ALLIANCE

Achieving more together

Alliance Pharma plc
Annual Report and Accounts
2021

An alliance of people, partners and brands, working together to achieve more

Contents

For more information visit
alliancepharmaceuticals.com

2021 Financial Highlights

The Group delivered a strong operational and financial performance in 2021, leaving it well placed to take advantage of further growth opportunities in 2022.

See-through Revenue*
£169.6m +23%
(2020: £137.5m)

Statutory Revenue
£163.2m +26%
(2020: £129.8m)

Underlying Profit Before Tax
£42.2m +26%
(2020: £33.5m)

Reported Profit Before Tax
£18.2m +40%
(2020: £13.0m)

Underlying Basic EPS
6.39p +25%
(2020: 5.11p)

Reported Basic EPS
1.37p -9%
(2020: 1.51p)

Free Cash Flow*
£30.2m -12%
(2020: £34.1m)

Net Debt*
£87.0m -20%
(2020: £109.4m)

* Non-IFRS alternative performance measures (see note 34). See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

Overview

- Strong overall revenue growth driven by Consumer Healthcare, underpinned by continued market penetration via e-commerce activity, which now represents around 25% of Group sales
- Consumer Healthcare see-through revenue* up 31% to £121.8m (2020: £93.0m) and up 36% at constant exchange rates* (CER) with excellent performance from Kelo-cote and the inclusion of Amberen, acquired in December 2020
- Robust Prescription Medicines performance with revenues up 8% to £47.8m (2020: £44.5m), with strong H2 recovery as the effects of COVID-19 receded
- Strong Free Cash Flow* driving down Group leverage to 1.7x at 31 December 2021 (2.4x at December 2020)
- Amberen fully integrated into the Group
- Successfully implemented Group-wide ERP system, enhancing visibility across the business
- US operating capabilities expanded to provide a platform for future growth
- Strengthened European management team and expanded the Board to increase consumer brand experience
- Dedicated Innovation and Development team now in place to underpin Consumer Healthcare organic growth
- Roll-out of strategic brand plan for Nizoral now well underway
- Committed to carbon neutral Scope 1&2 emissions from 2021
- Certified as a Great Place To Work® again in UK and China, and now in Singapore with a Trust Index© rating of 76%

At a Glance

We are Alliance, a growing international healthcare group

Headquartered in the UK, we employ around 250 people based in locations across Europe, North America, and the Asia Pacific region.

Who we are

We are Alliance, a growing international healthcare group.

A business founded on the principle that by working together, we can achieve more.

What we do

Our purpose is to improve the lives of consumers and patients through making available a range of clinically valuable healthcare products.

How we do it

Every day, we work with our partners and colleagues around the globe, to maximise the value of our brands.

Confident in the knowledge that in doing so, we can make a real difference to people's lives.

Our core business is Consumer Healthcare. This accounts for more than 70% of our revenues and is what drives our growth. We also have a well-established Prescription Medicines business, which operates from the same regulatory platform. In total, we hold marketing rights to around 80 brands.

Our commercial operations extend across EMEA, AMER and APAC, with revenues generated from a mix of direct, distributor and e-commerce sales. By outsourcing all our manufacturing and logistics activities, we remain asset-light and focused on maximising the value of our brands.

At a Glance continued

Our Purpose

To improve the lives of consumers and patients through making available a range of clinically valuable healthcare products.

Our Vision

To be a leading international healthcare business, built around products that are clinically valuable to patients.

We will be both the partner and employer of choice.

Our Strategy

There are two main strands to our strategy:

- **Delivering solid organic growth from our key brands**
- **Supplementing this growth with selective, complementary acquisitions in the consumer healthcare space**

Underpinned by a focus on:

- **Investing in people**
- **Sustainability**

See **page 17**

Our Business Model

Leveraging the global platform we've created and the capabilities, expertise and relationships that support this enables us to maximise the value of our existing brands and integrate acquired brands with ease.

See **page 16**

Our Culture

Our culture reflects the spirit of collaboration embedded in our business – the tacit belief that through working together, both internally and with external partners, we can achieve more for our stakeholders and for society as a whole.

See **page 22**

Our Values

- **Performance**
- **Realism**
- **Accountability**
- **Integrity**
- **Skill**
- **Entrepreneurship**

See **pages 04 & 05**

Our Values

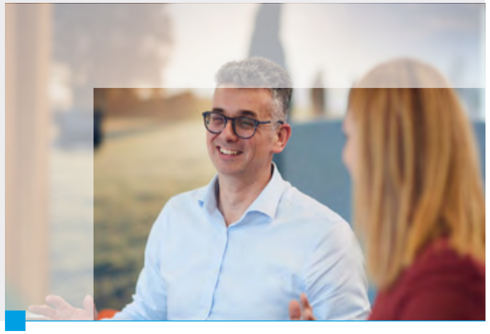
Living up to our values

Acting in accordance with our values, we maintain our strong culture of working together to achieve more.

Realism

We set stretching goals and targets which we believe are achievable

When we learnt that the manufacturer of one of the lead products in our Vamousse headlice prevention/treatment range was unable to continue manufacturing it, some quick thinking was needed to avoid a potential out of stock situation in the peak back-to-school season in the US. By working together and adopting a creative, 'can do' approach, a cross-functional team, with participants from the US and UK, managed to come up with a solution which, with limited compromises and last-minute adjustments, they then successfully implemented to resolve what had originally looked like a very challenging situation.



Performance

Our high-performing people continually drive business success

Undeterred by the challenges of remote working imposed by the global pandemic, in April 2021, members of our global brand marketing team went above and beyond to deliver a very successful Alliance brand week and marketing excellence program virtually. This enabled the brand leads to showcase the plans they'd created for each of the 13 brands prioritised as part of this programme, building wider awareness and understanding of our brand marketing priorities across the business.

See **page 22**

Accountability

We take responsibility and deliver what we promise

From developing new Key Opinion Leaders' endorsements for our products to delivering new or improved processes, many great demonstrations of our values in practice involve our employees taking individual or collective responsibility to ensure that delivery expectations are met at all levels in the organisation. One of the best examples of Accountability in 2021 came from our UK Facilities team, who successfully managed the transformation of our UK headquarters and the challenge of undertaking works to a listed building, against the backdrop of ever-changing COVID-19 restrictions.

See **page 33**

Our Values continued

- Our values, and the culture that underpins them, are at the heart of how we operate as a business
- Each month, we take time to celebrate outstanding demonstrations of our values in practice
- In 2021, more than 50 colleagues received special recognition through the values-based PRAISE awards scheme, with more than £2,500 donated to charities of their choice

Integrity

We build trust in all our relationships

Trust is a key element in all our relationships, both internal and external – creating successful partnerships and business relationships depends on it. In April 2021, after a lengthy process, members of our medical and regulatory teams successfully obtained a new indication for one of our established Prescription Medicines in the UK and 10 other territories across the EU. To do this, they had to overcome multiple challenges – from dealing with several complex information requests from the assessors to translation issues and rigorous challenges from our safety partners. Through exercising a high degree of skill and integrity, showing sensitivity to others' perspectives, and persevering with their endeavours, the team successfully delivered a great outcome, both for Alliance and for patients.

Skill

We recruit highly skilled people and develop their talents to the full

Many of our PRAISE awards recognised the utilisation of skills developed over the course of an employee's journey with Alliance – we see many great examples of employees taking on and successfully delivering projects that lie outside their current experience and skill sets.

For example, in 2021 a member of our customer services team took on the challenge of consolidating the business activities going through our two UK wholesalers – the first project of this size and cross-functional nature they had led. Through effective leadership and strong project management skills, they were able to bring the project to a successful conclusion and enable the associated cost savings to be realised.

Entrepreneurship

Our people think of the business as it if was their own

Tired of the daily frustration of trying to locate the right brand assets, our marketing team came together and decided to take the initiative to create a digital asset management system to better manage our growing portfolio of digital assets.

The 'Alliance Asset Hub', an enterprising solution conceived and actualised by a member of our global marketing team, now sits at the heart of our marketing ecosystem, providing a single source of truth for all our digital brand assets. Accessible by teams around the globe and with the ability to make direct updates to our brand websites, whilst controlling access and usage rights, the system is expected to deliver real business benefits as our focus on marketing excellence continues.

Strategic Report

Chief Executive's Review

Continuing on our growth trajectory

See-through Revenue*

£169.6m +23%

(2020: £137.5m)

Statutory Revenue

£163.2m +26%

(2020: £129.8m)

"I'm delighted with the strong performance of the Group in 2021. Kelo-cote enjoyed another excellent year, helping us to deliver double digit organic revenue growth, and Amberen is now fully integrated into our enlarged US operations"

* Non-IFRS alternative performance measures (see note 34). See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

TRADING PERFORMANCE

Overview

The Group delivered strong growth in the year, with see-through revenue up 23% to £169.6m (2020: £137.5m), despite the impact of currency headwinds and continuing lockdowns, particularly in the APAC region; at constant exchange rates (CER), revenue growth was 27%. Like-for-like (LFL) revenue, excluding revenues attributable to Amberen, which was acquired by the Group at the end of 2020, grew 9% (12% CER). On a statutory reported basis, Group revenues were up 26% to £163.2m (2020: £129.8m) (+30% CER) and up 11% to £144.0m (2020: £129.8m) on a like-for-like basis, excluding Amberen (+14% CER).

Gross profit increased by 32% to £109.5m (2020: £82.8m), the increase outstripping revenue growth due to favourable changes in product mix, resulting from the inclusion of Amberen and the significant growth in Kelo-cote sales. This was balanced by an expected increase in operating costs, primarily reflecting the inclusion of the Amberen cost base, the resumption of discretionary spend deferred from the early stages of the pandemic and higher levels of investment in the business to support growth. Coupled with a small increase in depreciation and amortisation charges, as we brought our new ERP system into service, underlying profit before tax increased 26% to £42.2m (2020: £33.5m), with the profit before tax margin increasing by 50 basis points to 24.9% (2020: 24.2%).

Non-cash amortisation and impairment charges, together with a provision in relation to the Competition and Markets Authority (CMA) decision and restructuring costs, resulted in reported profit increasing by 39% to £18.2m (2020: £13.0m).

Consumer Healthcare

Our Consumer Healthcare business continued to perform well through 2021, with increased e-commerce activity and the integration of Amberen helping to drive year-on-year see-through revenue growth of 31% (36% CER), to £121.8m (2020: £93.0m). On a statutory basis, reported revenues were £115.4m, up 35% from the previous year (2020: £85.3m) and up 41% CER.

Excluding the impact of Amberen, like-for-like Consumer Healthcare see-through revenue increased by 10% (14% CER) to £102.6m whilst reported revenue increased by 13% (16% CER) to £96.1m.

Kelo-cote – scar prevention & treatment

Kelo-cote delivered another excellent performance, particularly in the APAC region, generating revenues of £48.8m, up 41% on the prior year (2020: £34.7m). CER revenues were up 47% due to continued strong demand from China, reflecting the growth of both domestic sales and significant cross-border e-commerce ('CBEC') sales.

Kelo-cote is very well established in China, with high brand awareness and usage. The growth in domestic and CBEC revenues reflects the increasing trend for consumers in China and elsewhere to migrate more to online purchasing, both of the brand itself and healthcare products generally – a trend accelerated by the pandemic.

In 2021, we entered into a new CBEC distribution agreement for Kelo-cote, to move Alliance closer to the customer and provide greater control of our distribution chain. This decision was taken in response to the success of CBEC in facilitating export sales from the EU to consumers in China, and in recognition of the significant opportunity that China offers for this key brand. As a result, we expect further top-line growth in China over the medium term.

Performance across the rest of the APAC region was more mixed, as many countries continued to be impacted by the pandemic, although both Hong Kong and South Korea recorded strong growth. A similar trend was evident across South America and much of EMEA; with strong performances from a number of European territories including France (domestic and export sales), and the UK.

* See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

Chief Executive's Review continued

Amberen – vitamin mineral supplement for the relief of menopause symptoms (US)

Amberen made an encouraging start during its first year of trading under the Group's ownership, generating net revenues of $26.5m (£19.2m) in the Year, with H2 2021 revenues up 12% CER on H2 2020 (under previous ownership). Full year revenue growth was up 3% CER, with the brand's Amazon sales in particular experiencing strong year-on-year growth, compensating for more challenging trading conditions for the category as a whole in the bricks and mortar retail sector.

We expect to see Amberen revenue growth accelerate in 2022, with a weighting towards H2, as we look to leverage the expanded operating platform we have put in place in the US, increase our focus on brand positioning and execute a new integrated marketing campaign for the brand.

We are focused on developing an innovation pipeline to underpin the growth of the brand in the longer term.

Nizoral – medicated anti-dandruff shampoo

Nizoral had a challenging start to the year due to a combination of distributor order phasing, manufacturing delays, and the ongoing impacts of COVID-19 on demand, particularly in India. We experienced some delay to the transitioning of regulatory approvals in Vietnam and the Philippines, whilst growth in key pharmacy chain listings for the new Triatop combi product in China was also slower than planned.

However, revenues started to recover in the second half of the year, with see-through revenue of £11.6m in H2 2021 (£9.0m in H1 2021 and £11.2m in H2 2020), as the challenging regional trading conditions affecting both supply and demand eased. Triatop combi product pharmacy listings in China also improved in the last few weeks of the year, which should help support further sales momentum in 2022. Consequently, see-through revenues for the Year of £20.6m, were up 1% CER (-2% as reported) (2020: £21.0m). On a statutory reported basis, revenues were up 7%, at £14.2m (2020: £13.3m) (+9% CER).

We expect to see further improvement in 2022, as the pandemic recedes and we take full control of the supply chain following the end of the transition period with J&J. The roll-out of our strategic brand plan for Nizoral is now well underway, with consumer activation campaigns ongoing or planned across a number of key territories, including Australia, South Korea and Taiwan. These activities are being carried out in partnership with our local distribution partners as part of a growth strategy centred around consumer and healthcare professional activation, e-commerce, and Innovation & Development (I&D).

Other Consumer Healthcare brands

We continued to see a mixed performance across our other Consumer Healthcare brands, particularly for those products sold principally through international distributors.

MacuShield (eye health supplement), was an early beneficiary of a recovery in UK retail sales post COVID-19, whilst Vamousse (prevention and treatment of head lice) continued to be impacted by COVID-19 challenges as school closures and social distancing requirements led to significantly reduced incidence of head lice, particularly in the US, the product's primary market. With distributor stocking patterns contributing to declines in Oxyplastine and Aloclair, revenues in other Consumer Healthcare brands fell 9% CER.

As we progress through 2022, and global trading patterns and consumer behaviours start to normalise post COVID-19, we expect to see sales of Vamousse, Aloclair, Oxyplastine and a number of our other smaller consumer brands start to pick up again. Further revenue detail on these brands is available in note 3.

Prescription Medicines

The Prescription Medicines business delivered robust revenues of £47.8m (2020: £44.5m), up 8% on the prior year, reflecting a partial return to the delivery of routine treatments and normalisation of daily life compared with the early stages of the pandemic in 2020. Key drivers of revenue growth included the Opus range of stoma care products, Forceval (nutritional supplement), Hydromol (emollient for the treatment of eczema) and Flammazine (prevention of infection of burns and wounds).

We continue to actively manage this part of our portfolio, periodically discontinuing or disposing of smaller products that deliver very low sales and margins. However, the cash generation from these assets remains good and, coupled with their limited requirement for promotional investment, this business will continue to play an important part in our overall product portfolio.

Chief Executive's Review continued

Regional performance

EMEA (Europe, UK, Middle East & Africa)

EMEA regional revenues of £89.2m were down 5% versus those for the prior year (2020: £93.8m), primarily due to a mid-year change in the distributor for Kelo-cote CBEC, which is now located in APAC, and hence sales are now included in APAC revenues, whereas previously they were included in EMEA. This change in revenue classification was partially offset by the uplift in Prescription Medicines revenues, with this region accounting for 95% of all Prescription Medicines sales in the year, coupled with the growth in MacuShield sales, which originate primarily in EMEA (the largest market being the UK).

APAC (Asia Pacific and China)

APAC regional see-through revenues rose 47% versus the prior year at £54.4m (2020: £37.0m), with statutory revenues up 64% to £48.0m (2020: £29.3m).

Revenues in this region are dominated by Kelo-cote and Nizoral (which is only sold by Alliance in APAC) and which collectively account for 90% of APAC sales in 2021.

Regional revenues in 2021 benefitted from the change in distribution arrangements for Kelo-cote CBEC sales, with revenue recognised as part of APAC, rather than EMEA, from the middle of the year. The uplift in sales also reflects underlying growth in Kelo-cote sales, both in China and across the wider APAC region, coupled with the slight decline in Nizoral sales.

AMER (The Americas)

Revenues in the AMER region increased by £19.3m to £26.0m (2020: £6.7m), reflecting the acquisition of Amberen, which contributed £19.2m to sales in the year. On a like-for-like basis, sales were in line with those for the prior year at £6.8m, with a decline in Vamousse sales in the US, due to the continued impacts of the pandemic, offset by increased sales of Kelo-cote in South America. This region now accounts for more than 20% of our Consumer Healthcare revenues.

Following a period of investment to expand its local operating capabilities, the US business now has an enhanced platform from which to generate strong growth in Amberen and other existing brands and to scale up further when suitable acquisitions are identified.

Developing our regional platform

Rounding out our operational capabilities across the three geographic regions in which we operate, EMEA, APAC and AMER, has been a major focus for us in recent years. The platform which we've created across these three regions, underpinned by our global support functions, enables us to create value through both driving the growth of our existing brands and acquiring and integrating new assets with ease – as demonstrated most recently with Amberen.

CURRENT TRADING AND OUTLOOK

2022 has started well, and we remain confident in our ability to deliver financial performance in line with market expectations.

We now have a clear focus on our core Consumer Healthcare business, supported by a well-defined value maximisation strategy and a scalable platform across EMEA, APAC and the US, to drive future growth.

The new distribution agreement we put in place in 2021 will enable us to deliver further growth for Kelo-cote through our CBEC business and gives us the opportunity to extend the range of products made available through this channel, potentially accelerating the growth of a number of our other consumer brands.

Through 2022, we expect to see increased growth from Nizoral as we accelerate the roll-out of our strategic plan for the brand and as the impact of the pandemic recedes.

With Amberen now fully integrated into our enlarged US operations, we expect to see revenues increasing as we begin to realise the benefits of additional revenue opportunities that the brand has brought into the Group.

We now have a more balanced consumer portfolio around the globe and, as our net debt and leverage continue to reduce, we are increasingly well placed to participate in complementary acquisitions in the consumer healthcare space and to leverage the operating platform we have built across EMEA, APAC and the US. Coupled with a proven ability to extract value from our key consumer brands, we remain confident in our ability to realise our mid-term growth ambitions.

Chief Executive's Review continued

OPERATIONAL DEVELOPMENTS

We recognise the need to invest in our business to maintain strong organic revenue growth. We recently implemented a new Innovation & Development (I&D) process and in 2021 we created new dedicated roles and a central I&D budget to deliver new products, claims and packaging ideas. We expect to see a number of these innovations come to market in 2022 as we refresh existing products to maintain consumer appeal.

We have also commenced the roll-out of our new Digital Excellence training programme to our global marketing teams to ensure our staff have the necessary skills and knowledge to drive sustainable long-term value.

Our ERP system went live in the first half of 2021, and we have already realised benefits to the business through the standardisation of processes. Our significant pre-launch preparation ensured a virtually seamless changeover; work continues on refining some of the reporting requirements and rolling the system out to a few remaining smaller entities, but we expect this to complete in the next 12 months.

During the year we secured new, larger offices in Cary, North Carolina, to accommodate our growing US team, closed our office in Los Angeles and streamlined our European footprint through the closure of our Milan office, incurring associated restructuring costs of £2.4m, which have been presented as non-underlying.

We also completed further substantial upgrade and refurbishment works at our UK headquarters, improving the building's environmental credentials whilst also reconfiguring space to better accommodate post-pandemic working arrangements. All employees have now returned to the office on a hybrid basis, both in the UK and in our regional offices around the globe, as pandemic restrictions allow.

INCREASING OUR FOCUS ON SUSTAINABILITY

We have continued to focus on developing our sustainable business strategy during the year, under the direction of the ESG Board Committee, and informed by feedback from a number of our key investors plus external gap analysis. This work has resulted in the development of our Sustainability Framework; we now have greater clarity regarding our specific areas of focus and the key activities which underpin these.

We have initiated a programme of work to drive improvements to the sustainability of our product packaging and are also in the early stages of developing our broader environmental strategy, including our response to climate change. In 2021, we quantified our Scope 3 greenhouse gas emissions for the first time and are using the results to help inform the development of our carbon action plan, with a view to setting carbon reduction targets and our path to net zero in the near future.

Minimising our environmental impact

In 2021, we completed a programme of upgrading and refurbishment works at our UK headquarters, further improving the building's environmental credentials. We continue to actively look for ways to reduce our direct (Scope 1 & 2) emissions as part of the drive towards net zero and intend to achieve carbon neutrality for our Scope 1 & 2 UK emissions for 2021 retrospectively in 2022, through the use of sequestration schemes.

Given the nature of our business, and our use of third-party distributors, contract manufacturers (CMOs) and logistics service providers (LSPs), the majority of our greenhouse gas emissions are classified as Scope 3. In 2022, we plan to reach out to our larger CMOs and LSPs to better understand where they are on their respective emissions reduction journeys and to obtain their Scope 1 and 2 data to help improve the methodology used for our Scope 3 calculations. We will also continue to reduce our own Scope 1 and 2 emissions, which were 90tCO_2e for our UK operations in 2021, and will achieve carbon neutrality for these retrospectively in 2022 through the use of sequestration schemes.

With the foundations now in place, we will be looking to raise the profile of sustainability within the business more widely in 2022, as we continue our journey to become a more sustainable business. We remain a responsible corporate citizen, committed to minimising the negative impacts of our operations on the environment, whilst making a positive contribution to society.

Further coverage on the progress we have made with our sustainable business strategy can be found on pages 25 to 33 of this report.

Chief Executive's Review continued

PEOPLE

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to all those who have helped to make 2021 such a successful year for Alliance. We currently employ around 250 people in 10 locations around the globe. In 2021, we created around 20 new roles, spread across all our main geographic locations, as we looked to meet our evolving business needs. This included the creation of a new dedicated I&D team to underpin the growth of our Consumer Healthcare brands.

We recognise the need to develop appropriate in-house expertise in specific skill sets, using a blend of external subject matter experts and internal training to ensure our platform remains scalable as we grow. We anticipate continued investment in our global team in 2022.

In 2021, we once again participated in the Great Place To Work® survey, as we further progressed our employee engagement journey. We were very pleased to have received an overall Trust Index© rating of 76% and to have been recertified as a Great Place To Work® in the UK and China whilst gaining an additional certification in Singapore, with 81% of participants globally saying that Alliance was a Great Place To Work®.

Further coverage on this and other aspects of our people strategy can be found on page 22.

During the second half of the Year, we rolled out and refined our new ways of working to provide flexibility over office and home working for our employees around the globe, based on individual role, activities, and the location of other colleagues with whom they interact regularly. The majority of employees now spend 2 or 3 days a week in the office, subject to local government guidance, allowing them to combine the benefits of individual focus time with the increased connection and collaboration opportunities that come from being physically present with colleagues in the office. This increased flexibility has been very positively received across the business and is working well for us.

We recognise that great people, and the successful partnerships that they build both within the business and externally, are key to the delivery of great results.

BOARD CHANGES

As previously announced, Kristof Neirynck, a highly experienced consumer brands executive, took up his position as an independent Non-executive Director of the Group on 1 December 2021, bringing with him almost 20 years of international consumer brand experience, including complex omnichannel business models, direct-to-consumer strategies and CBEC sales into China. His experience will be invaluable as we look to further develop and grow our business, in particular our CBEC activities, over the coming years.

Supporting early-stage career development

2021 saw two of our employees successfully complete their apprenticeship training and move on to new permanent roles within the business – demonstrating the continued success of Alliance's apprenticeship programme in fostering early-stage skills development. We have since taken on an additional apprentice in our Finance team and have recently launched both a graduate scheme and an industry placement scheme, furthering our commitment to supporting those at the start of their careers.

LOOKING FORWARD TO 2022

2022 has got off to an encouraging start. We remain confident in our ability to further capitalise on identified organic growth opportunities within the business and to deliver financial performance in line with market expectations.

Operationally, the priorities for the Group in 2022 are:

- To continue to invest behind our larger Consumer Healthcare brands, in order to drive further growth, supported by our increasing focus on e-commerce and I&D activities;
- To continue to progress our sustainable business agenda, including the creation of our carbon action plan and the setting of emissions reduction targets;
- To continue to look for opportunities to participate in complementary acquisitions in the consumer healthcare space, to leverage the operating platform we have built across EMEA, APAC and the US, and balance the scale of our business operations across these regions.

Peter Butterfield
Chief Executive Officer

30 March 2022

Our Markets

The long-term trends in consumer healthcare remain unchanged, although the COVID-19 pandemic has caused significant short-term impacts. Sustainability is also emerging as a key consideration for both manufacturers and brand owners.

1 in 20
Google searches relate to health

67%
of people are researching health problems

60%
tend to take an OTC product before making a doctors appointment

59%
take OTC products to manage acute health conditions

Source: https://www.iqvia.com/-/media/iqvia/pdfs/library/fact-sheets/social-media-intelligence-brochure-for-consumer-health-customers.pdf

Macro trends in consumer healthcare

- **Increasing life expectancy** – increasing longevity and ageing populations have led to an increased demand for healthcare – particularly for products which target conditions typically experienced in later life.
- **Increasing prosperity, self-care, and the wellness movement** – levels of prosperity and disposable income in many parts of the world, particularly in developing countries, are rising. We are also seeing a shift towards self-medication using over the counter (OTC) products, rather than relying on prescription medicines, coupled with an increased focus on personal wellbeing, and on prevention rather than cure.
- **Digital healthcare and the empowerment of patients and consumers** – consumers, especially younger ones, are increasingly turning to online resources to self-diagnose and discover solutions to their health concerns. As prospective patients, consumers are becoming active partners in their healthcare journey. With the ability to carry out extensive research online, they are able to become more knowledgeable about the services they receive and the products they use.
- **The growth of e-commerce** – the emergence of high-speed mobile data, rapid delivery times and increasingly secure and speedy payment methods have led consumers to embrace the convenience of online purchasing.

Our Markets continued

Impacts of the COVID-19 global pandemic

- **Fluctuating demand** – consumers and retailers stocked up in the early stages of the pandemic, causing a subsequent reduction in demand and orders, impacting sales. Demand and supply patterns only normalise once inventory has sold through.
- **Strained supply chains** – production and logistics have been heavily impacted both by workers being unable to work due to illness or self-isolation requirements, and reduced capacity as a result of compliance with social distancing restrictions.
- **New healthcare habits** – consumers learnt to manage their minor ailments with home remedies or went without treatments, for example in the mouth ulcer category. Brands will need to re-engage with consumers about the benefits of treating, now that access to treatment is available again.
- **E-commerce** – consumers switched to purchasing through online retailers, with global e-commerce sales increasing 26.4% in 2020 and a further 16.3% in 2021. E-commerce now represents 19% of total retail sales, driven by the continued impact of the COVID-19 pandemic shifting consumer purchase patterns from traditional bricks and mortar stores to online marketplaces like Amazon and retailer websites*. Consumers are expected to continue to shop this way.
- **Self-diagnosis** – consumers turned to the internet to diagnose their health issues and to find recommended solutions, relying less on healthcare professionals, who were often difficult to access.

Emerging trends – sustainability

Consumers, retailers, and healthcare providers are increasingly choosing goods and services that promote a lower carbon footprint compared to alternatives. As a result, organisations, consumer healthcare brands and their wider supplier network will need to demonstrate their commitment to the environmental agenda consistently and proactively in order to retain and grow their market positions.

The opportunity for Alliance...

Alliance is very well-placed to meet the growing need for OTC and self-selection healthcare products and services, with over 70% of our revenues now generated from consumer healthcare products, and with our established global operating platform, strong distributor and retailer relationships, and an increasing focus both on product innovation and on sustainability.

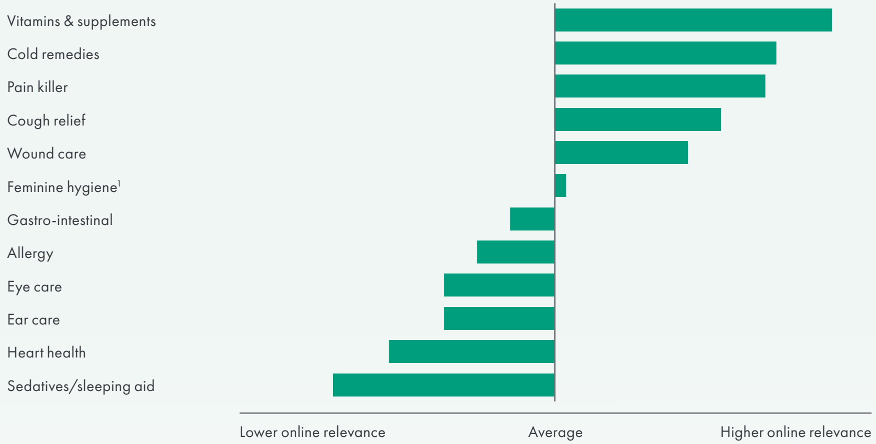
* Source: e-Marketer, January 2022; InsiderIntelligence.com

Accelerated shifts towards digital healthcare

E-commerce market is worth $4.9tr worldwide of which consumer healthcare is

$260bn

Relevance of the online channel per CHC product category



Source: https://www.simon-kucher.com/en-gb/blog/online-shopping-consumer-healthcare-sector-what-consumers-want-and-what-deters-them

30% growth in China and

23% growth in the US in 2021

Our Markets continued

c.25%

of 2021 sales through e-commerce

...and how we're capitalising on it

- Our brand prioritisation framework ensures investment and innovation are focussed on the biggest perceived opportunities. In 2021, our key brand, Kelo-cote, delivered growth of more than 40%, driven by favourable category dynamics and the growing e-commerce channel, which now represents around 25% of Group sales. We have now put in place the brand strategies needed to accelerate growth of Nizoral and Amberen in 2022.
- To support the growth of our e-commerce sales, in 2021 we set up a dedicated team to lead our cross-border e-commerce ('CBEC') activities and develop effective strategies to win in domestic e-commerce channels (see case study 'Responding to the acceleration in e-commerce growth' on page 20).
- To further fuel the growth of our key and high-priority brands, we introduced new innovation processes, tools and capabilities in 2021 which have resulted in a rapid expansion of our consumer healthcare innovation pipeline. This will be further enhanced in 2022 by the creation of a dedicated team and a meaningful increase in the development budget, designed to deliver breakthrough new product extensions and claims for our key brands globally.
- The acceleration in digital healthcare provision and e-commerce has cemented the increasing importance of healthcare brands having an effective digital strategy. In 2021, we launched a new Digital Excellence training programme for our commercial teams, and we plan to expand with more content in 2022.
- We continue to strengthen our marketing investment in order to grow awareness of our key brands and build engagement to secure life-time value.
- Our pharma heritage continues to provide us with a strong foundation, leaving us well placed to deal with the challenge of increased regulation that is now impacting consumer healthcare products – for example medical devices, which are currently facing increased regulation in Europe under the Medical Device Regulations. We continue to upskill our medical and regulatory capabilities to provide the necessary support.
- As part of our wider Sustainability initiatives, we recently kicked off a series of workstreams to help us reduce the carbon footprint of our packaging and will be looking to factor this thinking into all future innovation projects as well as apply best practice to our current packaging estate.

Our Business Model

Working together to leverage our platform and maximise the value of our brands.

The platform we've created across EMEA, APAC and AMER enables us to both drive the growth of our existing brands and to acquire and integrate new assets with ease. This is how we create value and execute our growth strategy.

The key capabilities, expertise and relationships that enable us to drive value creation are centred around our commercial activities and the brand-specific support functions which underpin these.

c. 35%
of our consumer healthcare revenues are now derived from e-commerce

Commercial activities

Global Marketing

- Ensures consistency of promotion for each of our lead brands – global strategy with local implementation
- Through our marketing excellence programme all our marketeers are trained to deliver insight-led campaigns, with tailored messaging to key customer groups

Distributor network

- Relationships with an extensive network of distributors around the world
- Sales specialists located in key territories with responsibility for managing key accounts and partnering with distributors on e-commerce initiatives

E-commerce capability

- Dedicated in-house resource with external domain expertise supporting interface with key online retailers – Tmall/Alibaba, JD.com, Amazon
- Supported by brand protection activities

Innovation & development capability

- Dedicated in-house resource and newly created team supporting key brands in the development of new line extensions

Brand-specific support activities

Regulatory expertise

- Global capability with deep domain expertise across all categories of licensed medicinal products. A proven ability to register products in new territories and handle registration transfers and other complex regulatory projects

Medical/claims expertise

- Key to supporting our focus on clinically valuable products & essential to supporting our licensed medicines
- Data generation to support core claims in key markets and for the development of new claims and horizon scanning of the evolving regulatory landscape

Supply chain management

- Global sourcing and supply chain capability built up over 20+ years with a mix of local and centralised resource
- Excellent relationships with c.60 CMOs; effective performance management and ongoing programmes to drive efficiency through cost of goods reduction

Our Strategy

Our strategy enables us to deliver sustainable business growth through maximising the value of our core Consumer Healthcare business, thereby increasing the number of people who can potentially benefit from our products.

This is what enables us to progress towards our vision of becoming a leading international healthcare business, and being both the partner and employer of choice.

There are two core elements to our strategy: delivering organic growth from our key brands, and engaging in selective, complementary acquisitions that can leverage our established infrastructure to enhance this growth. Underpinning these are our investment in people and sustainable business strategy. Over the following pages we provide more detail around our core strategy, our progress in 2021 and our priorities for 2022. Similar commentary in relation to investing in people can be found on page 22, with our sustainability strategy being covered on pages 25 to 33.

Core strategy

	Organic growth – key brands	Complementary acquisitions
Strategic elements:	Organic growth – key brands See **page 18**	Complementary acquisitions See **page 19**
	› Investing in marketing excellence and Innovation and Development (I&D) to drive growth in major Consumer Healthcare brands › Stable, cash-generative Prescription Medicines business provides synergy through in-house regulatory knowledge and supports growth	› Focus on Consumer Healthcare › Leveraging global platform › Strong balance sheet means we are increasingly well placed to participate in complementary acquisitions

Underpinned by

	Investing in people	Sustainability
Strategic elements:	Investing in people See **page 22**	Sustainability See **page 25**

Our Strategy continued

Organic growth – key brands

The primary driver of organic growth is our Consumer Healthcare portfolio.

Our key brands, Kelo-cote, Amberen and Nizoral, are all well-established in their respective core markets, with strong claim sets and good clinical utility – enabling them to deliver real value to users. All target growing demographics, making them well-suited to digital marketing and e-commerce, and all offer good innovation opportunities too. It is this combination of brand characteristics, coupled with the operating platform we have built across EMEA, APAC and AMER, and the expertise and relationships underpinning this, which provides the opportunity for us to drive double digit growth from these brands.

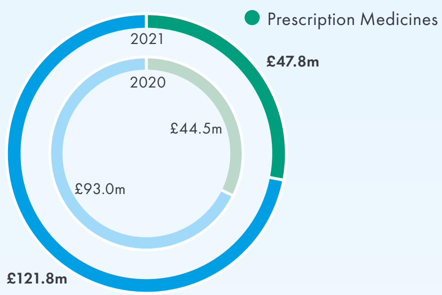
Many of our smaller consumer brands share similar characteristics, enabling them to benefit both from the platform and from a common approach to driving growth, focused on marketing excellence and where appropriate, innovation.

Innovation & development (I&D)

I&D at Alliance encompasses a broad range of activities aimed at creating value through:

- New product development – brand extensions (new formulations, targeting related sub-sectors), or new presentations
- New thinking – for example, classification switches, or the creation of new claims for a product
- New therapeutic indications
- Refreshing existing products to maintain consumer appeal

See-through revenues*



Progress in 2021:

- Delivered a 430 basis point improvement in gross margin, including the first full year of Amberen – allowing for increased investment in marketing and Innovation & Development ('I&D') to accelerate future organic growth
- Implemented a new cross-border e-commerce distribution agreement for Kelo-cote, enabling us to move closer to the customer and giving further control of our distribution chain
- Rolled out a new I&D process, supported by a dedicated team, to develop and deliver an innovation pipeline for our key consumer brands. This will enable us to maintain the relevance of our brands to consumers by extending the reach of a number of our larger consumer brands, through brand extensions

Priorities for 2022:

- Continuing our focus on I&D, with the first new products arising from this process expected to launch in 2022
- Extending our cross-border e-commerce platform in China, to include additional brands, through the creation of an Alliance multi-brand store
- Realising the growth potential from Amberen through increasing our focus on brand positioning, executing a new integrated marketing campaign and starting to build an innovation pipeline for the brand to underpin its longer-term growth

* Non-IFRS alternative performance measures (see note 34).
See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

Enhancing our growth through complementary acquisitions

Our strategy is to acquire new products which meet our selective acquisition criteria and integrate these into the business efficiently, to enhance our growth.

The platform we have created across EMEA, APAC and, more recently, the US, enables us to acquire and integrate new assets with ease – we continue to evaluate opportunities which meet our selective acquisition criteria to further develop our business. We typically review around 80 to 100 opportunities a year.

