £6 million) on shareholder equity, until the point at which the contracts mature and the forecast transaction occurs. The four largest contract pairings in order of nominal value were Euro/Polish zloty, Euro/Sterling, Euro/Turkish lira and US Dollar/Mexican peso.

Where the Group is exposed to currency risk on its borrowings, the Group seeks to minimise the impact of foreign exchange on the Income Statement through placing debt within a net investment hedge or using financial instruments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management continued

As at 31 December 2022, the Group had designated a 2023 US dollar bond totalling \$500 million (2021: \$500 million), 2030 Euro bond totalling €850 million (2021: €850 million) and commercial paper totalling €750 million (2021: €nil) as the hedging instruments in a net investment hedge relationship. During the year forward currency swap contracts of €750 million (2021: €750 million) were also in a hedge relationship. As the forward currency swap contracts matured during the year, this relationship was ended and it was replaced with the commercial paper. Possible sources of ineffectiveness include any impairments to the Group's net investments in Euros. The hedges are documented and are assessed for effectiveness on an ongoing basis.

The net gain or loss under these arrangements is recognised in other comprehensive income. The net effect on other comprehensive income for the year ended 31 December 2022 was a £115 million loss (2021: £84 million gain). If Sterling weakens by 5% against the US dollar and Euro, the maximum impact on shareholders' equity due to the net investment hedging on US dollar bond and Euro bond/commercial paper would be £22 million loss and £75 million loss respectively.

In 2020, the Group issued a €850 million bond due in 2026. Concurrent with the issue of the bond, the Group entered into a €850 million cross currency interest rate swap on similar terms to the 2026 bond to mitigate foreign exchange currency risk, for which hedge accounting has been applied. Sources of ineffectiveness on this hedge relationship will come from a difference in credit ratings between the counterparties and modifications to the terms of either hedged item or instrument. At 31 December 2022 no material ineffectiveness (2021: no material ineffectiveness) has been recognised in the Income Statement as the effect is not material. The interest rate element of the swap is discussed in interest rate risk below.

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency of the Group or are transferred to the functional currency of the local entity through the use of derivatives.

The gains and losses from fair value movements on derivatives held at fair value through the Income Statement, recognised in the Income Statement in 2022, was a £443 million gain (2021: £6 million gain). These derivatives are used to hedge foreign exchange gains and losses on non-Sterling financing assets and financing liabilities between the Group's treasury company and fellow Group subsidiaries.

(b) Cost inflation risk

Due to the nature of its business the Group is exposed to commodity, freight and other inflation risks. Short-term volatility in pricing of these products is mitigated through medium-term contracts, inventories of key materials and financial hedging. Over the medium and long term, the Group mitigates the impact of inflation through: implementing pricing and revenue growth management; identifying productivity and efficiencies; and improving sales mix.

(c) Interest rate risk

The Group has both interest-bearing and non-interest bearing assets and liabilities. The Group monitors its interest income and expense rate exposure on a regular basis. The Group sets its desired level of fixed and floating rate exposure as part of its interest risk management strategy. The mix of fixed and floating exposure on interest-bearing assets is managed by using a mixture of fixed and floating rate deposits. The fixed/floating mix on liabilities is managed by using a mixture of fixed and floating rate borrowings as well as by using derivatives to swap fixed to floating rate.

In 2020 the Group issued two €850 million bonds due in 2026 and 2030. In order to maintain a level of floating rate debt in line with the Group's interest management strategy the Group entered into a €850 million cross currency interest rate swap on similar terms to the 2026 bond and an interest rate swap on the coupon payments due on the 2030 bond. The accounting for the foreign exchange element of the cross currency swap is described above. The interest rate element swaps the fixed coupon payments on the bond for floating rate (the cross currency interest rate swap with reference to adjusted reference rates following GBP LIBOR cessation, and the interest rate swap with reference to EURIBOR). The interest rate swaps have been placed into a fair value hedge relationship with the related bonds. Sources of ineffectiveness on this hedge relationship will come from a difference in credit ratings between the counterparties and modifications to the terms of either the hedged item or the hedging instrument. At 31 December 2022 no material ineffectiveness (2021: no material ineffectiveness) has been recognised in the Income Statement.

Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the Income Statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full-year and pre-tax basis.

The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the Income Statement of a 50 basis-point shift in interest rates would be a maximum increase of £13 million (2021: £10 million) or decrease of £13 million (2021: £10 million), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss simulated is within the limit given by management.

(d) Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

In 2021, the Group amended its financial instruments and credit facilities that referenced impacted IBORs such that they incorporated new benchmark rates or included clauses that automatically switched impacted IBORs to the equivalent fall-back rates. No further amendments were required in 2022 to conform to the new benchmark rates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management continued

As announced by the Financial Conduct Authority (FCA) in early 2022, the panel bank submissions for US dollar LIBOR will cease in mid-2023. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). At 31 December 2022, the Group has no external US dollar referencing financial instrument.

At 31 December 2022, the Group had contracts of cross currency interest swap liabilities with a carrying value of £84 million referenced to the official ISDA fallback rate Secured Overnight Financing Rate (SOFR) (2021: unreformed contracts of cross currency interest swap liability of £49 million).

The Group's EURIBOR interest rate swap is unaffected as EURIBOR is not impacted by IBOR reform.

2. Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The assessment of lifetime expected credit losses relating to trade and other receivables is detailed in Note 14. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The Group uses BBB and higher rated counterparties to manage risk and only uses sub-BBB rated counterparties by exception. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board of Directors. Derivative financial instruments are only traded with counterparties approved in accordance with the approved policy. Derivative risk is measured using a risk weighting method.

The Group has counterparty risk from asset positions held with financial institutions. This is comprised of short-term investments, cash and cash equivalents and derivatives positions. For risk management purposes the Group assesses the exposure to major financial institutions by looking at the deposits, cash and cash equivalents and a percentage of the nominal amount of derivative contracts taking into account the time to maturity and the nature of the product. The following table summarises the Group's assessment of its exposure. The financial institutions listed in the tables are not comparable year on year.

Counterparty	2022		
	Credit rating	Limit £m	Exposure £m
Financial institution A	A+	250	187
Financial institution B	A+	250	179
Financial institution C	A+	250	162
Financial institution D	A+	250	145
Financial institution E	A	200	108
Financial institution F	A	200	100
Financial institution G	A+	250	87
Financial institution H	BBB+	125	83
Financial institution I	AA-	275	63
Financial institution J	A	200	59

Counterparty	2021		
	Credit rating	Limit £m	Exposure £m
Financial institution A	A+	250	210
Financial institution B	A+	250	160
Financial institution C	A+	250	147
Financial institution D	A+	250	127
Financial institution E	A+	250	115
Financial institution F	A	200	115
Financial institution G	A	200	102
Financial institution H	AAA	300	83
Financial institution I	A	200	70
Financial institution J	A+	250	54

3. Liquidity risk

Liquidity risk is the risk that the Group cannot repay financial liabilities as and when they fall due. The Group's liquidity risk is concentrated towards bond and senior note principal repayments due between 2023 and 2044.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management continued

At the end of 2022, the Group had long-term debt excluding lease liabilities of £6,852 million (2021: £6,812 million), of which £5,196 million (2021: £6,445 million) is repayable in more than two years. In addition, the Group has committed borrowing facilities totalling £4,500 million (2021: £4,500 million), of which £4,450 million (2021: £4,500 million) expires after more than two years. These facilities are provided by high-quality international banks, are undrawn at year end and contain a financial covenant which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

All borrowing facilities are at floating rates of interest.

The facilities have been arranged to cover general corporate purposes, including support for commercial paper issuance. All facilities incur commitment fees at market rates.

The Group's borrowing limit at 31 December 2022 calculated in accordance with the Articles of Association was £28,329 million (2021: £22,197 million).

The following table analyses the Group's financial liabilities and derivatives into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant Balance Sheet date, including interest to be paid.

	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2022					
Commercial paper	(1,200)	(1,200)	–	–	–
Bonds	(6,650)	(554)	(1,757)	(3,026)	(1,313)
Senior notes	(2,017)	(59)	(59)	(747)	(1,152)
Trade payables	(2,366)	(2,366)	–	–	–
Other payables	(2,978)	(2,904)	(74)	–	–
At 31 December 2021					
Bonds	(8,642)	(2,552)	(496)	(2,430)	(3,164)
Senior notes	(1,855)	(53)	(53)	(690)	(1,059)
Trade payables	(2,064)	(2,064)	–	–	–
Other payables	(3,129)	(3,048)	(81)	–	–

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period between the Balance Sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant Balance Sheet date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2022				
FX forward exchange contracts				
Outflow	(5,356)	(7)	(13)	–
Inflow	5,376	7	12	–
Cross currency interest rate swap				
Outflow	(25)	(25)	(785)	–
Inflow	3	3	758	–
Interest rate swap				
Outflow	(21)	(21)	(63)	(53)
Inflow	6	6	17	17
At 31 December 2021				
FX forward exchange contracts				
Outflow	(7,016)	(10)	(1)	–
Inflow	7,024	11	1	–
Cross currency interest rate swap				
Outflow	(9)	(9)	(770)	–
Inflow	3	3	723	–
Interest rate swap				
Outflow	(3)	(3)	(9)	(10)
Inflow	5	5	16	21

Cash flow forecasting is performed by the local business units and on an aggregated basis by GT. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the local businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 Financial Instruments and Financial Risk Management continued**4. Capital management**

The Group considers capital to be net debt plus total equity. Net debt is calculated as total financing liabilities less cash and cash equivalents and short-term deposits. Total equity includes share capital, reserves and retained earnings as shown in the Group Balance Sheet.

	Note	2022 £m	2021 £m
Cash and cash equivalents including overdrafts		1,156	1,259
Financing liabilities	17	(9,140)	(9,637)
Net debt		7,984	8,378
Total equity		9,483	7,453
		17,467	15,831

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In 2022, the Group provided returns to shareholders in the form of dividends. Refer to Note 28 for further details.

The Group monitors net debt and at year end the Group had net debt of £7,984 million (2021: £8,378 million). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Supply chain finance

The Group participates in a supply chain finance programme (SCF) under which certain suppliers to the Group are able to access an SCF arrangement that enables them to fund their working capital. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. As part of this facility the Group has confirmed to certain financial institutions that it will make payments of £330 million (2021: £372 million) to these suppliers as they fall due. These amounts are recorded within trade payables on the Balance Sheet and all cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Group and their principal nature remains operating, being payments for the purchase of goods and services.

16 Cash and Cash Equivalents

	2022 £m	2021 £m
Cash at bank and in hand	662	587
Short-term bank deposits	495	674
Cash and cash equivalents	1,157	1,261

The Group operates in a number of territories where there are either foreign currency exchange restrictions, or where it is difficult for the Group to extract cash readily and easily in the short-term. As a result, £276 million (2021: £66 million) of cash included in cash and cash equivalents is restricted for use by the Group, yet available for use in the relevant subsidiary's day-to-day operations.

17 Financial Liabilities – Borrowings

Current	Note	2022 £m	2021 £m
Bank loans and overdrafts ¹		40	22
Commercial paper		1,190	–
Bonds		413	2,401
Lease liabilities	19	78	62
Total short-term borrowings		1,721	2,485
Bonds		5,461	5,568
Senior notes		1,369	1,229
Other non-current borrowings		22	15
Lease liabilities	19	311	266
Total long-term borrowings		7,163	7,078
Total borrowings		8,884	9,563
Derivative financial instruments		257	76
Less overdrafts presented in cash and cash equivalents in the Cash Flow Statement		(1)	(2)
Total financing liabilities		9,140	9,637

1. Bank loans are denominated in a number of currencies; all are unsecured and bear interest based on market short-term interest rates

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Financial Liabilities – Borrowings continued

The Group uses derivative financial instruments to hedge certain elements of interest rate and exchange risk on its financing liabilities. The split between these items and other derivatives on the Balance Sheet is shown below:

2022 (£m)	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Derivative financial instruments (financing liabilities)	25	–	(34)	(248)
Derivative financial instruments (non-financing liabilities)	34	–	(21)	(1)
At 31 December 2022	59	–	(55)	(249)
2021 (£m)	Assets		Liabilities	
	Current	Non-current ¹	Current	Non-current
Derivative financial instruments (financing liabilities)	31	–	(36)	(71)
Derivative financial instruments (non-financing liabilities)	30	1	(16)	–
At 31 December 2021	61	1	(52)	(71)

1. Included within Other non-current receivables on the Balance Sheet

Reconciliation of movement in financing liabilities to Cash Flow Statement	2022 £m	2021 £m
At 1 January	9,637	10,598
Proceeds from borrowings	2,274	38
Repayment of borrowings ¹	(3,807)	(1,044)
Other financing cash flows	383	(92)
Total financing cash flows	(1,150)	(1,098)
New lease liabilities	134	109
Exchange, fair value and other movements	519	28
Total non-cash financing items	653	137
At 31 December	9,140	9,637

1. In 2021, £1,190 million proceeds from borrowings with maturities greater than three months are presented net within repayment of borrowings above. In 2022, the equivalent amounts are presented gross between proceeds from and repayment of borrowings

Maturity of borrowings (excluding lease liabilities)

Bank loans and overdrafts repayable:

Within one year or on demand	2022 £m	2021 £m
	40	22

Other borrowings repayable:

Within one year:

Commercial paper	1,190	–
Bonds	413	2,401

After one year and in less than five years:

Bonds	4,381	2,546
Senior notes	636	572

After five years or longer:

Bonds	1,080	3,022
Senior notes	733	657
Other non-current borrowings	22	15

	8,455	9,213
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Gross borrowings (unsecured)	8,495	9,235
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18 Provisions for Liabilities and Charges

	Legal provisions £m	Other provisions £m	Total provisions £m
At 1 January 2021	232	60	292
Charged to the Income Statement	39	10	49
Utilised during the year	(69)	(4)	(73)
Released to the Income Statement	(15)	(11)	(26)
Exchange adjustments	(7)	–	(7)
At 31 December 2021	180	55	235
Charged to the Income Statement	62	15	77
Utilised during the year	(8)	(3)	(11)
Released to the Income Statement	(17)	(12)	(29)
Reclassification	(3)	5	2
Exchange adjustments	7	5	12
At 31 December 2022	221	65	286

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 Provisions for Liabilities and Charges continued

Provisions have been analysed between current and non-current as follows:

	2022 £m	2021 £m
Current	227	191
Non-current	59	44
	286	235

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated. As at 31 December 2022, the Group recognised legal provisions of £221 million (2021: £180 million) in relation to a number of historical regulatory and other matters in various jurisdictions.

