140 Independent auditors' report to the members of Hikma Pharmaceuticals PLC
146 Consolidated income statement
147 Consolidated statement of comprehensive income
148 Consolidated balance sheet
149 Consolidated statement of changes in equity
150 Consolidated cash flow statement
151 Notes to the consolidated financial statements
194 Company balance sheet
195 Company statement of changes in equity
196 Notes to the Company financial statements

Financial statements

Independent auditors' report to the members of Hikma Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hikma Pharmaceuticals PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRS Accounting Standards as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of four components, an audit of specific financial statement line items of one additional component and audit procedures performed centrally over certain specific material balances at locations around the Group and over central consolidation and adjustment entities. Full scope components account for 81% of consolidated revenue and 68% of core profit before tax.

Key audit matters

- Adequacy and appropriateness of management's impairment and impairment reversal indicators assessment in respect of the Generic Advair Diskus® and Generics cash generating units (Group)
- Valuation and accuracy of gross to net rebate and returns adjustments in the US (Group)
- Recoverability of the carrying amounts in respect of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: $31 million (2022: $25 million) based on approximately 5% of core profit before tax (2022: based on approximately 5% of core profit before tax).
- Overall Company materiality: $37.6 million (2022: $39 million) based on approximately 1% of total assets (2022: based on approximately 1% of total assets).
- Performance materiality: $23.2 million (2022: $18.75 million) (Group) and $28.2 million (2022: $29.2 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Adequacy and appropriateness of management's impairment and impairment reversal indicators assessment in respect of the Generic Advair Diskus® and Generics cash generating units (Group)	
The group has property, plant and equipment ("PPE") of $1,096 million (2022: $1,024 million) and intangible assets of $1,100 million (2022: $1,124 million). Management has assessed whether indicators of impairment or impairment reversal existed in relation to PPE and intangible assets as at 31 December 2023, performed at the cash generating units ("CGUs") level, being the lowest level at which largely independent cash inflows are generated. The goodwill and certain intangible assets allocated to the Generic Advair Diskus® and Generics CGUs were impaired in previous years. This, together with recent CGU performance, has resulted in these CGUs being the focus of our key audit matter. CGUs with finite life assets must be assessed for indicators of impairment at each reporting date. Where an impairment indicator has been identified, the recoverable amount of the CGU needs to be calculated to assess whether an impairment exists. Conversely, where there has been a sustained improvement in the conditions that gave rise to a prior impairment an impairment reversal should be recorded, other than where the impairment related to goodwill which cannot be reversed. Management's assessment did not identify any indicators of impairment or impairment reversal. The assessment of whether an impairment trigger has occurred requires exercise of judgement. The determination of whether there has been a sustained improvement in the conditions that gave rise to a previous impairment, to support an impairment reversal, also involves a significant degree of judgement and careful consideration. This includes, but is not limited to, consideration of actual performance in the year and management's view of future cash flow forecasts. These forecasts are based on management's expectations of external factors such as market competition, likelihood of regulatory product approvals and changes to regulations in addition to its own intentions. These impact key assumptions like market share, pricing, revenue growth and profit margins. Accordingly, the adequacy and appropriateness of management's impairment and impairment reversals indicators assessment for these two CGUs was determined to be a key audit matter. Refer to the Audit Committee review of areas of significant judgement, accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), and goodwill and other intangible assets (note 15) and property, plant and equipment (note 16) in the Group financial statements.	We performed the following audit procedures in order to evaluate the reasonableness of management's indicators assessment and their conclusions: – We reconciled the carrying values of the CGUs to underlying financial records and understood the constituents of the CGU; – We obtained management's five-year business plan ("5YBP") and verified that the 5YBP was approved by the Board; – We evaluated the current year performance of the CGUs against prior year forecasts, compared the previous 5YBP to the current year 5YBP and challenged management to understand the reasons for improvement in the performance of both CGUs; – We considered the changes to the 5YBP since the last formal recoverable value determination in 2022, focusing on changes in the forecasts with respect to key contributor products. – We analysed the changes to forecasts for key contributor products since the last formal recoverable amount determination for the CGUs in 2022 to assess whether these changes have a material impact on the recoverable amounts of the CGUs in order to determine if they represent an indicator of impairment or impairment reversal; – We made enquiries of management including the commercial, regulatory and legal teams to further understand the key inputs and assumptions underpinning the forecasts for the overall CGU and in respect of key contributor products. We corroborated and challenged these key inputs and assumptions from these discussions using available third party data (e.g. IQVIA market intelligence, analyst reports), by inspecting correspondence with the regulator, and agreeing information to contracts; and, – Our internal valuation experts determined discount rate ranges for these CGUs. We considered the movement in these ranges since the prior year to identify any potential triggering events which may indicate a full impairment assessment is required as per IAS 36. Based on our procedures we consider management's conclusion that there are no indicators of impairment or impairment reversal to be reasonable. We also evaluated the disclosures in note 2, note 3, note 15 and note 16 and consider these to be appropriate.
Valuation and accuracy of gross to net rebate and returns adjustments in the US (Group)	
Management is required to make estimates in respect of revenue recognition, specifically the level of returns and rebates to be realised against the Group's revenue. The Group recorded significant revenue deductions for the year ended 31 December 2023 and determined provisions for customer rebates of $27 million, indirect rebates of $67 million and returns of $133 million. In aggregate, these estimates are complex, material to the financial statements and require significant estimation by Directors to establish an appropriate provision and accordingly this was determined to be a key audit matter. Refer to the Audit Committee review of areas of significant judgement, accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), trade and other receivables (note 21) and other current liabilities (note 27) in the Group financial statements.	We considered the Group's processes for making judgements in this area and performed the following procedures: – We assessed the revenue recognition policy and applicable controls in place around this process; – We tested controls over the validation and approval of payment claims; – We tested returns, rebates payments and credit memos throughout the year by agreeing selected transactions back to the underlying source documentation including customer claims and payment information; – We confirmed channel inventory with major wholesalers or performed alternative procedures where confirmations were not received; – We developed an independent expectation or tested management's process for the largest elements of the reserves at 31 December 2023 using assumptions and inputs based on contracted prices and rebate terms, historical rebates, discounts, validated channel inventory levels, and invoices received or payments made, as applicable, subsequent to year-end to validate provisions. We compared this expectation to the actual accrual recognised by the Group; and, – We considered the historical accuracy of the Group's estimates in previous years and the effect of any adjustments to prior years' accruals in the current year's results. Based on the procedures performed, we did not identify any material differences between our independent expectations and the reserves recorded. We also evaluated the disclosures in note 2, note 3, note 21 and note 27 which we consider to be appropriate.

Independent auditors' report to the members of Hikma Pharmaceuticals PLC
continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of the carrying amounts in respect of investments in subsidiaries (Company)	
The investments in subsidiaries of $3,303m (2022: $3,296m) are accounted for at cost less impairment in the Company balance sheet at 31 December 2023. Investments in subsidiaries are accounted for at cost less provision for impairment in the Company balance sheet. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. The impairment assessment was identified as a key audit matter due to the size of the underlying investment carrying values at 31 December 2023. Impairment indicators were identified in connection with certain investments in subsidiaries due to the carrying value of investments exceeding the net assets of the underlying subsidiaries. As a result, the recoverable amount of the investments are determined by reference to the value in use, in order to determine the headroom, if any. The determination of the recoverable amount requires the application of management judgement and estimates, particularly in determining the key assumptions to be applied in preparing cash flow projections. Refer to accounting policies (note 2) and investment in subsidiaries (note 4) in the Company financial statements.	We performed the following audit procedures in relation to the carrying amount of investments in subsidiaries: – We evaluated management's assessment of whether any indicators of impairment existed by comparing the carrying values of investments in subsidiaries with the net assets of the underlying subsidiaries at 31 December 2023; – For investments where the net assets were lower than the carrying values, we assessed their recoverable value by reference to the value in use of the investments compared to their carrying values at 31 December 2023. Where applicable, we verified that the recoverable values of investments were consistent with the recoverable values of the related CGUs tested for goodwill impairment purposes, leveraging the audit work undertaken as part of the Group audit; and, – We separately evaluated the difference between the carrying value of the Company's investments in subsidiaries and the Group's market capitalisation. Based on the procedures performed, we noted no material issues arising from our work.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Procedures, including oversight discussions and site visits by senior team members, were performed prior to year-end to refine the audit approach and evaluate component auditor procedures and controls testing. As at 31 December 2023, Hikma Pharmaceuticals PLC had 57 subsidiaries and one joint venture as part of the Group. These entities may operate solely in one segment but more commonly operate across two. Each component submits a Group reporting package to Hikma's central accounting team including its income statement and balance sheet prepared under Group accounting policies which are in accordance with the accounting standards. We instructed component teams in the US, Jordan, Saudi Arabia and Algeria to audit reporting packages of certain entities in these territories and report to us the results of their full scope audit work. We also engaged our component team in Portugal to perform an audit over specific balances.
In addition to instructing and reviewing the reporting from our component audit teams, we conducted file reviews and participated in key meetings with local management both remotely and in person. We had regular dialogue with component teams throughout the year and performed site visits to the US, Jordan, Algeria and Portugal. In addition to the work performed by our component teams, central audit procedures were performed by the Group engagement team in relation to specific material balances not covered by component auditors. The Group consolidation and related central consolidation and other adjustments, financial statement disclosures and corporate functions were also audited by the Group engagement team. This included our work over central taxation adjustments, valuation of goodwill and intangible assets and major transactions. Taken together, audit work over the full scope components and central procedures performed covered approximately 81% of the Group's revenue and 68% of the Group's core profit before tax. In addition to the audit procedures noted above, we also performed disaggregated analytical review procedures over certain of the Group's smaller and lower risk components that were not directly included in our Group audit scope. This provided the evidence we needed for our opinion on the consolidated financial statements taken as a whole. We also performed a full scope audit of the Company to a separate Company standalone materiality.

The impact of climate risk on our audit
As explained in the Sustainability Report, the Group is mindful of its impact on the environment and is focussed on ways to reduce climate related impacts. In planning and executing our audit we have considered the Group's risk assessment process to identify and model the potential impact of climate change on the financial statements and further engaged with our own sustainability experts. Based on this, we understand that the key impact to the Group could be a potential increase in input costs for energy intensive supplies such as active pharmaceutical ingredients and packaging materials due to carbon pricing. This would impact the financial statement line items and estimates associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term. The key areas impacted include recoverability of goodwill, intangible assets and deferred tax assets. We note that management's assessment is that the impact on Hikma is currently immaterial, nevertheless, while auditing the estimates associated with the forecasts, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the cash flows particularly in the context of the Group's target to reduce Scope 1 and 2 GHG emissions by 25% by 2030. We have not identified any matters as part of this work which contradict the disclosures in the Annual Report or lead to any material adjustments to the financial statements.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	$31 million (2022: $25 million).	$37.6 million (2022: $39 million).
How we determined it	Based on approximately 5% of core profit before tax (2022: Based on approximately 5% of core profit before tax)	Based on approximately 1% of total assets (2022: Based on approximately 1% of total assets)
Rationale for benchmark applied	The Group's principal measure of earnings is core results. Management believes that it reflects the underlying performance of the Group and is a meaningful measure of the Group's performance to stakeholders.	Total assets is used as the benchmark as the Company's principal activity is to hold the Group's investments and perform treasury functions on behalf of the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $12 million and $27.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to $23.2 million (2022: $18.75 million) for the Group financial statements and $28.2 million (2022: $29.2 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.5 million (Group audit) (2022: $1.2 million) and $1.8 million (Company audit) (2022: $1.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- agreeing the underlying cash flow projections to board approved forecasts, assessing how these forecasts are compiled, and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within management's forecasts;
- considering liquidity and available financial resources;
- considering compliance with covenants in the current year and ability to comply with these at each future covenant reporting date in the going concern period;
- assessing whether the plausible downside scenario prepared by management appropriately considered the principal risks facing the business; and
- evaluating the feasibility of management's mitigating actions in the plausible downside scenario.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Hikma Pharmaceuticals PLC
continued

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, product safety (including but not limited to the United States Food and Drug Administration regulations), competition and antitrust laws, pricing practices and legislation, and anti-bribery and corruption legislation (including but not limited to the Foreign Corrupt Practices Act), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as applicable tax legislation, the Companies Act 2006 and Listing Rules of the Financial Conduct Authority (FCA). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing hotline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates particularly in relation to estimation of rebate and returns provisions, and recoverability of intangible assets (see related key audit matters above); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 December 2016 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Nigel Comello
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
21 February 2024

Consolidated income statement

For the year ended 31 December 2023

	Note	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Revenue	4	**2,875**	**–**	**2,875**	2,517	–	2,517
Cost of sales		**(1,468)**	**(17)**	**(1,485)**	(1,252)	(27)	(1,279)
Gross profit/(loss)		**1,407**	**(17)**	**1,390**	1,265	(27)	1,238
Selling, general and administrative expenses		**(544)**	**(223)**	**(767)**	(509)	(106)	(615)
Impairment loss on financial assets, net		**(3)**	**(29)**	**(32)**	(5)	–	(5)
Research and development expenses		**(149)**	**–**	**(149)**	(144)	–	(144)
Other operating expenses	9	**(9)**	**(71)**	**(80)**	(25)	(181)	(206)
Other operating income	9	**5**	**–**	**5**	14	–	14
Total operating expenses		**(700)**	**(323)**	**(1,023)**	(669)	(287)	(956)
Operating profit/(loss)	5	**707**	**(340)**	**367**	596	(314)	282
Finance income	10	**7**	**–**	**7**	3	26	29
Finance expense	11	**(90)**	**(5)**	**(95)**	(77)	(4)	(81)
Gain/(loss) from investment at fair value through profit or loss (FVTPL)		**2**	**–**	**2**	(2)	–	(2)
Gain from investment divestiture, net		**–**	**–**	**–**	–	5	5
Profit/(loss) before tax		**626**	**(345)**	**281**	520	(287)	233
Tax	12	**(131)**	**42**	**(89)**	(111)	69	(42)
Profit/(loss) for the year		**495**	**(303)**	**192**	409	(218)	191
Attributable to:							
Non-controlling interests	32	**3**	**(1)**	**2**	3	–	3
Equity holders of the parent		**492**	**(302)**	**190**	406	(218)	188
Earnings per share (cents)							
Basic	14	**223**		**86**	181		84
Diluted	14	**221**		**85**	180		84

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Profit/(loss) for the year		**495**	**(303)**	**192**	409	(218)	191
Other comprehensive income/(expense)							
Items that may subsequently be reclassified to the consolidated income statement:							
Currency translation and hyperinflation movement		**(3)**	**–**	**(3)**	(87)	–	(87)
Deferred tax on currency translation		**1**	**–**	**1**	–	–	–
Reclassification of translation gain on disposal of subsidiary		**–**	**–**	**–**	–	(8)	(8)
Items that will not subsequently be reclassified to the consolidated income statement:							
Change in investments at fair value through other comprehensive income (FVTOCI)	19	**(13)**	**–**	**(13)**	(8)	–	(8)
Total other comprehensive expense for the year		**(15)**	**–**	**(15)**	(95)	(8)	(103)
Total comprehensive income/(expense) for the year		**480**	**(303)**	**177**	314	(226)	88
Attributable to:							
Non-controlling interests		**2**	**–**	**2**	–	–	–
Equity holders of the parent		**478**	**(303)**	**175**	314	(226)	88
		480	**(303)**	**177**	314	(226)	88

Consolidated balance sheet

At 31 December 2023

	Note	2023 $m	2022 $m
Non-current assets			
Goodwill	15	**388**	389
Other intangible assets	15	**712**	735
Property, plant and equipment	16	**1,096**	1,024
Right-of-use assets	17	**45**	57
Investment in joint venture	18	**10**	10
Deferred tax assets	12	**226**	192
Financial and other non-current assets	19	**103**	65
		2,580	2,472
Current assets			
Inventories	20	**891**	776
Income tax receivable		**49**	32
Trade and other receivables	21	**824**	809
Cash and cash equivalents	22	**205**	270
Other current assets	23	**120**	110
Assets classified as held for sale/distribution		**11**	2
		2,100	1,999
Total assets		**4,680**	4,471
Current liabilities			
Short-term financial debts	24	**150**	139
Lease liabilities	17	**11**	9
Trade and other payables	25	**568**	476
Income tax payable		**74**	73
Provisions	26	**152**	32
Other current liabilities	27	**384**	348
		1,339	1,077
Net current assets		**761**	922
Non-current liabilities			
Long-term financial debts	28	**975**	1,074
Lease liabilities	17	**55**	61
Deferred tax liabilities	12	**25**	19
Provisions	26	**7**	–
Other non-current liabilities	30	**70**	92
		1,132	1,246
Total liabilities		**2,471**	2,323
Net assets		**2,209**	2,148
Equity			
Share capital	31	**40**	40
Share premium		**282**	282
Other reserves		**(282)**	(265)
Translation reserve related to assets classified as held for distribution		**–**	(14)
Retained earnings		**2,158**	2,092
Equity attributable to equity holders of the parent		**2,198**	2,135
Non-controlling interests	32	**11**	13
Total equity		**2,209**	2,148

The consolidated financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 146 to 193 were approved by the Board of Directors on 21 February 2024 and signed on its behalf by:

Said Darwazah
Executive Chairman
21 February 2024

Riad Mishlawi
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital	Share premium	Other reserves				Translation reserve related to assets classified as held for distribution	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		$m	$m	Merger and revaluation reserves $m	Translation reserve $m	Capital redemption reserve $m	Total other reserves $m	$m	$m	$m	$m	$m
Balance at 1 January 2022		42	282	164	(224)	–	**(60)**	–	2,189	**2,453**	14	**2,467**
Profit for the year		–	–	–	–	–	**–**	–	188	**188**	3	**191**
Change in investments at fair value through other comprehensive income (FVTOCI)	19	–	–	–	–	–	**–**	–	(8)	**(8)**	–	**(8)**
Currency translation and hyperinflation movement		–	–	–	(84)	–	**(84)**	–	–	**(84)**	(3)	**(87)**
Reclassification of translation gains on disposal of subsidiary		–	–	–	(8)	–	**(8)**	–	–	**(8)**	–	**(8)**
Total comprehensive income for the year		–	–	–	(92)	–	**(92)**	–	180	**88**	–	**88**
Transfer of merger reserve	31	–	–	(129)	–	–	**(129)**	–	129	**–**	–	**–**
Issue of Ordinary Bonus Share	31	1,746	–	–	–	–	**–**	–	(1,746)	**–**	–	**–**
Cancellation of Ordinary Bonus Share	31	(1,746)	–	–	–	–	**–**	–	1,746	**–**	–	**–**
Cost of equity-settled employee share scheme	37	–	–	–	–	–	**–**	–	22	**22**	–	**22**
Dividends paid	13	–	–	–	–	–	**–**	–	(125)	**(125)**	(3)	**(128)**
Ordinary Shares purchased and cancelled	31	(2)	–	–	–	2	**2**	–	(300)	**(300)**	–	**(300)**
Shares buyback transaction cost		–	–	–	–	–	**–**	–	(3)	**(3)**	–	**(3)**
Other comprehensive income accumulated in equity related to assets classified as held for distribution		–	–	–	14	–	**14**	(14)	–	**–**	–	**–**
Acquisition of subsidiaries		–	–	–	–	–	**–**	–	–	**–**	2	**2**
Balance at 31 December 2022 and 1 January 2023		40	282	35	(302)	2	**(265)**	(14)	2,092	**2,135**	13	**2,148**
Profit for the year		–	–	–	–	–	**–**	–	190	**190**	2	**192**
Change in investments at fair value through other comprehensive income (FVTOCI)	19	–	–	–	–	–	**–**	–	(13)	**(13)**	–	**(13)**
Currency translation and hyperinflation movement		–	–	–	(3)	–	**(3)**	–	–	**(3)**	–	**(3)**
Deferred tax on currency translation		–	–	–	–	–	**–**	–	1	**1**	–	**1**
Total comprehensive income for the year		–	–	–	(3)	–	**(3)**	–	178	**175**	2	**177**
Cost of equity-settled employee share scheme	37	–	–	–	–	–	**–**	–	25	**25**	–	**25**
Dividends paid	13	–	–	–	–	–	**–**	–	(137)	**(137)**	(4)	**(141)**
Other comprehensive income accumulated in equity related to assets no longer classified as held for distribution[1]		–	–	–	(14)	–	**(14)**	14	–	**–**	–	**–**
Balance at 31 December 2023		40	282	35	(319)	2	**(282)**	–	2,158	**2,198**	11	**2,209**

1. Translation reserve related to assets classified as held for distribution was reclassified to other reserves as the liquidation of Pharma Ixir Co. Ltd, one of the subsidiaries in Sudan, is no longer expected to be completed within twelve months because of the ongoing conflict in the country.

Consolidated cash flow statement

For the year ended 31 December 2023

	Note	2023 $m	2022 $m
Cash flows from operating activities			
Cash generated from operations	33	737	585
Income taxes paid		(131)	(103)
Income taxes received		2	48
Net cash inflow from operating activities		608	530
Cash flow from investing activities			
Purchase of property, plant and equipment		(169)	(138)
Proceeds from disposal of property, plant and equipment		18	1
Purchase of intangible assets		(35)	(87)
Proceeds from disposal of intangible assets		–	9
Additions to investments at FVTOCI		(27)	(15)
Proceeds from sale of investment at FVTOCI		1	–
Acquisition of businesses, net of cash acquired	35	(98)	(373)
Advance payment related to non-financial assets	19	(23)	–
Cash loss on disposal of subsidiary		–	(1)
Payments of contingent consideration liability		(7)	(6)
Interest income received		7	3
Net cash outflow from investing activities		(333)	(607)
Cash flow from financing activities			
Proceeds from issue of long-term financial debts		778	1,401
Repayment of long-term financial debts		(841)	(962)
Proceeds from short-term financial debts		437	380
Repayment of short-term financial debts		(467)	(363)
Repayment of lease liabilities		(10)	(9)
Dividends paid	13	(137)	(125)
Distributions to non-controlling interests		(4)	(3)
Interest and bank charges paid		(82)	(68)
Increase in restricted cash	19	(10)	–
Revolving credit facility upfront fees paid		–	(5)
Share buyback		–	(300)
Share buyback transaction costs		–	(3)
Payments of co-development and earnout payment agreement		(1)	(1)
Net cash outflow from financing activities		(337)	(58)
Net decrease in cash and cash equivalents		(62)	(135)
Cash and cash equivalents at beginning of year		270	426
Foreign exchange translation movements		(3)	(21)
Cash and cash equivalents at end of year	22	205	270

Notes to the consolidated financial statements

1. Adoption of new and revised standards

The following new and revised standards and interpretations have been issued and are effective for annual periods beginning on 1 January 2023.

IFRS 17 (New Standard)	Insurance Contracts
IAS 1 (Amendments)	Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – disclosure of accounting policies
IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates
IAS 12 (Amendments)	Income Taxes – deferred tax related to assets and liabilities arising from a single transaction
IAS 12 (Amendments)	Income Taxes – International Tax Reform — Pillar Two Model Rules

IAS 1 amendments had an impact on the Group's disclosures of accounting policies, but did not impact the measurement, recognition or presentation of the consolidated financial statements. The other new and revised standards and interpretations had no significant impact on the consolidated financial statements but may impact the accounting for future transactions and arrangements.

The standards and interpretations that had been issued but were not mandatory for annual reporting periods ending on 31 December 2023 were not early adopted. The Group doesn't expect any significant impact from applying these standards and interpretations.

2. Accounting policies

General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is stated on page 202.

The Group's principal activities are the development, manufacturing, marketing and selling of a broad range of generic, branded generic and in-licensed patented pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms.

Basis of preparation

Hikma Pharmaceuticals PLC's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated financial statements also fully comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities.

The accounting policies included in this note have been applied consistently other than where new policies have been adopted.

The Group's previously published consolidated financial statements were also prepared in accordance with UK-adopted international accounting standards, the requirements of the Companies Act 2006, and were fully compliant with the IFRS Accounting Standards.

The presentational currency of the Group's consolidated financial statements is the US dollar as the majority of the Group's business is conducted in US dollars.

Going concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. Taking into account the Group's current position and its principal risks for a period longer than 12 months from the date of signing the consolidated financial statement, a going concern analysis has been prepared using realistic scenarios applying a severe but plausible downside which shows sufficient liquidity headroom. Therefore, the Directors believe that the Group and its subsidiaries are adequately placed to manage their business and financing risks successfully, despite the current uncertain economic outlook. Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements. (See page 75).

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[1]. As of 31 December 2023, the Group's investment grade rating was affirmed by S&P and Fitch.

1. Rating agencies: means each of Fitch, Moody's and S&P or any of their affiliates or successors

Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the Company) and entities controlled by the Company (together, the Group).

All subsidiaries and the Company's financial statements are consolidated up to 31 December each year.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition-related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Contingent consideration classified as an asset or liability is a financial instrument and, within the scope of IFRS 9 'Financial Instruments', is measured at fair value, with changes in fair value recognised in the consolidated income statement in line with IFRS 9.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRS Accounting Standards. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and any fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and acquired contingent liabilities exceeds the cost of the consideration, the gain is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and acquired contingent liabilities recognised.

Notes to the consolidated financial statements
continued

2. Accounting policies continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Revenue recognition

Revenue is recognised in the consolidated income statement when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

The Group has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods before the transfer to the customer.

The Group manufactures certain medicines on behalf of some customers. The revenue from providing contract manufacturing services is recognised when these medicines are approved by the quality control department, there is no alternative use of these medicines and the Group has enforceable right to payments.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks, accruals for estimated future rebates, returns and price adjustments. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for time value of money.

Variable consideration

The ultimate net selling price is calculated using variable consideration estimates for certain gross to net adjustments.

Chargebacks

In the US, the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as 'indirect customers'. The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to large wholesale customers, the Group continually monitors the provision for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves.

Returns

The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves (see Note 27 for return sensitivity analysis).

Rebates

In the US, rebates are granted to wholesaler distributors and direct customers. Rebates are also granted to healthcare authorities and certain indirect customers under contractual arrangements. Products sold in the US are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue (see Notes 21 and 27 for rebates sensitivity analysis).

Performance obligation

Free goods

Free goods are issued to certain customers as an alternative to discounts. These free goods give rise to a separate performance obligation, which requires management to allocate the transaction price to the original goods and the related free goods. Revenue for free goods is recognised when they are transferred to the customer and a contract liability is recognised when the free goods are due but not yet transferred to the customer.

Share-based payments (Note 37)

At the Company's discretion and subject to the achievement of Group and personal performance criteria in the prior year, employees (including Executive Directors) of the Group receive performance-based remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares (equity-settled transactions) under 2014 Executive Incentive Plans (EIP), the 2009 and 2018 Management Incentive Plan (MIP) or the deferred bonus shares awards introduced within the 2023 Incentive Policy.

Additionally, a new Long-Term Incentive Plan (LTIP) was introduced under the 2023 Incentive Policy, which represents a performance share plan with performance measured over certain non-market and market conditions in future years.

The cost of share-based payments' transactions with employees for the EIP, MIP and deferred bonus shares awards is measured by reference to the fair value at the date at which the share-based awards are granted. Fair value is determined based on the share price as at the date of grant discounted by dividend yield. The cost of share-based payments for these share awards is recognised, together with a corresponding increase in equity, on a straight-line basis over the year of performance and the vesting period after the grant date.

2. Accounting policies continued

The cost of share-based payments' transactions with employees under the LTIP is measured by reference to the fair value at the date at which the share-based payments are granted. Fair value is determined based on Monte Carlo methodology for the market condition portion. For non-market conditions, fair value is determined based on the share price at the date of the grant, no discounting for dividend yield is applied as participants will receive the benefit of dividends paid during the vesting period in the form of additional shares. The cost is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period after the grant date.

The Group revises its estimate of the number of equity instruments expected to vest, and the impact of the revision of the original estimates (except for the portion related to a market vesting condition), if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The dilutive effect of outstanding share-based payments is reflected in the computation of diluted earnings per share.

Taxes (Note 12)

The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 'Income Taxes'.

The tax expense represents the sum of the current tax in the current period and deferred tax.

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities within one year.

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred is calculated using tax rates that have been enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the consolidated balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences will reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences, no deferred tax is provided.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Mandatory temporary exception

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Uncertain tax position

In line with IFRIC 23, if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

Exceptional items and other adjustments (Note 6)

We use a number of non-IFRS measures to report and monitor the performance of our business. Management uses these adjusted numbers internally to measure our progress and for setting performance targets. We also present these numbers, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our adjusted numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS Accounting Standards.

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance and to improve comparability of our consolidated financial statements to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

Core results mainly exclude:

- Amortisation of intangible assets other than software
- Impairment charge/reversal of intangible assets and property, plant and equipment
- Finance income and expense resulting from remeasurement and unwinding of contingent consideration and co-development earnout payment agreement financial liabilities
- Exceptional items which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings, such as costs associated with business combinations, one-off gains and losses on disposal of businesses, legal expenses, reorganisation costs and any exceptional items related to tax such as significant tax benefit/expense associated with previously unrecognised deferred tax assets/liabilities

Our core results exclude the exceptional items and other adjustments set out in Note 6 in the Notes to the consolidated financial statements.

Notes to the consolidated financial statements
continued

2. Accounting policies continued

Intangible assets (Note 15)
Intangible assets are measured at cost, less any accumulated amortisation and impairment losses.

The assets other than goodwill are amortised on a straight-line basis and the amortisation expense is recognised in the selling, general and administrative expenses.

Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an internally generated intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable.

Also, the Group engages with third-party research and development companies to develop products on its behalf. Substantial payments made to such third parties to fund research and development efforts are recognised as intangible assets if the capitalisation criteria for an intangible asset are met, typically when licences are acquired and certain milestones are met. All other expenditures are charged to the consolidated income statement.

Principal intangible assets are:

(a) **Goodwill**

(b) **Product related intangibles:**

(i) Product files and in-licensed products recognised through acquisitions and partnerships are amortised over their useful economic lives once the asset is ready for use

(ii) In-process product files recognised on acquisition are amortised over the useful economic life once the asset is ready for use

(c) **Purchased software:** is amortised over the useful economic life when the asset is ready for use

Other identified intangibles are:

(d) **Customer relationships:** represent the value attributed to the long-term relationships held with existing customers that the Group acquired on business combinations. Customer relationships are amortised over their useful economic lives

(e) **Trade names:** are amortised over their useful lives from the date of acquisition

(f) **Marketing rights:** are amortised over their useful lives commencing in the year in which the rights first generate sales

Details of the intangible assets useful lives are included in Note 15.

Property, plant and equipment (Note 16)
Property, plant and equipment are stated at cost on acquisition and are depreciated on a straight-line basis except for land.

The normal expected useful lives of the major categories of Property, plant and equipment are:

Buildings	20 to 50 years
Machinery and equipment	3 to 20 years
Vehicles, fixtures and equipment	3 to 13 years

A unit of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Impairment of intangible assets and property, plant and equipment
At the same time each year, the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use as follows:

(a) Goodwill is allocated to each of the Group's cash-generating units. These cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(b) Intangible assets that are not yet ready for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

The Group also reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject to depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

When an impairment loss for the asset, other than goodwill, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined had there been no impairment in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

Leases (Note 17)
In accordance with IFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets:

- Right-of-use assets: The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain of obtaining ownership of a leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term

2. Accounting policies continued

- Lease liabilities: at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option, payments for optional extension periods and payments of penalties for terminating a lease when these options are reasonably certain to be exercised by the Group. The discount rate used to calculate the lease liabilities is the incremental borrowing rate (IBR). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit profile)
- Short-term leases and leases of low-value assets: the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term

Inventories (Note 20)
Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the consolidated balance sheet, inventory is primarily valued at historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement.

Provisions (Note 26)
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
The Group classifies its financial assets in the following measurement categories:

(i) Financial assets at FVTPL (Note 23)
Include listed shares, debt instruments and investment portfolios held by the Group that are traded in an active market and are mostly designated as being measured at fair value through profit or loss. Gains and losses arising from changes in fair value are recognised in the consolidated income statement.

(ii) Financial assets at FVTOCI (Note 19)
The Group irrevocably choses to designate certain investments as financial assets at FVTOCI as they mainly are venture capital investments and are not held for trading. Investments in unlisted shares are measured using a level 3 fair value which is based on cost and adjusted as necessary for impairment and revaluations with reference to relevant available information and recent financing rounds. For investments in listed shares, fair value is readily determinable under level 1 valuation, see Note 29.

(iii) Financial assets at amortised cost
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit loss. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities
Financial liabilities are classified in two categories: financial liabilities at FVTPL or financial debts measured at amortised cost representing loans and borrowings. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities at FVTPL (Notes 27 and 30)
The Group currently has two financial liabilities at FVTPL as below:

- co-development and earn out payment agreements with third parties where the Group received payments on certain research and development milestones. In return for receiving such milestone payments, the Group has agreed to pay the contracting parties a certain percentage of future sales of those products
- contingent consideration arising from the Columbus business acquisition represents contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products

These financial liabilities are recorded under other current liabilities and other non-current liabilities in the consolidated balance sheet.

(ii) Financial debts
Financial debts are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Company. In accordance with the laws of the United Kingdom, a final dividend is recognised when it is approved by the majority of shareholders and an interim dividend is recognised when it is paid.

Notes to the consolidated financial statements
continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates 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.

The Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical and might result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition estimate (Notes 4 and 5)

The Group's revenue recognition policies require Directors to make estimates of the net selling price, which is complicated due to chargebacks, product returns and rebates, which together are considered to be a critical estimate that might result in a material adjustment.

These arrangements vary by product arrangement and buying group. Refer to Notes 21 and 27 for sensitivity analysis.

Chargebacks
Critical estimates
The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag), estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products, changes to pricing and estimated future sales trends (including customer mix). Refer to Note 21 for sensitivity analysis.

Returns
Critical estimates
The key assumptions included in calculating this provision are estimations of the product shelf life, returns rate for revenue subject to returns, as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors and changes to contractual terms. Refer to Note 27 for sensitivity analysis.

Rebates
Critical estimates
The key inputs and assumptions included in estimating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel' inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Refer to Notes 21 and 27 for sensitivity analysis.

Intangible assets – impairment testing (Note 15)

Critical judgement

- Determining whether an impairment indication has occurred for individual intangible assets or group of assets. In such case, the Group assesses the qualitative factors to determine whether it is more likely than not that the recoverable value of the intangible asset or group of assets is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test.
- For previously impaired assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased, if such indication exists, the Group estimates the asset's or CGU's recoverable amount

Based on the annual impairment trigger assessment and impairment testing for other intangible assets, the Group has not identified any material impairment on an individual asset basis, that may have significant risk resulting in a material adjustment to their carrying amounts within the next financial year.

Taxation (Note 12)

Tax and transfer pricing audit risk
Critical judgement
In common with most international organisations, the Group is subject to tax and transfer pricing audits from tax authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability in line with IFRIC 23 principles. These estimates take into account the specific circumstances of each dispute and relevant external advice, and are inherently judgemental in nature and could change substantially over time as new facts emerge and each dispute progresses. The Group regularly takes professional advice to ensure the risks are appropriately analysed and managed with any ultimate potential liability being adequately provided, and continues to invest in its financial systems to improve the quality of the Group's financial data which reduces the risk of an adverse tax authority audit.

