REPORT OF THE DIRECTORS

Introduction

We present below our Directors' Report for the year ended 31 December 2023. Certain matters required to be included in this Directors' Report are included in the Strategic Report on pages 2 to 61, including an indication of the likely future developments of the business, research and development activities of the Group and details of important events affecting the Company. The Corporate Governance Report can be found on pages 62 to 136 and is deemed to be incorporated into this Directors' Report by reference.

Further disclosure requirements which are deemed to form part of the management report can be found on the following pages of this Annual Report, and are incorporated into this Directors' Report by reference:

Information on the Board's stakeholder engagement and activities can be found on pages 37 to 40 and further information is also set out in the Section 172 Statement, which can be found on pages 76 to 77.

There is no additional information requiring disclosure under Listing Rule 9.8.4R.

Results and dividends

The Consolidated Income Statement can be found on page 156. The profit for the year attributable to equity shareholders of the Company amounted to £1,682 million.

The Directors resolved to pay an interim dividend of 76.6 pence per ordinary share (2022: 73.0 pence), which was paid to shareholders on 15 September 2023.

The Directors recommend a final dividend for the year of 115.9 pence per share (2022: 110.3 pence) which, together with the interim dividend, makes a total dividend for the year of 192.5 pence per share (2022: 183.3 pence). During the year no shareholders waived their right to receive dividend payments. The final dividend, if approved by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company, will be paid on 24 May 2024 to shareholders on the register at the close of business on 12 April 2024.

Directors

Details of the Company's Directors who served during the financial year ended 31 December 2023 and details of Directors appointed during 2024 can be found on pages 65 to 68.

The rules governing the appointment and retirement of Directors are set out in the Company's Articles of Association (the Articles) and all appointments are made in accordance with the Code. Under the terms of reference of the Nomination Committee, all Director appointments must be recommended by the Nomination Committee for approval by the Board of Directors. All Directors must submit themselves for re-election each year at the AGM. With the exception of Chris Sinclair, Pam Kirby and Alan Stewart, all Directors will offer themselves for election or re-election at the 2024 AGM in compliance with the Code.

Details of the Directors standing for election or re-election can be found in the 2024 Notice of AGM.

Information on the service agreements of Executive Directors can be found in the Directors' Remuneration Report on pages 100 to 132. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

Powers of Directors

The Board of Directors is responsible for the management of the business of the Company and may exercise all powers of the Company subject to the provisions of the Company's Articles and the CA 2006. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the alteration of share capital are also included in the Articles and shareholders are asked to renew such authorities each year at the AGM.

A copy of the Articles is available on the Company's website at www.reckitt.com or can be obtained upon written request from the Company Secretary or the UK Registrar of Companies, Companies House.

Directors' insurance and indemnities

The Company indemnifies the Directors and Officers of the Company and any Group subsidiary to the extent permitted by Section 236 of CA 2006 in respect of the legal defence costs for claims against them and third-party liabilities. The indemnity would not provide cover for a Director or Officer if that individual was found to have acted fraudulently or dishonestly.

The Directors' and Officers' liability insurance cover was maintained throughout the year ended 31 December 2023 at the Company's expense.

Report of the Directors continued

Directors' interests

A statement of Directors' interests in the share capital of the Company is shown on page 132 of the Directors' Remuneration Report. Details of Executive Directors' options to subscribe for shares in the Company are included on pages 130 and 131 in the audited part of the Directors' Remuneration Report.

During the year, none of the Directors had a material interest in any derivative or financial instrument relating to the Company's shares. Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 126-132. No Director has a material interest in any 'contract of significance' (as defined by the FCA) to which the Company, or any of its subsidiary undertakings, is a party as at 31 December 2023.

Share capital

As at 31 December 2023, the Company's issued share capital consisted of 736,535,179 ordinary shares of 10 pence each of which 714,028,649 were with voting rights and 22,506,530 ordinary shares were held in treasury. Each share carries the right to one vote at general meetings of the Company. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in Note 24 to the Financial Statements.

The rights and obligations attached to the ordinary shares are contained in the Company's Articles. There are no restrictions on the voting rights attached to the Company's ordinary shares or the transfer of securities in the Company except in the case of transfers of securities:

- That certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Pursuant to the Listing Rules of the United Kingdom Listing Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares

No person holds securities in the Company which carry special voting rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Allotment of shares

At the 2023 AGM, authority was granted to the Directors under Section 551 of CA 2006 to allot shares or grant rights to subscribe for, or convert any security into, shares of the Company. The authority granted to the Directors will expire at the conclusion of this year's AGM.

At the 2024 AGM, a resolution will be proposed to the shareholders to renew the Directors' authority to allot equity shares representing approximately one-third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM.

In accordance with the Investment Association Share Capital Management Guidelines, Directors will once again seek authority to allot further ordinary shares, in connection with a pre-emptive offer by way of a rights issue, up to a further one-third of the Company's existing issued share capital on the same date. The authorities sought would, if granted, expire at the earlier of six months after the Company's next accounting reference date, or at the conclusion of the AGM of the Company held in 2025, whichever is the sooner.

Under Section 561 of CA 2006, shareholders have a right of first refusal in relation to certain issues of new shares. A special resolution will also be proposed to renew the Directors' power to allot shares in the capital of the Company without complying with the pre-emption rights in the CA 2006 in certain circumstances up to a maximum of 10% of the Company's issued share capital.

This disapplication authority sought is in line with institutional shareholder guidance and, in particular, with the Pre-Emption Group Statement of Principles issued in November 2023.

This authority will maintain the Company's flexibility in relation to future share issues, including issues required to finance business opportunities, should appropriate circumstances arise.

Authority to purchase own shares

Authority was granted to the Directors at the 2023 AGM for the purposes of Section 701 of CA 2006 to repurchase shares in the market and this authority remains valid until the conclusion of this year's AGM.

On 25 October 2023, the Company announced, consistent with its capital allocation framework, a £1 billion share buyback programme to be carried out over 12 months (the Programme). On 30 October, the Company announced the commencement of the first tranche of that Programme to return up to £250 million to shareholders, and which completed on 30 January 2024. On 20 December 2023, the Company announced the second tranche of the Programme to return a further up to £250 million to shareholders, and which commenced on 1 February 2024.

During the financial year ended 31 December 2023, the Company purchased in aggregate 3,782,835 ordinary shares of 10 pence each and subsequently transferred them to treasury. The total cost of the shares purchased during the financial year ended 31 December 2023 was £207 million. A further 4,303,628 ordinary shares have been repurchased between 1 January 2024 and the date of this Report at a total cost of £233 million.

As at the date of this Report there are 27,645,021 ordinary shares held in treasury (representing 3.89% of the issued ordinary shares) for the purposes of satisfying the Company's obligations under employee equity incentive schemes.

Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.

At the 2024 AGM, the Directors will seek to renew the authority granted to them. Such authority, if approved, will be limited to a maximum of 70,880,000 ordinary shares, representing less than 10% of the Company's issued ordinary share capital (excluding treasury shares) calculated as at the latest practicable date prior to publication of the Notice of AGM, and sets the minimum and maximum prices which may be paid.

Report of the Directors continued

Change of control and significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. The shareholder agreement between the Company and JAB Holdings B.V. (JAB) at the time of the merger in 1999 entitled JAB to nominate Board Directors.

A holding in excess of 20% or 10% of the Company's ordinary shares entitles JAB to nominate two Directors or one Director respectively. JAB's current holding is below this amount and there is currently no nominated Director on the Board. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

There are no significant agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover, and if the employment of an Executive Director or other employee is terminated by the Company following a takeover then there may be an entitlement to appropriate notice and/or compensation as provided in applicable contracts or terms of employment.

There is no information that the Company is required to disclose about persons with whom it has contractual or other arrangements with, which are essential to the business of the Company.

Employees

During 2023, the Group employed over 40,000 (2022: 40,000) employees worldwide, of whom 5,038 (2022: 4,870) were employed in the UK.

The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion, race, ethnicity, disability, sexual orientation or any other protected characteristics. Employment applications are considered on the basis of aptitude and ability, and fair consideration is given to all applications regardless of nationality, age, gender, religion, race, ethnicity, disability, sexual orientation, or any other protected characteristics.

We have issued specific guidance on inclusive recruitment practices for managers with hiring responsibilities. Where an employee has an existing disability or becomes disabled during their employment, practical efforts are made to assist the employee in continuing their employment and arranging appropriate support such as workplace adjustments.

All employees, are treated in a fair and inclusive way throughout their careers, whether that means accessing training, learning and development opportunities and career progression. Further details of our Inclusion and Anti-Harassment policies can be found at www.reckitt.com and on pages 19-21.

It is essential to the continued improvement in performance, efficiency and productivity throughout the Group that each employee understands the Group's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the performance management process.

On-the-job learning and continuous development take place throughout the year, with all employees having a formal annual Performance Development Review with their line manager to discuss business objectives and create a Personal Development Plan. This is also an important opportunity for employees to discuss their ongoing development and career ambitions. We encourage continuous development conversations throughout the year. These annual reviews also provide a way of identifying candidates for our Future Leader Development Programmes.

The Group operates multi-dimensional two-way internal communications programmes which include the provision of a Group intranet and the publication of regular Group newsletters. Opinions of employees are sought on a variety of issues through mechanisms including global surveys, opinion polls, team meetings and feedback forums. Further information on the Group's employee engagement activities is included on pages 19 to 21, 38 and 77.

We regularly check in with our employees through townhall meetings and our intranet. We also hold forums, focus groups and listening sessions with leaders to give us timely insights on topics which matter most.

A continuing programme of learning and development reinforces the Group's commitment to employee development. The Group recognises the importance of employee health and wellbeing as set out on pages 19 to 21.

Reckitt's Leadership Behaviours are vital to how we embed our culture and achieve strong and sustainable performance. We have defined leadership behaviours that capture our uniqueness, capitalise on our strengths and challenge us to do better. At Reckitt, we Own, Create, Deliver and Care. These behaviours are for everyone in the organisation and are part of our annual performance and development reviews. We create an inclusive environment for employees to act with integrity, responsibility and consistency in line with our Purpose, Fight and Compass set out on pages 8 and 19-21.

Employee matters, incentives and share ownership

Group incentive schemes reinforce financial and economic factors affecting the performance of the business. Employees typically have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations, videos and Q&A sessions are held for employees around the world on publication of the Group's financial results to provide employees with awareness of the financial and economic factors affecting the Company's performance, and so that employee views are fed back to management and taken into account when decisions are made.

The Company operates three all-employee share plans. Through these schemes, the Board encourages employees to become shareholders and to participate in the Group's employee share ownership plans, should they wish. Savings-related share plans covering most of the world give employees the opportunity to acquire shares in the Company by means of making regular savings.

We currently have just under 14,000 colleagues participating in one of Reckitt's all-employee share plans. Further details on our all-employee share plans and awards made under executive share plans can be found in Note 24 on pages 196 to 198 of the Financial Statements.

Report of the Directors continued

Political donations

During the year, the Company and its subsidiaries did not make any political donations or incur any political expenditure, nor were any contemplated. In keeping with previous practice, at the forthcoming AGM shareholders will be asked to approve, on a precautionary basis, for the Company and its subsidiaries to make political donations and incur political expenditure for the period ending 31 December 2024.

Financial instruments and risk

The financial risk management objectives and policies of the Group are set out in Note 15, from page 181 of the Financial Statements. The Note sets out information on the Company's policy for hedging each major type of forecasted transactions for which hedge accounting is used, and our exposure to currency, price risk, credit risk, liquidity risk and cash flow risk in relation to the use of financial instruments.

Amendment to Articles of Association

The Articles of the Company were adopted in 2012 and amended in 2015 and 2021. Any amendments to the Articles may be made in accordance with the provisions of CA 2006, by special resolution of the shareholders.

Independent Auditor

The External Auditor, KPMG, has indicated its willingness to continue in office and a resolution proposing the reappointment of KPMG, and to authorise the Audit Committee to determine its remuneration for the financial year ending 31 December 2024, will be proposed at the forthcoming AGM.

Substantial shareholdings

As at 31 December 2023, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the company:

Holder	Notification	Interest	Rights
Massachusetts Financial Services Company	16 January 2013[1]	Indirect	5.00
Morgan Stanley Investment Management Limited	20 October 2022[2]	Direct	5.04

1. Under a Section 793 CA 2006 request, Massachusetts Financial Services Company confirmed on 17 January 2024 that its aggregate holding had decreased. The voting percentage was not disclosed
2 Under a Section 793 CA 2006 request, Morgan Stanley Investment Management Limited confirmed on 24 January 2024 that its aggregate holding had decreased. The voting percentage was not disclosed

As at 15 March 2024, the company has not received any further notifications under DTR 5 of the Disclosure Guidance and Transparency Rules.

Application of the UK Corporate Governance Code 2018

We report against the requirements of the Code issued by the Financial Reporting Council. Details of how the Company has applied the Code principles and provisions can be found in the Corporate Governance Report on pages 62 to 132.

Annual General Meeting (AGM)

The forthcoming AGM of Reckitt Benckiser Group plc will be held on Thursday, 2 May 2024 at 2pm at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN.

A separate Notice of Meeting, setting out the resolutions to be proposed to shareholders, is available at www.reckitt.com/investors/annual-general-meetings/. The Board considers that each of the resolutions is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do so in respect of their own beneficial holdings.

By Order of the Board

Catheryn O'Rourke
Company Secretary
Reckitt Benckiser Group plc

21 March 2024

103-105 Bath Road
Slough, Berkshire
SL1 3UH

Company registration number: 6270876

Legal Entity Identifier: 5493003JFSMOJG48V108

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, we are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The Group, in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and, in respect of the Parent Company financial statements only, prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards and, due to a requirement of the US SEC, state they have been prepared in accordance with IFRS Accounting Standards as issued by the IASB;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The external auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

Each of the Directors, whose names and functions are listed on pages 65 to 68 of the Annual Report, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and financial statements include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider 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 and Parent's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' report is approved:

- so far as we are aware, there is no relevant audit information of which the Group's and Parent's auditors are unaware; and
- we have taken all the steps that we ought to have taken as a director in order to make ourselves aware of any relevant audit information and to establish that the Group and Parent's auditors are aware of that information.

On behalf of the Board

Catheryn O'Rourke
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire
SL1 3UH

21 March 2024

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 2023, and of the Group's profit for the year then ended;
- the Group`s financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company`s 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 Accounting Standards 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").
- In our opinion the Group financial statements have been properly prepared in accordance with IFRS Accounting Standards 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 2023 ("FY23") 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 33 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 to the Parent Company financial statements, including the accounting policies in Note 1.

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 FY22 audit, and considering developments affecting the Group since then, we have updated our risk assessment.

The risk of impairment associated with the IFCN CGU has increased since last year due to the impact of higher interest rates on the discount rate, and increased uncertainty over forecast growth assumptions in light of the return of a key competitor to market and increased regulatory pressures in the US.

We also identified a new Key Audit Matter for FY23 associated with the accounting treatment of the purchase of the remaining interests in the Group's majority owned entities in mainland China and Hong Kong ("RB Manon") from its existing minority shareholders. The risk focuses on the judgement applied in allocating the total amount payable between the purchase of the non-controlling interest which is taken to equity in FY23, and services provided by the minority shareholders which are charged to the income statement over the service period.

We have assessed that the risk relating to contingent liabilities has increased from FY22 following an adverse verdict in the first NEC case. This increases the probability of outflow of economic benefit and increases the level of judgement involved in the ability to reliably estimate any such outflow.

We have not observed a change in the level of risk in relation to the remaining Key Audit Matters.

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.

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 FY22	Item
Recoverability of IFCN CGU's goodwill and indefinite life intangible assets	▲	5.1
Recoverability of Biofreeze CGU's goodwill and indefinite life intangible assets	◀▶	5.2
Revenue recognition in relation to trade spend arrangements and associated accruals	◀▶	5.3
Contingent liabilities arising from the US litigation concerning Necrotising Enterocolitis (NEC) and the amendment to the South Korean Humidifier Sanitiser (HS) law	▲	5.4
Accounting for the forward purchase of shares held by the non-controlling interest of "RB Manon"	New	5.5
Provisions for uncertain tax positions	◀▶	5.6
Recoverability of the Parent Company's investment in Reckitt Benckiser Limited	◀▶	5.7

Independent Auditor's Report continued

2. Overview of our audit continued

Audit Committee interaction

During the year, the Audit Committee met five times. KPMG 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 5, including matters that required particular judgement for each.

The matters included in the Audit Committee Chair's report on page 88 are materially consistent with our observations of those meetings.

Our Independence

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

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

We were first appointed as auditor by the shareholders for the year-ended 31 December 2018.The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2023.

The group engagement partner is required to rotate every 5 years. As these are the second 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 8 below is 2 years, with the shortest being 1 and the longest being 6. There were no key audit partners with tenure over 5 years.

Total audit fee	£19.4m
Audit related fees (including interim review)	£0.9m
Other services	£0.4m
Non-audit fee as a % of total audit and audit related fee %	6.4%
Date first appointed	3rd May 2018
Uninterrupted audit tenure	6 years
Next financial period which requires a tender	2028
Tenure of Group Engagement Partner	2 years
Average tenure of component signing partners	2 years

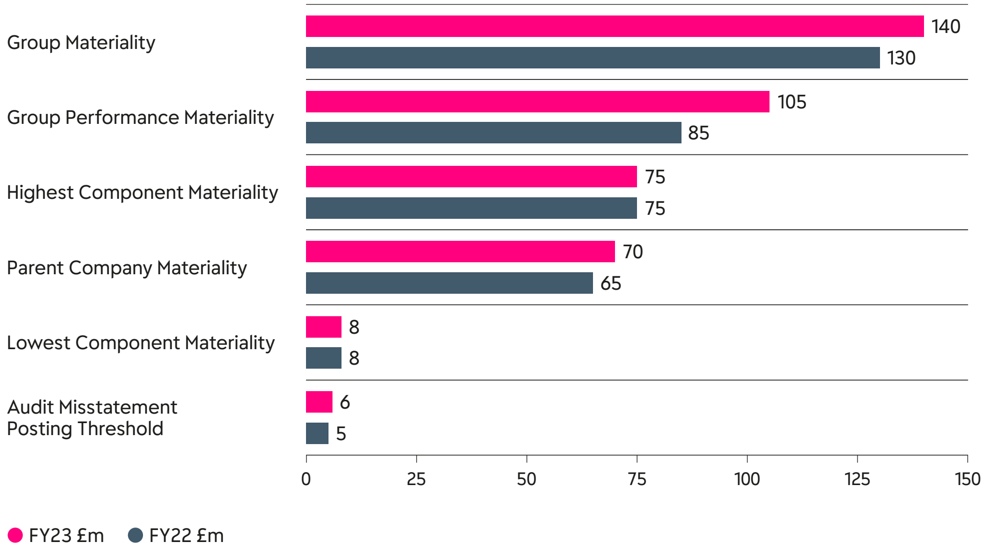
Materiality
(item 7 below)

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`s financial statements as a whole at £140m (FY22: £130m) and for the Parent Company's financial statements as a whole at £70m (FY22: £65m).

Consistent with FY22, we determined that normalised profit before tax from continuing operations ("PBTCO") remains the most appropriate 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 profitability of the Group and its ability to generate returns for shareholders, of which the most relevant benchmark is PBTCO. As such, we based our group materiality on normalised PBTCO, of which it represents 4.5% (FY22: 4.1%).

Materiality for the Parent Company's financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.46%% (FY22: 0.45%).



Independent Auditor's Report continued

2. Overview of our audit continued

Group scope
(item 8 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's 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: 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 net revenue, total normalised profits and losses that made up profit before tax and total assets.

Of the Group's 380 (FY22: 406) reporting components, we instructed 52 components (FY22: 53) across 23 countries (FY22: 23 countries) to perform full scope audits for group purposes and two components to perform specified audit procedures (FY22: one).

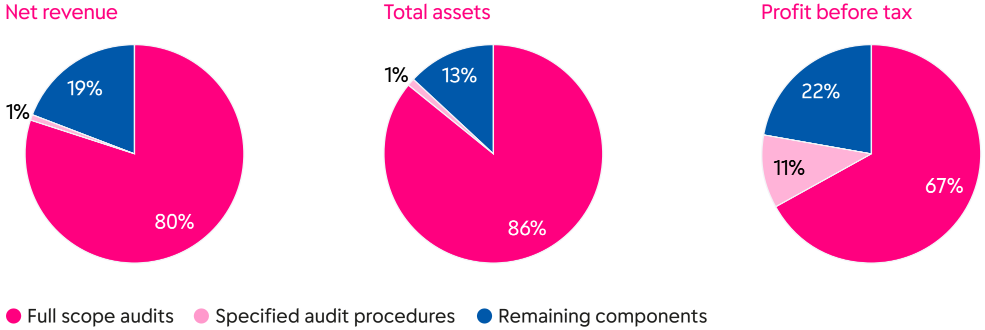
The components within the scope of our work accounted for the percentages illustrated opposite.

Our scoping provided 81% coverage of net revenue (FY22: 79%), 87% coverage of total assets (FY22: 85%), and 78% coverage of profits and losses that made up profit before tax (FY22: 77%).

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 two targets validated by the Science Based Targets initiative ("SBTi") to reduce absolute operational Scope 1 and 2 GHG emissions by 65%, absolute product carbon footprint emissions by 50% both by 2030 from a 2015 base year. Other targets aim to reduce water use per tonne of production by 30% by 2025 from a 2015 base year, increase the use of renewable electricity to 100% by 2030 and for 100% of plastic packaging to be recyclable or reusable by 2025. Further information is provided in the Strategic Report on page 47 and in the Sustainability Performance Review on page 14.

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 2023.

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.

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 considered the impact of ESG related costs on the value in use of the Group's CGUs, the impact of such costs on cash flows is minimal and not considered a key assumption when assessing impairment. We have 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. 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 determined that climate related risks do not have a significant impact on our audit or key audit matters. We have read the Group's disclosures of climate related information in the Strategic Report and the Group's TCFD Summary on page 218 and considered consistency with the financial statements and our audit knowledge.