These provisions relate to matters where the Group is currently involved with, or potentially will be involved in, litigation. The provision represents the Group's best estimate of the likely settlement. Due to the uncertain nature of the resolution of the majority of these matters, £184 million (2021: £144 million) is recorded as a current provision as it is possible the matters could be settled in the next 12 months; however, it is possible that they may not be. Legal provisions includes £77 million (2021: £75 million) relating to the Humidifier Sanitiser (HS) issue in Korea (see Note 20).

Other provisions include environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

19 Lease Liabilities

Maturity analysis – contractual undiscounted cash flows	2022 £m	2021 £m
Within one year	80	64
Later than one and less than five years	253	222
After five years	135	140
Total undiscounted lease liabilities at 31 December	468	426
Lease liabilities included in the statement of financial position at 31 December	389	328
Current	78	62
Non-current	311	266

Interest charged on lease liabilities amounted to £16 million (2021: £13 million).

20 Contingent Liabilities and Assets**Humidifier Sanitiser issue**

The Humidifier Sanitiser (HS) issue in South Korea was a tragic event. The Group continues to make both public and personal apologies to the victims who have suffered lung injury as a result of the Oxy HS product and the role that the Oxy HS product played in the issue.

As previously reported, over the last several years the South Korean government has designated a number of diseases as HS injuries, in addition to the HS lung injury for which Reckitt Korea's compensation plan was established. These include asthma, toxic hepatitis, child interstitial lung disease (ILD), bronchitis, upper airway disease, pneumonia, skin disease (accompanied by respiratory injuries) and depression (accompanied by respiratory injuries). On 29 October 2021, the Ministry of Environment (MOE) published a report that concluded epidemiological correlation exists between HS use and asthma, ILD and pneumonia. On 24 October 2022, the MOE published a second edition of the EC report which updated the epidemiological studies supporting asthma, ILD and pneumonia, while designating two new HS injuries, bronchiectasis and acute upper respiratory inflammation. Our expert advisors are currently reviewing the second edition EC report, but their initial assessment remains that it does not clearly support causation between HS use and the above injuries.

The Korean National Assembly passed a bill on 6 March 2020 to amend the HS law. The amendment became effective on 25 September 2020. The main changes in the amendment relate to: (i) the definition of HS injury (removing the requirement for 'substantial causation' with HS exposure); (ii) the legal presumption of causation (shifting the burden of proof for causation to the defendant if the plaintiff demonstrates 'epidemiological correlation' between HS exposure and their injury), and (iii) amendments to the fund set up by the government and funded by the government and HS companies (the Special Relief Fund (SRF), now called the Injury Relief Fund (IRF)) to provide expanded support payments to HS victims (which would cover all elements of court awarded damages except mental distress, aside from KRW 100 million consolation payments for death cases, and partial lost income). The government can also impose on HS manufacturers an additional levy for the IRF up to the amount previously collected for the SRF. In December 2022, the MOE began the process to review the second IRF levy and the levy notice was issued to Reckitt Korea on 27 February 2023.

The pending civil actions filed by HS claimants against Reckitt Korea has also been impacted by the amended HS law, for example due to the lowered causation standard of 'epidemiological correlation'. Thus, we have seen the number of civil claimants increase, primarily seeking awards for mental distress and lost income (for portions not already covered by the IRF). Recently, however, the trend has steadily declined to about two to four new civil actions per month, which we expect to continue.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 Contingent Liabilities and Assets continued

The HS mediation committee (HSMC) was established in October 2021 and has been meeting with claimant groups and HS companies to discuss various issues related to designing a comprehensive mediation plan to cover all HS victims. In March 2022, the HSMC communicated a mediation proposal to the HS industry, including Reckitt Korea. Reckitt Korea has rejected the mediation proposal as it did not provide a comprehensive resolution to the HS issue. In addition, Reckitt Korea could not accept this or any future mediation proposals from HSMC without financial support from the Group.

The Group currently has a provision of £77 million (2021: £75 million) in relation to the HS issue in South Korea. In addition, there are further potential costs that are not considered probable and cannot be reliably estimated at the current time. The impact of the HS law amendments will require further monitoring and analysis, in particular those which will be subject to court interpretation, such as the new epidemiological correlation standard, any limitation applied by courts to damage awards, the interest rate applied by individual courts to damage awards and external factors such as the rate of future IRF applications/recognitions. Accordingly, it is not possible to make any reliable estimate of liability for individuals recognised by the government as having HS injuries.

Necrotizing Enterocolitis (NEC)

Product liability actions relating to NEC have been filed against the Group, or against the Group and Abbott Laboratories, in state and federal courts in the United States. The actions allege injuries relating to NEC in pre-term infants. Plaintiffs contend that human milk fortifiers (HMF) and preterm formulas containing bovine-derived ingredients cause NEC, and that preterm infants should receive a diet of exclusively breast milk. The Company has denied the material allegations of the claims. It contends that its products provide critical tools to expert neonatologists for the nutritional management of preterm infants for whom human milk, by itself, is not nutritionally sufficient. The products are used under the supervision of medical doctors. Any potential costs relating to these actions are not considered probable and cannot be reliably estimated at the current time.

Other

From time to time, the Group is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case (see Note 7).

21 Trade and Other Payables

	2022 £m	2021 £m
Trade payables	2,366	2,064
Other payables	123	100
Other tax and social security payable	172	155
Interest accrued on tax balances	105	–
Accruals	2,781	2,948
Trade and other payables	5,547	5,267

Included within accruals is £1,137 million (2021: £1,137 million) in respect of amounts payable to trade customers and government bodies for trade spend.

Interest accrued on tax balances has been presented as a current liability (2021: non-current) following the reassessment of uncertain tax positions to reflect that there is not an unconditional right to defer settlement of these liabilities (see Note 22).

Other non-current liabilities

	2022 £m	2021 £m
Interest accrued on tax balances	–	135
Indemnity provisions for disposed businesses	51	45
US employee-related payables	42	46
Other	23	36
Other non-current liabilities	116	262

Financial instruments (Note 15)

At 31 December 2022, £5,344 million (2021: £5,193 million) of the current and non-current payables totalling £5,663 million (2021: £5,529 million) are financial liabilities. These mainly relate to amounts owed to suppliers in respect of goods or services and are typically non-interest bearing. Amounts that are not financial instruments comprise employee-related liabilities, social security liabilities and accrued interest.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 Current and Non-current Tax Assets and Liabilities

	2022 £m	2021 £m
Current tax liabilities	791	93
Non-current tax liabilities	54	826
Total current and non-current tax liabilities	845	919

Certain tax positions taken by us are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. In particular, international transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement. Tax assets and liabilities are offset where there is a legally enforceable right to do so.

Included within current tax liabilities is an amount of £722 million (2021: £770 million) relating to uncertain tax positions primarily in respect of transfer pricing. Within this, £194 million (2021: £155 million) relates to amounts recognised using the most likely outcome method, where the resolution of the uncertainty is concentrated on one binary outcome. There is no individual tax uncertainty calculated with this method that is material to the Financial Statements.

Also within uncertain tax positions is an amount of £528 million (2021: £615 million) recognised using the expected value method. The liabilities calculated using this method are not material in isolation, are individually assessed and cover multiple jurisdictions and issues. Therefore, it is not meaningful to provide aggregated sensitivity estimates. The sources of estimation uncertainty underlying this amount are shown in Note 1.

The recognition of uncertain tax positions is reviewed regularly for changes in circumstances and estimates are updated as potential resolutions for the tax uncertainties are encountered through specific audits or wider case law. As a result, given the size, possible range of outcomes and timing of resolution, there is a significant risk of material adjustment to the aggregate carrying amount of these liabilities within the next financial year.

The disputes underlying the liability recognised in respect of uncertain tax positions may take several years to resolve (see Note 1). Notwithstanding this, the presentation of corporation tax liabilities has been reassessed to reflect that there is not an unconditional right to defer settlement of these liabilities and the carrying amount of £722 million (2021: £770 million) has been presented as a current liability (2021: non-current). The associated interest accrued on uncertain tax positions of £105 million (2021: £135 million) has also been presented as a current liability (2021: non-current; see Note 21).

The remaining non-current tax liability in 2022 relates to the US transition tax (introduced as part of the 2017 Tax Cuts and Jobs Act) on non-US earnings and profits not previously taxed in the US as of 31 December 2017. The Group has a right to defer this liability until after 31 December 2023.

23 Pension and Post-Retirement Commitments

Plan details

The Group operates a number of defined benefit and defined contribution pension plans around the world covering many of its employees, which are principally funded. The Group's most significant pension plan (UK) is set up under Trust and is a separate entity from the Group. It has two sections, a defined contribution section which remains open and a defined benefits section, which closed to accrual from 31 December 2017. Members have a normal retirement age of 65. Trustees of the plan are appointed by the Group, active members and pensioner membership, and are responsible for the governance of the plan, including paying all administrative costs of the defined benefit section and compliance with regulations. The defined benefit section of the plan is funded by the payment of contributions as required, following each Triennial Valuation.

For the principal UK plan, a full independent actuarial valuation is carried out on a triennial basis. The most recent valuation was carried out as at 5 April 2022 and as the plan was in surplus on its technical provisions funding basis, no contributions are required to be paid by the Group in 2023 (2022: £nil). Funding levels are monitored on an annual basis.

The Group continues to monitor the impact of UK High Court rulings clarifying the requirements to equalise the Guaranteed Minimum Pension element of benefits for men and women within the UK Pension schemes from Guaranteed Minimum Pension accrued from post 17 May 1990 pensionable service. Discussions are ongoing with the pension trustees from all defined benefit schemes in the UK, but no final agreement on the method of calculation has yet been reached.

The Group also operates a number of other post-retirement plans in certain countries. The two major plans are the US Retiree Health Care Plan and the Mead Johnson & Company, LLC Medical Plan (together, the US (Medical) plans). In the US Retiree Health Care Plan, salaried participants become eligible for retiree healthcare benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. This plan closed to new members in 2009. In the Mead Johnson & Company, LLC Medical Plan, acquired as part of the acquisition of MJN on 15 June 2017, participants become eligible for retiree healthcare benefits if they leave employment after the age of 65, leave after the age of 55 and have completed 10 years of service, or have their employment involuntarily terminated after the age of 55. A Benefits Committee is appointed by the Group for both of these plans, responsible for the governance of the US plans, including paying all administrative costs and compliance with regulations. Both of these plans are unfunded.

For the US (Medical) plans, a full independent actuarial valuation is carried out on an annual basis. The most recent valuation was carried out on 1 January 2023. For both of these plans, funding levels are monitored on an annual basis with contributions made equal to the claims made each year. It is expected that the combined contributions in 2023 will be £7 million (2022: £7 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Pension and Post-Retirement Commitments continued

For the purpose of IAS 19, the projected unit valuation method was used for the UK and US plans, as per the principal UK plan triennial valuation results (at 5 April 2022) and the US (Medical) plan valuations to 31 December 2022. The UK plans have a weighted average duration of the deferred benefit obligation of 13.5 years (2021: 17.0 years). This decrease is predominantly driven by significant rises in bond yields over the year to 31 December 2022.

Significant actuarial assumptions

The significant actuarial assumptions used in determining the Group's obligation for the UK and US (Medical) plans as at 31 December were:

	2022		2021	
	UK %	US (Medical) %	UK %	US (Medical) %
Rate of increase in pensionable salaries	5.4	–	5.4	–
Rate of increase in deferred pensions during deferment	3.4	–	3.4	–
Rate of increase in pension payments	3.25	–	3.25	–
Discount rate	5.0	5.2	1.9	2.7
Inflation assumption – RPI	3.4	–	3.4	–
Annual medical cost inflation	–	5.0–8.0	–	5.0–8.0

Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. The expected lifetime of a participant aged 60 and the expected lifetime of a participant who will be aged 60 in 15 years (20 years in the US) are detailed below:

	2022		2021	
	UK years	US years	UK years	US years
Number of years a current pensioner is expected to live beyond 60:				
Male	27.5	25.2	27.5	25.1
Female	29.0	27.3	28.9	27.2
Number of years a future pensioner is expected to live beyond 60:				
Male	28.8	26.9	28.7	26.8
Female	30.4	28.9	30.2	28.8

For the principal UK plan, the mortality assumptions were based on the standard SAPS mortality table 3NMA for males (scaled by 98%) and table 3NFA for females (scaled by 117%). Allowance for future changes is made by adopting the 2021 edition of the CMI series with a long-term improvement trend of 1.5% per annum from 2013 onwards. For the US plan the mortality assumptions were determined using the Pri-2012 Total Dataset and projected with Mortality Improvement Scale MP-2021.

While COVID-19 has had an impact on mortality in the year ended 31 December 2022, the long-term impact on future mortality trends is currently unknown and consequently no adjustment has been made to mortality assumptions in this regard.

Amounts recognised on the Balance Sheet

The amounts recognised on the Balance Sheet are as follows:

	2022 £m	2021 £m
Balance Sheet liability for:		
US (Medical)	(81)	(107)
Other	(159)	(211)
Liability on Balance Sheet	(240)	(318)
Balance Sheet assets for:		
UK	241	298
Other	53	57
Asset on Balance Sheet	294	355
Net pension asset	54	37

The UK surplus of £241 million (2021: £298 million) relates mainly to the Reckitt Benckiser Pension Fund. This surplus has been recognised as the Group has concluded it has an unconditional right to a refund of any surplus once all member benefits have been paid. The Group's judgement is based on legal advice that the Trustees would be unable to unconditionally wind up the plan or enhance members' benefits without the Group's consent.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Pension and Post-Retirement Commitments continued

The funded and unfunded amounts recognised on the Balance Sheet are determined as follows:

	2022				2021			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
Present value of funded obligations	(941)	–	(373)	(1,314)	(1,486)	–	(481)	(1,967)
Fair value of plan assets	1,186	–	426	1,612	1,788	–	496	2,284
Surplus/(liability) of funded plans	245	–	53	298	302	–	15	317
Present value of unfunded obligations	–	(81)	(159)	(240)	–	(107)	(169)	(276)
Irrecoverable surplus	(4)	–	–	(4)	(4)	–	–	(4)
Net pension surplus/(liability)	241	(81)	(106)	54	298	(107)	(154)	37

Group plan assets are comprised as follows:

	2022				2021			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
Equities	134	–	92	226	178	–	202	380
Government bonds	167	–	157	324	215	–	230	445
Corporate bonds	265	–	135	400	356	–	25	381
Real estate/property – unquoted	82	–	19	101	113	–	19	132
Insurance contracts	272	–	–	272	388	–	–	388
Other assets – unquoted	266	–	23	289	538	–	20	558
Fair value of plan assets	1,186	–	426	1,612	1,788	–	496	2,284

In 2021 and 2020, the Trustees of three of the UK pension plans entered into annuity buy-in agreements which cover, in aggregate, £272 million of pension liabilities valued under IAS 19 at 31 December 2022 (£388 million of pension liabilities valued under IAS 19 at 31 December 2021). The agreements involved the purchase of bulk annuity policies under which the insurer will pay the UK pension funds amounts equivalent to the benefits payable to members. These purchases were conducted by the trustees to ensure the pension fund had an asset that would match its obligation to members. The policies are valued in accordance with IAS 19 by the plans' actuary such that the fair value on the annuity policies is deemed to be the present value of the related obligation measured using the assumptions underpinning the valuation of the defined benefit obligation. The pension liabilities remain with, and the matching annuity policies are held within, the UK pension funds. As this was an investment decision by the trustees, the immaterial reduction in the valuation of plan assets (due to the difference between the purchase price of the annuity policy and the accounting value of the buy-in asset) arising on each buy-in was recorded within other comprehensive income. The Trustees have not entered any such buy-in agreements in 2022.