Our well-established relationships within the consumer healthcare M&A market, clear acquisition criteria and track record mean we continue to have good access to new opportunities, whilst our continued strong cash generation means we can deleverage quickly, replenishing our available debt capacity.

Progress in 2021:

- Amberen integration completed, helping to both increase our presence and develop our operating platform in the US
- Around 80 acquisition opportunities reviewed, of which three progressed to full evaluation
- Net debt reduced by £22.4m, with leverage falling from 2.43x following the acquisition of Amberen in December 2020, to 1.73x at 31 December 2021

Priorities for 2022:

- Continuing to identify, evaluate and progress new opportunities which will deliver value to shareholders and help us to achieve our growth ambitions
- Continuing to maintain the strength of our pipeline and our funding capabilities in both debt and equity

We are a selective acquiror, seeking assets we can integrate into our platform and apply our skills and know-how, to generate strong returns.

Case study

Responding to the acceleration in e-commerce growth

Global retail e-commerce revenues reached $4.9 trillion in 2021, with COVID-19 driving growth of 16.3%. Retail e-commerce sales now represent 19.0% of total retail sales, up from 17.9% in 2020*.

In 2021, we continued to take advantage of the change in consumer behaviour by embracing e-commerce opportunities both locally and cross-border ('CBEC'), with a particular focus on Kelo-cote in China. In August 2021, we entered into a new CBEC distribution agreement for Kelo-cote, bringing us closer to the customer and giving us increased control of our distribution chain. Working with our partner, we launched Kelo-cote flagship stores on the China CBEC marketplaces, Tmall and JD.com, to further accelerate top-line growth in this key market. The initial response has been very encouraging.

In 2021, around 25% of Group sales were e-commerce related, representing around one third of our total Consumer Healthcare sales. In addition to CBEC sales, which remain a key focus, this also included sales in the UK and US through platforms like Amazon, Walgreens.com and Boots.com. In 2022, in addition to optimising our existing e-commerce sales channels, we plan to make a number of our other brands available to Chinese consumers through e-commerce platforms, and also to expand our geographical presence on marketplace platforms in South-East Asia, a region with high e-commerce growth.

E-commerce growth
The personal care category, which includes healthcare products, grew 18.4% in 2021 to reach $260 billion. This presents a significant opportunity for us to drive enhanced revenue growth*.

* Source: e-commerce report 2021 – Food and Personal Care – Statista Digital Market Outlook, June 2021.

Our Strategy continued

Case study

Developing our platform in the US

2021 saw significant transformation of our business in the US, following the acquisition of Amberen at the end of 2020. We now have a solid platform from which to support growth in the region and to scale up further when suitable acquisition opportunities arise.

The development of our business in the US, the largest and one of the fastest growing consumer healthcare markets in the world, has been a key strategic focus for us in recent years. Initiated with the acquisition of Vamousse in 2017, it was the Amberen acquisition in late 2020 which brought pivotal growth.

Throughout 2021, in parallel with the integration of Amberen, we have been strengthening our operating capabilities: redesigning our organisation structure, bringing in new people, and upskilling existing colleagues, to create a team who can both commercialise new products and manage growth. We've also migrated our US headquarters to new, larger premises, to accommodate our growing team.

Our aim in 2022 and beyond is to further exploit the platform we have established in the US through the inclusion of additional OTC products.

New products
We expect to launch a number of new products/line extensions in the US over the next 12–18 months, and continue to actively look for US acquisition opportunities to build on our strengths in this market.

Our Strategy continued

Investing in people

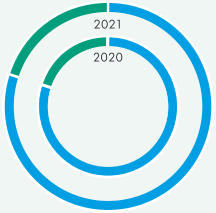
People are a key element of the Alliance mix. Our vision is to be the employer of choice.

To achieve this, it's crucial that we continue to invest in our employees and to recognise the changes and challenges to working patterns that have come about in response to the pandemic and respond accordingly. Our overriding objective is to continue to ensure that our resourcing adequately supports the business' medium-term growth ambitions – and that our strong collaborative and inclusive culture, and the people who form part of it, continue to thrive.

Additional metrics on employees can be found in Sustainability – people and human capital management on **page 30**

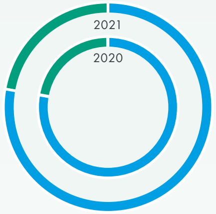
Employees by gender*:

Board & SLT (n=10)



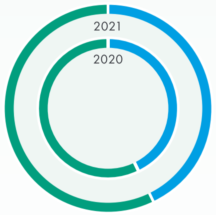
Male 80% (2020: 80%) | Female 20% (2020: 20%)

Senior managers[1] (n=27)



Male 74% (2020: 78%) | Female 26% (2020: 22%)

All employees (n=245)



Male 42% (2020: 43%) | Female 58% (2020: 57%)

Total headcount (incl. non-execs and fixed term contractors (FTCs))

256

(2020: 246)

Employee engagement (GPTW survey):

Survey response rate:

74%

(2020: 73%)

Overall Trust Index© rating:

76%

(2020: 79%)

Progress in 2021:

- We continued to strengthen our employee engagement, through actioning findings from the 2020 Great Place To Work ® (GPTW) survey and ensuring that the employee base stayed connected, particularly through extended periods of remote working
- We developed and implemented new, more flexible working arrangements based on insights gained from the Ways of Working survey, which we continued to run on a regular basis throughout 2021 to check in on how employees were feeling, identify any issues or requirements for additional support, and inform our future plans
- We ensured the effective integration of new employees joining our US business following the Amberen acquisition
- We put in place a global employee assistance programme as an additional benefit for employees
- We continued to develop and refine our recruitment and orientation processes, and succession planning

Priorities for 2022:

- Action findings from the 2021 GPTW survey: five priority areas have been identified and local focus groups will be used to gain additional insight
- Continue to test and refine our new ways of working to ensure this works successfully both at a business and individual level
- Continue to bring new people into the business to ensure our resource capability continues to support our growth ambitions for 2022 and beyond
- Progress with the implementation of our new HR system (scoping and planning already underway in 2021)

Great Place to Work

We were delighted to achieve Great Place To Work ® (GPTW) certifications in the UK and in China again this year – and also to be Great Place to Work-certified for the first time in Singapore

Great Place To Work. Certified OCT 2021-OCT 2022 UK | Great Place To Work. Certified NOV 2021 - NOV 2022 CHN | Great Place To Work. Certified NOV 2021 - NOV 2022 SG

* As at 31 December 2021.

1 Defined as those running major divisions or departments, but not part of the executive team.

Key Performance Indicators

We set out here our key financial performance measures.

These are the primary measures used by management to monitor business performance, both against short-term budgets and forecasts and longer-term strategic plans.

Financial KPIs:

See-through Revenue*

£169.6m +23%

(2020: £137.5m)

2021	**£169.6m**
2020	£137.5m
2019	£144.3m
2018	£124.0m

Underlying EBITDA*

£48.6m +26%

(2020: £38.6m)

2021	**£48.6m**
2020	£38.6m
2019	£39.4
2018	£32.4m

Underlying EBIT/Operating profit *

£45.6m +24%

(2020: £36.8m)

2021	**£45.6m**
2020	£36.8m
2019	£37.4m
2018	£28.9m

Underlying Profit Before Tax

£42.2m +26%

(2020: £33.5m)

2021	**£42.2m**
2020	£33.5m
2019	£32.9m
2018	£28.1m

Underlying Basic EPS

6.39p +25%

(2020: 5.11p)

2021	**6.39p**
2020	5.11p
2019	5.09p
2018	4.54p

Dividend Per Share

1.691p +5%

(2020: 1.610p)

2021	**1.691p**
2020	1.610p
2019	0.536p
2018	1.464p

Free Cash Flow*

£30.2m -12%

(2020: £34.1m)

2021	**£30.2m**
2020	£34.1m
2019	£29.1m
2018	£16.1m

Leverage[1]

1.73x

(2020: 2.43x)

2021	**1.73x**
2020	2.43x
2019	1.48x
2018	2.33x

Net Debt*

£87.0m -20%

(2020: £109.4m)

2021	**£87.0m**
2020	£109.4m
2019	£59.2m
2018	£85.8m

* These measures constitute Alternative Performance Measures ('APMs'), as defined in note 34 to the Financial Statements.

1 Leverage is defined as: Adjusted net debt/enlarged Group EBITDA, calculated using pro forma EBITDA on a trailing 12-month basis for acquired entities, in line with our banking covenants.

Key Performance Indicators continued

In addition to the financial KPIs detailed overleaf, we employ a number of other internal performance measures to enable the effective management of our business.

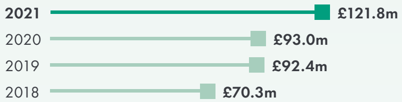
Other internal performance measures:

Portfolio evolution (driver for organic revenue growth and margin improvement):

Revenue*: Consumer Healthcare

£121.8m +31%

(2020: £93.0m)



Revenue*: Consumer Healthcare as a % of total

72% +4%

(2020: 68%)

GM%*: Total

64.5% +430bp**

(2020: 60.2%)

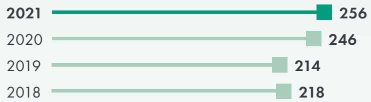
* See-through basis.

** Basis points.

Total headcount*

256 +0

(2020: 246)



* Defined as total number of employees on payroll as at 31 December.

Employee engagement:

GPTW Trust Index© rating: 76% (2020: 79%)

Working capital management:

Supplier payment days[1]: 46 (2020: 52)

1 Calculated as the month-end value of trade creditors relative to the trailing 12 months cost of goods, expressed as a days equivalent, averaged over the year.

Sustainability:

Further detail on our key sustainability metrics can be found on pages 22 to 33.

Other measures

We also employ a broad range of other measures to help us manage business performance, including but not limited to:

- Brand revenues, margins and contribution, by management region and having regard to brand prioritisation for marketing investment and innovation
- Measures around the level and nature of acquisition opportunities
- Post-acquisition performance evaluation measures
- On-time in-full delivery, out-of-stocks (to ensure continuity of product supply)
- Inventory levels, provisioning and ageing profile; trade receivables and payables levels and ageing profiles (working capital management)

We do not disclose the related metrics associated with these measures, on the basis that they are commercially sensitive and/or intended for internal use only.

Sustainability Overview

Sustainability

Working together to deliver sustainable business growth.

Our approach

During 2021, we refined and formalised our approach to sustainability, under the direction of the newly established ESG Committee, creating our sustainability framework, developing actionable plans for each material area, and increasing our focus on environmental considerations, including climate change, metrics, and reporting.

Our sustainability framework

Our sustainability framework identifies the eight areas material to our business that we need to concentrate our efforts on to assure the long-term future of the business and to deliver on our Purpose – to improve the lives of consumers and patients through making available a range of clinically valuable healthcare products. We refer to these as our 'Areas of Focus'.

Our contribution to the United Nations Sustainable Development Goals (UNSDGs)

The UNSDGs to which our business activities contribute are set out below. We believe we can contribute most value to Sustainable Development Goal 3 (Good Health & Wellbeing: Ensure healthy lives and promote well-being for all at all ages), as this aligns directly with our Purpose – to improve the lives of consumers and patients through making available a range of clinically valuable healthcare products.

Further detail around how Alliance contributes to the UNSDGs can be found on our website **alliancepharmaceuticals.com**

Sustainability Overview continued

Sustainable packaging
Awareness of environmental issues is becoming more widespread, with consumers and retailers increasingly choosing products that support a lower carbon footprint.

We recognise that single use plastics and packaging recyclability are an increasing concern for consumers. In 2022 we will be undertaking an extensive review of all our packaging componentry, across our portfolio and supply chain, to inform the development and focus of our sustainable packaging strategy with a view to establishing and communicating clear targets in this area.

Unlike some consumer goods categories, where packaging changes can be implemented relatively quickly with limited hurdles, in the healthcare market, particularly with regards pharmaceutical products, any change in packaging materials cannot be made without a variation to the product license, which in the case of changes to primary packaging, requires the generation, submission and approval of supporting stability data.

With this in mind, in 2021, we created a Sustainable Packaging programme team, to work towards the reduction of single-use plastics and increasing the use of Post-Consumer Recycled (PCR) materials across our portfolio. Going forwards, all new product developments will require full consideration and review of packaging components to ensure the final presentation is aligned with the sustainability targets we set.

Overview of progress in 2021:

Over the course of the year, we have:

- Formalised our approach to sustainability and strengthened our governance processes through the creation of a Board-level ESG Committee in February 2021. The committee works with the Senior Leadership Team (SLT) and the corporate sustainability lead in the development and implementation of our sustainability strategy
- Developed our sustainability framework; identifying then reporting against the key metrics underpinning this. We also mapped our sustainability disclosures and accounting metrics to the relevant elements of the Sustainability Accounting Standards Board (SASB) standards for the first time, and will look to publish the results on our website in 2022
- Published our Business Principles, together with our Anti-Bribery and Corruption Policy, Whistleblowing Policy, Anti-Modern Slavery Policy and Diversity, Equality, and Inclusion Policy
- Concluded the implementation of our Know Your Supplier ('KYS') programme, with the improvements in supplier management now embedded as part of our business-as-usual processes
- Engaged with our institutional investors, to better understand their requirements as regards ESG factors and sustainability, and the metrics and disclosures in which they are most interested to help shape our sustainability framework and strategy development
- Worked with external consultants to quantify our Scope 1, 2 & 3 carbon emissions, as a precursor to the development of our carbon action plan and the setting of targets for carbon emissions reduction for both our direct (Scope 1 & 2) and indirect (Scope 3) emissions
- Kicked off a sustainable packaging programme in Q4 2021 to develop and implement a 'fit for purpose' strategy for packaging lifecycle management across our portfolio
- Established a Sustainability Forum in Q4 2021, comprising a group of employees who will work with the corporate sustainability lead to identify and deliver small-scale sustainable change initiatives across the business. This has initially been focused on our UK operations, with wider regional participation planned for 2022
- Evolved our corporate website to include a dedicated section on sustainability ('Acting Responsibly), to act as a repository for our sustainability content going forwards

Our priorities for 2022:

We have made good progress with our sustainability initiatives in 2021, however we recognise that this is a journey and there is still much to do – particularly as the reporting and assurance requirements around ESG, and related sustainability considerations, continue to evolve.

Sustainability Overview continued

In 2022, our focus will be on:

- Continuing to develop our environmental strategy and our response to climate change. We have committed to achieve carbon neutrality for our 2021 Scope 1 & 2 emissions in the UK in 2022 through the use of sequestration schemes. We will also be increasing our levels of engagement with our CMOs and logistics partners to better understand their carbon footprints and emissions reduction strategies and the implications these have on our end-to-end carbon footprint; actively looking for opportunities to reduce the Scope 3 carbon emissions in our supply chain as part of our overall carbon reduction plan
- Developing and implementing a sustainable packaging strategy, together with appropriate targets and delivery plan
- Continuing to evolve our data collation and reporting capabilities – particularly around the composition of our product packaging and to support the quantification of our Scope 3 emissions
- Developing suitable performance metrics and targets for those areas of our Framework where none exist currently, which we can use as a basis for measuring our progress in future years. This will include carbon reductions targets (aligned with the Science Based Targets Initiative ('SBTi')) and targets around the sustainability of our product packaging.

  We intend to publish emissions reductions targets in late 2022 for Scopes 1 & 2 and are aiming to set Scope 3 targets in 2023
- Progressing towards full disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for 2022
- Continuing to improve the assurance framework around our ethical business practices, to ensure that both our suppliers and distributors continue to operate their businesses ethically and in line with all relevant regulatory requirements
- Continuing to develop the sustainable business content held on our website, the transparency of our disclosures around how we operate as a business, and where we're focusing our efforts to ensure we remain sustainable over the longer term
- Progressing ideas generated through the Sustainability Forum and other small-scale initiatives, both in the UK and across our regional offices

Our approach to each of the Areas of Focus identified in our Sustainability Framework, together with key metrics, our progress and achievements in 2021, and our priorities and focus for the coming year, are set out on pages 28 to 31.

Environmental considerations
Working together with our suppliers, logistics partners, distributors and other stakeholders will be key to the delivery of our environmental strategy, as we all seek to address common challenges around climate change.

What has become increasingly evident to us, particularly in the context of our response to wider societal challenges such as climate change, is the importance of working collaboratively – both within our own business and with our suppliers, logistics partners, distributors, and other stakeholders, if we are to make meaningful progress. This is particularly true for carbon emissions, given that a significant majority of our Scope 3 emissions originate within our supply chain and logistics activities, where our ability to directly control emissions is limited.

More information can be found on our website https://www.alliancepharmaceuticals.com/acting-responsibly/environment

Sustainability Performance

	Product quality & safety	Ethical sales practices	Business ethics
What it covers	Ensuring we have robust quality assurance systems in place to ensure the quality and safety of our products and to mitigate the supply of counterfeit product	Ensuring the claims made by our products can be properly substantiated and that we maintain ethical business practices in the marketing, advertising, and selling of our products	Modern slavery, bribery and corruption, ethical considerations around our interactions with healthcare professionals and the pursuance of other ethical business practices
Why it's important	Maintaining consumers' and patients' trust in the quality and safety of our products is essential to the maintenance of our corporate reputation and our ability to successfully market our products	Ensuring the accuracy and appropriateness of promotional materials and the claims made by our products is key to maintaining consumers' and patients' trust in our brands	We are committed to operating our business in an ethical and responsible way, ensuring that we have appropriate policies in place, that employees are properly trained on them and that appropriate escalation routes exist for non-compliance
2021 Overview	9 **Supplier audits carried out** (2020: 5) Representing 67% coverage of our supplier base on a rolling 3-year average basis[1] Number of external regulatory inspections Alliance operating companies have been subject to: 7 (2020: 5) No enforcement actions were taken by Competent Authorities in response to non-compliance with appropriate manufacturing and regulated standards in 2021 (2020: 0)	22 **Routine internal audit assessments carried out** (2020: 40) Internal audit assessments are carried out on a periodic basis to ensure the robustness of our promotional review procedures. Coverage is targeted at a constant 10% of total promotional pieces approved per annum. Actual coverage in 2021 was 4.5%, down from 9.4% in 2020 No upheld complaints were made to the ABPI, PAGB, FTC, NAD, or other Codes of Practice bodies regarding promotion of Alliance products, where Alliance is directly responsible for promotion in 2021 (2020: 0)	1,407 **Online[2] course completions** (2020: 1,359) We now have approved escalation procedures in place to work with any supplier who does not meet our ethical standards, with defined timelines for remediation and provision for eventual termination of the relationship, where issues are not satisfactorily resolved In 2021, the total amount of monetary losses we incurred as a result of legal proceedings associated with bribery, corruption and other unethical business practices was £Nil (2020: £Nil)
Focus for 2022	Continuing to assure the quality and safety of our products through our rolling, risk-based programme of supplier quality audits	Continuing to ensure that the systems and processes we have in place to ensure the accuracy and appropriateness of promotional materials remain fit for purpose and that our internal control systems continue to operative effectively in order to minimise the risk of non-compliance	Obtaining written confirmations from our contract manufacturers and suppliers that they comply with our ethical standards (phased approach – target completion end 2023)

1 Calculated as the total number of suppliers audited over the 3 years from 2019 – 2021, divided by the number of active suppliers as at 31 December 2021.

2 Vinciworks is a suite of online training modules covering anti-bribery, anti-money laundering, competition law, GDPR, market abuse, Modern Slavery Act, sanctions and the prevention of tax evasion.

Sustainability Performance continued

	Product environmental H&S	Packaging lifecycle management
What it covers	Ensuring our products are made with environmentally friendly ingredients; identifying and eliminating REACH[1] substances of very high concern (SVHC) from our products – and ensuring we have a robust process in place to identify and manage emerging materials and chemicals of concern	Reducing the environmental impact of our product packaging, through reducing packaging volume/weight, increasing the use of recycled materials, and ensuring that as much of our packaging as possible is made from materials that can be recycled, reused and/or composted
Why it's important	We are committed to operating our business in a way which minimises the impact on the natural environment – this means ensuring that our products are made with environmentally friendly ingredients and do not contain materials and chemicals of concern	We are committed to operating our business in a way which minimises the impact on the natural environment – reducing the environmental impacts of our product packaging is one way of achieving this. Reducing packaging volume/weight will also reduce the environmental impact of transporting products to consumers
2021 Overview	We have established environmental scanning processes to identify and manage emerging materials and chemicals of concern as soon as we become aware of these – reformulating products where necessary, in order to ensure that we are able to stay compliant with new regulations as they emerge	In Q4 2021, we set up our Sustainable Packaging programme, to develop and implement a 'fit for purpose' strategy for packaging lifecycle management. This will enable us to address usage and waste across our packaging estate at a holistic level, reducing or removing unnecessary elements of our packaging, changing its composition, replacing less sustainable materials, e.g., single-use plastics, with more sustainable alternatives, increasing the use of recycled content and/or making packaging easier to recycle, or biodegradable
Focus for 2022	Continuing to ensure that our processes for identifying and managing emerging materials of concern remain fit for purpose and that any REACH[1] SVHC's are eliminated from our products on a timely basis	Progress the creation and implementation of a sustainable packaging strategy; including the creation of a roadmap for the associated workstreams which feed into this and the setting of targets/defining our level of ambition Packaging sustainability will now be factored into all Innovation & Development projects at the design stage, and we will be looking to embed this thinking into brand strategies more widely going forwards

1 REACH – Registration, Evaluation, Authorisation and Restriction of Chemicals

Sustainability Performance continued

People and human capital management

What it covers

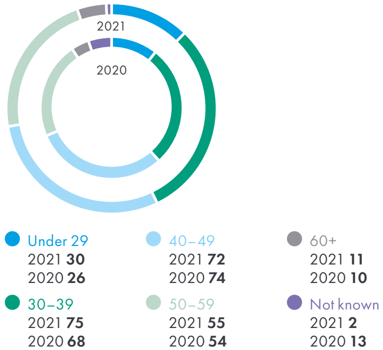
This covers a wide range of social factors, including diversity and inclusion, culture and employee engagement, working conditions, reward structures, training and development, and opportunities for progression

Why it's important

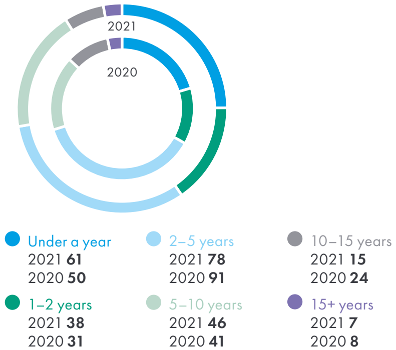
Investing in People is one of the core elements of Alliance's strategy – as such, the recruitment and retention of high-quality and highly motivated employees is what lies at the heart of our business success

2021 Overview

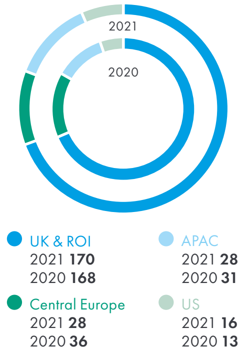
Age profile of employees



Length of service of employees



Employees by location



Employee turnover rate[1]:

Voluntary
20.6%
(2020: 9.6%)

Involuntary
8.6%
(2020: 0.4%)

Additional information on how we invest in our people is provided on page 22 and on our website

Focus for 2022

Analysing and actioning key findings from the Great Place To Work® (GPTW) survey, with focus groups planned for H1 2022

Continuing to invest in our capability development and the recruitment and onboarding processes which support this, including the roll-out of a new graduate training scheme

Continuing to refine our ways of working to ensure our new hybrid model is working effectively across all areas of our business

1 Voluntary turnover is defined as those leaving the business by virtue of resignation, or retirement, or the expiry of fixed term contracts; involuntary turnover is defined as those leaving the business by virtue of dismissal or redundancy.

Sustainability Performance continued

	Supply chain management	Environmental impacts – supply chain & logistics
What it covers	Ensuring that we have good visibility of our supply chain so that we can ensure that our suppliers adhere to the same ethical standards as we do, and that they are committed to sustainable manufacturing practices, which aim to safeguard people and planet	Greenhouse gas (GHG) emissions and other environmental impacts associated with our supply chain and logistics (warehousing and distribution) activities, including transportation of products by our distributors
Why it's important	Our commitment to operating our business in a sustainable way goes beyond the activities we carry out ourselves. Our contract manufacturers are an integral part of our business activities – and as such we expect them to adhere to the same ethical standards which we have set ourselves, and to support our commitment to operate our business in a sustainable way	As a responsible business, we have a duty to do what we can to reduce the environmental impacts of our business activities
2021 Overview	Know Your Supplier (KYS) programme implemented, providing increased visibility of potential 'red flags' in our supply chain. Associated compliance and escalation processes strengthened to facilitate timely resolution of issues 53 finished goods supply partners are now being monitored by this programme, representing 90% of our total finished goods suppliers No significant issues were detected in 2021	The quantification of our Scope 3 carbon emissions in 2021 revealed that more than 80% of our GHG emissions originate in our supply chain and logistics activities – including onward transportation of products by our distribution partners, so focusing on this area will be key to reducing our overall Scope 3 emissions We have already taken a number of actions to reduce carbon emissions in our supply chain, including: › Truncating the supply chains for our lead brands (Kelo-cote, Amberen, Nizoral) to produce closer to market, reducing transportation emissions › Improving the efficiency of our logistics operations, through increased order sizes/reduced frequencies and the use of sea rather than air freight More detail around the development of our environmental sustainability strategy can be found on page 33
Focus for 2022	Review findings from initial test phase of supplier self-assessment around modern slavery, labour practices and health & safety practices, to determine whether there is value in extending this more widely Carry out assessment of strategic suppliers' sustainable sourcing ratings, and whether these could be usefully employed as part of a more holistic approach to supplier management We will also be looking to increase our focus on Modern Slavery audits (which may also include physical inspections, depending on the evidential value of the same), with a view to having a formal structure and system in place by the end of 2023, whereby 10% of our contract manufacturers are audited annually on a rolling basis, whether this is based on an external recognised standard or one developed internally	In 2022, we plan to reach out to our larger CMOs and LSPs (covering two thirds of our 2021 spend) to better understand where they are on their respective emissions reduction journeys and to obtain their Scope 1 and 2 data to help improve the methodology used for our Scope 3 calculations We will use the findings from this work to help us determine realistic Scope 3 emissions reductions targets and our overall path to net zero An additional head is being recruited to support this area, and also our sustainable packaging programme

Sustainability Performance continued

In addition to the eight Areas of Focus which make up our Sustainability Framework, there are two other areas which, whilst not material to the long-term sustainability of our business, are nonetheless important to us from a broader societal perspective. These are the environmental impacts of our own operations, which are discussed further on page 83, in the context of our overall environmental sustainability strategy development and our social impact activities.

Social impact

What it covers	Social impact activities undertaken to benefit local communities around the world, including those involved in conflict and/or in the developing world
Why it's important	Alliance has always had a strong 'social conscience' and commitment to work with its employees to support those in need, through donations (of cash, time, products) and fundraising activities
2021 Overview	In 2021, our social impact activities within our local communities were limited by the ongoing impacts of the pandemic, with many of our offices being subject to local work from home guidance for a significant part of the year However, this didn't stop us from continuing our efforts further afield. Through our continued support of International Health Partners (IHP), we enabled 31,979 treatments to be sent to 13 countries in 2021, helping to provide around 10,600 people with the medicine they need. This included responding to an urgent call from their NGO partner in Venezuela, for antimalarial medicine, in response to which we supplied 498 treatments to help meet the need
Focus for 2022	In 2022, in addition to continuing our support for IHP, we plan to resume our social impact activities within our local communities

International Health Partners
Healthcare for those in need

Developing our environmental sustainability strategy

We are currently in the early stages of developing our broader environmental strategy including our response to climate change.

Given the nature of our business, and our use of third-party distributors, contract manufacturers (CMOs) and logistics service providers (LSPs), the majority of our greenhouse gas emissions are classified as Scope 3. In 2021, we quantified our Scope 3 greenhouse gas emissions for the first time (based on data for 2020). We are using the results of this exercise, together with equivalent calculations to be undertaken for 2021, to help inform the development of our carbon action plan, with a view to setting carbon reduction targets for Scopes 1, 2 & 3 and our path to net zero in the near future.

In addition to revealing the significance of the emissions linked to our supply chain and logistics activities, which now forms one of the eight Areas of Focus within our Sustainability Framework, this exercise also revealed where opportunities may exist to try and improve the basis of measurement, particularly for Scope 3 emissions. In 2022, we plan to reach out to our larger CMOs and LSPs to better understand where they are on their respective emissions reduction journeys and to obtain their Scope 1 and 2 data to help improve the methodology used for our Scope 3 calculations.

Whilst the environmental impact of our own operations (Scope 1 & 2) is relatively low, and so not material to the longer-term sustainability of our business, reducing them is nonetheless important to us from a broader societal perspective.

The investments we've made in our UK headquarters building in recent years have significantly improved its energy efficiency, with additional upgrading and refurbishment work having been undertaken in 2021, further improving the building's environmental credentials. We continue to actively look for ways to reduce our Scope 1 & 2 emissions, which amounted to 90tCO_2e for our UK operations in 2021, and will achieve carbon neutrality for these retrospectively in 2022, through the use of sequestration schemes.

Outside the UK, our office premises tend to be held on all-inclusive operating leases, giving us a more limited ability to control their environmental footprint. We will however be looking to increase our understanding of the situation on an office-by-office basis, to see what can be done, as we progress through 2022. We are also looking at ways we can reduce emissions attributable to some of the smaller categories in Scope 3, such as non-stock purchases, business travel, and employee commuting.

This year, for the first time, we have recognised climate change as an emerging risk within our Principal Risks and Uncertainties and are continuing to work with external consultants to progress towards full disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for 2022. For 2021, we have made partial TCFD disclosures, which can be found on pages 78 and 79.

Over 80% of our GHG emissions originate in our supply chain and logistics activities.

Stakeholder Engagement

Stakeholder engagement – overview

Working together we create sustainable value for all our stakeholders.

The Board recognises the importance of maintaining an engaged and motivated workforce, dependable supply chains, customer confidence in our products, close relationships with healthcare professionals, good returns for our shareholders and social impact in both our local and wider communities.

Information on how stakeholder considerations have been considered by the Board in their decision-making in accordance with s172 of the Companies Act 2006 is provided within the Governance section on page 53. Additional content regarding our stakeholder relationships and how we manage these can be found on our website.

Our principal stakeholders and their primary requirements

Healthcare professionals

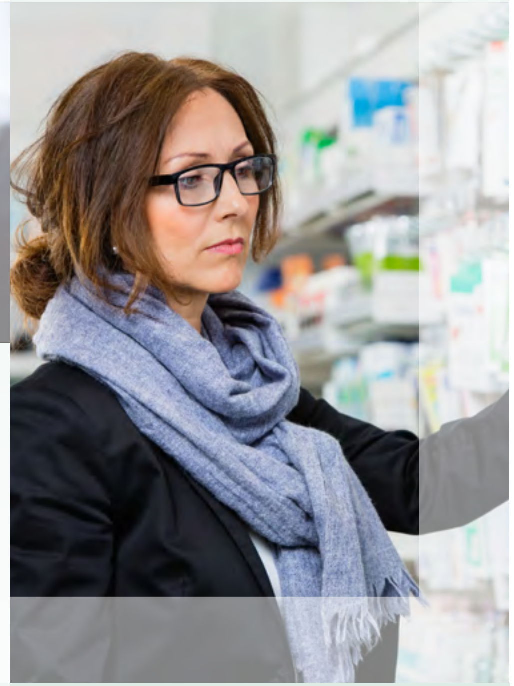
- Engagement, education, information, and resources
- Therapy area expertise

Debt providers

- Strong financial performance
- Ability to service & repay borrowings

Our shareholders

- Strong financial performance
- Share price appreciation
- Dividend income
- Long-term sustainability of the business



Our employees

- Competitive reward structures
- Share options
- Flexible working
- Learning & development opportunities on a global basis

Consumers & patients

- Safe and effective healthcare products

Suppliers & partners

- Continued business growth opportunities

Communities

- Local engagement
- Charitable & product donations

Financial Review

Another excellent performance driven by strong revenue growth

Underlying EBITDA*

£48.6m +26%

(2020: £38.6m)

Free Cash Flow*

£30.2m -12%

(2020: £34.1m)

"Strong growth by our higher margin Consumer Healthcare brands, a change in CBEC distribution arrangements for Kelo-cote and the acquisition of Amberen led to further improvement in margins"

* Non-IFRS alternative performance measures (see note 34).

Financial Review continued

Summary underlying income statement
Year ended 31 December

	2021 £m	2020 £m	Growth
See-through revenue*	**169.6**	137.5	+23%
Statutory revenue	**163.2**	129.8	+26%
Gross profit	**109.5**	82.8	+32%
Operating costs (including IFRS 2 share options charge)	**60.9**	44.2	+38%
Underlying EBITDA*	**48.6**	38.6	+26%
Depreciation and underlying amortisation	**2.9**	1.8	+68%
Underlying operating profit (EBIT)	**45.6**	36.8	+24%
Finance costs	**3.4**	3.3	+4%
Underlying profit before taxation	**42.2**	33.5	+26%
Reported profit before taxation	**18.2**	13.0	+39%
Underlying basic earnings per share	**6.39p**	5.11p	+25%
Reported basic earnings per share	**1.37p**	1.51p	-9%
Proposed total dividend per share	**1.691p**	1.610p	+5%

* The performance of the Group is assessed using Alternative Performance Measures ('APMs'), which are measures that are not defined under IFRS, but are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts and against the Group's longer-term strategic plans. APMs are defined in note 34.

Specifically, see-through revenue includes all sales from Nizoral™ as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin on Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

Underlying profitability metrics are presented as we believe this provides investors with useful information about the performance of the business. In 2021, underlying results exclude the amortisation and impairment of acquired intangible assets, the CMA provision and restructuring costs; in 2020, underlying results exclude the amortisation and impairment of intangible assets, and costs associated with the acquisition of Biogix Inc. Further detail can be found in note 5.

Revenue summary
Year ended 31 December

	2021 £m	2020 £m	Growth	CER growth
Kelo-cote	**48.8**	34.7	+41%	+47%
Amberen	**19.2**	–	–	–
Nizoral*	**20.6**	21.0	-2%	+1%
Other consumer brands	**33.2**	37.3	-11%	-9%
Consumer Healthcare*	**121.8**	93.0	+31%	+36%
Prescription Medicines	**47.8**	44.5	+8%	+8%
See-through revenue*	**169.6**	137.5	+23%	+27%
LFL Consumer Healthcare see-through revenue*, excluding Amberen	**102.6**	93.0	+10%	+14%
LFL see-through revenue*, excluding Amberen	**150.4**	137.5	+9%	+12%
Statutory revenue – Consumer Healthcare	**115.4**	85.3	+35%	+41%
Statutory revenue – Group	**163.2**	129.8	+26%	+30%
LFL Consumer Healthcare statutory revenue, excluding Amberen	**96.1**	85.3	+13%	+16%
LFL Group statutory revenue, excluding Amberen	**144.0**	129.8	+11%	+14%

Revenues and operating profits

The Group delivered a strong financial performance in the year, with see-through revenue increasing 23% to £169.6m (2020: £137.5m) and 27% at constant exchange rates (CER). Like-for-like revenue excluding Amberen, which was acquired in December 2020, increased 9% (12% CER). Group revenue was adversely impacted in 2021 by exchange rate movements, principally the strengthening of Sterling against the US Dollar, which depressed see-through revenue by approximately £5.1m. Statutory revenue increased 26% to £163.2m (2020: £129.8m) and rose 30% CER.

The strong growth in our higher margin consumer health brands, coupled with changes to our distribution arrangements for Kelo-cote and the acquisition of Amberen, led to a 32% increase in gross profit to £109.5m (2020: £82.8m). Consequently, gross margin increased 430 basis points (bp) to 64.5% of see-through revenue (2020: 60.2%). Gross margin relative to statutory revenue was 67.1% (2020: 63.8%).

Financial Review continued

Underlying profit before tax increased 26% to £42.2m (2020: £33.5m) driving 50 basis point (bp) margin improvement to 24.9% despite increased operating expenses through the inclusion of the Amberen cost base, coupled with a modest increase in depreciation and underlying amortisation costs. Reported profit before tax increased 39% to £18.2m (2020: £13.0m).

We increased our investment in the business in 2021, improving our operating capabilities and boosting the level of marketing support provided to a number of our brands. With the resumption of discretionary spend, which we deferred or cancelled in 2020 in response to the global pandemic, in addition to the aforementioned inclusion of the Amberen cost base, operating costs (defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges) increased 37% versus the prior year to £58.6m (2020: £42.8m). As a result, operating costs as a percentage of sales increased 3.5% to 34.6% of see-through sales (2020: 31.1%).

The IFRS 2 share options charge for the year was £2.3m, up £0.9m versus that for the prior year (2020: £1.4m) reflecting an increase in the share price in 2021.

Net of the increase in operating costs and the share options charge, underlying earnings before interest, taxes, depreciation and underlying amortisation (EBITDA) increased 26% in the year to £48.6m (2020: £38.6m), whilst underlying operating profit (EBIT) increased by 24% to £45.6m (2020: £36.8m).

Reported operating profit increased by £5.3m to £21.6m (2020: £16.3m), with non-underlying items of £24.1m (2020: £20.5m). Further detail on non-underlying items is provided below and in note 5.