Independent Auditor's Report continued

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 failure to identify, assess and proactively respond to new or changing regulations could result in increased regulatory scrutiny, costly product reformation or product recalls, potential litigation and removal of the license to sell a product.
- A reliance on limited number of suppliers, geographic concentration, or an excessive dependence on specific routes, sub-suppliers or technologies could render the supply chain vulnerable to disruption.
- Geopolitical events, including threats of conflict, trade wars, economic sanctions and political polarisation, could disrupt operations.
- Failure to identify or respond to a product quality and/or safety issue may result in potential consumer harm or death, financial settlements, costly recalls and reputational damage.
- Reliance on a few key manufacturing sites to produce products exposes the Group to unexpected shutdown at one of these sites.
- Adverse economic conditions, together with high level of volatility and unpredictability in the macroeconomic environment, could impact consumer demand for the Group's brands.

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 137 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

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

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

- the Directors' confirmation within the Viability Statement on page 61 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 61 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.

Independent Auditor's Report continued

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

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. Emphasis of matter: Uncertain outcome of NEC litigation

We draw attention to notes 9, 20 and 33 which disclose that the Group is subject to product liability actions in the United States in relation to alleged links between one of its infant formula products and Necrotising Enterocolitis (NEC), a gastrointestinal condition in preterm infants. On 13 March 2024 an adverse legal ruling awarded one plaintiff $60 million in the only trial to date. The Directors have disclosed a contingent liability in respect of these matters, no amounts are included within provisions and no related net cash outflows have been included in the value in use of the related IFCN CGU.

Our opinion is not modified in respect of this matter.

5. 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.

5.1 Recoverability of the goodwill and indefinite life intangible assets relating to the IFCN CGU (Group)

Financial Statement Elements

	FY23	FY22
Goodwill and indefinite life intangible assets (IFCN)	**£5,104m**	£6,231m
Impairment charge (IFCN)	**£810m**	–

Our assessment of risk vs FY22

	Vs FY22
Our assessment is that the risk has increased compared to FY22 due to the impact of higher interest rates on the discount rate, and increased uncertainty over forecast growth assumptions in light of the return of a key competitor to market and increased regulatory pressures in the US.	▲

Our results

FY23: Acceptable

FY22: Acceptable

Description of the Key Audit Matter

The risk: forecast-based assessment

The recoverability of goodwill and indefinite life intangible assets relating to the Infant and Child Nutrition ("IFCN") cash generating unit ("CGU") is assessed using value in use which is based on forecast financial information within a discounted cash flow model ("the IFCN Model").

Key assumptions in the IFCN Model include the discount rate, forecast financial performance, in particular net revenue and margin growth, and external factors impacting forecast category growth and terminal growth rates.

In the current year the Group recognised an impairment charge against goodwill relating to the IFCN CGU of £810m (FY22: nil), reflecting the impact of higher interest rates on the discount rate, and increased uncertainty over net revenue and margin growth assumptions in light of the return of a key competitor to market and increased regulatory pressures in the US.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the IFCN CGU, and consequently the impairment charge, has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

We also identified a fraud risk related to the estimation of the recoverable amount of the goodwill and intangible assets relating to the IFCN CGU in response to possible pressures on the Group to realise value from significant acquisitions.

Independent Auditor's Report continued

5. Key audit matters continued

Our response to the risk

Our procedures to address the risk included:

Sensitivity analysis: We considered the sensitivity of the recoverable amount of the goodwill and intangible assets relating to the IFCN CGU to reasonably possible changes in assumptions and focused our attention on those assumptions which we considered the most critical to the recoverable amount of the IFCN CGU.

Benchmarking assumptions: In response to the risk of fraud, we evaluated the net revenue growth assumptions in the IFCN Model with reference to historic performance and external market data relating to projected growth for the relevant categories.

We critically challenged the Group's assumptions relating to forecast market shares, considering recovery of a key competitor's supply shortages in the North American market, through comparison to historical trends and external data sources.

We benchmarked margin and other costs assumptions against historical achievement, external cost inflation growth forecasts and our assessment of the Group's historic ability to achieve productivity savings. We also benchmarked the terminal growth rate assumption against market forecasts.

Personnel interviews: We compared judgements made centrally to discussions we held directly with the relevant members of the Global Business Unit and country management. We considered and challenged the Group's assumptions and corroborated these views with the Group's in-market teams.

Valuation expertise: Using our own valuation specialists, we challenged the appropriateness of key assumptions underlying the estimation of the recoverable amounts of the goodwill and intangible assets relating to the IFCN CGU, this included the discount rate used in the IFCN Model. We assessed whether the premium applied to the discount rate was appropriate considering the inherent forecasting uncertainty. We also benchmarked the recoverable amount of the IFCN CGU using implied earnings multiples to comparable companies and historic transactions within the industry, as well as considering latest market conditions.

Assessing transparency: We assessed whether the Group's disclosures in note 9 of 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 relating to the IFCN CGU.

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 audit of the impairment assessment of goodwill and indefinite life intangible assets relating to the IFCN CGU, including details of our planned substantive procedures and the extent of our control reliance.
- For the recoverable amounts of the IFCN CGU, 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 of the IFCN CGU to key assumptions including net revenue growth, margin growth, discount rate and terminal growth rate.

Areas of particular auditor judgement

We identified an area of particular auditor judgement to be the assessment of whether the Directors' overall estimate of the recoverable amount of the IFCN CGU, considering key assumptions including net revenue, gross margin, discount rate and terminal growth rate, fell within our acceptable range.

We also identified an area of particular auditor judgement to be the assessment of the Directors' conclusion regarding the post balance sheet adverse verdict in the first NEC case's effect on the recoverable amount of the IFCN CGU and whether that continued to fall within our acceptable range.

Our results

We found the goodwill and indefinite life intangible asset balances relating to the IFCN CGU and the related impairment charge to be acceptable (FY22 result: the Group's conclusion that there is no impairment of the goodwill and intangible assets relating to the IFCN CGU to be acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 92 for details on how the Audit Committee considered recoverability of goodwill and indefinite life intangible assets relating to the IFCN CGU as an area of significant attention, page 167 for the accounting policy on recoverability of goodwill and indefinite life intangible assets and note 9 for the financial disclosures.

5.2 Recoverability of Biofreeze CGU goodwill and indefinite life intangible assets

Financial Statement Elements

	FY23	FY22
Goodwill and indefinite life intangible assets (Biofreeze)	**£613m**	£807m
Impairment charge (Biofreeze)	**£0m**	£152m

Independent Auditor's Report continued

5. Key audit matters continued

Our assessment of risk vs FY22

	Vs FY22
In FY22 no headroom existed between the recoverable amount and the net book value of the Biofreeze CGU following an impairment recognised as a result of category slowdown in an unfavourable macroeconomic environment. Our assessment is that the risk is similar in FY23 in relation to the impairment test carried out on 30 September 2023.	◀▶

Our results

FY23: Acceptable

FY22: Acceptable

Description of the Key Audit Matter

The risk: forecast-based impairment assessment

The recoverability of goodwill and indefinite life intangible assets relating to the Biofreeze cash generating unit ("CGU") is assessed using value in use which is based on forecast financial information within a discounted cash flow model ("the Biofreeze Model").

In FY22 the Group recognised an impairment charge of £152m, that reflected underperformance driven by category slowdown in an unfavourable macroeconomic environment. Following this impairment, no headroom existed between the recoverable amount and net book value.

Key assumptions in the Biofreeze Model include the discount rate, forecast financial performance, in particular net revenue and margin growth, and external factors impacting forecast category growth and terminal growth rates.

On 30 September 2023, in light of changes in level at which goodwill associated with Biofreeze was monitored, the Group reallocated the goodwill into the Health group of cash generating units (GCGU). Due to limited headroom, an impairment assessment of the Biofreeze CGU inclusive of goodwill was carried out immediately ahead of the goodwill reallocation.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the Biofreeze CGU at 30 September 2023 has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

We also identified a fraud risk related to the estimation of the recoverable amount of goodwill and intangible assets relating to the Biofreeze CGU in response to possible pressures on the Group to realise value from significant acquisitions.

Our response to the risk

Our procedures to address the risk included:

Sensitivity analysis: We considered the sensitivity of the recoverable amount of the goodwill and indefinite life intangible assets relating to the Biofreeze CGU to reasonably possible changes in assumptions and focused our attention on those assumptions which we considered the most critical to the recoverable amount of the Biofreeze CGU.

Benchmarking assumptions: In response to the risk of fraud, we evaluated the net revenue growth assumptions in the Biofreeze model with reference to historic performance and external market data relating to projected growth for the relevant categories.

We critically challenged the Group's assumptions relating to price and volume growth through comparison to external market data sources and evaluated the Group's assumptions for achieving growth through planned innovation and international growth by assessing against historic performance and comparison to external data sources.

We benchmarked margin and other costs assumptions against historical trends, and our assessment of the Group's historic ability to achieve productivity savings. We also benchmarked the terminal growth rate assumption against market inflation forecast.

Personnel interviews: We compared judgements made centrally to discussions we held directly 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: Using our own valuation specialists, we challenged key assumptions including the discount rate and terminal growth rate used in the Biofreeze Model. We assessed whether the premium applied to the discount rate was appropriate considering the operational integration of Biofreeze processes into the wider Health business unit. We also benchmarked the recoverable amount of the Biofreeze CGU using implied earnings multiples with comparable companies, historic transactions within the industry, and to Biofreeze's acquisition multiple, as well as considering latest market conditions.

Assessing transparency: We assessed whether the Group's disclosures in note 9 of 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 relating to the Biofreeze CGU at 30 September 2023. In particular we assessed whether appropriate disclosures were provided to explain the circumstances leading to reallocation of goodwill and the results of impairment assessment performed ahead of this reallocation.

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

5. 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 impairment assessment of goodwill and indefinite life intangible assets relating to the Biofreeze CGU, including details of our planned substantive procedures and the extent of our control reliance.
- For the recoverable amounts of the Biofreeze CGUs, 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 amounts of the Biofreeze CGU to key assumptions including net revenue growth, margin growth, discount rate and terminal growth rate.

Areas of particular auditor judgement

We identified an area of particular auditor judgement to be the assessment of whether the Directors' overall estimate of the recoverable amounts of the Biofreeze CGU, considering key assumptions including net revenue, gross margin, discount rate and terminal growth rate, fell within our acceptable range.

Our results

We found the Group's conclusion ahead of reallocation of goodwill to Health GCGU that there is no impairment of goodwill and indefinite life intangible assets relating to the Biofreeze CGU to be acceptable; (FY22 result for the Biofreeze CGU we found the goodwill and indefinite life intangible assets balance, and the related impairment charge, to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 92 for details on how the Audit Committee considered recoverability of goodwill and indefinite life intangible assets relating to the Biofreeze CGU as an area of significant attention, page 167 for the accounting policy on recoverability of goodwill and indefinite life intangible assets and note 9 for the financial disclosures.

5.3 Revenue recognition in relation to trade spend arrangements and associated accruals (Group)

Financial Statement Elements

	FY23	FY22
Trade spend accruals	**£1,125m**	£1,137m

Our assessment of risk vs FY22

	Vs FY22
We have not identified any significant changes to our assessment of the level of risk relating to trade spend arrangements and related accruals compared to FY22.	◀▶

Our results

FY23: Acceptable

FY22: 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 an incentive to understate trade spend accruals. Whilst the risk of a material misstatement in an individual market is remote, there is a risk that inappropriate judgements in multiple markets may, in aggregate, materially misstate the Group's 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's financial statements as a whole.

Our response to the risk

Our procedures to address the risk included:

Accounting policies: We critically assessed the appropriateness of the Group's accounting policies relating to trade spend against requirements of IFRS 15 Revenue from Contracts with Customers.

Historical comparisons: For a selection of the more judgemental accruals, our component teams assessed the historical accuracy of the accruals by:

- comparing those recognised in the prior year to the actual trade spend subsequently incurred; and
- where there were significant differences, considering whether such differences related to a change in estimate or an error to respond to the risk of fraud and error, and evaluating whether any overstatement or understatement identified was material.

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

Independent Auditor's Report continued

5. Key audit matters continued

- 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.

Expectation vs outcome: We performed analytical procedures over the aggregated balance at a group level, and our component teams completed disaggregated analytical procedures over the individual balances.

Assessing transparency: We assessed the adequacy of the Group's disclosures in note 1 in relation to the degree of estimation in the trade spend accruals and the resulting amount of trade spend deducted from 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.
- As described in section 6, our response to the additional specific fraud risk identified relating to the investigation commissioned by the Directors in two Middle Eastern markets that identified an understatement of trade spend accruals and our related findings.
- Our assessment of findings from our component team's procedures, including the historical comparisons of FY22 accruals and whether those indicated material errors, and whether the FY23 accruals in relation to trade spend were acceptable.

Areas of particular auditor judgement
We performed an assessment of whether the Group`s 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 overstatement 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 (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 88 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 168 for the accounting policy on revenue recognition in relation to trade spend arrangements and associated accruals, and note 1 for the financial disclosures.

5.4 Contingent liabilities arising from the US litigation concerning Necrotising Enterocolitis (NEC) and the amendment to the South Korean Humidifier Sanitiser (HS) law (Group)

Financial Statement Elements
Financial statements disclosure in note 20 and note 33

Our assessment of risk vs FY22

	Vs FY22
We have assessed that the risk relating to contingent liabilities has increased from FY22 following an adverse verdict in the first NEC case. This increases the probability of outflow of economic benefit and increases the level of judgement involved in the ability to reliably estimate any such outflow. We have not identified any significant change to the level of risk relating to contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) Law compared to FY22	▲

Our results

FY23: Acceptable

FY22: Acceptable

Description of the Key Audit Matter
The risk: dispute outcome
The Group is named in a number of litigations relating to NEC in the United States and HS issues in South Korea.

The South Korean 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.

An adverse verdict in the first NEC case on 13 March 2024 increases the probability of economic outflow and increases the level of judgement involved in the ability to reliably estimate any such outflow in relation to the NEC product liability actions in the United States.

Independent Auditor's Report continued

5. Key audit matters continued

The amounts involved in these litigations 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 likelihood, amount and timing of any possible economic outflow, there is a risk over the classification of any liability as a provision or a contingent liability and the transparency of disclosures therein.

Our response to the risk

Our procedures to address the risk included:

Inquiry of lawyers: We inquired of the Group's internal and external counsel to obtain an understanding of developments. In relation to the HS matter we inquired into the progress of litigation and the establishment of a mediation panel between HS companies and claimant groups. In relation to the NEC litigation we inquired as to the progress through discovery and the likely prospects of successfully defending the cases based on available evidence, including scientific evidence, and therefore the ability to reliably estimate any economic outflow. We requested and received formal correspondence directly from the Group's external counsel for both the HS matter and NEC litigations that evaluated the current status of legal proceedings.

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

Assessing transparency: We assessed the adequacy of the Group's disclosures of contingent liabilities related to the NEC litigations and the HS matter in note 20, particularly the uncertainties relating to the amount and timing of any resulting 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.

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 litigation relating to NEC in the United States and 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 timing of any resulting 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 assessment that the impact of the HS law amendment as contingent liabilities and transparency of disclosure to be acceptable (FY22 result: acceptable).

We found the Group's assessment that the potential outflows from the NEC litigations are treated as a contingent liability and the transparency of the related disclosure to be acceptable (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 88 for details on how the Audit Committee considered contingent liabilities arising from the amendment to the South Korean HS law and NEC litigation in the United States as areas of significant attention, page 168 for the accounting policy on contingent liabilities arising from the amendment to the South Korean HS law, and note 20 for the financial disclosures.

5.5 Accounting for the forward purchase of shares held by the non-controlling interest of "RB Manon" (Group)

Financial Statement Elements

	FY23	FY22
Trade and other payables	**£158m**	n/a
Forward purchase of shares held by NCI (within Total Equity)	**£167m**	n/a

Our assessment of risk vs FY22

	Vs FY22
On 25 May 2023 the Group entered into a new agreement outlined below, and therefore this is a new risk for FY23.	**New**

Independent Auditor's Report continued

5. Key audit matters continued

Our results

FY23: Acceptable	
FY22: n/a	

Description of the Key Audit Matter

The risk: accounting treatment

The Group has entered into an agreement to acquire the remaining interests in the Group's majority owned entities in mainland China and Hong Kong ("RB Manon") from its existing minority shareholders.

The estimated present value of the total amounts payable under the agreement is £298 million and is not a key source of estimation uncertainty. However, the agreement has two components – purchase of the non-controlling interest which is taken to equity, and services provided by the minority shareholders which are charged to the income statement over the service period.

Significant judgement is required to allocate the total amount payable between equity and the income statement in future periods.

We also identified a fraud risk in response to possible pressures to reduce future income statement expenses.

Our response to the risk

Our procedures to address the risk included:

Accounting analysis: We interpreted the relevant standards and best application in relation to the terms of the deal in order to assess the Group's valuation of the component parts.

Valuation expertise: Using our own valuation specialists, we challenged the value of the non-controlling interest in the RB Manon business determined by the valuation specialists engaged by the Group. Our valuations specialists have also reviewed and challenged specialists engaged by the Group on their valuation methodologies and approaches to calculate the fair value and key assumptions such as WACC, marketability considerations and any minority / controls considerations.

Benchmarking assumptions: We performed benchmarking to previous transactions with the parties involved in RB Manon.

Assessing transparency: We assessed the adequacy of the Group's disclosures in explaining the various component parts of the deal, the accounting judgements made and how the values of the components were calculated.

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 accounting treatment for the transaction, including details of our planned substantive procedures and the extent of our control reliance.
- Our approach to the audit of the accounting judgement relating to the allocation of the amount payable in relation to the two components of the transaction.
- The adequacy of the disclosures,

Areas of particular auditor judgement

We identified an area of particular auditor judgement to be the assessment of whether the Directors' overall accounting judgement of the allocation of the total consideration to the deal components (i.e. payment for transitional services or equity) is acceptable.

Our results

We found the Group's accounting treatment to be acceptable (FY22 result: not applicable, as this was not a key audit matter in FY22).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 88 for details on how the Audit Committee considered accounting for the share purchase agreement for the non-controlling interest of RB Manon as an area of significant attention, page 167 for the accounting policy on the relevant treatment and note 30 for the financial disclosures.

5.6 Provisions for uncertain tax positions (Group)

Financial Statement Elements

	FY23	FY22
Uncertain tax positions	**£619m**	£722m

Our assessment of risk vs FY22

	Vs FY22
We have not identified any significant changes to our assessment of the level of risk relating to provisions for uncertain tax positions compared to FY22.	◀▶

Independent Auditor's Report continued

5. Key audit matters continued

Our results

FY23: Acceptable	
FY22: 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; and
- the European Commission's ongoing State Aid investigations into transfer pricing ruling practices of certain member states.

Provisions for uncertain tax positions require judgements and estimates to be made 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 have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Group`s financial statements as a whole and possibly many times that amount.

Our response to the risk

Our procedures to address the risk 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.

Historical comparisons: We assessed the historical accuracy of the provisions, with reference to any recent tax authority audits and related results, and we considered the impact on the remaining provision.

Assessing transparency: We assessed the adequacy of the Group's disclosures in notes 1 and 22 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 provisions for uncertain tax positions, including details of our planned substantive procedures and the extent of our control reliance.
- For the provisions for uncertain tax positions, 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 judgement 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 the uncertain tax provisioning to be acceptable (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 88 for details on how the Audit Committee considered provisions for uncertain tax positions as an area of significant attention, page 167 for the accounting policy on uncertain tax positions and note 22 for the financial disclosures.

5.7 Recoverability of the Parent Company's investment in the subsidiary, reckitt benckiser limited (Parent Company)

Financial Statement Elements

	FY23	FY22
Parent company investment	**£15,174m**	£15,078m

Our assessment of risk vs FY22

	Vs FY22
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 FY22.	◀▶

Independent Auditor's Report continued

5. Key audit matters continued

Our results

FY23: Acceptable

FY22: 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 98.7% (FY22: 99.6%) 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`s 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 to address the risk 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 procedure 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, including details of our planned substantive procedures and the extent of our control reliance.
- For the carrying amount, our assessment of whether the conclusion that there is no impairment of the Parent Company's investment in the subsidiary is acceptable.

Our results

We found the Group's conclusion that there is no impairment of its investment in the subsidiary to be acceptable (FY22: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 88 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 204 for the accounting policy on recoverability of the Parent Company's investment in the subsidiary, Reckitt Benckiser Limited, and note 2 of Parent Company accounts for the financial disclosures.

6. 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 the Directors, operational managers, the General Counsel, the Chief Ethics and Compliance Officer and members of the internal audit function to assess whether they have knowledge of any actual, suspected or alleged fraud, as well as inspection of minutes of meetings of the Board, Audit Committee, Executive Committee, Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee, and Annual General Meeting;
- 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 the Group level.

Fraud risks

We assessed that there is an inherent risk that group and component management could make inappropriate accounting entries or have bias when making accounting estimates and judgements. We determined that these risks would most likely manifest themselves in three key areas being:

- Trade spend and other associated accruals may be manipulated to alter the timing of recognition of revenue and profit particularly in light of the investigation commissioned by the Directors in two Middle Eastern markets that identified an understatement of trade spend accruals;
- Management bias in the estimation of the recoverable amount of the IFCN and Biofreeze CGUs in response to possible pressures to realise value from significant acquisitions;
- Management bias when applying judgement in relation to accounting treatment of the purchase of the non-controlling interest in RB Manon, where there may be bias in respect of the allocation of the total amount payable between equity and transition services to minimise future income statement impact.

Independent Auditor's Report continued

6. Our ability to detect irregularities, and our response continued

As required by auditing standards, and after considering the impact of the Group's results against performance targets, we performed procedures to address the risk of management override of controls, the risk of fraudulent revenue recognition, and the risk of management bias associated with estimation of the recoverable amounts of the IFCN and Biofreeze CGUs and the accounting treatment of RB Manon transaction.

Link to KAMs

Further detail in respect of the fraud risks is set out in the key audit matter disclosures 5.1, 5.2, 5.3 and 5.4 in section 5 of this report.

Procedures to address fraud risks

We also 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.
- For all components within scope, additional procedures to incorporate an element of unpredictability, in relation to trade spend and other associated accruals.

As a result of the investigation commissioned by the Directors in two Middle Eastern markets that identified an understatement of trade spend accruals (and explained by the Directors on page 93, we considered the implications for our audit. To address the additional specific fraud risk identified in a small number of components we:

- Reduced materiality in the two impacted full scope components' audits by 50% and performance materiality from 75% to 50%.
- Performed incremental procedures over net revenue in the impacted components and three other full scope components across the Group, to address the possible risk of contagion.
- Identified a further Middle Eastern component that was not previously in scope for the group audit and carried out specified procedures over net revenue in that component.