At 31 December 2022 the Group has not committed to any buy-out arrangements in respect of any of the UK pension schemes.

Included in other assets are £235 million (2021: £466 million) relating to liability driven investment funds. This is a bespoke pooled investment vehicle with underlying listed bonds, equities and structured notes. The fair value of the vehicle is provided by the fund manager based on the underlying value of the securities held within the vehicle. The Trustees purchased these investments in 2021 to lower risk within the portfolio without reducing potential returns. These investments have a low leverage percentage and sufficient capital collateral in place. As a result, no collateral calls were made against the investments during the year to 31 December 2022 despite the significant volatility experienced in gilt markets. The remaining other assets are cash.

The present value of obligations for the combined UK plans and the US (Medical) plans at last valuation date is attributable to participants as follows:

	2022		2021	
	UK £m	US (Medical) £m	UK £m	US (Medical) £m
Active participants	(1)	(34)	(1)	(45)
Participants with deferred benefits	(307)	(1)	(646)	(1)
Participants receiving benefits	(633)	(46)	(839)	(61)
Present value of obligation	(941)	(81)	(1,486)	(107)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Pension and Post-Retirement Commitments continued

The movement in the Group's net surplus/(deficit) is as follows:

	Present value of obligation				Fair value of plan assets			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
At 1 January 2021	1,547	125	719	2,391	(1,754)	–	(510)	(2,264)
Current service cost	–	1	9	10	–	–	–	–
Administrative costs	2	–	–	2	–	–	–	–
Interest expense/(income)	23	3	9	35	(26)	–	(5)	(31)
	25	4	18	47	(26)	–	(5)	(31)
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	–	–	–	–	(76)	–	(30)	(106)
Losses/(gains) from changes in demographic assumptions	1	(6)	4	(1)	–	–	–	–
Gains from change in financial assumptions	(27)	(5)	(33)	(65)	–	–	(1)	(1)
Experience losses/(gains)	8	(3)	4	9	–	–	–	–
	(18)	(14)	(25)	(57)	(76)	–	(31)	(107)
Exchange differences	–	–	(5)	(5)	–	–	4	4
Contributions – employers	–	–	–	–	–	(8)	(11)	(19)
Payments from plans:								
Benefit payments	(68)	(8)	(57)	(133)	68	8	57	133
As at 31 December 2021	1,486	107	650	2,243	(1,788)	–	(496)	(2,284)
Current service cost	–	1	8	9	–	–	–	–
Administrative costs	3	–	–	3	–	–	–	–
Interest expense/(income)	27	4	12	43	(34)	–	(14)	(48)
	30	5	20	55	(34)	–	(14)	(48)
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	–	–	–	–	565	–	96	661
(Gains) from changes in demographic assumptions	(2)	(11)	–	(13)	–	–	–	–
(Gains) from change in financial assumptions	(518)	(22)	(151)	(691)	–	–	(2)	(2)
Experience (gains)/losses	16	(3)	3	16	–	–	–	–
	(504)	(36)	(148)	(688)	565	–	94	659
Exchange differences	–	12	54	66	–	–	(41)	(41)
Contributions – employers	–	–	–	–	–	(7)	(13)	(20)
Payments from plans:								
Benefit payments	(71)	(7)	(44)	(122)	71	7	44	122
As at 31 December 2022	941	81	532	1,554	(1,186)	–	(426)	(1,612)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Pension and Post-Retirement Commitments continued

Amounts recognised in the Income Statement

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

	2022 £m	2021 £m
Defined contribution plans	49	48
Defined benefit plans (net charge excluding interest)		
UK	3	2
US (Medical)	1	1
Other	8	9
Total pension costs included in operating profit (Note 5) ¹	61	60
Pension net finance income included in net finance expense (Note 6)	(5)	(1)
Income Statement charge included in profit before income tax	56	59
Remeasurement gains/(losses) for²:		
UK	(61)	94
US (Medical)	36	14
Other	54	56
	29	164

1. The Income Statement charge recognised in operating profit includes current service cost, past service cost and administrative costs

2. Remeasurement gains excludes £nil (2021: £15 million) recognised in OCI for irrecoverable surplus

Sensitivity of significant actuarial assumptions

The sensitivity of the UK defined benefit obligation to changes in the principal assumptions is shown below:

2022	Change in assumption	Change in defined benefit obligation
Discount rate	Increase 0.1%	Decrease by 1.3%
Discount rate	Increase 1.0%	Decrease by 11.5%
RPI increase	Increase 0.1%	Increase by 0.7%
RPI Increase	Increase 1.0%	Increase by 9.2%
Life expectancy	Members live 1 year longer	Increase by 3.2%
2021	Change in assumption	Change in defined benefit obligation
Discount rate	Increase 0.1%	Decrease by 1.6%
RPI increase	Increase 0.1%	Increase by 0.9%
Life expectancy	Members live 1 year longer	Increase by 4.0%

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

Impact of medical cost trend rates

A 1% change in the assumed healthcare cost trend rates would have an immaterial impact on the service cost, interest cost and post-retirement benefit obligation.

Risk and risk management

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed as follows:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit/reduce the surplus. The US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short-term. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Changes in bond yields: A increase in government and corporate bond yields will decrease plan liabilities, although this will be partially offset by an decrease in the value of the plans' bond holdings. Following the increase in market bond yields in the year ended 31 December 2022, the UK plans' liabilities reduced by £545 million, offset by a reduction in the plans' bond holdings by £602 million, resulting in a £57 million net decrease to the plans' surplus.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Pension and Post-Retirement Commitments continued

Inflation risk: Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). In order to manage inflationary risks, the Trustees' investment strategy within the UK plan provides a high level of protection against higher expected long-term inflation through investments in index-linked gilts, liability driven investments and insurance contracts. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member. Whilst the plans allow for an increase in life expectancy, increases above this assumption will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases to benefits result in higher sensitivity to improvements in life expectancy. In 2020 the principal UK scheme reduced its exposure by purchasing an insurance product that will pay the pensions of some of the plan's pensioners. In 2021 two other UK pension schemes purchased a similar insurance policy covering 100% of their members' benefits.

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

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A portion of assets consists of unit linked insurance policies with underlying investments in quoted equities and quoted bonds, although the Group also invests in property and cash. The Group believes that quoted equities offer the best returns over the long term with an acceptable level of risk. The Trustees of all the UK funds have moved the majority of their assets to low-cost investment funds in consultation with the Group whilst maintaining prudent diversification and appropriate interest and inflation hedging. The Trustees and the Group are engaged in ongoing discussions to align their goals in respect of climate risk. At present, the Trustees have noted that the diversified asset profile of the UK plans should reduce exposure to climate risks.

24 Share Capital

	Equity ordinary shares number	Nominal value £m
Issued and fully paid		
At 31 December 2021	736,535,179	74
At 31 December 2022	736,535,179	74

The holders of ordinary shares (par value 10 pence) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

Allotment of ordinary shares and release of treasury shares

During the year nil ordinary shares (2021: nil ordinary shares) were allotted and 1,351,767 ordinary shares were released from Treasury (2021: 1,677,112) to satisfy vesting/exercises under the Group's various share schemes as follows:

Ordinary shares of 10p	2022		2021	
	Number of shares	Consideration £m	Number of shares	Consideration £m
Executive Share Options – exercises	372,711	18	860,697	41
Conditional Awards – vesting	313,293	–	164,867	–
Total under Executive Share Option and Conditional Award Schemes	686,004	18	1,025,564	41
Savings-related Share Option Schemes – exercises	665,763	36	651,548	39
Total	1,351,767	54	1,677,112	80

In 2022, 1,351,767 Treasury shares were released (2021: 1,677,112), leaving a balance held at 31 December 2022 of 20,771,213 (2021: 22,122,980). Proceeds received from the reissuance of Treasury shares to exercise share options were £54 million (2021: £80 million).

25 Share-based Payments

The Group operates a number of incentive schemes, including a Long-Term Incentive Plan, and various other share schemes. All schemes are equity-settled. The total charge for share-based payments for the year was £78 million (2021: £30 million).

Executive share awards

Executive share awards, comprising both Share Options and Conditional Awards, are granted to the senior management team. Share Options are granted at an exercise price determined on the grant date and become payable on exercise – following satisfaction of performance criteria. Conditional Awards entitle the recipient to receive shares at no cost following satisfaction of both the following performance criteria and continued employment (Performance Shares), or just continued employment (Time-vested Shares).

For awards granted between December 2017 and May 2019:

Adjusted earnings per share growth over three years (%)	<6%	6%	Between 6% and 10%	≥10%
Proportion of awards vesting (%)	Nil	20%	Straight-line between 20% and 100%	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 Share-based Payments continued

For awards granted in May 2019:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS growth at actual FX rates (three-year CAGR)	25%	4%	9%
Adjusted EPS growth at constant FX rates (three-year CAGR)	25%	4%	9%
Net Revenue growth (three-year CAGR)	25%	2%	6%
Return on Capital Employed (in final year)	25%	10.8%	12.8%

For awards granted in May 2020¹:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Net Revenue growth (three-year CAGR)	50%	1.9%	4.9%
Return on Capital Employed (in final year)	25%	13.5%	14.8%
Adjusted EPS at actual FX rates (in final year)	12.5%	283p	318p
Adjusted EPS at constant FX rates (in final year)	12.5%	304p	341p

1. Targets adjusted in 2021 following the disposal of IFCN China, with the objective of ensuring that the new targets are no harder or easier to achieve than the original targets

For awards granted in May 2021¹:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Like-for-like Net Revenue growth (three-year CAGR)	50%	0.9%	4.9%
Return on Capital Employed (in final year)	25%	13.7%	15.4%
Adjusted EPS at actual FX rates (in final year)	12.5%	289p	360p
Adjusted EPS at constant FX rates (in final year)	12.5%	308p	382p

1. Targets adjusted in 2021 following the disposal of IFCN China, with the objective of ensuring that the new targets are no harder or easier to achieve than the original targets

For awards granted in May 2022:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Like-for-like Net Revenue growth (three-year CAGR)	40%	2%	5%
Relative Total Shareholder Return	25%	Median	Upper quartile
Return on Capital Employed (in final year)	25%	13.2%	15.2%
Percentage of net revenue from more sustainable products	5%	30%	33%
Percentage reduction in Greenhouse Gas (GHG) emissions in operations	5%	65%	69%

The cost is spread over the three years of the performance period. For the Executive Committee and members of the Group Leadership Team, vesting conditions must be met over the three-year period and are not retested.

For the remaining members of the senior management team, for awards granted prior to 2021, the targets can be retested in years four or five of the scheme. If any target has not been met, any remaining shares or options which have not vested will lapse. For awards granted in May 2021 and thereafter, vesting conditions must be met over the three-year period and are not retested.

Other share awards

Other share awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Other share awards have contractual lives of between three and eight years and are generally not subject to any vesting criteria other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore have been aggregated in the tables following.

Summary of shares outstanding

All outstanding Executive and other share awards as at 31 December 2022 and 31 December 2021 are included in the tables following which analyse the charge for 2022 and 2021. The Group has used the Black-Scholes model to calculate the fair value of one award on the date of the grant of the award. Awards that are subject to Total Shareholder Return (TSR) performance conditions, have been valued by a third-party specialist using the Monte Carlo model.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 Share-based Payments continued

Table 1: Fair value

The most significant awards are share options and conditional awards, details of which have been provided below.

		Black-Scholes model assumptions								
		Exercise price at grant £	Modified exercise price £	Performance period	Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk-free interest rate %	Fair value of one award £
Award	Grant date									
Share options										
2013	3 December 2012	39.14	38.06	2013–15	39.66	20	4.3	4	0.61	3.29
2014	11 December 2013	47.83	46.51	2014–16	46.69	19	3.7	4	0.76	3.85
2015	1 December 2014	50.57	50.57	2015–17	52.40	17	4.0	4	1.03	4.34
2016	2 December 2015	63.25	63.25	2016–18	64.15	18	2.9	4	1.07	6.75
2017	1 December 2016	67.68	67.68	2017–19	66.28	18	3.0	4	0.46	5.54
2018	30 November 2017	64.99	64.99	2018–20	64.86	18	3.4	4	0.68	5.58
2019	10 May 2019	60.83	60.83	2019–21	61.45	20	3.7	4	0.83	5.89
2020	1 May 2020	65.20	65.20	2020–22	65.70	21	2.6	4	0.55	7.96
2021	28 May 2021	64.67	64.67	2021–23	63.68	22	2.1	4	0.20	7.84
2022	20 May 2022	63.32	63.32	2022–24	62.42	22	2.2	4	1.31	7.94
Conditional awards										
2018	30 November 2017	–	–	2018–20	64.86	18	3.4	4	0.68	56.71
2019	10 May 2019	–	–	2019–21	61.40	19	3.7	4	0.83	53.02
2020	1 May 2020	–	–	2020–22	65.70	21	2.6	4	0.55	59.17
2021	28 May 2021	–	–	2021–23	63.68	22	2.1	4	0.20	58.65
2022	20 May 2022	–	–	2022–24	62.42	22	2.2	4	1.31	43.64

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 Share-based Payments continued