As at 31 December 2023, the Group's uncertain tax positions amounted to $59 million (2022: $50 million) (Note 12), while it is not practical to provide a sensitivity analysis due to the number of uncertain tax positions held and the number of jurisdictions to which these relate, the Group reviews material uncertain tax positions on an individual basis and believes that it has accounted for an adequate provision for the liabilities likely to arise from open assessments and audits and continues to re-evaluate existing uncertain positions to determine if a change in facts and circumstances has occurred that would make it necessary to adjust.

Contingent liabilities

The promotion, marketing and sale of pharmaceutical products and medical devices are highly regulated and the operations of market participants, such as the Group, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain investigations by governmental agencies, as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes which may result in a possible obligation depending on whether some uncertain future event occurs in relation to legal proceedings and/or governmental agencies investigations.

It is the Group's policy to provide for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

A contingent liability is not provided for and disclosed in Note 36 if:

- payment is not probable where the Group denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of legal proceedings, or
- it is a present obligation but the amount cannot be measured reliably

4. Revenue

Business and geographical markets

The following tables provide an analysis of the Group's reported revenue by segment and geographical market, irrespective of the origin of the goods/services:

Year ended 31 December 2023	Injectables $m	Generics $m	Branded $m	Others $m	Total $m
North America	808	937	–	4	1,749
Middle East and North Africa	195	–	703	11	909
Europe and rest of the world	189	–	11	6	206
United Kingdom	11	–	–	–	11
	1,203	937	714	21	2,875

Year ended 31 December 2022 (revised)	Injectables[2] $m	Generics $m	Branded $m	Others[2] $m	Total $m
North America[1]	778	672	–	1	1,451
Middle East and North Africa	178	–	681	7	866
Europe and rest of the world	176	–	10	6	192
United Kingdom	8	–	–	–	8
	1,140	672	691	14	2,517

1. Canada is now included in North America (previously in Europe and rest of world). Canada's 2022 revenue of $18 million has therefore been reclassified to North America
2. During 2023, the Group has revised its Injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. 503B compounding business 2022 revenue of $1 million has therefore been reclassified to the Others segment

The top selling markets are shown below:

	2023 $m	2022 $m
United States	1,726	1,433
Saudi Arabia	261	240
Algeria	189	132
Egypt	93	115
	2,269	1,920

In 2023, included in revenue arising from the Generics and Injectables segments are sales the Group made to three wholesalers in the US, each accounting for equal to or greater than 10% of the Group's revenue: $370 million (13% of Group revenue), $365 million (13% of Group revenue) and $278 million (10% of Group revenue). In 2022, revenue included sales made to three wholesalers: $361 million (14% of Group revenue), $330 million (13% of Group revenue) and $251 million (10% of Group revenue), respectively.

The following table provides contract balances related to revenue:

	2023 $m	2022 $m
Net trade receivables (Note 21)	789	777
Contract and refund liabilities (Note 27)	179	193

Trade receivables are non-interest bearing and typical credit terms range from 30 to 90 days in the US, 30 to 120 days in Europe and 180 to 360 days in MENA.

Contract and refund liabilities mainly relate to returns and free goods provisions.

Notes to the consolidated financial statements
continued

5. Business segments

For management reporting purposes, the Group is organised into three principal operating divisions – Injectables, Branded and Generics. These divisions are the basis on which the Group reports its segmental information. (See business and financial review section on page 26 for more details on the business segments performance)

Core operating profit, defined as 'segment result', is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below:

Injectables	**2023 Core results $m**	**2023 Exceptional items and other adjustments (Note 6) $m**	**2023 Reported results $m**	2022 Core results (revised)[2] $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results (revised)[2] $m
Revenue	**1,203**	**–**	**1,203**	1,140	–	1,140
Cost of sales	**(546)**	**(2)**	**(548)**	(489)	(26)	(515)
Gross profit	**657**	**(2)**	**655**	651	(26)	625
Total operating expenses	**(213)**	**(84)**	**(297)**	(214)	(57)	(271)
Segment result	**444**	**(86)**	**358**	437	(83)	354

Branded	**2023 Core results $m**	**2023 Exceptional items and other adjustments (Note 6) $m**	**2023 Reported results $m**	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Revenue	**714**	**–**	**714**	691	–	691
Cost of sales	**(348)**	**(15)**	**(363)**	(341)	–	(341)
Gross profit	**366**	**(15)**	**351**	350	–	350
Total operating expenses	**(196)**	**(60)**	**(256)**	(204)	(10)	(214)
Segment result	**170**	**(75)**	**95**	146	(10)	136

Generics	**2023 Core results $m**	**2023 Exceptional items and other adjustments (Note 6) $m**	**2023 Reported results $m**	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Revenue	**937**	**–**	**937**	672	–	672
Cost of sales	**(550)**	**–**	**(550)**	(406)	(1)	(407)
Gross profit	**387**	**–**	**387**	266	(1)	265
Total operating expenses	**(195)**	**(45)**	**(240)**	(163)	(219)	(382)
Segment result	**192**	**(45)**	**147**	103	(220)	(117)

Others[1]	**2023 Core results $m**	**2023 Exceptional items and other adjustments (Note 6) $m**	**2023 Reported results $m**	2022 Core results (revised)[2] $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results (revised)[2] $m
Revenue	**21**	**–**	**21**	14	–	14
Cost of sales	**(24)**	**–**	**(24)**	(15)	–	(15)
Gross profit	**(3)**	**–**	**(3)**	(1)	–	(1)
Total operating expenses	**(6)**	**–**	**(6)**	(5)	–	(5)
Segment result	**(9)**	**–**	**(9)**	(6)	–	(6)

1. Others mainly comprises Arab Medical Containers LLC, International Pharmaceutical Research Centre LLC and the 503B compounding business
2. During 2023, the Group has revised its Injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. The 503B compounding business 2022 revenue of $1 million and operating loss of $9 million have therefore been reclassified to the Others segment

5. Business segments continued

Group	**2023 Core results $m**	**2023 Exceptional items and other adjustments (Note 6) $m**	**2023 Reported results $m**	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Segments' results	**797**	**(206)**	**591**	680	(313)	367
Unallocated expenses[1]	**(90)**	**(134)**	**(224)**	(84)	(1)	(85)
Operating profit/(loss)	**707**	**(340)**	**367**	596	(314)	282
Finance income	**7**	**–**	**7**	3	26	29
Finance expense	**(90)**	**(5)**	**(95)**	(77)	(4)	(81)
Gain/(loss) from investment at fair value through profit or loss (FVTPL)	**2**	**–**	**2**	(2)	–	(2)
Gain from investment divestiture, net	**–**	**–**	**–**	–	5	5
Profit/(loss) before tax	**626**	**(345)**	**281**	520	(287)	233
Tax	**(131)**	**42**	**(89)**	(111)	69	(42)
Profit/(loss) for the year	**495**	**(303)**	**192**	409	(218)	191
Attributable to:						
Non-controlling interests	**3**	**(1)**	**2**	3	–	3
Equity holders of the parent	**492**	**(302)**	**190**	406	(218)	188

1. In 2023, unallocated expenses mainly comprise provision for legal settlements (Notes 6, 26 and 41), employee costs, third-party professional fees, IT and travel expenses

The following table provides an analysis of the Group's non-current assets[2] by geographic area:

	2023 $m	2022 (restated)[4] $m
North America		
US	**1,301**	1,305
Canada[3]	**36**	37
	1,337	1,342
Middle East and North Africa		
Jordan	**348**	349
Algeria	**104**	85
Morocco	**89**	76
Saudi Arabia	**71**	51
Others	**75**	97
	687	658
Europe and rest of the world		
Portugal	**147**	133
Germany	**42**	40
Others[3]	**47**	22
	236	195
United Kingdom	**11**	20
	2,271	2,215

2. Non-current assets exclude deferred tax assets (Note 12), investments at FVTOCI, restricted cash and other financial assets (Note 19)
3. Canada is now included in North America (previously in Europe and rest of the world). Canada's 2022 non-current assets of $37 million have therefore been reclassified to North America
4. 2022 numbers have been restated to add investment in joint venture to the relevant geographical area

Notes to the consolidated financial statements
continued

6. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance. Exceptional items and other adjustments have been recognised in accordance with our accounting policy outlined in Note 2, the details are presented below:

		Injectables $m	Branded $m	Generics $m	Unallocated $m	Total $m
Impairment and cost in relation to halted operations in Sudan	—[1]	(14)	(69)	–	–	(83)
Provision for legal settlements	SG&A	–	–	–	(129)	(129)
Intangible assets amortisation other than software	SG&A	(47)	(6)	(35)	–	(88)
Impairment charge on intangible assets	Other operating expenses	(18)	–	(9)	(5)	(32)
Impairment charge on right-of-use assets and property, plant and equipment	Other operating expenses	(7)	–	(1)	–	(8)
Remeasurement of contingent consideration and other financial liability	Finance expense	–	–	–	(2)	(2)
Unwinding of contingent consideration and other financial liability	Finance expense	–	–	–	(3)	(3)
Exceptional items and other adjustments included in profit before tax		**(86)**	**(75)**	**(45)**	**(139)**	**(345)**
Tax effect	Tax					42
Impact on profit for the year						**(303)**
Non-controlling interest						(1)
Equity holders of the parent						**(302)**

1. The impact on the consolidated income statement line items is shown below.

– Impairment and costs in relation to halted operations in Sudan: In April 2023, violent conflict erupted in the Sudanese capital of Khartoum. The conflict has since been escalating in other areas of the country. The Group has evaluated the effect on the carrying values of the Group's assets, and as a consequence, a loss of $76m was recognised to reflect the fall in the recoverable amount of the assets listed below. A further $7 million of employee benefits, hyperinflation and other expenses from the halted operations have been classified as exceptional items on the basis that no revenue was generated after the operations were halted.

		Injectables $m	Branded $m	Generics $m	Unallocated $m	Total $m
Provision against inventory	Cost of sales	(2)	(15)	–	–	(17)
Impairment charge on financial assets	Net impairment loss on financial assets	(12)	(17)	–	–	(29)
Impairment charge on intangible assets	Other operating expenses	–	(3)	–	–	(3)
Impairment charge on property, plant and equipment	Other operating expenses	–	(25)	–	–	(25)
Impairment charge on other current assets	Other operating expenses	–	(2)	–	–	(2)
Cost from halted operations in Sudan	SG&A	–	(6)	–	–	(6)
Cost from halted operations in Sudan	Other operating expenses	–	(1)	–	–	(1)
		(14)	(69)	–	–	(83)

– Provision for legal settlements: On 1 February 2024, the Group reached an agreement in principle to resolve the vast majority of the opioid related cases brought against Hikma Pharmaceuticals USA Inc. by US states, their subdivisions, and tribal nations. The agreed upon settlement is not an admission of wrongdoing or legal liability. The Group booked a total provision of $129 million to cover the expected settlement amount for all related cases in North America (Notes 26 and 41)

– Intangible assets amortisation other than software of $88 million (Note 15)

– Impairment charge on intangible assets: $32 million mainly comprise $11 million in relation to product related intangible assets as a result of the decline in performance and forecasted profitability and $16 million marketing rights due the termination of business development contracts. Additionally, $5 million of impairment charge relates to software (Notes 9 and 15)

– Impairment charge on property, plant and equipment and right-of-use assets: $8 million of impairment charge mainly relates to a leased property with no future plans of utilisation (Notes 9, 16 and 17)

– Remeasurement of contingent consideration and other financial liability: $2 million represents the finance expense resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 11, 27, 29 and 30)

– Unwinding of contingent consideration and other financial liability: $3 million represents the finance expense resulting from the unwinding of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 11, 27, 29 and 30)

6. Exceptional items and other adjustments continued

Tax effect

– The tax effect represents the tax effect on pre-tax exceptional items and other adjustments which is calculated based on the applicable tax rate in each jurisdiction

In the previous year, exceptional items and other adjustments were related to the following:

		Injectables $m	Branded $m	Generics $m	Unallocated $m	Total $m
Gain from investment divestiture, net		–	–	–	5	5
Reorganisation costs	SG&A	(2)	(2)	(9)	(1)	(14)
Impairment charge on property, plant and equipment and right-of-use assets	Other operating expenses	(4)	–	(76)	–	(80)
Impairment charge on intangible assets	Other operating expenses	(8)	–	(93)	–	(101)
Intangible assets amortisation other than software	SG&A	(43)	(8)	(41)	–	(92)
Unwinding of acquisition related inventory step-up	Cost of sales	(26)	–	(1)	–	(27)
Remeasurement of contingent consideration	Finance income	–	–	–	26	26
Unwinding of contingent consideration and other financial liability	Finance expense	–	–	–	(4)	(4)
Exceptional items and other adjustments included in profit before tax		(83)	(10)	(220)	26	(287)
Tax effect	Tax					69
Impact on profit for the year						(218)

– Gain from investment divestiture: represents $8 million from reclassification of translation gains previously included in other comprehensive income and the $3 million loss on disposal of Hikma Liban S.A.R.L.

– Reorganisation costs: $14 million of reorganisation costs relate to a one-off global restructuring to align staffing levels with current business conditions.

– Impairment charge on property, plant and equipment and right-of-use assets: $80 million of impairment charge relates to excess capacity and the rationalisation of the R&D pipeline associated production lines mainly in the Generics CGU, in addition to the impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 9, 15, 16 and 17)

– Impairment charge on intangible assets: $101 million impairment charge mainly relates to the generic Advair Diskus® CGU, other product related intangible assets and marketing rights mainly resulting from decline in performance and forecasted profitability and the rationalisation of the R&D pipeline in the Generics CGU (Notes 9 and 15)

– Intangible assets amortisation other than software: $92 million intangible assets amortisation other than software

– Unwinding of acquisition related inventory step-up: $27 million unwinding of acquisition related inventory step-up reflects the unwinding of the fair value uplift of the inventory acquired as part of Custopharm Topco Holdings, Inc. business combination and the Teligent Inc. Canadian assets acquisition ($25 million and $2 million, respectively)

– Remeasurement of contingent consideration: $26 million finance income represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations (Notes 10, 27, 29 and 30)

– Unwinding of contingent consideration and other financial liability: $4 million finance expense represents the expense resulting from the unwinding of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 11, 27, 29 and 30)

Tax effect

– The tax effect represents the tax effect on pre-tax exceptional items and other adjustments which is calculated based on the applicable tax rate in each jurisdiction

Notes to the consolidated financial statements
continued

7. Audit remuneration

The Group auditor's remuneration on a worldwide basis is as below:

	2023 $m	2022 (restated)[1] $m
Fees to the company's auditor and its associates for the audit of the parent company and consolidated financial statements	2.9	3.4
Fees to the company's auditor and its associates for the audit of the financial statements of the Group's subsidiaries	0.6	0.5
Total audit fees	3.5	3.9
Audit related assurance services	0.3	0.2
Other non-audit fees	0.2	–
Total audit and non-audit fees	4.0	4.1

1. 2022 figures have been restated to reflect final amounts billed, the figures have also been revised to reflect $1.8 million which has been reclassified from audit fees for the financial statements of the Group's subsidiaries to fees for the consolidated financial statements

Audit related assurance services relate to review procedures in respect of the interim financial information.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 97 to 100 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2023 Number	2022 Number
Production	5,257	5,071
Sales, general and administration	3,200	3,234
Research and development	510	530
	8,967	8,835

	2023 $m	2022 $m
Aggregate remuneration for employees (including Executive Directors) comprised:		
Wages, salaries and bonuses	431	411
Social security costs	41	37
Post-employment benefits	15	16
End of service indemnity	8	20
Share-based payments (Note 37)	25	22
Car and housing allowances	23	22
Health insurance	38	42
Other costs and employee benefits	29	23
	610	593

9. Other operating expenses/income

Other operating expenses	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Impairment charges (Notes 15, 16 and 17)	–	70	70	1	181	182
Forex and net monetary hyperinflation losses, net	5	1	6	20	–	20
Others	4	–	4	4	–	4
	9	71	80	25	181	206

Impairment charges (excluding Sudan) comprise $32 million related to product related intangible assets, marketing rights intangible assets and software, $30 million related to Sudan exposure, and $8 related to right-of-use assets and property, plant and equipment (Notes 6, 15, 16 and 17).
In 2022, impairment charges of $182 million primarily related to excess capacity due to the rationalisation of the Generics R&D pipeline and associated production lines in addition to the impairment of generic Advair Diskus CGU (Notes 6, 15, 16 and 17).

Other operating income	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Gain from disposal of property, plant and equipment	–	–	–	1	–	1
Gain from disposal of intangible assets	–	–	–	6	–	6
Others	5	–	5	7	–	7
	5	–	5	14	–	14

10. Finance income

	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Interest income	7	–	7	3	–	3
Remeasurement of contingent consideration (Notes 6, 27, 29 and 30)	–	–	–	–	26	26
	7	–	7	3	26	29

11. Finance expense

	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Interest on bank overdrafts and loans	51	–	51	37	–	37
Interest on Eurobond	18	–	18	18	–	18
Unwinding and remeasurement of contingent consideration and other financial liabilities (Notes 6, 27, 29 and 30)	–	5	5	–	4	4
Other bank charges	14	–	14	11	–	11
Lease accretion of interest (Note 17)	4	–	4	4	–	4
Net foreign exchange loss	3	–	3	7	–	7
	90	5	95	77	4	81

Notes to the consolidated financial statements
continued

12. Tax

	2023 Core results $m	2023 Exceptional items and other adjustments (Note 6) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Current tax						
Current year	117	(2)	115	121	(16)	105
Adjustment to prior years	(1)	–	(1)	(1)	–	(1)
Deferred tax						
Current year	11	(40)	(29)	(5)	(53)	(58)
Adjustment to prior year	4	–	4	(4)	–	(4)
	131	(42)	89	111	(69)	42

UK corporation tax is calculated at 23.5% blended rate (2022: 19.0%).