Actual or suspected fraud discussed with the Audit Committee

We discussed with the Audit Committee matters relating to actual or suspected fraud, which included the results of the investigation commissioned by the Directors in two Middle Eastern markets that identified an understatement of trade spend accruals (as explained by the Directors on page 93 and the results of our related procedures.

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.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 statements items.

Most significant indirect law/regulation areas

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.

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;

Independent Auditor's Report continued

6. Our ability to detect irregularities, and our response continued

- 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;
- Intellectual property legislation, reflecting the potential of the Group to infringe trademarks, copyright and patents; and
- Environmental regulation, reflecting the nature of the Group's production and distribution process.

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.

Link to KAMs

Further detail in respect of the effect of ongoing litigations relating to NEC in the United States and the HS Law Amendment in South Korea is set out in the key audit matter disclosures 5.4 in section 5 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 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. 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.

£140m
(FY22: £130m)
Materiality for the Group`s financial statements as a whole

What we mean

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

Basis for determining materiality and judgements applied

Materiality for the Group`s financial statements as a whole was set at £140m (FY22: £130m). This was determined with reference to a benchmark of normalised profit before tax from continuing operations ("PBTCO"). When using a benchmark of normalised profit before tax to determine overall materiality, our approach for listed entities considers a guideline range of 3% – 5% of the measure. In setting overall group materiality, we applied a percentage of 4.5% (FY22: 4.1%) to the benchmark.

Consistent with FY22, we determined that normalised PBTCO remains the most appropriate 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 (FY22: normalised PBTCO) by adding back adjustments that do not represent the normal, continuing operations of the Group. The items we adjusted for were impairment of goodwill and other adjusting items as disclosed on page 226 in the table reconciling the Group's IFRS measures to its adjusted measures for the year ended 31 December 2023, totalling £695 million net (FY22: £90 million, adjustments related to the impairment of goodwill, and other adjusting items as disclosed on pages 226.

Materiality for the Parent Company`s financial statements as a whole was set at £70m (FY22: £65m), determined with reference to a benchmark of Parent Company total assets of which it represents 0.46% (FY22: 0.45%). 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.

£105m
(FY22: £85m)
Performance materiality

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 75% (FY22: 65%) of materiality for Reckitt Benckiser Group`s financial statements as a whole to be appropriate.

Independent Auditor's Report continued

7. Our determination of materiality continued

The Parent Company performance materiality was set at £52m (FY22: £49m), which equates to 75% (FY22:75%) of materiality for the Parent Company`s financial statements as a whole.

Performance materiality was set at 75% of components` materiality for all full scope components, with the exception of two Middle East components where the performance materiality was set at 50% of materiality (as described in section 6).

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk. In FY22, we applied a lower percentage in our determination of group performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

£6m
(FY22: £5m)
Audit misstatement posting threshold

What we mean

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

This is also the amount above which all misstatements identified are communicated to 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 4.3% (FY22: 3.9%) of our materiality for the Group`s 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`s financial statements of £140m (FY22: £130m) compares as follows to the main financial statement caption amounts:

	Net revenue		Profit before tax		Total assets	
	FY23	FY22	FY23	FY22	FY23	FY22
Financial statement Caption	**£14,607m**	£14,453m	**£2,401m**	£3,067m	**£27,136m**	£28,742m
Group Materiality as % of caption	**1.0%**	0.9%	**6.2%**	4.2%	**0.5%**	0.5%

8. The scope of our audit

Group scope

What we mean

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

The Group has 380 (FY22: 406) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group`s financial statements as a whole.

We determined individually financially significant components as those contributing at least 10% (2022: 10%) of revenue or total assets. We selected revenue and total assets because these are the most representative of the relative size of the components. We identified 1 (2022: 1) component as individually financially significant component and performed a full scope audit on this component.

In addition, to enable us to obtain sufficient appropriate audit evidence for the Group`s financial statements as a whole, we selected 51 (2022: 52) components on which to perform full scope audits.

We subjected 2 (2022: 1) components to specified audit procedures. We carried out procedures over expenses for one component that was not individually significant but was included in the scope of our work on the Group's financial statements in order to provide further coverage over the Group's results. Additionally, following the investigation in the Middle East described in section 6, we carried out specified procedures over net revenue and trade receivables for a component that was not previously in scope.

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

Scope	Number of components	Range of materiality	Percentage of the Group's net revenue	Percentage of the Group's profit before tax	Percentage of he Group's total assets
Full Scope	52 (53)	£8m to £75m (£8m to £75m)	80% (79%)	67% (68%)	86% (85%)
Specified procedures	2 (1)	£40m to £65m (£64m)	1% (0%)	11% (9%)	1% (0%)
Total	54 (54)	£8m to £75m (£8m to £75m)	81% (79%)	78% (77%)	87% (85%)

The remaining 19% (2022: 21%) of net revenue, 22% (2022: 23%) of total profits and losses that made up profit before tax and 14% (2022: 15%) of total assets is represented by 326 (2022: 354) reporting components, none of which individually represented more than 2% (2022: 2%) of any of total group revenue, total profits and losses that made up group profit before tax or total group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 50 of the 54 components (2022: 51 of the 54 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the group audit team.

The components within the scope of our work accounted for the percentages illustrated in section 2 – Group Scope.

Independent Auditor's Report continued

8. The scope of our audit continued

The group audit team has also performed audit procedures on the following areas on behalf of the components:

- Testing of IT Systems
- Items excluded from normalised group PBTCO; and
- Testing of revenue recorded through a common service provider

IT systems and part of revenue are managed centrally, and items excluded from normalised group PBTCO are adjusted at group level. Therefore, these items were audited by the group audit team. The group audit team communicated the results of these procedures to the component teams where relevant.

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

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.

The group audit team physically visited 18 countries in November and December 2023 to attend management balance sheet reviews ahead of the year end (2022: 19). The group team also attended four meetings virtually. In addition, the group audit team held an Auditor's Global Conference in London attended by partners and managers for 50 in-scope components, where the use of Data and Analytics, updates to group level significant risks, the Group's internal controls transformation and FY23 audit strategy were discussed:

We had regular contact with our component auditors throughout the year, including issuing instructions to components auditors on the scope of their work, risk assessment and challenge meetings at planning and final phases of the audit and inspection of component audit teams' key working papers within the component audit files.

Additionally, in relation to the fraud identified in the Middle East the group audit team worked closely with and made requests of the Group's Ethics and Compliance team and external legal counsel leading the investigation, supported by our own forensics specialists. We subjected the two Middle East in-scope components to additional procedures, which were directed and overseen by the group audit team

The group audit team, including the Group Engagement Partner, were in daily communication with the Middle East components throughout the investigation and a supplemental physical visit to the region was undertaken in March 2024 to perform further in-depth review of their audit files, along with further discussions with the component teams and regional management.

9. 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;

Independent Auditor's Report continued

9. Other information in the Annual Report continued

- 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.

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.

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's 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.

10. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 137, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, 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

21 March 2024

Group Income Statement

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
CONTINUING OPERATIONS			
Net Revenue	2	**14,607**	14,453
Cost of sales		**(5,847)**	(6,092)
Gross profit		**8,760**	8,361
Impairment of goodwill		**(810)**	(167)
Other operating expenses		**(5,419)**	(4,945)
Net operating expenses	3	**(6,229)**	(5,112)
Operating profit	2	**2,531**	3,249
Finance income	6	**210**	130
Finance expense	6	**(340)**	(291)
Impairment of equity-accounted investments	11	**–**	(19)
Share of loss of equity-accounted investments, net of tax	11	**–**	(2)
Profit before income tax		**2,401**	3,067
Income tax charge	7	**(753)**	(711)
Net profit from continuing operations		**1,648**	2,356
Net profit/(loss) from discontinued operations	32	**9**	(7)
Net profit		**1,657**	2,349
Attributable to non-controlling interests		**14**	19
Attributable to owners of the parent company		**1,643**	2,330
Net profit		**1,657**	2,349
Basic earnings/(loss) per ordinary share			
From continuing operations (pence)	8	**227.9**	326.7
From discontinued operations (pence)	8	**1.3**	(1.0)
From total operations (pence)	8	**229.2**	325.7
Diluted earnings/(loss) per ordinary share			
From continuing operations (pence)	8	**227.4**	325.7
From discontinued operations (pence)	8	**1.3**	(1.0)
From total operations (pence)	8	**228.7**	324.7

Group Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Net profit		**1,657**	2,349
Other comprehensive income/(expense)			
Items that have or may be reclassified to the Income Statement in subsequent years			
Net exchange (loss)/gain on foreign currency translation, net of tax	7, 26	**(639)**	1,065
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	7, 26	**(131)**	(56)
Gains/(losses) on net investment hedges, net of tax	7, 26	**42**	(115)
Fair value (losses) on cash flow hedges, net of tax	7, 26	**(16)**	(32)
Reclassification of cash flow hedges to the income statement	7, 26	**(23)**	34
		(767)	896
Items that will not be reclassified to the Income Statement in subsequent years			
Remeasurements of defined benefit pension plans, net of tax	7	**(26)**	24
Revaluation of equity instruments – FVOCI, net of tax	7	**(10)**	(87)
		(36)	(63)
Other comprehensive (expense)/income, net of tax		**(803)**	833
Total comprehensive income		**854**	3,182
Attributable to non-controlling interests		**13**	20
Attributable to owners of the parent company		**841**	3,162
Total comprehensive income		**854**	3,182
Total comprehensive income attributable to owners of the parent company arising from:			
Continuing operations		**832**	3,169
Discontinued operations		**9**	(7)
		841	3,162

Group Balance Sheet

As at 31 December 2023

	Note	2023 £m	2022 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**18,588**	20,203
Property, plant and equipment	10	**2,399**	2,473
Equity instruments	11	**118**	86
Deferred tax assets	12	**287**	244
Retirement benefit surplus	23	**270**	294
Other non-current receivables	14	**172**	157
Total non-current assets		**21,834**	23,457
Current assets			
Inventories	13	**1,637**	1,825
Trade and other receivables	14	**2,062**	2,082
Derivative financial instruments	15, 17	**64**	59
Current tax recoverable		**80**	155
Cash and cash equivalents	16	**1,387**	1,157
Assets held for sale	31	**72**	7
Total current assets		**5,302**	5,285
Total assets		**27,136**	28,742
LIABILITIES			
Current liabilities			
Short-term borrowings	17	**(1,679)**	(1,721)
Provisions for liabilities and charges	18	**(142)**	(227)
Trade and other payables	21	**(5,506)**	(5,547)
Derivative financial instruments	15, 17	**(78)**	(55)
Share repurchase liability	24	**(296)**	–
Current tax liabilities	22	**(620)**	(791)
Liabilities held for sale	31	**(17)**	–
Total current liabilities		**(8,338)**	(8,341)
Non-current liabilities			
Long-term borrowings	17	**(6,858)**	(7,163)
Deferred tax liabilities	12	**(2,899)**	(3,037)
Retirement benefit obligations	23	**(233)**	(240)
Provisions for liabilities and charges	18	**(57)**	(59)
Derivative financial instruments	15, 17	**(187)**	(249)
Non-current tax liabilities	22	**(28)**	(54)
Other non-current liabilities	21	**(67)**	(116)
Total non-current liabilities		**(10,329)**	(10,918)
Total liabilities		**(18,667)**	(19,259)
Net assets		**8,469**	9,483

	Note	2023 £m	2022 £m
EQUITY			
Capital and reserves			
Share capital	24	**74**	74
Share premium		**254**	254
Merger reserve		**(14,229)**	(14,229)
Other reserves	26	**(1,060)**	(294)
Retained earnings		**23,409**	23,638
Attributable to owners of the parent company		**8,448**	9,443
Attributable to non-controlling interests		**21**	40
Total equity		**8,469**	9,483

The accompanying notes form part of these Financial Statements. The Financial Statements on pages 156 to 200 were approved by the Board of Directors and signed on its behalf on 21 March 2024 by:

Christopher Sinclair
Director
Reckitt Benckiser Group plc

Kris Licht
Director
Reckitt Benckiser Group plc

Group Statement of Changes in Equity

For the year ended 31 December 2023

	Note	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 2022		**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**
Comprehensive income									
Net income		–	–	–	–	1,643	1,643	14	1,657
Other comprehensive expense		–	–	–	(766)	(36)	(802)	(1)	(803)
Total comprehensive (expense)/income		**–**	**–**	**–**	**(766)**	**1,607**	**841**	**13**	**854**
Transactions with owners									
Treasury shares reissued	24	–	–	–	–	48	48	–	48
Purchase of ordinary shares by employee share ownership trust		–	–	–	–	(2)	(2)	–	(2)
Repurchase of ordinary shares	24	–	–	–	–	(503)	(503)	–	(503)
Share-based payments	25	–	–	–	–	102	102	–	102
Tax on share awards	7	–	–	–	–	1	1	–	1
Cash dividends	28	–	–	–	–	(1,339)	(1,339)	(8)	(1,347)
Forward purchase of shares held by non-controlling interest	30	–	–	–	–	(143)	(143)	(24)	(167)
Total transactions with owners		**–**	**–**	**–**	**–**	**(1,836)**	**(1,836)**	**(32)**	**(1,868)**
Balance at 31 December 2023		**74**	**254**	**(14,229)**	**(1,060)**	**23,409**	**8,448**	**21**	**8,469**

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 2023

	Note	2023 £m	2022 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,401**	3,067
Net finance expense	6	**130**	161
Share of loss and impairment of equity-accounted investments	11	**–**	21
Operating profit from continuing operations		**2,531**	3,249
Profit on sale of property, plant and equipment and intangible assets		**(34)**	(82)
Depreciation, amortisation and impairment	9, 10	**1,290**	607
Share-based payments	25	**102**	78
Decrease / (increase) in inventories		**118**	(254)
Increase in trade and other receivables		**(87)**	(23)
Decrease in payables and provisions		**(91)**	(145)
Cash generated from continuing operations		**3,829**	3,430
Interest paid		**(293)**	(243)
Interest received		**30**	34
Tax paid		**(922)**	(831)
Net cash flows attributable to discontinued operations	32	**(8)**	7
Net cash generated from operating activities		**2,636**	2,397
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(348)**	(362)
Purchase of intangible assets	9	**(101)**	(81)
Proceeds from the sale of property, plant and equipment		**63**	84
Proceeds from sale of intangible assets and related businesses, net of cash disposed		**1**	247
Acquisition of businesses, net of cash acquired	29	**(81)**	(12)
Other investing activities		**–**	(15)
Net cash used in investing activities		**(466)**	(139)

	Note	2023 £m	2022 £m
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares reissued	24	**48**	54
Purchase of ordinary shares by employee share ownership trust		**(2)**	–
Repurchase of ordinary shares	24	**(207)**	–
Proceeds from borrowings	17	**1,638**	2,274
Repayment of borrowings	17	**(1,855)**	(3,807)
Dividends paid to owners of the parent company	28	**(1,339)**	(1,249)
Dividends paid to non-controlling interests		**(8)**	(35)
Other financing activities[1]		**(84)**	383
Net cash used in financing activities		**(1,809)**	(2,380)
Net increase / (decrease) in cash and cash equivalents		**361**	(122)
Cash and cash equivalents at beginning of the year		**1,156**	1,259
Exchange (losses) / gains		**(137)**	19
Cash and cash equivalents at end of the year		**1,380**	1,156
Cash and cash equivalents comprise:			
Cash and cash equivalents[2]	16	**1,387**	1,157
Overdrafts	17	**(7)**	(1)
		1,380	1,156

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 £229 million of cash (2022: £276 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 Accounting Standards) 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 2023. These amended standards and interpretations have not had a significant impact on the consolidated Financial Statements.

- 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)
- IFRS 17 Insurance Contracts

On 23 May 2023, the International Accounting Standards Board issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The Group has applied the mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two rules set out therein.

The following new and amended standards are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted the new or amended standards, where applicable, in preparing these consolidated Financial Statements. These amendments are not expected to have a material impact on the Group in the current or future reporting periods:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier financing arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of exchangeability (Amendments to IAS 21)
- Non-current liabilities with covenants (Amendments to IAS 1)

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 2023, the Group had cash and cash equivalents (excluding restricted cash) 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 61 and within the liquidity disclosures in Note 15.

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, in particular in relation to impairment testing of intangible assets. These factors have not had a significant effect on the Group's critical accounting estimates and judgments made with respect to the current year.

Notes to the Financial Statements continued

1 Accounting Policies continued

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.

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.

Notes to the Financial Statements continued

1 Accounting Policies continued

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 finance income in the Income Statement.

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 profit 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.

Notes to the Financial Statements continued

1 Accounting Policies continued

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.

(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.

Notes to the Financial Statements continued

1 Accounting Policies continued

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.

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.

Notes to the Financial Statements continued

1 Accounting Policies continued

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.

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.

Notes to the Financial Statements continued

1 Accounting Policies continued

Employee share schemes

Incentives in the form of shares are provided to employees under equity-settled share option and restricted share schemes, which have various combinations of market-based and non-market performance conditions, service conditions, and non-vesting conditions.

The fair value determined at the award grant date takes into account the probability of any relevant market-based performance conditions and non-vesting conditions being satisfied and is subsequently expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. This estimate takes into account the expected outcome for relevant non-market performance conditions and service conditions but assumes satisfaction of all market-based performance conditions and non-vesting conditions. 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.

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.

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.

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.

Notes to the Financial Statements continued

1 Accounting Policies continued

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 made judgments relating to the allocation of consideration between the different elements in the forward contract to purchase the non-controlling interest in RB Manon as outlined in Note 30;
- management has identified matters (including the Korea Humidifier Sanitiser, Necrotizing Enterocolitis and Phenylephrine 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); and
- 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).

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.

The recoverability of the Group's goodwill and indefinite-lived intangible assets in relation to IFCN 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 liability for 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 2023 are £619 million (2022: £722 million) (Note 22).

Notes to the Financial Statements continued

1 Accounting Policies continued

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 2023, the Group recognised total accruals of £1,125 million (2022: £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 13% (2022: 11%) 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 2023, adjustments to trade spend accruals as at 31 December 2022, due to changes in accounting estimates, were £132 million (2022: £110 million adjustment to trade spend accruals as at 31 December 2021, due to changes in accounting estimates).

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 2023, the Group recognised legal provisions of £137 million (2022: £221 million) in relation to a number of historical regulatory and other matters in various jurisdictions.

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 2023 and 31 December 2022 is as follows:

Year ended 31 December 2023	**Hygiene £m**	**Health £m**	**Nutrition £m**	**Adjusting items £m**	**Total £m**
Net revenue	**6,135**	**6,062**	**2,410**	**–**	**14,607**
Depreciation and amortisation (Note 9 & 10)	**(155)**	**(193)**	**(96)**	**(26)**	**(470)**
Operating profit	**1,236**	**1,690**	**447**	**(842)**	**2,531**
Net finance expense					**(130)**
Profit before income tax					**2,401**
Income tax charge					**(753)**
Net profit from continuing operations					**1,648**

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 profit from continuing operations					2,356

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, which includes in the year to 31 December 2023 the £810 million impairment of IFCN goodwill (see Note 9) is included on pages 223-227.

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:

2023	UK £m	US £m	All other countries £m	Total £m
Net Revenue	**886**	**4,538**	**9,183**	**14,607**
Goodwill and other intangible assets	**1,903**	**9,646**	**7,039**	**18,588**
Property, plant and equipment	**290**	**768**	**1,341**	**2,399**
Other non-current receivables (excluding Derivative financial instruments)	**12**	**18**	**92**	**122**

2022	UK £m	US £m	All other countries £m	Total £m
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

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 (2022: no individual more than 10% of revenue).

3 Analysis of Net Operating Expenses

	2023 £m	2022 £m
Distribution costs	**(3,703)**	(3,438)
Research and development costs	**(337)**	(325)
Other administrative expenses	**(1,382)**	(1,205)
Impairment of goodwill	**(810)**	(167)
Gain on disposal of intangible assets and related businesses	**–**	14
Other net operating income	**3**	9
Net operating expenses	**(6,229)**	(5,112)

Other administrative expenses includes a net foreign exchange loss of £6 million (2022: loss of £13 million). In 2023, Other administrative expenses includes a gain of £36 million (2022: £59 million) relating to property disposals.

Impairment of goodwill of £810 million in 2023 relates to the IFCN business, which comprises the Nutrition operating segment. The impairment of goodwill in 2022 of £167 million 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:

	2023 £m	2022 £m
Audit services pursuant to legislation		
Audit of the Group's Annual Report and Financial Statements	**8.9**	8.4
Audit of the Financial Statements of the Group's subsidiaries	**10.5**	11.1
Audit-related assurance services	**0.9**	0.8
Total audit and audit-related services	**20.3**	20.3
Fees payable to the company's Auditor and its associates for other services		
Other assurance services	**0.4**	2.7
Total non-audit services	**0.4**	2.7
	20.7	23.0

5 Employee Costs

Total employee costs, including those for Directors, were:

	Note	2023 £m	2022 £m
Wages and salaries		**2,126**	1,988
Social security costs		**281**	281
Other pension costs	23	**60**	61
Share-based payments	25	**102**	78
Total staff costs		**2,569**	2,408

Executive and Non-Executive Directors' aggregate emoluments are disclosed on pages 100-132 of the Directors' Remuneration Report. Compensation awarded to key management (defined as the members of the Group Executive Committee and the Non-Executive Directors) was:

	2023 £m	2022 £m
Short-term employee benefits	**31**	26
Post-employment and other long-term benefits	**–**	–
Share-based payments	**22**	15
	53	41

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:

	2023 '000	2022 '000
North America	**5.2**	5.1
Europe/ANZ	**14.2**	14.3
Rest of world	**20.7**	20.6
	40.1	40.0

6 Net Finance Expense

	2023 £m	2022 £m
Finance income		
Foreign exchange net gain on liquidation of subsidiaries	**130**	69
Interest income on cash and cash equivalents	**41**	29
Pension net finance income	**8**	5
Foreign exchange gains on intercompany financing, net of hedging	**21**	–
Finance income on tax balances	**–**	26
Other finance income	**10**	1
Total finance income	**210**	130
Finance expense		
Interest payable on borrowings	**(295)**	(233)
Foreign exchange losses on intercompany financing, net of hedging	**–**	(24)
Finance expense on tax balances	**(22)**	–
Other finance expense	**(23)**	(34)
Total finance expense	**(340)**	(291)
Net finance expense	**(130)**	(161)

As a result of the simplification of the Group's legal entity structure, a number of entities were liquidated. Upon liquidation, the cumulative foreign exchange reserves were recycled to the Income Statement, resulting in a net foreign exchange gain of £130 million (2022: a net foreign exchange gain of £69 million).

