Alliance Pharma plc
Annual Report and Accounts
2020

Together we achieve more

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

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For more information visit
alliancepharmaceuticals.com

2020 Financial Highlights

The Group continued to deliver a robust operational and financial performance in 2020, despite the challenges posed by COVID-19.

Overview

- Strong performance from Consumer Healthcare brands, which now account for over two thirds of Group see-through revenues*
- Kelo-cote™ revenues up 12%
- Nizoral™ see-through revenues* up 4%
- See-through revenues* overall up 1% to £93.0m (2019: £92.4m)
- Statutory revenues up 2% to £85.3m (2019: £83.7m)
- Prescription Medicine revenues down 14% to £44.5m (2019: £51.9m), reflecting delays in routine treatments as a result of COVID-19
- Group see-through revenue* in total down 5% (down 5% CCY*) to £137.5m (2019: £144.3m)
- Group statutory revenues down 4%, to £129.8m (2019: £135.6m)
- Substantial US acquisition completed in December 2020, bringing highly successful and fast-growing brand, Amberen™, into the Group, and creating scale in the Group's US operations
- Underlying profit before tax up 2% to £33.5m (2019: £32.9m)
- Reported profit before tax down 58% to £13.0m (2019: £31.1m), due to non-cash impairment and amortisation charges, and acquisition costs relating to the Biogix acquisition
- Group leverage post acquisition of Biogix Inc at 2.43 times, up from 1.48 times at December 2019; leverage expected to decrease to below 2.0 times during 2021
- Free cash flow very strong at £34.1m, helped by favourable movements in net working capital
- Cash generated from operations up 19% to £46.4m (2019: £39.0m)
- Proposed final dividend payment of 1.074p per share, giving a total dividend of 1.610p (2019: 0.536p)

See-through Revenue*

£137.5m -5%

(2019: £144.3m)

2020	**£137.5m**
2019	£144.3m
2018	£124.0m
2017	£101.6m

Statutory Revenue

£129.8m -4%

(2019: £135.6m)

2020	**£129.8m**
2019	£135.6m
2018	£118.2m
2017	£101.6m

Underlying Profit Before Tax

£33.5m +2%

(2019: £32.9m)

2020	**£33.5m**
2019	£32.9m
2018	£28.1m
2017	£23.9m

Reported Profit Before Tax

£13.0m -58%

(2019: £31.1m)

2020	**£13.0m**
2019	£31.1m
2018	£22.8m
2017	£28.3m

Underlying Basic EPS**

5.11p

(2019: 5.09p)

2020	**5.11p**
2019	5.09p
2018	4.54p
2017	4.05p

Reported Basic EPS

1.51p -69%

(2019: 4.80p)

2020	**1.51p**
2019	4.80p
2018	3.69p
2017	6.08p

Free Cash Flow*

£34.1m +17%

(2019: £29.1m)

2020	**£34.1m**
2019	£29.1m
2018	£16.1m
2017	£22.0m

Net Debt

£109.4m +85%

(2019: £59.2m)

2020	**£109.4m**
2019	£59.2m
2018	£85.8m
2017	£72.3m

* Non-IFRS alternative performance measures (see note 33). See-through revenue includes sales from Nizoral as if they had been invoiced by Alliance. For statutory accounting purposes the product margin on Nizoral sales is included within Revenue, in line with IFRS 15.

** The 2017 measure refers to the Underlying Adjusted Basic EPS as disclosed in the 2017 Annual Report which was adjusted to normalise the impact of significant changes in overseas tax rates.

At a Glance

We are a leading international healthcare business of interconnected people and brands. A global range of products delivering outstanding value.

We are an alliance
One team,
achieving more

Who we are

Founded in the UK over 20 years ago, we have grown both our geographic reach and our product range and now market around 80 consumer healthcare and pharmaceutical products in over 100 countries worldwide.

What we do

We focus on our strengths – bringing our specialist expertise to the marketing and regulatory management of our products, so as to ensure that they can be made available to the widest range of people who could potentially benefit from them, wherever they may be located. Outsourcing all our manufacturing, warehousing and logistics activities enables us to remain asset-light and focused on doing what we do best.

How we do it

We have built a successful business with a strong collaborative culture. We recognise that our relevance and value is in how we work together, both with our colleagues and with our customers, suppliers and all other external stakeholders. Our entrepreneurial spirit and our core values of performance, realism, accountability, integrity, skill and entrepreneurship remain at the heart of how we engage with each other and conduct our business.

Our mission

To create partnerships that unlock potential for brands, businesses and people around the world.

Responsible business

We are committed to operating our business in an ethical and sustainable way, having regard to the interests of all our stakeholders – including our customers, suppliers, business partners and employees. We recognise that everything we do has an impact on the natural environment and on the people and communities within it and we are committed to looking for ways to reduce our impact in these areas to ensure a better future for all.

London Stock Exchange Group
1000 COMPANIES TO INSPIRE BRITAIN 2020

Proud to be recognised as a London Stock Exchange Group '1,000 Companies to Inspire Britain' **page 27**

Our Vision

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

▼ *Achieved through* ▼

Our Purpose

To make a difference to people's lives, through making a range of clinically valuable healthcare products available to consumers and patients around the world.

Our Values

- **Performance** – Our high-performing people continually drive business success
- **Realism** – We set stretching goals and targets which we believe are achievable
- **Accountability** – We take responsibility and deliver what we promise
- **Integrity** – We build trust in all our relationships through openness and fairness
- **Skill** - We recruit highly skilled people and develop their talents to the full
- **Entrepreneurship** – Our people think of the business as if it was their own

▼ *Delivered by* ▼

Our Strategy (see page 24)

- **Maximising brand potential –** to deliver organic growth
- **Acquiring new products –** to deliver incremental growth
- **Investing in people –** and in developing our strong, collaborative culture
- **Acting responsibly –** to maximise the value created for all our stakeholders

▼ *Enabled by* ▼

Our Business Model (see page 22)

- Investing behind selected brands, primarily Consumer Healthcare brands, to promote growth
- Maintaining our cash-generative Prescription Medicines portfolio
- Acquiring new products to provide further opportunities for growth
- Reinvesting cash generated in:
  - Growing our existing brands
  - Paying down debt
  - Rewarding our shareholders
  - Funding acquisitions

▼ *Supported by* ▼

Our strong, collaborative culture of working together to achieve more (see more on page 06)


ALLIANCE

Working together as one global team, we create partnerships that unlock potential for brands, businesses, and people, enabling us to identify and respond to user demand as the markets in which we operate continue to grow.