Depreciation and amortisation

Depreciation charges for the year were £1.6m, down £0.2m on the prior year (2020: £1.8m). In addition, we incurred £1.3m of amortisation costs relating to our new ERP system, which went live in 2021. Following a change in accounting policy, the costs relating to this system are now treated as an intangible asset (previously included within tangible assets). Further detail is provided in note 2.9.

Finance costs

Finance costs remained in line with the prior year at £3.4m (2020: £3.3m), with a £1.0m increase in borrowing costs, reflecting the higher level of borrowings following the Amberen acquisition, being largely offset by higher net gains on currency movements in the year.

The average interest charge on gross debt during the year (including non-utilisation fees) was 2.24% (2020: 2.55%).

Non-underlying items

Non-underlying items in the year principally comprise amortisation charges for Prescription Medicines and certain other brand assets, impairment charges identified as a result of the annual impairment review (see note 11), a provision of £7.9m in relation to the Competition and Markets Authority (CMA) decision (see note 20) and restructuring costs relating to the closure of our offices in Milan and Los Angeles. For the prior year, non-underlying items comprised amortisation and impairment charges, together with costs relating to the Amberen acquisition. Further detail on non-underlying items is provided in note 5.

Reconciliation of underlying to reported profit before tax

Year ended 31 December

	2021 £m	2020 £m
Underlying profit before taxation	**42.2**	33.5
Non-underlying items:		
Amortisation of acquired intangibles	**(7.2)**	(7.2)
Impairment of intangible assets and goodwill	**(6.2)**	(12.1)
CMA provision	**(7.9)**	–
Restructuring costs	**(2.4)**	–
Other	**(0.4)**	–
Acquisitions costs – Biogix Inc. (Amberen)	**–**	(1.3)
Total	**(24.1)**	(20.5)
Reported profit before taxation	**18.2**	13.0

Taxation

The underlying tax charge for the year was £8.0m (2020: £6.4m), which equates to an effective tax rate of 19.0% (2020: 19.0%). The total tax charge for the Year was £10.8m (2020: £5.0m), equating to an effective tax rate on reported profits of 41.6% (2020: 38.3%) and includes a £5.0m charge following the increase in the UK tax rate from 19% to 25% (this charge relates primarily to an increase in the deferred tax balances on intangible assets).

Earnings per share

Underlying basic earnings per share, the measure used by the Board in assessing earnings performance, was 6.39p, an increase of 25% on the prior year (2020: 5.11p), reflecting the increase in the Group's underlying profit after tax offset by a modest increase in the number of shares in issue.

Reported basic earnings per share decreased by 9% to 1.37p (2020: 1.51p)) due to the greater impact that non-underlying items had on reported earnings in the year versus the prior year.

Dividend

The Board is pleased to announce that it is proposing a final dividend payment of 1.128p per share for 2021, an increase of 5% on the final dividend payment for 2020, taking the total dividend payment for the year to 1.691p (2020: 1.610p). The Board will continue to assess the level of future cash distributions having regard to overall business performance and future outlook.

The final dividend for 2021, subject to approval at the Company's AGM on 18 May 2022, will be paid on 7 July 2022, to shareholders on the register on 10 June 2022.

Financial Review continued

Balance sheet

Intangible assets increased by £0.8m in the year to £413.7m (31 December 2020: £412.9m).

Following the successful deployment of Microsoft Dynamics D365 into the business in mid-2021, we conducted a review of the associated capitalised project costs, and as a result have transferred these capitalised costs, amounting to £15.0m, from property, plant and equipment to intangible assets in-line with the deployment of the live system into the business. These additions have effectively been offset by underlying amortisation charges of £1.4m, non-underlying amortisation charges of £7.2m and non-underlying impairment charges of £6.2m; the remaining balance being due to exchange rate movements and a £0.2m true-up for working capital relating to the Amberen acquisition.

Working capital

Net working capital at 31 December 2021 was £22.0m, an increase of £2.7m on that at the start of the year (31 December 2020: £19.3m), primarily reflecting movements in payables and receivables balances.

Inventories, net of provisions, reduced £1.8m to £21.1m at 31 December 2021 (31 December 2020: £22.9m). This reduction was caused by the partial unwinding in H1 2021 of the higher inventory levels built up during 2020 in order to mitigate against any disruption to our supply chain following the UK's departure from the EU, and to ensure continuity of supply through the pandemic.

Receivables increased by £5.7m, reflecting both the increase in revenues, and the timing of sales and cash receipts in the second half of the year, versus the equivalent period in 2020.

Payables increased by £1.2m, reflecting the phasing of invoices and payments around the year end, with a £2.8m reduction in trade payables being more than offset by a £3.8m increase in accruals and deferred income.

Provisions

In the year, the Group created provisions totalling £9.5m as at 31 December 2021 (31 December 2020: £Nil), £7.9m of which relates to the CMA decision, the remainder, £1.6m, being a provision for restructuring costs. Further detail is provided in note 20.

Cash flow and net debt

Free cash flow (see note 34 for definition) for the year remained strong at £30.2m (2020: £34.1m), with second half cash flows being significantly stronger than first half (H1 2021: £6.5m; H2 2021: £23.7m), reflecting both the reversal of the favourable movements in net working capital seen at the end of 2020 during the first half of the year, and the timing of sales in the second half. Cash generated from operations decreased by 3% to £44.9m (2020: £46.4m).

As a result, net debt reduced by £22.4m to £87.0m at 31 December 2021 (31 December 2020: £109.4m), with Group leverage reducing to 1.73 times (31 December 2020: 2.43 times).

We expect our cash generation to remain strong in 2022, and for leverage to reduce below 1.5 times by the end of the year, in the absence of further acquisitions.

Treasury and capital management

The Group's operations are financed by retained earnings and bank borrowings, with additional equity being raised on a periodic basis to part-fund larger acquisitions. Borrowings are denominated in Sterling, Euro and US Dollars.

Implementing our ERP system

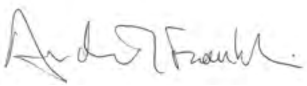
We are already starting to see the business benefits from our ERP system, which went live in the first half of 2021, representing the culmination of a significant period of investment and cross-functional team effort in scoping, design, development and implementation activities. Used by our operations and finance teams around the world, the system has enabled us to simplify, standardise and automate business processes across the Group. Due to the high level of preparation work undertaken pre-implementation, the changeover from old to new systems was virtually seamless.

Group risk management policy is to hedge up to 75% of estimated future foreign currency EBITDA exposure, for up to the next 18 months at any point in time. The Group uses forward foreign exchange contracts to implement this policy, which are generally designated as cash flow hedges.

The Group benefits from a £165m Revolving Credit Facility (RCF) and a £50m Accordion Facility, expiring in July 2024. This facility provides flexibility for the Group to pursue its acquisition strategy over the next couple of years to complement future organic growth. £48m of this RCF, together with the whole of the accordion facility, remained unutilised as at 31 December 2021.

The cash generated from our trading operations is applied as follows:

- in reinvesting in our current portfolio of brands, with investment being primarily targeted at our larger Consumer Healthcare brands
- in acquiring new Consumer Healthcare brands, to complement our existing portfolio and leverage our operating platform
- in paying down debt; and
- in paying dividends to our shareholders.



Andrew Franklin
Chief Financial Officer

30 March 2022

Principal Risks and Uncertainties

During the year, the Board reviewed the principal risks and uncertainties facing the Group and continues to focus on those which could threaten the sustainability of our business model, our reputation, future performance expectations, or in extreme cases, the solvency or liquidity of our business. The links between our principal risks and uncertainties and our strategy are set out in the table on pages 40 to 45.

Principal risks are assessed on a residual basis according to our current view of their potential severity (being the combination of impact and likelihood), and assuming that existing plans for mitigation are, and remain, effective. The current positioning of each of our principal risks, based on our assessment of their residual impact and likelihood, is shown in the graph to the right.

The identified risks are not intended to be an exhaustive list of all the risks the Group faces but are the principal risks and uncertainties which the Directors believe include all known material risks in relation to the Group and the markets and industry within which we operate.

The environment in which we operate is constantly evolving and can be affected by events that are outside of our control and which may impact on us both operationally and financially. New risks may emerge, the potential impact of known risks, including how quickly they escalate, and/or our assessment of these risks may need to change. For 2021, we have recognised a new emerging risk in relation to climate change.

In addition to the matters set out in the coming pages, and as announced by the Group on 3 February 2022, the UK's Competition and Markets Authority ('CMA') announced its finding that four companies, including Alliance, had infringed competition law (the 'Infringement Decision') in relation to the sale of prescription prochlorperazine. The Directors fundamentally disagree with the CMA's finding.

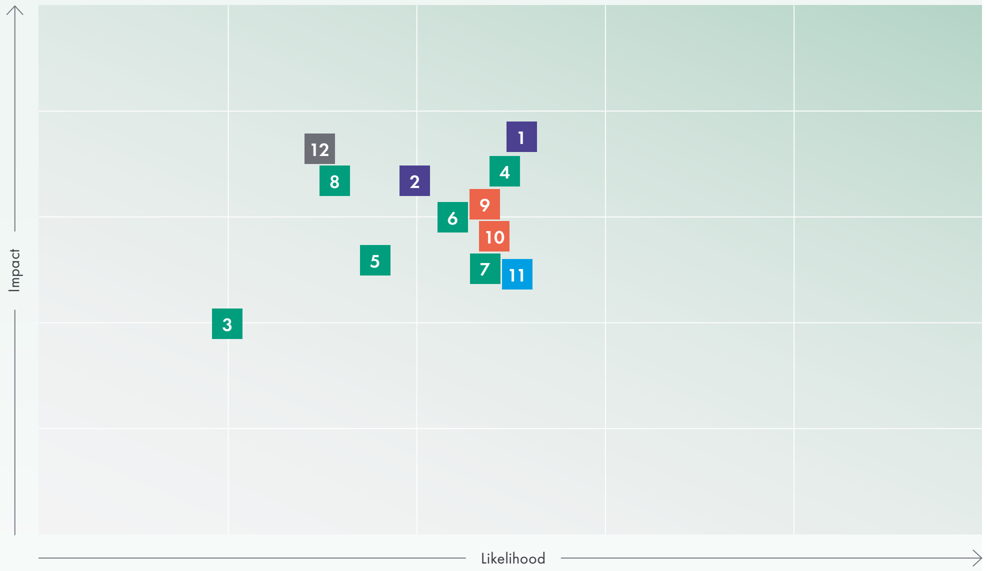
The Group believes that it has a strong case and will be appealing the CMA's decision, and the proposed fine of £7.9m, at the Competition Appeal Tribunal which is expected to be heard in late 2022/early 2023. The Group continues to engage with its expert external legal team to prepare a robust and effective appeal against these allegations.

Environmental and Climate Change

An emerging risk is a risk around which we do not believe we have sufficient clarity currently to be able to assess its likely impact – and the likelihood of this impact occurring. Such risks are unlikely to impact the business in the near term, but have the potential to significantly impact the business ability to achieve its strategic objectives in the medium-longer term.

We have taken the decision to recognise environmental and climate change as an emerging risk this year, pending the completion of the scenario analysis needed to support full compliance with the disclosure recommendations set out by the Task Force for Climate-related Financial Disclosures (TCFD), which we expect to complete during 2022. This should provide the necessary insight into whether climate change is likely to constitute a material risk to our business.

Analysing identified risks



Strategic risks

1 Organic growth: innovation & competition

2 Inorganic growth – acquisitions

Operational risks

3 Product safety

4 Supply disruption

5 Business systems

6 Cyber-security

7 People

8 Supply chain management

Compliance risks

9 Product regulations

10 Legal & compliance

Financial risks

11 Foreign exchange

Other risks

12 Pandemic, geopolitical and worldwide risks

Principal Risks and Uncertainties continued

Links to strategy:

- Organic growth – key brand potential
- Investing in people
- Complementary acquisitions
- Acting responsibly

Trends:

- Risk has increased versus last year
- Risk has not changed materially since last year
- Risk has reduced versus last year

Strategic risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
1. Organic growth: innovation & competition	Risk that we are unable to achieve our strategic growth ambitions due to a failure to keep pace with changing consumer preferences or due to a failure to identify and exploit new geographic markets for our products. The products we sell are subject to normal market forces, so demand may fall, or the price we can achieve may be reduced, as our products face new or increased competition in response to changing consumer preferences for products or sales channel. As a significant portion of our international sales are made via distributors, we are also at risk from losing a distributor or failing to secure a suitable distributor in existing or new markets. Widening sales distribution channels to include digital online sales platforms means sales could be affected should third-party systems become temporarily unavailable. We also face the risk of some of our more popular consumer products being subject to counterfeiting, where others seek to take advantage of the reputation built up in our brands for their own commercial exploitation. Equally, there is also a risk that once a patent has expired, others in the market may copy our products and seek to increase competition.	› Loss of revenue, reduced profitability and reduced growth from failure to maintain our competitive positioning, or to increase or maintain market share › Failing to identify and exploit new geographic markets for our products › Loss of revenue, and potential reputational damage from counterfeit product reaching the market, which may not have been subject to the same rigorous quality and safety testing as genuine products › Depending on its severity, this could also potentially impact our share price, cash flow and covenant compliance	› Continued focus on Marketing Excellence, to ensure we stay attuned to changing consumer preferences, and to maximise the value of our marketing campaigns › Increasing focus on innovation and development activities › Roll-out of Digital Excellence training across our marketing teams › Maintaining close working relationships with our distributors › Ongoing monitoring and forecasting of sales, costs, profits, and cash flows › Head of Brand Protection, brand protection strategies, support from external experts › Product or claims innovation strategies, to pre-empt patent expiration › Sustaining investment in brand promotion	Risk has not changed materially since last year
2. Inorganic growth – acquisitions	Risk that we are unable to achieve our strategic growth ambitions due to a lack of suitable acquisition opportunities, a failure to secure suitable assets, or to effectively integrate assets once acquired. There can be no guarantee that the Group will be able to identify suitable targets to continue to boost its growth through acquisitions. The market for high-quality assets – whether brands or corporates – is highly competitive and the Group may find itself unable to compete if the pricing of targets proves prohibitive. As the Group looks to increase the size of acquisitions, the complexity around both the acquisition itself and associated integration also increases.	› Acquisitions fail to deliver expected benefits – due to overly optimistic forecasts, unidentified risks/poor evaluation of identified risks during due diligence, or as a result of failings in the integration process, resulting in integration taking longer/costing more than was originally anticipated › Distraction cost to the business from acquisition evaluation activities	› Maintaining an active presence and continuing to grow our reputation in the M&A market, to ensure a good pipeline of opportunities › Ongoing refinements to our acquisition evaluation process › Experience gained from having completed multiple deals › Engage experienced legal, regulatory and financial experts to assist with the due diligence process	Risk has not changed materially since last year

Principal Risks and Uncertainties continued

Links to strategy:

Organic growth – key brand potential

Complementary acquisitions

Investing in people

Acting responsibly

Trends:

Risk has increased versus last year

Risk has reduced versus last year

Risk has not changed materially since last year

Operational risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
3. Product safety	Risk of an adverse reaction to one of our products constituting a safety risk for consumers. The Group produces and sells a wide range of medicines, medical devices, food supplements and cosmetics. There are inherent risks that some of these products could cause adverse reactions.	› Products have to be withdrawn from sale and we may have legal liability to those injured by the product, potentially damaging our reputation, and compromising our future performance. In an extreme scenario, this could impact our liquidity position or even solvency	› Dedicated in-house Quality function, which carries out regular supplier audits › Adverse event reporting and signal management for all medicine products – generally, the Group's products are well-tolerated, and many have been in existence for decades › Maintenance of necessary regulatory approvals for all products in the markets we trade in › Maintenance of public and products liability insurance to provide an appropriate level of protection for the Company	Risk has not changed materially since last year
4. Supply disruption	Disruption to the continuity of supply as a result of our inability to procure critical ingredients, due for example to geopolitical events, logistics failures, or reliance on a single site of manufacture.	› Manufacturing, sourcing, or distribution issues, including an inability to increase production volumes to meet demand, impinges on our potential sales and has the potential to compromise our future performance and, in an extreme scenario, cash generation	› Maintaining close working relationships with our key suppliers, to ensure we have early visibility of any potential issues › Ensuring we maintain adequate stocks of critical ingredients and of finished goods, to enable us to cushion the impacts of any disruption in the supply chain › Forward booking transportation, to minimise the impacts of any disruption to logistics provision – for example due to geopolitical and economic events › Putting in place dual sourcing arrangements for key products, to mitigate against manufacturer failure/inability to supply to meet sales demand › Where possible, and cost-effective, the potential financial impact of supply chain disruption is mitigated by insurance	Risk has increased versus last year

Principal Risks and Uncertainties continued

Links to strategy:
- Organic growth – key brand potential
- Complementary acquisitions
- Investing in people
- Acting responsibly

Trends:
- Risk has increased versus last year
- Risk has reduced versus last year
- Risk has not changed materially since last year

Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
5. Business systems	Failure to maintain and develop business systems and technology which adequately supports business processes, organisational infrastructure, and strategic growth ambitions, and enables us to manage any business continuity risk from unforeseen events. The business is highly dependent on multiple IT systems – and systems failure as a result of a business continuity event could have a significant impact on the business' ability to continue to operate effectively.	› Loss of income or late market reporting as a result of a business continuity event causing loss of access to key resources, systems, and/or data. This could also potentially result in compliance failure, loss of control and an inability to trade › Quality of data degrades as a result of not effectively managing data shared across multiple systems, leading to poor decision-making and increased transactional errors	› The successful implementation of the ERP system has improved the internal control environment › Improved change control/change management processes to better protect the integrity of our master data › IT Steering Group in place to maintain oversight of core systems and lead on changes required as a result of systems development or regulatory changes › Business continuity plans in place and under regular review	Risk has reduced versus last year
6. Cyber security	Risk that the integrity, confidentiality and availability of our data and third-party information which we hold is compromised through cyber-attacks. We hold significant amounts of confidential data relating to our products, our commercial activities, our financial transactions and all other aspects of our business operations in electronic format, making it susceptible to being compromised through cyber-attacks. We also hold significant amounts of confidential data on our customers and employees, some of which is collected via our transaction processes, and so includes their financial information in addition to other personal data, which is similarly at risk of loss, corruption, or unauthorised dissemination as a result of a successful cyber-attack.	› Reputational impact if we suffered a major loss of personal data as a result of a successful cyber-attack › Financial loss, data loss, or reputational damage due to fraud perpetrated through a successful social engineering attack › Financial transactions being rerouted fraudulently because sensitive transactional data is given away › Data destruction or ransom as a result of a malicious link being clicked	› Use of anti-virus software, firewalls, and network segmentation › Ensuring all business software remains up to date, to provide additional in-built security › Implementation/review of incident management, business continuity and IT disaster recovery plans › Maintenance of appropriate physical and cyber-security measures to prevent unauthorised access to information › Provision of training and alerts to staff to ensure that they are aware of known risks › Engagement of third parties to review and recommend ongoing improvements to enhance IT security and resilience	Risk has not changed materially since last year

Principal Risks and Uncertainties continued

Links to strategy:
Organic growth – key brand potential
Investing in people
Complementary acquisitions
Acting responsibly

Trends:
Risk has increased versus last year
Risk has not changed materially since last year
Risk has reduced versus last year

Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
7. People	Failure to attract and retain sufficient high-quality people to deliver the business' strategic growth ambitions. By virtue of its business model, Alliance has a high level of reliance on the skills and knowledge of its employees, many of whom have considerable sector experience or other specialist expertise, making them attractive to competitors and not always easy to replace. As the business continues to scale and to expand its geographic presence, our requirements for high-calibre people continues to increase.	› The loss of key employees could potentially weaken the Group's operational/management capabilities, potentially impeding its ability to grow › Loss of continuity/loss of knowledge as a result of employee replacement, leading to operational inefficiencies › Potential lack of required skills and expertise to support the continued growth of the business, its systems, procedures, and processes	› Maintaining competitive incentive and reward structures, which remain attractive to existing employees and enable us to continue to attract high-quality applicants for new roles › Clearly defined roles and responsibilities supported by documented systems and procedures to provide a level of continuity in the event an employee leaves the Group › Maintaining relationships with a number of international and local recruitment agencies to ensure we are able to find and recruit good quality employees › Maintaining a balance between permanent and contract heads to increase flexibility, particularly for project-based work	< >
8. Supply chain management	The increasing globalisation of our supplier base as a result of recent acquisitions has served to increase our exposure to risks around Environmental, H&S, Business Ethics, Supply Chain Security and Climate and increases the risk of failing to maintain sufficient oversight of our end-to-end supply operations associated with these areas. This is potentially a significant risk for Alliance, as our outsourced supply model has historically afforded only limited visibility of our end-to-end supply chain.	› Potential reputational damage, loss of product supply and loss of revenues from failure to maintain sufficient oversight of our end-to-end supply operations	› The implementation our Know Your Supplier ('KYS') programme, partnering with a market-leading data analytics provider, to improve the visibility of potential 'red flags' in our supply chain. This enables us to align compliance and escalation processes to facilitate timely remediation of issues › Our Know Your Customer ('KYC') programme, to bolster our customer qualification and approval processes	∨

Compliance risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
9. Product regulations	Risk of non-compliance with product classification regulations and registration requirements, including relevant internal/external quality regulations and requirements, across all territories in which our products are manufactured and/or sold. Product regulations are continually being updated, new requirements introduced (e.g. Medical Device Regulations), or product classifications changed. In a number of territories our product registrations are maintained by local distributors in order to comply with local regulatory requirements, creating an added layer of complexity.	› Some of our products may not gain regulatory approval or could face the risk of having their regulatory status challenged or adversely altered. This could affect the Group's ability to launch new products or maintain sales of its current products in current jurisdictions or pursue further geographic expansion › Non-compliance with product classification regulations/registration requirements may result in product having to be withdrawn from the market, with a consequential loss of sales › If compliance issues cannot be remediated, this could lead to cessation of product supply, or limitation of market opportunities	› Allocation of sufficiently experienced internal resource to support the regulatory approval of products, including any extensions to other markets › Maintenance of regular discussions with local regulatory advisers to monitor any products that may be subject to challenge	< >

Principal Risks and Uncertainties continued

Links to strategy:
- Organic growth – key brand potential
- Complementary acquisitions
- Investing in people
- Acting responsibly

Trends:
- Risk has increased versus last year
- Risk has reduced versus last year
- Risk has not changed materially since last year

Compliance risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
10. Legal and compliance	Risk of non-compliance with relevant laws and regulations in all countries in which we operate, including anti-corruption laws, data privacy laws, competition laws, accounting, taxation and listing regulations. As the scope and scale of our business operations increases, we face an increasingly complex compliance burden. The level of legal and regulatory requirements to which we are subject continues to increase, and also the penalties for non-compliance, so it is vital that we are able to effectively manage all the various aspects of our compliance risk. As we enter new territories and overseas markets, we become exposed to increased bribery, anti-slavery, and corruption risks. Likewise, as the Group expands its operations, the VAT and general tax environment in which it operates becomes more complex and the risk of incorrectly reporting and paying relevant taxes increases.	› The Group has ongoing regulatory requirements (pharmacovigilance etc.) which could, if not adhered to, lead to substantial fines and impact on the Group's ability to sell certain products. Likewise, we may incur penalties for non-compliance as a result of adverse findings from regulatory inspections, which may potentially impact on the sales of our products, damage our brands and our reputation › Bribery, anti-slavery, and corruption all carry their own penalties, and reputational damage › A failure to abide by data protection rules or incur a breach of data security could also pose a financial and reputational risk to the Group › Breaches of VAT and taxation rules also carry a risk of interest and penalties becoming payable › Infringement Decision by the CMA relating to alleged anti-competitive agreement would, in the event that the Company's appeal is not successful, lead to a fine of up to £7.9m	› Continuing oversight of corporate compliance by in-house Company Secretarial function › Introduction of the new ERP system will assist with supply chain management and VAT reporting › Training made available to all employees on anti-bribery, anti-money laundering, competition law, market abuse, modern slavery, sanctions, tax evasion and GDPR › Engagement of third-party experts in our overseas territories to help us ensure compliance with local rules and regulations › Wide-ranging induction process for new starters to ensure they understand their individual, and the Group's, obligations in relation to matters such as adverse event reporting › Notice of appeal against the infringement decision will be filed. Ongoing work with expert legal team to ensure that the Company's appeal is as robust and effective as possible to give the company the greatest chance of succeeding	Increased

Financial risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
11. Foreign exchange risk	Movements in FX rates adversely impact financial performance. The Group earns a proportion of its revenues and profits in currencies other than Sterling (principally Euros, US dollars and Hong Kong dollars), but accounts for the business in Sterling. The reporting of revenues and profits is therefore subject to volatility due to changes in exchange rates. Due to the acquisition of Biogix, which earns revenues and profits in US Dollars, this risk has increased since last year. The change in CBEC distributor in 2021, has increased the Group's exposure to Hong Kong dollars.	› Adverse movements in Sterling exchange rates vs Euro, US dollar, Hong Kong dollar and other currencies	› The Group's funding structure, with borrowings denominated in Sterling, Euros and US Dollars, provides a natural hedge to some of these exposures › The Group has a risk management policy to hedge up to 75% of its estimated future foreign currency EBITDA exposure for up to 18 months at any given point in time. The Group uses forward foreign exchange contracts to implement this policy which are generally designated as cash flow hedges	Increased

Principal Risks and Uncertainties continued

Links to strategy:
- Organic growth – key brand potential
- Investing in people
- Complementary acquisitions
- Acting responsibly

Trends:
- Risk has increased versus last year
- Risk has not changed materially since last year
- Risk has reduced versus last year

Other risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
12. Pandemics, geopolitical and other worldwide events	In common with most other businesses, we will always be at risk from extreme and unexpected global events affecting our ability to operate. This could be an event that affects our people, our operational sites, our IT systems, or any other aspect of our business operations. This was the case with the COVID-19 pandemic which surfaced in 2020, and which is now being managed in accordance with latest guidance and advice. More recently, the escalation of geopolitical events in Europe could cause supply chain disruption within the business and subject us to economic uncertainty.	› Reduction in revenues/profitability and/or failure to achieve expected growth due to reductions in demand or potential supply issues. Any significant impact on the Group's revenues and profitability could potentially affect the Group's ability to comply with its borrowing covenants › Pressure on sourcing and supply chain could lead to (i) an increase in the cost of transportation, raw materials and goods in general (ii) a reduction in availability of certain materials both of which could in turn impact profitability › Increased costs/reduced demand for goods due to weaker economic growth and higher inflation › General inflationary pressures being experienced by the wider business community will lead to increased pressure on workforce costs and rewards, which in turn could impact profitability	› Regular review and updating of demand forecasts to understand and mitigate any potential adverse effects on revenues, supported by our recently improved S&OP processes › Maintenance of close working relationships with suppliers and distributors; ongoing monitoring for any signs of distress › Keeping abreast of global events and economic conditions in the territories we operate to ensure risks are monitored accordingly	Risk has increased versus last year

Emerging risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
13. Environmental climate change	Risk to the longer-term viability of the business due to the impacts of environmental and climate change, both the direct impacts, e.g. the severity and frequency of adverse weather events and rising sea levels, and the indirect impacts, e.g. higher energy costs, infrastructure funding, which are likely to become increasingly prevalent, as we transition to a low-carbon economy.	› These have yet to be determined	› Increased business focus on environmental strategy and associated risks › Engagement of third party expert support › Creation of TCFD roadmap and emissions reduction targets	NEW

Governance

Chairman's Introduction

"Good governance practice continues to remain a priority for the Board as we continue to work together to deliver value to our shareholders"

Dear shareholders and colleagues,

A warm welcome to this year's report on governance where I as your Chairman provide an overview of the Group's governance arrangements. The Board believes governance is central to delivering on our strategy and helps ensure the successful operation of our business.

Last year, in adapting to life with the pandemic, we were able to build a stronger, more connected, and resilient business. As we all settle into a world where the pandemic seems to be very much a part of life, the business likewise has adapted and responded to support its customers, suppliers, employees and shareholders. The safety, health, and wellbeing of our employees continues to be of paramount importance and we have further improved our technology and infrastructure to provide safe ways of working, thereby keeping disruption to a minimum.

Following the acquisition of Biogix Inc., the business has worked hard on integration and continues to build strong foundations to ensure it can grow its Consumer Healthcare portfolio.

In April 2021, Nigel Clifford resigned from the Board and, following a rigorous search and recruitment process, we were pleased to welcome Kristof Neirynck as a Non-executive Director on 1 December 2021.

Kristof brings with him his experience in international Consumer Healthcare, Marketing, Digital Transformation and Innovation. Further information about Kristof can be found in his biography on page 49.

As a company admitted to AIM, our governance is underpinned by the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 (the 'QCA Code'). During the year, we have complied with the principles of the QCA Code and details of how we have done so can be found in the governance section of the Company's website.

The sustainability agenda continues to be progressed by the business with oversight from the newly formed ESG Committee. You can read more about the work of the Committee on page 76.

This year's AGM will be held at 10.00am on 18 May 2022. Further details can be found in the Notice of AGM accompanying this Report.

The Board would like to thank all shareholders and colleagues for their continued support, and we look forward to continuing with our good work during 2022.

David Cook
Chairman

30 March 2022

Board of Directors

Committee Membership Key

Audit and Risk Committee · Nomination Committee · Remuneration Committee · ESG Committee · C Committee Chair

David Cook
Independent Non-executive Chairman

Date joined

David joined the Board of Alliance as a Non-executive Director in 2014 and was appointed Chairman of the Board on 1 March 2018.

Qualifications

David graduated in Chemistry at the University of Oxford and is a Chartered Accountant.

Experience

He is currently Chief Financial Officer and an Executive Director of Ellipses Pharma, an international cancer drug development company, and was previously Chief Financial Officer and Chief Business Officer of Biotie Therapies Corp, a drug development company quoted in Helsinki and on NASDAQ. He has previously held senior financial positions with Jazz Pharmaceuticals International, EUSA Pharma and Zeneus Pharma.

David has extensive experience of financial and general business management (including the implementation of buy and build strategies) in the life sciences sector, of financing those businesses and managing investor relations across a number of stock markets globally.

Committee membership

Audit and Risk Committee; Nomination Committee (C); Remuneration Committee; ESG Committee (C)

View the Nomination Committee Report on **page 56**

View the ESG Committee Report on **page 76**

Peter Butterfield
Chief Executive Officer

Date joined

Peter was previously the Company's Deputy Chief Executive Officer and was appointed to his present office as Chief Executive Officer on 1 May 2018 having joined Alliance in 2010 as an Executive Director.

Qualifications

Peter holds an honours degree in Pharmacology from the University of Edinburgh.

Experience

Peter has over 20 years' experience in the life sciences sector and strong leadership experience gained in a variety of contexts. Peter joined the Board of Alliance in 2010 with the acquisition of Cambridge Laboratories where he spent five years, latterly as UK Commercial Director. Prior to joining Cambridge Laboratories, Peter spent six years at GlaxoSmithKline in a variety of marketing and sales roles.

Committee membership

ESG Committee

Andrew Franklin
Chief Financial Officer

Date joined

Andrew joined Alliance in September 2015 from Panasonic Europe Ltd, where he was General Manager, European Tax and Accounting.

Qualifications

Andrew holds an honours degree in Civil Engineering from the University of Wales, Cardiff.

Experience

From 2010 to 2012 Andrew was Finance Director and Company Secretary of Genzyme Therapeutics Ltd, the UK and Ireland subsidiary of Genzyme Corporation. Prior to that, he gained 12 years' pharmaceutical experience with Wyeth in a variety of senior financial positions.

Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales with extensive experience of financial management of international businesses, including significant prior experience in life sciences companies.

Committee membership

ESG Committee

Board of Directors continued

Committee Membership Key

Audit and Risk Committee | Nomination Committee | Remuneration Committee | ESG Committee | C Committee Chair

Jo LeCouilliard

Independent Non-executive Director

Date joined

Jo joined Alliance as a Non-executive Director on 1 January 2019.

Qualifications

Jo graduated in Natural Sciences from Cambridge University and is a Chartered Accountant.

Experience

Jo has 25 years' healthcare management experience gained in Europe, the US and Asia. Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the US vaccines business and Asia Pacific Pharmaceuticals business and led a programme to modernise the commercial model. She was previously Chief Operating Officer at the BMI group of private hospitals in the UK. She was Non-executive Director at Frimley Park NHS Foundation Trust in the UK, Duke NUS Medical School in Singapore and Cello Health plc.

She is currently a Non-Executive Director at UK listed company Circassia Group plc and is also on the Board of Recordati S.p.a and Indivior PLC.

Committee membership

C

View the Remuneration Committee Report on **page 65**

Richard Jones

Independent Non-executive Director

Richard joined Alliance as a Non-executive Director on 1 January 2019.

Richard has a degree in Engineering from Newcastle University and is a Chartered Accountant.

Richard is Chief Financial Officer at Medica Group PLC, the UK's leading teleradiology provider. Prior to this, he was CFO and a Board member of US listed Mereo BioPharma Group PLC, a biopharma company developing a range of products in bone, endocrine and respiratory therapies with a focus on rare diseases.

Richard joined Mereo from UK AIM listed Shield Therapeutics plc where he was CFO and Company Secretary from early 2011 having initially joined the Board as a Non-executive Director in 2010. At Shield he had a leading role establishing the finance operations and guiding Shield through its 2016 IPO.

He has a background in investment banking, having held senior positions at Investec and Brewin Dolphin Securities, where he advised healthcare clients on a wide range of transactions including IPOs, M&A and fundraisings.

C

View the Audit and Risk Committee Report on **page 60**

Kristof Neirynck

Independent Non-executive Director

Kristof joined Alliance as an Independent Non-executive Director on 1 December 2021.

He graduated as a Master of Science in Electronic Engineering from the University of Ghent, Belgium.

Kristof joined the Board on 1 December 2021. He is global Chief Marketing Officer at Avon Cosmetics and brings 20 years of experience in General Management, Marketing, Digital Transformation, and Innovation, having carried out roles in Fast Moving Consumer Goods/Consumer Packaged Goods, Luxury and Retail sectors across multiple geographies. He is well versed in operating across an omnichannel model, combining bricks and mortar retail, e-commerce and direct to consumer experience.

Kristof joined Walgreens Boots Alliance in 2015 and in 2017 became their Chief Marketing Officer for their Global Brands division where he had responsibility for a $4bn sales portfolio of more than 20 of their owned brands in Beauty and Consumer Healthcare. Prior to this, Kristof held leadership roles at P&G's Prestige, Laundry and Feminine Care global divisions, having started his career in 2002 at Procter & Gamble in Belgium before moving to Procter & Gamble International in Switzerland in 2004.

Governance

Key activities of the Board and its Committees

Throughout the year the Board received regular updates on, and considered, strategy, the commercial and financial performance of the business, scientific affairs and operations, people and infrastructure and legal and governance. In addition to these standing items, other business considered by the Board and its Committees is set out below.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug*	Sep	Oct	Nov	Dec
Strategic planning Strategy planning, review of Group strategy, presentations from business and functions				■			■					■
2022 Budget Presentations and budget approval										■		
Corporate development Review of acquisition opportunities and integration of Biogix Inc.	■	■	■	■							■	■
Business reviews Mainland Europe, Asia Pacific, US, various product and brand reviews, brand protection, Great Place to Work	■	■	■	■	■	■	■		■	■	■	■
Investor engagement and broker presentations Full and half year results webcast presentations, analyst calls and investor road-shows, private client fund manager meetings, one-to-one calls and AGM, and presentations from brokers	■			■	■	■	■		■		■	
Company results, trading statements and dividends Annual Report and Accounts, dividend policy and declarations	■		■				■		■			
Nomination Committee Board composition and Committee membership, succession planning, NED recruitment, terms of reference, bonus proposal for 2022	■	■			■	■				■		
Remuneration Committee Review of salary proposals, 2020 corporate bonus awards, Company share option awards, 2021 corporate bonus scheme, objectives and targets, terms of reference	■		■						■	■	■	■
Audit and Risk Committee Key accounting estimates and judgements, significant accounting policies, annual audit process and fees, external auditor, internal audit, foreign currency and hedging, US accounting post acquisition of Biogix Inc., ERP accounting and accounting treatment of CMA investigation		■	■						■			■
ESG Committee 2021 and 2022 sustainability framework and initiative, investor engagement, disclosure and accounting metrics, carbon action plan and environmental strategy, corporate website disclosures, terms of reference					■				■			■
Governance & Legal Includes the review of risk management framework, Board Effectiveness Review, Governance reporting, review of Articles of Association, AGM Notice, D&O insurance, litigation, Modern Slavery Statement, review of gender pay		■	■		■	■				■		■

* Although there is no scheduled meeting in August, a management pack is circulated.

The role of the Board

The Board is responsible for the Group's vision, business model and strategy. Together, the Directors are responsible for providing effective leadership to promote the long-term success of the Company.

Each year the Board holds a two-day strategy planning meeting at which the SLT and other senior employees present their proposals. From this session, the Group's strategic plan and business model is agreed. The CEO is responsible for the implementation of the strategy and reports to the Board formally at a half year review. The strategy is communicated to all employees by the management teams through breakfast briefings and online presentations. Further information on how the Company delivers the strategy to promote long-term growth can be found on pages 17 to 22 and in its business model on page 16.