7 Income Tax Expense

	2023 £m	2022 £m
Current tax	**783**	766
Adjustment in respect of prior periods	**22**	(23)
Total current tax	**805**	743
Origination and reversal of temporary differences	**(51)**	(20)
Impact of changes in tax rates	**(1)**	(5)
Total deferred tax	**(52)**	(25)
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	**–**	(7)
Income tax charge	**753**	711

Current tax includes tax incurred by UK entities of £108 million (2022: £177 million). This is comprised of UK corporation tax of £63 million (2022: £126 million) and overseas tax suffered of £45 million (2022: £51 million). UK current tax is calculated at 23.5% (2022: 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 £922 million (2022: £831 million). The variance from the current year tax charge of £783 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 £11 million expense (2022: £19 million benefit).

Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement is £nil (2022: £7 million). This balance relates to deferred tax on assets disposed in 2022 (see Note 29).

Notes to the Financial Statements continued

7 Income Tax Expense continued

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

Continuing operations	2023 £m	2022 £m
Profit before income tax	**2,401**	3,067
Tax at the notional UK corporation tax rate of 23.5% (2022: 19%)	**564**	583
Effect of:		
Overseas tax rates	**43**	114
Movement in provision related to uncertain tax positions	**(50)**	(58)
Net impact of divestments and assets reclassified to held for sale	**(6)**	(25)
Unrecognised tax losses, other unrecognised tax assets and deferred tax liability on unremitted earnings	**(34)**	71
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	**–**	(7)
Withholding and local taxes	**30**	47
Reassessment of prior year estimates	**33**	(42)
Impact of changes in tax rates	**(1)**	(5)
Non-taxable foreign exchange gain arising from legal entity simplification (Note 6)	**(31)**	(13)
Non-deductible impairment of goodwill	**190**	28
Other permanent differences	**15**	18
Income tax charge	**753**	711

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.

The Group is within the scope of the OECD Pillar Two rules which take effect on 1 January 2024. The UK government substantively enacted legislation on 20 June 2023 that translated the Pillar Two rules into UK law. The impact of the Pillar Two rules is not expected to be in excess of a 0.5% increase to the Group's Effective Tax Rate. This excludes the effect of changes to tax rates introduced by countries in response to the Pillar Two rules.

The Group has applied the temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules as set out in 'International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)' issued by the IASB in May 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 UK tax rate increased from 19% to 25% on 1 April 2023. The 2023 rate of 23.5% represents the blended UK tax rate over the 12 month period to 31 December 2023.

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 2023 impact of non-deductible goodwill impairment is attributable to IFCN. The 2022 impact related to non-deductible goodwill impairment attributable to Biofreeze.

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 (2022: 25%).

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.

There have been no substantive updates to the EC State Aid matters referred to in the 2022 notes to the financial statements.

Notes to the Financial Statements continued

7 Income Tax Expense continued

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

	2023			2022		
	Before tax £m	**Tax (charge)/ credit £m**	**After tax £m**	Before tax £m	Tax (charge)/ credit £m	After tax £m
Net exchange (losses)/gains on foreign currency translation	**(639)**	**–**	**(639)**	1,065	–	1,065
Reclassification of foreign currency translation reserves on disposals or liquidation of foreign operations	**(131)**	**–**	**(131)**	(56)	–	(56)
Gains/(losses) on cash flow and net investment hedges	**14**	**(11)**	**3**	(112)	(1)	(113)
Remeasurement of defined benefit pension plans (Note 23)	**(42)**	**16**	**(26)**	29	(5)	24
Revaluation of equity instruments	**(10)**	**–**	**(10)**	(109)	22	(87)
Other comprehensive (expense)/income	**(808)**	**5**	**(803)**	817	16	833
Current tax		**–**			13	
Deferred tax (Note 12)		**5**			3	
		5			16	

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

	2023 £m	2022 £m
Current tax	**1**	(1)
	1	(1)

8 Earnings Per Share

	2023 pence	2022 pence
Basic earnings per share		
From continuing operations	**227.9**	326.7
From discontinued operations	**1.3**	(1.0)
Total basic earnings per share	**229.2**	325.7
Diluted earnings per share		
From continuing operations	**227.4**	325.7
From discontinued operations	**1.3**	(1.0)
Total diluted earnings per share	**228.7**	324.7

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent company from continuing operations (2023: £1,634 million income, 2022: £2,337 million income) and discontinued operations (2023: £9 million income; 2022: £7 million loss) by the weighted average number of ordinary shares in issue during the year (2023: 716,700,954; 2022: 715,284,629).

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 Restricted Share Scheme 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 the balance sheet date. As at 31 December 2023, there were 15,150,221 (2022: 14,219,133) 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.

	2023 average number of shares	2022 average number of shares
On a basic basis	**716,700,954**	715,284,629
Dilution for Executive Share Awards	**1,368,088**	1,858,996
Dilution for Employee Sharesave Scheme Options	**214,492**	350,982
On a diluted basis	**718,283,534**	717,494,607

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 2022	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**
Additions	–	–	101	–	101
Arising on business combinations	–	17	–	39	56
Disposals	(1)	–	–	–	(1)
Reclassification from tangible fixed assets	–	–	4	–	4
Reclassifications to held for sale	(124)	–	–	–	(124)
Exchange adjustments	(583)	(660)	(5)	(4)	(1,252)
At 31 December 2023	**13,817**	**10,393**	**753**	**313**	**25,276**
Accumulated amortisation and impairment					
At 1 January 2022	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**
Amortisation	20	–	79	8	107
Impairment	–	810	2	–	812
Disposals	(1)	–	–	–	(1)
Reclassifications to held for sale	(77)	–	–	–	(77)
Exchange adjustments	(10)	(422)	(4)	(6)	(442)
At 31 December 2023	**311**	**5,815**	**412**	**150**	**6,688**
Net book value					
At 31 December 2022	**14,146**	**5,609**	**318**	**130**	**20,203**
At 31 December 2023	**13,506**	**4,578**	**341**	**163**	**18,588**

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 £88 million (2022: £40 million).

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

Acquisition	Acquisition year	2023 £m	2022 £m
Mead Johnson Nutrition Company	2017	**4,480**	4,740
SSL International	2010	**1,847**	1,918
Boots Healthcare International	2006	**1,405**	1,440
Adams Respiratory Therapeutics	2008	**1,210**	1,275
Schiff Nutrition International	2012	**1,032**	1,088
L&F Household	1994	**834**	877
Lanai Holdings	2021	**644**	680
American Home Products Corporation	1990	**439**	459
Bristol-Myers Squibb OTC	2013	**362**	338
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	2023 £m	2022 £m
Indefinite life assets		
Brands	**13,415**	14,034
Goodwill	**4,578**	5,609
Other	**107**	65
Total indefinite life assets	**18,100**	19,708
Finite life assets		
Brands	**91**	112
Software	**341**	318
Other	**56**	65
Total finite life assets	**488**	495
Total net book value of intangible assets	**18,588**	20,203

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.

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

	2023		
GCGU/CGU	Indefinite life assets £m	Goodwill £m	Total £m
Health[1]	**7,258**	**3,849**	**11,107**
Hygiene	**1,844**	**45**	**1,889**
IFCN	**4,420**	**684**	**5,104**
	13,522	**4,578**	**18,100**

1. Indefinite lived intangible assets and goodwill for VMS, and goodwill for Biofreeze, were transferred to the Health GCGU in 2023

	2022		
GCGU/CGU	Indefinite life assets £m	Goodwill £m	Total £m
Health	5,779	3,556	9,335
Hygiene	1,924	45	1,969
IFCN	4,661	1,570	6,231
VMS[1]	1,089	277	1,366
Biofreeze[1]	646	161	807
	14,099	5,609	19,708

Within the Health GCGU, the cash flows associated with Intimate Wellness and Biofreeze brands are separately identifiable. As a result, the carrying values of these indefinite life assets have been tested for impairment as separate CGUs. This is in addition to the impairment testing performed over the Health GCGU.

Indefinite life assets excluding goodwill	2023 £m	2022 £m
Intimate Wellness	**2,143**	2,213
Biofreeze	**613**	646

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 and Hygiene GCGUs, and the Intimate Wellness and Biofreeze CGUs, as at 31 December 2023 any reasonably possible change in the key valuation assumptions would not imply possible impairment. The recoverable amount for each of these GCGUs and CGU was determined utilising the value-in-use basis (2022: value-in-use basis) with key assumptions including a pre-tax discount rate of 11% for Health, Hygiene and Intimate Wellness (2022: 9% for Health, Hygiene and Intimate Wellness with 10% for VMS), 11% for Biofreeze (2022: 12%) and a terminal growth rate of either 2.5% for Health, Intimate Wellness and Biofreeze (2022: 2.5% for Health, Intimate Wellness, Biofreeze and VMS), or 2% for Hygiene (2022: 2%).

IFCN

Since the disposal of the IFCN China business in September 2021, the IFCN CGU has represented the Group's remaining IFCN business principally in North America, Latin America and ASEAN. In impairment assessments conducted in both 2021 and 2022, management determined that the recoverable amount of IFCN was higher than its' carrying value such that no impairment was required.

Notes to the Financial Statements continued

9 Goodwill and Other Intangible Assets continued

During 2023 the market environment for IFCN continued to be influenced by the infant formula supply shortages in the US which resulted from the temporary closure of a major factory belonging to a competitor. The infant formula supply shortages have resulted in an evolving regulatory environment, which developed over the course of 2023. Compliance with enhanced regulatory requirements is expected to increase the capital requirement for the IFCN business and to impact the cost of manufacture in future periods.

As a result of these regulatory factors which developed over the course of 2023, and to incorporate the effect of higher interest rates, management has increased the pre-tax discount rate used to determine the value-in-use of the IFCN CGU.

This resulted in the IFCN net book value exceeding its recoverable amount, therefore management has recorded an impairment loss against IFCN goodwill of £810 million to record the IFCN CGU at its recoverable amount of £4,615 million.

The recoverable amount for IFCN has been calculated on a value-in-use basis (2022: value-in-use basis). The value-in-use of IFCN was determined utilising a discounted cash flow approach with future cash flows derived from a detailed five-year financial plan. Cash flows beyond the five-year plan are projected using a terminal growth rate. The valuation used a pre-tax discount rate of 11% (2022: 9%) and an IFCN specific terminal growth rate of 2.0% (2022: 2.0%).

The determination of the recoverable amount for IFCN at 31 December 2023 incorporates certain assumptions, some of which are subject to considerable uncertainty. These assumptions include but are not limited to the costs of complying with the evolving regulatory landscape, the level at which US market shares stabilise, net revenue growth rates, the commercial success of new product launches and the expansion of specialty nutrition. The value in use does not include any possible net cash outflows in respect of current and future NEC litigation (note 20 and 33). As no headroom exists between the IFCN recoverable amount and net book value, any changes to these assumptions (including relating to the NEC litigation), or any deterioration in other macro or business-level assumptions supporting the IFCN recoverable amount could necessitate the recognition of impairment losses in future periods.

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

	2023
Pre-tax discount rate	11%
Terminal growth rate	2.0%
Net revenue compound annual growth rate (CAGR) for the period 2023-2028[1]	1.5%
Gross margin CAGR for the period 2023-2028	2.2%

1. The net revenue CAGR for the period 2024-2028 is circa 4%, following rebasing of Nutrition net revenue in 2024

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

Key estimates	Commentary
Market	In the US, management expects birth rates to be relatively stable. Tendering for WIC contracts continues to be highly competitive. Within LATAM and ASEAN, management expects conditions to stabilise after recent inflationary price increases.
Net Revenue	In the short to medium term, the valuation model assumes a five-year CAGR of 1.5%. This is expected to be achieved through ongoing premiumisation, inflationary price increases and revenues from new products/category launches including the expansion of speciality nutrition.
Margins	In the short to medium term, the valuation model assumes IFCN margins (both gross and operating) to increase over the medium term as IFCN drives efficiencies and improved product mix.
Discount rate	Management determined an IFCN-specific weighted average cost of capital (WACC) and the implied pre-tax discount rate with the support of a third-party expert. In addition, management performed benchmarking against other comparable companies.
Terminal growth rate	Management engaged a third-party expert to help calculate an IFCN-specific 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 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.

	2023 £m
Expected Net Revenue growth rates (2024 to 2028) adjusted by 100bps	+410/-400
Expected EBIT growth rates (2024 to 2028) adjusted by 100bps	+/-260
Terminal growth rate (applied from 2029) adjusted by 50bps	+290/-250
Pre-tax discount rate adjusted by 50bps	+270/-240

Notes to the Financial Statements continued

9 Goodwill and Other Intangible Assets continued

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.

During 2022, Biofreeze performed below expectations following a short-term category slowdown, in part due to macroeconomic conditions. This underperformance, together with the macroeconomic environment, introduced additional uncertainty into future Biofreeze cash flows. To reflect this uncertainty, management 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 in 2022 management recorded a goodwill impairment of £152 million to record Biofreeze at its recoverable amount of £698 million ($843 million). Following this impairment, at 31 December 2022 no headroom remained between the Biofreeze recoverable amount and net book value.

During the second half of 2023, the integration of Biofreeze into the Health business was completed. Following this integration, Biofreeze goodwill is monitored at the Health GCGU level and Biofreeze goodwill has accordingly been transferred to the Health GCGU. An impairment review of the Biofreeze CGU inclusive of goodwill was performed immediately prior to the transfer of the goodwill, with this review performed as at 30 September 2023. Biofreeze goodwill was deemed recoverable immediately prior to transfer to the Health GCGU.

The recoverable amount for the Biofreeze CGU 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 in the 2023 impairment assessment 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.

The key assumptions used in the estimation of value-in-use of Biofreeze at 30 September 2023 and 31 December 2022 are outlined below:

	30 September 2023
Pre-tax discount rate	11%
Terminal growth rate	2.5%
Net revenue compound annual growth rate (CAGR) for the period 2023-2028	11%
Gross margin CAGR for the period 2023-2028	12%

	31 December 2022
Pre-tax discount rate	12%
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%

They key estimates incorporated within the determination of the Biofreeze recoverable amount at 30 September 2023 and 31 December 2022 are summarised below:

Key estimates	Commentary
Net Revenue	In the short to medium term, the valuation model assumes a five-year CAGR of 11% (2022: 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 Biofreeze benefits from productivity initiatives on integrating into Reckitt. In the year ended 31 December 2022, there were temporary factors which negatively impacted margins.
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.
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.

Notes to the Financial Statements continued

9 Goodwill and Other Intangible Assets continued

The table below shows the percentage movement in the 2023 key assumptions that (individually) would be required to reach the point at which the Biofreeze value in use approximates its carrying value.

	30 September 2023
Expected Net Revenue growth rates (2024-2028)	180bps decrease
Expected EBIT growth rates (2024-2028)	290bps decrease
Terminal growth rate	100bps decrease
Pre-tax discount rate	100bps increase

VMS

During the year to 31 December 2023 the integration of VMS into the Health GBU was completed, and as a result the VMS indefinite lived intangible assets and goodwill were included in the Health GCGU. Prior to integration an impairment review was performed. No separate impairment review for VMS has therefore been performed at 31 December 2023. In the year to 31 December 2022 the recoverable amount of the VMS CGU was determined utilising the value-in-use basis with key assumptions including a pre-tax discount rate of 10%, and a terminal growth rate of 2.5%.

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 2022	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**
Additions	13	38	56	301	408
Disposals	(17)	(48)	(53)	(6)	(124)
Reclassifications (including held for sale)	92	231	11	(349)	(15)
Exchange adjustments	(34)	(59)	(27)	(11)	(131)
At 31 December 2023	**1,463**	**2,530**	**567**	**329**	**4,889**
Accumulated depreciation and impairment					
At 1 January 2022	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**
Charge for the year	68	199	96	–	363
Disposals	(16)	(42)	(28)	–	(86)
Impairment	4	4	–	–	8
Reclassifications (including held for sale)	(1)	(3)	–	–	(4)
Exchange adjustments	(16)	(41)	(11)	(1)	(69)
At 31 December 2023	**595**	**1,628**	**263**	**4**	**2,490**
Net book value					
As at 31 December 2022	**853**	**857**	**374**	**389**	**2,473**
As at 31 December 2023	**868**	**902**	**304**	**325**	**2,399**

Notes to the Financial Statements continued

10 Property, Plant and Equipment continued

At 31 December 2023, the Group's right of use assets included land and buildings of £276 million (2022: £350 million) and other assets of £28 million (2022: £24 million). The depreciation charged on the right of use assets comprises £82 million (2022: £70 million) on the land and buildings and £14 million (2022: £13 million) on the other assets.

At 31 December 2023, the Group has commitments to purchase property, plant and equipment of £69 million (2022: £76 million).

11 Equity Instruments

	2023				2022			
	Equity method £m	Fair value through profit or loss £m	Fair value through other comprehensive income £m	Total £m	Equity method £m	Fair value through profit or loss £m	Fair value through other comprehensive income £m	Total £m
Equity investments	–	45	69	114	–	–	82	82
Investments in associates	4	–	–	4	4	–	–	4
	4	45	69	118	4	–	82	86

Equity investments at 31 December 2023 and 2022 is composed of a number of listed and unlisted equity investments in which the Group has a minority stake.

In 2023, equity investments includes investments of £45 million principally in equity mutual funds which are made in the name of the Group, but the proceeds of which are provided to employees as part of their compensation arrangements. In 2022 these equity investments were previously included in non-current receivables. The related liability is included in other non-current liabilities (Note 21).

The Group also holds a number of individually immaterial investments in associates over which it exercises a significant influence. In 2023, there are no impairments and gains or losses associated with equity accounted investments are less than £1 million. In 2022, investments accounted for using the equity method relate predominantly to the Group's investment in Your.MD AS (trading as Healthily) which was fully impaired. In 2022, the Group's share of the result of Healthily amounted to a loss of £2 million and the Group recognised an impairment charge of £19 million within the Group Income Statement with respect to this investment.

12 Deferred Tax

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 2023	(54)	(3,274)	503	46	(14)	(2,793)
Credited/(charged) to the Income Statement	(10)	11	39	19	(7)	52
Credited/(charged) to other comprehensive income	–	–	(11)	–	16	5
Arising on business combinations	–	–	(1)	–	–	(1)
Exchange differences	4	142	(19)	(1)	(1)	125
At 31 December 2023	**(60)**	**(3,121)**	**511**	**64**	**(6)**	**(2,612)**

2023	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets	**16**	**(38)**	**237**	**62**	**10**	**287**
Deferred tax liabilities	**(76)**	**(3,083)**	**274**	**2**	**(16)**	**(2,899)**
Deferred tax	**(60)**	**(3,121)**	**511**	**64**	**(6)**	**(2,612)**

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 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	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
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 assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

Unrecognised deferred tax assets

The Group has reviewed its treatment of unrecognised corporation tax losses subject to recapture and will now disclose these amounts in the notes to the financial statements, resulting in the disclosure of incremental losses totalling £1,889 million gross at 31 December 2023. The amount of unrecognised corporation tax losses subject to recapture that were not included in the disclosure at 31 December 2022 was £1,736 million gross.

Deferred tax assets on certain corporation tax losses and other short term temporary differences totalling £4,734 million gross (2022: £3,029 million gross) have not been recognised at 31 December 2023 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 2023 is £7,833 million (2022: £7,630 million).

Deferred tax on short-term temporary differences of £511 million (2022: £503 million) are comprised of accrued expenses deductible for tax on a cash basis of £404 million (2022: £418 million), other short–term temporary differences of £140 million (2022: £143 million) and net of deferred tax liabilities on unremitted earnings of £33 million (2022: £58 million).

13 Inventories

	2023 £m	2022 £m
Raw materials and consumables	**401**	471
Work in progress	**82**	88
Finished goods and goods held for resale	**1,154**	1,266
Total inventories	**1,637**	1,825

The total cost of inventories recognised as an expense and included in cost of sales amounted to £5,577 million (2022: £5,810 million). This includes inventory write-offs and losses of £111 million (2022: £184 million).

The Group inventory provision at 31 December 2023 was £108 million (2022: £164 million).

14 Trade and Other Receivables

Amounts falling due within one year	Note	2023 £m	2022 £m
Trade receivables		**1,741**	1,766
Less: Provision for impairment of receivables		**(36)**	(42)
Trade receivables – net		**1,705**	1,724
Other receivables	14b	**266**	264
Prepayments and accrued income		**91**	94
Trade and other receivables		**2,062**	2,082

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

Currency analysis	2023 £m	2022 £m
US dollar	**575**	678
Euro	**302**	289
Sterling	**173**	165
Brazilian real	**170**	132
Other currencies	**842**	818
Trade and other receivables	**2,062**	2,082

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

Notes to the Financial Statements continued

14 Trade and Other Receivables continued

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:

	2023 £m	2022 £m
Not overdue	**1,455**	1,543
Up to 3 months overdue	**250**	157
Over 3 months overdue	**36**	66
Trade receivables	**1,741**	1,766

At 31 December 2023, a provision of £36 million (2022: £42 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 2023, trade receivables of £250 million (2022: £181 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 £187 million (2022: £191 million).

c. Other non-current receivables

Other non-current receivables consists of:

	2023 £m	2022 £m
Other receivables	**72**	73
Equity mutual funds (Note 11)	**–**	42
Prepayments	**20**	25
Non-current tax recoverable	**30**	17
Derivative financial instruments	**50**	–
Other non-current receivables	**172**	157

In 2023, the amount in relation to Equity mutual funds was reclassed from receivables to equity instruments (Note 11)

d. Financial instruments (Note 15)

At 31 December 2023, £1,836 million (2022 restated[1]: £1,879 million) of the current and non-current receivables totalling £2,234 million (2022: £2,239 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, recoverable sales tax and employee benefit assets.