Together we build trust and reliability

Recognised expertise
We have deep sector expertise in the management of many types of product, from pharmaceuticals to medical devices, food supplements and traditional herbal remedies, across multiple geographies.

For our products to be clinically valuable to patients and consumers, they need to trust them to deliver the benefits claimed.

From our global regulatory, quality and supply chain teams, to our medical information team, who responded to over 4,000 product enquiries in 2020, we work hard to ensure the quality, safety and efficacy of our products and maintain reliable supplies. Maintaining the trust of our customers depends on it.

Trust is also key to our relationships with our partners – the distributors and suppliers who form an integral part of our business. It's embodied in our value of Integrity, which underpins how we conduct all our business relationships.

See more on pages 22 – 23 (Our Business Model) and 36 – 41 (Our Stakeholders)

Collaborative culture
Our dedicated team of talented and engaged people embody Alliance's values and entrepreneurial spirit. They thrive in a 'can do' collaborative culture, where flexibility of thought and constructive challenge enables them to deliver successful business outcomes.

Our people are key to our success. We recognise that great results can only be achieved through the combined efforts of our dedicated team of colleagues around the globe, and to the strong collaborative culture we have built within Alliance.

Together we are stronger

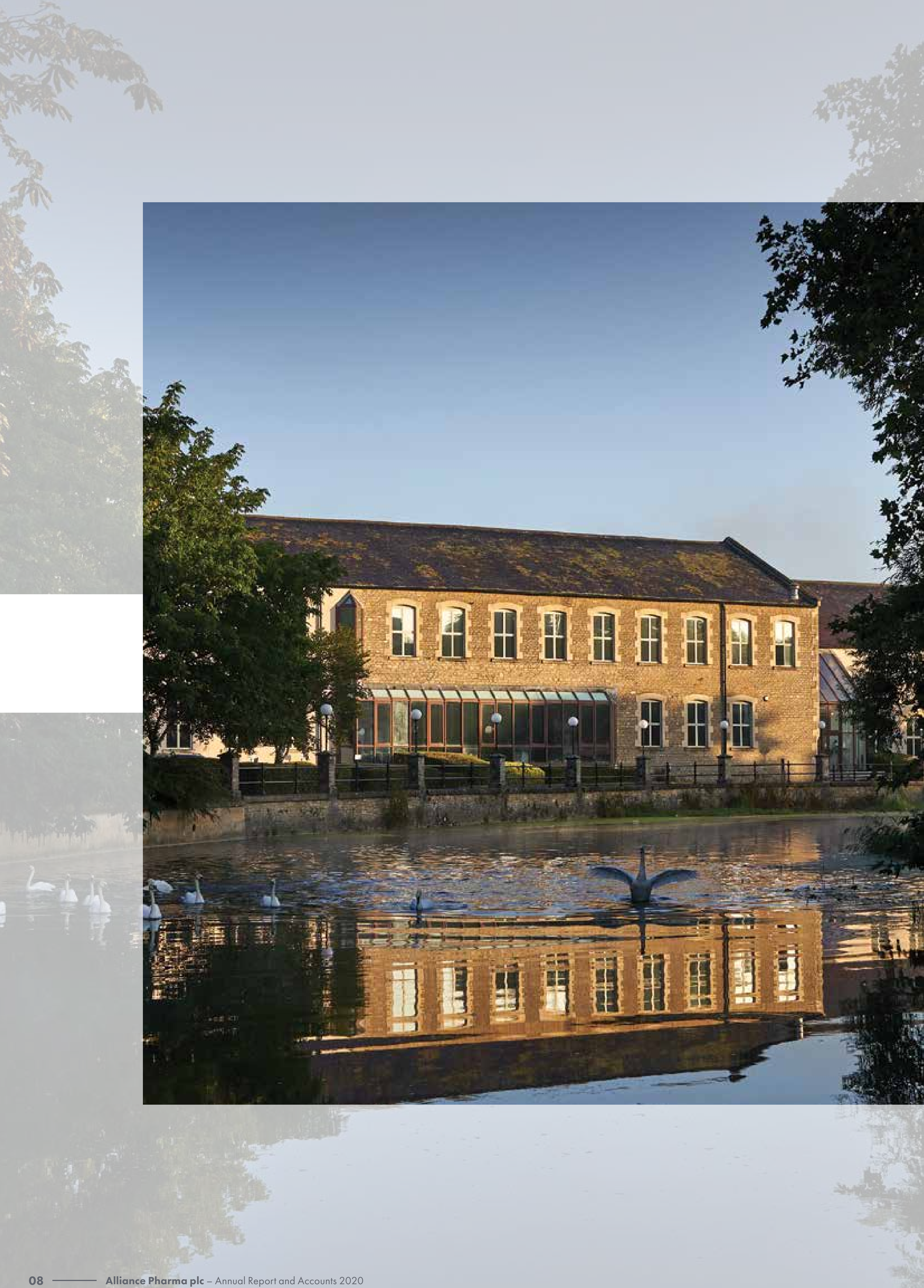
Our open and inclusive culture enables people and business relationships to thrive. We welcome the differing perspectives and diversity of thought that people from different backgrounds and geographies can bring in addressing the challenges we face as a global business.

Never before has our culture of working together been more valuable or relevant than in 2020, as we sought to understand and respond to the COVID-19 pandemic.

Through ensuring our colleagues around the globe stayed safe, connected, and informed, we have been able to effectively support them through the pandemic, as they worked, often remotely but always together, to keep the business strong.

See more on pages 44 – 45 (Responsible Business – People) and 32 – 33 (Covid-19 Response)


Realism
We set stretching goals and targets we believe are achievable.
Performance
people continually drive business success.



Responsible business commitments
We recognise that everything we do has an impact on the natural environment and on the people and communities within it and we are committed to looking for ways to reduce our impact in these areas to ensure a better future for all.

We want to make a difference – through providing clinically valuable products which positively impact the lives of consumers and patients in a sustainable and responsible way, recognising the wider impact of our business activities on people and planet.

Together we make a positive impact

From ongoing environmental improvements to our HQ building, to increasing the level of assurance around our supply chain, and the ethical business considerations which underpin these relationships, we're committed to operating our business in a sustainable and responsible way.

The same applies to local communities – we're proud of our long history of making a positive impact through charitable giving and supporting those further afield with product donations. 2020 saw us increase our level of charitable support in recognition of the devastating effect that the pandemic has had on many charities' fundraising abilities and continue to donate products to International Health Partners and directly to healthcare professionals, to support them in providing treatment through the pandemic.