Table 2: Share awards movements 2021 and 2022

Award	Options outstanding at 1 January 2021 number	Granted/ adjustments number	Lapsed number	Exercised/vested number	Options outstanding at 31 December 2021 number	Granted/ adjustments number	Lapsed number	Exercised/ vested number	Options outstanding at 31 December 2022 number
Share options¹									
2012	151,411	–	(2,057)	(149,354)	–	–	–	–	–
2013	247,750	–	–	(79,343)	168,407	–	–	(166,350)	2,057
2014	457,296	–	(13,350)	(159,136)	284,810	–	(1,029)	(56,412)	227,369
2015	742,966	–	(15,000)	(295,000)	432,966	–	(2,000)	(70,968)	359,998
2016	1,120,802	–	(383,399)	(169,850)	567,553	–	(76,902)	(59,326)	431,325
2017	573,907	–	(82,376)	(850)	490,681	–	(96,305)	–	394,376
2018	1,837,548	–	(839,095)	–	998,453	–	(86,068)	–	912,385
2019	2,086,058	–	(261,796)	–	1,824,262	8,076	(733,733)	(24,542)	1,074,063
2020	2,595,052	–	(378,529)	–	2,216,523	(2,400)	(349,416)	–	1,864,707
2021	–	3,075,575	(205,846)	–	2,869,729	(4,800)	(441,576)	–	2,423,353
2022	–	–	–	–	–	3,104,325	(248,505)	–	2,855,820
Performance shares¹									
2016	124,863	–	(124,863)	–	–	–	–	–	–
2017	175	–	(175)	–	–	–	–	–	–
2018	835,823	–	(389,368)	–	446,455	–	(44,129)	–	402,326
2019	1,029,136	–	(175,064)	(26,354)	827,718	10,708	(369,341)	(172,917)	296,168
2020	1,160,465	–	(180,520)	–	979,945	1,700	(171,370)	–	810,275
2021	–	1,348,016	(97,716)	–	1,250,300	(1,200)	(218,689)	–	1,030,411
2022	–	–	–	–	–	1,397,186	(120,539)	–	1,276,647
Time-vested shares¹									
2016	–	–	–	–	–	–	–	–	–
2017	–	–	–	–	–	–	–	–	–
2018	14,036	16,997	–	(30,033)	1,000	–	–	(1,000)	–
2019	85,750	(13,884)	(2,600)	(31,383)	37,883	–	(2,330)	(30,553)	5,000
2020	243,912	7,242	(15,362)	(84,995)	150,797	(3,385)	(12,036)	(71,713)	63,663
2021	–	390,137	(28,549)	(22,836)	338,752	(180)	(48,080)	(40,355)	250,137
2022	–	–	–	–	–	384,508	(35,511)	(12,080)	336,917
Other share awards									
UK SAYE	738,410	383,424	(148,654)	(102,653)	870,527	201,068	(127,428)	(102,359)	841,808
US SAYE	672,995	439,679	(95,794)	(65,747)	951,133	223,811	(130,809)	(243,691)	800,444
Overseas SAYE	2,302,103	930,727	(673,300)	(482,826)	2,076,704	368,031	(260,638)	(313,144)	1,870,953
SOPP	156,000	92,800	(33,403)	(14,597)	200,800	29,600	(30,376)	(22,624)	177,400
Weighted average exercise price (share options)	£60.97	£64.67	£64.05	£47.80	£62.58	£63.31	£63.29	£47.11	£63.21

1. Grant date and exercise price for each of the awards are shown in Table 1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 Share-Based Payments continued

For options outstanding at the year end, the weighted average remaining contractual life is 4.56 years (2021: 4.58 years). Options outstanding at 31 December 2022 that could have been exercised at that date were 1,631,807 (2021: 1,946,341) with a weighted average exercise price of £57.54 (2021: £57.03).

The assumptions made in determining the share-based payments charge, in respect to the achievement of performance criteria, are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the schemes, early exercise may only be granted in exceptional circumstances and therefore the effect of early exercise is not incorporated into the calculation.

No material modifications have occurred requiring revision to the share-based payment charges for the outstanding awards.

An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate. Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions.

The weighted average share price for the year was £61.09 (2021: £61.60).

Options and conditional awards granted during the year

Options and conditional awards granted during the year which may vest or become exercisable at various dates between 2023 and 2028 are as follows:

	Price to be paid £	Number of shares under option
Executive share option and conditional award schemes		
LTIP – options	63.32	3,104,325
LTIP – performance shares	–	1,397,186
LTIP – time-vested shares	–	384,508
Group Senior Executive Share Ownership Policy Plan	–	29,600
Total		4,915,619
Savings-related share option schemes		
UK Scheme	53.01	201,068
US Scheme	53.01	223,811
Overseas Scheme	53.01	368,031
Total		792,910

Options and conditional awards outstanding

Options and conditional awards which have vested or may vest at various dates between 2023 and 2029 are as follows:

	Price to be paid £		Number of shares under option	
	From	To	2022	2021
Executive share option and conditional award schemes				
LTIP – options	38.06	78.00	10,545,453	9,853,384
LTIP – performance shares	–	–	3,815,827	3,504,418
LTIP – time-vested shares	–	–	655,717	528,432
Group Senior Executive Share Ownership Policy Plan	–	–	177,400	200,800
Total			15,194,397	14,087,034
Savings-related share option schemes				
UK Scheme	44.56	62.44	841,808	870,527
US Scheme	44.56	62.44	800,444	951,133
Overseas Scheme	44.56	62.44	1,870,953	2,076,704
Total			3,513,205	3,898,364

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 Other Reserves

Attributable to owners of the parent	Hedging reserve £m	Foreign currency translation reserve £m	Total other reserves £m
Balance at 1 January 2021	(19)	(360)	(379)
Other comprehensive income/(expense)			
Gains on cash flow hedges, net of tax	30	–	30
Net exchange losses on foreign currency translation, net of tax	–	(374)	(374)
Gains on net investment hedges, net of tax	–	84	84
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	–	(550)	(550)
Total other comprehensive income/(expense) for the year	30	(840)	(810)
Balance at 31 December 2021	11	(1,200)	(1,189)
Other comprehensive income/(expense)			
Gains on cash flow hedges, net of tax	2	–	2
Net exchange gains on foreign currency translation, net of tax	–	1,064	1,064
Losses on net investment hedges, net of tax	–	(115)	(115)
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations net of tax	–	(56)	(56)
Total other comprehensive income for the year	2	893	895
Balance at 31 December 2022	13	(307)	(294)

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that are extant at year end.

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the Financial Statements of the Group's foreign operations arising when the Group's entities are consolidated. The reserve also contains the translation of liabilities that hedge the Group's net exposure in a foreign currency.

During the year ended 31 December 2022, a net gain of £56 million (2021: £550 million net gain) was reclassified to the Income Statement from foreign currency reserves following the disposal or liquidation of foreign operations, of which a net gain of £69 million (2021: £766 million net gain) related to the liquidation of subsidiaries (see Note 6 for further details) offset by a loss of £13 million (2021: £216 million) comprised of £20 million (2021: £284 million) arising from the disposal of certain businesses (see Note 29), less related tax credits of £7 million (2021: £68 million) (see Note 7).

27 Related Party Transactions

The Group has related party relationships with its Directors and key management personnel (Note 5).

28 Dividends

	2022 £m	2021 £m
Cash dividends on equity ordinary shares:		
2021 Final paid: 101.6p (2020: Final 101.6p) per share	726	725
2022 Interim paid: 73p (2021: Interim 73p) per share	523	521
Total dividends for the year	1,249	1,246

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2022 of 110.3 pence per share which will absorb an estimated £789 million of shareholders' funds. If approved by shareholders it will be paid on 24 May 2023 to shareholders who are on the register on 11 April 2023, with an ex-dividend date of 6 April 2023.

29 Acquisitions and Disposals

During the year ended 31 December 2022, the Group completed several disposals. In each case, 100% of the businesses were disposed, unless stated otherwise. In the year ended 31 December 2021, the Group completed several business acquisitions and disposals.

Acquisitions

During 2022, the Group did not complete any acquisitions.

On 12 July 2021, the Group acquired 100% of the equity interests in Lanai Holdings, owner of the Biofreeze and TheraPearl brands, for cash consideration of \$1,060 million (£766 million). Total identifiable net assets of £495 million and goodwill of £271 million were recognised in 2021.

Disposals

The Group completed the disposals of Dermicool and E45 on 25 March 2022 and 1 April 2022, respectively, with combined net cash proceeds of £243 million. The net assets disposed primarily comprised goodwill and other intangible assets at a book value of £204 million. In addition, cumulative foreign exchange losses of £10 million have been reclassified to the Income Statement.

The Group recognised a net pre-tax gain of £14 million upon disposal of these brands, recorded within net operating expenses in the Income Statement. Both Dermicool and E45 formed part of the Health operating segment. At 31 December 2021, £140 million of intangible assets (including £28 million of goodwill) associated with the sale of E45 were presented within assets held for sale.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 Acquisitions and Disposals continued

During 2021, the Group completed three disposals for a total consideration, net of disposal costs, of £1,704 million, resulting in a total pre-tax loss on disposal of £3,518 million reported within total net operating expenses:

- On 9 September 2021, the Group completed the sale of IFCN China to Primavera Capital Group for total consideration, net of disposal costs, of £1,436 million. The consideration was principally represented by cash of £1,513 million and a 8% shareholding in the purchaser's acquisition entity. The net assets disposed primarily comprised goodwill and other intangible assets at a book value of £4,276 million. On completion of the disposal, the Group recognised a pre-tax loss on disposal of £3,284 million included within total net operating expenses.
- The Group completed the disposals of the Scholl and EnfaBebé brands on 1 June 2021 and 1 November 2021, respectively, with combined net cash proceeds of £268 million.

Other

On 13 April 2022, the Group announced it had begun a process aimed at transferring ownership of its Russian business, which may include a transfer to a third party or to local employees. The net assets of the Russian business at 31 December 2022 were £230 million and on disposal, foreign exchange losses of £114 million would be recycled to the Income Statement. The Russian business contributed 2% to the Group's revenue in 2022 (2021: 2%). At 31 December 2022, the assets and liabilities had not met the criteria to be reclassified within assets held for sale.

30 Discontinued Operations

The loss from discontinued operations of £7 million (2021: £31 million income) relates to the Group's disposal of the RB Pharmaceuticals business (now Indivior plc).

31 Post Balance Sheet Events

There have been no events subsequent to the Balance Sheet date which require disclosure.

FIVE YEAR SUMMARY (UNAUDITED)

The five-year summary below is presented on an IFRS basis. The years ending 31 December 2018, 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 show the results for continuing operations.

	2022 £m	2021 £m	2020 £m	2019 £m	Restated ¹ 2018 £m
Income Statement					
Net Revenue	14,453	13,234	13,993	12,846	12,597
Operating profit/(loss)	3,249	(804)	2,160	(1,954)	3,058
Net finance (expense)/income	(161)	547	(286)	(153)	(338)
Share of loss and impairment of equity-accounted investees, net of tax	(21)	(3)	(1)	–	–
Profit/(loss) before income tax	3,067	(260)	1,873	(2,107)	2,720
Income tax (charge)/credit	(711)	208	(720)	(665)	(536)
Attributable to non-controlling interests	(19)	(11)	(16)	(13)	(20)
Net income/(loss) attributable to owners of the parent company from continuing operations	2,337	(63)	1,137	(2,785)	2,164
Balance Sheet					
Net assets	9,483	7,453	9,159	9,407	14,771
Key Statistics – IFRS basis					
Operating margin	22.5%	(6.1%)	15.4%	(15.2%)	24.3%
Diluted earnings per share, continuing	325.7p	(8.8p)	159.3p	(393.0p)	305.2p
Declared total dividends per ordinary share	183.3p	174.6p	174.6p	174.6p	170.7p

1. Restated for the adoption of IFRS 15

PARENT COMPANY BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY BALANCE SHEET

As at 31 December	Notes	2022 £m	2021 £m
Fixed assets			
Investments	2	15,078	15,001
Current assets			
Debtors due within one year	3,6	40	45
Debtors due after more than one year	4,6	21	25
		61	70
Current liabilities			
Creditors due within one year	5,6	(7,846)	(10,898)
Net current liabilities		(7,785)	(10,828)
Total assets less current liabilities		7,293	4,173
Creditors due after more than one year	5	–	(42)
Provisions for liabilities and charges	7	(44)	(41)
Net assets		7,249	4,090
EQUITY			
Share capital	8	74	74
Share premium		254	253
Retained earnings		6,921	3,763
Total equity		7,249	4,090

The Financial Statements on pages 223 to 240 were approved by the Board of Directors and signed on its behalf on 28 February 2023 by:

CHRISTOPHER SINCLAIR
DIRECTOR

Reckitt Benckiser Group plc

Company Number: 06270876

NICANDRO DURANTE
DIRECTOR

Reckitt Benckiser Group plc

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021	74	252	4,983	5,309
Comprehensive income				
Loss for the financial year	–	–	(78)	(78)
Total comprehensive loss	–	–	(78)	(78)
Transactions with owners				
Treasury shares reissued	–	1	79	80
Share-based payments	–	–	4	4
Capital contribution in respect of share-based payments	–	–	26	26
Purchase of ordinary shares by employee share ownership trust	–	–	(5)	(5)
Cash dividends	–	–	(1,246)	(1,246)
Total transactions with owners	–	1	(1,142)	(1,141)
Balance at 31 December 2021	74	253	3,763	4,090
Comprehensive income				
Profit for the financial year	–	–	4,276	4,276
Total comprehensive income	–	–	4,276	4,276
Transactions with owners				
Treasury shares reissued	–	1	53	54
Share-based payments	–	–	1	1
Capital contribution in respect of share-based payments	–	–	77	77
Cash dividends	–	–	(1,249)	(1,249)
Total transactions with owners	–	1	(1,118)	(1,117)
Balance at 31 December 2022	74	254	6,921	7,249

Reckitt Benckiser Group plc has £6,182 million (2021: £3,102 million) of its retained earnings available for distribution. Details of Treasury shares and other equity transactions are included in Note 24 of the Group Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 Parent Company Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Reckitt Benckiser Group plc is a company incorporated in the United Kingdom, registered in England and Wales under the Companies Act 2006, and is a public limited company. The address of the registered office is given on page 243.

The Company is the parent of Reckitt Benckiser Group plc and its principal activity is to act as a holding company for the Group. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 87.

New standards, amendments and interpretations

The following amended standards and interpretations were adopted by the Company during the year ending 31 December 2022. These amended standards and interpretations have not had a significant impact on the Company Financial Statements.

- Amendments to FRS 102: Interest rate benchmark reform

Statement of compliance

The Financial Statements have been prepared under the historical cost convention and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and the Companies Act 2006.

The functional currency of Reckitt Benckiser Group plc is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

As permitted by s408 of the Companies Act 2006, a Statement of Comprehensive Income is not presented for Reckitt Benckiser Group plc.

Going concern

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Company Financial Statements.

Having assessed the principal risks and other matters discussed in connection with the Group's Viability Statement as set out on page 87 of the Group Annual Report, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Company Financial Statements. When reaching this conclusion, the Directors took into account the Company's overall financial position and exposure to principal risks.

Financial Reporting Standard 102 – Reduced Disclosure Exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the following exemptions:

- from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and the Group Cash Flow Statement, included in these Financial Statements, includes the Company's cash flows; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The Company's results are included in the publicly available consolidated Financial Statements of Reckitt Benckiser Group plc and these Financial Statements may be obtained from 103-105 Bath Road, Slough, Berkshire SL1 3UH or at www.reckitt.com.