There is a formal list of matters reserved for the Board, which may only be amended by the Board and is available on our website. The Board's key responsibilities include:

- maintaining the policy and decision-making process through which the strategy is implemented;
- checking that necessary financial and human resources are in place to meet strategic aims;
- providing entrepreneurial leadership within a framework of good governance and sound risk management;
- monitoring performance against key financial and non-financial indicators;
- responsibility for risk management and systems of internal control; and
- setting values and standards in corporate governance matters.

Corporate culture and business conduct

Our culture is underpinned by a clear set of values (PRAISE), which help guide decision-making at all levels in the business.

The Board expects the business to foster relationships and operate high standards of business conduct. The Board reviews and approves the Group's policies which have been implemented and communicated internally and externally to those who are expected to adhere to them. For example, this includes policies on diversity and inclusion, the prevention of bribery and corruption, fair competition and anti-slavery and human trafficking. Further information about our policies can be found in 'Business Ethics' on our website.

Engagement with shareholders

The Board and its Committees recognise that to meet its responsibilities to shareholders and other stakeholders, it is important to ensure effective engagement with, and encourage participation from, these parties. The Board factors the needs and concerns of all the Company's stakeholders into its discussions and decision-making, having been made aware of the needs, interests, and any impact of such decisions on the Company's stakeholders. Visibility and awareness are further increased through senior management who have collective responsibility for communicating and engaging with specific stakeholder groups. This includes making sure that the business as a whole upholds its values and monitors behaviour for acceptability.

Recently, the Company invested in its Investor Relations (IR) by appointing a new Head of IR and Corporate Communications.

Further information on our dialogues and engagement with shareholders and other stakeholders can be found on pages 34 and 53.

Throughout the year, the CEO and CFO meet with potential and existing investors and they feed back to the Board the key summary points from their meetings. In addition to these meetings, there were 57 scheduled meetings held as part of the Company's investor road-shows for the annual 2020 and half-year 2021 results.

The Board is provided with an analysis of the Company's investor base at each Board meeting and research notes by sell-side analysts are circulated to all Directors. Furthermore, analysts' notes, and brokers' briefings are received and considered by the Board in order to ensure, as far as possible, a clear and up-to-date understanding of investors' views. Information on investor sentiment is also provided to the Board by the Company's brokers and financial PR advisers.

A list of the Company's major shareholders can be found in the investor section of our website, and a list of notifiable holdings can be found on page 80 of the Directors' Report. These are regularly updated following the formal notification of movements to the Company.

The Company further communicates with shareholders through its Annual Report and Accounts, half-year announcements, trading updates and at the Company's AGM. Such reports as well as other relevant announcements and related information are all available on the Group's website, www.alliancepharmaceuticals.com. The website also offers a facility to sign up for email alert notifications of Company news and regulatory announcements.

With employees

The Board receives regular updates on People and employee engagement at its meetings. This includes briefings following surveys, organisational structure and other positive initiatives to support health and wellbeing. From time to time, employees are invited to attend various Board and Committee meetings to present on key operational and strategic matters.

The Board and its Committees

The Board currently comprises six Directors, being the Chairman, three further independent Non-executive Directors and two Executive Directors. Independence on the Board is reviewed and confirmed annually by the Nomination Committee.

The Chairman

The Chairman, David Cook, has primary responsibility for leading the Board and facilitating the effective contribution of all members to meetings. He maintains a strong focus on governance to ensure good practice is embedded in the business with good flows in communication and reporting. He has regular dialogue with the CEO to ensure the business and the management team receives the support from the Board necessary to progress the strategy.

The Chairman also meets with the Non-executive Directors on their own at least once a year and further meets with them as part of the Board evaluation process. Shareholders have an opportunity to engage with the Chairman and the Board at the Company's AGM.

The Chief Executive Officer (CEO)

The CEO, Peter Butterfield, is responsible for the day-to-day running of the business and implementation of the Group's strategy. He is supported by the SLT who have management responsibility for the business operations and support functions. Relevant matters are reported to the Board by the CEO and, as appropriate, the CFO and other members from the SLT.

The Non-executive Directors

Non-executive Directors are required to commit the time necessary to fulfil their role. Their role is to:

- Provide oversight and scrutiny of the performance of the Executive Directors;
- Constructively challenge to help develop and execute on the agreed strategy;
- Satisfy themselves as to the integrity of the financial reporting systems and the information they provide;
- Satisfy themselves as to the robustness of the internal controls;
- Ensure that the systems of risk management are robust and defensible; and
- Review corporate performance and the reporting of such performance to shareholders.

Each of the Non-executive Directors sits on at least three of the Committees ensuring that between them they have a role in determining the pay and benefits of the Executive Directors and in the planning of Board succession, including the appointment and, if necessary, removal of Executive Directors. Three independent Non-executive Directors, all of whom have an accountancy qualification, sit on the Audit and Risk Committee, enabling them to review internal controls and financial reporting matters. They have a direct relationship with the external auditors.

Each Non-executive Director is appointed for an initial term of five years, subject to annual re-election by shareholders at the AGM. Their appointment term may be renewed by mutual agreement.

Stakeholder engagement and section 172

Engaging with the Company's stakeholders is well embedded in the business as we continue to look after our relationships with employees, customers and suppliers and consumers and the wider communities.

Promoting long-term success — s.172 Companies Act 2006

The powers and duties of the Directors are determined by legislation and the Company's Articles of Association. The Directors are aware and mindful of their duties and obligations under s.172 of the Companies Act 2006. Directors are required to act in good faith. Discussions give due consideration to the impact of decisions on the Group's strategy and values, stakeholders and the Directors are provided with written reports, market reviews, guidance, and presentations and briefings from both internal members of staff and external advisers as part of the process.

Decisions are taken with a view to promoting the success of the Group and having considered the likely and long-term consequences for stakeholders concerned.

Under s172 Companies Act 2006, a company's directors have a duty to discharge their responsibilities having regard to:

a) the likely consequences of any decision in the long term

b) the interests of the company's employees

c) the need to foster the company's business relationships with suppliers, customers and others

d) the impact of the company's operations on the community and the environment

e) the desirability of the company maintaining a reputation for high standards of business conduct

f) the need to act fairly as between members of the company

Case study 1

Improving brand protection and distribution of products

During the year the Board receives regular updates on what the business is doing to protect its brands to ensure that opportunities are maximised to key geographical regions of the business. Plans put forward considered various stakeholder needs, including:

- Investing in resources and the development of existing skills and expertise both in the UK and in APAC.
- Maximising benefits and financial value to the business and shareholders.
- Investing in the detection and prevention of counterfeit products to ensure product quality and consumer safety.
- Reviewing and engaging key distribution partners and channels to protect the integrity of the supply of products to customers and consumers.

Case study 2

ESG is very much at the heart of Board decisions

The Board continues to press forward with its focus on Sustainability, having established an ESG Committee at the beginning of 2021. A dialogue with key institutional shareholders formed part of a stakeholder engagement programme to ascertain and understand their views and approach. With a focus maintained on shareholders, people, customers and suppliers, and our impact on the wider community and planet, stakeholder needs are very much at the centre of a progressive strategy. During the year:

- External consultants have been engaged to support, help and inform the development of our sustainability strategy and framework and broaden understanding.
- An active dialogue was maintained with the investor community.
- Feedback was provided to the Board following open workshops with employees to better understand their views on ESG and climate-related matters. These sessions led to the Sustainability Forum.
- Engagement with the Remuneration Committee to ensure alignment with the Company's reward and benefits strategy.

Board

11 **Board Meeting attendance – 91% attendance**

Member	Role	Status	Attendance
David Cook	Chairman	Independent	11/11
Peter Butterfield	CEO	–	11/11
Andrew Franklin	CFO	–	11/11
Kristof Neirynck*	NED	Independent	1/1
Jo LeCouilliard	NED	Independent	11/11
Nigel Clifford*	NED	Independent	4/4
Richard Jones	NED	Independent	10/11

* Kristof Neirynck joined the Board of Directors on 1 December 2021. Nigel Clifford resigned from the Board of Directors on 30 April 2021.

Board Committees

The Board has delegated and empowered four Committees: a Remuneration Committee, a Nomination Committee, an Audit and Risk Committee and an ESG Committee. Each Committee has written terms of reference set by the Board, which are reviewed annually and are available on the Company's website.

Membership of each Committee is determined by the Board on the recommendation of the Nomination Committee. Executive Directors are only permitted to be members of the ESG Committee.

Each Committee Chair reports to the Board on the activities considered and determined by the relevant Committee. A summary of the Committees' responsibilities and their work during the year can be found in the reports from the Committees appearing later in this section.

Board attendance, support and meeting management

Attendance schedule

In leading and controlling the Company, the Directors are expected to attend all meetings. The Board and its Committees meet regularly on scheduled dates. This includes a two-day strategy meeting in each year which is also attended by all senior executives of the Group, the purpose of which is to review progress in delivering agreed plans and to develop and settle the Group's business plans and long-term strategic targets and set the framework for the achievement of those goals.

The Board held 11 scheduled meetings, and three unscheduled meetings, during the year. Meetings follow a clear agenda, supported by written reports and presentations from both internal members of staff as well as external advisers and consultants. Three unscheduled meetings of the Board were called to deal with non-routine business.

Meeting management

The Company Secretary is secretary to the Board and the Board's Committees. On behalf of the Chairman, the Company Secretary is responsible for ensuring that all Board and Committee meetings are conducted properly and that the Directors are properly briefed on any item of business to be discussed. He has a direct line into the Chairman on all matters relating to governance and is responsible for ensuring governance, legal and regulatory compliance is considered, recorded and implemented.

Procedures are in place for distributing meeting agendas and reports so that they are received in good time, with the appropriate information. Ahead of each Board meeting, the Directors each receive written reports updating on strategy, finance, including monthly management accounts, operations, commercial activities, business development, risk management, legal and regulatory, people and infrastructure and on investor relations. Meeting papers are distributed via an electronic board portal.

The Directors may have access to independent professional advice, where needed, at the Group's expense.

Director training and development

All the Directors are responsible for ensuring their skills and knowledge are kept up to date. This is done in varying ways but includes professional training, online training or attending seminars and webinars offered by advisers and consultancies. In addition, regular updates on corporate governance, legal or regulatory changes are also provided via reporting or through presentations to the Board.

Directors' conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. Directors are required to notify the Company of any situation that could give rise to a conflict or potential conflict thereby compromising their independence and objectivity. Each member is required to disclose any such potential conflicts at the start of every meeting. The Board is fully aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. Where any such conflict arises, the Board determines whether or not a Director can vote or be a party of the item under consideration in accordance with the Company's Articles of Association.

The Board is satisfied that potential conflicts have been effectively managed throughout the year.

Board effectiveness

As required under the QCA Code, the Board continually monitors and improves its performance and evaluates its performance based on clear and relevant objectives. The Chairman evaluates the performance of the Board annually to offer Directors an opportunity to discuss their contribution in terms of their skills and experience as well as identifying areas for improvement or development to enhance the capabilities of the Board as a whole. The Nomination Committee reviews any outcomes affecting Board and Committee composition.

In last year's Annual Report we set out the feedback from the 2021 review which focussed on four key areas including roles, contributions, and stakeholder engagement; meeting management and priorities; ambition and strategic planning and Board culture and dynamics.

Where necessary and helpful, the Executive and senior leadership team can maintain a dialogue with the Non-executive Directors and can contact each other freely. During the year, the progress made included:

- The Board holding a dedicated two-day face-to-face strategy meeting at which management teams delivered their presentations on their proposals for the short-to-medium terms plans for the business. Alongside this there was a mid-year meeting to review progress against the strategy.
- Improved reporting to ensure there is the right balance of information to support decision-making. Meetings are held face-to-face where possible and the current Board schedule provides for some meetings to be held at our overseas offices.
- The Board is mindful of investors' views and there is a good level of engagement through telephone meetings, road-shows, presentation days and responding to written requests for information. During the year, there was enhanced engagement with investors on ESG matters to understand their views. In addition, the Board recently approved the appointment of a new Head of Investor Relations and Corporate Communications and looks forward to hosting a Capital Markets Day in 2022.

The 2022 evaluation consisted of one-to-one meetings between the Chairman and each Director to discuss various matters relating to Board and Committee performance and their effectiveness.

Each meeting was also attended by the Company Secretary, who obtained feedback from each Director on the Chairman.

Results and outcomes were reviewed, summarised and circulated to Board members for discussion in February 2022.

The table below sets out the key focus areas arising from the 2022 review:

Areas of focus	Feedback and recommendations
Board planning framework and dynamics	The planning framework drives discipline and behaviours. The strong proximity of the Board and management is a real strength and there is always open and sensible discussion and challenge from Directors.
Focus on strategy	The strategy is well formulated. The Board continues to understand the impact of emerging trends and envision the longer-term plans. The recent appointment of Kristof Neirynck demonstrates the Board's commitment to strategy by enhancing skills and capabilities in the area of consumer healthcare.
Performance and remit of Board Committees	Overall the Committees are chaired and run very well. The Remuneration, Nomination and ESG Committees need to ensure their work continues to evolve as the strategy develops, particularly in the areas of remuneration policy and succession planning.
Board engagement	There is good engagement with investors and the Board is to consider how it could engage with employees outside of surveys and presentations.

The next review in relation to 2022 is scheduled for early 2023.

Nomination Committee Report

"As a growing Consumer Healthcare business we seek the very best skills and experience to help us achieve the Group's strategic objectives"

Chairman's statement

On behalf of the Nomination Committee (the 'Committee'), I am pleased to introduce the Nomination Committee Report in which we set out the Committee's responsibilities and report on the activities of the Committee during the year.

As a growing international Consumer Healthcare business it is critical that we employ the capabilities of and develop our people to help us continue to deliver on our strategy. We remain focused on understanding our framework on gender and ethnic diversity and inclusion, and succession planning across the business.

During the year much of the Committee's focus has been on succession planning, Board composition, and the search and appointment of a new Non-executive Director.

On 1 December 2021, we warmly welcomed Kristof Neirynck to the Board and he was also appointed to the Nomination, Remuneration and ESG Committees. You can read more about our recruitment and induction processes on page 59 of this report.

David Cook
Nomination Committee Chairman

30 March 2022

Nomination Committee Report continued

DIRECTOR	ROLE	GENDER	FINANCE	CONSUMER HEALTHCARE	PHARMA	INTERNATIONAL	GROWTH	FINANCIAL MARKETS*
Peter Butterfield	CEO	M		■	■	■	■	■
Andrew Franklin	CFO	M	■	■	■	■		■
Kristof Neirynck	INED	M		■		■	■	
David Cook	INED	M	■		■	■	■	■
Jo LeCouilliard	INED	F	■	■	■	■	■	■
Richard Jones	INED	M	■		■	■	■	■

* UK and overseas financial markets experience.

Board gender diversity

Male
83%

Female
17%

Diversity and inclusion

As part of a progressive plan, we review the skills on our Board and work with Group HR to ensure we identify any gaps. We talk about a range of areas such as diversity of thought, experience, gender, ethnicity, skills, nationality, and specific skills identified to strengthen and develop the knowledge base on the Board. When necessary we also engage and work with specialist recruitment consultants to help identify talent and search for potential candidates that meet our objective criteria.

As a Board of a company admitted to AIM, we monitor the guidance and best practice in the market around the areas of gender and ethnicity, in particular the percentage targets set for FTSE main market listed companies.

Should investors wish to discuss any aspects of the work of the Committee, I will be available to answer questions at this year's AGM.

The Company's Diversity and Inclusion Policy can be found on the Company's website.

The role of the Committee

The Nomination Committee's primary roles are to carry out a selection process for the appointment and reappointment of all Directors to the Board, and to review the structure, size and composition of the Board (including in terms of skills, knowledge, experience and diversity). The Committee also reviews the leadership needs of the organisation and monitors succession planning for both Board and senior executive roles. The framework of duties is set out in its Terms of Reference which are available on the Company's website. Each year the Committee reviews its own performance and its Terms of Reference.

Duties of the Committee

The duties of the Committee include:

- Keeping itself informed about strategic issues and commercial changes affecting the Company.
- Reviewing the structure, size, and composition of the Board, including diversity, skills, knowledge, and experience.
- Considering succession plans for Directors and other senior executives.
- Identifying and nominating candidates to fill Board vacancies.
- Evaluating the balance of skill, knowledge, experience, and diversity prior to commencing any appointment process.
- Reviewing the results of the Board performance evaluation insofar as it relates to composition and time commitment of Directors.
- Making recommendations to the Board on matters such as Committee membership, reappointment, and re-election of Directors.

Members of the Committee have access to the Company Secretary, who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information. The Chair of the Committee reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and will make any recommendations to the Board it deems appropriate.

Nomination Committee Report continued

Attendance

During the year, the Committee held two scheduled meetings and reported on its activities to the Board.

Nomination Committee

2 Meetings – 100% attendance*

Member	Role	Status	Attendance
David Cook	Chairman	Independent	2/2
Jo LeCouilliard	NED	Independent	2/2
Kristof Neirynck	NED	Independent	–
Nigel Clifford**	NED	Independent	1/1
Richard Jones	NED	Independent	2/2

* Additional ad hoc meetings were held during the year to deal with NED recruitment.

** Resigned from the Board on 30 April 2021.

Committee membership

Appointments to the Committee are made by the Board. Only members of the Committee have the right to attend meetings. However, where appropriate, the Chief People and Infrastructure Officer and the CEO are invited to attend certain meetings of the Committee to support with discussions around succession planning and recruitment process.

Committee membership changes

Nigel Clifford stepped down from the Committee on 30 April 2021. With effect from 1 December, Kristof Neirynck was appointed a member of the Nomination Committee.

Activities of the Committee

Board composition

The Committee reviews any outcomes from the annual Board performance evaluation that relate both to composition and time commitment from Non-executive Directors. The Committee keeps under review the Board's composition to ensure it provides a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and to address anticipated issues in the foreseeable future. This process includes reviewing the mix of skills, sector experience and financial, public markets and international experience.

Being a global business, the Committee is aware of the benefits of diversity on the Board and at the senior management level. It remains committed to considering diversity when discussing appointments and succession plans. The Company and the Board always seek to search for, recruit and appoint the best available person based on aptitude and ability, regardless of gender, marital or civil partnership status, race, colour, nationality, ethnic or national origins, pregnancy, disability, age, sexual orientation, religion or belief.

NED search and appointment

During 2021, the Nomination Committee conducted a search and recruitment process followed a review of the skills, capabilities and experience on the Board. As an international consumer healthcare business with diverse products across many territories, the Board sought to recruit someone with close knowledge and extensive experience in the marketing of products in the healthcare sector, across several countries, particularly in the US, APAC and European regions. The Committee's process was supported by the Chief People and Infrastructure Officer and the Company engaged the services of an external executive search and recruitment agency.

Following a recommendation by the Nomination Committee, the Board was pleased to announce the appointment of Kristof Neirynck as a Non-executive Director on the 29 June 2021. He took office on 1 December 2021 and brings with him the addition of skills and experience in marketing, digital transformation and innovation gained in fast-moving consumer healthcare companies.

Board balance and independence

The Committee considers there to be an appropriate balance between Executive and Non-executive Directors on the Board, and following this year's Board evaluation, members confirmed that discussions are not dominated by any one or small group of people when making decisions. Having considered the guidelines on independence, on appointment as Chairman, David Cook was independent and continues to be regarded by the Board as independent alongside Richard Jones, Jo LeCouilliard and Kristof Neirynck.

Senior Independent Director (SID)

Each year the Nomination Committee considers whether it is appropriate to have a SID to act as a sounding board and intermediary for the Chairman or other Board members. As part of their review in 2021, it was concluded that the appointment of a SID is not necessary at this time, but the potential appointment will be kept under review.

External directorships

The Chairman and Non-executive Directors hold appointments as Directors and/or senior management on a small number of other companies, as detailed in their biographies on pages 48 and 49. It is considered that the Chairman and Non-executive Directors allocate sufficient time and commitment to fulfil their duties to the Company.

Nomination Committee Report continued

Board appointments and succession planning

Succession planning

The Committee works closely with the Board and, with the support of the Chief People and Infrastructure Officer, develops strategies in support of progressive and orderly succession planning for Board and senior management. Planning includes consideration of the challenges and opportunities facing the Company and careful evaluation of the skills and experience needed on the Board in the future. When developing these plans, the Directors are mindful of the need for a more diverse executive pipeline to help increase diversity levels in senior positions.

Page 75 in the Remuneration Committee Report sets out the term of appointment for each Director. The nine year tenure of the Chairman will come to an end early 2023, after which he is no longer considered to be independent. Accordingly, the Committee has started to consider succession for the role and shareholders will be notified of any proposed changes as and when it would be appropriate to do so.

Board appointments and induction

Whether as part of formal succession planning or to fill any Board vacancy that should arise, the Committee leads the process for the appointment of Directors. The Chairman does not chair the Committee when it is dealing with the appointment of his successor.

Any appointment process follows a careful assessment of the balance of skills, knowledge and experience and diversity on the Board to identify capabilities that would enhance the Board and support the long-term strategy of the Group. The Chief People and Infrastructure Officer prepares a role description and capabilities required for the appointment. The services of an external recruitment agency are engaged to facilitate the search with instructions to consider candidates from a wide range of backgrounds. Potential candidates are also considered on merit and against objective criteria with due regard to the benefits of diversity, including gender, and time available to devote to the position. Potential candidates are required to disclose business interests that may result in a conflict of interest.

From a short-list of suitable candidates, interviews are held with the Chairman of the Board, CEO and Chief People and Infrastructure Officer and other Board members. The Committee then recommends appointments to the full Board for their formal approval. New appointments are proposed to shareholders for approval at the next AGM following the first date of appointment.

On appointment, all Directors receive a personally tailored induction. This includes meetings with members of the Board, members of the SLT, the Group General Counsel and Company Secretary, and presentations from key functions in the business. They are provided with an overview of the Group's structure and operations and governance policies and receive copies of past Board minutes and reports via the electronic board portal. In addition, the portal holds other key corporate documents and information, for example, Matters Reserved for the Board, Committee Terms of Reference, the Company's Articles of Association and the Directors' and Officers' liability insurance arrangements.

Annual re-election of Directors at AGM

In accordance with the Company's Articles of Association, all Directors are subject to election or re-election by shareholders at the AGM. In line with good practice, the Committee recommended to the Board that all six Directors, being eligible, put themselves forward for annual re-election at the Company's AGM.

Audit and Risk Committee Report

"We continue to monitor the integrity of the financial statements and other announcements as the business works to achieve its goals"

Chairman's statement

On behalf of the Audit and Risk Committee (the 'Committee'), I am pleased to introduce the Audit and Risk Committee Report. As a company admitted to AIM, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice.

In this report we set out the Committee's responsibilities and report on the activities of the Committee during the year.

At the start of the year, alongside our regular work carefully reviewing the Company's annual financial statements, the associated accounting treatment and disclosures, efforts focussed on the integration of Biogix Inc. following its acquisition on the 29 December 2020. The Committee carried out a post-acquisition accounting review of Biogix Inc., which included a review of the independent audit conducted in respect of the Company's financial statements prior to acquisition, significant judgements and estimates used in considering the impact of the acquisition under IFRS 3 ('Business Combinations') and the appropriateness of the disclosures and accounting rules for the year ended 31 December 2020 in respect of the acquisition.

Audit and Risk Committee Report continued

In addition, there was a mid-year review of financial controls in the US. Key controls have been implemented including the appointment of a Divisional Financial Controller.

Regular reviews were held with the Company's Auditor, KPMG LLP, without management in attendance. In 2021, the Committee welcomed Huw Brown as the new lead audit partner. The Chair meets with Huw Brown outside of the formal Committee meetings as part of relationship engagement.

As part of the Committee's annual review of the need for an internal audit function, the Committee concluded that, with the growth of the business and the corresponding complexities, it is appropriate to establish a new internal audit function. Management is currently in the process of appointing a new Internal Audit Manager who will report to me.

The Committee reviews the Group's risk register quarterly, and the Committee believes that the Group strategy has the support of a management team who understand the risk management framework required to deliver it. Information about our principal risks and uncertainties and our system of risk management and internal control can be found on pages 39 to 45 and on pages 63 and 64.

The Company intends to undertake a tender process for audit services and expects this process to be completed by Q3 2022. Notwithstanding such process, a resolution to re-appoint KPMG LLP will be proposed at this year's Annual General Meeting.

Richard Jones
Audit and Risk Committee Chairman

30 March 2022

The role of the Committee

The Audit and Risk Committee assists the Board with monitoring and reviewing the Company's financial results and other reporting and has oversight of the effectiveness of risk management and systems of internal control. Its role is to provide confidence to shareholders on the integrity of our reported financial results and provide challenge to the external auditors and senior management.

The framework of duties is set out in its Terms of Reference which are available on the Company's website. Each year the Committee reviews its own performance and its Terms of Reference.

Duties of the Committee

The duties of the Committee include:

› Reviewing the management and reporting of financial matters including key accounting policies.

› Reviewing the Annual Report and Accounts and advising the Board on whether, when take as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Company's performance, business model and strategy.

› Considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit.

› Overseeing the relationship with, and the independence and objectivity of, the external auditors.

› Setting policy in relation to the use of the external auditors for non-audit services.

› Advising the Board on the Company's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these.

› Reviewing the Company's risk management and internal control systems and their effectiveness.

› Reviewing the Company's procedures for detecting fraud, bribery and corruption and ensuring arrangements are adequate for employees to raise concerns.

Audit and Risk Committee Report continued

Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information. The Chairman of the Committee works closely with the CFO and the finance department to ensure papers for meetings are comprehensive and comprehensible. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

The Committee reports to the Board which includes reporting on any matters where it considers action or improvement is needed, including recommendation of remedial actions. The Chair of the Committee reports to the Board on its proceedings after each meeting on all matters, including any reporting issues and on estimates and judgements made in the preparation of financial statements.

Attendance

During the year, the Committee held four scheduled meetings and reported on its activities to the Board.

As at the date of this report, the members of the Audit and Risk Committee, all of whom held office throughout the year and to the date of this report unless otherwise stated, are:

Audit and Risk Committee

4 Meetings – 100% attendance

Member	Role	Status	Attendance
Richard Jones	Chairman	Independent	4/4
David Cook	NED	Independent	4/4
Jo LeCouilliard	NED	Independent	4/4

Committee membership and attendance

Appointments to the Committee are made by the Board following any recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. All three members of the Committee have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and have recent and relevant financial experience. The CEO, CFO and the Group Head of Finance are invited to attend all meetings, while other senior financial managers will attend as appropriate.

The external auditor also attend the meetings to discuss the planning and conclusions of their work and meet with the members of the Audit and Risk Committee without any members of the executive team present after each meeting. The Audit and Risk Committee can call for information from management and consults with the external auditor directly if required.

Key activities of the Committee

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2021
Financial statements and narrative reporting	The content and integrity of financial statements and any formal announcements relating to financial performance, including review of the significant financial reporting judgements contained therein.	› Review of the financial statements and narrative reporting in the Annual Report and Accounts for 2020 and 2021 with reference to the reports being fair, balanced and understandable. Included a review of the appropriateness of the disclosures considering requirements and guidance under IFRS, the AIM Rules for Companies, Companies Act 2006 requirements, FRC guidance and the QCA Corporate Governance Code 2018. › Review of the preliminary results for the financial years ended 31 December 2020 and the unaudited half year results to 30 June 2021. › Consideration of reports from the external auditor in respect of the Annual Report and Accounts for 2020 and 2021.
Going concern	Matters that have informed the Board's assessment of whether the Company is a going concern.	› A review of the going concern including methodology, assessment in support of the going concern assumption, concluding the expectation that the Group has adequate resources to continue in operation existence for the foreseeable future.

Audit and Risk Committee Report continued

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2021
Accounting policies and standards	Key accounting estimates and judgements.	› In respect of the preparation of the financial statements for the year ended 31 December 2021, the Committee reviewed key accounting judgements and estimates including a review of the group's weighted average cost of capital (WACC); a review of intangible assets including consideration of impairment under IAS 36; estimates and judgements in respect of going concern, review of alternative performance measures, and accounting for the Biogix Inc acquisition. › The review of the legal and accounting considerations and draft disclosures for the financial statements for the year ended 2021, including the making of a provision following the CMA's Infringement Decision on 3 February 2022. › A review of an assessment under IFRS 15 and the revenue recognition in relation to a major cross-border e-commerce distribution agreement. › A review of the accounting treatment for ERP systems in light of IFRS Interpretations Committee decisions on cloud computing arrangements.
Risk management and internal controls	Financial and other internal controls and risk management systems, including the Group's Principal Risks and Uncertainties.	› A review of risk management and the Group risk register. › Review of the Group's assessment of its control framework, including progress in enhancing the control environment. › A review of the business and corporate governance statement relating to the audit and risk management. › A review of the Group's risk management and internal control systems. › Annual review of the need for an internal audit function.
	Regulatory and compliance risk.	› Review of the Company's Whistleblowing policy and procedures.

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2021
Review of external auditor	External auditor's independence and objectivity and the effectiveness of the audit process.	› Meetings with the external auditor without management to consider any potential areas of concern. › Review and consideration of the external auditor's findings and recommendations and management's response from the audit of the year ended 31 December 2020 and 2021.
	The policy to control engagement of the external auditor to supply non-audit services.	› Approve the terms of appointment, areas of responsibility and duties. › Scope, strategy and fees of the 2021 external audit set out in the engagement letter and recommend approval to the Board. › Review of the external auditor's performance, independence, and objectivity.
Terms of Reference	Reporting to the Board on how the Committee has discharged its responsibilities.	› The Committee reviewed its own Terms of Reference which are considered to be satisfactory. The Committee and Board were satisfied that the Committee and its members continue to operate effectively individually and collectively and had discharged all of the duties within its remit.

Risk management and internal controls

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control and has delegated its oversight to the Committee.

During the year, the Committee has reviewed and reported on the identification, evaluation and management of risks facing the business and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business.

At least once a year, the Board also reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers.

Audit and Risk Committee Report continued

The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of pharmaceutical regulators in the various markets in which the business operates as well as the legal requirements of being a UK company admitted to AIM. Internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

The key components of the current systems of internal controls are:

› Clearly communicating Alliance's values and strategy to ensure these are understood and people know what is expected.

› Developing business and financial plans that support the strategy.

› Reviewing policies and procedures to ensure these remain fit for purpose.

› Strengthening controls through enterprise resource planning.

› Regular reporting of actual performance relative to goals, budgets and forecasts.

› Ensuring there is a structure of accountability and accountability.

› Training and monitoring.

Internal audit function

Every year, the Audit and Risk Committee considers the need for an internal audit function. This year the Committee has taken a decision to establish an internal audit function and its activities will be reported in the 2022 Annual Report.

Whistleblowing

The Company has a Whistleblowing Policy and procedures to help with the detection and prevention of fraud. Published on the Company's Intranet, the Policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Company Secretary in conjunction with Human Resources. The outcomes of any investigations carried out in accordance with the Policy is reported to the Committee.

External auditor

Audit process

Each year, the Committee assesses the proposed Audit plan for the external auditor's review of the Company's full-year financial statements. This plan sets out the scope of the audit, areas of significant risk of material misstatement, timetable and fees. KPMG formally present their findings to the Committee but throughout the auditing process there is regular dialogue and engagement with management with any significant matters or risks being communicated.

Prior to the Board's approval of the Annual Report and Accounts, the Committee reviews with the auditor the representations set out in the management representation letter and reports to the Board. The auditor presents the Board with a management representation letter which the Committee will have reviewed and discussed with the auditor as part of its year-end meetings.

Effectiveness and independence of the external auditor

The Committee is responsible for agreeing the terms of engagement with the Company's external auditors KPMG. The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company, and tracking the level of non-audit fees payable to the external auditors.

Reappointment of the external auditor

KPMG took up office as the Company's auditor in 2016. The auditor's appointment requires the approval of shareholders at the AGM. The Company intends to undertake a tender process for audit services and expects this process to be completed by Q3 2022. Notwithstanding such process, a resolution to re-appoint KPMG LLP will be proposed at this year's Annual General Meeting.

Each year, the Committee reviews the scope and fees for the annual audit of the Company.

"We aim to ensure that our remuneration arrangements align to support implementation of the Group's strategy for the medium to long term"

Remuneration Committee Report

Chairman's statement

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to introduce this year's Remuneration Committee Report.

As a company admitted to AIM, we are guided by the QCA's Remuneration Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice. The Committee remains aware of the importance placed by investors on remuneration.

In carrying out its duties, we continue to balance our remuneration policy and practices with our size and complexity as well as with the performance of the business. We promote the long-term growth of shareholder value, in line with the Group's strategy, and the need to ensure that our people remain motivated through fair remuneration strategies. The Committee believes that the Company's current remuneration policy encourages and rewards the right behaviours and that any risks created by its structure are within the appetite of the Board. The key activities of the Committee during the year included:

- Reviewing our remuneration policies and remuneration levels (both fixed and variable) in the context of appropriate AIM market comparisons.
- Ensuring our policy achieves its objectives and continues to attract, retain, and motivate a high-quality management team to run the Alliance business successfully for our shareholders.

- Considering the context of the potential impact of external factors on the business and the economy generally, the Company's dividend policy and payments, competence, investor sentiment, sector performance, affordability, total reward, and wider employee view.
- Reviewing and approving annual bonuses against the achievement of targets and personal performance.
- Monitoring and making recommendations with respect to the level and structure of remuneration for senior management
- Assessing the achievement of performance conditions and extent of vesting relating to share awards which matured in 2021.
- Approving the grant of share option awards under the Company's share incentive plans to the Executive Directors and employees.
- Reviewing the holding requirements under the Company's Share Ownership Policy.

The Committee continues to monitor trends and developments in relation to remuneration and market practices and corporate governance and welcomes views from its shareholders. Being committed to and maintaining a healthy dialogue with our shareholders helps to ensure that our remuneration strategy is understood and remains appropriate across all levels of the organisation.

I will be attending the AGM on 18 May 2022 and will be available to answer any shareholder questions on the Committee's activities. In the meantime, I would like to thank our shareholders for their continued support.

Jo LeCouilliard
Remuneration Committee Chairman

30 March 2022

The role of the Remuneration Committee

The role of the Remuneration Committee is to ensure there is a formal process for considering Executive remuneration. On behalf of the Board, it reviews the pay, benefits, and other terms of service of the Executive Directors of the Company and the broad pay strategy with respect to other senior executives. The framework of duties is set out in its Terms of Reference which are available on the Company's website. Each year the Committee reviews its own performance and its Terms of Reference.

Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information. The Chair of the Committee reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and will make any recommendations to the Board it deems appropriate. The Committee will also engage with the Nomination Committee when considering, for example, the appointment of Directors or contractual terms on termination.

Committee membership

Appointments to the Committee are made by the Board following any recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. However, where appropriate, the CEO, CFO and the Chief People and Infrastructure Officer are also invited to attend certain meetings of the Remuneration Committee.

Attendance

During the year, the Committee held a total of six meetings and reported on its activities to the Board. As at the date of this report, the membership of the Remuneration Committee comprises three Independent Non-executive Directors and their attendance was as follows:

Remuneration Committee

6 Meetings – 100% attendance

Member	Role	Status	Attendance
Jo LeCouilliard	Chairman	Independent	6/6
David Cook	NED	Independent	6/6
Nigel Clifford*	NED	Independent	2/2
Kristof Neirynck**	NED	Independent	1/1

* Nigel Clifford resigned from the Board of Directors on 30 April 2021.

** Kristof Neirynck joined the Committee on 1 December 2021.

Activities of the Committee

During the year, matters reviewed and considered by the Remuneration Committee included reviewing policies on remuneration, external environment, market comparators, increases to annual base salaries, short-term and long-term reward and incentives, and assessing the extent to which targets have been achieved under the performance-related bonus scheme. When appropriate to do so, the Remuneration Committee seeks the support of external advisers and consultants. During the year, the Committee undertook a competitive tender process and appointed Ellason LLP as adviser to the Committee. Ellason LLP are members of the Remuneration Consultants Group, which sets out guidelines to ensure that any advice received is independent. Ellason LLP provides no other services to the Company and the Committee is satisfied that the advice received is objective and independent. No Directors or senior managers are involved in any decisions as to their own remuneration.

Remuneration Committee Report continued

REMUNERATION POLICY

Remuneration policy tables

As the Company is not a fully listed company, it is not required to produce a formal remuneration policy or seek shareholder approval of that policy. However, we set out below additional information that the Committee believes will be most useful to shareholders and reflects remuneration practices that are appropriate for an AIM company of our size. The policy is designed to ensure our Executive Director pay arrangements remain supportive of and drive the strategy.

Policy table in respect of Executive remuneration

Element	Policy
Base salary	Base salaries are reviewed annually to ensure they remain in line with other pharmaceutical/healthcare and other AIM companies and reflect the size and scope of the individual's role. Within that frame of reference, the Company aims to be at or near the median level. Annual base salaries increase in line with the remuneration policy and take effect from May each year. The Committee is committed to ensuring that salaries remain competitive relative to the AIM 100. Levels are set to attract and retain individuals to lead and drive forwards the agreed strategy for the Company.
Pension and other benefits	Executive Directors can participate in the Company's defined contribution pension scheme. In line with all employees, only their base salaries are pensionable. The Company contributes twice the amount contributed by the employee up to a maximum of 10%. When appropriate to do so, Executive Directors may take benefits as a salary cash supplement (which will ordinarily be reduced to take account of the employer National Insurance Contributions). Other benefits in kind include life assurance, healthcare and the provision of a cash allowance in lieu of a company car.