See more on page 31 (Strategy in Action – Acting Responsibly) and page 49 (Responsible Business)

Investment Case

Working together to achieve more for investors. We have a proven, consistent track record that provides the opportunity to invest both for income and for growth. Our alliances enable us to deliver the sustained returns that institutional and private investors value, in an ethical and responsible way.

Recognised expertise

- Deep sector expertise in the management of many types of consumer healthcare and prescription medicine products
- Engaged and committed global team
- Expertise in sourcing, executing and integrating acquisitions

For more information see **page 44**

Clearly articulated strategy & proven business model

Clear strategy to enable delivery of sustainable business growth, through focusing on:

- Maximising brand potential to deliver organic growth
- Acquiring new products to deliver incremental growth
- Investing in people
- Acting responsibly

Proven business model:

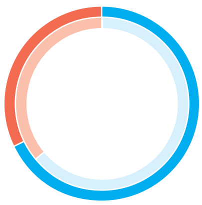
- Investing behind our Consumer Healthcare brands, to drive organic growth
- Maintaining our cash-generative heritage Prescription Medicines
- Reinvesting cash in growing our existing brands, rewarding our stakeholders, paying down debt and funding further acquisitions
- Selectively identifying, acquiring and integrating new products, to provide additional opportunities for growth

For more information see **page 22 & 24**

Diversified portfolio reduces risk

- Revenues derive from around 80 brands spanning multiple therapy areas and geographies

2020 see-through revenue* by product type



Consumer Healthcare products
£93.0m
(68%)
(2019: £92.4m (64%))

Prescription Medicines
£44.5m
(32%)
(2019: £51.9m (36%))

For more information see **page 30**

Strong financial performance

- Highly profitable and cash-generative
- Established track record of delivering underlying profit growth and effectively managing our borrowing commitments
- Strong cash generation supports deal flow and enables rapid deleveraging post acquisition

For more information see **page 52**

Reducing our impact

As all our manufacturing activities are outsourced to contract manufacturers, the environmental impacts of our direct business activities are relatively limited. That doesn't stop us from actively looking to keep our natural resource usage and carbon emissions to a minimum though.

Scope 1 & 2 carbon emissions (UK)

82 tCO_2e

(2019: data unavailable)

Ethical business commitments

- We are a purpose-driven organisation, with a strong collaborative culture and well-established values
- We have a well-invested infrastructure
- We are committed to ethical and sustainable business practices

For more information see **page 36**

Experienced leadership team

- We have an experienced and highly motivated leadership team, who have been together as a team for several years

For more information see **page 72**

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Strategic Report

Delivering sustainable business growth

TRADING PERFORMANCE

Overview

Against the backdrop of the COVID-19 pandemic, the Group delivered a robust performance in 2020, with see-through revenues* down only 5% to £137.5m (2019: £144.3m), and a similar level of decline on a constant currency basis. On a statutory reported basis, revenues were down 4% to £129.8m (2019: £135.6m).

Whilst gross profit reduced, in line with revenues, by 4% to £82.8m (2019: £86.1m), a slowdown in the natural run rate of discretionary spend, coupled with continued good control over the rest of our operating cost base and lower financing and borrowing costs, resulted in underlying profit before tax increasing by 2% to £33.5m (2019: £32.9m).

Non-cash impairment and amortisation charges, coupled with acquisition costs for the Biogix acquisition, meant reported profit before tax decreased 58% to £13.0m (2019: £31.1m).

As previously announced, we have reclassified our portfolio into Consumer Healthcare brands and Prescription Medicines, in recognition of the inherently different characteristics of these categories, Consumer Healthcare brands being the main driver of growth within the business, whilst revenues from our largely unpromoted pharmaceutical products provide cash generation.

Consumer Healthcare brands performance

Our Consumer Healthcare brands continued to perform strongly notwithstanding the global challenges, with see-through revenues* up 1% to £93.0m (2019: £92.4m) and statutory revenues up 2% to £85.3m (2019: £83.7m). These brands now account for more than two thirds of Group see-through revenues*, with this proportion increasing further in 2021, with the inclusion of Amberen.

Kelo-cote – scar prevention and treatment

We were particularly pleased with the performance of Kelo-cote, which delivered good growth in 2020, continuing the trend from 2019, with sales up 12% to £34.7m (2019: £31.0m), due to further strong demand from China from the second quarter onwards, as local lockdown restrictions eased. Across the rest of the APAC region, ongoing local lockdown restrictions in response to the pandemic have had a more sustained impact on the brand's performance, likewise in South America and some countries within EMEA. Nevertheless, we expect sales across all these regions to return strongly once lockdown restrictions are eased.

In common with many consumer-facing businesses, the pandemic has resulted in an overall shift to online sales platforms, and we continue to focus on our digital marketing strategies to increase brand awareness both with end users of the product and with healthcare professionals around the globe. Pre-pandemic, digital was already an established and important sales channel for Kelo-cote, with around 40% of our Chinese sales being facilitated by online platforms.

Nizoral – medicated anti-dandruff shampoo

Nizoral sales were resilient, particularly in China, with the brand generating see-through sales* of £21.0m, up 4% on 2019 (2019: £20.2m).

China continues to be an important market for Nizoral and a future growth-driver for this key brand. As previously announced, in July 2020 we launched a new formulation of Nizoral (branded locally as Triatop) in China, to sit alongside the original formulations, and this has contributed to the robust overall brand growth this year.

We now have distribution agreements in place for all territories in the region. The vast majority of the product licence transfers have been completed. By the end of 2022, we will have concluded our partnership with Johnson & Johnson through the transition period.

Other Consumer brands

Performance across the rest of our Consumer Healthcare portfolio was mixed, with revenues down 9% in 2020 to £37.3m (2019: £41.2m). Whilst we continued to see strong performances from some of the brands in this part of our portfolio, for example Ashton & Parsons™ (teething gel), which saw sales increase 27% to £3.4m (2019: £2.7m), boosted by new UK retail listings, following the launch of the new gel presentation, others faced more challenging trading conditions due to the pandemic.

Vamousse (prevention and treatment of head lice) naturally had a difficult year in 2020, with sales down 14% at £5.6m (2019: £6.5m), as a result of pandemic-related school closures in the US, the product's primary market.