1. Restated to exclude £192 million of recoverable sales tax assets that were previously included within financial assets

Notes to the Financial Statements continued

15 Financial Instruments and Financial Risk Management

Financial instruments by category

		At 31 December 2023					At 31 December 2022				
	Note	Amortised cost £m	Derivatives used for hedging £m	Fair value through profit or loss £m	Fair value through other comprehensive income £m	Carrying value total £m	Amortised cost £m	Derivatives used for hedging £m	Fair value through profit or loss £m	Fair value through other comprehensive income £m	Carrying value total £m
Assets as per the Balance Sheet											
Current and non-current trade and other receivables	14d	**1,836**	–	–	–	**1,836**	1,879[1]	–	–	–	1,879[1]
Derivative financial instruments											
FX forward exchange contracts	17	–	**48**	**16**	–	**64**	–	34	25	–	59
Cross currency interest rate swaps	17	–	**50**	–	–	**50**	–	–	–	–	–
Equity instruments	11	–	–	**45**	**69**	**114**	–	–	–	82	82
Cash and cash equivalents	16	**1,387**	–	–	–	**1,387**	1,157	–	–	–	1,157
Liabilities as per the Balance Sheet											
Current and non-current trade and other payables	21	**5,276**	–	–	–	**5,276**	5,344	–	–	–	5,344
Share repurchase liability	24	**296**	–	–	–	**296**	–	–	–	–	–
Borrowings (commercial paper, loans and overdrafts and other non-current borrowings)[1]	17	**43**	–	–	–	**43**	1,252	–	–	–	1,252
Lease liabilities	19	**327**	–	–	–	**327**	389	–	–	–	389
Senior notes	17	**1,292**	–	–	–	**1,292**	1,369	–	–	–	1,369
Bonds	17	**6,875**	–	–	–	**6,875**	5,874	–	–	–	5,874
Derivative financial instruments											
FX forward exchange contracts	17	–	**20**	**58**	–	**78**	–	22	34	–	56
Interest rate swaps	17	–	**115**	–	–	**115**	–	164	–	–	164
Cross currency interest rate swaps	17	–	**72**	–	–	**72**	–	84	–	–	84

1. Restated (see Note 14d)

The categories in this disclosure are determined by IFRS 9. Lease liabilities are outside the scope of IFRS 9, but they remain within the scope of IFRS 7, and therefore have been shown separately. In 2023 borrowings largely relate to bank loans and overdrafts (2022: 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 2023				At 31 December 2022			
	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	–	**64**	–	**64**	–	59	–	59
Cross currency interest rate swaps	–	**50**	–	**50**	–	–	–	–
Equity instruments	**22**	**45**	**47**	**114**	29	–	53	82
Liabilities as per the Balance Sheet								
Derivative financial instruments								
FX forward exchange contracts	–	**78**	–	**78**	–	56	–	56
Interest rate swaps	–	**115**	–	**115**	–	164	–	164
Cross currency interest rate swaps	–	**72**	–	**72**	–	84	–	84

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 2023 and 31 December 2022 was determined using quoted share price information (level 1 classification), other observable market data (level 2 classification) and other non-market information (level 3 classification).

Except for the bonds and senior notes, the carrying values of other financial assets and liabilities held at amortised cost approximate their fair values. The fair value of the bonds as at 31 December 2023 is a liability of £6,788 million (2022: £5,612 million) and the fair value of the senior notes as at 31 December 2023 is a liability of £1,203 million (2022: £1,250 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 majority of the Group's derivative agreements are entered into 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.

At 31 December 2023	Gross amounts of recognised financial assets/liabilities in the Balance Sheet £m	Related financial instruments that are not offset £m	Net amount £m
Financial assets			
Derivative financial instruments	**114**	**(39)**	**75**
Financial liabilities			
Derivative financial instruments	**(265)**	**39**	**(226)**

At 31 December 2022	Gross amounts of recognised financial assets/liabilities in the Balance Sheet £m	Related financial instruments that are not offset £m	Net amount £m
Financial assets			
Derivative financial instruments	59	(36)	23
Financial liabilities			
Derivative financial instruments	(304)	36	(268)

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.

Notes to the Financial Statements continued

15 Financial Instruments and Financial Risk Management continued

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 2023 was £8,426 million receivable (2022: £5,395 million) and £8,440 million payable (2022: £5,376 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:

Cash flow hedge profile	2023 £m	2022 £m
Euro	**434**	343
Sterling	**258**	247
US dollar	**227**	218
Canadian dollar	**110**	96
Australian dollar	**92**	92
Mexican peso	**78**	74
Turkish lira	**58**	73
Other	**392**	394
	1,649	1,537

These forward foreign exchange contracts are mainly expected to mature over the period January 2024 to December 2024 (2022: January 2023 to December 2023). Of the total amount, £12 million (2022: £20 million) is due between January 2025 and January 2026 (2022: January 2024 and January 2026).

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 (2022: immaterial).

Gains and losses recognised in other comprehensive income and the hedging reserve on forward exchange contracts in 2023 of £39 million loss, net of tax (2022: £2 million gain, net of tax) are recognised in the Income Statement in the periods in which the hedged forecast transaction affects the Income Statement.

Notes to the Financial Statements continued

15 Financial Instruments and Financial Risk Management continued

At 31 December 2023, the Group had forward contracts used for cash flow hedging with total fair value of £1 million liability (2022: £12 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 £4 million (2022: £7 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, US Dollar/Thai Baht, Euro/Australian Dollar and Euro/Canadian Dollar.

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.

During the year, the US dollar bond totalling $500 million (2022: $500 million) which was used as the hedging instrument in a net investment hedge matured and was replaced by forward currency swap contracts totalling $500 million as the hedging instruments in a net investment hedge.

At 31 December 2023, the Group had designated a 2030 Euro bond totalling €850 million (2022: Euro bond totalling €850 million) and forward currency swap contracts totalling €1,479 million (2022: commercial paper totalling €750 million) as the hedging instruments in a net investment hedge relationship. During the year commercial paper of €750 million (2022: forward currency swap contracts of €750 million) were also in a hedge relationship. During 2023, the commercial paper contracts matured and were replaced with the forward currency swap contracts. 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 2023 was a £42 million gain (2022: £115 million loss). 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 forward currency swap contracts and Euro bond/forward currency swaps would be £20 million loss and £101 million loss respectively (2022: £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.

In 2023, the Group issued a €650 million bond due in 2028 and a €750 million bond due in 2033. Concurrent with the issue of these bonds, the Group also entered into a cross currency interest rate swap on similar terms to the 2028 bond and the 2033 bond, to mitigate foreign exchange currency risk, for which hedge accounting has been applied. Sources of ineffectiveness on these hedge relationships 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 2023 no material ineffectiveness (2022: no material ineffectiveness) has been recognised in the Income Statement. 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 either denominated in the functional currency of the Group or the functional currency of the local entity.

The gains and losses from fair value movements on derivatives held at fair value through profit or loss, recognised in the Income Statement in 2023, was a £109 million loss (2022: £443 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.

Notes to the Financial Statements continued

15 Financial Instruments and Financial Risk Management continued

(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 or liabilities is managed by using a mixture of fixed and floating rate deposits, borrowings and interest rate derivatives.

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.

During 2023, the Group entered into a £747 million nominal value floating-to-fixed interest rate swap due in 2026 to reduce the level of exposure to floating interest rates. This interest rate swap has been designated as a cash flow hedge against the payments made on the floating leg of the Group's existing cross-currency interest rate swap. Sources of ineffectiveness on this hedge relationship may 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 2023 no material ineffectiveness has been included in the Income Statement.

In 2023 the Group issued a €650 million bond due in 2028 and a €750 million bond due in 2033. In order to maintain a level of fixed or floating rate debt in line with the Group's interest management strategy the Group entered into €650 million of cross currency interest rate swaps on similar terms to the 2028 bond and €750 million cross currency interest rate swaps on similar terms to the 2033 bond. The accounting for the foreign exchange and interest rate element of the cross currency swaps have been described above.

On the €650 million bond due in 2028, the cross currency interest rate swaps the fixed Euro coupon payments on the bond for fixed GBP payments. On the €750 million bond due in 2033, the cross currency interest rate swap swaps the fixed coupon payments on the bond for a GBP floating rate (with reference to SONIA) payments. The €650 million cross-currency interest rate swap has been placed into a cash flow hedge relationship with the bond due in 2028, and the €750 million has been placed into a fair value hedge relationship with the bond due in 2033.

Sources of ineffectiveness on these hedge relationships 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 2023 no material ineffectiveness (2022: 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 £11 million (2022: £13 million) or decrease of £11 million (2022: £13 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. There is also an impact on the Income Statement of a 50 basis-point shift of £4 million (2022: £nil) on an asset that is inherently linked to a liability included above, resulting in a net impact of £7 million.

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.

Notes to the Financial Statements continued

15 Financial Instruments and Financial Risk Management continued

The Group has counterparty risk from asset positions held with financial institutions. This is comprised of short-term investments, cash and cash equivalents and derivative 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.

		2023	
Counterparty	**Credit rating**	**Limit £m**	**Exposure £m**
Financial institution A	**A+**	**250**	**151**
Financial institution B	**A**	**200**	**149**
Financial institution C	**A+**	**250**	**149**
Financial institution D	**A+**	**250**	**143**
Financial institution E	**A+**	**250**	**128**
Financial institution F	**A+**	**250**	**108**
Financial institution G	**A**	**200**	**106**
Financial institution H	**A+**	**250**	**106**
Financial institution I	**AAAm**	**200**	**100**
Financial institution J	**A**	**200**	**99**

		2022	
Counterparty	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

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 2024 and 2044.

At the end of 2023, the Group had long-term debt excluding lease liabilities of £6,609 million (2022: £6,852 million), of which £6,010 million (2022: £5,196 million) is repayable in more than two years. In addition, the Group has committed borrowing facilities totalling £4,500 million (2022: £4,500 million), of which £4,450 million (2022: £4,450 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 2023 calculated in accordance with the Articles of Association was £25,344 million (2022: £28,329 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 and interest rates at the relevant Balance Sheet date, including interest to be paid.

At 31 December 2023	**Total £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Bonds	**(7,983)**	**(1,731)**	**(138)**	**(3,586)**	**(2,528)**
Senior notes	**(1,858)**	**(56)**	**(645)**	**(96)**	**(1,061)**
Trade and other payables	**(5,276)**	**(5,208)**	**(68)**	**–**	**–**
Share repurchase liability	**(296)**	**(296)**	**–**	**–**	**–**

At 31 December 2022	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
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 and other payables	(5,344)	(5,270)	(74)	–	–

Notes to the Financial Statements continued

15 Financial Instruments and Financial Risk Management continued

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.

At 31 December 2023	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
FX forward exchange contracts				
Outflow	**(8,428)**	**(6)**	**(6)**	**–**
Inflow	**8,414**	**6**	**6**	**–**
Cross currency interest rate swaps				
Outflow	**(116)**	**(116)**	**(1,534)**	**(824)**
Inflow	**48**	**48**	**1,440**	**776**
Interest rate swaps				
Outflow	**(67)**	**(67)**	**(126)**	**(55)**
Inflow	**44**	**44**	**35**	**11**

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

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.

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	2023 £m	2022 £m
Cash and cash equivalents including overdrafts		**1,380**	1,156
Financing liabilities	17	**(8,670)**	(9,140)
Net debt		**7,290**	7,984
Total equity		**8,469**	9,483
		15,759	17,467

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 2023, the Group provided returns to shareholders in the form of dividends and through buying back shares. Refer to Note 24 for further details.

The Group monitors net debt which at year end was £7,290 million (2022: £7,984 million). In 2023 the Group began a share buyback programme funded by surplus free cash flow (see Note 24) in line with the Group's capital allocation policy of returning surplus cash to shareholders.

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 £358 million (2022: £330 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.

Notes to the Financial Statements continued

16 Cash and Cash Equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**647**	662
Short-term bank deposits	**740**	495
Cash and cash equivalents	**1,387**	1,157

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, £229 million (2022: £276 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

	Note	2023 £m	2022 £m
Current			
Bank loans and overdrafts[1]		**30**	40
Commercial paper		**–**	1,190
Bonds		**1,571**	413
Lease liabilities	19	**78**	78
Total short-term borrowings		**1,679**	1,721
Non-current			
Bonds		**5,304**	5,461
Senior notes		**1,292**	1,369
Other non-current borrowings		**13**	22
Lease liabilities	19	**249**	311
Total long-term borrowings		**6,858**	7,163
Total borrowings		**8,537**	8,884
Derivative financial instruments – as shown below		**140**	257
Less overdrafts presented in cash and cash equivalents in the Cash Flow Statement		**(7)**	(1)
Total financing liabilities		**8,670**	9,140

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

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:

	Assets		Liabilities	
2023 (£m)	**Current**	**Non-current[1]**	**Current**	**Non-current**
Derivative financial instruments (financing liabilities)	**45**	**50**	**(58)**	**(177)**
Derivative financial instruments (non-financing liabilities)	**19**	**–**	**(20)**	**(10)**
At 31 December 2023	**64**	**50**	**(78)**	**(187)**

1. Included within other non-current receivables on the balance sheet

	Assets		Liabilities	
2022 (£m)	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)

Reconciliation of movement in financing liabilities to the Cash Flow Statement	2023 £m	2022 £m
At 1 January	**9,140**	9,637
Proceeds from borrowings	**1,638**	2,274
Repayment of borrowings	**(1,855)**	(3,807)
Other financing cash flows	**(84)**	383
Total financing cash flows	**(301)**	(1,150)
New lease liabilities	**44**	134
Exchange, fair value and other movements	**(213)**	519
Total non-cash financing items	**(169)**	653
At 31 December	**8,670**	9,140

Notes to the Financial Statements continued

17 Financial Liabilities – Borrowings continued

Maturity of borrowings (excluding lease liabilities)	2023 £m	2022 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**30**	40
Other borrowings repayable:		
Within one year:		
Commercial paper	**–**	1,190
Bonds	**1,571**	413
After one year and in less than five years:		
Bonds	**3,205**	4,381
Senior notes	**599**	636
After five years or longer:		
Bonds	**2,099**	1,080
Senior notes	**693**	733
Other non-current borrowings	**13**	22
	8,180	8,455
Gross borrowings (unsecured)	**8,210**	8,495

18 Provisions for Liabilities and Charges

	Legal provisions £m	Other provisions £m	Total provisions £m
At 1 January 2022	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)
Reclassifications	(3)	5	2
Exchange adjustments	7	5	12
At 31 December 2022	**221**	**65**	**286**
Charged to the Income Statement	7	14	21
Utilised during the year	(63)	(1)	(64)
Released to the Income Statement	(17)	(11)	(28)
Reclassification	1	(2)	(1)
Exchange adjustments	(12)	(3)	(15)
At 31 December 2023	**137**	**62**	**199**

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

	2023 £m	2022 £m
Current	**142**	227
Non-current	**57**	59
	199	286

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 2023, the Group recognised legal provisions of £137 million (2022: £221 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, £109 million (2022: £184 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.

Other provisions include environmental 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	2023 £m	2022 £m
Within one year	**81**	80
Later than one and less than five years	**199**	253
After five years	**103**	135
Total undiscounted lease liabilities at 31 December	**383**	468
Lease liabilities included in the statement of financial position at 31 December	**327**	389
Current	**78**	78
Non-current	**249**	311

Interest charged on lease liabilities amounted to £14 million (2022: £16 million).

Notes to the Financial Statements continued

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).

The Korean National Assembly passed a bill on 6 March 2020 to amend the HS law with the main changes in the amendment relating to: (i) the definition of HS injury; (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 Group currently has a provision of £27 million (2022: £77 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 certain Group subsidiary companies, or against Group subsidiary companies and Abbott Laboratories, in state and federal courts in the United States. The actions allege injuries relating to NEC in preterm 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 exclusively of 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 available or nutritionally sufficient. The products are used under the supervision of medical doctors. Any potential costs relating to these actions are not considered probable. Given the uncertainty on the number of cases, their validity and range of possible outcomes on each valid case, the possible economic outflow cannot be reliably estimated, but may be significant (see note 33).

Phenylephrine

Starting in September 2023, putative class action lawsuits have been filed against the Group and competitor companies in various United States jurisdictions that generally allege that the defendants made misrepresentations about the effectiveness of products containing phenylephrine. In December 2023, the Judicial Panel on Multidistrict Litigation (JPML) transferred all currently pending federal court cases and any similar, subsequently filed cases to a coordinated multi-district litigation (MDL) in the Eastern District of New York for pre-trial purposes. The Group is defending these cases, which all remain in preliminary stages. 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

	2023 £m	2022 £m
Trade payables	**2,194**	2,366
Other payables	**118**	123
Forward share purchase liability[1]	**158**	–
Other tax and social security payable	**163**	172
Interest accrued on tax balances	**122**	105
Indemnity provisions for disposed businesses	**48**	–
Accruals	**2,703**	2,781
Trade and other payables	**5,506**	5,547

1. During the year, the £167 million (Note 30) recognised through equity has been re-estimated to £158 million at 31 December 2023, resulting in a £9 million credit to other finance income

Included within accruals is £1,125 million (2022: £1,137 million) in respect of amounts payable to trade customers and government bodies for trade spend.

Other non-current liabilities

	2023 £m	2022 £m
US employee-related payables	**45**	42
Indemnity provisions for disposed businesses	**–**	51
Other	**22**	23
Other non-current liabilities	**67**	116

Notes to the Financial Statements continued

21 Trade and Other Payables continued

Financial instruments (Note 15)

At 31 December 2023, £5,276 million (2022: £5,344 million) of the current and non-current trade and other payables totalling £5,573 million (2022: £5,663 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.

22 Current and Non-current Tax Liabilities

	2023 £m	2022 £m
Current tax liabilities	**620**	791
Non-current tax liabilities	**28**	54
Total current and non-current tax liabilities	**648**	845

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 £619 million (2022: £722 million) relating to uncertain tax positions primarily in respect of transfer pricing. Within this, £187 million (2022: £194 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 £432 million (2022: £528 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 carrying amount of £619 million (2022: £722 million) has been presented as a current liability. The associated interest accrued on uncertain tax positions of £122 million (2022: £105 million) also is presented as a current liability.

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 2024 (2023: £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. A method has been agreed with the pension trustees from all defined benefit schemes in the UK and no benefit changes or back payments have yet been made to members.

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.

Notes to the Financial Statements continued

23 Pension and Post-Retirement Commitments continued

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 2024. 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 2024 will be £8 million (2023: £7 million).

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 annual valuations to 31 December 2023. The UK plans have a weighted average duration of the deferred benefit obligation of 12.4 years (2022: 13.5 years). This decrease is predominantly driven by significant rises in bond yields over the year to 31 December 2023.

Significant actuarial assumptions

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

	2023		2022	
	UK %	US (Medical) %	UK %	US (Medical) %
Rate of increase in pensionable salaries	**N/A**	**–**	N/A	–
Rate of increase in deferred pensions during deferment	**2.8**	**–**	3.4	–
Rate of increase in pension payments	**3.05**	**–**	3.25	–
Discount rate	**4.7**	**4.9**	5.0	5.2
Inflation assumption – RPI	**3.2**	**–**	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:

	2023		2022	
	UK years	US years	UK years	US years
Number of years a current pensioner is expected to live beyond 60:				
Male	**27.2**	**25.3**	27.5	25.2
Female	**28.8**	**27.4**	29.0	27.3
Number of years a future pensioner is expected to live beyond 60:				
Male	**28.4**	**27.0**	28.8	26.9
Female	**30.0**	**28.9**	30.4	28.9

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 2022 edition of the CMI series with a long-term improvement trend of 1.5% per annum from 2013 onwards. Allowance is made for future improvements in mortality by adopting the CMI's published 2022 improvement tables with a long-term improvement trend of 1.5% per annum from 2013 onwards, an initial addition to mortality improvements of 0.25% pa, the core period smoothing parameter of 7.0 and a default weighting of 0% / 0% / 25% applied to 2020 / 2021 / 2022 calendar year data. 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 and 2023, the long-term impact on future mortality trends is currently unknown and consequently no adjustment has been made to mortality assumptions in this regard, beyond adjusting the weighting in the mortality tables described above.

Amounts recognised on the Balance Sheet

The amounts recognised on the Balance Sheet are as follows:

	2023 £m	2022 £m
Balance Sheet liability for:		
US (Medical)	**(73)**	(81)
Other	**(160)**	(159)
Liability on Balance Sheet	**(233)**	(240)
Balance Sheet assets for:		
UK	**206**	241
Other	**64**	53
Asset on Balance Sheet	**270**	294
Net pension asset	**37**	54

The UK surplus of £206 million (2022: £241 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:

	2023				2022			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
Present value of funded obligations	(969)	–	(400)	(1,369)	(941)	–	(373)	(1,314)
Fair value of plan assets	1,178	–	443	1,621	1,186	–	426	1,612
Surplus of funded plans	209	–	43	252	245	–	53	298
Present value of unfunded obligations	–	(73)	(139)	(212)	–	(81)	(159)	(240)
Irrecoverable surplus	(3)	–	–	(3)	(4)	–	–	(4)
Net pension surplus/ (liability)	206	(73)	(96)	37	241	(81)	(106)	54

Group plan assets are comprised as follows:

	2023				2022			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
Equities	60	–	99	159	134	–	92	226
Government bonds	136	–	108	244	167	–	157	324
Corporate bonds	290	–	150	440	265	–	135	400
Real estate/property – unquoted	28	–	11	39	82	–	19	101
Insurance contracts	273	–	–	273	272	–	–	272
Other assets – unquoted	391	–	75	466	266	–	23	289
Fair value of plan assets	1,178	–	443	1,621	1,186	–	426	1,612

In 2021 and 2020, the Trustees of three of the UK pension plans entered into annuity buy-in agreements which cover, in aggregate, £273 million of pension liabilities valued under IAS 19 at 31 December 2023 (£272 million of pension liabilities valued under IAS 19 at 31 December 2022). 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 or 2023.

At 31 December 2023 the Group has not committed to any buy-out arrangements in respect of any of the UK pension schemes.