Element	Policy
Annual bonus	The delivery of the Group's in-year, short-term corporate goals is incentivised by offering a cash-settled bonus ('Annual Bonus') linked to two factors: › the achievement of budgeted levels of underlying profit before tax, which is the key metric the Board considers in monitoring corporate performance; and › personal performance of each Executive. As part of this incentive strategy Executive Directors are eligible to participate in the all-employee Annual Bonus scheme. The level of that bonus is determined by first assessing whether the threshold level of financial performance has been achieved by the business and, once this has been achieved, applying a further multiplier which is determined by assessment of the Executive's personal performance for the relevant year. The financial targets are set at the start of each financial year – the targets are determined with the approval of the Remuneration Committee to ensure they incentivise the Executives and align with delivery of the Group's strategy. Personal performance is measured on various factors including delivery of pre-set personal targets. Based on a combination of financial and personal performance, the Annual Bonus that each of the Executives is able to earn is as follows: **Chief Executive Officer** A bonus of 50% of base salary is payable for on-target financial performance, increasing on a sliding scale up to a maximum of 100% of base salary. The bonus payable can be further increased by applying a personal performance multiplier. The maximum personal performance multiplier is 1.5x (i.e. up to an additional 50% of salary). The CEO's potential maximum Annual Bonus opportunity is therefore 150% of base salary. **Chief Financial Officer** A bonus of 40% of base salary is payable for on-target financial performance, increasing on a sliding scale up to a maximum of 80% of base salary. The bonus can be further increased by applying a personal performance multiplier. The maximum personal performance-related multiplier is 1.5x (up to an additional 40% of salary). The CFO's potential maximum Annual Bonus opportunity is therefore 120% of base salary.

Remuneration Committee Report continued

REMUNERATION POLICY CONTINUED

Element	Policy
Share incentive schemes	The Company operates two share incentive schemes to encourage a culture of long-term growth and performance that aligns with share ownership. Executive Directors can participate in both the market value Company Share Option Plan (CSOP), and a nil-cost Long-Term Incentive Plan (LTIP). Any awards granted to the Executive Directors are subject to performance metrics which are reviewed regularly by the Committee, and the level of award is reviewed annually to ensure that the aggregate remuneration remains competitive. Performance targets for Directors' awards granted under the LTIP and CSOP continue to be based on Earnings Per Share (EPS) and Total Shareholder Return (TSR) related targets, assessed over a three-year performance period. The maximum total market value of shares over which awards may be granted under the LTIP to any participant during any financial year is 100% of the participant's salary. However, in exceptional circumstances, the Committee may, at its absolute discretion, grant a higher amount. The maximum market value of shares under the approved part of the CSOP shall not exceed £30,000. There is no limit on the market value of shares when granting unapproved share option awards. Further information about the Company's share incentive plans is set out on page 81.
Share ownership	To align Directors and Senior Management's interests with our shareholders, the Company operates a Share Ownership Policy. When exercising share options relevant employees are required to build a qualifying interest in shares or vested options capable of exercise that is equal to a percentage of their base salary at the prevailing time. Ordinary shares are valued at their market value at the time of any calculation carried out to determine whether a qualifying interest has been established or needs to be increased. The CEO is required to build a qualifying interest equal to 200% of his base salary, while the CFO is required to build an interest equal to 150% of his salary. Further information can be found on page 74 of this report.

Policy table in respect of Non-executive remuneration

Remuneration/ Benefit	Application
Fees	Non-executive Directors of the Company receive a basic fee for the services provided to the Company. These are reviewed by the Company from time to time to ensure levels remain in line with comparable companies. There are no performance measures in relation to fees paid to Non-executive Directors. The Non-executive Directors do not receive an additional allowance for chairing one or more of the Committees of the Board.

Remuneration Committee Report continued

DIRECTORS' REMUNERATION

The aggregate remuneration payable to the Directors in respect of the period was as follows:

	Salary or fees		Other		Pension		Bonus		Total remuneration, excluding share options		Exercised share option gains		Total remuneration, including share options	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Peter Butterfield	**335,500**	311,667	**12,377**	12,328	**28,998**	27,389	**238,889**	206,250	**615,764**	557,634	**363,146**	54,400	**978,910**	612,034
Andrew Franklin	**226,667**	210,000	**11,922**	8,590	**22,667**	20,636	**155,940**	110,000	**417,296**	349,226	–	–	**417,296**	349,226
Nigel Clifford[1]	**15,000**	44,389	–	–	–	–	–	–	15,000	44,389	–	–	**15,000**	44,389
David Cook	**82,667**	78,488	–	–	–	–	–	–	82,667	78,488	–	–	**82,667**	78,488
Richard Jones	**45,750**	44,389	–	–	–	–	–	–	45,750	44,389	–	–	**45,750**	44,389
Jo LeCouilliard	**45,750**	42,723	–	–	–	–	–	–	45,750	42,723	–	–	**45,750**	42,723
Kristof Neirynck[2]	**3,844**	–	–	–	–	–	–	–	3,844	–	–	–	**3,844**	–
	755,178	731,656	**24,299**	20,918	**51,665**	48,025	**394,829**	316,250	**1,225,971**	1,116,849	**363,146**	54,400	**1,589,217**	1,172,249

1 Nigel Clifford retired from the Board as a Non-executive Director on 30 April 2021.

2 Kristof Neirynck joined the Board as an independent Non-executive Director on 1 December 2021.

No Director received any remuneration from a third party in respect of their service as a Director of the Company.

Base salary

Base salaries for the CEO and CFO were increased in line with the wider workforce during the year from £330,000 to £338,250 for the CEO and from £220,000 to £230,000 for the CFO. These increases took effect on 1 May 2021.

Pension and benefits

Both the CEO and CFO received an employer pension contribution of twice the amount contributed by the Director up to a maximum of 10% of salary.

The column headed 'Other' in the table above shows the value of benefits provided to each Executive Director, including a cash allowance in lieu of a company car and healthcare. Only the Executive Directors accrue retirement benefits, and both of whom did so through defined contribution (money purchase) schemes. The Company does not operate a defined benefit scheme. No Director or former Director received any benefits from a retirement benefits scheme that were not otherwise available to all members of the scheme.

Annual bonus

The Committee reviewed the achievement of actual underlying profit before tax (PBT) against budgeted levels of underlying PBT — the key metric for monitoring corporate performance. In addition, the Committee considered the personal performance of the Executive Directors as measured against various factors including pre-set personal objectives. For the Executive Directors this resulted in the following payments:

	2021 £	2020 £	2021 % salary	2020 % salary
Peter Butterfield	**238,889**	206,250	**71**	62.5
Andrew Franklin	**155,940**	110,000	**68**	50

DIRECTORS' REMUNERATION CONTINUED

Non-executive Directors' fees

An increase to Non-executive Directors' fees was approved during the year and took effect on 1 May 2021. The annual fee paid to David Cook is £84,000. Jo LeCouilliard, Kristof Neirynck and Richard Jones each receive a fee of £46,125 per annum. Non-executive Directors do not receive an additional allowance for chairing one or more of the Committees of the Board.

Share incentive awards

The Company operates two share incentive schemes under which share options are granted to Executive Directors and senior management. More details on our share plans can be found in the Directors' Report on page 81.

Awards under the Alliance Company Share Option Plan 2015 (CSOP)

During the year, the Committee approved the award of market value share options to the Executive Directors and Senior Leadership Team ('SLT'). The quantum of award is one share for every £2 of base salary and, where appropriate, may attract HMRC tax advantages.

On 29 September 2021, the Company granted Peter Butterfield 29,182 approved and 139,943 unapproved share options under the CSOP. On the same date, the Company granted Andrew Franklin 115,000 unapproved share options under the same plan. These share options were all granted with an exercise price of 102.8p per share (being the closing mid-market price of one 1p Ordinary share in the Company at close of trading on 28 September 2021). Based on the exercise price, the value of the awards as at the date of grant was equal to £173,860 for the CEO and £118,220 for the CFO. These awards will vest on the third anniversary from the date of grant, 29 September 2024, subject to meeting the EPS and TSR performance targets as set out on page 72.

Awards under the Alliance Long-Term Incentive Plan 2019 (LTIP)

The Committee also approved awards granted under the Company's LTIP in the form of nil-cost options. These were granted on 29 September 2021 with a face value of 55% of base salary to Peter Butterfield, equal to £186,037 (180,970 option awards); and 45% of base salary to Andrew Franklin, equal to £103,500 (100,681 option awards). The strike price used to calculate the quantum of awards was 102.8p per share (being the closing mid-market price of one 1p Ordinary share in the Company at close of trading on 28 September 2021). These awards will vest on the third anniversary from the date of grant, 29 September 2024, subject to meeting the EPS and TSR performance targets on the following page.

Malus and clawback

All awards under the LTIP are subject to standard malus and clawback provisions which allow the Company, in certain circumstances, to either (i) terminate outstanding options, or (ii) seek repayment of after tax value of options which have been exercised by an Executive which has been dismissed as a result of a set of prescribed irregularities including the discovery of material misstatement of results of the Company or Group; or a serious breach of the Company's code of ethics has arisen; or a serious regulatory, or health and safety issue has occurred.

Performance conditions

All options granted to Executive Directors before 2019 will only vest if targets for growth in the Company's underlying diluted Earnings Per Share (EPS) are met over a period of three years. EPS is an important metric which provides a strong incentive to drive the Group's business over that longer-term period and to mitigate downside risks that could affect the Group's profitability. Reputation risks could reasonably be expected to affect the share price, so the Executive is further incentivised to mitigate these exposures, if they wish to maximise the potential value of their options.

Remuneration Committee Report continued

DIRECTORS' REMUNERATION CONTINUED

In 2019, the Committee reviewed performance targets as part of the introduction of the LTIP and introduced a second measure, in addition to EPS, based on Total Shareholder Return (TSR). As such, all options granted in 2021 to Executives under the CSOP and LTIP are subject to EPS and TSR performance conditions. 50% of the awards are subject to EPS and 50% are subject to TSR as set out below:

EPS Compound Annual Growth Rate over the performance period	% of award that vests (of 50%)
< 5% CAGR	0%
5% – 10% CAGR	Calculated on a straight-line basis between 50% and 100%
> 10% CAGR	100%

CAGR: means compound annual growth rate.

EPS: means the underlying diluted earnings per share as presented in the Company's published Annual Reports.

EPS Compound Annual Growth Rate: means the percentage of increase in the EPS of the Company calculated by reference to the difference between (i) the EPS as presented in the published Annual Report for the financial year ending 31 December 2020, to (ii) the EPS as presented in the published Annual Report for the financial year ending 31 December 2023.

EPS Performance Period: the period from 31 December 2020 to 31 December 2023 (inclusive).

TSR against the FTSE Small Cap Index (ex-Trusts) over the performance period	% of award that vests (of 50%)
Less than the Index	0%
Equal to the Index	50%
Between the Index but less than 15% out-performance of the Index on a cumulative basis over the TSR performance period	Calculated on a straight-line basis between 50% and 100%
Equal to or greater than 15% out-performance of the Index on a cumulative basis over the TSR performance period	100%

Index: means the FTSE Small Cap Index, excluding investments trusts as determined by the Company's nominated adviser.

TSR: means total shareholder return calculated by reference to the Company's share price appreciation plus all dividend per share paid (based on ex dividend date) during the TSR Performance Period, and as determined by the Company's Nominated Adviser at the end of the TSR Performance Period.

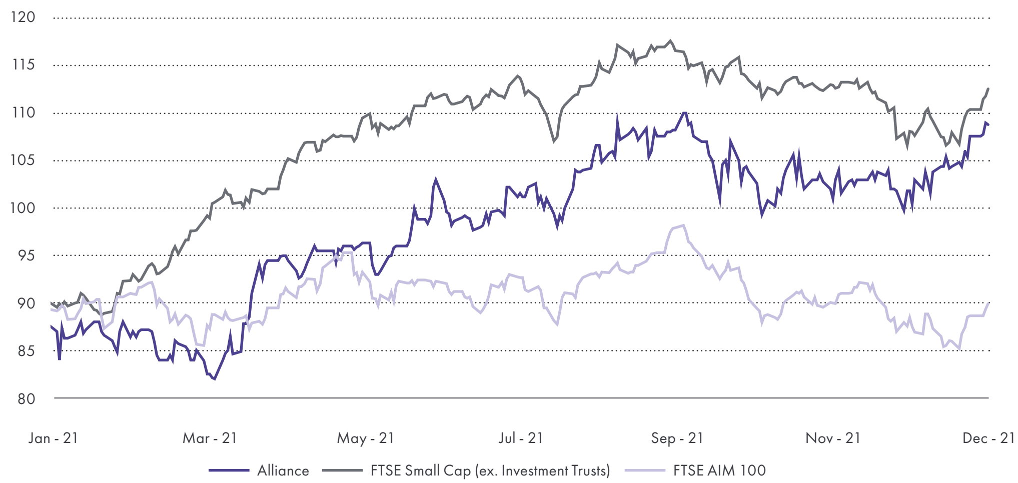
TSR Performance Period: the period starting on the Grant Date and ending on the third anniversary of the Grant Date.

Awards vesting during the year

On 5 October 2021, market value share options made in 2018 under the CSOP to Peter Butterfield and Andrew Franklin vested 100% based on the achievement of the EPS target for the financial year ending 31 December 2020 of 4.58p (being RPI+2% per annum over the three year performance period).

On 27 October 2021, market value share options made in 2016 under the CSOP to Peter Butterfield and Andrew Franklin vested 100% based on the achievement of an EPS target for the financial year ending 31 December 2020 of 4.52p (being RPI+2% p.a. over the five year performance period).

Details of the number of shares vesting and the relevant exercise prices for these option awards are set out in the table on page 73.



The closing mid-market price of Ordinary shares on 31 December 2021 (being the last dealing day in the calendar year) was 108.8p and the range during the year was from 82.0p to 110.0p.

Remuneration Committee Report continued

DIRECTORS' REMUNERATION CONTINUED

Share incentive awards

Executive Directors hold options through the Company's share option and long-term incentive plans. Details of options held under the Company's employee share schemes by the Directors as at 31 December 2021 and who served during the year are as shown opposite. Shares are retained as required in order to comply with the Company's Share Ownership Policy for which details are provided on page 74.

On 21 April 2021, Peter Butterfield exercised 205,000 options over Ordinary shares of 1p each granted to him by the Company under the CSOP in 2017. The exercise price was 53.0p per share. 93,000 shares were then subsequently sold at a market price of 95.4p per share.

On 19 November 2021, Peter Butterfield exercised 500,000 options over Ordinary shares of 1p each granted to him by the Company under the CSOP in 2016. The exercise price was 47.5p per share. 269,417 shares were then subsequently sold at a market price of 102.5p per share.

Peter Butterfield

Type of award	Date of grant	Exercise price (p)	Performance condition	No. of options granted	Vested	Exercised	Lapsed	Number of options capable of exercise	Exercisable from	Exercisable to
CSOP Unapproved	27-Oct-16	47.50	EPS	1,000,000	1,000,000	500,000	–	500,000	27-Oct-21	27-Oct-26
CSOP Unapproved	15-Sep-17	53.00	EPS	148,397	148,397	148,397	–	–	15-Sep-20	15-Sep-27
CSOP Approved	15-Sep-17	53.00	EPS	56,603	56,603	56,603	–	–	15-Sep-20	15-Sep-27
CSOP Unapproved	05-Oct-18	81.60	EPS	1,250,000	1,250,000	–	–	1,250,000	05-Oct-21	05-Oct-28
CSOP Unapproved	05-Dec-19	76.90	EPS & TSR	137,500	–	–	–	–	05-Dec-22	05-Dec-29
LTIP	05-Dec-19	Nil	EPS & TSR	196,684	–	–	–	–	05-Dec-22	05-Dec-23
CSOP Unapproved	23-Sep-20	73.70	EPS & TSR	165,000	–	–	–	–	23-Sep-23	23-Sep-24
LTIP	23-Sep-20	Nil	EPS & TSR	246,269	–	–	–	–	23-Sep-23	23-Sep-24
CSOP Unapproved	29-Sep-21	102.80	EPS & TSR	139,943	–	–	–	–	29-Sep-24	29-Sep-31
CSOP Approved	29-Sep-21	102.80	EPS & TSR	29,182	–	–	–	–	29-Sep-24	29-Sep-31
LTIP	29-Sep-21	Nil	EPS & TSR	180,970	–	–	–	–	29-Sep-24	29-Sep-25
				3,550,548	2,455,000	705,000		1,750,000		

Andrew Franklin

Type of award	Date of grant	Exercise price (p)	Performance condition	No. of options granted	Vested	Exercised	Lapsed	Number of options capable of exercise	Exercisable from	Exercisable to
CSOP Unapproved	04-Dec-15	46.75	No	1,935,829	1,935,829	1,435,829	–	500,000	04-Dec-18	04-Dec-25
CSOP Unapproved	27-Oct-16	47.50	EPS	155,000	155,000	–	–	155,000	27-Oct-19	27-Oct-26
CSOP Unapproved	27-Oct-16	47.50	EPS	400,000	400,000	–	–	400,000	27-Oct-21	27-Oct-26
CSOP Unapproved	15-Sep-17	53.00	EPS	170,000	170,000	–	–	170,000	15-Sep-20	15-Sep-27
CSOP Unapproved	05-Oct-18	81.60	EPS	178,000	178,000	–	–	178,000	05-Oct-21	05-Oct-28
CSOP Approved	05-Dec-19	76.90	EPS & TSR	39,011	–	–	–	–	05-Dec-22	05-Dec-29
CSOP Unapproved	05-Dec-19	76.90	EPS & TSR	55,989	–	–	–	–	05-Dec-22	05-Dec-29
LTIP	05-Dec-19	Nil	EPS & TSR	111,183	–	–	–	–	05-Dec-22	05-Dec-23
CSOP Unapproved	23-Sep-20	73.70	EPS & TSR	110,000	–	–	–	–	23-Sep-23	23-Sep-24
LTIP	23-Sep-20	Nil	EPS & TSR	134,328	–	–	–	–	23-Sep-23	23-Sep-24
CSOP Unapproved	29-Sep-21	102.80	EPS & TSR	115,000	–	–	–	–	29-Sep-24	29-Sep-31
LTIP	29-Sep-21	Nil	EPS & TSR	100,681	–	–	–	–	29-Sep-24	29-Sep-25
				3,505,021	2,838,829	1,435,829		1,403,000		

Andrew Franklin did not exercise any share options during the year.

Remuneration Committee Report continued

DIRECTORS' REMUNERATION CONTINUED

Directors' interests and shareholdings

Share ownership policy

The Company operates a share ownership policy under which the Executive Directors and certain other employees are required when exercising options to acquire and maintain an interest in Alliance Pharma shares up to a percentage of base salary. The policy requires Executive Directors, when they exercise options, to retain shares in the Company with a value equal to 50% of the net gain (post costs and settlement of tax liabilities) until such time as the required level of shareholding is achieved.

Once an Executive Director has built a stake in the Company equal to the required levels, they are free to exercise without having to retain shares. Interests may also be maintained as a result of a Director acquiring Ordinary shares in the open market. The Company Secretary maintains a record of individual required levels and qualifying interests based on information provided by an individual subject to this policy and reports periodically to the Remuneration Committee regarding compliance. Pursuant to the policy, 50% of the value of any vested but unexercised awards count towards the holding requirements. Ordinary shares are valued at their market value at the time of any calculation carried out using the previous day's closing middle market quotation.

From 1 April 2021, the holding requirements under the share ownership policy increased from 100% to 200% of base salary for the CEO and from 100% to the 150% of base salary for the CFO.

As at 21 March 2022, the Executive Directors hold the following interests in Ordinary shares of the Company:

Director		Percentage of salary	2021 Base salary	Shareholding	Vested but unexercised awards	Value of holdings*	% achieved
Peter Butterfield	CEO	200%	£338,250	442,104	1,750,000	£838,504	248%
Andrew Franklin	CFO	150%	£230,000	128,384	1,403,000	£558,129	243%

* At the closing market price on 21 March 2022: 111.4p.

The following table shows the interests of the Directors (and their spouses and minor children) in the shares of the Company.

	At 31 December 2020			At 31 December 2021		
Director	Beneficial	Non-beneficial	Total	Beneficial	Non-beneficial	Total
Peter Butterfield	412,461	–	412,461	**442,104**	–	**442,104**
Andrew Franklin	128,384	–	128,384	**128,384**	–	**128,384**
David Cook	234,129	–	234,129	**234,129**	–	**234,129**
Richard Jones	15,000	–	15,000	**15,000**	–	**15,000**
Jo LeCouilliard	–	–	–	–	–	–
Kristof Neirynck	–	–	–	–	–	–

DIRECTORS' REMUNERATION CONTINUED

Directors' service contracts

All Executive Directors are employed under 12-month rolling service contracts. The services of all Executive Directors may be terminated (i) by the Company or individual giving 12 months' notice or (ii) immediately, in the event that the Director is not re-elected by shareholders at an AGM.

Executive Director		Date of appointment	Date of current contract	Unexpired term	Notice period (Company)	Notice period (Director)
Peter Butterfield	Chief Executive	22/02/2010	05/08/2010	Rolling 12 months	12 months	12 months
Andrew Franklin	Chief Financial Officer	28/09/2015	25/06/2015	Rolling 12 months	12 months	12 months

The Non-executive Directors are employed under letters of engagement which may be terminated by the Company by (i) giving the appropriate notice, or (ii) immediately, in the event that the Director is not re-elected by shareholders at an AGM.

Non-executive Director		First date of appointment	Current term	Unexpired term
David Cook	Chair & Independent NED	01/04/2014	4 years	13 Months
Jo LeCouilliard	Independent NED	01/01/2019	5 years	22 Months
Richard Jones	Independent NED	01/01/2019	5 years	22 Months
Kristof Neirynck	Independent NED	01/12/2021	5 years	57 Months

The Executive Directors' service contracts and Chairman and Non-executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office or by emailing the Company Secretary at Company.Secretary@AlliancePharma.co.uk.

ESG Committee Report

"Driving ESG and the sustainability agenda is a real positive step benefiting all stakeholders across our business and its operations"

Chairman's statement

I am pleased to be introducing the first report from the ESG Committee (the 'Committee').

This Committee was newly formed in 2021 and during the last year it has been busy getting to grips with issues associated with our approach to sustainability, environmental considerations including climate change, government policies, metrics, reporting requirements, and investor and other stakeholder needs all of whom are engaging with this much-needed agenda.

In this report we set out the Committee's responsibilities and report on the activities of the Committee during the year. The business sees this as a much needed and positive step forward and there has been good engagement with our various stakeholders.

In particular, the Committee would like to thank our employees who took part in the workshops which preceded the creation of the Sustainability Forum and to those shareholders who have also worked with us to help us better understand responsible investing.

The Committee looks forward to building on all the hard work being done.

David Cook
ESG Committee Chairman

30 March 2022

The role of the Committee

The ESG Committee's primary role is to review the overarching ESG vision for the Company and ensure that the priorities are anchored and an integral part of the Company's overall strategy.

Duties of the Committee

The duties of the Committee include:

- To ensure that the views of stakeholder groups on ESG matters are solicited and understood to inform the Company's long-term strategic decisions.
- To identify the relevant ESG priorities that most significantly impact the Company and its stakeholders, its reputation and public interest role.
- To assist in defining and executing the Company's strategy and, in so doing, agree the annual plan and targets relating to ESG matters.
- To review the Company's performance against its annual plan and ESG targets, initiatives and commitments.
- To guide the Company's ESG communication strategy.
- To ensure that ESG priorities are reflected in the Company's culture through its purpose, vision, values and behaviours as well as its supplier code of conduct.

Committee membership

All Board members currently sit in the Committee and have the right to attend meetings.

The Committee works closely with the SLT and meetings are also attended by the Corporate Sustainability Lead. Others are invited to attend as appropriate to support the Committee with discussions.

Committee membership changes

Nigel Clifford stepped down from the Committee on the 30 April 2021. With effect from 1 December, Kristof Neirynck was appointed a member of the ESG Committee.

Attendance

During the year, the Committee held three scheduled meetings and reported on its activities to the Board.

ESG Committee

3 Meetings – 100% attendance

Member	Role	Status	Attendance
David Cook	Chairman	Independent	3/3
Peter Butterfield	CEO	–	3/3
Andrew Franklin	CFO	–	3/3
Jo LeCouilliard	NED	Independent	3/3
Richard Jones	NED	Independent	3/3
Kristof Neirynck	NED	Independent	3/3

Activities of the Committee

An overview of our approach and sustainability framework can be found on page 25.

Activities

- Reviewed 2021 and 2022 objectives and sustainability framework and initiatives.
- Received investor presentations to understand ESG investor perspectives.
- Reviewed feedback from one to one meetings held with investors to understand their objectives.
- Reviewed the mapping of Alliance's sustainability disclosures and accounting metrics to SASB.
- Reviewed the Company's ratings with MSCI and Sustainalytics.
- Appointed energy consultancy firm to help shape the medium-term ambition particularly in areas of TCFD and Scope 3 emissions, supply chain management and development of key metrics.
- Oversaw the Company's environmental strategy, carbon action plan and sustainable packaging strategy.
- Liaised with Remuneration Committee to develop ESG link to remuneration strategy.
- Reviewed the Acting Responsibly section on the corporate website.

Task Force on Climate-related Financial Disclosures (TCFD)

The purpose of the TCFD recommendations is to provide a foundation to improve investors' and others' ability to appropriately assess and price climate-related risks and opportunities. The recommended disclosures are structured around four thematic areas that represent core areas of how organisations operate: governance, strategy, risk management, and metrics and targets.

We are still in the early stages of evaluating the impact of climate change on our business and strategy. As part of our 2021 reporting, we are therefore making partial disclosures, setting out our approach to climate-related issues as they relate to governance, strategy and risk management, together with those metrics which we are currently able to provide.

We are looking to undertake the scenario analysis required to enable us to provide more extensive disclosures in line with TCFD recommendations in 2022, as we progress our wider environmental sustainability strategy. This will form part of our reporting for the year ended 31 December 2022.

Recommendation	Response	Further information
Governance Disclose the organisation's governance around climate-related risks and opportunities. a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	The ESG Committee is responsible for setting the Group's overarching sustainability strategy, including its environmental strategy, and for identifying relevant ESG priorities that most significantly impact the Group, including those relating to climate change. The SLT, supported by the Corporate Sustainability Lead, is responsible for operationalising this strategy.	Governance – ESG Committee Report – page 76
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material. a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning have yet to be fully quantified. We are therefore unable to determine the extent to which these are likely to be material. Given the nature of our business and our operating model, whilst there are likely to be some financial and operational impacts, at this stage we have yet to determine the extent to which these may be material. We expect to complete the scenario analysis required to enable us to make a proper assessment during 2022.	Environmental Strategy – page 33

Task Force on Climate-related Financial Disclosures (TCFD) continued

Recommendation	Response	Further information
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks. a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change has been identified as an emerging risk, on the basis that we do not currently have sufficient clarity around it to be able to assess its likely impact, and the likelihood of this impact occurring. The risk has been included on the Group risk register and is being managed as part of the Group's wider risk management framework, under the oversight of the Board with the support of the Audit and Risk Committee	Principal Risks and Uncertainties – pages 39–45
Metrics & Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Additional information on metrics and targets used to assess and manage relevant climate-related risks, to the extent that they are material, will be provided as part of our 2022 reporting once we have completed the required scenario analysis. Our Scope 1 & 2 GHG emissions for our UK operations for 2021 are included as part of our Streamlined Energy and Carbon Reporting (SECR) In 2021, we quantified our Scope 3 GHG emissions for 2020. This led to 'Environmental impacts – supply chain and logistics' being included as one of the eight Areas of Focus within our Sustainability Framework. We intend to publish emissions reductions targets in late 2022 for Scopes 1 & 2 and are aiming to set Scope 3 targets in 2023.	Environmental Strategy – page 33 SECR – page 83 Sustainability Overview – pages 25–27 Sustainability Performance – page 28–32

Directors' Report

Scope of this report

The Directors present their Annual Report, together with the audited financial statements of the Company and the Group, for the year ended 31 December 2021.

The Directors' Report required under the Companies Act 2006 includes and comprises the Directors' biographies on pages 48 and 49, the Governance statement on pages 50 to 55, the Remuneration Committee Report on pages 65 to 75 and the Strategic Report on pages 06 to 45.

As permitted under the Companies Act 2006, certain matters which would otherwise need to be included in this Directors' Report have instead been discussed in the Strategic Report on pages 06 to 45. These matters include any important post-balance sheet events, the likely future developments in the business of the Company and its subsidiaries, the activities of the Company and its subsidiaries in the field of research and development.

Principal activities

The principal activity of the Company is to act as a holding company. The principal activity of the Group is the acquisition, marketing and distribution of consumer healthcare and pharmaceutical products.

Branches

A list of the Group's subsidiaries and associated undertakings can be found on pages 121 and 122 under note 13 to the financial statements. There are no branches of the Company outside the UK. Alliance Pharmaceuticals GmbH, a company within the Alliance Group, has a Swiss branch which operates under the name Alliance Pharmaceuticals GmbH Düsseldorf, Zweigniederlassung Uster.

Directors

Names and biographical details of the Directors of the Company at the date of this report are shown on pages 48 and 49. The rules setting out the powers of Directors, their appointment and replacement is set out in the Company's Articles of Association. Further information on the process can be found on page 59 of the Nomination Committee Report.

Details of Executive Directors' service contracts and letters of appointment for Non-executive Directors can be found in the Remuneration Report on page 75. All Directors put themselves forward for annual re-election at the Company's Annual General Meeting.

Directors' indemnities

The Company's Articles of Association contain provision for Directors to be indemnified (including the funding of defence costs) to the extent permitted by the Companies Act 2006. This indemnity would only be available if judgement was given in the individual's favour, or he or she was acquitted, or relief under the Companies Act 2006 was granted by the court. There were no qualifying pension scheme indemnity provisions in force during the year.

Share capital and shareholders' rights

The Company's issued share capital as at the 21 March 2022 is 538,658,812 Ordinary shares of 1p each. Each Ordinary share carries one vote at general meetings of the Company. There are no restrictions on the transfer of Ordinary shares other than restrictions, which may from time to time be imposed by law. The Company is not aware of any agreements between shareholders that may restrict transfer of securities or voting rights.

The Company has no shareholder authority to acquire its own shares.

Dividends

The Board declared an interim dividend in respect of the year ending 2021 of 0.563p per share (2020: 0.536p) which was paid on 7 January 2022. The Directors are recommending a final dividend of 1.128p per share (2020: 1.074p) which, subject to shareholders' approval at the AGM, will be paid on 7 July 2022 to shareholders on the register at close of business on 10 June 2022. The total dividend paid and proposed in respect of the year ended 31 December 2021 is therefore 1.691p per share (2020: 1.610p).

Substantial shareholdings

As at the 21 March 2022, as required under AIM and certain disclosure rules, the Company has been notified of the major shareholdings in the table below. Both the number of shares held, and the percentage holding are stated as at the latest date of notification to the Company. Details of all major shareholdings can also be found in the Investor section of the Company's website.

Shareholder	Number of shares held	Percentage of issued share capital
Fidelity Mgt & Research	53,913,307	10.01%
Slater Investment	49,692,096	9.23%
Van Lanschot Kempen	42,254,750	7.84%
Blackrock Inc.	34,648,461	6.43%
Investec Group	24,825,908	4.61%
Rathbone plc	20,626,281	3.83%
Polar Capital Holdings	19,096,921	3.55%
Royal Bank of Canada	16,197,254	3.01%

Company share incentive plans

The Company operates two incentive share plans.

The Alliance Company Share Option Plan 2015 (CSOP)

For many years, the Company has operated a CSOP under which all employees are eligible to receive awards in the form of market value options. At the discretion of the Committee, awards are typically granted subject to a three-year vesting period and following maturity, participants have a seven-year period in which to exercise their options.

Options awarded are based on one share for every £2 of salary and where appropriate may attract HMRC tax advantages. Employees based outside of the UK will receive non-tax advantaged share option awards and, where this is not possible, the Committee considers awards in the form of share appreciation rights.

All awards granted to Executive Directors and Senior Management are subject to performance conditions. These are explained in the Remuneration Committee Report on pages 71 and 72.

The Alliance Long-Term Incentive Plan 2019 (LTIP)

In 2019, the Company introduced the LTIP which forms part of the remuneration strategy for the Executive Directors and members of the Senior Leadership Team. Awards are granted in the form of nil-cost share options based on a percentage of base salary. All awards granted under the LTIP are subject to performance conditions and malus and clawback provisions. Subject to achieving the performance conditions set by the Committee, such awards will vest three years from the date of grant and participants will have 12 months in which to exercise any vested award.

Details in relation to awards granted to the Company's Executive Directors are contained in the Remuneration Report on page 73.

Employee Benefit Trust (EBT/Trust) and management of dilution

The Company manages dilution rates within the standard guidelines. In 2017 the Group established the Alliance Pharma Employee Benefit Trust to facilitate the acquisition of Ordinary shares in the Company for the purpose of satisfying awards granted under share option schemes. The Group has been operating the Trust to help manage dilution limits in line with good practice.

The Trust is administered by an independent Trustee who operates the Trust independently of the Group. The EBT is a discretionary trust, the sole beneficiaries being employees (including Executive Directors) of the Group who have received applicable awards.

The Trustees must act in the best interests of the beneficiaries as a whole and will exercise their discretion in deciding whether or not to act on any recommendations proposed by the Company. Any assets held by the Trust would be consolidated into the Group's financial statements.

The Company may grant awards on the basis that it is the Company's intention to settle the exercise of awards through shares purchased in the open market on an arm's length basis. Awards granted and settled in this way are not included in the Company's headroom and dilution calculation. The Group may fund (although it has not yet needed to and therefore has not done so) the EBT to purchase on the EBT's own account shares in the Company on the open market. This is in return for the EBT agreeing to use the shares in the Company that it holds to satisfy certain outstanding awards made under the Company's share option schemes. The purchasing in the market of shares to satisfy the exercise of options places a cash requirement on the business. To date, no shares have been purchased by the Trust for satisfaction of outstanding or future share option awards.

To further help manage dilution limits, and where appropriate and agreed with the Committee, share options are net settled upon exercise.

Employee share dealing and share ownership

In accordance with AIM Rule 21, all employees are made aware of and are required to comply with the Company's Share Dealing Policy when dealing in the Company's shares or exercising options over shares. The Dealing Code sets out the rules relating to close periods, clearance procedures, time frames and disclosure requirements.

The Company operates a share ownership policy under which the Executive Directors and certain other employees are required, when exercising options, to acquire and maintain an interest in Alliance Pharma shares up to a percentage of base salary, details of which can be found on page 70.

Accounting policies, financial instruments and risks

Details of the Group's financial instruments and financial risk management disclosures can be found in note 21 of the Group financial statements on pages 125 to 129.

Charitable donations

During the year ended 31 December 2021, the Group contributed £25,635 (2020: £121,000) to charitable causes.

Political donations

No political donations or contributions were made, or political expenditure incurred during the period.

Directors' obligations to the auditor

The Directors confirm that:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have each taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Company's auditor

The Company intends to undertake a tender process for audit services and expects this process to be completed by Q3 2022. Notwithstanding such process, a resolution to re-appoint KPMG LLP will be proposed at this year's Annual General Meeting.

Annual General Meeting

This year's AGM will be held on 18 May 2022, the business of which is set out in the Notice of Meeting. A circular containing the Notice of Meeting together with an explanatory letter from the Chairman accompanies the Annual Report and is also available on the Company's website.

Please note that following the Company's move to electronic communications, we are no longer producing hard copy forms of proxy. These are available on request from the Company's Registrars.

Electronic communications

Shareholders are encouraged to move away from hard copy Company communications. This means that, instead of being obliged to send Annual Reports, notices of shareholder meetings and other documents to shareholders in hard copy by post, the Company can instead elect to publish them on its website at www.alliancepharmaceuticals.com. Using the website and email allows us to reduce printing and postage costs and it is better for many shareholders who can choose and access just the information they need, from the website, at any time.

Shareholders still have the right to ask for paper versions of shareholder information, but we are strongly encouraging all shareholders to consider the electronic option.

Shareholders can also vote electronically using the following link, www.signalshares.com. Registering your details on the Link share portal also gives shareholders easy access to information about their shareholdings and the ability to vote at general meetings or appoint a proxy to vote.

Directors' Report continued

COMPLIANCE WITH THE STREAMLINED ENERGY AND CARBON REPORTING REQUIREMENTS

Annual reporting figures

The total consumption and emissions figures for energy supplies reportable by Alliance Pharma Plc.