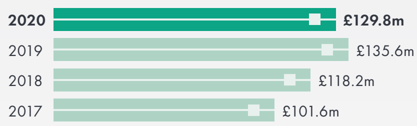
2020 Highlights

- Strong performance from our Consumer Healthcare brands, with Kelo-cote continuing to show good growth (+12%), and Nizoral see-through sales* also proving resilient (4%)
- Substantial US acquisition completed in December 2020, bringing Amberen™, a highly successful and fast-growing brand into the Group, and creating scale in the Group's US operations
- New line extension for Nizoral launched in China in July 2020 – China continues to be a significant growth driver for both Kelo-cote and Nizoral

See-through Revenue*

£137.5m -5%

(2019: £144.3m)



Statutory Revenue

£129.8m -4%

(2019: £135.6m)

Completing this strategically significant acquisition bears testament to our ability to continue to deliver on our longer-term growth strategy, notwithstanding the global pandemic.

Whilst sales held up well during the first half of the year, sales in the second half of the year were significantly lower than those achieved during the same period last year. Despite this however, Vamousse has continued to gain market share in the US and is set to return strongly once lockdown is eased. We expect a recovery in sales as schools progressively reopen.

Sales of MacuShield (eye health supplement) for the first half of 2020 were down 21% compared with the second half of 2019, primarily due to the temporary closure of bricks and mortar retail outlets and opticians in the UK. However the second half of 2020 saw a reversal of this trend, with sales up 38% on those for the first half of 2020 and 10% up on those for the same period last year. Overall sales were down 18% on those for the previous year at £6.8m (2019: £8.2m), partly due to distributor stocking and changes in trading arrangements with a key distributor during the first half of 2019 resulting in sales being higher than normal for that period. With in-market sales in the UK now returning to growth, we again expect this brand to continue its growth trend in 2021 and beyond.

We are confident that as restrictions are eased, we will start to see a return in distributor-led demand for some of our other Consumer brands which were adversely affected by the pandemic in 2020.

Prescription Medicines performance

Revenues from our Prescription Medicines portfolio in 2020 were £44.5m, down 14% on the corresponding period last year (2019: £51.9m), with demand for our prescription-driven products being adversely impacted by delays to routine treatments, as healthcare professionals focused on maintaining hospital capacity to treat patients with COVID-19. However, we did see a modest recovery in the second half, with revenues up 7% on those for the first half, and we anticipate demand will return as local restrictions are eased and the provision of routine healthcare treatment normalises.

We continue to actively manage our Prescription Medicines portfolio, discontinuing or disposing of a small number of products which deliver very low revenues and margins, whilst continuing to put limited promotional support behind some of the larger brands such as Hydromol™, an emollient product for the treatment of eczema, and Forceval™, a nutritional support product, which continued to deliver double digit growth in the UK in 2020. As a result, we expect sales from this part of our portfolio to remain relatively stable, once the disruption to routine treatments caused by the pandemic has subsided. These products continue to provide good cash generation for the business and given their limited requirement for promotional investment, they continue to play an important part in the overall make-up of our product portfolio.

Regional performance

As previously announced, in the first half of 2020, we reorganised our regional performance commentary and segmental analysis, to align it more closely with the Group's commercial reporting structure, which focuses on the regions of Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) and the Americas (AMER).

EMEA[1]

Across the EMEA region as a whole, revenues for 2020 were down 4% versus the previous year at £93.8m (2019: £97.4m).

As previously noted, EMEA accounts for over 90% of our Prescription Medicines revenues. Whilst we saw a reduction in demand for Prescription Medicines in 2020, due primarily to delays in routine treatments, this reduction was partially offset by continued good growth from our Consumer Healthcare portfolio in this region, in particular Kelo-cote, to satisfy both export and local demand.

Whilst our distributor business in EMEA performed strongly during the first half of the year, with revenues up 8% versus the comparable period last year, during the second half, the landscape became more challenging, as distributors sought to respond to changes in local trading conditions as a result of COVID-19, resulting in full year EMEA distributor revenues being down 9% on those for 2019.

APAC[2]

The revenue base in this region is dominated by Kelo-cote and Nizoral, which collectively accounted for just over 85% of sales in 2020.

See-through sales across the APAC region as a whole were down 3% versus the prior year at £37.0m (2019: £38.2m), primarily due to the reduction in both Kelo-cote and Nizoral sales across the majority of countries in the region, with the exception of China which, as previously noted, benefited from a recovery in demand from the second quarter onwards, as local lockdown restrictions eased.

AMER[3]

Sales in the AMER region fell by £2.0m (23%) to £6.7m in 2020 (2019: £8.7m), reflecting both the fall in Vamousse revenues in the US and weaker demand from our international distributor business in South America, in response to COVID-19.

Amberen pro-forma 2020 sales

$25.8m

(2019: $22.0m)

Year-on-year growth

+17%

See page 29

Amberen
Following the acquisition of Biogix Inc in the US in December 2020, we now have access to another fast-growing brand withn our Consumer Healthcare portfolio – Amberen, for the relief of menopause symptoms. This acquisition significantly enhances the scale of our business in the US.

Integration
Good progress has already been made with fully integrating the brand into Alliance and we expect this to be substantially complete by the end of the first half of 2021.

Annual value of the vitamin, mineral & supplement market in the US

$55bn

(growing at 7% p.a.)

Acquisitions

In December 2020, we successfully completed the acquisition of Biogix Inc and the Amberen brand, a highly successful and fast-growing brand for the relief of menopause symptoms. Headline consideration for the acquisition (excluding working capital and currency hedging costs) was US$110.0m (£81.8m), paid for in cash from the Group's existing financial resources.

As an established, clinically evidenced brand with significant sales and good growth potential, in a growing market, Amberen fits perfectly with our strategy of acquiring established consumer healthcare brands in territories in which we already have a presence. The acquisition of Biogix has created scale in our business in the US, whilst also providing us with a third key brand for the delivery of future organic growth.

Completing this strategically significant acquisition against the backdrop of the pandemic bears testament to our ability to continue to deliver on our longer-term growth strategy.

OPERATIONAL REVIEW

In 2021, we will be rolling out our new Innovation & Development (I&D) process and Digital Excellence training programme, to further support the growth of our main Consumer Healthcare brands.

As previously reported, the new global Sales & Operations Planning (S&OP) process rolled out in 2019 has proved invaluable to us this year in helping to manage the demand fluctuations caused by COVID-19 and in maintaining continuity of supply.

We have also put in place a new software tool, to support our budgeting, forecasting, and monthly reporting processes, through automating workflows such as consolidations and report generation. Our new system allows for robust real-time data provision and better customised reporting for users.