Included in other assets are £319 million (2022: £235 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. 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:

	2023		2022	
	UK £m	US (Medical) £m	UK £m	US (Medical) £m
Active participants	(1)	(19)	(1)	(34)
Participants with deferred benefits	(334)	(1)	(307)	(1)
Participants receiving benefits	(634)	(53)	(633)	(46)
Present value of obligation	(969)	(73)	(941)	(81)

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 2022	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)
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)**
Current service cost	–	–	10	10	–	–	–	–
Administrative costs	3	–	3	6	–	–	–	–
Interest expense/(income)	47	4	12	63	(58)	–	(13)	(71)
	50	4	25	79	(58)	–	(13)	(71)
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	–	–	–	–	5	–	10	15
(Gains) from changes in demographic assumptions	(16)	–	(1)	(17)	–	–	–	–
Losses from change in financial assumptions	34	2	(15)	21	–	–	–	–
Experience (gains)/losses	21	(5)	7	23	–	–	–	–
	39	(3)	(9)	27	5	–	10	15
Exchange differences	–	(4)	(20)	(24)	–	–	20	20
Contributions – employers	–	–	–	–	–	(5)	(23)	(28)
Benefit payments	(61)	(5)	(26)	(92)	61	5	26	92
Scheme assets and obligations previously presented net[1]	–	–	37	37	–	–	(37)	(37)
As at 31 December 2023	**969**	**73**	**539**	**1,581**	**(1,178)**	**–**	**(443)**	**(1,621)**

1. During the year, the Group identified one country where the pension assets and obligation was presented net, the presentation has been corrected to show gross presentation

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:

	2023 £m	2022 £m
Defined contribution plans	**44**	49
Defined benefit plans (net charge excluding interest)		
UK	**3**	3
US (Medical)	**–**	1
Other	**13**	8
Total pension costs included in operating profit (Note 5)[1]	**60**	61
Pension net finance income included in net finance expense (Note 6)	**(8)**	(5)
Income Statement charge included in profit before income tax	**52**	56
Remeasurement gains/(losses) for[2]:		
UK	**(44)**	(61)
US (Medical)	**3**	36
Other	**(1)**	54
	(42)	29

1. The Income Statement charge recognised in operating profit includes current service cost, past service cost and administrative costs
2. Remeasurement gains excludes £1 million (2022: £nil) 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:

2023	Change in assumption	Change in defined benefit obligation
Discount rate	**Increase 0.1%**	**Decrease by 1.2%**
Discount rate	**Increase 1.0%**	**Decrease by 10.7%**
RPI increase	**Increase 0.1%**	**Decrease by 1.0%**
RPI increase	**Increase 1.0%**	**Increase by 8.9%**
Life expectancy	**Members live 1 year longer**	**Increase by 3.3%**

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%

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.

Notes to the Financial Statements continued

23 Pension and Post-Retirement Commitments continued

Changes in bond yields: An increase in government and corporate bond yields will decrease plan liabilities, although this will be partially offset by a decrease in the value of the plans' bond holdings. For example, 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.

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 have aligned goals in respect of climate risk which includes a 50% reduction in carbon footprint ambition by 2030.

24 Share Capital

Issued and fully paid	Equity ordinary shares number	Nominal value £m
At 31 December 2022	736,535,179	74
At 31 December 2023	**736,535,179**	**74**

The holders of ordinary shares (par value 10 pence) are entitled to receive dividends (Note 28) as declared from time to time and are entitled to one vote per share at meetings of the parent company.

Repurchase of ordinary shares

In October 2023, the Group announced a share buyback programme of an initial amount of £1 billion to be effected over 12 months. During 2023, as part of this share buyback programme, the Group entered into commitments to purchase £500 million of ordinary shares.

A share repurchase liability of £296 million has been recognised in the balance sheet as at 31 December 2023 (2022: £nil), reflecting contractual obligations to purchase ordinary shares (including associated costs).

During the year to 31 December 2023, 3,782,835 shares have been purchased at a total cost of £207 million. Repurchased ordinary shares have been included in the treasury shares (see below).

Allotment of ordinary shares and release of treasury shares

During the year nil ordinary shares (2022: nil ordinary shares) were allotted, 2,047,518 ordinary shares were released from Treasury (2022: 1,351,767) and 3,782,835 ordinary shares (2022: nil ordinary shares) were bought back, to satisfy vesting/exercises under the Group's various share schemes as follows:

	2023		2022	
Ordinary shares of 10p	Number of shares	Consideration £m	Number of shares	Consideration £m
Released from Treasury				
Executive Share Options – exercises	**380,348**	**19**	372,711	18
Restricted Shares Awards – vesting	**1,037,960**	**–**	313,293	–
Total under Executive Share Option and Conditional Award Schemes	**1,418,308**	**19**	686,004	18
Savings-related Share Option Schemes – exercises	**629,210**	**29**	665,763	36
Total released from Treasury	**2,047,518**	**48**	1,351,767	54
Bought into Treasury				
Repurchase of shares	**(3,782,835)**	**(207)**	–	–
Total	**(1,735,317)**	**(159)**	1,351,767	54

Notes to the Financial Statements continued

24 Share Capital continued

In 2023, 2,047,518 Treasury shares were released (2022: 1,351,767) and 3,782,835 ordinary shares (2022: nil ordinary shares) were bought back, leaving a balance held at 31 December 2023 of 22,506,530 (2022: 20,771,213). Proceeds received from the reissuance of Treasury shares to exercise share options were £48 million (2022: £54 million).

25 Share-Based Payments

The Group operates a number of incentive schemes, including a Long-Term Incentive Plan (LTIP), and various other share schemes. All schemes are equity-settled. The total charge for share-based payments for the year was £102 million (2022: £78 million).

Executive share awards

Executive share awards granted to the senior management team under the LTIP consist of Performance Share Options, Performance Shares, and Time-Vested Shares. For Performance Share Options and Performance Shares, vesting is conditional on achievement of specified performance targets over a three-year period as well as continued employment. For Time-Vested Shares, vesting is conditional only on three years of continued employment. For Performance Share Options, the exercise price is determined on the grant date and becomes payable on exercise, which may be up to seven years after the options have vested. Performance Shares and Time-Vested Shares entitle the recipient to receive shares at no cost following satisfaction of the vesting conditions.

The performance metrics and associated weightings for the 2022 and 2023 LTIP awards are as follows:

LTIP performance metrics – 2022 and 2023 awards	Weighting
Like-for-like Net Revenue growth	40%
Return on Capital Employed (ROCE)	25%
Relative Total Shareholder Return (TSR)	25%
ESG	10%

LTIP awards with a market-based TSR performance condition were first granted in 2022. For LTIP awards granted before 2022, LTIP awards included only non-market-based performance conditions.

For the Executive Committee and members of the Group Leadership Team, vesting conditions must be met over the three-year performance period and are not retested. For awards granted to other members of the senior management team before 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 include savings-related share options (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 conditions other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore information about these awards is presented only on an aggregated basis.

Valuation of share awards

The fair value of share options granted is calculated using a Black-Scholes model. Performance Share Options and Performance Shares which include the market-based TSR performance target are valued by a third-party expert using a Monte Carlo model. For Performance Shares with non-market-based performance conditions and for Time-Vested Shares, the fair value is the share price on the date of grant. From 2022 onwards, no adjustment to the market price at grant is required because all new Performance Shares and Time-Vested Shares accrue dividend equivalents. Performance Options do not accrue dividend equivalents.

The weighted average fair value of the LTIP Performance Share Options granted in the year and the key assumptions made in arriving at that fair value were as follows:

	Performance Share Options	
	2023	2022
Exercise price	**£58.28**	£63.32
Performance period	**2023-25**	2022-24
Share price on grant date	**£59.18**	£62.42
Volatility	**22.6%**	22.5%
Dividend yield	**3.1%**	2.2%
Expected life	**6.6 years**	4 years
Risk-free interest rate	**3.2%**	1.3%
Weighted average fair value per award	**£10.49**	£8.32

An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period of the option. Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, which approximates the continuously compounded rate of return on the share.

The weighted average fair value of the LTIP Performance Shares granted in the year was £51.38 per award (2022: £57.73 per award).

Notes to the Financial Statements continued

25 Share-Based Payments continued

Movements in the year

The following table shows movements in the total number of outstanding awards across all award types:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of awards	Weighted average exercise price	Number of awards	Weighted average exercise price
Outstanding at 1 January	**18,707,602**	**£44.99**	17,985,398	£45.14
Granted	**4,806,191**	**£36.92**	5,717,048	£41.77
Exercised	**(2,084,209)**	**£23.51**	(1,388,034)	£38.56
Lapsed	**(2,866,834)**	**£45.48**	(3,606,810)	£43.09
Outstanding at 31 December	**18,562,750**	**£45.24**	18,707,602	£44.99
Exercisable at 31 December	**3,009,018**	**£61.36**	1,631,807	£57.54

The weighted average share price for the year was £58.38 (2022: £61.09).

Summary of outstanding awards

For awards outstanding at the year end the weighted average remaining contractual life is 5.3 years (2022: 4.6 years) and the range of exercise prices is as follows:

	Price to be paid £		Number of awards outstanding	
	From	To	at 31 December 2023	at 31 December 2022
LTIP – performance share options	38.06	78.00	**11,522,463**	10,545,453
LTIP – performance shares	–	–	**3,584,219**	3,815,827
LTIP – time-vested shares	–	–	**861,596**	655,717
SOPP	–	–	**150,200**	177,400
Savings-related share options	44.56	62.44	**2,444,272**	3,513,205
Total			**18,562,750**	18,707,602

For LTIP awards with non-market performance conditions, assumptions regarding the number of awards that will eventually vest 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 of the charge.

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

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 2022	11	(1,200)	(1,189)
Other comprehensive income/(expense):			
Fair value gains on cash flow hedges, net of tax	(32)	–	(32)
Reclassification of cash flow hedges to the income statement	34	–	34
Net exchange losses 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/(expense) for the year	2	893	895
Balance at 31 December 2022	13	(307)	(294)
Other comprehensive income/(expense):			
Fair value losses on cash flow hedges, net of tax	(16)	–	(16)
Reclassification of cash flow hedges to the income statement	(23)	–	(23)
Net exchange losses on foreign currency translation, net of tax	–	(638)	(638)
Gains on net investment hedges, net of tax	–	42	42
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	–	(131)	(131)
Total other comprehensive expense for the year	**(39)**	**(727)**	**(766)**
Balance at 31 December 2023	**(26)**	**(1,034)**	**(1,060)**

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 2023, a net gain of £131 million (2022: £56 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 £130 million (2022: £69 million net gain) related to the liquidation of subsidiaries (see Note 6 for further details) and a gain of £1 million (2022: £13 million loss) comprised of £1 million (2022: £20 million) arising from the disposal of certain businesses (see Note 29), less related tax credits of £nil (2022: £7 million) (see Note 7).

Notes to the Financial Statements continued

27 Related Party Transactions

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

28 Dividends

	2023 £m	2022 £m
Cash dividends on equity ordinary shares:		
2022 Final paid: 110.3p (2021: Final paid 101.6p) per share	**790**	726
2023 Interim paid: 76.6p (2022: Interim paid: 73p) per share	**549**	523
Total dividends for the year	**1,339**	1,249

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2023 of 115.9 pence per share which will absorb an estimated £828 million of shareholders' funds. If approved by shareholders it will be paid on 24 May 2024 to shareholders who are on the register on 12 April 2024, with an ex-dividend date of 11 April 2024.

29 Acquisitions and Disposals

Acquisitions

On 25 September 2023, the Group acquired a business distributing Reckitt products in the Kingdom of Saudi Arabia. This has been accounted for as a business combination with the purchase consideration £79 million, of which a preliminary fair value of £56 million has been allocated to goodwill and intangible assets, and a preliminary fair value of £23 million to inventories acquired.

During 2022, the Group did not complete any acquisitions.

Disposals

During 2022, 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.

There were no disposals during 2023.

30 Forward Purchase of Shares Held by Non-Controlling Interest

On 25 May 2023 the Group entered into an agreement pursuant to which it will proceed to acquire the remaining interests associated with the Company's majority owned activities in mainland China and Hong Kong ("RB Manon") from its existing minority shareholders. The aggregate percentage interest of the minority shareholders in each of the three relevant Reckitt subsidiaries is currently between 20% and 24.95%. RB Manon undertakes non-exclusive distribution of certain Reckitt brands in mainland China, Hong Kong and other Asian Pacific countries. The transaction will be implemented through the purchase of the non-controlling shareholdings in three subsidiaries of Reckitt held by the minority shareholders. This will occur in multiple stages, which are expected to take place through to 31 December 2038, although the agreement contains provisions for the purchase of shares to be made sooner.

The amounts payable to the minority shareholders take the form of consideration for the shares and dividends that may be paid on the shares prior to their acquisition. Amounts payable to the minority shareholders are dependent on the business performance of RB Manon. As at 25 May 2023, the estimated present value of the total amounts payable under the agreement was £298 million based on projections of future revenues and profitability of the RB Manon business, using a discount rate of 5.5% based on the Group's borrowing costs in China.

The agreement has different elements which are accounted for separately. As there are no specific accounting standards prescribing the allocation of value in this arrangement, judgment is required to allocate the total amount payable. The main elements relate (1) to a forward contract for the purchase of a non-controlling interest in RB Manon and (2) services provided by the minority shareholders in relation to the transition of leadership and shares in RB Manon. The amount allocated to the forward purchase of shares has been based on its estimated value, with the residual amount allocated to the services to transition the leadership and shares as the value of these services are not estimable on a standalone basis.

An amount of £167 million has been allocated to the forward purchase of shares, which represents the minimum exit value under the agreement that minority shareholders could realise for their shares absent any transitional arrangements. This amount has been recorded as a liability with £143 million charged to retained earnings and the remaining £24 million to extinguish the existing non-controlling interest. Any future changes to the present value of this liability will be recorded to the Income Statement. The Group considers that any reasonable possible change in key assumptions would not lead to a material adjustment to this estimated present value in the next year. The remaining £131 million has been allocated to the transitional services element, which will be recognised as a liability and charged to the Income Statement over the performance period for these services.

Notes to the Financial Statements continued

31 Assets Held For Sale

Assets and liabilities held for sale of £55 million, principally intangible assets, relate to the anticipated disposal of certain brands within the Health Operating Segment for which the relevant sale progress is ongoing. The relevant disposal is expected to complete in the first half of 2024 and contribute c.0.5% revenue into the Group's 2023 Net Revenue.

32 Discontinued Operations

The income from discontinued operations of £9 million (2022: £7 million loss) relates to the Group's disposal of the RB Pharmaceuticals business (now Indivior plc).

33 Post Balance Sheet Events

On 13 March 2024, a state court jury in Belleville, Illinois awarded $60 million to a mother of a child who was born prematurely and died 25 days later from Necrotizing Enterocolitis (NEC). Reckitt believe the allegations from the plaintiff's lawyers in this case were not supported by the science or the experts in the medical community. Reckitt are actively considering all options, and at this time an economic outflow is not considered probable. There is a possible outcome that may be unfavourable, however, the Group may benefit from relevant product liability insurance subject to limits and deductibles that the Group considers to be reasonable. All policies contain exclusion and limitations and there can be no assurance that insurance will be available or adequate to cover this case. More details on NEC claims generally can be found in Note 20.

Five Year Summary (Unaudited)

The five-year summary below is presented on an IFRS basis. The years ending 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 show the results for continuing operations.

Income Statement	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Net Revenue	**14,607**	14,453	13,234	13,993	12,846
Operating profit/(loss)	**2,531**	3,249	(804)	2,160	(1,954)
Net finance (expense)/income	**(130)**	(161)	547	(286)	(153)
Share of loss and impairment of equity-accounted investees, net of tax	**–**	(21)	(3)	(1)	–
Profit/(loss) before income tax	**2,401**	3,067	(260)	1,873	(2,107)
Income tax (charge)/credit	**(753)**	(711)	208	(720)	(665)
Attributable to non-controlling interests	**(14)**	(19)	(11)	(16)	(13)
Net profit/(loss) attributable to owners of the parent company from continuing operations	**1,634**	2,337	(63)	1,137	(2,785)
Balance Sheet					
Net assets	**8,469**	9,483	7,453	9,159	9,407
Key Statistics – IFRS basis					
Operating margin	**17.3%**	22.5%	(6.1%)	15.4%	(15.2%)
Diluted earnings per share, continuing	**227.4p**	325.7p	(8.8p)	159.3p	(393.0p)
Declared total dividends per ordinary share	**192.5p**	183.3p	174.6p	174.6p	174.6p

Parent Company Balance Sheet

As at 31 December 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investments	2	**15,174**	15,078
Current assets			
Debtors due within one year	3, 6	**185**	40
Debtors due after more than one year	4, 6	**14**	21
		199	61
Current liabilities			
Creditors due within one year	5, 6	**(5,361)**	(7,846)
Share repurchase liability	8	**(296)**	–
Net current liabilities		**(5,458)**	(7,785)
Total assets less current liabilities		**9,716**	7,293
Provisions for liabilities and charges	7	**(26)**	(44)
Net assets		**9,690**	7,249
EQUITY			
Share capital	8	**74**	74
Share premium		**254**	254
Retained earnings		**9,362**	6,921
Total equity		**9,690**	7,249

Reckitt Benckiser Group plc has made a profit of £4,135 million (2022: £4,276 million) for the financial year.

The Financial Statements on pages 202-217 were approved by the Board of Directors and signed on its behalf on 21 March 2024 by:

Christopher Sinclair
Director
Reckitt Benckiser Group plc

Kris Licht
Director
Reckitt Benckiser Group plc

Company Number: 06270876

Parent Company Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	**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**
Comprehensive income				
Profit for the financial year	–	–	4,135	4,135
Total comprehensive income	**–**	**–**	**4,135**	**4,135**
Transactions with owners				
Treasury shares reissued	–	–	48	48
Purchase of ordinary shares by employee share ownership trust	–	–	(2)	(2)
Repurchase of shares	–	–	(503)	(503)
Share-based payments	–	–	6	6
Capital contribution in respect of share-based payments	–	–	96	96
Cash dividends	–	–	(1,339)	(1,339)
Total transactions with owners	**–**	**–**	**(1,694)**	**(1,694)**
Balance at 31 December 2023	**74**	**254**	**9,362**	**9,690**

Reckitt Benckiser Group plc has £8,521 million (2022: £6,182 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 230.

The Company is the parent of the Reckitt Benckiser Group 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 61.

New standards, amendments and interpretations

The following amended standards and interpretations were adopted by the Company during the year ending 31 December 2023. This amended standard has not had a significant impact on the Company Financial Statements.

- Amendments to FRS 102 – International tax reform – Pillar Two model rules

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

Having assessed the principal risks and other matters discussed in connection with the Group's Viability Statement as set out on page 61 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:

(i) 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

(ii) 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.

The Company has applied the temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules as set out in 'International Tax Reform – Pillar Two Model Rules (Amendments to FRS102)' issued by the FRC in July 2023.

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 equity-settled share option and restricted share schemes, which have various combinations of market-based and non-market performance conditions, service conditions, and non-vesting conditions.

The fair value determined at the award grant date takes into account the probability of any relevant market-based performance conditions and non-vesting conditions being satisfied and is subsequently expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. This estimate takes into account the expected outcome for relevant non-market performance conditions and service conditions but assumes satisfaction of all market-based performance conditions and non-vesting conditions. At each Balance Sheet date, the Company 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 Statement of Comprehensive Income 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 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.

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.

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 £156 million (2022: £132 million) 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 2023, the Company recognised legal provisions of £26 million (2022: £44 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 2022	15,001
Additions during the year	77
At 31 December 2022	15,078
Additions during the year	96
At 31 December 2023	15,174
Provision for impairment	
At 1 January 2022	–
At 31 December 2023	–
Net book value	
At 31 December 2022	15,078
At 31 December 2023	15,174

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

The subsidiary undertakings as at 31 December 2023, 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, Reckitt Piramal Private Limited and Scholl Latin America 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; RBHCR Health Reckitt Costa Rica Sociedad Anónima which has a year ending 30 September and Pt Reckitt Benckiser Indonesia which has a year ending 29 October.

Additions during the year, and in 2022, 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

	2023 £m	2022 £m
Amounts owed by Group undertakings	**178**	30
Other debtors	**7**	10
	185	40

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2022: same).

4 Debtors Due After More Than One Year

	2023 £m	2022 £m
Deferred tax assets	**1**	1
Other receivables	**13**	20
	14	21

Deferred tax assets consist of short-term timing differences.

5 Creditors Due Within One Year

	2023 £m	2022 £m
Amounts owed to Group undertakings	**5,196**	7,707
Taxation and social security	**157**	133
Derivative liabilities	**1**	2
Other creditors	**7**	4
	5,361	7,846

Included in the amounts owed to Group undertakings is an amount of £5,123 million (2022: £7,609 million) which is unsecured, carries interest at the official ISDA fallback rate and is repayable on demand (2022: same). All other amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand (2022: same).

Included within taxation and social security creditors is an amount recognised in respect of uncertain tax positions 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 £156 million (2022: £132 million) has been presented as a current liability.

6 Financial instruments

	2023 £m	2022 £m
Financial assets measured at amortised cost		
Amounts owed by Group undertakings	**178**	30
Other receivables – current and non-current	**20**	30
	198	60
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss		
Derivative liabilities	**(1)**	(2)
Financial liabilities measured at amortised cost		
Amounts owed to Group undertakings	**(5,196)**	(7,707)
Share repurchase liability	**(296)**	–
Other payables	**(7)**	(4)
	(5,500)	(7,713)

Notes to the Parent Company Financial Statements continued

7 Provisions for Liabilities and Charges

	Legal provisions £m	Total provisions £m
At 1 January 2022	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
Charged to the Statement of Comprehensive Income	1	1
Utilised during the year	(18)	(18)
Released to the Statement of Comprehensive Income	(1)	(1)
At 31 December 2023	**26**	26

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

	2023 £m	2022 £m
Current	**26**	43
Non-current	**–**	1
	26	44

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 31 December 2022	736,535,179	74
At 31 December 2023	**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. Dividends proposed and paid are disclosed in Note 28 of the Group Financial Statements.

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

In addition, the Company announced a share buyback programme also 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 $4,500 million bond (2022: $5,000 million bond), made up of one tranche of $2,500 million and one tranche of $2,000 million (2022: one tranche of $2,500 million, one tranche of $2,000 million and one tranche of $500 million). The Company has issued a further guarantee in relation to the issuance of a £500 million bond (2022: £500 million). Details are included in Note 15 of the Group Financial Statements.

During the year, the Company issued a guarantee on behalf of Reckitt Benckiser Treasury Services plc in relation to the issuance of a €1,400 million bond, made up of one tranche of €750 million and one tranche of €650 million. The Company has issued a further guarantee in relation to the issuance of a £300 million bond. 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 (2022: £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 (2022: $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 (2022: 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 (2022: 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.