Consumption (kWh) and greenhouse gas emissions (tCO_2e) totals

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

Totals

The total consumption (kWh) figures for reportable energy supplies are shown as follows:

Utility and Scope	2021 Consumption (kWh)	2020 Consumption (kWh)
Grid-supplied electricity (Scope 2)	256,103	241,399
Gaseous and other fuels (Scope 1)	10,644	10,644
Transportation (Scope 1 and 3)	144,186	100,864
Total	**410,933**	**352,907**

The total emission (tCO_2e) figures for reportable energy supplies are set out below. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and Scope	2021 Consumption (tCO_2e)	2020 Consumption (tCO_2e)
Grid-supplied electricity (Scope 2)	54.38	56.27
Gaseous and other fuels (Scope 1)	1.95	1.96
Transportation (Scope 1 and 3)	33.68	23.78
Total	**90.01**	**82.01**

Intensity metric

An intensity metric of tCO_2e per £m turnover has been applied for our annual total emissions. The methodology of the intensity metric calculations are detailed in the appendix, and the results of this analysis are shown as follows:

Intensity Metric	2021 Intensity Metric	2020 Intensity Metric
tCO_2e/£m turnover	0.70	0.75

Energy efficiency improvements

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through 2021:

We have undertaken a programme of refurbishment and upgrading works at Avonbridge House, including:

- Replacement of windows with thermally efficient argon-filled double glazing.
- Completion of Air Conditioning upgrade.
- Completion of Light Emitting Diode lighting upgrade.
- Insulation of attic space.
- Replacement of atrium glazing.

Measures prioritised for implementation in 2022:

We are actively looking at options for the installation of renewable energy generation at our Avonbridge site.

Appendix to SECR

Reporting methodology

Scope 1 and 2 consumption and CO_2e emission data have been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting year 01/01/2021 – 31/12/2021:

Database 2021, Version 1.0.

For properties where Alliance Pharma is indirectly responsible for utilities (i.e. via a landlord or service charge), an average kWh/m² consumption was calculated at meter level, based upon CIBSE standard benchmarks and was applied to the properties with similar operations with no available data.

These full year estimations were applied to one electricity supply and one gas supply. These estimations equated to 7% of reported consumption.

Intensity metrics have been calculated utilising the 2021 reportable figures for the following metric, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric:

- Total turnover (£m) £128m

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK-adopted international accounting standards;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Chris Chrysanthou
Company Secretary

30 March 2022

Financial Statements

Independent auditor's report
to the members of Alliance Pharma plc

1. Our opinion is unmodified

We have audited the financial statements of Alliance Pharma plc (the "Company") for the year ended 31 December 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company cash flow statements and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole	£1.5m (2020: £1.5m) 4.7% (2020: 4.7%) of normalised Group profit before tax	
Coverage	96% (2020: 92%) of group profit before tax	
Key audit matters vs 2020		
Recurring risks	Impairment of intangible brand assets	◀▶
	Recoverability of parent company's investment in subsidiaries	◀▶
Event driven	**New:** CMA infringement decision	▲
	New: Accounting treatment of costs related to cloud-based software arrangements	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Independent auditor's report continued

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Impairment of Intangible Brand Assets (£368.8 million; 2020: £381.6 million) Refer to page 63 (Audit Committee Report), page 105 (accounting policy) and page 115 (financial disclosures.	**Forecast-based assessment:** The estimated recoverable amount of intangible assets (excluding Goodwill and Computer Software) is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. This assessment is based on assumptions (such as forecast cash flows, discount rates and, in the case of finite life assets, the period over which management have forecast cashflows), which are inherently highly judgemental. The Group has a total of 53 CGUs, from which our risk has been identified in respect of 3, which hold an aggregate value of £10.8 million. Given the quantum of the balance in relation to our materiality and the inherent estimation uncertainty, we concluded this to be our most significant Key Audit Matter. The affect of these matters is that, as part of our risk assessment, we determined that the value in use across the portfolio has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (Note 11) disclose the range/sensitivity estimated by the Group.	For all CGUs, we held discussions with the directors, commercial, regulatory and financial management and considered information about the products available in the public domain. For higher risk CGUs our procedures included: › **Benchmarking assumptions:** Using our own valuations specialist, we challenged the Group's selection of discount and growth rates by comparing those used to externally derived data. In addition, we assessed whether the forecasts (including growth rate) were consistent with current business strategies in place and information about the products available in the public domain, and that the selected useful economic lives for finite life assets were appropriate; › **Sensitivity analysis:** We performed our own analysis to assess the sensitivity of the impairment reviews to changes in the key assumptions, including the discount rate, growth rate, useful economic lives, and the forecast cash flows; › **Historical comparisons:** We compared the previously forecast cash flows to actual results to assess the historical accuracy of forecasting; › **Assessing transparency:** We assessed the adequacy of the Group's disclosures in respect of the sensitivity to changes in key assumptions. For CGUs which we determined were not higher risk, we performed historical comparisons and sensitivity analysis to ensure our risk assessment was appropriate. We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

	The risk	Our response
CMA infringement decision (£7.9 million; 2020: £Nil) Refer to page 63 (Audit Committee Report), page 102 (accounting policy) and page 124 (financial disclosures).	**Dispute outcome:** As explained in note 20, the Group received an infringement decision and fine of £7.9 million from the Competition and Markets Authority (the "CMA") on 3 February 2022 relating to suspected anti-competitive agreements in relation to Prochlorperazine, which covered the period from June 2013 to July 2018. The amounts involved are significant, and the application of accounting standards to determine the amount to be provided as a liability, is inherently subjective. The provision of £7.9 million recognised could be released in entirety if the Group is successful at appeal, or a lower amount agreed by the appeal. Following the issuance of an infringement notice by the CMA, this risk has increased. We have identified this matter as a risk of error and a risk of fraud due to perceived impact on the Group's share price.	Our procedures included: › **Enquiry of lawyers**: Discussions with and inquires of the Group's in-house and external legal advisors, the directors and management; › **Our compliance expertise:** Using our own forensic and compliance specialists, critically assessed the judgements taken by the Directors, and monitored external sources of information; › **Assessing transparency:** Assessing whether the Group's disclosures detailing the regulatory proceedings adequately disclose the potential liabilities of the Group; › **Accounting analysis:** Assessing the directors analysis of whether the receipt of the infringement decision was an adjusting or non-adjusting subsequent event. We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Independent auditor's report continued

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Accounting treatment of costs related to cloud-based software arrangements (£15.0 million; 2020: £11.0 million) Refer to page 63 (Audit Committee Report), page 103 (accounting policy) and page 115 (financial disclosures).	**Accounting treatment:** The Group has capitalised internal and external costs in respect of cloud-based software arrangements. In April 2021 the IFRS Interpretations Committee ('IFRIC') published an agenda decision on accounting for cloud computing costs. This IFRIC decision has been considered by the Group and the Group have concluded that no change in respect of the capitalisation of certain costs associated with their Enterprise Resource Planning (ERP) system is required. In assessing whether a change in accounting policy is required, the Group has exercised significant judgement in reaching a conclusion. The risk is that a potential change in accounting policy has not appropriately been identified and applied to both the current and prior years.	Our procedures included: › **Accounting clarity:** We assessed the accounting clarification of the IFRIC April 2021 decision against the Group's treatment of capitalised ERP costs, including reviewing contractual documentation; › **Our IT expertise:** In conjunction with the IT auditors, the audit team sought input from ERP implementation professionals on the practical and technical aspects of transferring the ERP from the cloud onto the company's servers; › **Assessing transparency:** We assessed the adequacy of the Group's related disclosures in respect of the judgements taken by management. We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£199.3 million; 2020: £199.8 million) Refer to page 63 (Audit Committee Report), page 108 (accounting policy) and page 121 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent company's investments in subsidiaries represents 99.9% (2020: 99.9%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: › **Test of detail:** We compared the carrying amount of 100% of the investments with the net asset value of the respective subsidiaries, being an approximation that their minimum recoverable amount, to identify whether the net asset values were in excess of the carrying amounts and assessed whether those subsidiaries have historically been profit making. The Group audit team performs the statutory audit of all material investments; We performed the test above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedure described.

We continue to perform procedures over the selection of useful economic lives for intangible assets. However, following a consistent application of accounting policy in the current year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

We also continue to perform procedures over Goodwill, however, due to the absence of significant acquisitions in the current year and the significant levels of headroom present, we have not included it within this risk in our report this year

We also continue to consider the need for procedures over Business combinations: valuation of identified intangible assets. However, due to no business combinations having occurred in the current year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.5m (2020: £1.5m), determined with reference to a benchmark of Group profit before tax, normalised to exclude the impairment of intangible assets, as disclosed in note 5, of £6.15m and the CMA provision, also disclosed in note 5, of £7.9m (2020: normalised to exclude the impairment and amortisation of intangible assets, as disclosed in note 5, of £19.2m), of which it represents 4.7% (2020: 4.7%)

Materiality for the parent Company financial statements as a whole was set at £0.9m (2020: £1.4m), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2020: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £1.125m (2020: £1.125m) for the Group and £0.675m (2020: £1.05m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk

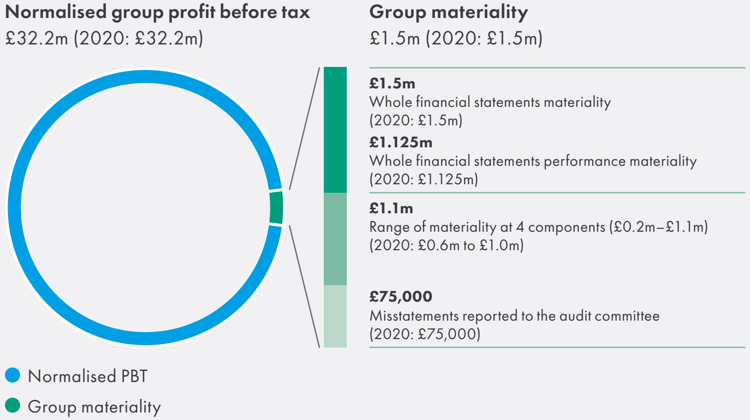
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £75,000 (2020: £75,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 17 (2020: 19) reporting components, we subjected 3 (2020: 3) to full scope audits for group purposes and 1 (2020: 0) to an audit of account balances over revenue, trade receivables and cash and cash equivalents. The component for which we performed an audit of account balances was not individually significant but was included in the scope of our group reporting work in order to provide further coverage over the group's results.

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

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

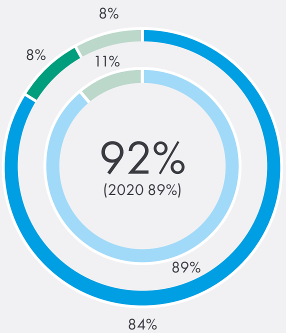
The remaining 8% (2020: 11%) of total Group revenue, 4% (2020: 8%) of Group profit before tax and 11% (2020: 2%) of total Group assets is represented by 13 (2020: 14) of reporting components, none of which individually represented more than 10% (2020: 10%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.



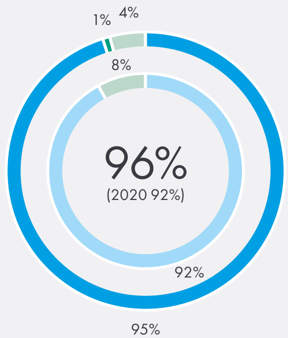
Independent auditor's report continued

3. Our application of materiality and an overview of the scope of our audit continued

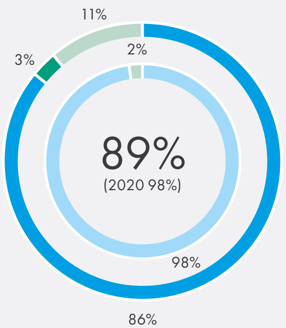
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2021
- Audit of account balances 2021
- Full scope for group audit purposes 2020
- Residual components

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.2m to £1.1m (2020: £0.6m to £1.0m), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 4 components (2020: 1 of the 4 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

Other than the UK, the Group team visited one component location in the USA (2020: nil) during the year to perform audit procedures. Video and telephone conference meetings were also held with the component auditor for the component that was not physically visited. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4. Going concern

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

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

› The impact on customer confidence as a result of a slowdown in the Global economy;

› Constraints on supply chain, sourcing or logistics and the impact it could have on the Group's key products;

› The impact that changes in product regulation could have on the ability to sell new or existing products; and

› The impact of the settlement of the penalty relating to the CMA infringement decision.

4. Going concern continued

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

Our procedures also included a critical assessment of the assumptions in the Group's base case and downside scenarios, in particular in relation to the recent geopolitical instability and the ongoing COVID-19 pandemic on the economic situation worldwide (and its impact on the Group), and our knowledge of the entity and the sector in which it operates.

We considered whether the going concern disclosure in note 2.18 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 2.18 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, and the audit committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board and Audit Committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for management and the directors;
- Using analytical procedures to identify any unusual or unexpected relationships; and
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- The risk that Group and component management may be in a position to make inappropriate accounting entries; and
- The risk that revenue is overstated through recording of revenues in the wrong period

5. Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to fraud continued

We also identified a fraud risk related to the CMA infringement decision, in response to a perceived impact on the Group's share price. Further detail in respect of the CMA infringement decision is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, and journal descriptions containing specific key words;
- Evaluating the business purpose of significant unusual transactions; and
- Assessing significant accounting estimates for bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

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

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, competition laws, employment law, product regulation and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Further detail in respect of CMA infringement decision is set out in the key audit matter disclosures in section 2 of this report.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report continued

6. We have nothing to report on the other information in the Annual Report

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

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

7. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 84, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Huw Brown
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square,
Bristol,
BS1 4BE

30 March 2022

Consolidated Income Statement

	Note	Year ended 31 December 2021 Underlying £000s	Year ended 31 December 2021 Non-underlying £000s (Note 5)	Year ended 31 December 2021 Total £000s	Year ended 31 December 2020 Underlying £000s	Year ended 31 December 2020 Non-underlying £000s (Note 5)	Year ended 31 December 2020 Total £000s
Revenue	3,34	**163,207**	**–**	**163,207**	129,801	–	129,801
Cost of sales		**(53,757)**	**–**	**(53,757)**	(46,985)	–	(46,985)
Gross profit		**109,450**	**–**	**109,450**	82,816	–	82,816
Operating expenses							
Administration and marketing expenses	5	**(60,202)**	**(2,843)**	**(63,045)**	(44,614)	(1,300)	(45,914)
Amortisation of intangible assets	5	**(1,362)**	**(7,168)**	**(8,530)**	–	(7,155)	(7,155)
Impairment of goodwill and intangible assets	5	**–**	**(6,150)**	**(6,150)**	–	(12,057)	(12,057)
CMA provision	20	**–**	**(7,900)**	**(7,900)**	–	–	–
Share-based employee remuneration	7, 24	**(2,250)**	**–**	**(2,250)**	(1,374)	–	(1,374)
Operating profit		**45,636**	**(24,061)**	**21,575**	36,828	(20,512)	16,316
Finance costs							
Interest payable and similar charges	6	**(3,646)**	**–**	**(3,646)**	(2,657)	–	(2,657)
Finance income/(costs)	6	**228**	**–**	**228**	(643)	–	(643)
		(3,418)	**–**	**(3,418)**	(3,300)	–	(3,300)
Profit before taxation	4	**42,218**	**(24,061)**	**18,157**	33,528	(20,512)	13,016
Taxation	8	**(8,033)**	**(2,805)**	**(10,838)**	(6,372)	1,383	(4,989)
Profit for the period attributable to equity shareholders		**34,185**	**(26,866)**	**7,319**	27,156	(19,129)	8,027
Earnings per share							
Basic (pence)	10	**6.39**		**1.37**	5.11		1.51
Diluted (pence)	10	**6.30**		**1.35**	5.05		1.49

All of the activities of the Group are classed as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Profit for the year	**7,319**	8,027
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign exchange translation differences (net of deferred tax)	**636**	(1,051)
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	**(191)**	(250)
Interest rate swaps – cash flow hedge (net of deferred tax)	**–**	27
Total comprehensive income for the year	**7,764**	6,753

Consolidated Balance Sheet

	Note	31 December 2021 £000s	31 December 2020 £000s
Assets			
Non-current assets			
Goodwill and intangible assets	11	**413,744**	412,872
Property, plant and equipment	12	**4,826**	15,921
Deferred tax asset	22	**3,526**	2,139
Other non-current assets		**371**	682
		422,467	431,614
Current assets			
Inventories	14	**21,075**	22,917
Trade and other receivables	15	**30,821**	25,114
Derivative financial instruments	21	**64**	310
Cash and cash equivalents	16	**29,061**	28,898
		81,021	77,239
Total assets		**503,488**	508,853
Equity			
Ordinary share capital	23	**5,382**	5,329
Share premium account		**151,328**	150,645
Share option reserve		**10,058**	8,426
Other reserve		**(329)**	(329)
Cash flow hedging reserve		**48**	239
Translation reserve		**(419)**	(1,055)
Retained earnings		**116,418**	117,703
Total equity		**282,486**	280,958

	Note	31 December 2021 £000s	31 December 2020 £000s
Liabilities			
Non-current liabilities			
Loans and borrowings	18	**116,060**	138,328
Other liabilities	19	**2,637**	3,200
Deferred tax liability	22	**61,728**	56,181
		180,425	197,709
Current liabilities			
Corporation tax		**1,178**	1,435
Trade and other payables	17	**29,930**	28,736
Provisions	20	**9,469**	–
Derivative financial instruments	21	**–**	15
		40,577	30,186
Total liabilities		**221,002**	227,895
Total equity and liabilities		**503,488**	508,853

The financial statements were approved by the Board of Directors on 30 March 2022.

Peter Butterfield
Director

Andrew Franklin
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company number 04241478

Company Balance Sheet

	Note	31 December 2021 £000s	31 December 2020 £000s
Assets			
Non-current assets			
Investment and loans to subsidiaries	13	**199,348**	199,776
Current assets			
Trade and other receivables	15	**39**	36
Cash and cash equivalents	16	**141**	297
		180	333
Total assets		**199,528**	200,109
Equity			
Ordinary share capital	23	**5,382**	5,329
Share premium account		**151,328**	150,645
Share option reserve		**8,962**	7,955
Retained earnings		**33,064**	34,912
Total equity		**198,736**	198,841
Liabilities			
Current liabilities			
Trade and other payables	17	**368**	306
Corporation tax		**424**	962
Total liabilities		**792**	1,268
Total equity and liabilities		**199,528**	200,109

The Company's profit for the year was £6,756,000 (2020: £5,433,000).

As permitted by section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the Parent Company.

The financial statements were approved by the Board of Directors on 30 March 2022.

Peter Butterfield
Director

Andrew Franklin
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company number 04241478

Consolidated Statement of Changes in Equity

	Ordinary share capital £000s	Share premium account £000s	Other reserve £000s	Cash flow hedging reserve £000s	Translation reserve £000s	Share option reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2020	5,294	149,036	(329)	462	(4)	7,208	112,513	274,180
Issue of shares	35	1,609	–	–	–	–	–	1,644
Dividend paid	–	–	–	–	–	–	(2,837)	(2,837)
Share options charge (including deferred tax)	–	–	–	–	–	1,218	–	1,218
Transactions with owners	35	1,609	–	–	–	1,218	(2,837)	25
Profit for the year	–	–	–	–	–	–	8,027	8,027
Other comprehensive income								
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	–	–	–	(250)	–	–	–	(250)
Interest rate swaps – cash flow hedge (net of deferred tax)	–	–	–	27	–	–	–	27
Foreign exchange translation differences (net of deferred tax)	–	–	–	–	(1,051)	–	–	(1,051)
Total comprehensive income for the year	–	–	–	(223)	(1,051)	–	8,027	6,753
Balance 31 December 2020	5,329	150,645	(329)	239	(1,055)	8,426	117,703	280,958

	Ordinary share capital £000s	Share premium account £000s	Other reserve £000s	Cash flow hedging reserve £000s	Translation reserve £000s	Share option reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2021	**5,329**	**150,645**	**(329)**	**239**	**(1,055)**	**8,426**	**117,703**	**280,958**
Issue of shares	**53**	**683**	**–**	**–**	**–**	**–**	**–**	**736**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(8,604)**	**(8,604)**
Share options charge (including deferred tax)	**–**	**–**	**–**	**–**	**–**	**1,632**	**–**	**1,632**
Transactions with owners	**53**	**683**	**–**	**–**	**–**	**1,632**	**(8,604)**	**(6,236)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**7,319**	**7,319**
Other comprehensive income								
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	**–**	**–**	**–**	**(191)**	**–**	**–**	**–**	**(191)**
Foreign exchange translation differences (net of deferred tax)	**–**	**–**	**–**	**–**	**636**	**–**	**–**	**636**
Total comprehensive income for the year	**–**	**–**	**–**	**(191)**	**636**	**–**	**7,319**	**7,764**
Balance 31 December 2021	**5,382**	**151,328**	**(329)**	**48**	**(419)**	**10,058**	**116,418**	**282,486**

Company Statement of Changes in Equity

	Ordinary share capital £000s	Share premium account £000s	Share option reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2020	5,294	149,036	6,846	32,316	193,492
Issue of shares	35	1,609	–	–	1,644
Dividend paid	–	–	–	(2,837)	(2,837)
Share options charge (including deferred tax)	–	–	1,109	–	1,109
Transactions with owners	35	1,609	1,109	(2,837)	(84)
Profit for the period and total comprehensive income	–	–	–	5,433	5,433
Balance 31 December 2020	5,329	150,645	7,955	34,912	198,841
Balance 1 January 2021	**5,329**	**150,645**	**7,955**	**34,912**	**198,841**
Issue of shares	**53**	**683**	**–**	**–**	**736**
Dividend paid	**–**	**–**	**–**	**(8,604)**	**(8,604)**
Share options charge (including deferred tax)	**–**	**–**	**1,007**	**–**	**1,007**
Transactions with owners	**53**	**683**	**1,007**	**(8,604)**	**(6,862)**
Profit for the period and total comprehensive income	**–**	**–**	**–**	**6,756**	**6,756**
Balance 31 December 2021	**5,382**	**151,328**	**8,962**	**33,064**	**198,736**

Consolidated and Company Cash Flow Statements

	Note	Group Year ended 31 December 2021 £000s	Group Year ended 31 December 2020 £000s	Company Year ended 31 December 2021 £000s	Company Year ended 31 December 2020 £000s
Cash flows from operating activities					
Cash generated from operations	25	**44,919**	46,405	**(961)**	(2,133)
Tax paid		**(6,260)**	(4,838)	**(1,484)**	(1,012)
Cash flows from/(used in) operating activities		**38,659**	41,567	**(2,445)**	(3,145)
Investing activities					
Interest received		**–**	10	**–**	–
Dividend received		**–**	–	**2,600**	2,800
Acquisition of Biogix Inc	31	**183**	(82,667)	**–**	–
Purchase of intangible assets	11	**(4,006)**	–	**–**	–
Purchase of property, plant and equipment	12	**(1,526)**	(4,612)	**–**	–
Proceeds from disposal of intangibles		**750**	1,405	**–**	–
Net cash (used in)/from investing activities		**(4,599)**	(85,864)	**2,600**	2,800
Financing activities					
Interest paid and similar charges		**(2,965)**	(2,866)	**–**	–
Loan issue costs		**–**	(362)	**–**	–
Capital lease payments		**(924)**	(884)	**–**	–
Contribution from/(investment in) subsidiary	13	**–**	–	**7,557**	1,738
Proceeds from exercise of share options		**736**	1,644	**736**	1,644
Dividend paid	9	**(8,604)**	(2,837)	**(8,604)**	(2,837)
Proceeds from borrowings	21	**–**	82,595	**–**	–
Repayment of borrowings	21	**(22,587)**	(21,541)	**–**	–
Net cash provided by/(used in) financing activities		**(34,344)**	55,749	**(311)**	(545)
Net movement in cash and cash equivalents		**(284)**	11,452	**(156)**	200
Cash and cash equivalents at 1 January		**28,898**	17,830	**297**	97
Exchange gains/(losses) on cash and cash equivalents		**447**	(384)	**–**	–
Cash and cash equivalents at 31 December	16	**29,061**	28,898	**141**	297

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Alliance Pharma plc ('the Company') and its subsidiaries (together 'the Group') acquire, market and distribute consumer healthcare products and prescription medicines. The Company is a public limited company, limited by shares, registered, incorporated and domiciled in England and Wales in the UK. The address of its registered office is Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB. The Company is listed on the AIM stock exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2022.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards ('UK-adopted IFRS').

The financial statements have been prepared under the historical cost convention, with the exception of derivatives which are included at fair value.

2.2 Consolidation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in Joint Ventures. The parent Company financial statements present information about the Company as a separate entity and not about the Group.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint ventures

An entity is treated as a joint venture where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated.

2.3 Judgements and estimates

The preparation of the consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the relevant circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the Directors on an ongoing basis.

Judgements

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the Group's financial statements.

These are as follows:

› Assessment of cloud-based software costs in relation to the Group's cloud hosted ERP system.

› Determining the treatment of payment to customers in significant contracts. This is considered a critical judgement, but the impact is immaterial for the current year.

› Identification and presentation of non-underlying items (note 5).

› Assessment of the Infringement Decision announced by the UK's Competition and Markets Authority ('CMA') (note 20).

2. Summary of significant accounting policies continued

2.3 Judgements and estimates continued

Intangible assets – cloud-based software costs

The determination of whether a cloud-based software arrangement represents a pure Software as a Service solution, or a right to take possession of, and to use, the software requires judgement.

In light of the recent IFRIC agenda decision regarding cloud-based software, the Group has reviewed its service agreements in respect of its cloud-based ERP system and has considered several factors to conclude on the appropriate accounting treatment. These factors include the nature and key terms of licence arrangements, ownership of intellectual property rights, ability to restrict access to systems and the feasibility of removing software applications from the cloud environment and running them within the Group's own IT environment instead, taking into account the associated costs and potential change in functionality.

Having considered these factors the Group concluded that it does have substantive control over the ERP system and has therefore recognised it as an intangible asset in line with the guidance under IAS 38. Had the Group concluded that it does not have control, a proportion of the costs would have been expensed in the Income Statement in the current year.

Identification and presentation of non-underlying items

In 2020 the Group updated its classification policy for non-underlying items (note 5). Following the update all amortisation and impairment charges for acquired intangible assets are included as non-underlying items, in line with the majority of peer companies of the Group. Significant restructuring costs (for example, relating to office or business closures), the CMA provision and the revaluation of deferred tax balances following substantial tax legislation changes are also included as non-underlying items.

The Directors believe that this classification of underlying and non-underlying items, when considered together with total statutory results, provides investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allows the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

Estimates

IAS 1 requires the disclosure of assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Directors consider these estimates to be as follows:

› Key assumptions used in discounted cash flow projections for impairment testing of certain intangible assets (note 11).

2.4 Revenue recognition

Identification of performance obligations

Revenue comprises consideration received or receivable for the sale of goods in the ordinary course of the Group's activities, namely the distribution of pharmaceutical products. The Group has assessed the performance obligations as being each unit of good sold by the Group.

The Group receives royalties in relation to certain agreements with distributors in exchange for the licensed use of intellectual property and trademarks owned by the Group, which are generally based on sales volumes. The Group also receives product margin generated by third parties on its behalf under certain transitional arrangements. The Group has assessed the performance obligations as being each unit of good sold by the third parties.

Transaction price

The transaction price for each performance obligation comprises the stand-alone selling price for the product excluding value-added tax and net of rebates and discounts. Intra-Group sales are eliminated in the consolidated financial statements.

Royalty income and the deductions relating to rebates and discounts are based on the Group's contractual obligations. Certain of the rebate arrangements also include elements of variable consideration. The Group does not consider these elements to be significant, however an estimate of variable consideration is included where appropriate. The IFRS 15 exemption from estimating variable consideration has been applied to the Group's sales-based royalties.

The Group has considered whether it is an 'agent' or 'principal' under IFRS 15 for each commercial arrangement and accounted for these accordingly. The Group is considered the 'principal' for all key commercial relationships relating to sale of goods, except the relationship with certain supply partners as described in full under 'Specific revenue streams'. This is because the Group controls each specified good before transfer to customers.

2. Summary of significant accounting policies continued

2.4 Revenue recognition continued

Where consideration is payable to a customer, this is evaluated by the Group to determine whether the amount represents a reduction of the transaction price, a payment for distinct goods or services or a combination of the two. The fair value of the good or service is also evaluated to assess whether the payment should be accounted for as a payment to suppliers or a reduction in transaction price.

Timing of recognition

Under IFRS 15 an entity recognises revenue when it satisfies a performance obligation by transferring a good to a customer. An entity transfers a good to a customer when the customer obtains control of that good. Control may be transferred either at a point in time or over time. For the Group, revenue is recognised at a point in time when customers have control of the sold goods, or on an appropriate basis where royalty or other arrangements are in place with third parties. To determine the point in time control is transferred for sale of goods the Group considers all relevant indicators. Revenue is recognised net of a provision for the expected level of returns.

Specific revenue streams

The Group has the following recognition policies for different commercial arrangements:

(i) Pharmaceutical product sales – ex-works terms: Recognition at a point in time when each unit of pharmaceutical product is available to the customer for collection. At this point in time the customer has an obligation to pay for the goods, legal title and significant risks and rewards of ownership.

(ii) Pharmaceutical product sales – dispatch terms and delivery at place: Recognition at a point in time when each unit of pharmaceutical product is dispatched to the customer or reaches the designated place. At this point in time the customer has an obligation to pay for the goods, legal title and significant risks and rewards of ownership. This revenue recognition policy covers the cross border e-commerce stream as referred to in the strategic report.

(iii) Pharmaceutical product royalties receivable: Recognition at a point in time when the third party makes pharmaceutical product sales subject to a royalty agreement with the Group.

(iv) Pharmaceutical product rebates, discounts and payments to customers: Recognition as a deduction from revenue when the third party makes pharmaceutical product sales subject to a rebate agreement with the Group or when sales are made in the scope of the VPAS Voluntary Scheme.

VPAS applies to branded, licensed medicines which are available on NHS prescription. Under the scheme, a fixed percentage of measured sales is due to the Department of Health and Social Care and the rebate is calculated and paid on a quarterly basis. For medium-sized companies, the VPAS scheme includes an exemption where total measured sales are less than £5.0m per year. As the Group's total measured sales in 2021 were under this threshold, the Group was exempt from any VPAS payments and, as a result, no amounts were deducted from revenue (2020: no deduction).

For transactions with variable consideration, such as coupons, this is recognised at the point of sale to the customer.

Payments to customers are accounted for as a reduction of revenue unless they are linked to a distinct service, in which case they are classified as an operating expense.

(v) Pharmaceutical product transitional agreements: Recognition of a point in time when the third party makes pharmaceutical product sales subject to a transitional agreement with the Group.

The amounts recognised in statutory revenue represent the product margin generated by the third party on behalf of the Group. Related transitional agreement fees are recognised within administrative expenses.

This is relevant to Nizoral (note 34) where the Group has transitional agreements with certain supply partners. Under the terms of the agreements, the Group receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in the Asia-Pacific territories transfer to Alliance. The Group has determined it is an 'agent' in these relationships as it does not control the sale of goods to third party customers.

The Group does not consider that judgements made in evaluating when customers obtain control of a promised good to have significantly influenced the timing of revenue recognition in the year.

2.5 Foreign currency

The consolidated financial statements are presented in Sterling, which is the presentational currency of the Group and the functional currency of the Company. Foreign currency transactions by Group companies are booked at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into Sterling at the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Income Statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income.

2. Summary of significant accounting policies continued

2.5 Foreign currency continued

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from translation of foreign operations are reported in other comprehensive income and accumulated in the translation reserve. Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are reported in other comprehensive income and accumulated in the translation reserve, to the extent that the hedge is effective.

2.6 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker ('CODM'). The Group's Board of Directors ('the Board') is the Group's Chief Operating Decision Maker ('CODM'), as defined by IFRS 8, and all significant operating decisions are taken by the Board.

2.7 Property, plant and equipment

Computer equipment, fixtures, fittings and equipment, plant and machinery and motor vehicles are stated at the cost of purchase less any provisions for depreciation and impairment. Depreciation of an asset starts when the asset is available for use. The rates generally applicable are:

Computer equipment
20% – 33.3% per annum, straight line

Fixtures, fittings and equipment
20% – 25% per annum, straight line

Plant and machinery
20% – 25% per annum, straight line

2.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the Group's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

2.9 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Acquired intangible assets

(i) Brands

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

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. Indefinite life brands are tested at least annually for impairment.

A review of the useful economic life of brands is performed annually, to ensure that these lives are still appropriate. If a brand is considered to have a finite life, its carrying value is amortised over that period.

(ii) Patents

Where an acquired intangible asset includes a definite period of patent protection and the value attributed to the patent is considered material, the Group has accounted for the value of the patent separate to the underlying brand. The patent is amortised over the period to patent expiry.

2. Summary of significant accounting policies continued

2.9 Intangible assets and goodwill continued

(iii) Distribution rights

Payments made in respect of product registration and distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands. If the registration or distribution rights are for a defined time period, the intangible asset is amortised over that period. If no time period is defined, the intangible asset is treated in the same way as acquired brands with an indefinite life. If the licence period can be extended the useful life of the intangible asset shall include the renewal period only if there is evidence to support renewal by the entity without disproportionate cost.

(iv) Computer software

Computer software comprises software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads. Software integral to an item of hardware equipment is classified as property, plant and equipment. Costs associated with maintaining software programs are recognised as an expense when they are incurred. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life from the date the software is available for use, generally eight years. In bringing the asset into use, the Directors have determined that the asset related to the ERP system should be reclassified from property, plant and equipment to intangible assets. The Directors have considered the impact on the prior period and have considered this not material.

Development costs

Research expenditure is charged to the Income Statement in the period in which it is incurred. Development expenditure is capitalised when it can be reliably measured and the project it is attributable to is separately identifiable, technically feasible, demonstrates future economic benefit, and will be used or sold by the Group once completed.

The capitalised cost is amortised over the period during which the Group is expected to benefit and begins when the asset is ready for use.

Development costs are reviewed at least annually for impairment by assessing the recoverable amount of each cash-generating unit, to which the development costs relate. The recoverable amount is the higher of fair value less costs to sell and value in use. Development costs not meeting the recognition criteria are expensed as incurred.

Impairment

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. For intangible assets with an indefinite life, assets with a finite life that show indicators of impairment, and goodwill this includes estimation of the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The Directors have determined that the cash-generating units are at product-group level.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGU'). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

2.10 Inventories

Inventories are included at the lower of cost, less any provision for impairment, or net realisable value. Except for the Biogix entity, which recognises inventory on an average cost basis, inventory cost for the Group is determined on a first-in-first-out basis. Inventory provisions have been made for slow-moving and obsolete stock. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

2.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investment and loans to subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.12 Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss unless designated as cash flow hedges.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Translation risk

Exchange differences arising from the translation of the net investment in foreign operations are reported in other comprehensive income and accumulated in the translation reserve. Gains and losses on those hedging instruments designated as hedges of the net investment in foreign operations, are recognised to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the Income Statement for the period. Gains and losses accumulated in the translation reserve are reclassified to the Income Statement when the foreign investment is disposed of.

2. Summary of significant accounting policies continued

2.13 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Modifications of financial instruments (including loans and borrowings) are reviewed quantitatively and qualitatively to determine if the modification is 'substantial'. Substantial modification of a financial liability results in derecognition of the original balance, and recognition of a new financial liability at fair value. The difference between the carrying amount of the original financial liability and the fair value of the new financial liability is charged to the Income Statement. A non-substantial modification of financial liability does not result in the derecognition of the original balance, however it may also result in a gain or loss recognised in the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The Group's trade receivables are subject to the IFRS 9 expected credit loss model. The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance based on historic default rates. The expected credit loss rate varies depending on whether and the extent to which settlement of the trade receivables is overdue.

Accrued income represents amounts owed unconditionally to the Group which have not been invoiced at the year end. For these assets, only the passage of time is required before payment becomes due.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Dividends and interest received are included in investing activities. Dividends and interest paid are included in financing activities.

Investments in debt and equity securities

The Company's investment and loans to subsidiaries is stated at amortised cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

2.14 Employee benefits – Share-based payment transactions

Employees (including Executive Directors) of the Group receive part of their remuneration in the form of share-based payments, whereby, depending on the scheme, employees render services in exchange for rights over shares ('equity-settled transactions') or entitlement to a future cash payment ('cash-settled transactions'), the amount of which is determined with reference to the Company's share price.

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value at the date on which they are granted. Where options need to be valued an appropriate valuation model is applied. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations. The cost of equity-settled transactions is fully recharged to subsidiaries.

The cost of cash-settled transactions is measured with reference to the fair value of the liability, which is taken to be the closing price of the Company's shares. Until the liability is settled it is remeasured at the end of each reporting period and at the date of settlement, with any changes in the fair value being recognised in the Income Statement.

The cost of equity-settled transactions is recognised, along with a corresponding increase in equity, over the years in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cost of cash-settled transactions is recognised, along with a provision for expected cash settlement, over the vesting period.

At each reporting date, the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of management, will ultimately vest. Management's estimates are based on the best available information at that date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2. Summary of significant accounting policies continued

2.15 Equity

The provision of shares to satisfy certain of the Group's share option schemes can be facilitated by purchases of own shares by the Group's Employee Benefit Trust. The costs of operating the Trust is borne by the Group but is not material. To date, no shares have been purchased by the Trust for satisfaction of outstanding or future share option awards.

The Employee Benefit Trust is considered to be controlled by the Group. The activities of the Trust are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and, on this basis, the assets held by the Trust are consolidated into the Group's financial statements.

'Share capital' represents the nominal value of equity shares.

'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

'Share option reserve' represents equity-settled share-based employee remuneration.

'Retained earnings' represents retained profit.

'Other reserve' represents the difference between the fair value and nominal value of shares issued on a reverse takeover.

'Cash flow hedging reserve' represents the fair value of derivative financial instruments at the balance sheet date that are designated as cash flow hedges, net of deferred tax, less amounts reclassified through other comprehensive income.