The Group incurred a tax expense of $89 million (2022: $42 million), the reported and core effective tax rates are 31.7% and 20.9% respectively (2022: 18.0% and 21.3% respectively). The reported effective tax rate is higher than the statutory rate due to the exceptional items related to Sudan.

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2023 $m	2022 $m
Profit before tax	281	233
Tax at the UK corporation tax rate of 23.5% (2022: 19.00%)	66	44
Profits taxed at different rates	(21)	4
Permanent differences:		
– Non-deductible expenditure	3	3
– Other permanent differences	2	2
– Research and development benefit	(3)	(5)
State and local taxes	2	(2)
Temporary differences:		
– Rate change, tax losses and other deductible temporary differences for which no benefit is recognised	(3)	(5)
Impact of the halted operations in Sudan	32	–
Change in uncertain tax positions	9	10
Unremitted earnings	(1)	(4)
Prior year adjustments	3	(5)
Tax expense for the year	89	42

Profits taxed at different tax rates relate to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate. Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as research and development.

The exceptional costs associated with the halted operations in Sudan mainly comprise tax on permanent differences of $24 million and unrecognised deferred tax assets of $12 million on the basis that the Group does not consider it probable that tax deductions can be realised on these temporary differences for local tax purposes.

Rate change, tax losses and other deductible temporary differences for which no benefit is recognised include items for which it is not appropriate to recognise deferred tax.

The change in the uncertain tax positions relates to the balance the Group holds in the event a revenue authority successfully takes an adverse view of the positions adopted by the Group in 2023 and prior years. As at 31 December 2023, the Group's uncertain tax positions amounted to $59 million (2022: $50 million). The Group released $13 million in 2023 (2022: $3 million) primarily due to the resolution of some audits with the relevant tax authorities and released $nil (2022: $2 million) following closure of tax audit with no final tax adjustments required by the relevant tax authorities, this was offset by new provisions and updates of $22 million booked in 2023 (2022: $15 million) arising from new and ongoing tax audits. There was no impact from the currency exchange difference in 2023 (2022: $1 million reduction to the aggregate balance). If all areas of uncertainty were audited and all areas resulted in an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and the estimated tax provision reported in a prior year's consolidated financial statements. This category also includes adjustments to the tax returns against which an adverse uncertain tax position has been booked and included under 'change in uncertain tax positions' above.

12. Tax continued

Tax contingent liabilities

Due to the Group operating across a number of different tax jurisdictions, 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 generally include transfer pricing arrangements, other international tax matters and the judgemental interpretation of local tax legislation.

A tax contingent liability is not provided for and disclosed if:

- tax payments are not probable in the future on challenges by tax authorities; or
- it is a present tax obligation, but the amount cannot be measured reliably

Publication of tax strategy

In line with the UK requirement for large UK businesses to publish their tax strategy, the Group's tax strategy has been made available on the Group's website.

Global minimum tax – Pillar Two

Pillar Two legislation has been enacted, or substantively enacted, in certain jurisdictions where the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes for the year ending on 31 December 2024.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment, the Group has identified potential exposure to Pillar Two income taxes in respect of profits earned in the UAE. The potential exposure comes from the constituent entities (mainly operating subsidiaries) in these jurisdictions where the expected Pillar Two effective tax rate is below 15%. Starting in 2024, the Group's core effective tax rate guidance reflects Pillar Two impact which contributed to an increase of 2 to 3 percentage points. Further factors such as the proportion of profit before tax, revenues, costs, and foreign currency exchange rates have been considered in the guidance for the core effective tax rate in 2024.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

Deferred tax

Recognition of deferred tax assets

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period.

This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

Deferred tax assets and liabilities have been offset only where it is appropriate to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December 2023 $m	As at 31 December 2022 $m
Deferred tax assets	226	192
Deferred tax liabilities	(25)	(19)
	201	173

The table below represents the deferred tax movement in 2023:

	Product related provision $m	Intangible assets $m	Other provisions and accruals $m	Unremitted earnings $m	Others $m	Total $m
1 January 2023	83	46	16	(4)	32	173
(Charge)/credit to income	7	8	43	1	(34)	25
Currency translation and hyperinflation impact	–	–	–	–	3	3
At 31 December 2023	90	54	59	(3)	1	201

Notes to the consolidated financial statements
continued

12. Tax continued

The table below represents the deferred tax movement in 2022:

	Product related provision $m	Intangible assets $m	Other provisions and accruals $m	Unremitted earnings $m	Others $m	Total $m
1 January 2022	94	77	12	(8)	(16)	159
(Charge)/credit to income	(5)	21	3	4	39	62
Acquisition of business	(5)	(53)	1	–	11	(46)
Currency translation and hyperinflation impact	(1)	1	–	–	(2)	(2)
At 31 December 2022	**83**	**46**	**16**	**(4)**	**32**	**173**

The Group has a potential deferred tax asset of $288 million (2022: $246 million), of which $226 million (2022: $192 million) has been recognised.

No deferred tax asset has been recognised on gross temporary differences totalling $288 million (2022: $223 million), with a tax effect of $62 million mainly due to the unpredictability of the related future profit streams. $200 million (2022: $195 million) of these gross temporary differences relate to losses, of which $183 million are UK losses that don't expire. No deferred tax is recognised against the losses due to significant uncertainty regarding future taxable income forecasts in the relevant jurisdictions. None of the non-UK losses are expected to expire in 2024. The remaining $88 million represent other unrecognised gross short-term temporary differences that relate to multiple jurisdictions.

During the year a reduction in the deferred tax liability has been recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries of $1 million (2022: reduction of $4 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $414 million (2022: $294 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Other deferred taxes mainly relate to property, plant and equipment, temporary differences related to Sudan as well as the difference between book and tax bases in relation to the research and development expenditures.

Mandatory temporary exception
The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

13. Dividends

	Paid in 2023 $m	Paid in 2022 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2022 of 37 cents (31 December 2021: 36 cents) per share	**82**	83
Interim dividend during the year ended 31 December 2023 of 25 cents (31 December 2022: 19 cents) per share	**55**	42
	137	125

The proposed final dividend for the year ended 31 December 2023 is 47 cents (2022: 37 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 25 April 2024 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in free issue at 31 December 2023 (221,081,371), the final dividend would be $104 million.

14. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of Ordinary Shares in free issue during the year after deducting Treasury shares (Note 31). Treasure shares have no right to receive dividends.

Diluted EPS is calculated after adjusting the weighted average number of Ordinary Shares used in the basic EPS calculation for the conversion of all potentially dilutive Ordinary Shares.

Core basic and diluted EPS are intended to highlight the core results of the Group before exceptional items and other adjustments.

	2023 Core results $m	**2023 Exceptional items and other adjustments (Note 6) $m**	**2023 Reported results $m**	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m
Profit attributable to equity holders of the parent	**492**	**(302)**	**190**	406	(218)	188

The number of shares used in calculating basic and diluted EPS is reconciled below:

Weighted average number of Ordinary Shares in free issue	**2023 Number**	2022 Number
Basic EPS	**220,862,103**	223,728,473
Effect of potentially dilutive Ordinary Shares:		
Share-based awards	**1,506,611**	1,180,336
Diluted EPS	**222,368,714**	224,908,809

	2023 Core EPS Cents	**2023 Reported EPS Cents**	2022 Core EPS Cents	2022 Reported EPS Cents
Basic	**223**	**86**	181	84
Diluted	**221**	**85**	180	84

Notes to the consolidated financial statements
continued

15. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2023 and 31 December 2022 are as follows:

	Goodwill	Other intangible assets			
	$m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2022	693	1,056	142	257	2,148
Additions	–	48	1	36	85
Disposals	–	–	–	(3)	(3)
Translation adjustments	(15)	(5)	(2)	(5)	(27)
Acquisition of subsidiaries	119	251	–	–	370
Balance at 31 December 2022 and 1 January 2023	**797**	**1,350**	**141**	**285**	**2,573**
Additions	–	10	1	33	44
Disposals	–	–	(4)	(3)	(7)
Translation adjustments	(1)	(1)	–	2	–
Business combination (Note 35)	–	63	–	–	63
Balance at 31 December 2023	**796**	**1,422**	**138**	**317**	**2,673**
Accumulated Amortisation and Impairment					
Balance at 1 January 2022	(408)	(650)	(91)	(107)	(1,256)
Charge for the year	–	(75)	(8)	(17)	(100)
Impairment charge	–	(72)	(1)	(29)	(102)
Translation adjustments	–	4	2	3	9
Balance at 31 December 2022 and 1 January 2023	**(408)**	**(793)**	**(98)**	**(150)**	**(1,449)**
Charge for the year	–	(73)	(8)	(15)	(96)
Disposals	–	–	4	3	7
Impairment charge	–	(13)	(5)	(17)	(35)
Translation adjustments	–	1	–	(1)	–
Balance at 31 December 2023	**(408)**	**(878)**	**(107)**	**(180)**	**(1,573)**
Carrying amount					
At 31 December 2023	**388**	**544**	**31**	**137**	**1,100**
At 31 December 2022	389	557	43	135	1,124

Of the total intangible assets other than goodwill, $152 million (2022: $89 million) are not yet available for use.

Goodwill

Goodwill is allocated from the acquisition date to the CGUs that are expected to benefit from the synergies of the business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2023 $m	2022 $m
Injectables	**228**	229
Branded	**160**	160
Total	**388**	389

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indicators that goodwill may be impaired. The impairment test was performed by calculating the recoverable amount of the CGUs to which the goodwill is allocated, based on discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows under which these CGUs sit. These values are then compared to the carrying value of the CGUs to determine whether an impairment is required.

15. Goodwill and other intangible assets continued

Details related to the discounted cash flow models used in the impairment tests of the CGUs under which the goodwill is allocated are as follows:

Valuation basis, terminal growth rate and discount rate		Valuation basis	Terminal growth rate (perpetuity) 2023	2022	Discount rate 2023	2022	
	Injectables	VIU	**2.5%**	1.6%	**12.6%**	12.0%	Pre-tax
	Branded	VIU	**2.5%**	2.2%	**17.4%**	17.7%	Pre-tax

Key assumptions	Projected cash flows based on: – Sales growth rates, informed by pricing and volume assumptions – Profit margins and profit margin growth rates for marketed and pipeline products – Expected launch dates for pipeline products Terminal growth rates Discount rates
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information, informed by historical experience and management's best estimates of the future Margins reflect past experience, adjusted for expected changes in the future Establishing the launch date and probability of a successful product approval for pipeline products Terminal growth rates are based on the Group's experience in its markets Discount rates for each CGU are derived from specific regions/countries
Period of specific projected cash flows	5 years

The valuation did not result in any impairment for the CGUs and indicated that sufficient headroom exists even under reasonable changes in key assumptions.

The Group monitors the development of climate related risks and assessed the qualitative and quantitative impact which is not expected to have a material impact on the consolidated financial statements nor the recoverable amount of the CGUs (See page 56).

Product-related intangible assets

Product rights not yet available for use
Product rights not yet available for use amounts to $75 million (2022: $22 million), no amortisation has been charged against them. The Group performs an impairment review of these assets annually. The result of this test was an impairment charge of $3 million in the Generics segment mainly due to the high risk of obtaining regulatory approval for a certain product (2022: $8 million in the Injectables segment).

Product rights
Product rights consists of marketed products of $469 million (2022: $535 million) which includes one product in the injectables CGU of $129 million (2022: $140 million) that has a remaining useful life of twelve years (2022: thirteen years), in addition to generic Advair Diskus® of $87 million (2022: $97 million) that has a remaining useful life of eight years (2022: nine years). The product rights have an average estimated useful life of twelve years.

The Group performs impairment indicators assessment for definite life intangible assets, if any indicator exists, the Group reconsiders the asset's estimated economic benefit, calculates the recoverable value of the individual assets or asset group's cash flows and compares such value against the individual asset's or asset group's carrying amount. If the carrying amount is greater, the Group records an impairment loss for the excess of book value over the recoverable value. As at 31 December 2023, the result of this testing was an impairment charge of $10 million (2022: $64 million).

Software

Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications, of which $1 million is not yet available for use (2022: $9 million). The software has an average estimated useful life that varies from three to ten years.

Following a review of impairment indicators for software as at 31 December 2023, an impairment charge of $5 million was recognised (2022: $1 million).

Other identified intangibles

Other identified intangibles comprise marketing rights, customer relationships and trade names of $137 million (2022: $135 million) of which $76 million represent assets not yet available for use (2022: $58 million). The Group performs an impairment review of other identified intangible assets that are not yet available for use annually, and performs impairment indicators assessment for assets in use. The result of this test was an impairment charge of $17 million mainly in the Injectables and Generics segments due to the discontinuation of certain marketing rights (2022: $29 million).

Marketing rights
Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use with estimated useful lives varying from two to ten years.

Customer relationships
Customer relationships represent the value attributed to existing direct customers that the Group acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of fifteen years.

Notes to the consolidated financial statements
continued

15. Goodwill and other intangible assets continued

Trade names
Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany) with estimated useful lives of ten years.

16. Property, plant and equipment

	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Cost					
Balance at 1 January 2022	676	796	138	271	1,881
Additions	4	16	7	114	141
Disposals	(1)	(10)	(3)	(1)	(15)
Transfers	74	35	11	(120)	–
Acquisition of subsidiaries	–	1	–	–	1
Transfer to assets classified as held for distribution	(2)	–	–	–	(2)
Translation adjustment	(26)	(19)	(8)	(2)	(55)
Balance at 31 December 2022 and 1 January 2023	**725**	**819**	**145**	**262**	**1,951**
Additions	31	20	7	112	170
Disposals	(15)	(10)	(9)	–	(34)
Transfers	43	63	6	(112)	–
Business combination (Note 35)	25	3	–	8	36
Transfer to assets classified as held for sale	(11)	–	–	–	(11)
Translation adjustment	(1)	(1)	(1)	2	(1)
Balance at 31 December 2023	**797**	**894**	**148**	**272**	**2,111**
Accumulated depreciation and impairment					
Balance at 1 January 2022	**(231)**	**(458)**	**(117)**	**(3)**	**(809)**
Charge for the year	(21)	(47)	(12)	–	(80)
Disposals	1	9	3	–	13
Impairment	–	(16)	–	(61)	(77)
Translation adjustment	8	13	5	–	26
Balance at 31 December 2022 and 1 January 2023	**(243)**	**(499)**	**(121)**	**(64)**	**(927)**
Charge for the year	(23)	(49)	(12)	–	(84)
Disposals	–	7	9	–	16
Impairment	(14)	(8)	(1)	(3)	(26)
Translation adjustment	2	3	1	–	6
Balance at 31 December 2023	**(278)**	**(546)**	**(124)**	**(67)**	**(1,015)**
Carrying amount					
At 31 December 2023	**519**	**348**	**24**	**205**	**1,096**
At 31 December 2022	482	320	24	198	1,024

Land is not subject to depreciation.

As at 31 December 2023, the Group had pledged property, plant and equipment with a carrying value of $nil (2022: $8 million) as collateral for various long-term loans. In 2022, the amount included specific items in the net property, plant and equipment of the Group's businesses in Tunisia.

As at 31 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $52 million (2022: $40 million).

During the year ended 31 December 2023, $2 million of borrowing costs have been capitalised (2022: $nil).

As at 31 December 2023, the Group booked an impairment charge of $26 million mainly in relation to Sudan exposure (Notes 6 and 9). In 2022, the Group booked an impairment charge of $77 million. $61 million of the impairment charge is in respect of the excess capacity and the rationalisation of the R&D pipeline associated production lines in the Generics CGU, in addition to $16 million of impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 6 and 9).

17. Right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets recognised and the movements during the year were as follows:

	Buildings $m	Vehicles $m	Total $m
At 1 January 2022	66	8	74
Additions	4	1	5
Adjustments[1]	(9)	–	(9)
Impairment	(3)	–	(3)
Depreciation expense	(7)	(3)	(10)
Balance at 31 December 2022 and 1 January 2023	51	6	57
Additions	**3**	**3**	**6**
Impairment	**(7)**	**–**	**(7)**
Depreciation expense	**(7)**	**(4)**	**(11)**
Balance at 31 December 2023	**40**	**5**	**45**

1. Adjustments arise from a change in the expected exercise of optional extension periods

The carrying amounts of lease liabilities and the movements during the year were as follows:

	2023 $m	2022 $m
At 1 January	**70**	83
Additions	**6**	5
Accretion of interest (Note 11)	**4**	4
Adjustments[1]	**–**	(9)
Repayments	**(14)**	(13)
Balance at 31 December	**66**	70
Current	**11**	9
Non-current	**55**	61

1. Adjustments arise from a change in the expected exercise of optional extension periods

The following is the maturity analysis of lease liabilities:

	2023 $m	2022 $m
Breakdown by maturity:		
Within one year	**11**	9
In the second year	**8**	8
In the third year	**5**	7
In the fourth year	**4**	5
In the fifth year	**3**	3
In the sixth year	**3**	3
Thereafter	**32**	35
	66	70

At 31 December 2023, lease liabilities included optional extension periods amounting to $19 million on a discounted basis (2022: $17 million).

The following are the amounts recognised in the consolidated income statement:

	2023 $m	2022 $m
Depreciation expense of right-of-use assets	**(11)**	(10)
Impairment of right-of-use assets	**(7)**	(3)
Interest expense on lease liabilities	**(4)**	(4)
Expense relating to short-term leases	**(2)**	(2)
Total amount recognised in the consolidated income statement	**(24)**	(19)

Notes to the consolidated financial statements
continued

18. Investments in joint venture

The Group's share in Hubei Haosun Pharmaceutical Co., Ltd. was 49% at 31 December 2023 (31 December 2022: 49%) with an investment balance of $10 million at 31 December 2023 (31 December 2022: $10 million) and share of the profit for the year ended 31 December 2023 of $nil (2022: $nil).