11 Post Balance Sheet Events

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

Notes to the Parent Company Financial Statements continued

Key
+ In liquidation * Audit exemption # Branch ◊ Registered office different to country of registration

12 Subsidiary Undertakings

In accordance with Section 409 of the Companies Act 2006 (the 'CA 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 2023 is disclosed below. All undertakings are indirectly owned by Reckitt Benckiser Group plc, unless otherwise stated. All shares detailed below are 100% owned, unless specified otherwise. The percentage held by the Group reflects both the proportion of nominal capital and voting rights unless stated otherwise.

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 2023, five legal entities were dissolved, liquidated or otherwise disposed of (2022: 17 legal entities). 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 requirements under section 479A of the CA 2006 relating to the audit of their individual accounts, as Reckitt Benckiser Group plc has guaranteed them under Section 479C of the CA 2006.

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Argentina			
Bucarelli 2608 PB "A", Ciudad Autonoma de Buenos Aires, Argentina			
Reckitt Benckiser Argentina S.A.			Ordinary
Reckitt Benckiser Health Argentina S.A.			Ordinary
Australia			
King & Wood Mallesons, 'Governor Phillip Tower' Level 61, 1 Farrer Place, Sydney NSW 2000, Australia			
Mead Johnson Nutrition (Australia) Pty Ltd			Ordinary
Level 47, 680 George Street, Sydney NSW 2000, Australia			
RB (Hygiene Home) Australia Pty Limited			Ordinary
Reckitt Benckiser (Australia) Pty Limited			Ordinary, Preference
Reckitt Benckiser Healthcare Australia Pty Limited			Ordinary
SSL Australia Pty Ltd			Ordinary
Austria			
Guglgasse 15, 1110, Vienna, Austria			
RB Hygiene Home Austria GmbH			Ordinary
Reckitt Benckiser Austria GmbH			Ordinary
Bahamas			
c/o 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom			
Scholl Latin America Limited	+	–	Ordinary
Bahrain			
Building 330, Road 1506, Block 115, Bahrain International Investment ParK, Hidd. Kingdom of Bahrain, Bahrain			
Reckitt Benckiser Bahrain W.L.L			Ordinary
Bangladesh			
58-59 Nasirabad Industrial Area, Chittagong 4209, Bangladesh			
Reckitt Benckiser (Bangladesh) PLC		82.9612	Ordinary
Belarus			
of. 166, 66, K Liebknekhta st., Minsk, 220036, Belarus			
Reckitt Benckiser BY LLC			Charter Capital
Belgium			
20 Allée de la Recherche, 1070 Anderlecht, Belgium			
RB Hygiene Home Belgium SA/NA			Ordinary
Reckitt Benckiser (Belgium) SA/NV			Ordinary
Bermuda			
Clarendon House, Church Street, Hamilton HM11, Bermuda			
Suffolk Insurance Limited			Common
Brazil			
Av Guarapari, S/N, Galpao1 – Modulos 05 Ao 14cond Log Vianaii Bus/Park, Viana, Es, 29.136-344, Brazil			
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda. – Branch Viana	#	–	
Av. Portugal, nº 1.100, Setor Rua 6 Parte A12, Bairro Itaqui, Itapevi, São Paulo, 06696-060, Brazil			
Reckitt Benckiser Health Comercial Ltda	#	–	
Avenida Presidente Juscelino Kubitschek, nº 1909, 24º andar, Parte B, Torre Norte, Condomínio São Paulo Corporate Towers, Vila Nova Conceição, Sao Paulo – SP, CEP 04.543-907, Brazil			
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda.			Ordinary
Mead Johnson do Brasil Comércio e Importação de Produtos de Nutrição Ltda.			Ordinary
Reckitt Benckiser Health Comercial Ltda			Ordinary
Est Dona Maria Jose Ferraz Prado, 1481, Cond Dist. Park Embu, Brazil			
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda. – Branch Embu	#	–	
Estm Maria Margarida Pinto Dona Belinha, 742, GalpaO3, Bloco I/A, Brazil			
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda. – Branch Extrema	#	–	
Estrada Fukutaro Yida, n. 930, Bairro Cooperativa, Sao Bernardo Do Campo, Sao Paulo, 09852-060, Brazil			
Apenas Boa Nutrição Indústria de Alimentos Ltda.			Ordinary
Rod Dom Gabriel Paulino Bueno Couto, 1606, Brazil			
Reckitt Benckiser (Brasil) Ltda – Branch Itupeva	#	–	
Rod Governador Mario Cova, 7270, KM 264 Parte RB, Brazil			

Notes to the Parent Company Financial Statements continued

Key
+ In liquidation * Audit exemption # Branch ◊ Registered office different to country of registration

12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda. – Branch Serra	#	–	
Rodovia Antonio Heil, SC 486, km 4, Bairro Itaipava, "Armazém 1B", Itajaí, São Paulo, CEP 88316-003, Brazil			
Mead Johnson Do Brasil Comércio E Importação De Produtos De Nutrição Ltda.	#	–	
Rodovia Raposo Tavares, 8015 km 18, Jardim Arpoador, Sao Paolo, CEP 05577-900, Brazil			
Fenla Indústria, Comércio e Administração Ltda			Ordinary
Reckitt Benckiser (Brasil) Ltda			Ordinary
Bulgaria			
22 Zlaten rog Street, Floor 3, Office 4, District of Lozenets, City of Sofia, Bulgaria			
Reckitt Benckiser Romania, representative office	#	–	
Canada			
Suite 600, 1741 Lower Water Street, Halifax NS B3J 0J2, Canada			
Mead Johnson Nutrition (Canada) Co.			Common
Suite 2300, 550 Burard Street, Vancouver BC V6C 2B5, Canada			
RB Health (Canada) Inc.			Common
1680 Tech Avenue, Unit 2, Mississauga ON L4W 5S9, Canada			
Reckitt Benckiser (Canada) Inc.			Common
Cayman Islands			
PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands			
Reckitt Benckiser (Cayman Islands) Limited			Ordinary
Chile			
Avenida Presidente Kennedy Lateral 5454, Oficina 1602, Vitacura, Región Metropolitana, Chile			
Reckitt Benckiser Chile S.A.			Ordinary
China			
16/F, Xu Jia Hui International Plaza, No.1033 Zhao Jia Bang Road, Shanghai, China			
RB & Manon Hygiene Home (Shanghai) Limited	+	80.0000	Ordinary
B01, Suite 401, Unit 2, No. 9 Dongdaqiao Road, Chaoyang District, Beijing, China, China			
RB (China) Holding Co. Limited			Capital Contribution
C6-8 Site 6F, No.333 Futexi Road, Waigaoqiao Free Trade Zone, Shanghai City, China			
Reckitt Benckiser Home Chemical Products Trading (Shanghai) Co. Limited			Ordinary
Dangtu Economic Development District, Maanshan City, Anhui Province, China			
Guilong Health Technology (Anhui) Co., Limited			Capital Contribution
Anhui Guilong Pharmaceutical Trading Company Limited			Capital Contribution
Guilong Pharmaceutical (Anhui) Company Limited			Capital Contribution
Ketian Aquatic Science and Technology Industrial Park, No. 3949 Kunlunshan Avenue, Lanzhou New Area, Lanzhou City, Gansu Province, China			
Lanzhou Keshi Xixili Healthcare Technologies Co. Ltd		80.0000	Ordinary
No. 3, Canglian 1 road, ETDZ, Guangzhou, China			
Reckitt & Colman (Guangzhou) Limited			Ordinary
No. 34 East Beijing Road, Jingzhou, Hubei, 434001, China			
Reckitt Benckiser Household Products (China) Company Limited			Capital Contribution
No. 99, Changjiang Da Road, Fuqiao Town, Taicang City, China			
RB (Suzhou) Co. Ltd			Capital Contribution
No.1-13 Shangma, Aodong Road, High-tech Industrial Development Zone, Qingdao City, Shandong Province, China			
Qingdao London Durex Co., Limited			Ordinary
Qingdao New Bridge Corporate Management Consulting Company Limited			Ordinary
Room 1605, No.660 Shangcheng Road, Pudong District, Shanghai City, China			
SSL Healthcare (Shanghai) Limited			Ordinary
Room 1701, No. 1033, Zhao Jia Bang Road, Xuhui District, Shanghai, China			
RB & Manon Business Co. Limited		75.0000	Capital Contribution
Room 2109, Floor 2, No.10 Chaoyangmenwai Street, Chaoyang District, Beijing City, China			
Tai He Tai Lai Culture Communication Co Limited			Ordinary
Unit 02, 11/F, Tower A Hedonic Center, 6 Songyue Road, Siming District, Xiamen, China			
Guilong Pharmaceutical (Anhui) Co. Ltd – Xiamen branch	#	–	
Colombia			
Calle 76 No 11-17, Edificio Torre, Los Nogales Piso 2, Bogota, CO, Colombia			
Mead Johnson Nutrition Colombia Ltda			Ordinary
RB (Health) Colombia S.A.S.			Ordinary
Carrera 6 #45-105, Cali, Colombia			
Reckitt Benckiser Colombia S.A			Ordinary
Costa Rica			
San Jose-Escazu En Escazu Corporate Center, Setimo Piso, Costado Sur De Multiplaza Escazu, Costa Rica			
RBHCR Health Reckitt Costa Rica Sociedad Anónima			Common
Reckitt Benckiser (Centroamérica) S.A.			Ordinary
Croatia			
Ulica Grada Vukovara 269d, 10 000 Zagreb, Hrvatska, Croatia			
Reckitt Benckiser d.o.o.			Ordinary

Notes to the Parent Company Financial Statements continued

Key
+ In liquidation * Audit exemption # Branch ◊ Registered office different to country of registration

12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Cyprus			
1 Lampousas Street, P.C. 1095, Nicosia, Cyprus			
Gainbridge Investments (Cyprus) Limited			Ordinary
Czech Republic			
Vinohradská 2828/151, 130 00 Praha 3-Žižkov, Czech Republic			
RB (Hygiene Home) Czech Republic, spol. s.r.o.			Ordinary
Reckitt Benckiser (Czech Republic) spol s.r.o.			Partnership Interest
Denmark			
Vandtårnsvej 83 A, 2860, Søborg, Denmark			
RB Health Nordic A/S			Ordinary
RB Hygiene Home Nordic A/S			Ordinary
Dominican Republic			
Av. Winston Churchill No. 1099 Torre Acrópolis, Piso 12, Santo Domingo, República Dominicana			
Mead Johnson Nutrition (Dominicana), S.A.	#	–	
Ecuador			
Av CoruñaN27-88 y Orellana, Edificio Coruña Plaza 7mo Piso, Quito, 170150, Ecuador			
RB Health Ecuador Cía. Ltda			Ordinary
Oficina 4C, Av. 12 de Octubre, #26-48 y Orellana, Edificio Mirage, Piso 4, Quito, 170525, Ecuador			
Reckitt Benckiser Ecuador S.A.			Ordinary
Egypt			
Polyom Building, 22 Off Road 90, Fifth District, Fifth Settlement, New Cairo, Cairo, Egypt			
Reckitt Benckiser Egypt Limited			Ordinary
Building A1, Second Floor, Plot #A14b01, Cairo Festival City, First District, Fifth Settlement, New Cairo, Cairo, Egypt			
Reckitt Benckiser Hygiene Home Egypt Limited	+		Ordinary
Estonia			
Harju maakond, Rae vald, Rae küla, Raeküla tee 5, 75310, Estonia			
Reckitt Benckiser (Latvia) SIA Eesti filiaal	#	–	
Finland			
Itsehallintokuja 6, 02600 Espoo, Finland, Finland			
RB Health Nordic A/S sivuliike Suomessa	#	–	
RB Hygiene Home Nordic A/S, sivuliike Suomessa	#	–	
France			
38 rue Victor Basch- 91300 Massy, France			
Airwick Industrie SAS			Ordinary
RB Holding Europe Du Sud SAS			Ordinary
RB Hygiene Home France SAS			Ordinary
Reckitt Benckiser Chartres SAS			Ordinary
Reckitt Benckiser France SAS			Ordinary
Reckitt Benckiser Healthcare France SAS			Ordinary
Germany			
Darwinstrasse 2-4, 69115, Heidelberg, Germany			
RB Hygiene Home Deutschland GmbH			Capital Contribution
Reckitt & Colman Sagrotan Verwaltungsgesellschaft GmbH			Common
Reckitt Benckiser Detergents GmbH			Ordinary
Reckitt Benckiser Deutschland GmbH			Common
Reckitt Benckiser Holding GmbH & Co KG			Capital Contribution
Heinestrasse 9, 69469, Weinheim, Germany			
Kukident GmbH			Common
Robert-Koch-Straße 1, 69115, Heidelberg, Germany			
Propack Produkte fur Haushalt und Korperpflege GmbH			Ordinary
Reckitt Benckiser Global R&D GmbH			Common
Greece			
7 Taki Kavalieratou Street, Kifissia, 145 64, Greece			
Reckitt Benckiser Hellas Healthcare S.A.			Ordinary
Reckitt Benckiser Hellas Hygiene Home S.A.			Ordinary
Guernsey			
1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, GY1 1EW, Guernsey			
Reckitt Benckiser Holdings (Channel Islands) Limited			Bonus, Ordinary
Hong Kong			
Room 2001, 20/F, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong			
RB & Manon Hygiene Home Limited		80.0000	Ordinary
Rooms 2206-11, 22 Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong			
London International Trading (Asia) Limited			Ordinary
Oriental Medicine Company Limited			Ordinary
Reckitt Benckiser Hong Kong Limited			Ordinary
Unit 2001, 20/F, Greenfield Tower Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong			
RB & Manon Business Limited		75.0000	Ordinary
Hungary			
Bocskai út 134-146, Budapest, H-1113, Hungary			
RB (Hygiene Home) Hungary Kft			Ordinary
Reckitt Benckiser Kereskedelmi Kft			Partnership Interest
Reckitt Benckiser Tatabánya Kft			Ordinary

Notes to the Parent Company Financial Statements continued

Key
+ In liquidation * Audit exemption # Branch ◊ Registered office different to country of registration

12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
India			
DLF Cyber Park, 6th & 7th Floor (Tower C), 405 B, Udyog Vihar Phase III, Sector 20, Gurugram, Haryana, 122016, India			
RB Hygiene Home India Private Limited			Ordinary
Reckitt Benckiser (India) Private limited			Equity
Reckitt Benckiser Healthcare India Private Limited		99.9999	Ordinary
Unit No. 54, 5th Floor, Kalpataru Square, Andheri-Kurla Road, Andheri (East), Mumbai, Maharashtra, 400059, India			
Mead Johnson Nutrition (India) Private Limited			Ordinary
Reckitt Piramal Private Limited		99.9999	Ordinary
Indonesia			
Jl. Raya Narogong, Chamber A.I, Kel. Pasirangin, Kec Cileungsi, Kab. Bogor. Provinsi. Jawa Barat, 16820, Indonesia			
PT Reckitt Benckiser Trading Indonesia			Ordinary
Treasury Tower 58th Floor, District 8, SCBD, Jalan Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia			
PT Mead Johnson Indonesia		90.1000	Ordinary
PT Reckitt Benckiser Indonesia			Ordinary
Pt. Reckitt Benckiser Hygiene Home Indonesia	+		Ordinary
Pt. Reckitt Benckiser Hygiene Home Trading Indonesia	+		Ordinary
Iran, Islamic Republic of			
1st Floor, unit 11, No.88 Baran Building, Sayed Road, Opposite Mellat Park, Vali-e-Asr Avenue, Tehran, Iran, Islamic Republic of			
Reckitt Benckiser Pars PJSC			Ordinary
Ireland			
c/o TMF Group, Ground Floor, Two Dockland Central, Guild Street, North Dock, Dublin 1, D01 K2C5, Ireland			
Dorincourt Holdings (Ireland) Limited			Ordinary
Reckitt Benckiser Ireland Limited			Ordinary
Reckitt Benckiser Management Services Unlimited Company			Ordinary-A, B, C, D, E, F, G, H, I, J K
6th Floor, 2 Grand Canal Square, Dublin 2, Ireland			
RB Ireland Hygiene Home Commercial Limited			Ordinary
Israel			
6A Hangar Street, PO Box 6440, I.Z., Neve Nee'man B, Hod Hasharon, 457703, Israel			
Reckitt Benckiser (Near East) Limited			Ordinary
Italy			
Via Spadolini 7, 20141, Milano, Italy			
Reckitt Benckiser Commercial (Italia) Srl			Quota
Reckitt Benckiser Healthcare (Italia) S.p.A.			Ordinary
Reckitt Benckiser Holdings (Italia) Srl			Quota
Reckitt Benckiser Italia SpA			Ordinary
Japan			
3-20-14 Higashi Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan			
Reckitt Benckiser Asia Pacific Limited	#	–	
Sumitomo Fudosan Takanawa Park Tower 14F, 3-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan			
Reckitt Benckiser Japan Ltd			Ordinary
Jersey			
44 Esplanade, St Helier, JE4 9WG, Jersey			
SSL Capital Limited			Ordinary
IFC 5, St. Helier, JE1 1ST, Jersey			
Reckitt & Colman (Jersey) Limited			Ordinary
Reckitt & Colman Capital Finance Limited			Ordinary-A, Ordinary-B
Reckitt Benckiser Jersey (No.3) Limited			Ordinary
Reckitt Benckiser Jersey (No.5) Limited			Ordinary
Reckitt Benckiser Jersey (No.7) Limited			Ordinary, Redeemable Preference – Class A/C/D
Kazakhstan			
Bld. 15/A, Koktem-1, Almaty, 050040, Kazakhstan			
Reckitt Benckiser Health Kazakhstan LLP			Charter Capital
Office 302, Building 15a, Koktem-1, Micro District, Almaty City, Kazakhstan			
Reckitt Benckiser Kazakhstan LLP			Ordinary
Kenya			
14 Riverside Drive, Arlington Building, 3rd Floor, Nairobi, 209/19, Kenya			
Reckitt Benckiser Health Kenya Limited			Ordinary
LR.NO.1870/1/569, 2nd Floor, Apollo Centre, Ring Road Westlands, Kenya			
Reckitt Benckiser Services (Kenya) Limited			Ordinary
Plot 209/2462, Likoni Road, Nairobi, Kenya			
Reckitt Benckiser East Africa Limited		99.9899	Ordinary
Korea, Republic of			
24th Floor, Two IFC, 10 Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 07326, Korea, Republic of			
Oxy Reckitt Benckiser LLC			Capital Contribution
Latvia			
Strēlnieku iela 1A – 2, Rīga, LV-1010, Latvia			
Reckitt Benckiser (Latvia) SIA			Ordinary
Lithuania			
Vilniaus m. sav. Vilniaus m. Olimpiečių g. 1A, Lithuania			

Notes to the Parent Company Financial Statements continued

Key
\+ In liquidation * Audit exemption # Branch ◊ Registered office different to country of registration

12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Reckitt Benckiser (Latvia) SIA LT filialas	#	–	
Luxembourg			
1 Rue de la Poudrerie, Leudelange, L-3364, Luxembourg			
Canterbury Square Holdings S.à.r.l			Ordinary-A
RB Holdings (Luxembourg) S.à.r.l			Ordinary-A
RB Holdings Luxembourg (2018) S.à.r.l			Ordinary
Reckitt Benckiser Investments (No. 1) S.à.r.l			Ordinary
Reckitt Benckiser Investments (No. 2) S.à.r.l			Ordinary
Reckitt Benckiser Investments (No. 4) S.à.r.l			Ordinary
Reckitt Benckiser Investments (No. 5) S.à.r.l			Ordinary
Reckitt Benckiser Investments (No. 7) S.à.r.l			Ordinary
Reckitt Benckiser Investments (No. 8) S.à.r.l			Ordinary
Reckitt Benckiser S.à.r.l.			Ordinary-A
Reigate Square Holdings S.à.r.l.			Ordinary
Reckitt Benckiser N.V.	#	–	
Reckitt Benckiser Holdings (USA) Limited	#	–	
Malaysia			
Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights 50490, Wilayah Persekutuan, Kuala Lumpur, Malaysia			
Mead Johnson Nutrition (Malaysia) Sdn Bhd			Ordinary
RB (Health) Malaysia Sdn Bhd			Ordinary
Reckitt Benckiser (Malaysia) Sdn Bhd			Ordinary
Mexico			
Av de las Granjas 972, Col. Santa Barbara, Azcapotzalco, CDMX, 02230, Mexico			
Manufactura MJN, S. de R.L. de C.V.			Ordinary
Av. Ejército Nacional No.769, Corporativo Miyana Torre B, Piso 6, Alcaldía Miguel Hidalgo, Colonia Granada, CP 11520, Mexico			
Mead Johnson Nutricionales de México, S. de R.L. de C.V.			Ordinary
RB Health México, S.A. de C.V.			Ordinary-A, Ordinary-B
RB Health Services, S.A. de C.V.			Ordinary
Reckitt Benckiser Mexico, S.A. de C.V.			Ordinary
Servicios Nutricionales Mead Johnson S.de R.L. de C.V.			Ordinary
Calzada de Tlalpan No. 2996, Col. Ex Hacienda Coapa, Del. Coyoacán, Cd. de México, C.P. 04980, Mexico			
RB Salute Mexico S.A. de C.V.			Ordinary
Circuito Dr Gustavo Baz, 7, No. 7, Fracc Industrial El Pedregal, Atizapan de Zaragoza, Edomex, Mexico			
Reckitt Benckiser Services S.A. de C.V.			Ordinary
Morocco			
59 Boulevard Zerktouni, Residence Les Fleurs 6eme étage, Casablanca, Morocco			
Reckitt Benckiser Morocco SARL/AU			Ordinary
Netherlands			
225 North Canal Street, Floor 25, Chicago IL IL 60606, United States			
Mead Johnson One C.V.	◊		Membership Interest
Mead Johnson Two C.V.	◊		Membership interest
Schiphol Boulevard 267, 1118 BH, Schiphol, Netherlands			
Reckitt Benckiser (ENA) B.V.			Ordinary
Reckitt Benckiser Treasury Services (Nederland) B.V.			Ordinary
Siriusdreef 14, 2132 WT, Hoofddorp, The Netherlands			
Beleggingsmaatschappij Lemore B.V.			Ordinary
Central Square Holding B.V.			Ordinary
Grosvenor Square Holding B.V.			Ordinary
Hamol NL B.V.			Ordinary
Maddison Square Holding B.V.			Ordinary
MJN Global Holdings B.V.			Ordinary
MJN Holdings (Netherlands) B.V.			Ordinary
MJN Innovation Services B.V.			Ordinary
New Bridge Holdings B.V.			Ordinary
RB Hygiene Home Netherlands BV			Ordinary
RB NL Brands B.V.			Ordinary
Reckitt Benckiser (South America) Holding B.V.			Ordinary
Reckitt Benckiser (Spain) B.V.			Ordinary
Reckitt Benckiser Brands Investments B.V.			Ordinary
Reckitt Benckiser Calgon BV			Ordinary
Reckitt Benckiser Fabric Treatment B.V.			Ordinary
Reckitt Benckiser Finish B.V.			Ordinary
Reckitt Benckiser FSIA B.V.			Ordinary
Reckitt Benckiser Healthcare B.V.			Ordinary
Reckitt Benckiser Laundry Detergents (No. 1) B.V.			Ordinary
Reckitt Benckiser Laundry Detergents (No. 2) B.V.			Ordinary
Reckitt Benckiser Lime-A-Way B.V.			Ordinary
Reckitt Benckiser Marc B.V.			Ordinary
Reckitt Benckiser N.V.			Ordinary
Reckitt Benckiser Oven Cleaners BV			Ordinary
Reckitt Benckiser Power Cleaners B.V.			Ordinary