'Translation reserve' represents gains and losses arising on translation of the net assets of overseas operations into the Group's presentation currency of Sterling.

2.16 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required for settlement and where a reliable estimate can be made of the amount of the obligation. Where material, provisions have been discounted to their present value.

2.17 Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets and liabilities acquired are measured at fair value at acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date.

If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. The Group also engages in acquisitions of product-specific assets (such as brands – set out in note 2.9). Where elements of the consideration paid are variable and based on future revenues, the cost of the intangible asset recognised is based on the agreed minimum payments and any additional payments are expensed as the related sales occur.

2.18 Going concern

The Group is in a net current asset position of £40.4m (2020: £47.1m). The Group's debt funding is provided by a £165m Revolving Credit Facility ('RCF'), together with a £50m accordion facility, with a syndicate of lenders. This facility is available until July 2024.

The Directors have prepared cash flow forecasts for a period of more than 12 months from the date of approval of these financial statements (the going concern period). These indicate that the Group will have sufficient funds, given the RCF financing available, to meet its liabilities as they fall due for that period.

Also, the Directors have considered the sensitivity of cash flow forecasts to severe downside scenarios, including the potential impact of the timing of the payment in relation to the CMA decision, detailed further in note 20.

The Directors considered a reverse stress test scenario which indicates that a decline in EBITDA against forecast of over 40% would be needed to result in a breach of loan covenants. The Directors consider this remote.

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll-over the debt based on the forecast covenant compliance in the severe downside modelled above. There are mitigating actions (within the control of the Group) it could take to maintain compliance with these conditions, including future covenant requirements. The Directors therefore believe that the Group has the ability and the intent to roll-over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore determined it is appropriate to adopt the going concern basis in preparing the financial statements.

2. Summary of significant accounting policies continued

2.19 Alternative performance measures

The performance of the Group is assessed using Alternative Performance Measures ('APMs'). The Group's results are presented both before and after non-underlying items. Adjusted profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids effective comparison of the Group's trading performance from one period to the next and with similar businesses.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans. APMs are presented in note 34.

The Group does not consider adjusted profitability measures or APMs to be a substitute for, or superior to, IFRS measures.

3. Revenue and segmental information

The Group's reportable segments are the strategic business units that represent different parts of the overall product portfolio, these being Consumer Healthcare brands and Prescription Medicines. The business units are managed separately as each portfolio requires different expertise to deliver the corresponding product offering as a result of the inherently different characteristics of these product types.

Operating segments reflect the way in which information is presented to and reviewed by the CODM for the purposes of making strategic decisions and assessing Group-wide performance. The Group's Board of Directors ('the Board') is the Group's CODM. The Group evaluates performance of the operational segments on the basis of revenue and gross profit. Other than intangible assets, disclosed in note 11, assets and liabilities are reported to the Board at Group level and are not separated segmentally.

Revenue

Revenue information by brand	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Consumer Healthcare brands:		
Kelo-cote	**48,845**	34,748
Amberen	**19,233**	–
Nizoral*	**14,189**	13,260
MacuShield	**8,829**	6,751
Aloclair	**5,773**	7,601
Vamousse	**4,110**	5,626
Other Consumer Healthcare brands	**14,397**	17,354
Total revenue – Consumer Healthcare brands:	**115,376**	85,340
Prescription Medicines:		
Hydromol	**7,009**	6,304
Flamma Franchise	**6,610**	5,897
Forceval	**5,685**	4,893
Other prescription medicines	**28,527**	27,367
Total revenue – Prescription Medicines	**47,831**	44,461
Total revenue	**163,207**	129,801

* Nizoral statutory revenue includes revenue generated on an agency basis. Nizoral revenue presented on a see-through Income Statement basis is included as an alternative performance measure in note 34.

Notes to the Financial Statements continued

3. Revenue and segmental information continued

Revenue information by geography

Classification by geography is based on customer location.

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Europe, Middle East and Africa (EMEA)	**89,188**	93,769
Asia Pacific and China (APAC)	**48,030**	29,309
Americas (AMER)	**25,989**	6,723
Total revenue	**163,207**	129,801

Operating segment results

	Year ended 31 December 2021		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £000s
Revenue	**115,376**	**47,831**	**163,207**
Cost of sales	**(31,545)**	**(22,212)**	**(53,757)**
Gross profit	**83,831**	**25,619**	**109,450**

	Year ended 31 December 2020		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £000s
Revenue	85,340	44,461	129,801
Cost of sales	(26,199)	(20,786)	(46,985)
Gross profit	59,141	23,675	82,816

Major customers

The revenues from the Group's largest customers are as follows. No customers separately comprised 10% or more of revenue (2020: two). Major customer 1 is a multinational organisation with sales in both EMEA and AMER regions.

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Major customer 1 (Consumer Healthcare and Prescription Medicines sales in EMEA and AMER)	**13,723**	17,345
Major customer 2 (Consumer Healthcare sales in EMEA)	**12,014**	16,646

4. Profit before taxation

Profit before taxation is stated after charging/(crediting):	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Amounts receivable by the Company's auditor and its associates in respect of:		
– The audit of these financial statements	**96**	48
– The audit of the financial statements of subsidiaries	**326**	198
– Other assurance services	**5**	5
Amortisation of intangible assets	**8,530**	7,155
Impairment of intangible assets	**6,150**	12,057
CMA provision	**7,900**	–
Losses on disposals	**–**	308
Share options charge	**2,250**	1,374
Depreciation of plant, property and equipment	**1,575**	1,753
(Gain)/loss on foreign exchange transactions	**(205)**	653

Notes to the Financial Statements continued

5. Non-underlying items

The Group presents a number of non-IFRS measures which exclude the impact of significant non-underlying items. This is to allow investors to understand the underlying trading performance of the Group, and can exclude items such as: amortisation and impairment of acquired intangible assets; restructuring costs; significant gains or losses on disposal; remeasurement and accounting for the passage of time in respect of contingent considerations; and the revaluation of deferred tax balances following substantial tax legislation changes. This assessment requires judgement to be applied by the Directors as to which transactions are non-underlying and whether this classification enhances the understanding of the users of the financial statements.

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Amortisation of acquired intangible assets	**(7,168)**	(7,155)
Impairment of goodwill and intangible assets	**(6,150)**	(12,057)
Biogix acquisition costs	**–**	(1,300)
CMA provision	**(7,900)**	–
Restructuring costs	**(2,420)**	–
Other	**(423)**	–
Total non-underlying items before taxation	**(24,061)**	(20,512)
Taxation on non-underlying items	**2,167**	3,194
Impact of UK tax rate change from 17% to 19%	**–**	(1,811)
Impact of UK tax rate change from 19% to 25%	**(4,972)**	–
Non-underlying taxation	**(2,805)**	1,383
Total non-underlying items after taxation	**(26,866)**	(19,129)

Amortisation of intangible assets

The amortisation costs of acquired intangible assets are a significant item considered unrelated to trading performance, and as such have been presented as non-underlying. This classification is in line with the majority of peer companies of the Group.

Impairment of goodwill and intangible assets

The impairment reviews for the Group's intangible assets resulted in impairment losses as the carrying value of certain cash-generating units exceeded estimated recoverable amounts. Further details are provided in note 11. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to 2021 trading performance, and have been presented as non-underlying.

Biogix acquisition costs

Legal and professional fees related to the purchase of Biogix Inc in 2020 (note 31) were £1.3m. These acquisition costs are a significant item considered unrelated to 2020 trading performance, and as such have been presented as non-underlying.

CMA provision

The CMA provision of £7.9m relates to the CMA Infringement Decision which is detailed further in note 20. This is considered unrelated to trading performance, and as such has been presented as non-underlying.

Restructuring costs

Costs of Group restructuring in the year ended 31 December 2021 relating to the closure of the Milan and Los Angeles offices were £2.4m (2020: £Nil). These costs are a significant item considered unrelated to 2021 trading performance, and as such have been presented as non-underlying.

Impact of UK tax rate change from 17% to 19%

The taxation charge for the year ended 31 December 2020 includes the impact on deferred tax of the main rate of UK corporation tax from 17% to 19%, following the abandonment of the proposed reduction to 17% in the March 2020 Budget. The change in tax rate is a significant item that relates only to deferred tax, principally on intangibles, and is unrelated to trading performance. As such, the rate change impact has been presented as non-underlying.

Impact of UK tax rate change from 19% to 25%

In the Budget on 3 March 2021, a further change to UK corporation tax rates was announced, increasing the main rate from 19% to 25% with effect from 1 April 2023. The impact on deferred tax of this further rate increase is included in these financial statements as a non-underlying item.

Notes to the Financial Statements continued

6. Finance costs

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Interest payable and similar charges		
On loans and overdrafts	**(2,904)**	(1,988)
Amortised finance issue costs	**(639)**	(581)
Interest on lease liabilities	**(103)**	(88)
	(3,646)	(2,657)
Finance income		
Interest income	**23**	10
Net exchange gains/(losses)	**205**	(653)
	228	(643)
Finance costs – net	**(3,418)**	(3,300)

7. Directors and employees

Employee benefit expenses for the Group (including Executive Directors) during the year were as follows:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Wages and salaries	**18,886**	16,437
Social security costs	**2,077**	1,958
Other pension costs (note 28)	**1,306**	994
Share-based employee remuneration (note 24)	**2,250**	1,374
	24,519	20,763

The average number of employees of the Group (including Directors) during the year was:

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Management and administration	**255**	221

Key management of the Group is the Board of Directors (including Non-executive Directors) and the Senior Leadership Team (SLT). Benefit expenses in respect of the key management were as follows:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Key management remuneration	**3,442**	2,380
Pension contributions	**121**	112
	3,563	2,492

During the year contributions were paid to defined contribution schemes for two Executive Directors (2020: two).

Gain on share options exercised by Executive Directors during the year was £363,000 (2020: £54,000). The notional non-cash IFRS 2 share-based payment expense in respect of Directors was £256,000 (2020: £217,000).

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Emoluments for qualifying services	**587**	531
Pension contributions	**29**	27
	616	558

The notional non-cash IFRS 2 share-based payment expense in respect of the highest paid Director was £177,000 (2020: £156,000).

Average number of members of the Board of Directors (including Non-executive Directors) for the year ended 31 December 2021 was six (2020: six).

8. Taxation

Analysis of the charge for the period is as follows:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Corporation tax		
In respect of current period	**6,069**	4,417
Adjustment in respect of prior periods	**(65)**	(123)
	6,004	4,294
Deferred tax (see note 22)		
Origination and reversal of temporary differences	**4,471**	705
Adjustment in respect of prior periods	**363**	(10)
Taxation	**10,838**	4,989

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Profit before taxation	**18,157**	13,016
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%)	**3,449**	2,473
Effect of:		
Non-deductible expenses	**1,888**	614
Non-taxable income	**(4)**	(18)
Adjustment in respect of prior periods	**298**	(132)
Differences between current and deferred tax rates	**4,972**	1,811
Differing tax rates on overseas earnings	**114**	40
Unrecognised losses	**246**	–
Foreign exchange	**96**	–
Share options	**(352)**	(7)
Movement in other tax provisions	**131**	208
Total taxation	**10,838**	4,989

The taxation charge for the year ended 31 December 2020 included the impact on deferred tax of the increase in the main rate of UK tax from 17% to 19%, following the abandonment of the proposed reduction to 17% in the Budget on 11 March 2020.

A further change to UK corporation tax was announced in the Budget on 3 March 2021, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The taxation charge for the year ended 31 December 2021 includes the impact on deferred tax of this increase.

The Group has calculated 'underlying effective tax rate' as an alternative performance measure in note 34.

9. Dividends

An interim dividend of 0.563p per share for the 2021 financial year was paid on 7 January 2022. The Board is proposing a final dividend payment of 1.128p per share for 2021, taking the total dividend payment for the year to 1.691p (2020: 1.610p).

	Year ended 31 December 2021	
	Pence/share	£000s
Amounts recognised as distributions to owners in 2021		
Interim dividend for the 2020 financial year	**0.536**	**2,857**
Final dividend for the 2020 financial year	**1.074**	**5,747**
Total dividend	**1.610**	**8,604**

The interim dividend for 2020 was paid on 7 January 2021. The final dividend for 2020 was paid on 8 July 2021.

	Year ended 31 December 2020	
	Pence/share	£000s
Amounts recognised as distributions to owners in 2020		
Interim dividend for the 2019 financial year	0.536	2,837

10. Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year. For diluted EPS, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. There are no differences in earnings used to calculate each measure as a result of the dilutive employee share options.

A reconciliation of the weighted average number of Ordinary shares used in the measures is given below:

	Year ended 31 December 2021	Year ended 31 December 2020
Basic EPS calculation	**535,295,583**	531,062,798
Employee share options	**7,039,113**	6,256,040
Diluted EPS calculation	**542,334,696**	537,318,838

The underlying basic EPS is intended to demonstrate recurring elements of the results of the Group before non-underlying items. A reconciliation of the earnings used in the different measures is given below:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Earnings for basic and diluted EPS	**7,319**	8,027
Non-underlying items (note 5)	**26,866**	19,129
Earnings for underlying basic and diluted EPS	**34,185**	27,156

The resulting EPS measures are:

	Year ended 31 December 2021 Pence	Year ended 31 December 2020 Pence
Basic EPS	**1.37**	1.51
Diluted EPS	**1.35**	1.49
Underlying basic EPS	**6.39**	5.11
Underlying diluted EPS	**6.30**	5.05

11. Goodwill and intangible assets

The Group	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Computer software £000s	Total £000s
Cost					
At 1 January 2021	**32,404**	**258,203**	**152,890**	**–**	**443,497**
Transfer from property, plant and equipment	**–**	**–**	**–**	**11,037**	**11,037**
Additions	**–**	**–**	**–**	**4,006**	**4,006**
Acquisition (note 31)	**(183)**	**–**	**–**	**–**	**(183)**
Exchange adjustments	**161**	**1,877**	**(1,346)**	**–**	**692**
At 31 December 2021	**32,382**	**260,080**	**151,544**	**15,043**	**459,049**
Amortisation and impairment					
At 1 January 2021	**1,144**	**6,459**	**23,022**	**–**	**30,625**
Non-underlying impairment for the year	**–**	**1,500**	**4,650**	**–**	**6,150**
Non-underlying amortisation for the year	**–**	**226**	**6,942**	**–**	**7,168**
Underlying amortisation for the year	**–**	**–**	**–**	**1,362**	**1,362**
At 31 December 2021	**1,144**	**8,185**	**34,614**	**1,362**	**45,305**
Net book amount					
At 31 December 2021	**31,238**	**251,895**	**116,930**	**13,681**	**413,744**
At 1 January 2021	31,260	251,744	129,868	–	412,872

11. Goodwill and intangible assets continued

The Group	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Total £000s
Cost				
At 1 January 2020	16,532	171,102	152,439	340,073
Acquisition (note 31)	15,427	89,990	–	105,417
Disposals	–	–	(714)	(714)
Exchange adjustments	445	(2,889)	1,165	(1,279)
At 31 December 2020	32,404	258,203	152,890	443,497
Amortisation and impairment				
At 1 January 2020	–	4,226	7,187	11,413
Non-underlying impairment for the year	1,144	2,007	8,906	12,057
Non-underlying amortisation for the year	–	226	6,929	7,155
At 31 December 2020	1,144	6,459	23,022	30,625
Net book amount				
At 31 December 2020	31,260	251,744	129,868	412,872
At 1 January 2020	16,532	166,876	145,252	328,660

Computer software

The addition of the computer software intangible asset is explained in note 2.3 judgements and estimates.

Prior year acquisitions

On 29 December 2020 the Group completed the acquisition of 100% of the share capital of Biogix Inc, a privately held, US-based consumer healthcare company. The acquisition brings into the Group a highly successful and fast-growing brand, Amberen, with significant near-term growth potential. As part of this acquisition an intangible brand asset with fair value of $121.0m (£90.0m) for the product Amberen, and goodwill of $20.8m (£15.4m), have been recognised (note 31). During the year ended 31 December 2021, there was a reduction in the working capital adjustment paid in cash by $0.2m (£0.2m).

Useful economic lives

As a result of the 2020 Strategic Review, the Group segregated its portfolio of assets into two areas: Consumer Healthcare brands and Prescription Medicines. Following this determination the Directors considered the continuing appropriateness of indefinite useful lives which have previously been adopted across the intangible brand asset portfolio. This is in the context of the focus on growing Consumer Healthcare brands, their increasing dominance of the portfolio and the roll-out of Digital Excellence programmes, as further detailed in the Strategic Report. Prescription Medicines have been considered in the context of more limited requirement for promotional investment, and potential exposure to other market factors detailed further below.

For the majority of Consumer Healthcare brand assets, indefinite useful lives have been judged to remain appropriate. This is due to the expected long-term growth profile of the Consumer Healthcare business and the enduring nature of the brands, which are supported by continuing marketing spend.

For Prescription Medicines brand assets, finite useful lives of up to 20 years were adopted prospectively from 1 January 2020. The determination of this lifespan has taken into account all relevant factors for each individual asset, including typical pharmaceutical asset life cycles and the potential development of alternative treatments over time.

11. Goodwill and intangible assets continued

Useful economic lives continued

Certain brands were acquired with patent protection, which lasts for a finite period of time. It is the opinion of the Directors that these patents do not provide any incremental value to the value of the brand and therefore no separate value has been placed on these patents. This assessment is based on a view of future profitability after patent expiry and past experience with similar brands.

It is the opinion of the Directors that the indefinite life assets meet the criteria set out in IAS 38. This assessment is made on an asset-by-asset basis taking into account:

- how long the brand has been established in the market and subsequent resilience to economic and social changes;
- stability of the industry in which the brand is used;
- potential obsolescence or erosion of sales;
- barriers to entry;
- whether sufficient marketing and promotional resourcing is available; and
- dependency on other assets with defined useful economic lives.

The Prescription Medicines brand assets have a weighted average remaining life of 18 years at 31 December 2021 (2020: 19 years).

The net book value of intangible assets and goodwill which are considered to have indefinite useful lives are allocated to CGUs in the following table. Goodwill relating to the acquisition of certain assets and businesses from Sinclair IS Pharma plc is allocated to the group of related Consumer Healthcare and Prescription Medicines product CGUs. Other goodwill amounts are allocated to the product CGU with which they were originally acquired. Intangible assets that are considered to have indefinite lives all relate to the Consumer Healthcare segment, except for Sinclair Prescription Medicines goodwill.

	31 December 2021		
	Goodwill £000s	Consumer healthcare brands and distribution rights £000s	Total £000s
Amberen	15,179	89,629	104,808
Nizoral	–	60,307	60,307
Vamousse	–	11,596	11,596
MacuShield	1,748	8,740	10,488
Ashton and Parsons	–	1,562	1,562
Lefuzhi	–	1,514	1,514
Anbesol	–	987	987
Aiweidi	–	212	212
Opus range	1,849	–	1,849
Cambridge intangibles	598	–	598
Products acquired from Sinclair			
Kelo-cote (non EU, excluding US)	–	40,842	40,842
Kelo-cote (EU)	–	17,800	17,800
Aloclair	–	14,000	14,000
Atopiclair	–	2,300	2,300
Goodwill – Sinclair Prescription Medicines	1,347	–	1,347
Goodwill – Sinclair Consumer Healthcare	10,517	–	10,517
	31,238	249,489	280,727

The difference in Amberen values in the table compared to note 31 are the result of foreign exchange retranslation of these US Dollar denominated assets.

11. Goodwill and intangible assets continued

Impairment

As explained in note 2.9, all intangible assets are stated at the lower of cost less accumulated amortisation and impairment or the recoverable amount.

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. For intangible assets with an indefinite life, assets with a finite life that show indicators of impairment, and goodwill this includes estimation of the recoverable amount. These assets are tested at CGU level (or at group of CGUs level in the case of goodwill relating to the acquisition of certain assets and businesses) as the Directors believe these CGUs generate largely independent cash inflows.

The impairment test involves determining the recoverable amount of the relevant cash-generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use.

The value in use calculation uses cash flow projections based on financial forecasts for up to the next five years extrapolated to perpetuity. Financial forecasts for the following year are based on the approved annual budget. Financial forecasts for years two to five are based on the approved long range plan. Margins are based on past experience and cost estimates.

As a result of the impairment review for the Year Ended 31 December 2021, the following impairment charges were identified:

- Haemopressin, a prescription medicine brand and distribution rights asset, impaired by £3.9m due to market factors.
- Other prescription medicine brand and distribution rights assets impaired by £0.8m due to increasing costs resulting from changes in the regulatory framework.
- Consumer healthcare brand and distribution rights assets impaired by £1.5m due to viability of future sales in the current market.

Key source of estimation uncertainty – value in use assumptions

For the year end impairment review, key assumptions on which cash flow projections depend are as follows (including our assessment of the estimation uncertainty arising):

Discount rates

- Methodology: Cash flows are discounted at an appropriate rate, based on the Group's post-tax Weighted Average Cost of Capital (WACC) adjusted where appropriate for country-specific risks, of between 6.3%–8.6%, or pre-tax 7.9%–10.8% (2020: 6.7%–11.0%, or pre-tax 8.4%–13.8%). The Group's WACC has remained consistent overall, but the range of discount rates for individual brands is lower due to changes in the country profile of the individual brands. The Group risk-free rate has increased due to changes in government bond yields, the small stock premium has reduced to recognise the Group's growth in market capitalisation and the equity beta has remained consistent based on sector market data. The risk premium to recognise the impact of COVID-19 remains consistent with the prior year.
- Estimation uncertainty: The assumptions included in the compilation of the CGU specific discount rates are designed to approximate the discount rate that a potential market participant would adopt. Given the nature of the Group's business model, the discount rate necessarily includes estimation uncertainty.

Forecast cash flows

- Methodology: Approved budgets and forecasts for up to five years, based on management's best estimate of cash flows by individual CGU. These forecasts are then uplifted for the CGU's remaining useful economic life, or to perpetuity for assets with indefinite useful lives, using growth rates between -2.5% to 2.0% (2020: -3.0% to 2.0%) based on the Group's long-term projections.
- Estimation uncertainty: The growth rates assumed in the Group's budgets and forecasts inherently include estimation uncertainty relating to the achievement of commercial initiatives and external factors such as competition.

Sensitivity analysis

The Group has conducted sensitivity analysis on the impairment tests. The valuations generally indicate sufficient headroom, and the Group does not consider that any reasonably possible change in key assumptions could result in an impairment for the majority of intangible assets.

Notes to the Financial Statements continued

11. Goodwill and intangible assets continued

Management have identified a specific source of estimation uncertainty in relation to the Haemopressin asset. The value of the asset is currently supported by projected future cash flows in relation to a third-party licence agreement which is awaiting regulatory approval. It is considered likely that this approval will be granted, and the resulting cash flows are expected to support the carrying value of the asset. However, if approval is not granted, this would result in an additional impairment charge of £4.7m, the carrying value post impairment.

As there is uncertainty in relation to the projected cash flows in relation to this CGU if the licence is granted, additional risk has been factored into the value in use calculation. Based on data from existing markets, the resulting value in use calculations are considered to reflect the appropriate level of risk. The following table shows the key assumptions made.

		Value in use calculation assumptions	
	Remaining UEL years	Pre-tax discount rate %	Risk-related reduction of projected cash flows
Haemopressin	7 years from date of approval	8.9%	25%

The following table shows the potential impact of reasonably possible changes to the key assumptions made.

	Decrease in CGU recoverable amount £000s	
	2.0% increase in pre-tax discount rate	Further reduction in projected cash flows (50% reduction)
Haemopressin	**(602)**	**(1,784)**

Management have identified that for certain prescription medicines brands and distribution rights assets with lower headroom ('Brand 1' and 'Brand 2'), a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. These assumptions are detailed as follows.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rates are determined based on management's estimate of the long-term prospects for each product.

		Value in use calculation assumptions		Individual assumptions required for the estimated recoverable amount to equal to the carrying amount	
	Remaining UEL years	Pre-tax discount rate %	Terminal margin growth rate %	Pre-tax discount rate %	Terminal margin growth rate %
Brand 1	18	9.2	0.0	10.8	(2.8)
Brand 2	18	8.0	2.0	9.2	(0.5)

The following table shows the potential impact of reasonably possible changes to individual assumptions on the estimated recoverable amount of the CGUs.

		Decrease in CGU recoverable amount £000s	
	Headroom	2.0% increase in pre-tax discount rate	2.0% reduction in terminal margin growth rate
Brand 1	**355**	**(579)**	**(350)**
Brand 2	**122**	**(168)**	**(140)**

12. Property, plant and equipment

The Group	Computer software and equipment £000s	Fixtures, fittings & equipment £000s	Plant & machinery £000s	Right of use lease assets £000s	Total £000s
Cost					
At 1 January 2021	**13,048**	**2,511**	**32**	**6,739**	**22,330**
Additions	**162**	**1,323**	**41**	**275**	**1,801**
Transfer to intangible assets	**(11,037)**	**–**	**–**	**–**	**(11,037)**
Disposals	**(136)**	**(104)**	**–**	**(708)**	**(948)**
At 31 December 2021	**2,037**	**3,730**	**73**	**6,306**	**12,146**
Depreciation					
At 1 January 2021	**1,620**	**1,408**	**8**	**3,373**	**6,409**
Provided in the year	**186**	**446**	**28**	**915**	**1,575**
Effect of movements in exchange rates	**–**	**(9)**	**–**	**–**	**(9)**
Disposals	**(136)**	**(104)**	**–**	**(415)**	**(655)**
At 31 December 2021	**1,670**	**1,741**	**36**	**3,873**	**7,320**
Net book amount					
At 31 December 2021	**367**	**1,989**	**37**	**2,433**	**4,826**
At 1 January 2021	11,428	1,103	24	3,366	15,921

The Group	Computer software and equipment £000s	Fixtures, fittings & equipment £000s	Plant & machinery £000s	Right of use lease assets £000s	Total £000s
Cost					
At 1 January 2020	8,511	2,699	14	5,293	16,517
Additions	4,562	50	–	1,125	5,737
Acquisition (note 31)	–	–	18	294	312
Effect of movements in exchange rates	29	(3)	–	27	53
Disposals	(54)	(235)	–	–	(289)
At 31 December 2020	13,048	2,511	32	6,739	22,330
Depreciation					
At 1 January 2020	1,172	1,200	4	2,587	4,963
Provided in the year	504	444	4	801	1,753
Effect of movements in exchange rates	(2)	(1)	–	(15)	(18)
Disposals	(54)	(235)	–	–	(289)
At 31 December 2020	1,620	1,408	8	3,373	6,409
Net book amount					
At 31 December 2020	11,428	1,103	24	3,366	15,921
At 1 January 2020	7,339	1,499	10	2,706	11,554

Property, plant and equipment of £4.1m is located within the United Kingdom (2020: £14.4m). The balance is located in France, China, Singapore, Spain, Germany and the United States of America. Right of use assets relate to the Group's leased offices.

Notes to the Financial Statements continued

13. Investments

The Company	Investment and loans to subsidiary undertakings £000s
Cost	
At 1 January 2021	**199,776**
Net movements	**(428)**
At 31 December 2021	**199,348**
At 1 January 2020	194,630
Net movements	5,146
At 31 December 2020	199,776

The investment balance includes outstanding intercompany debt due from subsidiaries of £176.1m (note 29). The Directors do not consider that this amount will be demanded by the Company and therefore it has been classified as an investment. No provision has been recognised for estimated credit losses on loans to subsidiaries, as it is considered these would be immaterial.

The net movement for the year ended 31 December 2021 included interest charged of £6.1m (2020: £5.8m), the recharge of the share option charge £1.1m (2020: £1.1m), the dividend received of £2.6m (2020: £2.8m) and payments received to reduce the loan.

The subsidiary and associated undertakings where the Group held 20% or more of the equity share capital at 31 December 2021 are shown below:

Company	Country of registration or incorporation	% owned	Nature of business
Advanced Bio-Technologies Inc.	USA	100	Pharmaceutical sales
Alliance Pharma France SAS	France	100	Pharmaceutical sales
Alliance Pharma (Singapore) Private Limited*	Singapore	100	Pharmaceutical sales
Alliance Pharma S.r.l.	Italy	100	Pharmaceutical sales
Alliance Pharmaceuticals Limited*	England & Wales	100	Pharmaceutical sales
Alliance Pharmaceuticals (Asia) Limited*	Hong Kong	100	Pharmaceutical sales
Alliance Lifescience Technology (Shanghai) Co.,Limited	China	100	Pharmaceutical sales
Alliance Pharmaceuticals Spain SL*	Spain	100	Pharmaceutical sales
Alliance Pharma Inc.	USA	100	Pharmaceutical sales
Alliance Pharmaceuticals (Thailand) Co., Ltd	Thailand	100	Pharmaceutical sales
Alliance Pharmaceuticals (Philippines) Corporation	Philippines	100	Pharmaceutical sales
Alliance CHC (India) Private Limited	India	100	Pharmaceutical sales
Biogix Inc.	USA	100	Pharmaceutical sales
Maelor Laboratories Limited	England & Wales	100	Non-trading
Alliance Pharmaceuticals GmbH*	Germany	100	Non-trading
Alliance Pharmaceuticals GmbH* – Swiss Branch	Switzerland	100	Non-trading
Alliance Pharmaceuticals SAS*	France	100	Non-trading
Opus Healthcare Limited	Republic of Ireland	100	Non-trading
Alliance Pharma (Ireland) Limited	Republic of Ireland	100	Non-trading
Alliance Consumer Health Limited	England & Wales	100	Dormant
Alliance Generics Limited	England & Wales	100	Dormant
Alliance Health Limited	England & Wales	100	Dormant
Alliance Healthcare Limited	England & Wales	100	Dormant
Caraderm Limited	Northern Ireland	100	Dormant
Dermapharm Limited	England & Wales	100	Dormant
MacuVision Europe Limited	England & Wales	100	Dormant
Opus Group Holdings Limited	England & Wales	100	Dormant
Opus Healthcare Limited	England & Wales	100	Dormant

* Investments held directly by Alliance Pharma plc.

Notes to the Financial Statements continued

13. Investments continued

The registered address in each country is as follows:

Territory	Company	Registered Office Address
USA	Advanced Bio-Technologies Inc.	One Urban Center, 4830 West Kennedy Blvd, Suite 600, Tampa FL 33609, United States
	Alliance Pharma Inc.	11000 Regency Pkwy, Ste 106, Cary NC 27518, United States
	Biogix Inc.	201 Continental Blvd., Suite 230, El Segundo, California 90245, United States
France	Alliance Pharmaceuticals SAS	35 rue d'Artois Paris 75008, France
	Alliance Pharma France SAS	35 rue d'Artois Paris 75008, France
China	Alliance Pharmaceuticals Lifescience Technology (Shanghai) Co.,Limited	Suite 1004, NanFung Tower, No. 1568, Road Huashan, Shanghai, 200030, P.R.China
Germany	Alliance Pharmaceuticals GmbH	Hanseatic Trade Center, Am Sandtorkai 41, D-20457 Hamburg, Germany
Hong Kong	Alliance Pharmaceuticals (Asia) Limited	Room 2105, 21/F Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong
Italy	Alliance Pharma S.r.l.	Viale Francesco Restelli 5, 20124, Milano, Italy
Republic of Ireland	Alliance Pharma (Ireland) Limited	6th Floor, South Bank House, Barrow Street, Dublin 4
	Opus Healthcare Limited	6th Floor, South Bank House, Barrow Street, Dublin 4
Singapore	Alliance Pharma (Singapore) Private Limited	1 Scotts Road, Shaw Centre 22-06, 228208, Singapore
Spain	Alliance Pharmaceuticals Spain SL	Regus Business Center Torre de Cristal, Paseo de la Casstellana, 259 C Planta 18, Cuatro Torres Business area 28046, Madrid, Spain
Switzerland (Branch)	Alliance Pharmaceuticals GmbH Düsseldorf	Bahnhofstrasse 37, Postfach 2818, CH-8021 Zürich, Switzerland
Thailand	Alliance Pharmaceuticals (Thailand) Co., Ltd	No. 444 Olympia Thai Tower, 8th Floor, Ratchadapisek Road, Samsennok Sub-district, Huaykwang District, Bangkok, Thailand
England & Wales	All Companies	Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB
Northern Ireland	Caraderm Limited	6 Trevor Hill, Newry, County Down, BT34 1DN
Philippines	Alliance Pharmaceuticals (Philippines) Corporation	30/F 88 Corporate Center Sedeno Cor.Valero STS., BEL-AIR 1209, City of Makati NCR, Fourth District, Philippines
India	Alliance CHC (India) Private Limited	314, Bhaveshwar Arcade Annexe, LBS Marg, Opp. Shreyas Cimema, Ghatkopar West Mumbai, Bandra Suburban, MH 400086 IN

Unless otherwise stated, the share capital comprises Ordinary shares and the ownership percentage is provided for each undertaking. All subsidiary undertakings prepare accounts to 31 December.

Maelor Laboratories Limited is exempt from the Companies Act 2006 requirement relating to the audit of its individual accounts by virtue of Section 479A of the Act as the company has guaranteed the subsidiary company under Section 479C of the Act.

14. Inventories

The Group	31 December 2021 £000s	31 December 2020 £000s
Finished goods and materials	**24,311**	25,916
Inventory provision	**(3,236)**	(2,999)
	21,075	22,917

Inventory costs expensed through the Income Statement during the year were £52,932,000 (2020: £39,636,000). During the year £534,000 (2020: £1,284,000) was recognised as an expense relating to the write-down of inventories to net realisable value.

15. Trade and other receivables

	The Group		The Company	
	31 December 2021 £000s	31 December 2020 £000s	31 December 2021 £000s	31 December 2020 £000s
Trade receivables	**23,929**	19,834	**–**	–
Other receivables	**1,953**	1,544	**31**	25
Prepayments	**3,102**	898	**8**	11
Accrued income	**1,837**	2,838	**–**	–
	30,821	25,114	**39**	36

Accrued income, which is all classified as not past due, represents amounts owed unconditionally to the Group which have not been invoiced at the year end. For these assets, only the passage of time is required before payment becomes due.

The ageing of trade receivables of the Group as at 31 December is detailed below:

Trade receivables, net of estimated allowances for expected credit losses	31 December 2021 £000s	31 December 2020 £000s
Not past due	**20,405**	15,764
1–30 days past due	**2,573**	2,550
31–60 days past due	**633**	1,520
61–90 days past due	**318**	–
Past 91 days	**–**	–
	23,929	19,834

Trade receivables, gross of estimated allowances for expected credit losses	31 December 2021 £000s	31 December 2020 £000s
Not past due	**20,405**	15,764
1–30 days past due	**2,573**	2,550
31–60 days past due	**633**	1,606
61–90 days past due	**389**	31
Past 91 days	**780**	524
	24,780	20,475

As at 31 December 2021, trade and other receivables of £851,000 (2020: £641,000) were past due and impaired.

To manage credit risk customers are required to pay in accordance with agreed terms. Our settlement terms are generally due within 30 or 60 days from the end of the month of sale.

16. Cash and cash equivalents

	The Group		The Company	
	31 December 2021 £000s	31 December 2020 £000s	31 December 2021 £000s	31 December 2020 £000s
Sterling	**17,541**	15,842	**141**	297
Euros	**3,862**	2,039	**–**	–
US Dollars	**2,427**	7,495	**–**	–
Thai Baht	**3,060**	2,637	**–**	–
Other currencies	**2,171**	885	**–**	–
Cash at bank and in hand	**29,061**	28,898	**141**	297

Notes to the Financial Statements continued

17. Trade and other payables

	The Group		The Company	
	31 December 2021 £000s	31 December 2020 £000s	31 December 2021 £000s	31 December 2020 £000s
Trade payables	**8,341**	11,275	**–**	16
Other taxes and social security costs	**2,773**	2,440	**–**	–
Accruals	**17,512**	13,639	**368**	290
Other payables	**848**	418	**–**	–
Lease liabilities	**456**	964	**–**	–
	29,930	28,736	**368**	306

18. Loans and borrowings

The Group has a £165m fully Revolving Credit Facility ('RCF'), together with a £50m accordion facility, with a syndicate of lenders. This facility is available until July 2024. This has been classified as a non-current liability (note 2.18). The bank facility is secured by a fixed and floating charge over the Company's and Group's assets registered with Companies House.

	The Group		The Company	
Non-current	31 December 2021 £000s	31 December 2020 £000s	31 December 2021 £000s	31 December 2020 £000s
Bank loans:				
Secured	**117,025**	139,920	**–**	–
Finance issue costs	**(965)**	(1,592)	**–**	–
	116,060	138,328	**–**	–

Movement in loans and borrowings	31 December 2021 £000s	31 December 2020 £000s
At 1 January	**138,328**	77,040
Net (payments)/receipts from borrowing	**(22,587)**	61,054
Additional prepaid arrangement fees	**–**	(362)
Amortisation of prepaid arrangement fees	**628**	578
Exchange movements*	**(309)**	18
At 31 December	**116,060**	138,328

* Exchange movements on loans and borrowings with effective net investment hedges are reported in other comprehensive income and accumulated in the translation reserve.