Foreign currency translation

Transactions denominated in foreign currencies are translated using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Taxation

The tax charge/credit is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable.

A net deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on an undiscounted basis.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

1 Parent Company Accounting Policies continued**Fixed asset investments**

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

Employee share schemes

Incentives in the form of shares are provided to employees under share option and conditional award schemes which vest in accordance with non-market conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in comprehensive income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Additional employer costs in respect of options and awards are charged, including social security taxes, to the Statement of Comprehensive Income over the same period, with a corresponding liability recognised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company Financial Statements.

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual obligations of the instrument.

(i) Financial assets

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts. Such assets are subsequently carried at amortised cost.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in comprehensive income or expense.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments. Debt instruments are subsequently carried at amortised cost.

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

(iii) Derivative Financial Instruments

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value.

The Company designates certain derivative financial instruments as fair value hedges against certain debtors in USD. Gains or losses arising from changes in the foreign exchange retranslation of the hedged item and instrument are netted in profit or loss in the period in which they arise.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of the estimated financial impact, appropriate disclosure is made but no provision recognised.

Where a company enters into a financial guarantee contract to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Company will be required to make a payment under the guarantee.

Share capital transactions

When the Company purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Purchased shares are either held in Treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from retained earnings.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

1 Parent Company Accounting Policies continued**Repurchase and reissuance of ordinary shares**

When shares recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are classified as Treasury shares and are presented in retained earnings. When Treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus is presented within share premium.

Dividends

Dividends payable are recognised when they meet the criteria for a present obligation (i.e. when they have been approved).

Accounting estimates and judgements

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts and results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Each year, management is required to make a number of assumptions regarding the future. The related year end accounting estimates will, by definition, seldom equal the final actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Tax provisions

Current tax liabilities include an amount of £132 million (2021: £38 million, presented in non-current tax liabilities) relating to uncertain tax positions in respect of tax deductibility of management expenses. The exposure recognised is calculated based on the expected value method and the most likely amount method. The accounting estimates and judgements considered include:

- status of the unresolved matter;
- clarity of relevant legislation and related guidance;
- advice from related party specialists and unrelated third parties;
- range of possible outcomes; and
- statute of limitations.

The recognition of uncertain tax positions is reviewed regularly for changes in circumstances and estimates are updated as potential resolutions for the tax uncertainties are encountered through specific audits or wider case law. As a result, given the size, possible range of outcomes and timing of resolution, there is a significant risk of material adjustment to the aggregate carrying amount of these liabilities within the next financial year.

Legal provisions

The Company recognises legal provisions in line with the Company's provisions policy. The level of provisioning in relation to civil and/or criminal investigations is an area where management and legal judgment is important, with individual provisions being based on best estimates of the probable loss, considering all available information, external advice and historical experience. As at 31 December 2022, the Company recognised legal provisions of £44 million (2021: £41 million) in relation to a number of historical regulatory matters. Refer to Note 7 of the Company Financial Statements for further information.

The Company's Directors are of the opinion that there are no other judgements and no further key sources of estimation uncertainty in applying the Company's accounting policies.

2 Investments

Shares in
subsidiary
undertakings
£m

Cost

At 1 January 2021	14,975
Additions during the year	26
At 31 December 2021	15,001
Additions during the year	77
At 31 December 2022	15,078

Provision for impairment

At 1 January 2021	–
At 31 December 2022	–

Net book amounts

At 31 December 2021	15,001
At 31 December 2022	15,078

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The subsidiary undertakings as at 31 December 2022, all of which are included in the Group Financial Statements, are shown in Note 12 of the Company Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2 Investments continued

With the exception of Reckitt Benckiser Limited, none of the subsidiaries are directly held by Reckitt Benckiser Group plc. All subsidiaries have a financial year ending 31 December with the exception of: Reckitt Benckiser (India) Private Limited, Reckitt Benckiser Healthcare India Private Limited, Mead Johnson Nutrition (India) Private Limited, RB Hygiene Home India Private Limited and Reckitt Piramal Private Limited which have a year ending 31 March; Reckitt Benckiser Health Kenya Limited which has a year ending 30 April; Reckitt Benckiser (Czech Republic) spol. s r.o. which has a year ending 31 May; Lloyds Pharmaceuticals which has a year ending 24 August; Reigate Square Holdings Sàrl which has a year ending 31 August; RBHCR Health Reckitt Costa Rica Sociedad Anónima which has a year ending 30 September; Pt Reckitt Benckiser Indonesia which has a year ending 29 October; and Reckitt Benckiser Healthcare (Ireland) Limited which has a year ending 30 November.

Additions during the year, and in 2021, relate to the grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group.

3 Debtors Due Within One Year

	2022 £m	2021 £m
Amounts owed by Group undertakings	30	36
Other debtors	10	9
	40	45

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2021: same).

4 Debtors Due After More Than One Year

	2022 £m	2021 £m
Deferred tax assets	1	1
Other receivables	20	24
	21	25

Deferred tax assets consist of short-term timing differences.

5 Creditors**Creditors due within one year:**

	2022 £m	2021 £m
Amounts owed to Group undertakings	7,707	10,896
Taxation and social security	133	1
Derivative liabilities	2	–
Other creditors	4	1
	7,846	10,898

Included in the amounts owed to Group undertakings is an amount of £7,609 million (2021: £10,889 million) which is unsecured, carries interest at the official ISDA fallback rate and is repayable on demand (2021: carries interest at the 3M LIBOR equivalent fallback rate). All other amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand (2021: same).

Included within taxation and social security creditors is an amount recognised in respect of uncertain tax positions, which may take several years to resolve (Note 1). Notwithstanding this, the presentation of corporation tax liabilities has been assessed to reflect that there is not an unconditional right to defer settlement of these liabilities and the carrying amount of £132 million (2021: £38 million) has been presented as a current liability (2021: non-current).

Creditors due after more than one year:

	2022 £m	2021 £m
Non-current tax liabilities	–	38
Other creditors	–	4
	–	42

6 Financial instruments

	2022 £m	2021 £m
Financial assets		
Financial assets measured at amortised cost	60	69
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(2)	–
Financial liabilities measured at amortised cost	(7,711)	(10,901)
	(7,713)	(10,901)

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

7 Provisions for Liabilities and Charges

	Legal provisions £m	Total provisions £m
At 1 January 2021	43	43
Charged to the Statement of Comprehensive Income	6	6
Utilised during the year	(8)	(8)
At 31 December 2021	41	41
Charged to the Statement of Comprehensive Income	14	14
Utilised during the year	(7)	(7)
Released to the Statement of Comprehensive Income	(4)	(4)
At 31 December 2022	44	44

Provisions have been analysed between current and non-current as follows:

	2022 £m	2021 £m
Current	43	39
Non-current	1	2
	44	41

Provisions relate to legal provisions in relation to a number of historical matters.

8 Share Capital

Issued and fully paid	Equity ordinary shares	Nominal value £m
At 1 January 2022	736,535,179	74
At 31 December 2022	736,535,179	74

The holders of ordinary shares (par value 10 pence) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company.

The allotment of ordinary shares and release of Treasury shares are disclosed in Note 24 of the Group Financial Statements.

9 Related Party Transactions

There were no transactions with related parties other than wholly owned companies within the Group.

10 Contingent Liabilities

The Company has issued a guarantee to the trustees of the Reckitt Benckiser Pension Fund covering the obligations of certain UK subsidiaries of the Group who are the sponsoring employers of the UK defined benefit pension fund. The guarantee covers any amounts due to the pension fund from these subsidiaries if they fail to meet their pension obligations.

The Company issued a guarantee on behalf of Reckitt Benckiser Treasury Services plc in relation to the issuance of a \$5,000 million bond (2021: \$8,250 million bond), made up of one tranche of \$2,500 million, one tranche of \$2,000 million and one tranche of \$500 million (2021: two tranches of \$2,500 million, one tranche of \$2,000 million, one tranche of \$750 million and one tranche of \$500 million). The Company has issued a further guarantee in relation to the issuance of a £500 million bond (2021: £500 million), as well as the issuance of €833 million Euro commercial paper (2021: €nil Euro commercial paper) and \$546 million US dollar commercial paper (2021: \$nil US dollar commercial paper). Details are included in Note 15 of the Group Financial Statements.

The Company issued a guarantee on behalf of Reckitt Benckiser Treasury Services plc in relation to committed borrowing facilities totalling £4,500 million (2021: £4,500 million). Details of the facilities are included in Note 15 of the Group Financial Statements.

The Company issued a guarantee on behalf of Mead Johnson Nutrition Company in relation to outstanding senior notes of \$1,550 million (2021: \$1,550 million) issued by Mead Johnson Nutrition Company prior to acquisition. The senior notes consist of one tranche of \$750 million, one tranche of \$500 million and one tranche of \$300 million (2021: same).

The Company has also issued a guarantee on behalf of Reckitt Benckiser Treasury Services (Nederland) BV in relation to the issuance of two €850 million bonds (2021: two €850 million bonds). Details are included in Note 15 of the Group Financial Statements.

The Company has provided a guarantee to certain subsidiary undertakings to exempt them from audit under Section 479a of the Companies Act 2006. The companies to which a guarantee has been issued for this purpose are highlighted in Note 12.

Other contingent liabilities are disclosed in Note 20 of the Group Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

11 Post Balance Sheet Events

There are no events subsequent to the balance sheet date that require disclosure.

12 Subsidiary Undertakings

In accordance with Section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings as at 31 December 2022, including their registered office address, country of incorporation and the percentage of share ownership, is disclosed below. All undertakings are indirectly owned by Reckitt Benckiser Group plc, unless otherwise stated.

From time to time, management reviews the Group structure and seeks to remove redundant, dormant or non-trading entities. During the year ended 31 December 2022, 17 legal entities were dissolved, liquidated or otherwise disposed of, and one legal entity was placed into liquidation (2021: 14 legal entities and one partnership). The removal of legal entities ultimately allows management to focus on the core business, reduces compliance obligations and cost, and improves transparency of the Group to external parties.

All subsidiary undertakings of Reckitt Benckiser Group plc are included in the consolidated Financial Statements of the Group. The subsidiary undertakings marked with* are exempt from the Companies Act 2006 (the 'Act') requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act, as Reckitt Benckiser Group plc has guaranteed them under Section 479C of the Act.

Name	Holding	Registered office and share class
103-105 Bath Road Limited	100%	5, 1
2309 Realty Corporation	99.995%	18, 2
Access VC Limited	100%	5, 1
Airwick Industrie SAS	100%	26, 1
Anhui Guilong Pharmaceutical Trading Company Limited	100%	72, 5
Apenas Boa Nutrição Indústria de Alimentos Ltda.	100%	79, 1
Beleggingsmaatschappij Lemore B.V.	100%	134, 1
Benckiser	100%	34, 1, 6
Biofreeze IP Holdings, LLC	100%	27, 9
Blisa, LLC	100%	27, 1
Canterbury Square Holdings S.à.r.l	100%	2, 2
Central Square Holding B.V.	100%	134, 1

Name	Holding	Registered office and share class
Crookes Healthcare Limited*	100%	5, 1, 6
Cupal, Limited*	100%	5, 1, 6
Dakin Brothers Limited*	100%	5, 1, 6
Dorincourt Holdings (Ireland) Limited	100%	30, 1
Durex Limited	100%	5, 1
eRB Trading Limited	100%	5, 1
Exponential Health LLC	100%	27, 1
Fenla Indústria, Comércio e Administração Ltda	100%	124, 1
FF Homecare & Hygiene Limited	100%	107, 7
Gainbridge Investments (Cyprus) Limited	100%	1, 1
Glasgow Square Limited*	100%	5, 1, 6
Green,Young & Company Limited*	100%	5, 1, 6
Grosvenor Square Holding B.V.	100%	134, 1
Guilong Health Technology (Anhui) Co., Limited	100%	72, 5
Guilong Pharmaceutical (Anhui) Company Limited	100%	88, 5
Guilong Pharmaceutical (Anhui) Co. Ltd – Xiamen branch*		147
Hamol Limited*	100%	5, 1, 6
Hamol NL B.V.	100%	134, 1
Helpcentral Limited*	100%	5, 1, 6
Howard Lloyd & Company, Limited*	100%	5, 1
Kukident GmbH	100%	84, 4
Lanai Holdings 1.5, Inc.	100%	27, 4
Lanzhou Keshi Xixili Healthcare Technologies Co. Ltd	80%	91, 1
LI Pensions Trust Limited	100%	5, 1
Linden Germany A Limited	100%	5, 1
Linden Germany B Limited	100%	5, 1

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Lloyds Pharmaceuticals*	100%	5, 1, 6
London International Group Limited*	100%	5, 2
London International Trading (Asia) Limited	100%	130, 1
LRC North America Inc.	100%	21, 4, 7
LRC Products Limited	100%	5, 1
LRC Secretarial Services Limited*	100%	5, 1
Maddison Square Holding B.V.	100%	134, 1
Manufactura MJN, S. de R.L. de C.V.	100%	47, 1
Mead Johnson & Company LLC	100%	19, 1
Mead Johnson do Brasil Comércio e Importação de Produtos de Nutrição Ltda.	100%	53, 1
Mead Johnson Do Brasil Comércio E Importação De Produtos De Nutrição Ltda.*		123
Mead Johnson Nutricionales de México, S. de R.L. de C.V.	100%	48, 1
Mead Johnson Nutrition (Asia Pacific) Pte. Ltd.	100%	7, 1
Mead Johnson Nutrition (Australia) Pty Ltd	100%	92, 1
Mead Johnson Nutrition (Canada) Co.	100%	139, 4
Mead Johnson Nutrition (Dominicana) S.A.	100%	27, 1
Mead Johnson Nutrition (Dominicana), S.A.*^		51
Mead Johnson Nutrition (India) Private Limited	100%	152, 1
Mead Johnson Nutrition (Malaysia) Sdn Bhd.	100%	97, 1
Mead Johnson Nutrition (Panama), S. de R.L.	100%	45, 1
Mead Johnson Nutrition (Philippines), Inc.	99.9%	18, 1
Mead Johnson Nutrition (Poland) Sp. z o.o	100%	145, 10
Mead Johnson Nutrition (Puerto Rico) Inc.	100%	27, 1
Mead Johnson Nutrition (Puerto Rico) Inc.*^		98