Our ERP system has progressed well and is on track to go live in Q2 2021, providing business benefits and scale-up capability through the standardisation of processes.

The Group continued to deliver a robust performance in 2020, despite the challenges of the pandemic. Whilst top line revenue growth was constrained, our Consumer Healthcare brands continued to perform well.

People

In 2020 Alliance took part for the first time in the Great Place to Work® survey, to increase our understanding of employee engagement within the business. We were extremely pleased to achieve a Trust Index© rating of 79%, just six percentage points below that for the World's Best Workplaces Top 25, and to have been Great Place to Work-Certified™ both in the UK and in China.

Our social impact activities during the year focused on providing financial support to charities local to our office locations, to enable them to better support those impacted by COVID-19. During the year, Alliance donated more than £150,000 to charities in several different countries, to support them in delivering services through the pandemic. We also continued our donations to International Health Partners, donating approximately 12,000 units of product with a value in excess of £100,000 in 2020, to support those suffering due to a lack of access to medicines.

Throughout the year, there have been numerous examples of our employees 'going the extra mile' and thinking creatively to ensure that our products continue to be available to consumers and patients who need them, overcoming the challenges that remote working has brought, and continuing to deliver great results. In addition to maintaining the performance of the base business as we navigated our way through the challenges of local lockdowns and the uncertainties of Brexit, we have also successfully completed a large and strategically significant acquisition – an achievement which, again, bears testament to the strength of our culture and the 'can do' attitude of our people, wherever in the world they may be located.

Our UK-based facilities team have made good use of the time spent in lockdown to make a start on further significant refurbishment works at our Avonbridge House headquarters in Chippenham – a project made considerably easier by almost all other employees working from home. Internal designs have been changed to create more collaborative workspaces, and we continue to evaluate how we develop our future ways of working to make best use of our office space once pandemic restrictions are eased.

Operational impacts
As an established, office-based business, we are fortunate in that we have been able to successfully transition to remote working as needed, with minimal disruption to our business operations.

Consumer Healthcare revenues
£93.0m
+ 1% (see-through* basis)

Cash on hand
£18m
at the start of the pandemic

Undrawn credit facility
£86m
at 31 December 2019

Financial impacts
We entered the pandemic with a strong balance sheet, and our robust operational and financial performance in 2020 meant we did not need to make use of the various UK government assistance schemes, and have not furloughed employees, or had to make any redundancies, as a result of the pandemic.

See pages 32–33

The Group currently employs more than 200 people in 11 locations around the world; all committed to the successful delivery of Alliance's vision: "To be a leading international healthcare business built around products which are clinically valuable to patients. We will be both the partner and employer of choice."

We recognise that great results can only be achieved through the combined efforts of our dedicated team of colleagues around the globe, our partners, and customers, and through the strong collaborative culture that we have built within Alliance. At no time has this culture of working together been more valuable to us than during 2020, as we have sought to navigate the challenges of the global pandemic.

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to all those who have worked so hard to deliver an excellent performance for Alliance in 2020, against the backdrop of the global pandemic, in what continue to be unprecedented and challenging times.

Whilst inevitably a challenging year, due to the uncertainty brought about by the global pandemic and consequential restrictions imposed by governments around the world, the Group's performance, and achievements in 2020 bear testament to the robustness and resilience of our product portfolio, our business model, and our people. As a result of our robust performance, we have not needed to make use of any of the UK government assistance schemes, nor have we furloughed any of our employees, or made any redundancies due to the pandemic.

Current trading and outlook

2021 has started well for the Group. Our integration of the Biogix business is on track and we remain confident in our ability to continue to respond effectively to the challenges of COVID-19, and to maintain our robust operational and financial performance to deliver results in line with market expectations.

Operationally, the priorities for the Group in 2021 will be:

- Continuing to invest in our Consumer Healthcare brands in order to maximise their organic growth potential, supported by the rollout of our new I&D process and Digital Excellence training programme;
- Integrating Biogix and Amberen into the US-based Alliance business;
- Continuing to review opportunities to add selectively to our portfolio; our focus remains on augmenting our Consumer Healthcare brands in international markets where we already have a presence.

Peter Butterfield
Chief Executive Officer
23 March 2021

* Non-IFRS alternative performance measures (see note 33). See-through revenue incudes sales from Nizoral as if they had been invoiced by Alliance. For statutory accounting purposes the product margin on Nizoral sales is included within Revenue, in line with IFRS 15.

1 This combines revenues previously disclosed under the UK and Republic of Ireland and Western Europe, with revenues from our distributor business across Central and Eastern Europe, the Middle East and Africa, all of which were previously reported as part of International revenues.

2 APAC revenues were recognised previously as part of International revenues.

3 This region comprises revenues previously disclosed under the US (including Canada) segment, together with revenues from South America, previously included as part of International revenues.

Global market overview – trends in consumer healthcare

The global market for consumer healthcare continues to be driven by the key trends highlighted in our 2019 Annual Report, namely:

- **Increasing life expectancy** – as a result of increasing longevity and ageing populations, leading 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** – rising levels of prosperity and disposable income in many parts of the world, particularly in developing countries, coupled with the shift towards self-medication using over-the-counter (OTC) products, rather than relying on prescription medicines, and an increased focus on personal wellbeing and on prevention rather than cure.
- **Digital healthcare and the empowerment of patients and consumers** – with consumers, especially younger ones, increasingly turning to online resources to self-diagnose and discover solutions to their health concerns, and consumers as prospective patients becoming active partners in their healthcare journey, as their ability to carry out extensive research online, enables them to become more knowledgeable about the services they receive and the products they use.
- **The growth of e-commerce** – with online discounting, the emergence of high-speed mobile data, and increasingly secure and speedy payment methods, leading consumers to embrace the convenience of online purchases.

2020 has seen further acceleration of the shifts towards digital healthcare and an acceleration of the growth in e-commerce, in response to the global pandemic.

Social media and e-commerce usage[1]

83% of internet users are now engaging on social media...

...that's 58% of the world's total population

99% of those users access social media through an app or mobile device...

The COVID-19 pandemic has accelerated the shift towards e-commerce by as much as 5 years

2020 has seen further acceleration of the shifts towards digital healthcare and an acceleration of the growth in e-commerce, in response to the global pandemic.