19. Other non-current liabilities

	The Group		The Company	
	31 December 2021 £000s	31 December 2020 £000s	31 December 2021 £000s	31 December 2020 £000s
Lease liabilities	**2,426**	2,731	**–**	–
Other non-current liabilities	**211**	469	**–**	–
	2,637	3,200	**–**	–

20. Provisions

	CMA provision (£000s)	Restructuring provision (£000s)	Total (£000s)
At 1 January 2021	**–**	**–**	**–**
Charge to Income Statement	**7,900**	**1,869**	**9,769**
Provisions utilised during the year	**–**	**(259)**	**(259)**
Exchange differences	**–**	**(41)**	**(41)**
At 31 December 2021	**7,900**	**1,569**	**9,469**

Notes to the Financial Statements continued

20. Provisions continued

On 23 May 2019 the UK's Competition and Markets Authority ('CMA') issued a Statement of Objection alleging anti-competitive agreement involving the Group and certain other pharmaceutical companies in relation to the sale of prescription prochlorperazine. Prochlorperazine is one of the Group's smaller products and had peak sales in 2015 of £1.9m and sales of £0.7m in 2021.

On 3 February 2022, the CMA announced its finding that four companies, including Alliance, had infringed competition law (the 'Infringement Decision'). The Directors fundamentally disagree with the CMA's finding.

The Group believes that it has a strong case and will be appealing the CMA's decision, and the proposed fine of £7.9m, at the Competition Appeal Tribunal which is expected to be heard in late 2022/early 2023, although the timing may be extended due to the current workload pressures within the court system. Historically, the Group's assessment was that there were no matters for which a provision was required, however the Infringement Decision has caused the Group to revisit this assessment.

Despite the Group's intention to appeal, the Directors believe that, as a result of the Infringement Decision, a provision of £7.9m should be recorded at 31 December 2021 (2020: £Nil)

This reflects the amount of the proposed fine communicated by the CMA, and therefore, notwithstanding the Directors belief as to the merits of the grounds on which it will be appealing the CMA decision, the Directors consider this to be the appropriate position given that, in the event that the Group's appeal proves to be unsuccessful, the ultimate level of the fine cannot be greater than this. In addition, in the event the Group's appeal were to prove to be unsuccessful, the Directors consider that there are strong grounds upon which the amount of the fine could be reduced. However, as this is a matter which cannot be predicted with certainty at this time the Directors believe that the most appropriate course of action is to include the maximum potential amount of the fine.

If the appeal is unsuccessful, the Group may also be liable for a proportion of the legal costs of the CMA relating to the appeal. The Group has not recorded a provision in relation to these potential litigation costs as these costs relate to the decision to appeal which was taken after the year end and their amount cannot be reliably estimated.

In accordance with IAS 37.92, the Group does not provide further information on the grounds that this could seriously prejudice the outcome of the appeal.

The restructuring provision of £1.6m at 31 December 2021 (2020: £Nil) relates to the balance of restructuring costs in relation to the closure of the Milan office following a change to the operating model for our direct-to-market business in Italy. The related outflows are expected to occur in the year ended 31 December 2022.

21 Financial instruments

The Group uses financial instruments comprising borrowings, derivatives, cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk. The Board is responsible for risk management policies on managing each of these, which are summarised below, except credit risk which is detailed in note 15.

Liquidity risk

The Group's operations are financed by retained earnings and bank borrowings, with additional equity being raised on a periodic basis to finance larger acquisitions. Borrowings are denominated in Sterling, Euro and US Dollars. The purpose of Euro and US Dollar borrowings are to manage the currency exposure arising from the Group's operations.

The Group has a £165m fully Revolving Credit Facility ('RCF'), together with a £50m accordion facility, with a syndicate of lenders. This facility is available until July 2024.

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll-over the debt. This is due to mitigating actions it could take to maintain compliance with these conditions, including future covenant requirements, even in downside scenarios. The Directors therefore believe that the Group has the ability and the intent to roll-over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

Notes to the Financial Statements continued

21 Financial instruments continued

Liquidity risk continued

The Group also has access to an overdraft facility of £2.0m.

The maturity profile of the Group's financial gross (capital and interest) liabilities, except forward foreign exchange contracts for which maturity is disclosed separately, at the year-end is as follows:

	31 December 2021				
	In one year or less £000s	In more than one year, but not more than two £000s	In more than two years, but not more than five £000s	In more than five years £000s	Total £000s
Trade and other payables	**36,166**	**–**	**–**	**–**	**36,166**
Bank loans*	**117,057**	**–**	**–**	**–**	**117,057**
Lease liabilities	**539**	**391**	**900**	**1,244**	**3,074**
	153,762	**391**	**900**	**1,244**	**156,297**

* Includes an amount of £117.1m (2020: £140.0m) in respect of gross contractual cash flows payable under the RCF; these are shown as due within one year or less to reflect the contractual maturity of the tranches drawn down at 31 December 2021. The RCF is classified as a non-current liability as the Directors have assessed that the Group has the ability and the intent to roll-over the drawn RCF amounts when due.

	31 December 2020				
	In one year or less £000s	In more than one year, but not more than two £000s	In more than two years, but not more than five £000s	In more than five years £000s	Total £000s
Trade and other payables	27,220	–	–	–	27,220
Bank loans*	139,995	–	–	–	139,995
Lease liabilities	964	544	1,086	1,521	4,115
	168,179	544	1,086	1,521	171,330

The maturity profile of the Company's financial gross liabilities (capital and interest) at the year end is as follows:

	31 December 2021 In one year or less £000s	31 December 2020 In one year or less £000s
Trade and other payables	**368**	306

Interest rate risk

The Group's debt is provided on a floating interest rate basis.

The interest rate exposure of the financial liabilities of the Group at the period end was:

Floating rate interest exposure	31 December 2021 £000s	31 December 2020 £000s
At 31 December 2021		
Bank loans – Sterling denominated	**96,817**	105,317
Bank loans – Euro denominated	**7,895**	9,281
Bank loans – US Dollar denominated	**12,313**	25,322
Total financial liabilities	**117,025**	139,920
Unamortised issue costs	**(965)**	(1,592)
Net book value of financial liabilities	**116,060**	138,328

The Sterling floating rate borrowings bear interest at a rate based on LIBOR for the year ended 31 December 2021. From 1 January 2022 the Sterling floating rate borrowings will bear interest at a rate based on SONIA. This is not expected to have a significant impact on the Group's financial instruments and associated risks. The Euro floating rate borrowings bear interest at a rate based on EURIBOR. The US Dollar floating rate borrowings bear interest at a benchmark rate (US Dollar LIBOR).

A 0.5% increase in LIBOR would have reduced pre-tax profits by approximately £0.5m in 2021. A 0.5% decrease would have the opposite effect.

21 Financial instruments continued

Interest rate risk continued

A 0.5% increase in EURIBOR would have reduced pre-tax profits by approximately £0.1m in 2021. A 0.5% decrease would have no effect on profit as the Group's Euro denominated borrowings have an interest rate floor.

A 0.5% increase in US LIBOR would have reduced pre-tax profits by approximately £0.1m in 2020. A 0.5% decrease would have the opposite effect.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily Sterling, Euro, US Dollars and Hong Kong Dollars.

Approximately 23% of the Group's sales are invoiced in Euro, 32% invoiced in US Dollar and 9% invoiced in Hong Kong Dollar. The majority of other Group sales are invoiced in Sterling.

The Group's risk management policy is to hedge up to 75% of its estimated net foreign currency exposure in respect of forecast sales and purchases for up to the next 18 months at any point in time. The Group uses forward foreign exchange contracts to hedge its currency risk. These contracts are generally designated as cash flow hedges.

After the impacts of hedging, 5% weakening or strengthening of Sterling against the Euro would have resulted in £0.3m gain or loss to EBITDA (note 34) in 2021. On the same basis, 5% weakening or strengthening of Sterling against the US Dollar would have resulted in a £0.3m gain or loss to EBITDA in 2021. On the same basis, 5% weakening or strengthening of Sterling against the Hong Kong Dollar would have had no impact on EBITDA in 2021.

Net investment hedges

The Group uses currency denominated borrowings to hedge the exposure of a portion of its net investment in overseas operations against changes in value due to changes in foreign exchange rates. The net investment hedge was tested for effectiveness during the year and found to be effective. As the Group repays its foreign denominated borrowings the hedged portion of the net investment is reduced.

Fair value measurement

The Group has adopted IFRS 13 for financial instruments that are measured in the Group balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's financial instruments held at fair value (or for which fair value is disclosed) in the scope of IFRS 13 are as follows:

	Level	31 December 2021 Carrying value £000s	31 December 2020 Carrying value £000s
Forward foreign exchange contracts	2	**64**	295
		64	295

For the other financial assets and liabilities, the carrying amount is a reasonable approximation of fair value and therefore no further disclosure is provided. The valuation techniques used for instruments categorised in Level 2 are described below:

Forward foreign exchange contracts (Level 2)

The Group's currency rate swaps are not traded in active markets. These have been fair valued using observable currency rates. The effects of non-observable inputs are not significant for currency rate swaps.

Counterparty banks perform valuations of currency rate swaps for financial reporting purposes, determined by discounting the future cash flows at rates determined by year end spot and forward rate. The valuation processes and fair value changes are discussed by the Audit and Risk Committee and the Finance team at least every half year, in line with the Group's reporting dates.

Notes to the Financial Statements continued

21 Financial instruments continued

Forward foreign exchange contracts (Level 2) continued

Forward foreign exchange contract assets and liabilities are presented in 'Derivative financial instruments' (either as asset or as liabilities) within the statement of financial position.

At 31 December 2021, the Group held the following forward exchange contracts to hedge exposures to changes in foreign currency rates:

	Maturity		
	1–6 months	6–12 months	More than one year
Forward exchange contracts			
Net exposure (£000s)	**54**	**10**	**–**
Average GBP:USD forward contract rate	**1.370**	**1.367**	**–**
Average GBP:EUR forward contract rate	**1.138**	**–**	**–**
Average GBP:HKD forward contract rate	**10.508**	**10.488**	**–**

At 31 December 2020, the Group held the following forward exchange contracts to hedge exposures to changes in foreign currency rates:

	Maturity		
	1–6 months	6–12 months	More than one year
Forward exchange contracts			
Net exposure (£000s)	**157**	**153**	**(15)**
Average GBP:USD forward contract rate	**1.283**	**1.306**	**1.342**
Average GBP:EUR forward contract rate	**1.124**	**1.112**	**1.115**
Average GBP:HKD forward contract rate	**–**	**–**	**–**

Group

Classification of the Group's financial assets and liabilities is set out below:

Financial assets	31 December 2021 £000s	31 December 2020 £000s
Financial assets at amortised cost		
Trade receivables	**23,929**	20,221
Accrued income	**1,837**	2,838
Cash and cash equivalents	**29,061**	28,898
Derivative financial instruments		
Used for hedging	**64**	310
	54,891	52,267

Financial liabilities	31 December 2021 £000s	31 December 2020 £000s
Financial liabilities at amortised cost		
Trade and other payables	**36,166**	27,220
Loans and borrowings	**117,057**	138,328
Other liabilities	**–**	470
Lease liabilities	**2,882**	3,695
Derivative financial instruments		
Used for hedging	**–**	15
	156,105	169,728

21 Financial instruments continued

Forward foreign exchange contracts (Level 2) continued

Company

Classification of the Company's financial instruments is set out below:

Financial assets	31 December 2021 £000s	31 December 2020 £000s
Financial assets at amortised cost		
Trade and other receivables	**31**	36

Financial liabilities	31 December 2021 £000s	31 December 2020 £000s
Financial liabilities at amortised cost		
Trade and other payables	**368**	306

Reconciliation to cash flow movements

		Cash flows		Non-cash changes				
	2020 £000s	Principal £000s	Interest £000s	Foreign exchange* £000s	Net additions £000s	Amortisation £000s	Interest £000s	2021 £000s
Gross loans and borrowings	139,920	**(22,587)**	**–**	**(308)**	**–**	**–**	**–**	**117,025**
Prepaid arrangement fees	(1,592)	**–**	**–**	**–**	**–**	**627**	**–**	**(965)**
Accrued interest	76	**–**	**(2,861)**	**–**	**–**	**–**	**2,817**	**32**
Lease liabilities	3,695	**(924)**	**(103)**	**–**	**111**	**–**	**103**	**2,882**

* Exchange movements on loans and borrowings are reported in other comprehensive income and accumulated in the translation reserve.

Derivative financial instruments

	31 December 2021 Assets/(Liabilities) £000s	31 December 2020 Assets/(Liabilities) £000s
Current portion	**64**	310
Non-current portion	**–**	(15)
Forward exchange swap – cash flow hedge	**64**	295

The cash flow hedges were tested for effectiveness both retrospectively and prospectively as at 31 December 2021. They were found to be highly effective, with the ineffective element being immaterial. The amount recognised through the Income Statement in finance costs for interest rate swaps during the year was a charge of £Nil (2020: £49,000). The amounts recognised through the Income Statement in respect of the forward foreign exchange contracts during the year was a credit of £982,000 in revenue (2020: credit of £24,000).

Notes to the Financial Statements continued

22. Deferred tax

The Group	31 December 2021 £000s	31 December 2020 £000s
Accelerated capital allowances on tangible assets	**(464)**	(917)
Temporary differences: trading	**291**	492
Temporary differences: non-trading	**915**	623
Accelerated allowances on intangible assets	**(13,452)**	(9,839)
Initial recognition of intangible assets from business combination	**(47,796)**	(45,369)
Share-based payments	**1,819**	1,024
Foreign exchange forward contracts	**(16)**	(56)
Losses	**501**	–
	(58,202)	(54,042)
Recognised as:		
Deferred tax asset	**3,526**	2,139
Deferred tax liability	**(61,728)**	(56,181)

Reconciliation of deferred tax movements:

The Group	1 January 2021 £000s	Transfers £000s	Recognised in other comprehensive income/ directly in equity	Recognised in the income statement £000s	31 December 2021 £000s
Non-current assets					
Intangible assets	(55,208)	(670)	(284)	(5,086)	**(61,248)**
Property, plant and equipment	(917)	670	–	(217)	**(464)**
Non-current liabilities					
Derivative financial instruments	(56)	–	40	–	**(16)**
Other non-current liabilities	623	–	292	–	**915**
Equity					
Share option reserve	1,024	–	626	169	**1,819**
Temporary differences					
Trading	492	–	–	(201)	**291**
Losses	–	–	–	501	**501**
	(54,042)	–	674	(4,834)	**(58,202)**
Recognised as:					
Deferred tax asset	2,139				**3,526**
Deferred tax liability	(56,181)				**(61,728)**
	(54,042)				**(58,202)**

The Group has unrecognised deferred tax assets of £246,000 in relation to losses (2020: £nil).

Notes to the Financial Statements continued

22. Deferred tax continued

The Group	1 January 2020 £000s	Recognised in other comprehensive income £000s	Recognised directly in equity £000s	Recognised on acquisition £000s	Recognised in the income statement £000s	31 December 2020 £000s
Non-current assets						
Intangible assets	(29,242)	–	–	(25,491)	(475)	(55,208)
Property, plant and equipment	(468)	–	(42)	–	(407)	(917)
Non-current liabilities						
Derivative financial instruments	(92)	36	–	–	–	(56)
Other non-current liabilities	662	(39)	–	–	–	623
Equity						
Share option reserve	806	–	96	–	122	1,024
Temporary differences						
Trading	234	–	221	–	37	492
	(28,100)	(3)	275	(25,491)	(723)	(54,042)
Recognised as:						
Deferred tax asset	1,710					2,139
Deferred tax liability	(29,810)					(56,181)
	(28,100)					(54,042)

23. Share capital

	Allotted, called up and fully paid No. of shares	Allotted, called up and fully paid £000s
At 1 January 2020 – Ordinary shares of 1p each	529,402,619	5,294
Issued during the year	3,516,492	35
At 31 December 2020 – Ordinary shares of 1p each	532,919,111	5,329
Issued during the year	5,306,413	53
At 31 December 2021 – Ordinary shares of 1p each	**538,225,524**	**5,382**

Between 1 January 2021 and 31 December 2021 5,306,413 shares were issued on the exercise of employee share options (2020: 3,516,492).

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23. Share capital continued

Potential share options commitment

Under the Group's share option scheme for employees and Executive Directors, options have been granted to subscribe for shares in the Company at prices ranging from 0.00p to 102.80p (2020: 0.00p to 81.60p). Options are exercisable three years after date of grant, but in certain instances this can be extended to five years. Options outstanding are as follows:

Year of grant	Exercise price Pence	Exercise from	Scheme	31 December 2021 Number (000s)	31 December 2020 Number (000s)
2011	31.00 and 34.12	2014	CSOP	**–**	186
2012	29.25	2015	CSOP	**41**	75
2013	37.25	2016	CSOP	**263**	892
2013	35.75	2018	CSOP	**–**	450
2014	33.75	2017	CSOP	**321**	494
2015	43.75 and 46.75	2018	CSOP	**1,219**	1,852
2016	47.50	2019	CSOP	**1,077**	3,896
2016	47.50	2021	CSOP	**1,800**	3,500
2017	53.00	2020	CSOP	**2,877**	4,694
2018	81.60	2021	CSOP	**4,171**	6,322
2019	76.90	2022	CSOP	**5,422**	6,793
2019	0.00	2022	LTIP	**529**	596
2020	73.70	2023	CSOP	**5,042**	6,129
2020	0.00	2023	LTIP	**628**	704
2021	102.80	2024	CSOP	**7,012**	–
2021	0.00	2024	LTIP	**531**	–
				30,933	36,583

The provision of shares to satisfy certain of the Group's share option schemes can be facilitated by purchases of own shares by the Group's Employee Benefit Trust. The cost of operating the Trust is borne by the Group but is not material. To date, no shares have been purchased by the Trust for satisfaction of outstanding or future share option awards.

Managing capital

Our objective in managing the business's capital structure is to ensure that the Group has the financial capacity, liquidity and flexibility to support the existing business and to fund acquisition opportunities as they arise.

The capital structure of the Group consists of net bank debt and shareholders' equity. At 31 December 2021 net debt was £87.0m (2020: £109.4m) (note 34), whilst shareholders' equity was £282.5m (2020: £281.0m).

The business is profitable and cash-generative. The main financial covenant applying to bank debt is that leverage (the ratio of net bank debt to EBITDA) should not exceed 3.0 times. The Group complied with this covenant in 2021 and 2020.

Smaller acquisitions are typically financed using bank debt, while larger acquisitions typically involve a combination of bank debt and additional equity. The mixture of debt and equity is varied, taking into account the desire to maximise the shareholder returns while keeping leverage at comfortable levels.

24. Share-based payments

Under the Group's share option scheme for employees and Executive Directors, options to subscribe for shares in the Company are granted normally once each year. The contractual life of an option is ten years from date of grant. Generally, options granted become exercisable on the third anniversary of the date of grant, but in certain instances this can be extended to five years. Exercise of an option is normally subject to continued employment. Options are valued by a third-party provider using the Black-Scholes option-pricing model.

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2021		2020	
	Number (000s)	**Weighted average price Pence**	**Number (000s)**	**Weighted average price Pence**
Outstanding at start of year	**36,583**	**47.02**	34,484	59.40
Granted	**7,674**	**93.94**	6,833	66.10
Exercised	**(5,306)**	**50.07**	(3,516)	47.65
Forfeited	**(8,018)**	**63.27**	(1,218)	74.70
Outstanding at end of year	**30,933**	**71.62**	36,583	61.39
Exercisable at end of year	**11,845**	**60.12**	12,539	47.02

Share options were exercised throughout the financial year. Share options were exercised at prices of between 29.25 and 81.60 pence per share.

Certain options are subject to EPS or Total Shareholder Return (TSR) accretion performance criteria; those outstanding are as follows:

Year of grant	Exercise price Pence	Exercise from	31 December 2021 Number (000s)	31 December 2020 Number (000s)
2013	35.75	2018	**–**	450
2014	33.75	2017	**92**	204
2015	43.75	2018	**104**	317
2016	47.50	2019	**155**	545
2016	47.50	2021	**1,800**	3,500
2017	53.00	2020	**323**	1,028
2018	81.60	2021	**1,639**	2,411
2019	76.90	2022	**911**	1,127
2019	0.00	2022	**529**	596
2020	73.70	2023	**837**	917
2020	0.00	2023	**628**	704
2021	102.80	2024	**1,172**	–
2021	0.00	2024	**531**	–
			8,721	11,799

The total expense for the year relating to share-based payment plans was £2.3m (2020: £1.4m), of which £2.0m (2020: £1.1m) related to equity-settled transactions and £0.3m (2020: £0.3m) related to cash-settled transactions.

It is assumed that, on average, options will be exercised after five years. The expected volatility is based on historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is based on UK Government bonds of a term consistent with the assumed option life.

The cash-settled transaction expense includes provision for social security charges based on the applicable social tax rate applied to the number of share awards which are expected to vest, valued with reference to the year-end share price.

The estimated total equity-settled fair value of the share options granted on 29 September 2021 was £1,551,000. The model inputs were a market price of 102.8p, expected volatility of 29.96% and a risk-free rate of 1.07%.

Notes to the Financial Statements continued

25. Cash generated from operations

	Group		Company	
	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Profit for the year	**7,319**	8,027	**6,756**	5,433
Taxation	**10,838**	4,989	**946**	941
Interest payable and similar charges	**3,646**	2,657	**–**	–
Interest income	**(23)**	(10)	**(6,121)**	(5,777)
Foreign exchange (gain)/loss	**(205)**	644	**–**	–
Loss on disposal of intangibles	**–**	308	**–**	–
Depreciation of property, plant and equipment	**1,575**	1,753	**–**	–
Amortisation and impairment of intangibles	**14,680**	19,212	**–**	–
Change in inventories	**1,842**	(5,206)	**–**	–
Change in trade and other receivables	**(6,146)**	6,728	**(3)**	(12)
Change in trade and other payables	**(326)**	5,929	**62**	82
Change in provisions	**9,469**	–	**–**	–
Share-based employee remuneration	**2,250**	1,374	**–**	–
Dividends received	**–**	–	**(2,600)**	(2,800)
Cash generated from/(used in) operations	**44,919**	46,405	**(960)**	(2,133)

26. Capital commitments

The Group had capital commitments at 31 December 2021 totalling £Nil (2020: £3,500,000).

27. Contingent liabilities

Contingent liabilities are possible obligations that are not probable. The Group operates in a highly regulated sector and in markets and geographies around the world each with differing requirements. As a result, and in the normal course of business, the Group can be subject to a number of regulatory inspections/investigations/customer and other claims on an ongoing basis. It is therefore possible that the Group may incur penalties for non-compliance. In addition, a number of the Group's brands and products are subject to pricing and other forms of legal or regulatory restrictions from both governmental/regulatory bodies and also from third parties. Assessments as to whether or not to recognise a provision in respect of these matters are judgemental as the matters are often complex and rely on estimates and assumptions as to future events.

28. Pensions

The Group operates a defined contribution pension scheme for the benefit of Executive Directors and certain employees.

The Group	31 December 2021 £000s	31 December 2020 £000s
Contributions payable by the Group for the year	**1,306**	994

Notes to the Financial Statements continued

29. Related party transactions

During the year, the Company entered into the following transactions with related parties:

	The Company Transaction values for the year ended		Amount due from related parties	
	31 December 2021 £000s	31 December 2020 £000s	31 December 2021 £000s	31 December 2020 £000s
Alliance Pharmaceuticals Limited – Net funds received	**(10,170)**	750	**176,111**	176,539
Alliance Pharmaceuticals Limited – Interest received	**6,121**	5,777	**–**	–
Alliance Pharmaceuticals Limited – Investments during the year	**–**	(272)	**–**	–
Alliance Pharmaceuticals Limited – Share-based payment recharge	**1,021**	1,109	**–**	–
Alliance Pharmaceuticals Limited – Dividend declared and received	**2,600**	2,800	**–**	–

Net funds received represent net payments made against the intercompany loan by Alliance Pharmaceuticals Limited.

30. Joint ventures

Name	Principal activity	Country of incorporation	% Owned
Synthasia International Company Limited	Distribution of infant milk formula products in China	Hong Kong	20
Synthasia Shanghai Company Limited	Distribution of infant milk formula products in China	China	20

Until 10 March 2021, the Group owned 20% of the issued share capital of Synthasia International Company Limited, which is a 100% parent of Synthasia Shanghai Company Limited (together known as 'Synthasia'). The Group considered the existence of substantive participating rights held by both the Group and another shareholder which provide both parties with a veto right over the significant financial and operating policies of Synthasia and determined that, as a result of these rights and by exercise of judgement, Synthasia was accounted for as a joint venture. In accordance with IFRS 11 Joint Arrangements, a joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

In May 2018 the Group was notified that the import licence partner was not going to receive the required approval to import Suprememil, the infant milk formula brand owned by Synthasia. Following subsequent discussions with the import licence partner and Synthasia management, the Board concluded that the joint venture investment of £0.3m, and associated loan balances of £2.2m, was to be written down in full.

Following the impairment further losses from the Synthasia joint venture have not been recognised. This is due to the Group having no obligation to fund such losses.

On 10 March 2021 the Group fully divested its holding in Synthasia for nil consideration. As part of the terms of disposal Suprememil brand trademarks were retained by the Group for potential future use. There are currently no forecasted sales for this brand.

31. Acquisition of Biogix Inc

On 29 December 2020 the Group completed the acquisition of 100% of the share capital of Biogix Inc, a privately held, US-based consumer healthcare company. The acquisition brought into the Group a highly successful and fast-growing brand, Amberen, with significant near-term growth potential.

The total amount paid in relation to the acquisition was $111.3m, being $110.0m consideration paid in cash on completion, $0.4m estimated working capital adjustment paid in cash on completion and $0.9m foreign exchange option cash premium paid in December 2020.

31. Acquisition of Biogix Inc continued

The acquisition was funded by drawdown of $22.0m and £66.1m from the Group's existing £165m Revolving Credit Facility shortly before completion in December 2020. The Sterling drawdown was subsequently sold in a foreign exchange transaction to buy US Dollars for use in settlement of cash payments on completion. A portion of funding was drawn in Sterling so that, after taking account of existing borrowings, the Group's overall loan position by currency matches expected post-hedging cash generated by currency.

The fair values of the assets acquired, as at 29 December 2020, are as follows:

	Book value of assets and liabilities acquired $000s	Fair value adjustments $000s	Fair value of assets and liabilities acquired $000s	Fair value of assets and liabilities acquired £000s
Intangible fixed assets	37	121,000	121,037	89,990
Deferred tax asset	223	–	223	166
Property, plant and equipment	419	–	419	312
Current assets (excluding cash and cash equivalents)	5,824	–	5,824	4,330
Cash and cash equivalents	382	–	382	284
Current liabilities	(1,587)	–	(1,587)	(1,180)
Lease liabilities	(378)	–	(378)	(281)
Net assets	4,920	121,000	125,920	93,621
Deferred tax liability			(35,101)	(26,097)
Goodwill			20,501	15,244
Fair value of net assets acquired			111,320	82,768
Cash consideration			110,000	81,784
Working capital adjustment paid in cash			411	308
Option premium paid in cash			909	676
Total consideration			111,320	82,768

The fair values set out above are final figures, following additional review of judgemental areas including intangible asset allocation and finalisation of completion accounts during the year. There was a reduction in the working capital adjustment paid in cash by $249,000 (£183,000).

The fair value of the intangible asset recognised on business combination all relates to Amberen. A single brand intangible asset was identified for valuation through completion of a formal purchase price allocation exercise. This brand recognition and positioning were the key drivers for the acquisition and are regarded as the main barrier to market entry. No other intangible assets were considered to have separately identifiable value.

The brand was valued using a multi-period excess earnings approach, utilising the Group's long-term cash flow forecast and a post-tax discount rate of 10.75%.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Legal and professional fees incurred in the acquisition of £1.3m were recognised as non-underlying costs within administration and marketing expenses (note 5).

32. Events after the reporting date

On 25 March 2022 the Group announced that it has completed the acquisition of the Kelo-cote® US licensing rights and the second largest US scar treatment brand 'ScarAway®' from Perrigo Company PLC, a global consumer self-care company, for $19.4m (£14.8m). paid for in cash from the Group's existing financial resources. The accounting considerations will be finalised in the second quarter of 2022 and included in the Group's interim results for the six months ended 30 June 2022.

33. Ultimate controlling party

The Company's shares are listed on the Alternative Investment Market ('AIM') and are held widely. There is no single ultimate controlling party.

34. Alternative performance measures

The performance of the Group is assessed using Alternative Performance Measures ('APMs'). The Group's results are presented both before and after non-underlying items. Adjusted profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans. APMs used to explain and monitor Group performance are as follows:

Notes to the Financial Statements continued

34. Alternative performance measures continued

Measure	Definition	Reconciliation to GAAP measure
Underlying EBIT and EBITDA	Earnings before interest, tax and non-underlying items (EBIT, also referred to as underlying operating profit), then depreciation, amortisation and underlying impairment (EBITDA). Calculated by taking profit before tax and financing costs, excluding non-underlying items and adding back depreciation and amortisation. EBITDA margin is calculated using see-though revenue.	Note A below
Free cash flow	Free cash flow is defined as cash generated from operations less cash payments made for interest payable and similar charges, capital expenditure and tax.	Note B below
Net debt	Net debt is defined as the Group's gross bank debt position net of finance issue costs and cash.	Note C below
Underlying effective tax rate	Underlying effective tax rate is calculated by dividing total taxation for the year less impact of tax rate changes and non-underlying charges, by the underlying profit before tax for the year.	Note D below
See-through Income Statement	Under the terms of the transitional services agreement with certain supply partners, Alliance receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in the Asia-Pacific territories transfer to Alliance. The net product margin is recognised as part of statutory revenue. The see-through Income Statement recognises the underlying sales and cost of sales which give rise to the net product margin, as management consider this to be a more meaningful representation of the underlying performance of the business, and to reflect the way in which it is managed.	Note E below
Constant exchange rate (CER) revenue	Like-for-like revenue, impact of acquisitions, and total see-through revenue are stated so that the portion denominated in non-Sterling currencies is retranslated using foreign exchange rates from the previous financial year.	Note F below
Like-for-like	Like-for-like figures compare financial results in one period with those for the previous period, excluding the impact of acquisitions and disposals made in either period. For 2021, like-for-like revenue excludes the impact of Amberen which was acquired in December 2020.	Not needed
Operating costs	Defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges.	Not needed

A. Underlying EBIT and EBITDA

Reconciliation of Underlying EBIT and EBITDA	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Profit before tax	**18,157**	13,016
Non-underlying items (note 5)	**24,061**	20,512
Underlying profit before tax	**42,218**	33,528
Finance costs (note 6)	**3,418**	3,300
Underlying EBIT	**45,636**	36,828
Depreciation (note 12)	**1,575**	1,753
Underlying amortisation (note 11)	**1,362**	–
Underlying EBITDA	**48,573**	38,581

B. Free cash flow

Reconciliation of free cash flow	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Cash generated from operations (note 25)	**44,919**	46,405
Interest payable and similar charges	**(2,965)**	(2,866)
Capital expenditure	**(5,532)**	(4,612)
Tax paid	**(6,260)**	(4,838)
Free cash flow	**30,162**	34,089

C. Net debt

Reconciliation of net debt	Note	31 December 2021 £000s	31 December 2020 £000s
Loans and borrowings – non-current	18	**(116,060)**	(138,328)
Cash and cash equivalents	16	**29,061**	28,898
Net debt		**(86,999)**	(109,430)

Notes to the Financial Statements continued

34. Alternative performance measures continued

D. Underlying effective tax rate

Reconciliation of underlying effective tax rate	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Total taxation charge for the year	(10,838)	(4,989)
Non-underlying tax debit/(credit) (note 5)	2,805	(1,383)
Underlying taxation charge for the year	(8,033)	(6,372)
Underlying profit before tax for the year	42,218	33,528
Underlying effective tax rate	**19.0%**	19.0%

E. See-through Income Statement

	2021 Statutory values £000s	See-through adjustment £000s	2021 See-through values £000s
Revenue – Consumer Healthcare brands	115,376	6,443	121,819
Revenue – Prescription Medicines	47,831	–	47,831
Total revenue	163,207	6,443	169,650
Cost of sales	(53,757)	(6,443)	(60,200)
Gross profit	109,450	–	109,450
Gross profit margin	67.1%	–	64.5%

	2020 Statutory values £000s	See-through adjustment £000s	2020 See-through values £000s
Revenue – Consumer Healthcare brands	85,340	7,719	93,059
Revenue – Prescription Medicines	44,461	–	44,461
Total revenue	129,801	7,719	137,520
Cost of sales	(46,985)	(7,719)	(54,704)
Gross profit	82,816	–	82,816
Gross profit margin	63.8%	–	60.2%

There is no impact from the see-through adjustment on Income Statement lines below gross profit.

F. Constant exchange rate revenue

	2021 AER £000s	Foreign exchange impact £000s	2021 CER £000s
LFL see-through revenue – Consumer Healthcare brands	102,586	3,389	105,975
LFL see-through revenue – Prescription Medicines	47,831	326	48,157
Like-for-like see-through revenue	150,417	3,715	154,132
Impact of acquisitions (Amberen)	19,233	1,362	20,595
See-through revenue (Note E)	169,650	5,077	174,727

	2021 AER £000s	Foreign exchange impact £000s	2021 CER £000s
LFL statutory revenue – Consumer Healthcare brands	96,143	3,247	99,390
LFL statutory revenue – Prescription Medicines	47,831	326	48,157
Like-for-like statutory revenue	143,974	3,573	147,547
Impact of acquisitions (Amberen)	19,233	1,362	20,595
Statutory revenue	163,207	4,935	168,142

Additional Information

Unaudited Information

Shareholder Information

Shareholder enquiries

The Company's share register is maintained by Link Group ('Link') who are responsible for updating the register, including changes to shareholders' names or addresses and processing off-market transfers of the Company's shares. If you have any question about your shareholding in the Company or you need to notify any changes to your personal details you should write to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL or telephone 0371 664 0300 (calls are charged at the standard geographical rate and will vary by provider, lines are open 9.00am to 5.00pm Monday to Friday).

Financial Calendar

Annual General Meeting	18 May 2022
Interim results announcement	20 September 2022
Year end	31 December 2022
Preliminary announcement	21 March 2023

Additional Information continued

Five Year Summary

	Year ended 31 December 2017 £m	Year ended 31 December 2018 £m	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m
Revenue	101.6	118.2	135.6	129.8	**163.2**
Operating profit before non-underlying items	25.8	28.9	37.4	36.8	**45.6**
Non-underlying operating items	4.4	(5.3)	(1.8)	(20.5)	**(24.0)**
Operating profit	30.2	23.7	35.6	16.3	**21.6**
Profit before tax before non-underlying items	23.9	28.1	32.9	33.5	**42.2**
Profit before tax after non-underlying items	28.3	22.8	31.1	13.0	**18.2**
Intangible assets	278.6	335.2	328.7	412.9	**413.8**
Tangible assets	5.7	7.6	11.6	15.9	**4.8**
Current assets	49.1	58.7	65.0	77.2	**81.0**
Current liabilities	61.4	91.7	24.2	30.2	**40.6**
Equity	203.1	252.2	274.2	281.0	**282.5**
Average shares in issue (millions)	473.8	497.2	520.7	531.1	**535.3**
Shares in issue at period end (millions)	475.0	518.2	529.4	532.9	**538.2**
Earnings per share – basic (p)	6.08	3.69	4.80	1.51	**1.37**
Earnings per share – adjusted underlying basic (p)	4.05	4.54	5.09	5.11	**6.39**

Advisers and Key Service Providers

Registered Office
Avonbridge House
Bath Road
Chippenham
Wiltshire
SN15 2BB

Company number
04241478

Auditor
KPMG LLP
66 Queen Square
Bristol
BS1 4BE

Financial PR
Buchanan Communications
107 Cheapside
London
EC2V 6DN

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Nomad and Joint Broker
Numis Securities Limited
45 Gresham Street
London
EC2V 7BF

Joint Broker
Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Bankers
Bank of Ireland
Bows Bells House
1 Bread Street
London EC4M 9BE

Citibank, N.A
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Lloyds Bank PLC
25 Gresham Street
London EC2V 7HN

National Westminster Bank PLC
250 Bishopsgate
London EC2M 4AA

Silicon Valley Bank
Alphabeta
14–18 Finsbury Square
London EC2A 1BR

Additional Information continued

Cautionary Statement

Cautionary statement regarding forward-looking statements

This Annual Report has been prepared for the members of the Company and no one else. The Company, its Directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing Alliance. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

The Report of the Directors in this Annual Report has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

In particular, Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Glossary

ABHI	Association of the British HealthTech Industry
ABPI	Association of the British Pharmaceutical Industry
AGM	Annual General Meeting
CBEC	Cross Border E-Commerce
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMA	Competition and Markets Authority
CMO	Contract Manufacturer
ERP	Enterprise Resource Planning
ESG	Environmental, Social, and Governance
FDA	US Food and Drug Administration
FTC	Federal Trade Commission
HCP	Healthcare Professional
IHP	International Health Partners
J&J	Johnson and Johnson
LSP	Logistics Service Provider
NAD	National Advertising Division
OTC	Over the Counter
PAGB	Proprietary Association of Great Britain
QPPV	Qualified Person Responsible For Pharmacovigilance
SECR	Streamlined Energy and Carbon Reporting regulations
S&OP	Sales and Operations Planning
TCFD	Task Force on Climate-related Financial Disclosures
VPAS	Voluntary Pricing and Access Scheme

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ALLIANCE

Alliance Pharma plc

Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB, United Kingdom
T: +44 (0)1249 466966 **F**: +44 (0)1249 466977 **E**: ir@alliancepharmaceuticals.com
www.alliancepharmaceuticals.com