Name	Holding	Registered office and share class
Mead Johnson Nutrition (Singapore) Pte. Ltd.	100%	7, 1
Mead Johnson Nutrition (Thailand) Ltd	100%	103, 4
Mead Johnson Nutrition (Venezuela) LLC	100%	27, 1
Mead Johnson Nutrition Venezuela SCA*^		21
Mead Johnson Nutrition (Vietnam) Company Limited	100%	150, 5
Mead Johnson Nutrition Colombia Ltda	100%	64, 1
Mead Johnson Nutrition Company	100%	19, 1
Mead Johnson Nutrition Holdings (Singapore) Pte. Ltd.	100%	7, 1
Mead Johnson Nutrition Nominees LLC	100%	27, 9
Mead Johnson Nutrition Trading Poland S.p z.o.o.	100%	145, 9
Mead Johnson Nutrition Venezuela, S.C.A.	100%	153, 10
Mead Johnson One C.V.	100%	17, 9
Mead Johnson Two C.V.	100%	17, 9
Medcom Marketing and Prodazha Ukraine LLC	100%	31, 11
MJ UK Holdings Limited	100%	5, 1
MJ USA Holdings LLC	100%	27, 1
MJN Asia Pacific Holdings LLC	100%	27, 1
MJN Global Holdings B.V.	100%	134, 1
MJN Holdings (Netherlands) B.V.	100%	134, 1
MJN Innovation Services B.V.	100%	134, 1
MJN International Holdings (UK), Ltd.*	100%	5, 1
MJN U.S. Holdings LLC	100%	27, 1
New Bridge Holdings B.V.	100%	134, 1
Norwich Square Holdings S.L.U.	100%	67, 1
Nurofen Limited	100%	5, 1

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Optrex Limited*	100%	5, 1
Oriental Medicine Company Limited	100%	130, 1
Oxy Reckitt Benckiser LLC	100%	20, 5
Pharmalab Limited*	100%	5, 1, 6
Propack Produkte für Haushalt und Körperpflege GmbH	100%	120, 1
PT Mead Johnson Indonesia	90.1%	143, 1
PT Reckitt Benckiser Indonesia	100%	143, 1
PT Reckitt Benckiser Trading Indonesia	100%	90, 1
Pt. Reckitt Benckiser Hygiene Home Indonesia*	100%	142, 1
Pt. Reckitt Benckiser Hygiene Home Trading Indonesia*	100%	142, 1
Qingdao London Durex Co., Limited	100%	105, 1
Qingdao New Bridge Corporate Management Consulting Company Limited	100%	105, 1
R&C Nominees Limited*	100%	5, 1
R&C Nominees One Limited	100%	5, 1
R&C Nominees Two Limited	100%	5, 1
RB & Manon Business Co. Limited	75%	126, 5
RB & Manon Business Limited	75%	149, 1
RB & Manon Hygiene Home (Shanghai) Limited*	100%	11, 1
RB & Manon Hygiene Home Limited	80%	127, 1
RB (China Trading) Limited	100%	5, 1
RB (China) Holding Co. Limited	100%	129, 5
RB (Health) Colombia S.A.S.	100%	64, 1
RB (Health) Malaysia Sdn Bhd	100%	151, 1
RB (Home Hygiene) Poland Sp. z o.o.	100%	108, 1
RB (Home Hygiene) Romania S.R.L	100%	135, 1

Name	Holding	Registered office and share class
RB (Hygiene Home) Australia Pty Limited	100%	96, 1
RB (Hygiene Home) Czech Republic, spol. s.r.o.	100%	157, 1
RB (Hygiene Home) Hungary Kft	100%	56, 1
RB (Hygiene Home) New Zealand Limited	100%	94, 1
RB (Hygiene Home) Slovakia spol. s.r.o	100%	75, 1
RB (Suzhou) Co. Ltd	100%	104, 5
RB Asia Holding Limited	100%	5, 1
RB Health (Canada) Inc.	100%	137, 4
RB Health (US) LLC	100%	71, 1
RB Health Ecuador Cia. Ltda	100%	46, 1
RB Health Manufacturing (US) LLC	100%	71, 1
RB Health México, S.A. de C.V.	100%	48, 2
RB Health Nordic A/S	100%	154, 1
RB Health Nordic A/S, filial*^		62
RB Health Nordic, NUF*^		85
RB Health Nordic A/S sivuliike Suomessa*^		89
RB Health Peru S.R.L	100%	65, 1
RB Health Services, S.A. de C.V.	100%	48, 1
RB Holding Europe Du Sud SAS	100%	26, 1
RB Holdings (Luxembourg) S.à.r.l	100%	2, 2
RB Holdings (Nottingham) Limited*	100%	5, 1, 6
RB Holdings Luxembourg (2018) S.à.r.l	100%	2, 1
RB Hygiene Home (Thailand) Limited	99.6%	103, 4
RB Hygiene Home Arabia FZE	100%	95, 1
RB Hygiene Home Austria GmbH	100%	82, 1

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
RB Hygiene Home Belgium SA	100%	15, 1
RB Hygiene Home Deutschland GmbH	100%	73, 5
RB Hygiene Home France SAS	100%	26, 1
RB Hygiene Home India Private Limited	100%	74, 1
RB Hygiene Home Netherlands BV	100%	134, 1
RB Hygiene Home Nordic A/S	100%	154, 1
RB Hygiene Home Nordic NUF ⁺		85
RB Hygiene Home Nordic A/S, filial ⁺		158
RB Hygiene Home Nordic A/S, sivuliike Suomessa ⁺		89
RB Hygiene Home Switzerland AG	100%	119, 1
RB Investment Company Limited	100%	148, 2
RB Ireland Hygiene Home Commercial Limited	100%	41, 1
RB LATAM Holding B.V.	100%	134, 1
RB Luxembourg (2016) Limited*	100%	5, 1
RB Luxembourg (TFFC) S.à.r.l	100%	2, 1
RB Luxembourg Holdings (TFFC) Limited	100%	5, 1
RB Luxembourg Holdings (TFFC) S.à.r.l ⁺		2
RB Manufacturing LLC	100%	21, 1
RB Mexico Investments Limited*	100%	5, 1
RB NL Brands B.V.	100%	134, 1
RB Reigate (2019) Ltd.	100%	5, 1
RB Reigate (UK) Limited	100%	5, 1, 6
RB Salute Mexico S.A. de C.V.	100%	66, 1
RB Square Holdings (Spain) S.L.	100%	67, 2
RB UK Commercial Limited	100%	5, 1

Name	Holding	Registered office and share class
RB UK Hygiene Home Commercial Limited	100%	5, 1
RB USA (2019) Ltd.	100%	5, 1
RB USA Holdings LLC	100%	21, 1
RB Winchester (Ireland) Unlimited Company*	100%	30, 1
RBHCR Health Reckitt Costa Rica Sociedad Anónima	100%	132, 4
Reckitt & Colman (Guangzhou) Limited	100%	101, 1
Reckitt & Colman (Jersey) Limited*	100%	87, 1
Reckitt & Colman (Overseas) Health Limited	100%	5, 1
Reckitt & Colman (Overseas) Hygiene Home Limited	100%	5, 1
Reckitt & Colman (Overseas) Limited*	100%	5, 1
Reckitt & Colman (UK) Limited*	100%	5, 1, 13
Reckitt & Colman Capital Finance Limited*	100%	87, 2
Reckitt & Colman Holdings Limited*	100%	5, 1, 6
Reckitt & Colman Pension Trustee Limited	100%	5, 1
Reckitt & Colman Sagrotan Verwaltungsgesellschaft GmbH	100%	73, 4
Reckitt & Sons Limited*	100%	5, 1
Reckitt Benckiser (Australia) Pty Limited	100%	96, 1, 7
Reckitt Benckiser (Bangladesh) PLC	82.9%	36, 1
Reckitt Benckiser (Belgium) SA/NV	100%	15, 1
Reckitt Benckiser (Brands) Limited	100%	5, 1
Reckitt Benckiser (Brasil) Comercial de Produtos de Higiene, Limpeza e Cosméticos Ltda.	100%	53, 1
Reckitt Benckiser (Brasil) Comercial de Produtos de Higiene, Limpeza e Cosméticos Ltda. – Branch Embu*		77
Reckitt Benckiser (Brasil) Comercial de Produtos de Higiene, Limpeza e Cosméticos Ltda. – Branch Extrema*		78

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda. – Branch Serra*		122
Reckitt Benckiser (Brasil) Ltda	100%	124, 1
Reckitt Benckiser (Brasil) Ltda – Branch Itupeva*		121
Reckitt Benckiser (Canada) Inc.	100%	12, 4
Reckitt Benckiser (Cayman Islands) Limited	100%	117, 1
Reckitt Benckiser (Centroamérica) S.A.	100%	132, 1
Reckitt Benckiser (Channel Islands) Limited*	100%	61, 1
Reckitt Benckiser (Czech Republic) spol s.r.o.	100%	157, 10
Reckitt Benckiser (ENA) B.V.	100%	133, 1
Reckitt Benckiser (España), S.L.U	100%	67, 1
Reckitt Benckiser (Granollers) SL	100%	67, 1
Reckitt Benckiser (Grosvenor) Holdings Limited*	100%	5, 1, 6
Reckitt Benckiser (Health) Holdings Limited	100%	5, 1
Reckitt Benckiser (Hygiene Home) Holdings Limited	100%	5, 1
Reckitt Benckiser (India) Private limited	100%	74, 4
Reckitt Benckiser (Lanka) Limited	99.9%	106, 1
Reckitt Benckiser (Latvia) SIA	100%	136, 1
Reckitt Benckiser (Latvia) SIA Eesti filiaal*^		83
Reckitt Benckiser (Latvia) SIA LT filialas*^		156
Reckitt Benckiser (Malaysia) Sdn Bhd	100%	97, 1
Reckitt Benckiser (Near East) Limited	100%	39, 1
Reckitt Benckiser (New Zealand) Limited	100%	14, 1
Reckitt Benckiser (Poland) S.A.	100%	144, 1
Reckitt Benckiser (Portugal), S.A.	100%	131, 1

Name	Holding	Registered office and share class
Reckitt Benckiser (Romania) S.R.L	100%	86, 10
Reckitt Benckiser Romania, representative office*^		16
Reckitt Benckiser (RUMEA) Limited	100%	5, 1
Reckitt Benckiser (RUMEA) Limited – Dubai Branch*^		110
Reckitt Benckiser (Singapore) Pte. Limited	100%	7, 1
Reckitt Benckiser (Slovak Republic), spol s.r.o.	100%	75, 10
Reckitt Benckiser (South America) Holding B.V.	100%	134, 1
Reckitt Benckiser (Spain) B.V.	100%	134, 1
Reckitt Benckiser (Switzerland) AG	100%	119, 1
Reckitt Benckiser (Thailand) Limited	99.9%	103, 1
The Representative Office of Reckitt Benckiser (Thailand) Ltd in Ho Chi Minh City*^		138
Reckitt Benckiser (UK) Limited	100%	5, 1
Reckitt Benckiser (USA) Limited	100%	5, 1
Reckitt Benckiser AG	100%	119, 1
Reckitt Benckiser Arabia FZE	100%	95, 1
Reckitt Benckiser Arabia*		24
Reckitt Benckiser Arabia Trading LLC	48.7%	44, 1
Reckitt Benckiser Argentina S.A.	100%	58, 1
Reckitt Benckiser Asia Pacific Limited	100%	5, 1
Reckitt Benckiser Asia Pacific Limited*^		25
Reckitt Benckiser Austria GmbH	100%	82, 1
Reckitt Benckiser Bahrain W.L.L	100%	59, 1
Reckitt Benckiser Brands Investments B.V.	100%	134, 1
Reckitt Benckiser BY LLC	100%	109, 11

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Reckitt Benckiser Calgon BV	100%	134, 1
Reckitt Benckiser Chartres SAS	100%	4, 1
Reckitt Benckiser Chile S.A.	100%	54, 1
Reckitt Benckiser Colombia S.A	100%	68, 1
Reckitt Benckiser Commercial (Italia) Srl	100%	155, 12
Reckitt Benckiser Corporate Services Limited	100%	5, 1
Reckitt Benckiser d.o.o.	100%	146, 1
Reckitt Benckiser Detergents GmbH	100%	73, 1
Reckitt Benckiser Deutschland GmbH	100%	73, 4
Reckitt Benckiser East Africa Limited	99.9%	115, 1
Reckitt Benckiser Ecuador S.A.	100%	113, 1
Reckitt Benckiser Egypt Limited	100%	118, 1
Reckitt Benckiser Ev ve Hijyen Ürünleri A.Ş.	100%	114, 5
Reckitt Benckiser Ev ve Hijyen Ürünleri Levent Şubesi*		76
Reckitt Benckiser Expatriate Services Limited*	100%	5, 1
Reckitt Benckiser Fabric Treatment B.V.	100%	134, 1
Reckitt Benckiser Finance (2005) Limited	100%	5, 1, 6
Reckitt Benckiser Finance (2007)*	100%	5, 1
Reckitt Benckiser Finance (2010) Limited*	100%	5, 1
Reckitt Benckiser Finance Company Limited*	100%	5, 1
Reckitt Benckiser Finish B.V.	100%	134, 1
Reckitt Benckiser France SAS	100%	26, 1
Reckitt Benckiser FSIA B.V.	100%	134, 1
Reckitt Benckiser Global R&D GmbH	100%	120, 4
Reckitt Benckiser Health Argentina S.A.	100%	58, 1

Name	Holding	Registered office and share class
Reckitt Benckiser Health Comercial Ltda	100%	53, 1
Reckitt Benckiser Health Comercial Ltda*		49
Reckitt Benckiser Health Kazakhstan LLP	100%	55, 11
Reckitt Benckiser Health Kenya Limited	100%	9, 1
Reckitt Benckiser Health Limited	100%	5, 1
Reckitt Benckiser Healthcare (Central & Eastern Europe) Limited*	100%	5, 1
Reckitt Benckiser Healthcare (CIS) Limited	100%	5, 1
Reckitt Benckiser Healthcare (Ireland) Limited*	100%	30, 1
Reckitt Benckiser Healthcare (Italia) SpA	100%	155, 1
Reckitt Benckiser Healthcare (MEMA) Limited	100%	5, 1
Reckitt Benckiser Healthcare (Philippines), Inc.	99.9%	28, 4, 7
Reckitt Benckiser Healthcare (UK) Limited	100%	5, 1
Reckitt Benckiser Healthcare Australia Pty Limited	100%	96, 1
Reckitt Benckiser Healthcare B.V.	100%	134, 1
Reckitt Benckiser Healthcare France SAS	100%	26, 1
Reckitt Benckiser Healthcare India Private Limited	99.9%	74, 1
Reckitt Benckiser Healthcare International Limited	100%	5, 1
Reckitt Benckiser Healthcare LLC	100%	29, 11
Reckitt Benckiser Healthcare Manufacturing (Thailand) Limited	100%	38, 1, 7
Reckitt Benckiser Healthcare S.A.U.	100%	67, 2
Reckitt Benckiser Healthcare, Lda	100%	131, 12
Reckitt Benckiser Hellas Healthcare S.A.	100%	42, 1
Reckitt Benckiser Hellas Hygiene Home S.A.	100%	42, 1
Reckitt Benckiser Holding (Thailand) Limited	100%	103, 4, 7
Reckitt Benckiser Holding GmbH & Co KG	100%	73, 5