The COVID-19 pandemic has impacted almost every aspect of our daily lives and challenged consumers' sense of wellbeing. With health and wellbeing becoming a bigger consideration for many people, consumers have had to adapt, learning about their health risks, and accessing healthcare in very different ways[2]. Unable to engage in person with their doctors and healthcare professionals about their health concerns, consumers have increasingly turned to a digital healthcare journey, with many healthcare providers now offering online services. These virtual visits have risen from 15% to 28% during the pandemic, and on average, 80% of those accessing these services expect to continue to use this type of care in the future, even once the pandemic restrictions have ended.

This movement towards online healthcare inevitably increases the consumer's agency and engagement, as there is an increasing availability of information. This allows the consumer to challenge their healthcare professional's opinion, leading to an overall reduction in satisfaction, but also an increased willingness to share their health data, mostly due to an increase in the use of health monitoring services and technology which consumers are increasingly using to monitor their health and fitness, potentially leading to more advanced and personalised care.

In terms of e-commerce, the COVID-19 pandemic has accelerated the shift towards e-commerce by as much as five years, with 86% of millennials, 79% of Gen X and 62% of baby boomer generations having purchased online[3]. The US Department of Commerce suggests a growth of up to 37% (13% comparative for 2019) in online sales Q3 of 2020[4], which means 14% of all retail is online and 22% of all sales are expected to be made through online sales channels by 2023[5]. Looking further ahead, NASDAQ predicts that 95% of retail purchases will be made online by 2040.

This shift in spending during the COVID-19 pandemic has been most tangible in China where 64% of Chinese consumers surveyed shifted the purchase of healthcare and hygiene products from offline to online. While many markets are expected to experience a negative revenue impact from the pandemic, eCommerce revenues are expected to increase at a global level, with Food & Personal Care being the largest growth category[6,7].

The opportunity for Alliance

Consumer healthcare is becoming an increasingly dominant part of our portfolio, currently accounting for more than two thirds of our revenues, with this percentage set to increase further in 2021, with the inclusion of Amberen.

The acceleration in digital healthcare provision and e-commerce that have taken place in 2020, have highlighted the increasing importance of healthcare brands having an effective digital strategy.

We continue to focus our marketing investment on the creation of digital content and communications, ensuring we develop engaging activity which drives business growth through this channel as part of our Marketing Excellence programme. This will be further supported by the rollout of new Digital Excellence training to our global brand teams in 2021. For more on this see Strategy in Action – Maximising Brand Potential on page 28.

We are already starting to build significant momentum in our e-commerce sales. Much of the recent sales growth we have seen from Kelo-cote has been driven by online purchasing. Pre-pandemic, digital was already an established and important sales channel for the brand, with around 40% of our Chinese sales being facilitated by online platforms. Sales on cross-border e-commerce platforms in China such as Tmall Global continue to grow strongly, and we estimate that the percentage of Kelo-cote sales to the Chinese market facilitated by online platforms now to be in excess of 75%.

Our latest acquisition, Amberen, saw year-on-year growth in online sales of 70% over 2019, to account for more than 20% of overall sales, whilst in the UK, the primary market for MacuShield, the increasing engagement of older demographics with online purchasing saw online sales increase to around 35% of total sales, with more than 20% of our UK consumer product sales being made through online channels.

Our pharma heritage leaves 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 Regulation, and we continue to exploit our medical and regulatory capabilities to support us in this, as required.

1 https://backlinko.com/social-media-users
2 https://www2.deloitte.com/us/en/insights/industry/health-care/consumer-health-trends.html
3 eMarketer May'20
4 ec_current.pdf (census.gov)
5 E-commerce worldwide - statistics & facts | Statista
6 How eCommerce is impacted by COVID-19 2020 | Statista
7 https://nicholashallcompany.wordpress.com/tag/e-commerce/

Our Business Model

Our business model sets out how we execute our strategy to deliver on our purpose: making a difference to people's lives, through making a range of clinically valuable healthcare products available to consumers and patients around the world.

Resources & dependencies:

External market conditions

The global demand for healthcare products and prescription medicines

See pages 20–21

Our assets and resources

- Our people & culture see pages 44–45
- Our brands see pages 14–17
- Our relationships see pages 38–41
- Our infrastructure see page 49
- Our financial resources see pages 52–55

Support from our stakeholders

Maintaining effective engagement to ensure we continue to understand their needs and respond to their concerns

See pages 39–41

How we create value:

Invest

Selectively investing in our brands

Using our deep sector expertise, marketing skills, and technical capabilities to invest in selected brands, primarily Consumer Healthcare brands, to accelerate their growth

Maintain

Maintaining our heritage pharma brands

These remain a good source of cash generation for us and so continue to benefit from our established expertise in the management of many types of regulated medical products

Acquire

Selectively acquiring new brands

To supplement our existing portfolio and provide new opportunities for growth

How we utilise the cash we generate:

The cash generated from our trading activities is applied in:

- Reinvesting in our existing brands
- Acquiring new brands
- Paying down debt
- Rewarding our shareholders

The amount we reinvested in our existing portfolio of brands in 2020

£17m+

The amount by which our net debt would have decreased in 2020, excluding the acquisition of Amberen

£32.5m

The amount we spent on acquiring new brand, Amberen, in 2020

£82.7m

The dividend payments we made to shareholders in 2020

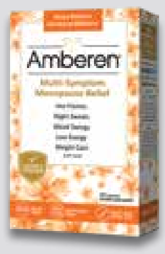
£2.8m

Some of the ways in which our activities benefit consumers and patients:

In 2020, we sold over

4 million

packs of Kelo-cote – enough to treat around 8 scars a minute

Product development (range extensions) To ensure our products continue to stay aligned with changing consumer preferences	In July 2020, we successfully launched a new formulation of Nizoral (Triatop) in China **See page** 15 
Continuing to develop our marketing and promotional materials To increase consumer awareness and understanding of our products	In 2020, we redesigned our packaging and promotional materials for Vamousse in the US – in 2020, this product was used to treat 750k headlice infestations
Acquiring new products To increase the number of clinically valuable healthcare products we are able to offer to consumers and patients	In December 2020, we completed the US acquisition of Amberen – for the relief of the symptoms of menopause **See page** 29 
Continuing to support HCPs To increase their knowledge and awareness of our products, so they can make informed recommendations to patients	In 2020, we were forced to take our UK sales team activities online – however that didn't stop the team from maintaining high levels of engagement – and donating products to help HCPs counter the effects of constant handwashing **See page** 31
Brand protection To increase trust and consumer confidence in our products, through ensuring consumers only have access to genuine products	In 2020, we created a new Head of Global Brand Protection role to assure the security of our supply chain and minimise the risk of counterfeit product being sold to consumers **See page** 47

How we maximise the value we create:

We do this through focusing on the 8 Critical Success Factors which underpin our strategy:

See pages 26–27

- Ensuring availability of funding
- Maintaining a blended model – acquisitions and organic growth
- Maximising deal flow
- Developing our marketing excellence
- Maintaining operational excellence
- Ensuring we have an engaged, skilled and motivated workforce
- Developing a scalable resource capability
- Marketing Alliance as a success story

Responsible business

Operating our business in an ethical and sustainable way, which benefits all our stakeholders, whilst seeking to minimise the negative environmental and social impacts of our business operations.