Notes to the Parent Company Financial Statements continued

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12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Reckitt Benckiser Tiret B.V.			Ordinary
Reckitt Benckiser Vanish B.V.			Ordinary
RB LATAM Holding B.V.			Ordinary
Reckitt Benckiser Hygiene Home Brands B.V.			Ordinary
New Zealand			
2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand			
RB (Hygiene Home) New Zealand Limited			Ordinary
Reckitt Benckiser (New Zealand) Limited			Ordinary
SSL New Zealand Limited			Capital contribution
Nigeria			
12, 11th Floor Heritage Place, 21 Lugard Avenue Ikoyi, Ikoyi, Lagos State, Nigeria			
Reckitt Benckiser Nigeria Limited			Ordinary
Norway			
Henrik Ibsens gate 60A, 0255 Oslo, Norway			
RB Health Nordic, NUF	#	–	
RB Hygiene Home Nordic NUF	#	–	
Pakistan			
Tenancy 04 & 05, 3rd Floor, Corporate Office Block, Dolmen City, HC, Block 4, Scheme 5, Clifton, Karachi, 75600, Pakistan			
Reckitt Benckiser Pakistan Limited		98.6846	Ordinary
Panama			
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			
Mead Johnson Nutrition (Panama), S.de R.L.			Ordinary
Peru			
Av. Republica de Panama # 2577, Urb. Santa Catalina, La Victoria, Lima, Peru			
Reckitt Benckiser Peru S.A.			Ordinary

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Calle Dean Valdivia No. 148, Torre 1, Ofic. 501, Urb. Jardín, San Isidro, Lima, Peru			
RB Health Peru S.R.L			Ordinary
Philippines			
2309 Don Chino Roces Avenue Extension, Makati City, PH 1321, Philippines			
2309 Realty Corporation		44.6606	Ordinary-A, Ordinary-B
Mead Johnson Nutrition (Philippines), Inc.		99.9996	Ordinary
Sphinx Holdings Company, Inc.		32.8125	Common, Preference
3rd Floor Mead Johnson Nutrition Philippines Inc., 2309 Don Chino Roces Extension, Makati City, 1231, Philippines			
Reckitt Benckiser Healthcare (Philippines), Inc.		99.9978	Common, Preference
Poland			
Nowy Dwór Mazowiecki, Ul. Okunin 1, 05-100, Poland			
RB (Hygiene Home) Poland Sp. Z.o.o.			Ordinary
Ul. Okunin 1, 05-100 Nowy Dwor Mazowiecki, Poland			
Reckitt Benckiser (Poland) S.A.			Ordinary
Reckitt Benckiser Production (Poland) SP Z.o.o.			Ordinary
Ul. Wołoska 22, 02-675, Warsaw, Poland			
Reckitt Business Services Sp. z.o.o.			Partnership Interest
Mead Johnson Nutrition Trading Poland S.p z.o.o.			Membership Interest
Portugal			
Estrada Malhada dos Carrascos, 12, Porto Alto, 2135-061, Samora Correia, Portugal			
Reckitt Benckiser Porto Alto Lda			Quota
Rua D. Cristóvão da Gama, n.º 1, 1º, C/D, 1400-116, Lisboa, Portugal			
Reckitt Benckiser (Portugal), S.A.			Ordinary
Reckitt Benckiser Healthcare, Lda			Quota

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Puerto Rico			
Los Frailes Industrial Park, Ave. Esmeralda, Calle C # 475, Guaynabo, 00969, Puerto Rico			
Mead Johnson Nutrition (Puerto Rico) Inc.	#	–	
Romania			
Iancu de Hunedoara Boulevard, Nr. 48, 11th Floor, Crystal Tower Building, 1st District, Bucharest, 011745, Romania			
Reckitt Benckiser (Romania) S.R.L			Partnership Interest
Str. Grigore Alexandrescu 89-97, Aripa Vest, Et. 5, Finish room, Sect. 1, Bucuresti, 010624, Romania			
RB (Hygiene Home) Romania S.R.L.			Ordinary
Russian Federation			
3rd Floor, 4 Shluzovaya emb., Zamoskvorechye Municipal district, Moscow, 115114, Russia			
Reckitt Benckiser Healthcare LLC			Charter Capital
Reckitt Benckiser IP LLC			Charter Capital
4 Shluzovaya emb., Zamoskvorechye Municipal district, Moscow, 115114, Russia			
Reckitt Benckiser LLC			Charter Capital
Klin City, Tereshkovoy Street, 1, 14160052 /1, Moscow Region, Russian Federation			
Branch of Reckitt Benckiser LLC in city Klin, Moscow region, Russia	#	–	
Saudi Arabia			
Office number 51, Fifth floor, Mukmal Plaza Center, Al Hamra District Palestine Street, Jeddah City, Saudi Arabia			
Reckitt Sanabil for Trading Co LLC		51.0000	Ordinary
Singapore			
12 Marina Boulevard, #19-01 Marina Bay Financial Centre, 018982, Singapore			
Mead Johnson Nutrition (Asia Pacific) Pte. Ltd.			Ordinary

Notes to the Parent Company Financial Statements continued

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12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Mead Johnson Nutrition (Singapore) Pte. Ltd.			Ordinary
Mead Johnson Nutrition Holdings (Singapore) Pte. Ltd.			Ordinary
Reckitt Benckiser (Singapore) Pte. Limited			Ordinary
Slovakia			
Drieňová 3, 821 08 Bratislava, Slovakia			
RB (Hygiene Home) Slovakia spol. s.r.o			Ordinary
Reckitt Benckiser (Slovak Republic), spol s.r.o.			Partnership Interest
South Africa			
Ground Floor, North Wing, Allandale Building, 39 Magwa Crescent, Waterfall City, Midrand, Gauteng, 2090, South Africa			
Reckitt Benckiser Pharmaceuticals (Proprietary) Limited			Ordinary
Reckitt Benckiser South Africa Health Holdings (Pty) Limited			Ordinary
Reckitt Benckiser South Africa Proprietary Limited			Ordinary
Spain			
Carrer de Mataró, 28, 08403, Granollers, Barcelona, Spain			
Reckitt Benckiser Healthcare S.A.U.			Ordinary-A, Ordinary-B
Norwich Square Holdings S.L.U.			Ordinary
RB Square Holdings (Spain) S.L.			Ordinary-A, Ordinary-B
Reckitt Benckiser (España), S.L.U			Ordinary
Reckitt Benckiser (Granollers) SL			Ordinary
Fray Carbo, 24, 08400, Granollers, Spain			
Relcamp Aie	+		Ordinary
No. 151, Avda. Can Fatjó, Rubi, Barcelona, Spain			
SSL Healthcare Manufacturing S.A.U	+		Ordinary

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Sri Lanka			
No.25, Shrubbery Garden, COLOMBO-04, Sri Lanka			
Reckitt Benckiser (Lanka) Limited		99.9991	Ordinary
Sweden			
Box 190, 101 23 Stockholm, Sweden			
SSL Healthcare Sverige AB			Ordinary
c/o Reckitt Benckiser Nordic A/S, Danmark Filial, Regeringsqatan 29, 111 53, Stockholm, Sweden			
RB Health Nordic A/S, filial	#	–	
Vretenvägen 2, 4th Floor, 171 54 SOLNA, Sweden			
RB Hygiene Home Nordic A/S, filial	#	–	
Switzerland			
Richtistrasse 5, 8304 Wallisellen, Switzerland			
RB Hygiene Home Switzerland AG			Ordinary
Reckitt Benckiser (Switzerland) AG			Ordinary
Reckitt Benckiser AG			Ordinary
Taiwan			
6F, No. 136, Sec. 3, Ren-Ai Rd., Da-An Dist., Taipei City 10, 10657, Taiwan			
Reckitt Benckiser HK Limited Taiwan branch	#	–	
8 of 6F, No. 205, Section 1, Dunhua South Road, Da'an District, Taipei, Taiwan (Province of China)			
RB & Manon Business Limited Taiwan Branch	#	–	
Thailand			
100 Moo 5, Bangsamak Sub-District, Bangpakong District, Chachoengsao Province 24180, Thailand			
SSL Manufacturing (Thailand) Limited		44.9999	Ordinary-A, Ordinary-B
65 Moo 12 Lardkrabang-Bangplee Road, Bangplee Yai District, Bangplee, Samutprakarn, 10540, Thailand			
Reckitt Benckiser Healthcare Manufacturing (Thailand) Limited		45.0000	Ordinary, Preference

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
No. 388 Exchange Tower, 14th Floor, Sukhumvit Road, Klongtoey, Bangkok, TH 10110, Thailand			
Reckitt Benckiser (Thailand) Limited		44.9999	Ordinary
Reckitt Benckiser Holding (Thailand) Limited		45.0000	Common, Preference
RB Hygiene Home (Thailand) Limited		99.5749	Common
Mead Johnson Nutrition (Thailand) Ltd			Common/ Equity
Turkey			
Esentepe Mah., Büyükdere Cad., Tekfen Blok No:209/2, Şişli, İstanbul, Turkey			
Reckitt Benckiser Ev ve Hijyen Ürünleri Levent Şubesi	#	–	
Esentepe Mahallesi Büyükdere Caddesi Tekfen, Tower No: 209 A Blok D:2 34394 4., Levent, Şişli, İstanbul, Turkey			
Reckitt Benckiser Temizlik Malzemesi Sanayive Ticaret A.S.			Capital Contribution
Orta Mahallesi Demokrasi, Caddesi Benckiser Sitesi No.92, Tuzla, Istanbul, Turkey			
Reckitt Benckiser Ev ve Hijyen Ürünleri A.Ş.			Capital contribution
Ukraine			
28A Stepana Bandery Prospect, Bld.G, Office 80., Kiev, 04073, Ukraine			
Reckitt Benckiser Household and Health Care Ukraine LLC			Charter Capital
Reckitt Benckiser Hygiene Home Ukraine LLC			Charter Capital
40-Richchia Zhovtnia avenue, 120, 1 Block, Kyiv, 03127, Ukraine			
Medcom Marketing and Prodazha Ukraine LLC			Charter Capital
United Arab Emirates			
309, Floor 3, Dubai Science Park Labrotory Complex, Dubai, United Arab Emirates			
Reckitt Benckiser Arabia	#	–	
Al Seer Corporate Office, Behind Al Tayer Motors, Sheikh Zayed Road, Al Quoz Industrial Area 3, Dubai, 31587, United Arab Emirates			

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12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Reckitt Benckiser Arabia Trading LLC		48.6897	Ordinary
Level 27, Tower B, JAFZA One,Jebel Ali Free Zone, Dubai, PO Box 16834, United Arab Emirates			
RB Hygiene Home Arabia FZE			Ordinary
Reckitt Benckiser Arabia FZE		51.2555	Ordinary
Office 1801, 1803, 1804, Emaar Real Estate Burj Khalifa, Dubai, United Arab Emirates			
Reckitt Benckiser (RUMEA) Limited – Dubai Branch	#	–	
Unit 05, Level 3, Gate Village Building 04, Dubai Investment Financial Centre, PO BOX 677, United Arab Emirates			
RB Investment Company Limited		0.5000	Ordinary-A, Ordinary-B

United Kingdom

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom			
103-105 Bath Road Limited (Company number: 07415344)	*		Ordinary
Access VC Limited		70.5900	Ordinary, Preference
Benckiser			Ordinary, Bonus
Crookes Healthcare Limited			Ordinary, Bonus
Cupal, Limited			Ordinary, Bonus
Dakin Brothers Limited			Ordinary, Bonus
Durex Limited			Ordinary
eRB Trading Limited			Ordinary
FF Homecare & Hygiene Limited		70.5882	Ordinary, Preference
Glasgow Square Limited			Ordinary, Bonus
Green,Young & Company Limited			Ordinary, Bonus
Hamol Limited			Ordinary, Bonus
Helpcentral Limited			Ordinary, Bonus
Howard Lloyd & Company,Limited (Company number: 00124747)	*		Ordinary
LI Pensions Trust Limited			Ordinary
Linden Germany A Limited			Ordinary
Linden Germany B Limited			Ordinary
Lloyds Pharmaceuticals			Ordinary, Bonus
London International Group Limited (Company number: 00488344)	*		Ordinary B
LRC Products Limited			Ordinary
LRC Secretarial Services Limited			Ordinary
MJ UK Holdings Limited			Ordinary
MJN International Holdings (UK), Ltd. (Company number: 10773207)	*		Ordinary
Nurofen Limited			Ordinary
Optrex Limited (Company number: 00301618)	*		Ordinary
Pharmalab Limited			Ordinary, Bonus
R&C Nominees Limited (Company number: 03646801)	*		Ordinary
R&C Nominees One Limited			Ordinary
R&C Nominees Two Limited			Ordinary
RB (China Trading) Limited		80.0000	Ordinary
RB Asia Holding Limited			Ordinary
RB Holdings (Nottingham) Limited (Company number: 04367123)	*		Ordinary, Bonus
RB Luxembourg (2016) Limited (Company number: 10490698)	*		Ordinary
RB Luxembourg Holdings (TFFC) Limited			Ordinary
RB Mexico Investments Limited (Company number: 10141275)	*		Ordinary
RB Reigate (2019) Ltd.			Ordinary
RB Reigate (UK) Limited			Ordinary, Bonus
RB UK Commercial Limited			Ordinary
RB UK Hygiene Home Commercial Limited			Ordinary
RB USA (2019) Ltd.			Ordinary
Reckitt & Colman (Overseas) Health Limited			Ordinary
Reckitt & Colman (Overseas) Hygiene Home Limited			Ordinary
Reckitt & Colman (Overseas) Limited (Company number: 00593047)	*		Ordinary
Reckitt & Colman (UK) Limited (Company number: 00341605)	*		Ordinary, Irredeemable Cumulative Preference
Reckitt & Colman Holdings Limited			Ordinary, Bonus
Reckitt & Colman Pension Trustee Limited			Ordinary
Reckitt & Sons Limited (Company number: 00561576)	*		Ordinary
Reckitt Benckiser (Brands) Limited			Ordinary
Reckitt Benckiser (Grosvenor) Holdings Limited (Company number: 05698731)	*		Bonus
Reckitt Benckiser (Health) Holdings Limited			Ordinary
Reckitt Benckiser (Hygiene Home) Holdings Limited			Ordinary
Reckitt Benckiser (RUMEA) Limited			Ordinary
Reckitt Benckiser (UK) Limited			Ordinary
Reckitt Benckiser (USA) Limited			Ordinary

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12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Reckitt Benckiser Asia Pacific Limited			Ordinary
Reckitt Benckiser Corporate Services Limited			Ordinary
Reckitt Benckiser Expatriate Services Limited			Ordinary
Reckitt Benckiser Finance (2005) Limited			Ordinary, Bonus
Reckitt Benckiser Finance (2007)			Ordinary
Reckitt Benckiser Finance (2010) Limited (Company number: 07415340)	*		Ordinary, Bonus
Reckitt Benckiser Finance Company Limited (Company number: 04749202)	*		Ordinary
Reckitt Benckiser Health Limited			Ordinary
Reckitt Benckiser Healthcare (Central & Eastern Europe) Limited (Company number: 03368448)	*		Ordinary
Reckitt Benckiser Healthcare (CIS) Limited (Company number: 03376759)	*		Ordinary
Reckitt Benckiser Healthcare (MEMA) Limited			Bonus
Reckitt Benckiser Healthcare (UK) Limited			Ordinary
Reckitt Benckiser Healthcare International Limited			Ordinary
Reckitt Benckiser Holdings (Channel Islands) Limited	#	–	
Reckitt Benckiser Holdings (Luxembourg) Limited			Ordinary
Reckitt Benckiser Holdings (Overseas) Limited (Company number: 04617051)	*		Ordinary
Reckitt Benckiser Holdings (TFFC) Limited			Ordinary, Bonus
Reckitt Benckiser Holdings (USA) Limited (Company number: 04906543)	*		Ordinary
Reckitt Benckiser Jersey (No.3) Limited	#	–	
Reckitt Benckiser Jersey (No.5) Limited	#	–	
Reckitt Benckiser Investments Limited			Ordinary, Bonus
Reckitt Benckiser Limited			Ordinary
Reckitt Benckiser Luxembourg (2010) Limited (Company number: 07323959)	*		Ordinary
Reckitt Benckiser Luxembourg (No. 1) Limited			Ordinary
Reckitt Benckiser Luxembourg (No.2) Limited			Ordinary
Reckitt Benckiser Luxembourg (No.3) Limited			Ordinary, Bonus
Reckitt Benckiser Luxembourg (No.4) Limited			Ordinary, Bonus
Reckitt Benckiser Service Bureau Limited (Company number: 03605068)	*		Ordinary
Reckitt Benckiser Treasury (2007) Limited (Company number: 06365837)	*		Ordinary-B
Reckitt Benckiser Treasury Services plc			Ordinary
Reckitt Benckiser Treasury Services (Nederland) B.V.	#	–	
Reckitt Benckiser USA (2010) LLC	#	–	
Reckitt Benckiser USA (2013) LLC	#	–	
Reckitt Benckiser USA Finance (No.1) Limited (Company number: 04902703)	*		Ordinary
Reckitt Benckiser USA Finance (No.2) Limited (Company number: 04902747)	*		Ordinary
Reckitt Benckiser USA Finance (No.3) Limited (Company number: 04902776)	*		Ordinary
Reckitt Colman Chiswick (OTC) Limited (Company number: 00593046)	*		Ordinary, Bonus
Reckitt Seton Limited (Company number: 01914860)	*		Ordinary, Convertible, Cumulative Preference
Reckitt Sonet (UK) Limited (Company number: 02285039)	*		Ordinary
Scholl Consumer Products Limited			Ordinary
Sonet Dormant Company No.1 Limited (Company number: 00220272)	*		Ordinary, Deferred
Sonet Investments Limited			Ordinary, Bonus
Sonet Overseas Investments Limited			Ordinary, Bonus
Sonet Prebbles Limited (Company number: 00710779)	*		Ordinary
Sonet Products Limited			Ordinary
Sonet Seton UK Limited			Ordinary
SSL (MG) Polymers Limited			Ordinary
SSL (RB) Products Limited			Ordinary
SSL International plc			Ordinary
SSL Products Limited (Company number: 01026788)	*		Bonus
Tubifoam Limited			Ordinary, Bonus
W.Woodward, Limited			Ordinary

United States

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
2400 W. Lloyd Expressway, Evansville IN 47721, United States			
Mead Johnson & Company, LLC			Ordinary
Mead Johnson Nutrition Company			Ordinary
399 Interpace Parkway, Parsipanny NJ 07054, United States			

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12 Subsidiary Undertakings continued

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Biofreeze IP Holdings, LLC			Membership Interest
Blisa, LLC			Ordinary
Exponential Health LLC			Ordinary
Lanai Holdings 1.5, Inc.			Common
Mead Johnson Nutrition (Dominicana) S.A.			Ordinary
Mead Johnson Nutrition (Puerto Rico) Inc.			Ordinary
Mead Johnson Nutrition (Venezuela) LLC			Ordinary
Mead Johnson Nutrition Nominees LLC			Membership Interest
MJ USA Holdings LLC			Ordinary
MJN Asia Pacific Holdings LLC			Ordinary
MJN U.S. Holdings LLC			Ordinary
RB Health (US) LLC			Ordinary
RB Health Manufacturing (US) LLC			Ordinary
Reckitt Health Pain (US) LLC			Ordinary
TheraPearl LLC			Ordinary
Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County DE 19808, United States			
LRC North America Inc.			Common/ Equity, Preference
RB Manufacturing LLC			Ordinary
RB USA Holdings LLC			Ordinary
Reckitt Benckiser LLC			Ordinary
Reckitt Benckiser USA (2010) LLC			Ordinary
Reckitt Benckiser USA (2012) LLC			Membership Shares
Reckitt Benckiser USA (2013) LLC			Ordinary
SSL Holdings (USA) Inc.			Ordinary

Entity name	Key	Overall % owned by Group, if not 100%	Share class name(s)
Venezuela, Bolivarian Republic of			
251 Little Falls Drive, Wilmington DE 19808, United States			
Mead Johnson Nutrition Venezuela SCA	# ◊	–	
Avenida Mara con Calle San José, Centro Comercial Macaracuay Plaza, Nivel C3, Locales 5 y 12. Urb. Colinas de la California., Caracas, Venezuela, Bolivarian Republic of			
Reckitt Benckiser Venezuela S.A.			Ordinary
Urb. Las Mercedes, Av. Orinoco cruce con Mucuchies Torre Nordic, Piso 1, Oficina 1 y 2, Municipio Baruta Caracas, Venezuela, Bolivarian Republic of			
Mead Johnson Nutrition Venezuela, S.C.A.			Partnership Interest
Vietnam			
Suite 402, 4th Floor, No. 235 Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam			
The Representative Office of Reckitt Benckiser (Thailand) Ltd in Ho Chi Minh City	#	–	
Unit 401, 4th Floor, Metropolitan Building, No. 235 Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam			
Mead Johnson Nutrition (Vietnam) Company Limited			Capital Contribution