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Reckitt Benckiser Holdings (Channel Islands) Limited*	100%	116, 1, 6
Reckitt Benckiser Holdings (Channel Islands) Limited*^		5
Reckitt Benckiser Holdings (Italia) Srl	100%	155, 12
Reckitt Benckiser Holdings (Luxembourg) Limited	100%	5, 1
Reckitt Benckiser Holdings (Overseas) Limited*	100%	5, 1
Reckitt Benckiser Holdings (TFFC) Limited*	100%	5, 1, 6
Reckitt Benckiser Holdings (USA) Limited	100%	5, 1
Reckitt Benckiser Holdings (USA) Limited*^		2
Reckitt Benckiser Home Chemical Products Trading (Shanghai) Co. Limited	100%	63, 1
Reckitt Benckiser Hong Kong Limited	100%	130, 1
Reckitt Benckiser HK Limited Taiwan branch*^		40
Reckitt Benckiser Household and Health Care Ukraine LLC	100%	23, 11
Reckitt Benckiser Household Products (China) Company Limited	100%	102, 5
Reckitt Benckiser Hygiene Home Brands B.V.	100%	134, 1
Reckitt Benckiser Hygiene Home Egypt Limited*	100%	60, 1
Reckitt Benckiser Hygiene Home Ukraine LLC	100%	23, 11
Reckitt Benckiser Investments (No. 1) S.à.r.l	100%	2, 1
Reckitt Benckiser Investments (No. 2) S.à.r.l	100%	2, 1
Reckitt Benckiser Investments (No. 4) S.à.r.l	100%	2, 1
Reckitt Benckiser Investments (No. 5) S.à.r.l	100%	2, 1
Reckitt Benckiser Investments (No. 7) S.à.r.l	100%	2, 1
Reckitt Benckiser Investments (No. 8) S.à.r.l	100%	2, 1
Reckitt Benckiser Investments Limited	100%	5, 1, 6
Reckitt Benckiser IP LLC	100%	29, 11
Reckitt Benckiser Ireland Limited	100%	30, 1

Name	Holding	Registered office and share class
Reckitt Benckiser Italia SpA	100%	155, 1
Reckitt Benckiser Japan Ltd	100%	140, 1
Reckitt Benckiser Jersey (No. 3) Limited	100%	87, 1
Reckitt Benckiser Jersey (No. 3) Limited*^		5
Reckitt Benckiser Jersey (No. 5) Limited	100%	87, 1
Reckitt Benckiser Jersey (No. 5) Limited*^		5
Reckitt Benckiser Jersey (No. 7) Limited	100%	87, 1, 14
Reckitt Benckiser Kazakhstan LLP	100%	111, 1
Reckitt Benckiser Kereskedelmi Kft	100%	6, 10
Reckitt Benckiser Laundry Detergents (No. 1) B.V.	100%	134, 1
Reckitt Benckiser Laundry Detergents (No. 2) B.V.	100%	134, 1
Reckitt Benckiser Lime-A-Way B.V.	100%	134, 1
Reckitt Benckiser Limited*	100%	5, 1
Reckitt Benckiser LLC	100%	21, 1
Reckitt Benckiser LLC	100%	35, 11
Branche of Reckitt Benckiser LLC in city Klin, Moscow region, Russia*		93
Reckitt Benckiser Luxembourg (2010) Limited*	100%	5, 1
Reckitt Benckiser Luxembourg (No. 1) Limited*	100%	5, 1
Reckitt Benckiser Luxembourg (No. 2) Limited*	100%	5, 1
Reckitt Benckiser Luxembourg (No. 3) Limited	100%	5, 1, 6
Reckitt Benckiser Luxembourg (No. 4) Limited	100%	5, 1, 6
Reckitt Benckiser Management Services Unlimited Company	100%	30, 2
Reckitt Benckiser Marc B.V.	100%	134, 1
Reckitt Benckiser Mexico, S.A. de C.V.	100%	48, 3
Reckitt Benckiser Morocco SARL/AU	100%	37, 1

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Reckitt Benckiser N.V.	100%	134, 1
Reckitt Benckiser N.V.*^		2
Reckitt Benckiser Nigeria Limited	100%	8, 1
Reckitt Benckiser Oven Cleaners BV	100%	134, 1
Reckitt Benckiser Pakistan Limited	98.7%	141, 1
Reckitt Benckiser Pars PJSC	100%	13, 1
Reckitt Benckiser Peru S.A.	100%	50, 1
Reckitt Benckiser Pharmaceuticals (Proprietary) Limited	100%	43, 1
Reckitt Benckiser Porto Alto Lda	100%	80, 12
Reckitt Benckiser Power Cleaners B.V.	100%	134, 1
Reckitt Benckiser Production (Poland) SP Z.o.o.	100%	144, 1
Reckitt Benckiser S.à.r.l.	100%	2, 2
Reckitt Benckiser Service Bureau Limited*	100%	5, 1
Reckitt Benckiser Services (Kenya) Limited	100%	99, 1
Reckitt Benckiser Services S.A. de C.V.	100%	69, 1
Reckitt Benckiser South Africa Health Holdings (Pty) Limited	100%	43, 1
Reckitt Benckiser South Africa Proprietary Limited	100%	43, 1
Reckitt Benckiser Tatabánya Kft	100%	56, 1
Reckitt Benckiser Temizlik Malzemesi Sanayive Ticaret A.S.	100%	76, 5
Reckitt Benckiser Tiret B.V.	100%	134, 1
Reckitt Benckiser Treasury (2007) Limited	100%	5, 2
Reckitt Benckiser Treasury Services (Nederland) B.V.	100%	133, 1
Reckitt Benckiser Treasury Services (Nederland) B.V.*^		5
Reckitt Benckiser Treasury Services plc	100%	5, 1
Reckitt Benckiser USA (2010) LLC	100%	21, 1

Name	Holding	Registered office and share class
Reckitt Benckiser USA (2010) LLC*^		5
Reckitt Benckiser USA (2012) LLC	100%	21, 9
Reckitt Benckiser USA (2013) LLC	100%	21, 1
Reckitt Benckiser USA (2013) LLC*^		5
Reckitt Benckiser USA Finance (No. 1) Limited*	100%	5, 1
Reckitt Benckiser USA Finance (No. 2) Limited*	100%	5, 1
Reckitt Benckiser USA Finance (No. 3) Limited*	100%	5, 1
Reckitt Benckiser Vanish B.V.	100%	134, 1
Reckitt Benckiser Venezuela S.A.	100%	52, 1
Reckitt Colman Chiswick (OTC) Limited*	100%	5, 1, 6
Reckitt Health Pain (US) LLC	100%	27, 1
Reckitt Piramal Private Limited	99.9%	152, 1
Reckitt Sanabil for Trading Co LLC	51%	112, 1
Reckitt Seton Limited*	100%	5, 1, 15, 16
Reckitt Sonet (UK) Limited*	100%	5, 1
Reigate Square Holdings S.à.r.l.	100%	2, 1
Relcamp Aie*	100%	81, 1
Scholl Consumer Products Limited	100%	5, 1
Servicios Nutricionales Mead Johnson S.de R.L. de C.V.	100%	48, 1
Sonet Investments Limited*	100%	5, 1, 6
Sonet Overseas Investments Limited	100%	5, 1, 6
Sonet Prebbles Limited*	100%	5, 1
Sonet Products Limited	100%	5, 1
Sonet Seton UK Limited*	100%	5, 1
Sphinx Holdings Company, Inc.	95.5%	18, 4

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
SSL (MG) Polymers Limited*	100%	5, 1
SSL (RB) Products Limited*	100%	5, 1
SSL Australia Pty Ltd	100%	96, 1
SSL Capital Limited	100%	33, 1
SSL Healthcare (Shanghai) Limited	100%	125, 1
SSL Healthcare Manufacturing S.A.U*	100%	100, 1
SSL Healthcare Sverige AB	100%	57, 1
SSL Holdings (USA) Inc.	100%	21, 1
SSL International plc	100%	5, 1
SSL Manufacturing (Thailand) Limited	99.9%	3, 2
SSL New Zealand Limited	100%	14, 5
SSL Products Limited	100%	5, 6
Suffolk Finance Company Limited*	100%	5, 1, 8
Suffolk Insurance Limited	100%	70, 4
Tai He Tai Lai Culture Communication Co Limited	100%	128, 1
TheraPearl LLC	100%	27, 1
Tubifoam Limited	100%	5, 1, 6
UpSpring LLC	100%	32, 9
W.Woodward, Limited	100%	5, 1

* Branch

* In liquidation

* Interest held directly by Reckitt Benckiser Group plc

^ Country of incorporation different to registered address

Footnotes for Note 12

Share Class

1 Ordinary

2 Ordinary A/B/C/D/E/F/G/H/I/J/K

3 Ordinary – Fixed/Variable

4 Common/Equity

5 Capital Contribution

6 Bonus

7 Preference/Preferred

8 Deferred

9 Membership Interest

10 General Partner/Partnership Interest

11 Charter Capital

12 Quota

13 Irredeemable Cumulative Preference

14 Redeemable Preference – Class A/C/D

15 Cumulative Preference

16 Convertible

Registered Offices

1 1 Lampousas Street, P.C. 1095, Nicosia, Cyprus

2 1 rue de la Poudrerie, Leudelange, L-3364, Luxembourg

3 100 Moo 5, Bangsamak Sub-District, Bangpakong District, Chachoengsao Province 24180, Thailand

4 102 rue de Sours, 28000, Chartres, France

5 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom

6 1113 Bocskai út 134-146, Budapest, Hungary

7 12 Marina Boulevard, #19-01 Marina Bay Financial Centre, 018982, Singapore

8 12, 11th Floor Heritage Place, 21 Lugard Avenue Ikoyi, Ikoyi, Lagos State, Nigeria

9 14 Riverside Drive, Arlington Building, 3rd Floor, Nairobi, 209/19, Kenya

10 15a, Office 302, Micro District 1, Koktem, Bostandyk District, Almaty City, Kazakhstan

11 16/F, Xu Jia Hui International Plaza, No.1033 Zhao Jia Bang Road, Shanghai, China

12 1680 Tech Avenue, Unit 2, Mississauga ON L4W 5S9, Canada

13 1st Floor, unit 11, No.88 Baran Building, Sayed Road, Opposite Mellat Park, Vali-e-Asr Avenue, Tehran, Islamic Republic of Iran

14 2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand

15 20 Allée de la Recherche, Anderlecht, 1070 Brussels, Belgium

16 22 Zlaten rog Street, Floor 3, Office 4, District of Lozenets, City of Sofia, Bulgaria

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

17	225 North Canal Street, Floor 25, Chicago IL 60606, United States	47	Av de las Granjas 972, Col. Santa Barbara, Azcapotzalco, CDMX, 02230, Mexico
18	2309 Don Chino Rocas Avenue Extension, Makati City, PH 1321, Philippines	48	Av. Ejército Nacional No.769, Corporativo Miyana Torre B, Piso 6, Alcaldía Miguel Hidalgo, Colonia Granada, CP 11520, Mexico
19	2400 W. Lloyd Expressway, Evansville IN 47721, United States	49	Av. Portugal, nº 1.100, Setor Rua 6 Parte A12, Bairro Itaquí, Itapeví, São Paulo, 06696-060, Brazil
20	24th Floor, Two IFC, 10 Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 07326, Republic of Korea	50	Av. Republica de Panama # 2577, Urb. Santa Catalina, La Victoria, Lima, Peru
21	251 Little Falls Drive, Wilmington DE 19808, United States	51	Av. Winston Churchill No. 1099 Torre Acrópolis, Piso 12, Santo Domingo, República Dominicana
22	2711 Centreville Road, Suite 400, Wilmington DE 19808, United States	52	Avenida Mara con Calle San José, Centro Comercial Macaracuay Plaza, Nivel C3, Locales 5 y 12. Urb. Colinas de la California, Caracas, Bolivarian Republic of Venezuela
23	28A Stepana Bandery Prospect, Bld.G, Office 80., Kiev, 04073, Ukraine	53	Avenida Presidente Juscelino Kubitschek, nº 1909, 24º andar, Parte C, Torre Norte, Condomínio São Paulo Corporate Towers, Vila Nova Conceição, Sao Paulo, CEP 04.543-907, Brazil
24	309, Floor 3, Dubai Science Park Laboratory Complex, Dubai, United Arab Emirates	54	Avenida Presidente Kennedy Lateral 5454, Oficina 1602, Vitacura, Región Metropolitana, Chile
25	3-20-14 Higashi Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan	55	Bld. 15/A, Koktem-1, Almaty, 050040, Kazakhstan
26	38 rue Victor Basch, 91300, Massy, France	56	Bocskai út 134-146, Budapest, H-1113, Hungary
27	399 Interpace Parkway, Parsippany, New Jersey, NJ 07054-1115, United States	57	Box 190, 101 23 Stockholm, Sweden
28	3rd Floor, Mead Johnson Nutrition Philippines Inc., 2309 Don Chino Rocas Extension, Makati City, 1231, Philippines	58	Bucarelli 2608 PB 'A', Ciudad Autonoma de Buenos Aires, Argentina
29	3rd Floor, 4 Shluzovaya emb., Zamoskvorechye Municipal district, Moscow, 115114, Russia	59	Building 330, Road 1506, Block 115, Bahrain International Investment Park, Hidd. Kingdom of Bahrain, Bahrain
30	3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	60	Building A1, Second Floor, Plot #A14b01, Cairo Festival City, First District, Fifth Settlement, New Cairo, Cairo, Egypt
31	40-Richchia Zhovtnia avenue, 120, 1 Block, Kyiv, 03127, Ukraine	61	c/o Grant Thornton Limited, St James Place, St James Street, St Peter Port, GY1 2NZ, Guernsey
32	4209 S. Industrial Drive, Suite 200, Austin TX 78744, United States	62	c/o Reckitt Benckiser Nordic A/S, Danmark Filial, Regeringsqatan 29, 111 53, Stockholm, Sweden
33	44 Esplanade, St Helier, JE4 9WG, Jersey	63	C6-8 Site 6F, No.333 Futexi Road, Waigaoqiao Free Trade Zone, Shanghai City, China
34	4th Floor, 115 George Street, Edinburgh, EH52 4JN, Scotland	64	Calle 76 No 11-17, Oficina 301, Bogota, CO, Colombia
35	52/1, Kosmodamianskaya emb, 115054, Moscow, Russian Federation	65	Calle Dean Valdivia No. 148, Torre 1, Ofic. 501, Urb. Jardín, San Isidro, Lima, Peru
36	58-59 Nasirabad Industrial Area, Chittagong 4209, Bangladesh	66	Calzada de Tlalpan No. 2996, Col. Ex Hacienda Coapa, Del. Coyoacán, Cd. de México, C.P. 04980, Mexico
37	59 Boulevard Zerkouni, Residence Les Fleurs 6eme étage, Casablanca, Morocco	67	Carrer de Mataró, 28, 08403, Granollers, Barcelona, Spain
38	65 Moo 12 Lardkrabang-Bangplee Road, Bangpleeyai Sub-district, Bangplee District, Samutprakarn, 10540, Thailand	68	Carrera 6 #45-105, Cali, Colombia
39	6A Hangar Street, PO Box 6440, I.Z., Neve Nee'man B, Hod Hasharon, 457703, Israel	69	Circuito Dr Gustavo Baz, 7, No. 7, Fracc Industrial El Pedregal, Atizapan de Zaragoza, Edomex, Mexico
40	6F, No. 136, Sec. 3, Ren-Ai Rd., Da-An Dist., Taipei City 10, 10657, Taiwan	70	Clarendon House, Church Street, Hamilton HM11, Bermuda
41	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland	71	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States
42	7 Taki Kavalieratou Street, Kifissia, 145 64, Greece	72	Dangtu Economic Development District, Maanshan City, Anhui Province, China
43	8 Jet Park Road, Gauteng, Elandsfontein, 1406, South Africa	73	Darwinstrasse 2-4, 69115, Heidelberg, Germany
44	Al Seer Corporate Office, Behind Al Tayer Motors, Sheikh Zayed Road, Al Quoz Industrial Area 3, Dubai, 31587, United Arab Emirates	74	DLF Cyber Park, 6th & 7th Floor (Tower C), 405 B, Udyog Vihar Phase III, Sector 20, Gurugram, Haryana, 122016, India
45	Apartment 6G, 6th Floor, Edificio Bladex, Calle Avenida La Rotonda. Business Park, Corregimiento de Juan Diaz, Urbanización Costa Del Este, Provincia De Panamá, Distrito de Panama, Panama	75	Drieňová 3, Bratislava 821 08, Slovakia
46	Av Coruña N27-88 y Orellana, Edificio Coruña Plaza 7mo Piso, Quito, 170150, Ecuador	76	Esentepe Mahallesi Büyükdere Caddesi Tekfen, Tower No: 209 A Blok D:2 34394 4., Levent, Şişli, İstanbul, Turkey