See pages 36–51

Governance & risk management

Maintaining an effective governance framework

See page 72

Ensuring effective management of risk

See pages 56–57

Our culture and values

Acting in accordance with our values

See page 51

Maintaining our strong and collaborative culture of working together to achieve more

See pages 5–9

Our Strategy

Our strategy enables us to deliver on our purpose and to progress towards our vision of being a leading international healthcare business, built around products that are clinically valuable to patients. Our strategy is focused around four key elements:

	Maximising brand potential	**Acquiring & integrating new products**
	To deliver organic growth – achieved through: ■ Insight-led marketing activity to increase brand awareness (consumer products) ■ Extending geographical reach, through new distributor partnerships ■ Range development and extension Growth opportunity is primarily around our Consumer Healthcare brands	To deliver incremental growth – selective approach: ■ Taking advantage of operating synergies – geographic & product type ■ Refreshing/complementing our portfolio Targeting products that are clinically valuable to healthcare consumers/patients
Our focus & key achievements in 2020	Putting in place new distributor relationships to support Nizoral sales post transition Developing a new formulation for Nizoral / Triatop in China and commencing commercialisation Developing our marketing capabilities through implementation of our Marketing Excellence programme	Completing the strategic acquisition of Biogix Inc/Amberen in the US Continuing to identify and evaluate potentially suitable acquisition opportunities; we reviewed just under 100 opportunities in 2020 Substantially concluding the Nizoral transition process with J&J
Associated CSFs*	1 4 5 7 8	1 2 3 7 8
KPIs	10 new distributor agreements signed (2019: 18) Consumer Healthcare see-through revenues accounted for 68% of total see-through sales (2019: 64%) Kelo-cote see-through revenues +12% vs 2019; Nizoral see-through revenues +4% vs 2019	96 acquisition opportunities reviewed (2019: 131) 1 strategic acquisition completed (2019: 0)
Our priorities in 2021	Realising the growth potential from Amberen as we bring this brand fully into our business Increase our focus on innovation and product development to maintain the relevance of our brands to consumers, through implementation of a new Innovation & Development ('I&D') process	Integrating Biogix Inc / Amberen into Alliance Continuing to identify and evaluate potentially suitable acquisition opportunities – strong pipeline
Principal risks	1, 3–13	2, 5, 8–13

* Underpinning our strategy are eight Critical Success Factors ('CSFs') – the operational priorities for the business which are considered to be key to the successful delivery of our strategy.

People

75

new hires in 2020 (employees + contractors)

	Investing in people	Acting responsibly
	Continuing to invest in our people and in developing Alliance's strong, collaborative culture	To maximise the value created for all our stakeholders, through managing our business in a responsible and sustainable way
Our focus & key achievements in 2020	Ensuring the safety and wellbeing of our employees through the coronavirus pandemic Putting in place new support systems, as necessary to enable employees to stay connected and engaged whilst working remotely Becoming Great Place to Work-Certified™ ('GPTW') in both the UK and China	Developing our internal ESG framework to maintain oversight of all relevant ESG activities (new initiatives and those already forming part of existing business operations) Initiating key projects, including Know Your Supplier ('KYS') and Know Your Customer ('KYC') to provide additional assurance on our end-to-end supply chain activities Rolling out tailored online compliance training to all employees, to increase awareness of legal requirements and associated compliance risks
Associated CSFs*	6 7 8	5 6 8
KPIs	75 new hires in 2020 (employees + contractors) 54 new employees in 2020 Employee turnover: <1%	1,359 course completions for the online compliance training modules, equating to more than 1,500 hours of study
Our priorities in 2021	Continue on our engagement journey, through actioning findings from the GPTW survey Develop blueprint for future ways of working, as COVID-19 restrictions are lifted	Continue to progress key ESG-related initiatives, such as KYS/KYC Progress evaluation of other potential ESG-related workstreams – including around product packaging Maintain levels of compliance training, with increased focus on tailoring training for individual roles
Principal risks	5, 7, 10, 12, 13	3–10, 12, 13

Strategy – CSFs

Underpinning our strategy are eight Critical Success Factors ('CSFs') – the operational priorities for the business which are considered to be key to the successful delivery of our strategy.

CSF	Strategic elements this supports	Identified focus for 2020	Progress in 2020	Focus for 2021
1 **Maintaining a blended model – acquisitions + organic growth**	Maximising brand potential Acquiring & integrating new products	Continuing to invest in our consumer brands to maximise future growth potential, whilst looking to augment this part of our portfolio and extend our international reach, through suitable acquisitions	✓ Consumer brand revenues maintained in 2020 (+1%), despite COVID challenges, with strong performances from Kelo-cote and Nizoral ✓ Nizoral transition substantially completed See pages 14-19	■ Maximise the growth from our Consumer Healthcare brands, through targeted investment, recognising the increasing importance of online sales channels
2 **Maximising deal flow**	Acquiring & integrating new products	Identifying and securing one or more acquisitions which fit our selective acquisition criteria	✓ Completed acquisition of Biogix Inc/Amberen in the US ✓ Just under 100 acquisition opportunities reviewed, a number of which were progressed to late-stage evaluation See page 29	■ Fully integrate Biogix/Amberen into Alliance business ■ Continue acquisition search/evaluation
3 **Ensuring access to funds**	Acquiring & integrating new products	RCF term extension Ensuring continued availability of funding (debt and/or equity) to support future acquisitions	✓ Term of £165m Revolving Credit Facility extended by a further 12 months to June 2024 ✓ RCF drawdown of $110m to fund Biogix acquisition See pages 52-55	■ Ensure continued availability of funding (debt and/or equity) to support future acquisitions
4 **Developing our marketing excellence**	Maximising brand potential	Rollout of Marketing Excellence programme, ensuring appropriate level of support provided for our consumer brands on a local and global basis	✓ Marketing Excellence programme successfully rolled out and brand planning process integrated with strategy review See page 28	■ Continue to develop our Marketing Excellence capabilities, through rollout of Digital Excellence training and new I&D processes
5 **Maintaining operational excellence**	Maximising brand potential Acting responsibly	Progressing our ERP implementation Fully embedding our improved NPI and S&OP processes	✓ Good progress made with the development of our ERP system ✓ Improved S&OP (and NPI) process now fully embedded – providing strong support for supply chain management during the pandemic See pages 52-55	■ Implement our new ERP system – on track for Q2 2021 ■ Continue to ensure effective management of COVID-19 risks ■ Progress KYS/KYC programmes and other key elements of our ESG strategy to further increase business assurance in these areas