The table below represents investment in joint ventures movement during the year:

	2023 $m	2022 $m
Balance at 1 January	10	10
Group's share of profit of joint venture	–	–
Balance at 31 December	10	10

Summarised financial information in respect of the Group's interests in Hubei Haosun Pharmaceutical Co., Ltd. is set out below:

	As at 31 December 2023 $m	2022 $m
Total assets	23	23
Total liabilities	(5)	(5)
Net assets	18	18
Group's share of net assets of joint venture	9	9

	For the year ended 31 December 2023 $m	For the year ended 31 December 2022 $m
Total revenue	7	5
Net profit	1	1
Group's share of profit of joint venture	–	–

19. Financial and other non-current assets

	As at 31 December 2023 $m	2022 $m
Investments at FVTOCI	55	42
Advance payment related to non-financial assets	20	–
Restricted cash	10	–
Other financial assets	18	23
	103	65

Investments at FVTOCI mainly include venture capital investments which are not held for trading and which the Group has irrevocably designated as measured at fair value through other comprehensive income.

During the year, the Group sold one of its investments, invested in four new ventures and increased investment in three existing ones.

The total portfolio as at 31 December 2023 includes two investments in listed companies with a readily determinable fair value that falls under level 1 valuation (Note 29), their values are measured based on quoted prices in active markets. The other investments are unlisted shares without readily determinable fair values that fall under level 3 valuation (Note 29). The fair value is estimated by management based on the cost of investment and adjusted as necessary for impairment and revaluations with reference to relevant available information and recent financing rounds.

During the year, the total change in fair value was a net loss of $13 million (2022: $8 million loss) recognised in other comprehensive income.

Advance payment related to non-financial asset represents cash advanced for settlement mainly in future product licenses.

Restricted cash represents the cash margin on a long-term loan.

Other financial assets balance as at 31 December 2023 and 2022 mainly represented long-term receivables and a sublease arrangement in the US.

20. Inventories

	As at 31 December 2023 $m	2022 $m
Finished goods	351	284
Work-in-progress	125	103
Raw and packing materials	455	412
Goods in transit	24	25
Spare parts	47	42
Provision against Inventory	(111)	(90)
	891	776

Inventories are stated net of provision as follows:

	As at 1 January $m	Additions $m	Utilisation $m	Translation adjustments $m	As at 31 December $m
Provisions against inventory in 2023	90	81	(53)	(7)	111
Provisions against inventory in 2022	77	42	(27)	(2)	90

The cost of inventory related provision recognised as an expense in the cost of sales in the consolidated income statement was $81 million (2022: $42 million). The increase is partly driven by the provision related to Sudan exposure (Note 6).

21. Trade and other receivables

	As at 31 December 2023 $m	2022 $m
Gross trade receivables	1,222	1,128
Chargebacks and other allowances	(352)	(298)
Expected credit loss allowance	(81)	(53)
Net trade receivables	789	777
VAT and sales tax recoverable	35	32
Net trade and other receivables	824	809

The fair value of receivables is estimated to be not significantly different from the respective carrying amounts.

Trade receivables are stated net of provisions for chargebacks, other allowances and expected credit loss allowance as follows:

	As at 31 December 2022 and 1 January 2023 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	Acquisition of subsidiaries $m	As at 31 December 2023 $m
Chargebacks and other allowances	298	2,560	(2,505)	(1)	–	352
Expected credit loss allowance	53	32	(4)	–	–	81
	351	2,592	(2,509)	(1)	–	433

	As at 31 December 2021 and 1 January 2022 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	Acquisition of subsidiaries $m	As at 31 December 2022 $m
Chargebacks and other allowances	275	2,344	(2,346)	–	25	298
Expected credit loss allowance	51	5	–	(3)	–	53
	326	2,349	(2,346)	(3)	25	351

The increase in the allowance for expected credit loss is mainly driven by the impairment of trade and other receivables related to Sudan exposure (Note 6).

More details on the Group's policy for credit and concentration risk are provided in Note 29.

Notes to the consolidated financial statements
continued

21. Trade and other receivables continued

At 31 December 2023, the provision balance relating to chargebacks was $236 million (2022: $204 million). The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag) of 39 days (2022: 36 days), estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products, changes to pricing and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, an increase/decrease in the estimate of in channel inventory by 1 day increases/decreases the provision by $6 million (2022: $5 million), and if the overall chargeback rate of 57% (2022: 57%) increases/decreases by one percentage point, the provision would increase/decrease by $4 million (2022: $4 million).

At 31 December 2023, the provision balance relating to customer rebates was $49 million (2022: $49 million). The key inputs and assumptions included in calculating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel' inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in the rebates rate of 4.9% (2022: 5.7%) would increase/decrease this provision by approximately $1 million (2022: approximately $1 million).

22. Cash and cash equivalents

	As at 31 December	
	2023 $m	2022 $m
Cash at banks and on hand[1]	118	159
Time deposits	86	110
Money market deposits	1	1
	205	270

1. In 2023, cash at banks includes $56 million placed in interest bearing accounts (2022: $62 million)

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

23. Other current assets

	As at 31 December	
	2023 $m	2022 $m
Prepayments	72	74
Investment at FVTPL	24	22
Others	24	14
	120	110

Investment at FVTPL comprise a portfolio of debt instruments that are managed by an asset manager and which the Group has designated as measured at fair value through profit or loss. These assets are classified as level 1 as they are based on quoted prices in active markets (Note 29).

Others balances mainly represent compensation due from suppliers in relation to inventory price adjustment.

24. Short-term financial debts

	As at 31 December	
	2023 $m	2022 $m
Bank overdrafts	2	11
Import and export financing[1]	44	62
Short-term loans	–	2
Current portion of long-term loans (Note 28)	104	64
	150	139

	2023 %	2022 %
The weighted average interest rates incurred are as follows:		
Bank overdrafts	13.34	4.78
Import and export financing	7.10	5.87
Short-term loans	4.75	4.20

1. Import and export financing represents short-term financing for the ordinary trading activities of the Group

25. Trade and other payables

	As at 31 December	
	2023 $m	2022 $m
Trade payables	309	291
Accrued expenses	243	171
Other payables	16	14
	568	476

The fair value of payables is estimated to be not significantly different from the respective carrying amounts.

26. Provisions

	End of service indemnity $m	Legal $m	Total $m
Balance at 1 January 2022	31	–	31
Additions	8	–	8
Utilisations	(7)	–	(7)
Balance at 31 December 2022 and 1 January 2023	32	–	32
Additions	3	129	132
Utilisations	(5)	–	(5)
Balance at 31 December 2023	30	129	159

	2023 $m	2022 $m
Due within one year	152	32
Due after more than one year	7	–
	159	32

Provision for end of service indemnity relates to employees of certain Group subsidiaries and includes some immaterial amounts for defined benefit plans. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies. For defined benefit plans, the actuarial valuations performed in 2023 did not result in any change in the net liability (2022: $nil)

Legal provision is related to the expected settlement amount for legal matters, of which $7 million is expected to be settled after more than one year (Notes 6 and 41).

Notes to the consolidated financial statements
continued

27. Other current liabilities

	As at 31 December 2023 $m	2022 $m
Contract and refund liabilities	**179**	193
Contingent consideration (Notes 29 and 30)	**25**	24
Co-development and earnout payment (Notes 29 and 30)	**1**	2
Acquired contingent liability (Note 30)	**13**	7
Indirect rebates and other allowances	**145**	101
Others	**21**	21
	384	348

Contract and refund liabilities: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

At 31 December 2023, the provision balance relating to returns was $158 million (2022: $168 million). The key assumptions included in calculating this provision are estimations of the product shelf life, estimations of revenue estimated to be subject to returns and the estimated returns rate of 1.47% (2022: 1.78%) as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors, and changes to contractual terms. Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in the returns and allowances rate would increase/decrease this provision by approximately $11 million (2022: $9 million).

Indirect rebates and other allowances: mainly represent rebates granted to healthcare authorities and certain indirect customers under contractual arrangements.

At 31 December 2023, the provision balance relating to the indirect rebates was $96 million (2022: $55 million). The key inputs and assumptions included in calculating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel' inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in rebates rate of 4.7% (2022: 3.1%) would increase/decrease this provision by approximately $2 million (2022: $2 million).

The movements on the provisions for contract and refund liabilities and indirect rebates and other allowances for the years ended 31 December 2023 and 2022 were as follows:

	As at 31 December 2022 and January 2023 $m	Additions $m	Utilisation $m	Translation Adjustment $m	As at 31 December 2023 $m
Contract and refund liabilities	**193**	**64**	**(77)**	**(1)**	**179**
Indirect rebates and other allowances	**101**	**261**	**(218)**	**1**	**145**
	294	**325**	**(295)**	**–**	**324**

	As at 31 December 2021 and 1 January 2022 $m	Additions $m	Utilisation $m	Translation Adjustment $m	Acquisition of subsidiaries $m	As at 31 December 2022 $m
Contract and refund liabilities	213	50	(76)	(2)	8	193
Indirect rebates and other allowances	80	176	(155)	–	–	101
	293	226	(231)	(2)	8	294

At 31 December 2023, the provision balance relating to free goods was $19 million (2022: $23 million). During the year ended 31 December 2023, $23 million (2022: $15 million) revenue was recognised from transferring free goods to the customers.

28. Long-term financial debts

	As at 31 December 2023 $m	2022 $m
Long-term loans	**582**	644
Long-term borrowings (Eurobond)	**497**	494
Less: current portion of long-term loans (Note 24)	**(104)**	(64)
Long-term financial loans	**975**	1,074
Breakdown by maturity:		
Within one year	**104**	64
In the second year	**604**	65
In the third year	**100**	553
In the fourth year	**208**	52
In the fifth year	**59**	401
In the sixth year	**4**	1
Thereafter	**–**	2
	1,079	1,138
Breakdown by currency:		
US dollar	**1,002**	1,068
Euro	**21**	31
Jordanian dinar	**13**	16
Algerian dinar	**29**	16
Saudi riyal	**–**	–
Moroccan dirham	**11**	6
Tunisian dinar	**3**	1
	1,079	1,138

The loans are held at amortised cost.

None of the long-term loans were secured on certain property, plant and equipment (31 December 2022: $1 million).

Major loan arrangements include:

a) $1,150 million syndicated revolving credit facility that matures on 4 January 2029. At 31 December 2023, the facility had an outstanding balance of $nil (2022: $278 million) and an unutilised amount of $1,150 million (2022: $872 million). The facility can be used for general corporate purposes

b) A $500 million 3.25%, five-year Eurobond with a rating of BBB- (S&P & Fitch) that matures on 9 July 2025. At 31 December 2023, the facility had an outstanding balance of $497 million (2022: $494 million) and a fair value of $481 million (2022: $466 million). The proceeds were used for general corporate purposes

c) A $400 million five-year syndicated loan facility that matures on 13 October 2027. At 31 December 2023, the facility had an outstanding balance of $315 million (2022: $190 million) and a fair value of $315 million (2022: $190 million). The proceeds were used for general corporate purposes

d) A $200 million eight-year loan facility from the International Finance Corporation and Managed Co-lending Portfolio program that matures on 15 September 2028. At 31 December 2023, the facility had an outstanding balance of $100 million (2022: no utilisation) and a fair value of $100 million (2022: $nil), the remaining $100 million has an availability period until March 2024. The facility can be used for general corporate purposes

e) A $150 million ten-year loan facility from the International Finance Corporation that matures on 15 December 2027. At 31 December 2023, the facility had an outstanding balance of $86 million (2022: $108 million) and a fair value of $80 million (2022: $98 million). The proceeds were used for general corporate purposes

	2023 %	2022 %
The weighted average interest rates incurred are as follows:		
Bank loans (including the current bank loans)	**5.76**	2.96
Eurobond[1]	**3.68**	3.69

1. The Eurobond effective interest rate includes unwinding of discount amount and upfront fees

Notes to the consolidated financial statements
continued

29. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for expected credit loss, chargebacks, and other allowances. A provision for impairment is made based on expected credit loss which is estimated based on previous experience, current events and forecasts of future conditions. A loan or receivable is considered impaired when there is no reasonable expectation of recovery, or when a debtor fails to make a contractual payment for a specific period which varies based on the type of debtor and the market in which they operate.

During the year ended 31 December 2023, the Group's largest two customers in the MENA region represented 6.8% of Group revenue (2022: 6.9%), 5.1% from one customer in Saudi Arabia (2022: 5.3%), and 1.7% from one customer in Algeria (2022: 0.9%). At 31 December 2023, the amount of receivables due from all customers based in Saudi Arabia was $106 million (2022: $139 million) and the amount of receivables due from all customers based in Algeria was $57 million (2022: $48 million).

During the year ended 31 December 2023, three key US wholesalers represented 36% of Group revenue (2022: 37%). The amount of receivables due from all US customers at 31 December 2023 was $379 million (2022: $325 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are monitored consistently as they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. Typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days, and in MENA 180 to 360 days . Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

The following table provides a summary of the age of trade receivables (Note 21):

At 31 December 2023	**Not past due on the reporting date $m**	**Past due** **Less than 90 days $m**	**Between 91 and 180 days $m**	**Between 181 and 360 days $m**	**Over one year $m**	**Total $m**
Expected credit loss rate	**–**	**0.2%**	**57.5%**	**36.9%**	**70.1%**	**6.6%**
Gross trade receivables as at 31 December 2023	**1,024**	**71**	**22**	**16**	**89**	**1,222**
Expected credit loss allowance	**–**	**–**	**(13)**	**(6)**	**(62)**	**(81)**
Chargebacks and other allowances	**(352)**	**–**	**–**	**–**	**–**	**(352)**
Net trade receivables	**672**	**71**	**9**	**10**	**27**	**789**

At 31 December 2022	Not past due on the reporting date $m	Past due Less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	Total $m
Expected credit loss rate	–	0.1%	5.9%	6.0%	57.1%	4.7%
Gross trade receivables as at 31 December 2022	905	94	20	19	90	1,128
Expected credit loss allowance	–	–	(1)	(1)	(51)	(53)
Chargebacks and other allowances	(298)	–	–	–	–	(298)
Net trade receivables	607	94	19	18	39	777

The increase in the allowance for expected credit loss is mainly driven by the impairment of trade and other receivables related to Sudan exposure (Note 6).

Market risk

The Group is exposed to foreign exchange and interest rate risks. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments, if needed.

29. Financial policies for risk management and their objectives continued

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, while reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants, and borrowing ratios.

The Group defines capital as equity plus net debt which includes long and short-term financial debts (Notes 24 and 28), lease liabilities (Note 17), net of cash and cash equivalents (Note 22) and restricted cash (Note 19). Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Notes 27 and 30).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management, and consolidated balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2023, the Group's gearing ratio (total debt/equity) was 54% (2022: 60%).

Cash management

The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet its risk appetite.

Foreign exchange risk and currency risk

The Group uses the US dollar as its reporting currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian dinar, Sudanese pound, Japanese yen, Egyptian pound, Tunisian dinar and Moroccan dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian dinar, the Sudanese pound, the Tunisian dinar, the Moroccan dirham and the Egyptian pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian dinar and the Saudi riyal had no impact on the consolidated income statement as those currencies are pegged against the US dollar.

Sudan was considered to be a hyperinflationary economy in the year ended 31 December 2023. At 31 December 2023, the prevailing rate for the Sudanese pound was 1,000.35 per US dollar (2022: 583.34).

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

The currencies that have a significant impact on the Group's consolidated financial statements and the exchange rates used are as follows:

	Year-end rates		Average rates	
	2023	2022	**2023**	2022
US dollar /Euro	**0.906**	0.934	**0.925**	0.950
US dollar /Sudanese pound[1]	**1,000.350**	583.342	**–[1]**	–[1]
US dollar /Algerian dinar	**134.378**	137.202	**135.844**	141.850
US dollar /Saudi riyal	**3.750**	3.750	**3.750**	3.750
US dollar /Pound sterling	**0.786**	0.827	**0.804**	0.809
US dollar /Jordanian dinar	**0.709**	0.709	**0.709**	0.709
US dollar /Egyptian pound	**30.828**	24.702	**30.624**	19.240
US dollar /Japanese yen	**141.060**	131.270	**140.553**	131.594
US dollar /Moroccan dirham	**9.893**	10.448	**10.136**	10.176
US dollar /Tunisian dinar	**3.066**	3.110	**3.106**	3.104

1. In both years, Sudan has been a hyperinflationary economy and Sudanese operations were translated using the year end rate

Notes to the consolidated financial statements
continued

29. Financial policies for risk management and their objectives continued

The net foreign currency exposure for the years ended 31 December 2023 and 2022 were as follows:

2023	US dollar $m	Euro $m	Financial assets/(liabilities) Japanese yen $m	Others[1] $m
Functional currency of entity:				
– Jordanian dinar	99	19	(5)	13
– Euro	29	–	–	–
– Algerian dinar	(3)	–	–	–
– Saudi riyal	10	(15)	–	–
– Sudanese pound[2]	(1)	–	–	–
– Egyptian pound	(47)	(1)	–	–
– Tunisian dinar	1	2	–	–
– Moroccan dirham	(16)	(8)	–	–
– Canadian Dollar	–	–	–	–
– US Dollar	–	(23)	–	4
	72	(26)	(5)	17

1. Others include Saudi riyal, Jordanian dinar, Pound sterling and UAE dirham
2. Entities with a Sudanese pound functional currency have no exposure to foreign currency risk at 31 December 2023 as a result of the impairment of their financial assets following Sudan's exposure (Note 6)

2022	US dollar $m	Euro $m	Financial assets/(liabilities) Japanese yen $m	Others[1] $m
Functional currency of entity:				
– Jordanian dinar	166	12	(6)	12
– Euro	42	–	–	–
– Algerian dinar	(11)	–	–	–
– Saudi riyal	12	(11)	–	–
– Sudanese pound	(40)	1	–	1
– Egyptian pound	(17)	(4)	–	–
– Tunisian dinar	(1)	4	–	9
– Moroccan dirham	(7)	(5)	–	–
– Canadian Dollar	1	–	–	–
– US Dollar	–	(11)	–	6
	145	(14)	(6)	28

1. Others included Saudi riyal, Jordanian dinar and Pound sterling

A sensitivity analysis based on a 10% movement in foreign exchange rates would result in a $6 million (2022: $15 million) movement in foreign exchange loss/gain on the Group results.