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

77	Est Dona Maria Jose Ferraz Prado, 1481, Cond Dist. Park Embu, Brazil	107	Northcliffe House, Young Street, London, W8 5EH, United Kingdom
78	Estm Maria Margarida Pinto Dona Belinha, 742, GalpaO3, Bloco I/A, Brazil	108	Nowy Dwór Mazowiecki, Ul. Okunin 1, 05-100, Poland
79	Estrada Fukutaro Yida, n. 930, Bairro Cooperativa, Sao Bernardo Do Campo, Sao Paulo, 09852-060, Brazil	109	of. 166, 66, K Liebknekhta st., Minsk, 220036, Belarus
80	Estrada Malhada dos Carrascos, 12, Porto Alto, 2135-061, Samora Correia, Portugal	110	Office 1801, 1803, 1804, Emaar Real Estate Burj Khalifa, Dubai, United Arab Emirates
81	Fray Carbo, 24, 08400, Granollers, Spain	111	Office 302, Building 15a, Koktem-1, Micro District, Almaty City, Kazakhstan
82	Guglgasse 15, 1110, Vienna, Austria	112	Office Number 51, Fifth Floor, Mukmal Plaza Center, Al Hamra District Palestine Street, Jeddah City, Kingdom of Saudi Arabia
83	Harju maakond, Rae vald, Rae küla, Raeküla tee 5, 75310, Estonia	113	Oficina 4C, Av. 12 de Octubre, #26-48 y Orellana, Edificio Mirage, Piso 4, Quito, 170525, Ecuador
84	Heinestrasse 9, 69469, Weinheim, Germany	114	Orta Mahallesi Demokrasi, Caddesi Benckiser Sitesi No.92, Tuzla, Istanbul, Turkey
85	Henrik Ibsens gate 60A, 0255 Oslo, Norway	115	Plot 209/2462, Likoni Road, Nairobi, Kenya
86	Iancu de Hunedoara Boulevard, Nr. 48, 11th Floor, Crystal Tower Building, 1st District, Bucharest, 011745, Romania	116	PO Box 285, 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, GY1 4LX, Guernsey
87	IFC 5, St. Helier, JE1 1ST, Jersey	117	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
88	Intersection of Hongqi Road and Mingzhu Road, Dangtu Economic Development Zone, Maanshan City, Anhui Province, China	118	Polyom Building, 22 Off Road 90, Fifth District, Fifth Settlement, New Cairo, Cairo, Egypt
89	Itsehallintokuja 6, 02600 Espoo, Finland	119	Richtstrasse 5, 8304, Wallisellen, Switzerland
90	Jl. Raya Narogong, Chamber A.I, Kel. Pasirangin, Kec Cileungsi, Kab. Bogor. Provinsi. Jawa Barat, 16820, Indonesia	120	Robert-Koch-Straße 1, 69115, Heidelberg, Germany
91	Ketian Aquatic Science and Technology Industrial Park, No. 3949 Kunlunshan Avenue, Lanzhou New Area, Lanzhou City, Gansu Province, China	121	Rod Dom Gabriel Paulino Bueno Couto, 1606, Brazil
92	King & Wood Mallesons, 'Governor Phillip Tower' Level 61, 1 Farrer Place, Sydney NSW 2000, Australia	122	Rod Governador Mario Cova, 7270, KM 264 Parte RB, Brazil
93	Klin City, Tereshkovoy Street, 1, 14160052/1, Moscow Region, Russian Federation	123	Rodovia Antonio Heil, SC 486, km 4, Bairro Itaipava, 'Armazém 1B', Itajaí, São Paulo, CEP 88316-003, Brazil
94	Level 1, 2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand	124	Rodovia Raposo Tavares, 8015 km 18, 1º andar, Sala 2, Jardim Arpoador, Sao Paolo, CEP 05577-900, Brazil
95	Level 27, Tower B, JAFZA One, Jebel Ali Free Zone, Dubai, PO Box 16834, United Arab Emirates	125	Room 1605, No.660, Shangcheng Road, Shanghai Pilot Free Trade Zone, China
96	Level 47, 680 George Street, Sydney NSW 2000, Australia	126	Room 1701, No. 1033, Zhao Jia Bang Road, Xuhui District, Shanghai, China
97	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights 50490, Wilayah Persekutuan, Kuala Lumpur, Malaysia	127	Room 2001, 20/F, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong
98	Los Frailes Industrial Park, Ave. Esmeralda, Calle C # 475, Guaynabo, 00969, Puerto Rico	128	Room 2109, Floor 2, No.10 Chaoyangmenwai Street, Chaoyang District, Beijing City, China
99	LR.NO.1870/1/569, 2nd Floor, Apollo Centre, Ring Road Westlands, Kenya	129	Room B01, Unit 2, Tower 9, Dongdaqiao Road, Chaoyang District, Beijing, China, China
100	No. 151, Avda. Can Fatjó, Rubí, Barcelona, Spain	130	Rooms 2206-11, 22 Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong
101	No. 3, Canglian 1 Road, ETDZ, Guangzhou, China	131	Rua D. Cristóvão da Gama, n.º 1, 1º, C/D, 1400-116, Lisboa, Portugal
102	No. 34 East Beijing Road, Jingzhou, Hubei, 434001, China	132	San Jose-Escazu En Escazu Corporate Center, Setimo Piso, Costado Sur De Multiplaza Escazu, Costa Rica
103	No. 388, Room No. 1903, Floor 19th Floor, Exchange Tower, Sukhumvit Road, Sub-District Klongtoey, District Klongtoey, Bangkok, 10110, Thailand	133	Schiphol Boulevard 267, 1118 BH, Schiphol, The Netherlands
104	No. 99, Changjiang Da Road, Fuqiao Town, Taicang City, China	134	Siriusdreef 14, 2132 WT, Hoofddorp, The Netherlands
105	No.1-13 Shangma, Aodong Road, High-tech Industrial Development Zone, Qingdao City, Shandong Province, China	135	Str. Grigore Alexandrescu 89-97, Aripa Vest, Et. 5, Finish room, Sect. 1, Bucuresti, 010624, Romania
106	No.25, Shrubbery Garden, Colombo-04, Sri Lanka	136	Strēlnieku iela 1A-2, Rīga, LV-1010, Latvia
		137	Suite 2300, 550 Burard Street, Vancouver BC V6C 2B5, Canada

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12 Subsidiary Undertakings continued

138	Suite 402, 4th Floor, No. 235 Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
139	Suite 600, 1741 Lower Water Street, Halifax NS B3J 0J2, Canada
140	Sumitomo Fudosan Takanawa Park Tower 14F, 3-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan
141	Tenancy 04 & 05, 3rd Floor, Corporate Office Block, Dolmen City, HC, Block 4, Scheme 5, Clifton, Karachi, 75600, Pakistan
142	Treasury Tower 59th Floor, District 8, SCBD, Jalan Jendral Sudirman Kav. 52-53, Jakarta, 12190, Indonesia
143	Treasury Tower, District 8, Level 58, SCBD Lot 28, Jalan Jend Sudirman Kav. 52-53, Kel. Senayan, Kec., Kebayoran Baru, Kota, Adm Jakarta Selatan, Provinsi, DKI Jakarta, 12190, Indonesia
144	Ul. Okunin 1, 05-100, Nowy Dwór, Mazowiecki, Poland
145	Ul. Wołoska 22, 02-675, Warsaw, Poland
146	Ulica Grada Vukovara 269d, 10 000 Zagreb, Hrvatska, Croatia
147	Unit 02, 11/F, Tower A Hedonic Center, 6 Songyue Road, Siming District, Xiamen, China
148	Unit 05, Level 3, Gate Village Building 04, Dubai Investment Financial Centre, PO BOX 677, United Arab Emirates
149	Unit 2001, 20/F, Greenfield Tower Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong
150	Unit 401, 4th Floor, Metropolitan Building, No. 235 Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
151	Unit No. 50-8-1, 8th Floor, Wisma Uoa Damansara, 50 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia
152	Unit No. 54, 5th Floor, Kalpataru Square, Andheri-Kurla Road, Andheri (East), Mumbai, Maharashtra, 400059, India
153	Urb. Las Mercedes, Av. Orinoco cruce con Mucuchies Torre Nordic, Piso 1, Oficina 1 y 2, Municipio Baruta Caracas, Bolivarian Republic of Venezuela
154	Vandtårnsvej 83 A, 2860, Søborg, Denmark
155	Via Spadolini 7, 20141, Milano, Italy
156	Vilniaus m. sav. Vilniaus m. Olimpiečių g. 1A, Lithuania
157	Vinohradská 2828/151, 130 00 Praha 3-Žižkov, Czech Republic
158	Vretenvägen 2, 4th Floor, 171 54 SOLNA, Sweden

SHAREHOLDER INFORMATION

Annual General Meeting

Our Annual General Meeting (AGM) will be held on Wednesday 3 May 2023 at 14:00 at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN.

The Notice convening the meeting, together with the business to be considered at the meeting, is contained in a separate document for shareholders and is available on our website at www.reckitt.com/investors/annual-general-meetings.

2023 financial calendar and key dates

Announcement of Quarter 1 trading statement	26 April 2023
Annual General Meeting	3 May 2023
Record date for 2022 final dividend	11 April 2023
Payment of 2022 final ordinary dividend	24 May 2023
Announcement of 2023 interim results	26 July 2023
Record date for 2023 interim dividend	4 August 2023
Payment of 2023 interim ordinary dividend	15 September 2023
Announcement of Quarter 3 trading statement	25 October 2023

Dividend

The Directors recommend a final dividend of 110.3 pence per share for the year ended 31 December 2022. Subject to shareholder approval at the 2023 AGM, payment of the final dividend will be made on 24 May 2023 to all shareholders on the register as at 11 April 2023. The latest date for receipt of new applications to participate in the Dividend Reinvestment Plan (DRIP) in respect of the 2022 final dividend is 2 May 2023. Details on how to join the DRIP can be found below.

Dividend Reinvestment Plan (DRIP)

Shareholders participating in the DRIP receive additional shares purchased in the market instead of receiving a cash dividend. You can elect to join the DRIP by registering on the Computershare Investor Centre at www.investorcentre.co.uk. Alternatively, you can request a DRIP mandate form and terms and conditions by contacting Computershare on +44 370 703 0118.

Mandatory direct credit

We no longer pay dividends by cheque. Instead, cash dividends are now paid directly to shareholders' bank accounts. This is known as 'mandatory direct credit'. Receiving dividends this way means that shareholders receive dividend funds quicker. It also means the company reduces its environmental impact, incurs lower administration costs and reduces the risk of cheque fraud.

To have your dividends paid directly into your bank account, please provide your bank details to our Registrar, Computershare, either by accessing Computershare's Investor Centre at www.investorcentre.co.uk or by telephone on +44 370 703 0118. We will hold your dividends for you until you provide valid bank details and charges may be applied to reissue any outstanding dividend payments.

If you are based overseas, you may choose to have your dividends paid to your account in your local currency by using Computershare's Global Payment Service (GPS). To view the terms and register to the GPS, please join our DRIP. This is also available via Investor Centre.

Share dealing facility

The company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, UK-based shareholders can buy or sell the company's shares using a share dealing facility made available by Computershare, which includes internet and postal share dealing.

Internet share dealing

Internet share dealing is available to shareholders residing in the UK. This service offers shareholders a straightforward way to buy or sell the company's shares on the London Stock Exchange. The commission is 1.4%, subject to a minimum charge of £40. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during UK market hours (08:00 to 16:30). In addition, you can place a sale instruction outside of market hours.

To access the service, log on to www-uk.computershare.com/Investor/#ShareDealingInfo. Shareholders must have their Shareholder Reference Number (SRN) available. The SRN appears on share certificates. Internet share dealing is only available to residents in either the UK, Channel Islands or Isle of Man.

Postal share dealing service

The postal share dealing service offers a way to sell or purchase shares (subject to availability). To use the service you must be a resident of the UK or one of the permitted jurisdictions. A full list of permitted jurisdictions can be found at www-uk.computershare.com/Investor/#ShareDealingInfo. If you wish to use the service, you can download a postal share dealing form and the terms and conditions at www-uk.computershare.com/Investor/#ShareDealingInfo. The fee for this service is 1.4% of the value of each sale or purchase and is subject to a minimum charge of £40. Stamp duty of 0.5% may be payable on purchases.

Detailed terms and conditions for both internet and postal dealing are available upon request by calling +44 370 702 0000.