The Group sets certain limits on liquid funds per currency (other than the US dollar) and per country.

Interest rate risk

	As at 31 December 2023 Fixed rate $m	Floating rate $m	Total $m	As at 31 December 2022 Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings (Note 24 and 28)	618	507	1,125	638	575	1,213
Lease liabilities (Note 17)	66	–	66	70	–	70
Financial assets						
Interest-bearing cash and cash equivalents (Note 22)	–	155	155	–	173	173
Restricted cash (Note 19)	–	10	10	–	–	–

An interest rate sensitivity analysis assumes an instantaneous one percentage point change in interest rates in all currencies from their levels at 31 December 2023, with all other variables held constant. Based on the composition of the Group's net debt portfolio as at 31 December 2023, a one percentage point increase/decrease in interest rates would result in $3 million increase/decrease in net finance cost per year (2022: $4 million increase/decrease).

29. Financial policies for risk management and their objectives continued

During 2023, the Group completed the transitioning of its remaining USD Libor loans to Term SOFR. As at 31 December 2023, none (2022: $0.06 million) of the Group's utilised debt portfolio, as well as none (2022: $93 million) of the Group's unutilised debt facilities have USD LIBOR as the benchmark interest rate.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying value of the following financial assets/liabilities are not significantly different from their fair values, as explained below:

- Cash at banks and on hand and time deposits – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts not to be significantly different from their fair values
- Restricted cash (Note 19) – the fair value of restricted cash is not considered to be significantly different from the carrying value
- Other financial assets (Note 19) – mainly represent long-term receivables carried at amortised cost, of which the fair value is estimated not to be significantly different from the respective carrying amounts
- Receivables and payables – the fair values of receivables and payables are estimated not to be significantly different from the respective carrying amounts
- Short-term loans and overdrafts approximate to their fair value because of the short maturity of these instruments
- Long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers their carrying values not to be significantly different from their fair values

Loans with fixed rates relate mainly to:

- $500 million 3.25%, five-year Eurobond with a carrying value of $497 million at 31 December 2023 and fair value of $481 million, accounted for at amortised cost. The fair value is determined with reference to a quoted price in an active market as at the balance sheet date (a level 1 fair value) (Note 28)
- A ten-year $150 million loan from the International Finance Corporation with outstanding balance of $86 million at 31 December 2023 and a fair value of $80 million. Fair value is estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities of such loans (a level 2 fair value)

Management classifies items that are recognised at fair value based on the level of the inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

The following financial assets/liabilities are presented at their fair value:

Fair value measurements At 31 December 2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investments at FVTPL (Note 23)	24	–	–	24
Money market deposits (Note 22)	1	–	–	1
Investments in listed shares at FVTOCI (Note 19)	2	–	–	2
Investments in unlisted shares at FVTOCI (Note 19)	–	–	53	53
Total financial assets	27	–	53	80
Financial liabilities				
Co-development and earnout payment liabilities (Notes 27 and 30)	–	–	1	1
Contingent consideration liability (Notes 27 and 30)	–	–	41	41
Total financial liabilities	–	–	42	42

Fair value measurements At 31 December 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Investments at FVTPL (Note 23)	22	–	–	22
Money market deposit (Note 22)	1	–	–	1
Investments in listed shares at FVTOCI (Note 19)	4	–	–	4
Investments in unlisted shares at FVTOCI (Note 19)	–	–	38	38
Total financial assets	27	–	38	65
Financial liabilities		–		
Co-development and earnout payment liabilities (Notes 27 and 30)	–	–	3	3
Contingent consideration liability (Notes 27 and 30)	–	–	42	42
Total financial liabilities	–	–	45	45

Notes to the consolidated financial statements
continued

29. Financial policies for risk management and their objectives continued

The following table presents the changes in Level 3 items for the year ended 31 December 2023 and the year ended 31 December 2022:

	Financial assets $m	Financial liabilities $m
At 1 January 2022	22	74
Settled	–	(7)
Remeasurement of contingent consideration and other financial liability recognised in finance income	–	(26)
Unwinding of contingent consideration and other financial liability recognised in finance expense	–	4
Change in fair value of investments at FVTOCI	1	–
Additions of investments at FVTOCI	15	–
Balance at 31 December 2022 and 1 January 2023	**38**	**45**
Settled	**–**	**(8)**
Remeasurement of contingent consideration and other financial liability recognised in finance expense	**–**	**2**
Unwinding of contingent consideration and other financial liability recognised in finance expense	**–**	**3**
Change in fair value of investments at FVTOCI	**(10)**	**–**
Additions of investments at FVTOCI	**27**	**–**
Sale of investment at FVTOCI	**(2)**	**–**
Balance at 31 December 2023	**53**	**42**

Investments in unlisted shares at FVTOCI represent venture capital investments and are measured at cost and adjusted as necessary for impairment and revaluations with reference to relevant available information and recent financing rounds.

Contingent consideration liability represents a contractual liability to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition in 2016.

The valuation for the payments that are based on future sales is based on a discounted cash flow model applied to projected future sales for a period of seven years (2022: eight years). The key assumption used for this valuation is the sales projections informed by pricing and volume assumptions which were determined using a probability weighted average of different possibilities on sales growth rates. The valuation for milestone payments is based on 100% probability of success and is discounted using a rate of 6% (2022: 4.9%).

Liquidity risk

Undiscounted cash flows for financial liabilities 2023	**Less than one year $m**	**One to five years $m**	**More than five years $m**	**Total $m**
Interest-bearing long-term loans and borrowings (Note 28)	**(157)**	**(1,060)**	**(5)**	**(1,222)**
Interest-bearing short-term loans and borrowings (Note 24)	**–**	**–**	**–**	**–**
Interest-bearing overdrafts (Note 24)	**(2)**	**–**	**–**	**(2)**
Interest-bearing import and export loans (Note 24)	**(46)**	**–**	**–**	**(46)**
Interest-bearing lease liabilities (Note 17)	**(14)**	**(29)**	**(48)**	**(91)**
Trade and other payables (Note 25)	**(568)**	**–**	**–**	**(568)**
Co-development and earnout payment (Notes 27 and 30)	**(2)**	**–**	**–**	**(2)**
Acquired contingent liability (Notes 27 and 30)	**(11)**	**(29)**	**(27)**	**(67)**
Contingent consideration (Notes 27 and 30)	**(28)**	**(24)**	**(4)**	**(56)**
Other liabilities (Notes 27 and 30)	**(21)**	**–**	**–**	**(21)**
	(849)	**(1,142)**	**(84)**	**(2,075)**

29. Financial policies for risk management and their objectives continued

Undiscounted cash flows for financial liabilities 2022	Less than one year $m	One to five years $m	More than five years $m	Total $m
Interest-bearing long-term loans and borrowings (Note 28)	(103)	(1,203)	(3)	(1,309)
Interest-bearing short-term loans and borrowings (Note 24)	(2)	–	–	(2)
Interest-bearing overdrafts (Note 24)	(12)	–	–	(12)
Interest-bearing import and export loans (Note 24)	(64)	–	–	(64)
Interest-bearing lease liabilities (Note 17)	(10)	(27)	(52)	(89)
Trade and other payables (Note 25)	(476)	–	–	(476)
Co-development and earnout payment (Notes 27 and 30)	(4)	(1)	–	(5)
Acquired contingent liability (Notes 27 and 30)	(7)	(26)	(43)	(76)
Contingent consideration (Notes 27 and 30)	(26)	(18)	(6)	(50)
Other liabilities (Notes 27 and 30)	(21)	–	(4)	(25)
	(725)	(1,275)	(108)	(2,108)

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs. This is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2023, the Group had undrawn facilities of $1,613 million (2022: $1,592 million). Of these facilities, $1,284 million (2022: $1,311 million) were committed long-term facilities.

30. Other non-current liabilities

	As at 31 December	
	2023 $m	2022 $m
Contingent consideration (Notes 27 and 29)	**16**	18
Co-development and earnout payment (Notes 27 and 29)	**–**	1
Acquired contingent liability (Note 27)	**54**	69
Others	**–**	4
	70	92

Contingent consideration and acquired contingent liabilities represent contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition in 2016. The current portion of these liabilities are recognised in other current liabilities (Note 27).

The contingent consideration liability is accounted for as a financial liability at fair value under IFRS 9 (note 29)

The acquired contingent liability was recognised as part of the Columbus business acquisition in 2016. On acquisition, the contingent liability was recognised at fair value under IFRS 3 'Business Combinations' and it is subsequently measured at the higher of the amount that would be recognised under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less any settlements made in respect of the liability.

31. Share capital

Issued and fully paid – included in shareholders' equity:

	Number	**$m**
At 31 December 2021 and 1 January 2022	**244,331,288**	**42**
Exercise of employees share scheme (Note 37)	1,237,467	–
Ordinary Shares purchased and cancelled	(12,499,670)	(2)
Issue of Ordinary Bonus Share	1	1,746
Cancellation of Ordinary Bonus Share	(1)	(1,746)
At 31 December 2022 and 1 January 2023	**233,069,085**	**40**
Exercise of employees share scheme (Note 37)	845,519	–
At 31 December 2023	**233,914,604**	**40**

At 31 December 2023, 12,833,233 of the issued share capital are held as Treasury shares (2022: 12,833,233) of which the voting rights attached to these shares are not capable of exercise, and 221,081,371 shares are in free issue (2022: 220,235,852).

In 2023, share capital increased by 845,519 shares as a result of the exercised shares granted under the share-based compensation schemes (2022: 1,237,467).

Notes to the consolidated financial statements
continued

31. Share capital continued

In 2022, the Board approved the capitalisation of the merger reserve and the issuance of a Bonus Share with a $1,746 million nominal value, this share was subsequently cancelled through a capital reduction, which created $1,746 million of distributable reserves to the Group. Moreover, the Group executed a share buyback programme of $300 million in 2022, which resulted in the purchase and cancellation of 12,499,670 shares.

32. Non-controlling interests

	2023 $m	2022 $m
At 1 January	**13**	14
Share of profit	**2**	3
Dividends paid	**(4)**	(3)
Acquisition of subsidiaries	**–**	2
Currency translation and hyperinflation movement	**–**	(3)
At 31 December	**11**	13

33. Cash generated from operating activities

	2023 $m	2022 $m
Profit before tax	**281**	233
Adjustments for depreciation, amortisation and impairment charges of:		
Property, plant and equipment	**110**	157
Intangible assets	**131**	202
Right-of-use of assets	**18**	13
Unwinding of acquisition related inventory step-up	**–**	26
Reclassification of translation gains on disposal of subsidiary	**–**	(5)
(Gain)/loss from investment at fair value through profit or loss (FVTPL)	**(2)**	2
Gain on disposal of intangible assets	**–**	(6)
Cost of equity-settled employee share scheme	**25**	22
Finance income	**(7)**	(29)
Finance expense	**95**	81
Foreign exchange loss and net monetary hyperinflation impact	**6**	20
Changes in working capital:		
Change in trade and other receivables	**(24)**	4
Change in other current assets	**(9)**	(19)
Change in inventories	**(115)**	(102)
Change in trade and other payables	**88**	16
Change in other current liabilities	**13**	(16)
Change in provisions	**127**	1
Change in other non-current assets	**5**	(9)
Change in other non-current liabilities	**(5)**	(6)
Cash flow from operating activities	**737**	585

34. Reconciliation of movement in net debt

	2023 $m	2022 $m
Interest-bearing loans and borrowings (Notes 24 and 28)		
Balance at 1 January	**1,213**	763
Proceeds from issue of long-term financial debts	**778**	1,401
Proceeds from issue of short-term financial debts	**437**	380
Repayment of long-term financial debts	**(841)**	(962)
Repayment of short-term financial debts	**(467)**	(363)
Amortisation of upfront fees	**2**	2
Foreign exchange translation movements	**3**	(8)
Balance at 31 December	**1,125**	1,213
Lease liabilities (Note 17)		
Balance at 1 January		83
Additions	**6**	5
Adjustments[1]	**–**	(9)
Repayment of lease liabilities	**(10)**	(9)
Balance at 31 December	**66**	70
Total Debt	**1,191**	1,283
Cash and cash equivalents (Note 22)	**(205)**	(270)
Restricted cash (Note 19)	**(10)**	–
Net debt[2]	**976**	1,013

1. Adjustments arise from a change in the expected exercise of optional extension period
2. Net debt includes long and short-term financial debts and lease liabilities, net of cash and cash equivalents and restricted cash. Net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration

35. Business combination

Akorn Operating Company LLC (Akorn)

On 5 July 2023, the Group completed the acquisition of the assets of Akorn as part of a Chapter 7 Bankruptcy process, and paid cash consideration of $98 million. This acquisition has been accounted for as a business combination in accordance with the requirements of IFRS 3 'business combination'.

The net assets acquired in the transaction are provisional. The identifiable assets and liabilities recognised as a result of this acquisition are as follows:

	$m
Product related intangible assets (Note 15)	63
Property, plant and equipment (Note 16)	36
Inventories	2
Other current liabilities	(3)
Net assets acquired	98
Total consideration	**98**
Satisfied by:	
Cash consideration	98
Net cash outflow arising from acquisition	**98**

Product related intangible assets comprise product rights of $36 million and IPR&D of $27 million. $19 million of product rights are expected to be ready for use following the finalisation of the technology transfer process. Property, plant and equipment mainly included land and buildings of $25 million, and machinery and equipment of $11 million, of which the Group has disposed of $15 million of land and buildings, and $3 million of machinery and equipment, no gain/loss has been recognised as a result of these disposals. At 31 December 2023, $11 million of land and buildings has been classified as held for sale.

Other liabilities mainly comprise technology transfer costs. No goodwill arose as a result of this acquisition.

Akorn did not contribute to the revenue and profit before tax of the Group in 2023 as the contributions are expected to flow after the finalisation of the technology transfer process.

Notes to the consolidated financial statements
continued

36. Contingent liabilities

Standby letters of credit and letters of guarantees

A contingent liability existed at the balance sheet date in respect of standby letters of credit and letters of guarantees totalling $55 million (2022: $55 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (2022: $14 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It's not probable that any repayment will be made by the intercompany guarantors.

Legal proceedings

The Group is involved in a number of legal proceedings in the ordinary course of its business, including actual or threatened litigation and actual or potential government investigations relating to employment matters, product liability, commercial disputes, pricing, sales and marketing practices, infringement of IP rights, the validity of certain patents and competition laws.

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and/or an estimate of the amount of any loss is difficult to ascertain. It is the Group's policy to provide for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

The Group currently intends to vigorously defend against these proceedings. From time to time, however, the Group may settle or otherwise resolve these matters on terms and conditions that it believes to be in its best interest.

- Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, as well as several individual direct purchasers opt-out plaintiffs and third-party payors of generic drug products. These complaints, which now number thirty-two allege that more than forty generic pharmaceutical defendants including the Group entities engaged in conspiracies to fix, increase, maintain and/or stabilise the prices and market shares of the generic drug products named between approximately 2010 and 2016. The plaintiffs seek treble damages, which can be significantly higher than the profits Hikma made on the named drug products, and equitable injunctive relief under federal and state antitrust and consumer protection laws. The lawsuits have been consolidated in a multidistrict litigation (MDL) court in the United States District Court for the Eastern District of Pennsylvania (In re Generic Pharmaceuticals Pricing Antitrust Litigation, No. 2724, (E.D. Pa.)). At this point, the Group does not believe sufficient evidence exists to make any provision.
- Starting in June 2020, several complaints have been filed in the United States on behalf of both individual plaintiffs and putative classes of direct and indirect purchasers, as well as third party payors of Xyrem® against certain Group entities and other defendants. Currently, most of these cases have been consolidated in an MDL court in the United States District Court for the Northern District of California (In re Xyrem (Sodium Oxybate) Antitrust Litigation, No.2966, (N.D. Cal)). These complaints allege that Jazz Pharmaceuticals PLC and its subsidiaries entered into unlawful "pay-for-delay" reverse payment agreements with each of the defendants, including Hikma, in settling patent infringement litigation over Xyrem®. The plaintiffs in these lawsuits seek treble damages, which can be significantly higher than the profits Hikma makes from selling the generic version of Xyrem®, and equitable injunctive relief under federal and state antitrust and consumer protection laws. A trial has been scheduled to start on October 28, 2024 in the MDL matter. At this point, the Group does not believe sufficient evidence exists to make any provision.
- In November 2020, Amarin Pharmaceuticals filed a patent infringement lawsuit against certain Group entities in the United States District Court for the District of Delaware (No. 20-cv-1630) alleging that Hikma's sales and distribution of its generic icosapent ethyl product infringes three Amarin patents that describe certain methods of using icosapent ethyl. Amarin sought an injunction barring Hikma from selling its generic product as well as unspecified damages. Hikma's product is not approved for the patented methods but rather is approved only for a different indication not covered by any valid patents. In January 2022 the court dismissed the lawsuit, and Amarin has appealed the court's ruling to the United States Court of Appeals for the Federal Circuit. Briefing on the appeal has been completed but no oral argument has been scheduled. The Group does not believe sufficient evidence exists to make any provision.

37. Share-based payments

Executive incentive plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) scheme. In 2023, element C was replaced by the new 2023 Incentive Plan.

Under the EIP, the Company makes grants of conditional awards under element B to the senior management level of the Group. Awards are dependent on the achievement of individual and Group KPIs over one year prior to grant and a two-year vesting period, and are then subject to a two-year holding period during which they are subject to forfeiture conditions.

The cost of the EIP of $11 million (2022: $13 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses and research and development expenses.

The fair value per share is the face value of share on the date of grant less the present value of dividends expected to be paid during the vesting period.

The weighted average exercise share price for 2023 is $22.67.

Details of the outstanding grants under this plan are shown below:

	2023 grants 30 May	2023 grants 30 May	2022 grants 25 Feb	2022 grants 25 Feb	2021 grants 25 Feb	2021 grants 25 Feb	2020 grants 27 Feb	2020 grants 27 Feb	2019 grants 12 March	2018 grants 16 May	2017 grants 13 Apr	2016 grants 11 May	2016 grants 17 March	2015 grants 10 April	Total Number
Year 2023															
Beginning balance (restated)[1]	–	–	126,139	421,948	109,104	334,084	134,038	–	–	14,257	27,508	–	51,350	12,012	1,230,440
Granted during the year	167,643	602,131	–	–	–	–	–	–	–	–	–	–	–	–	769,774
Exercised during the year	(13,796)	(18,836)	(10,778)	(20,547)	(8,662)	(323,926)	(134,038)	–	–	–	–	–	(13,000)	(12,012)	(555,595)
Forfeited during the year	–	–	–	(2,149)	–	(10,158)	–	–	–	–	–	–	–	–	(12,307)
Outstanding at 31 December	**153,847**	**583,295**	**115,361**	**399,252**	**100,442**	**–**	**–**	**–**	**–**	**14,257**	**27,508**	**–**	**38,350**	**–**	**1,432,312**
Exercisable at 31 December	–	–	–	–	–	–	–	–	–	14,257	27,508	–	38,350	–	80,115
Weighted average remaining contractual life (years)	2.41	1.41	1.16	0.15	0.15	–	–	–	–	4.38	3.36	–	2.21	–	1.15
Year 2022															
Beginning balance (restated)[1]			–	–	157,644	423,728	184,355	511,453	280,529	14,257	34,428	–	51,350	12,012	1,669,756
Granted during the year			176,937	524,858	–	–	–	–	–	–	–	–	–	–	701,795
Exercised during the year			(13,423)	(31,389)	(12,130)	(25,899)	(13,060)	(510,815)	(280,529)	–	(6,920)	–	–	–	(894,165)
Forfeited during the year			(37,375)	(71,521)	(36,410)	(63,745)	(37,257)	(638)	–	–	–	–	–	–	(246,946)
Outstanding at 31 December			**126,139**	**421,948**	**109,104**	**334,084**	**134,038**	**–**	**–**	**14,257**	**27,508**	**–**	**51,350**	**12,012**	**1,230,440**
Exercisable at 31 December			–	5,502	–	4,756	–	–	–	14,257	27,508	–	51,350	12,012	115,385
Weighted average remaining contractual life (years)			2.16	1.15	1.15	0.15	0.16	–	–	5.38	4.36	–	3.21	2.28	1.16
Fair value of each share $	21.30	21.30	25.00	25.38	31.71	32.17	23.70	24.10	20.63	18.45	23.52	31.69	26.21	32.78	
The share price at grant date $	22.32	22.32	26.14	26.14	33.09	33.09	24.91	24.91	21.75	19.09	23.98	32.15	26.98	33.24	
Expected dividends yield %	2.36%	2.36%	1.50%	1.50%	1.43%	1.43%	1.67%	1.67%	1.79%	1.71%	0.97%	0.73%	0.71%	0.81%	

1. 2022 beginning balances have been restated to adjust for expired and exercised shares that were not previously reported

Notes to the consolidated financial statements
continued

37. Share-based payments continued

Management incentive plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting and the 2018 MIP was approved by shareholders at the 2018 Annual General Meeting. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs one year prior to grant and a two-year vesting period.

The cost of the MIP of $10 million (2022: $9 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses, cost of sales and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period.

The weighted average exercise share price for 2023 is $21.54.

Details of the outstanding grants under this plan are shown below:

	2023 grants 30 May	2022 grants 25 Feb	2021 grants 25 Feb	2020 grants 27 Feb	2018 grants 16 May	2017 grants 19 May	2016 grants 11 May	2015 grants 14 May	2014 grants 11 June	2013 grants 17 May	Total Number
Year 2023											
Beginning balance (restated)[1]	–	347,795	290,650	920	707	1,877	1,799	931	1,290	1,679	647,648
Granted during the year	559,930	–	–	–	–	–	–	–	–	–	559,930
Exercised during the year	(73)	(4,998)	(276,357)	(920)	–	(1,877)	(1,799)	(931)	(1,290)	(1,679)	(289,924)
Forfeited during the year	(14,174)	(15,363)	(14,293)	–		–	–	–	–	–	(41,578)
Outstanding at 31 December	**545,683**	**327,434**	**–**	**–**	**707**	**–**	**–**	**–**	**–**	**–**	**876,076**
Exercisable at 31 December	114	2,502	–	–	707	–	–	–	–	–	2,768
Weighted average remaining contractual life (years)	1.41	0.15	–	–	4.38	–	–	–	–	–	0.94
Year 2022											
Beginning balance (restated)[1]		–	337,487	359,169	1,007	1,877	1,799	931	1,290	1,679	705,239
Granted during the year		396,630	–	–	–	–	–	–	–	–	396,630
Exercised during the year		(5,647)	(14,815)	(322,540)	(300)	–	–	–	–	–	(343,302)
Forfeited during the year		(43,188)	(32,022)	(35,709)	–	–	–	–	–	–	(110,919)
Outstanding at 31 December		**347,795**	**290,650**	**920**	**707**	**1,877**	**1,799**	**931**	**1,290**	**1,679**	**647,648**
Exercisable at 31 December		3,725	12,698	920	707	1,877	1,799	931	1,290	1,679	25,626
Weighted average remaining contractual life (years)		1.15	0.15	–	5.38	4.38	3.36	2.37	1.45	0.38	1.03
Fair value of each share $	21.3	25.38	32.17	24.10	18.45	22.09	31.73	32.17	27.73	14.61	
The share price at grant date $	22.32	26.14	33.09	24.91	19.09	22.54	32.20	32.63	28.33	14.93	
Expected dividends yield %	2.36%	1.50%	1.43%	1.67%	1.71%	1.01%	0.73%	0.71%	0.71%	1.10%	

1. 2022 beginning balances have been restated to adjust for expired and exercised shares that were not previously reported

37. Share-based payments continued

2023 Incentive Plan

Long-term incentive plan

The 2023 Long-Term Incentive Plan (LTIP) was introduced under the 2023 Incentive Policy and was approved by shareholders at the 2023 Annual General Meeting. Under the LTIP, the Company makes grants of conditional awards to the Executive Directors and senior executives of the Group. Awards are dependent on certain non-market and market conditions with a vesting period of three years from the grant, and are then subject to a two-year holding period.

The cost of the LTIP of $4 million has been recorded in the consolidated income statement as part of selling, general and administrative expenses.

The fair value per share is the face value of shares on the date of grant for non-market conditions. Valuation is based on the Monte Carlo methodology for market condition. No discounting for dividend yield is applied as participants will receive the benefit of dividends paid during the vesting period in the form of additional shares.

Details of the outstanding grants under this plan are shown below:

	2023 grants 31 Aug	2023 grants 30 May	Total Number
Year 2023			
Beginning balance	–	–	–
Granted during the year	27,829	648,724	676,553
Dividends equivalent during the year			
Exercised during the year	–	–	–
Forfeited during the year	–	(46,109)	(46,109)
Outstanding at 31 December	**27,829**	**602,615**	**630,444**
Exercisable at 31 December	–	–	–
Weighted average remaining contractual life (years)	2.67	2.41	2.42
Fair value of each share $	27.06	21.13	
The share price at grant date $	27.74	22.32	
Expected dividends yield %	n/a	n/a	

Deferred bonus scheme

The 2023 deferred bonus awards scheme was introduced under the 2023 Incentive Policy and was approved by shareholders at the 2023 Annual General Meeting. Under the scheme, 50% of the annual bonus is deferred into an award over shares for a period of three years. Awards are dependent on the achievement of individual KPIs over one year, starting in 2024.

The cost of the deferred bonus awards of $0.5 million has been recorded in the consolidated income statement as part of selling, general and administrative expenses.

Notes to the consolidated financial statements
continued

38. Related parties

Transactions between Hikma Pharmaceuticals PLC (Hikma) and its subsidiaries (together, the Group) have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its joint venture and other related parties are disclosed below.

Trading transactions:

During the year ended 31 December 2023, the Group entered into the following transactions with related parties:

Darhold Limited (Darhold): is a related party of Hikma because three Directors of Hikma jointly constitute the majority of Directors and shareholders (with immediate family members) in Darhold and because Darhold owns 25.65% (2022: 25.74%) of the share capital and 27.14% (2022: 27.24%) of the voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Hubei Haosun Pharmaceutical Co., Ltd.: is a related party of Hikma because the Group holds a non-controlling interest of 49% in the joint venture (JV) with Haosun (2022: 49%). During the year, total direct purchases from Haosun were $1.2 million (2022: $0.6). At 31 December 2023, the amount owed from the Group to Haosun amounted to $nil (2022: $0.2). In addition, in certain countries the Group purchases from Haosun indirectly. During the year total indirect purchases from Haosun were $0.7 million (2022: $1.1 million).

Labatec Pharma (Labatec): is a related party of the Group because Labatec is owned by the family of two Directors of Hikma. During the year, total Group sales to Labatec amounted to $2 million (2022: $2 million), and total Group purchases amounted to $1 million (2022: $1 million). At 31 December 2023, the amount owed by Labatec to the Group was $0.6 million (2022: $0.4 million).

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive Directors, Non-Executive Directors and the senior management as set out in the Governance report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee report on pages 103 to 132.

	2023 $m	2022 $m
Short-term employee benefits	15.6	13.3
Share-based payments	9.5	7.2
Other benefits	0.6	0.5
	25.7	21.0

39. Subsidiaries and joint venture

The subsidiaries and joint venture of Hikma Pharmaceuticals PLC are as follows:

			Owned by the Group	
Company's name	Incorporated in	Address of the registered office	Ownership % Ordinary Shares At 31 December 2023	Ownership% Ordinary Shares At 31 December 2022
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	97%	97%
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%
Hubei Haosun Pharmaceutical Co., Ltd.[1]	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	49%	49%
Hikma Canada Limited	Canada	5995 Avebury Rd, Suite 804, Mississauga, ON L5R 3P9, Canada	100%	100%
Hikma Pharma S.A.E	Egypt	6th of October City, 2nd Industrial Zone, Plot No.(1), Giza – Egypt	100%	100%
Hikma Pharmaceuticals Industries S.A.E	Egypt	6th of October City, 2nd Industrial Zone, Plot No.(1), Giza – Egypt	100%	100%
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	6th of October City, 2nd Industrial Zone, Plot No.(1), Giza – Egypt	98%	98%
Hikma for Importation Co. LLC	Egypt	6th of October City, 2nd Industrial Zone, Plot No.(1), Giza – Egypt	99%	99%
Hikma France	France	105 Rue Marcel Dassault, 92100 – Boulogne Billancourt – France	100%	100%
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Germany	100%	100%
Hikma Services India Private Limited	India	503, Matharu Arcade, Subhash Road Vile Parle East, Mumbai-400057, India	100%	100%
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%
Hikma Pharma Limited*[2]	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%
Arab Medical Containers LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%
Arab Pharmaceutical Manufacturing PSC	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Investment LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals LLC (Jordan) (FREE ZONE)	Jordan	Al-Mushatta – Al Qastal Free Zone P.O. Box 182400 11118 Amman JORDAN	100%	100%
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%
Sofia Travel and Tourism	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Al Jazeera Pharmaceutical Industries Ltd	KSA	P.O. Box 106229 11666 Riyadh, Saudi Arabia	100%	100%
Hikma Pharmaceuticals for Foreign Companies Headquarters Co.	KSA	3005, Imam Saud bin Abdulaziz bin Mohammed Road, 7815 Riyadh 12262, Saudi Arabia	100%	–
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%

Notes to the consolidated financial statements
continued

39. Subsidiaries and joint venture continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group Ownership % Ordinary Shares At 31 December 2023	Ownership % Ordinary Shares At 31 December 2022
Hikma Pharma Benelux B.V	Netherlands	Atoomweg 12, 1627 LE Hoorn, Netherlands	100%	100%
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8ª, 8B-Fervenca, 2705-906, Terrugem SNT, Portugal	100%	100%
Lifotec Farmaceutica S.G.P.S S.A*	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%
Hikma Care for Medicines and Medical Supplies Company	Palestine	Mahatma Ghandi Street, Betunia Ramallah, Palestine	51%	51%
Hikma Pharmaceuticals	Palestine	West Bank Al Birah, Ramallah	100%	100%
Hikma Slovakia s.r.o	Slovakia	Seberíniho 1 821 03 Bratislava, Slovakia	–	100%
Hikma Espana S.L	Spain	CALLE MALDONADO, 4 – BJ D 28006, MADRID Spain	100%	100%
Pharma Ixir Co. Ltd	Sudan	Khartoum State, Buri Al Lamab Area, Block (9), Building No. (98), Sudan	51%	51%
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Khartoum State, Buri Al Lamab Area, Block (9), Building No. (98), Sudan	100%	100%
Eurohealth International S.A.R.L.[2]	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%
STE D'Industrie Pharmaceutique Ibn Al Baytar*	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	100%
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%
Hikma Emerging Markets and Asia Pacific FZ-LLC	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai Health Care City, United Arab Emirates	100%	100%
Hikma International Trading Limited[2]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma MENA FZE*[2]	United Arab Emirates	Office No. FZJOB1020 Jebel Ali Free Zone, Dubai United Arab Emirates	100%	100%
Hikma UK Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Ventures Limited[2]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
West-Ward Holdings Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Pharmaceuticals International Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Intelligence Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Eurohealth (U.S.A.) Inc	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Speciality USA, Inc.	United States	1900 Arlingate Lane, Columbus, Ohio 43228	100%	100%
Hikma Labs Inc.	United States	1809 Wilson Road, Columbus, Ohio 43228	100%	100%
West-Ward Columbus Inc.	United States	1809 Wilson Road, Columbus, Ohio 43228	100%	100%
Hikma Injectables USA, Inc.	United States	36 Stults Road, Dayton, New Jersey 08810	100%	100%
Hikma Pharmaceuticals USA Inc.	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Finance USA LLC	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
TACCA, LLC	United States	2325 Camino Vida Roble Carlsbad, CA 92011, US	90%	90%
Pytrione LLC	United States	2325 Camino Vida Roble Carlsbad, CA 92011, US	84%	84%

1. The investments in joint venture are accounted for using the equity method (Note 18)
2. Owned by Hikma Pharmaceuticals PLC 'the Company'

The investments in subsidiaries are all stated at cost in Hikma Pharmaceuticals PLC and are consolidated in line with IFRS 10.

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services, except for Sofia Travel and Tourism subsidiary which coordinates employees travel arrangements.

Companies marked (*) were incorporated as holding companies.

40. Defined contribution retirement benefit plan

The Group has defined contribution retirement plans in four of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals LLC, Arab Pharmaceutical Manufacturing PSC and Hikma Pharmaceuticals USA Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC

Hikma Pharmaceuticals PLC currently has a defined contribution pension plan available for staff working in the United Kingdom whereby Hikma Pharmaceuticals PLC contributes 10% of basic salary. Employees are immediately entitled to 100% of the contributions. Hikma Pharmaceuticals PLC contributions for the year ended 31 December 2023 were $0.2 million (2022: $0.3 million).

Hikma Pharmaceuticals LLC

Hikma Pharmaceuticals LLC currently has an employee savings plan whereby Hikma Pharmaceuticals LLC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Hikma Pharmaceuticals LLC contributions after three years of employment with the Company. Hikma Pharmaceuticals LLC contributions for the year ended 31 December 2023 were $3.6 million (2022: $3.4 million).

Arab Pharmaceutical Manufacturing PSC

Arab Pharmaceuticals Manufacturing PSC currently has an employee savings plan whereby Arab Pharmaceuticals Manufacturing PSC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Arab Pharmaceuticals Manufacturing PSC contributions after three years of employment with the Company. Arab Pharmaceuticals Manufacturing PSC contributions for the year ended 31 December 2023 were $0.5 million (2022: $0.5 million).

Hikma Pharmaceuticals USA Inc.: (401 (k) Retirement Plan)

Hikma Pharmaceuticals USA Inc. has a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. Eligible employees can begin contributing to the plan after being employed for 90 days. Employees can defer up to 95% of their eligible income into the plan, not to exceed $22,500 (2022: $20,500), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches the employees' eligible contribution dollar-for-dollar on the first 6% of eligible pay contributed to the plan. Employer contributions vest 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2023 were $8 million (2022: $9 million). The assets of this plan are held separately from those of the Group. The only obligation of the Group with respect to this plan is to make specified contributions.

41. Subsequent event

On 1 February 2024, the Group reached an agreement in principle to resolve the vast majority of the opioid related cases brought against Hikma Pharmaceuticals USA Inc. by US states, their subdivisions, and tribal nations. These cases relate to the manufacture and sale of prescription opioid medications. The agreed upon settlement is not an admission of wrongdoing or legal liability.

The Group booked a total provision of $129 million to cover the expected settlement amount for all related cases in North America. The provision is considered an adjusting post balance sheet event and is recognised as an exceptional item in the consolidated financial statements for the year ended 31 December 2023 (Notes 6 and 26).

Company balance sheet

At 31 December 2023

	Note	2023 $m	2022 $m
Non-current assets			
Property, plant and equipment		**1**	1
Right-of-use assets		**3**	5
Intangible assets	3	**7**	14
Investments in subsidiaries	4	**3,303**	3,296
Due from subsidiaries	5	**32**	82
Financial and other non-current assets		**3**	4
		3,349	3,402
Current assets			
Trade and other receivables	6	**304**	358
Due from subsidiaries	5	**39**	82
Cash and cash equivalents	7	**46**	64
Other current assets	8	**31**	29
		420	533
Total assets		**3,769**	3,935
Current liabilities			
Other payables		**4**	2
Due to subsidiaries	9	**10**	21
Short-term financial debts	10	**61**	39
Lease liabilities		**2**	2
Other current liabilities		**19**	15
		96	79
Net current assets		**324**	454
Non-current liabilities			
Long-term financial debts	10	**325**	465
Lease liabilities		**3**	5
		328	470
Total liabilities		**424**	549
Net assets		**3,345**	3,386
Equity			
Share capital	12	**40**	40
Share premium		**282**	282
Other reserves		**2**	2
Profit for the year	13	**71**	266
Retained earnings		**2,950**	2,796
Total equity		**3,345**	3,386

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 194 to 200 were approved by the Board of Directors on 21 February 2024 and signed on its behalf by:

Said Darwazah
Executive Chairman
21 February 2024

Riad Mishlawi
Chief Executive Officer

Company statement of changes in equity

For the year ended 31 December 2023

	Share capital $m	Share premium $m	Capital redemption reserve $m	Merger reserve $m	Total other reserves $m	Retained earnings $m	Total $m
Balance at 1 January 2022	42	282	–	1,746	**1,746**	1,456	**3,526**
Profit for the year	–	–	–	–	**–**	266	**266**
Total comprehensive income for the year	–	–	–	–	**–**	266	**266**
Cost of equity settled employee share scheme	–	–	–	–	**–**	22	**22**
Dividends paid	–	–	–	–	**–**	(125)	**(125)**
Ordinary Shares purchased and cancelled	(2)	–	2	–	**2**	(300)	**(300)**
Share buyback transaction costs	–	–	–	–	**–**	(3)	**(3)**
Issue of Ordinary Bonus Share	1,746	–	–	(1,746)	**(1,746)**	–	**–**
Cancellation of Ordinary Bonus Share	(1,746)	–	–	–	**–**	1,746	**–**
Balance at 31 December 2022 and 1 January 2023	40	282	2	–	**2**	3,062	**3,386**
Profit for the year	–	–	–	–	**–**	71	**71**
Total comprehensive income for the year	–	–	–	–	**–**	71	**71**
Cost of equity settled employee share scheme	–	–	–	–	**–**	25	**25**
Dividends paid	–	–	–	–	**–**	(137)	**(137)**
Balance at 31 December 2023	**40**	**282**	**2**	**–**	**2**	**3,021**	**3,345**

At 31 December 2023 and 2022, the Company had retained earnings available for distribution in excess of $2 billion, which is determined with reference to the Companies Act 2006 and to the guidance issued by the Institute of Chartered Accountants in England and Wales in 2017.

For the proposed final dividend for the year ended 31 December 2023, see Note 13 to the Group consolidated financial statements.

Notes to the Company financial statements

For the year ended 31 December 2023

1. Adoption of new and revised standards

The nature of the impact on the Company of new and revised standards is the same as for the Group. Details are given in Note 1 to the Group consolidated financial statements.

2. Accounting policies

Basis of accounting

These financial statements, for the year ended 31 December 2023 have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following exemptions from the requirements of IFRS Accounting Standards as below:

- Paragraph 10(d) of IAS 1 'Presentation of Financial Statements' (statement of cash flows)
- Paragraph 16 of IAS 1 'Presentation of Financial Statements' (statement of compliance with all IFRS Accounting Standards)
- Paragraph 38A of IAS 1 'Presentation of Financial Statements' (requirements for minimal of two primary statements, including cash flow statements)
- Paragraph 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'
- Paragraph 111 of IAS 1 'Presentation of Financial Statements' (cash flow statement information)
- Paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements' (capital disclosures)
- IFRS 7 'Financial Instruments: Disclosure'
- Paragraph 17 of IAS 24 'Related Parties Disclosures'
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IAS 7 'Statement of Cash Flow'
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement'

No individual profit and loss account is prepared as provided by section 408 of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation to fair value of certain financial assets and liabilities. The principal accounting policies adopted are the same as those set out in Note 2 to the Group consolidated financial statements with the addition of the policies noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. The carrying value of investments is reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the Company profit and loss. Testing for impairment requires making estimates for the valuation of the investments.

Trade receivables acquired from subsidiaries through an intercompany factoring arrangement and intercompany receivables are classified as financial assets at amortised cost and are measured at amortised cost using the effective interest method less any expected credit loss. The Company applies a general approach in calculating expected credit loss for the intercompany receivables. At the reporting date, all outstanding balances were considered to have low credit risk, therefore, the general approach using a 12-month probability of default was applied when assessing expected credit loss on a 12-month period basis. The Company applies a simplified approach for the intercompany factoring arrangement.

Equity-settled employee share schemes are accounted for in accordance with IFRS 2 'Share based payment'. The current charge relating to the subsidiaries' employees is recharged to the respective subsidiary.

There are no critical judgements and estimates involved in applying the above accounting policies, that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US dollar as the majority of the Company's business is conducted in US dollars.

3. Intangible assets

	Software $m
Cost	
Balance at 1 January 2022	31
Balance at 1 January 2023	**31**
Disposals[1]	**(5)**
Balance at 31 December 2023	**26**
Accumulated amortisation and impairment	
Balance at 1 January 2022	(16)
Charge for the year	(1)
Balance at 1 January 2023	**(17)**
Charge for the year	(2)
Balance at 31 December 2023	**(19)**
Carrying amount	
At 31 December 2023	**7**
At 31 December 2022	14

1. Disposals represent software sold to subsidiaries

Details of useful lives are included in Note 15 to the Group consolidated financial statements.

4. Investments in subsidiaries

The details of Investment in subsidiaries are stated in Note 39 to the Group consolidated financial statements.

The following table provides the movement of the investments in subsidiaries:

	2023 $m	2022 $m
Beginning balance	**3,296**	3,288
Additions to subsidiaries	**7**	8
Ending balance	**3,303**	3,296

The movement for the year represents an increase in the investment in Hikma Ventures Limited.

Notes to the Company financial statements
continued

5. Due from subsidiaries

Non-current

	As at 31 December	
	2023 $m	2022 $m
Hikma UK Limited	12	47
Hikma MENA FZE	–	22
Hikma Pharmaceuticals LLC	–	13
Al Jazeera Pharmaceuticals Industries Ltd	20	–
Hikma Emerging Markets and Asia Pacific FZ-LLC	4	4
Less: provision for expected credit loss	(4)	(4)
	32	82

Current

	As at 31 December	
	2023 $m	2022 $m
Hikma Pharmaceuticals USA Inc.	13	55
Al Jazeera Pharmaceuticals Industries Ltd	5	13
Hikma Emerging Markets and Asia Pacific FZ-LLC	7	7
Hikma MENA FZE	7	3
Arab Pharmaceutical Manufacturing PSC	1	3
Hikma Pharma S.A.E	3	1
Others	10	7
Less: provision for expected credit loss	(7)	(7)
	39	82

6. Trade and other receivables

	As at 31 December	
	2023 $m	2022 $m
Trade and other receivables	304	358

The credit risk associated with these acquired receivables is similar to that of the Group's US receivables since it relates to the same credit portfolio and customers.

7. Cash and cash equivalents

	As at 31 December	
	2023 $m	2022 $m
Cash at banks and on hand	12	9
Time deposits	34	55
	46	64

Cash and cash equivalents include highly liquid investments with maturities of three month or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

8. Other current assets

	As at 31 December	
	2023 $m	2022 $m
Investments at FVTPL	24	22
Prepayments	6	6
Revolving credit facility upfront fees	1	1
	31	29

Investment at FVTPL comprises a portfolio of debt instruments that are managed by an asset manager and which the Company has designated as measured at fair value through profit or loss. These assets are classified as level 1 as they are based on quoted prices in active markets (See Note 29 to the Group consolidated financial statements).

9. Due to subsidiaries

Current

	As at 31 December	
	2023 $m	2022 $m
Hikma Pharmaceuticals LLC	8	14
Hikma Farmaceutica, (Portugal) S.A	1	4
Other	1	3
	10	21

10. Financial debts

	As at 31 December	
	2023 $m	2022 $m
Long-term loans	391	508
Less: current portion of long-term loans	(61)	(39)
Less: upfront fees	(5)	(4)
Long-term financial loans	325	465

Financial debts include:

a) $1,150 million syndicated revolving credit facility that matures on 4 January 2029. At 31 December 2023, the facility had an outstanding balance of $nil (2022: $278 million) and an unutilised amount of $1,150 million (2022: $872 million). This facility is available in two tranches: one tranche of $760 million for Hikma Pharmaceuticals PLC, of which $nil was utilised (2022: $210 million), and a second tranche of $390 million for Hikma Finance USA LLC, of which $nil was utilised (2022: $68 million). This facility can be used for general corporate purposes

b) A $400 million five-year syndicated loan facility that matures on 13 October 2027. At 31 December 2023, the facility had an outstanding balance at of $315 million (2022: $190 million) and a fair value of $315 million (2022: $190 million). This facility was granted in two tranches: one tranche of $250 million for Hikma Pharmaceuticals PLC, of which the outstanding balance at 31 December 2023 was $205 million (2022: $190 million), and a second tranche of $150 million for Hikma Finance USA LLC with an outstanding balance of $110 million (2022: no utilisation). The proceeds were used for general corporate purposes

c) A $200 million eight-year loan facility from the International Finance Corporation and Managed Co-lending Portfolio program that matures on 15 September 2028. At 31 December 2023, the facility had an outstanding balance of $100 million (2022: no utilisation) and a fair value of $100 million (2022: $nil), the remaining $100 million has an availability period until March 2024. The facility can be used for general corporate purposes

d) A $150 million ten-year loan facility from the International Finance Corporation that matures on 15 December 2027. At 31 December 2023, the facility had an outstanding balance of $86 million (2022: $108 million) and a fair value of $80 million (2022: $98 million). The proceeds were used for general corporate purposes

The weighted average interest rates incurred by the Group are disclosed in Notes 24 and 28 to the of the Group consolidated financial statements.

During 2023, the Company completed the transitioning of all of its USD Libor loans to Term SOFR. As at 31 December 2023, none (2022: $nil) of the Company's utilised debt portfolio as well as none (2022: $5 million) of the Company's unutilised debt facilities have USD LIBOR as the benchmark interest rate.

11. Staff costs

Hikma Pharmaceuticals PLC has an average of 29 employees (2022: 30 employees) (excluding Executive Directors); total compensation paid to them amounted to $7 million (2022: $7 million), of which salaries and bonuses were $5 million (2022: $5 million), the remaining $2 million (2022: $2 million) mainly represents national insurance contributions and other employee benefits. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee report on pages 103 to 132.

12. Share capital

Issued and fully paid – included in shareholders' equity:

	Number	$m
As at 1 January 2022	**244,331,288**	**42**
Exercise of employees share scheme	1,237,467	–
Ordinary Shares purchased and cancelled	(12,499,670)	(2)
Issue of Ordinary Bonus Share	1	1,746
Cancellation of Ordinary Bonus Share	(1)	(1,746)
At 31 December 2022 and 1 January 2023	**233,069,085**	**40**
Exercise of employees share scheme	845,519	–
As at 31 December 2023	**233,914,604**	**40**

At 31 December 2023, 12,833,233 of the issued share capital are held as Treasury shares (2022: 12,833,233) of which the voting rights attached to these shares are not capable of exercise, and 221,081,371 shares are in free issue (2022: 220,235,852).

In 2023, share capital increased by 845,519 shares as a result of the exercised shares granted under the share-based compensation schemes (2022: 1,237,467).

In 2022, the Board approved the capitalisation of the merger reserve and the issuance of a Bonus Share with a $1,746 million nominal value, this share was subsequently cancelled through a capital reduction, which created $1,746 million of distributable reserves to the Company. Moreover, the Company executed a share buyback programme of $300 million in 2022, which resulted in the purchase and cancellation of 12,499,670 shares.

13. Profit for the year

The net profit in the Company for the year is $71 million. Included in the net profit for the year is dividend income of $70 million. The remaining income statement components mainly comprise factoring income from subsidiary, general and administrative expenses and net financing expenses. Audit fees for the Company are included within fees to the company's auditor and its associates for the audit of the parent company and consolidated financial statements as disclosed in Note 7 to the Group consolidated financial statements.

The net profit in the Company for the prior year was $266 million. Included in the net profit for the prior year was dividend income of $276 million. The remaining income statement components largely represented factoring income from subsidiary, general and administrative expenses and net financing expenses.

14. Contingent liabilities and financial guarantees

A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (2022: $14 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It is not probable that any repayment will be made by the intercompany guarantors.

In addition, the Company guaranteed Hikma Finance USA LLC $500 million, 3.25%, five-year Eurobond issued in July 2020 (Note 28 to the Group consolidated financial statements). The Company has also guaranteed Hikma Pharmaceuticals USA Inc. contingent consideration related to the Columbus business acquisition (Note 27 and 30 to the Group consolidated financial statements). Financial guarantees issued by the Company on behalf of subsidiaries are accounted for at fair value in accordance with IFRS 9. The fair value of these liabilities is immaterial given the low probability of default for any of the related subsidiaries.

Shareholder information

2024 financial calendar

21 March	2023 final dividend ex-dividend date
22 March	2023 final dividend record date
25 April	Annual General Meeting
3 May	2023 final dividend paid to shareholders
8 August*	2024 interim results and interim dividend announced
15 August*	2024 interim dividend ex-dividend date
16 August*	2024 interim dividend record date
20 September*	2024 interim dividend paid to shareholders

* Provisional dates

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to Hikma's Registrar, Link Group, either:

- in writing to Shareholder Services, Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL
- by telephone on 0371 664 0300. Lines are open 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Calls to 0371 are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate
- by email to shareholderenquiries@linkgroup.co.uk
- online at **www.hikmashares.com/welcome**

Dividend payments – currency

Hikma declares dividends in US dollars. Unless you have elected otherwise, you will receive your dividend in US dollars. Shareholders can opt to receive the dividend in pound sterling or Jordanian dinar. The Registrar retains records of the dividend currency for each shareholder and only changes them at the shareholder's request. If you wish to change the currency in which you receive your dividend please contact the Registrar.

Dividend payments – bank transfer

Shareholders who currently receive their dividend by cheque can request a dividend mandate form from the Registrar and have their dividend paid direct into their bank account on the same day as the dividend is paid. The tax voucher is sent direct to the shareholder's registered address.

Dividend payments – international payment system

If you are an overseas shareholder, the Registrar is now able to pay dividends in several foreign currencies for an administrative charge of £5.00, which is deducted from the payment. Contact the Registrar for further information.

Website

Press releases, the share price and other information on the Group are available on Hikma's website **www.hikma.com**.

Share listings

London Stock Exchange
Hikma's Ordinary Shares of 10 pence each (Shares) are admitted to the Official List of the London Stock Exchange. They are listed under EPIC: HIK, SEDOL: B0LCW08 GB and ISIN: GB00B0LCW083.

Further information on this market, its trading systems and current trading in Hikma's shares can be found on the London Stock Exchange website **www.londonstockexchange.com**.

Global Depository Receipts (GDRs)
Hikma also has listed GDRs on Nasdaq Dubai for which Citibank acts as Depositary. They are listed under EPIC – HIK and ISIN – US4312882081. Further information on Nasdaq Dubai, its trading systems and current trading in Hikma's GDRs can be found on the website **www.nasdaqdubai.com**.

American Depository Receipts (ADRs)
Hikma has an ADR programme for which Bank of New York Mellon acts as Depository. One ADR equates to two Hikma ordinary shares. ADRs are traded as a Level 1 (OTC) programme under the symbol HKMPY. Enquiries should be made to:

The Bank of New York Mellon
Shareholder Correspondence
PO Box 43078
Providence RI 02940-3078

By Overnight Courier or Registered Insured Mail:
The Bank of New York Mellon
Shareholder Correspondence
150 Royall St., Suite 101
Canton, MA 02021

Tel: +1 201 680 6825 (outside the USA, US Territories and Canada)
Tel: +1 866-726-8237 (toll-free within USA, US Territories and Canada)
E-mail: shrrelations@cpushareownerservices.com
Website: **www.mybnymdr.com**

Shareholder fraud
The Financial Conduct Authority has issued a number of warnings to shareholders regarding boiler room scams. Shareholders may have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms. These brokers can be very persistent and extremely persuasive. Shareholders are advised to be very cautious of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- obtain the correct name of the person and organisations
- check they are authorised by the FCA by looking the firm up on **www.fca.org.uk/register**
- report the matter to the FCA either by calling 0800 111 6768 or visit **www.fca.org.uk/consumers**
- if the caller persists, hang up

Details of the share dealing facilities sponsored by Hikma are included in Hikma's mailings and are on Hikma's website.

Hikma's website is **www.hikma.com** and the registered office is 1 New Burlington Place, London W1S 2HR.
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Shareholder information
continued

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