CSF	Strategic elements this supports	Identified focus for 2020	Progress in 2020	Focus for 2021
6 **Ensuring we have an engaged, skilled and motivated workforce**	Investing in people Acting responsibly	Working towards participation in the Great Place to Work® ('GPTW') survey Implementation of actions coming out of Britain's Healthiest Workplace survey	✓ GPTW certification achieved in the UK and in China – with Best Workplaces™ nomination in the UK ✓ Actions from Britain's Healthiest Workplace survey largely overtaken by shift in working arrangements as a result of the pandemic – Ways of Working ('WoW') study put in place to monitor ongoing impacts of remote working See pages 30 & 44-45	■ Implement actions coming out of the GPTW survey, to further improve employee engagement ■ Continue to monitor and respond to WoW survey findings; develop blueprint for future ways of working ■ Ensure employee base stays connected
7 **Maintaining a scalable resource capability**	Maximising brand potential Acquiring & integrating new products Investing in people	Ensuring sufficient resource available to deliver our growth plans Maintaining an appropriate balance between employee and contract heads	✓ 75 new hires made in 2020 – mix of permanent roles, supporting business evolution and growth, and additional contractor heads taken on to support workload peaks See pages 44-45	■ Continue to ensure resourcing adequately supports medium-term growth ambitions
8 **Marketing Alliance as a success story**	Maximising brand potential Acquiring & integrating new products Investing in people Acting responsibly	Ensure the Alliance story is clearly communicated to investors and other stakeholders – both current and prospective	✓ 50+ meetings held with current/ prospective investors ✓ 54 new employees recruited ✓ Identified as one of the London Stock Exchange Group's '1,000 Companies to Inspire Britain' in 2020, for the second year running See pages 44-45	■ Continue to develop investor communications – in particular around ESG – and wider understanding of our business

Developing a first-class Marketing Excellence programme

No. of brands / brand groupings prioritised as part of our Marketing Excellence programme:

13

Training our marketing teams to develop best-in-class brand plans
Through carrying out a detailed situation analysis to identify the key issues and opportunities, using the insights gained to creating commercial objectives and strategic imperatives, providing clarity around how we can exploit these opportunities or overcome issues.

Digital Excellence a key focus for 2021
Recognising the increasing opportunity presented by digital communication and media, in 2021 we will be rolling out a new Digital Excellence training programme to our global marketing teams. This has been designed to give them a more in-depth understanding of customers' digital personas, increase the effective use of search and social media, and analysis of the data which these activities generate, in order to drive value.

Marketing Excellence is one of the Critical Success Factors which underpin the delivery of our strategy, enabling us to maximise the organic growth of our brands, especially our larger consumer brands – Kelo-cote, Nizoral and Amberen. Our structured Marketing Excellence programme focuses on creating strong and enduring brands and delivering sustainable long-term value.

What do we mean by Marketing Excellence?

- Gaining a deep understanding of our customers, and clearly identifying who the core target audience is for each of our brands, be they healthcare professionals (HCPs), consumers or patients
- Understanding the influencers of our target audience – friends and family, social media bloggers, pharmacists
- Identifying the core insight for our target – the deep human truth and tension that our target faces in their everyday lives
- Creating a strong proposition for our brands – the unique promise we make to our customers to encourage them to buy or recommend our products
- Making 'cut-through' communications with messaging that speaks directly to our target and that also has the right emotional and rational triggers
- Deploying the right media – be it digital media such as Facebook or Google, TV or symposia with HCPs
- Using our Marketing Excellence programme to drive business excellence, through creating powerful and long-lasting brands

For more information visit
alliancepharmaceuticals.com

Amberen – the latest addition to our portfolio

No. of women in the age range to be impacted by menopause symptoms in the US:

41m

Annual value of the VMS market in the US:

$55bn
(growing at 7% p.a.)

Amberen is a clinically evidenced range of over-the-counter supplement products, for the relief of the symptoms of menopause (and more recently perimenopause).

During menopause, women can experience multiple symptoms, with as many as 70% of women experiencing hot flushes and night sweats. Amberen is a non-hormonal, dietary supplement designed to relieve these symptoms. It comprises a proprietary formulation of bioactive antioxidants (succinates), amino acids, minerals and Vitamin E.

Amberen is a strong brand in a new market segment for Alliance (menopause supplements), within the fast-growing vitamin, mineral & supplement ('VMS') market. Launched in the US, the largest healthcare market in the world, in 2007, since 2015 it has gained strong retail distribution across multiple channels, such that it is currently the primary driver of category growth in the US[1].

The focus of the growth strategy for the brand to date has been on increasing retail distribution, supported by a significant investment in Advertising and Promotion spend ('A&P'), using coupons to drive consumer trial and brand loyalty. The brand's premium pricing versus competitors, allows for high A&P reinvestment.

A perfect strategic fit

As an established, clinically evidenced brand with significant sales and good growth potential, in a growing market, Amberen fits perfectly with our strategy of acquiring established consumer healthcare brands in territories where we already have a presence. Offering significant near-term growth potential, it is set to become our second largest brand and provides the business with another great platform for the delivery of future organic growth.

Synergy potential

In addition to offering distribution channel synergy with Vamousse in the US, the acquisition of Amberen also creates an opportunity for synergistic bidding on future US acquisition opportunities.

1 Source: IRI MULO 52 w/e Aug 9, 2020

For more information visit
alliancepharmaceuticals.com

Becoming Great Place to Work-Certified™

Survey response rate:

73%

Overall Trust Index© rating:

79%

Great Place To Work. Certified NOV 2020–NOV 2021 UK

Great Place To Work. Certified NOV 2020 - OCT 2021 CHN

A key focus for the Investing in People element of our strategy in 2020, has been our participation in the Great Place to Work® ('GPTW') survey, to increase our understanding of employee engagement within the business. Alliance has undertaken annual employee engagement surveys for many years, with great results, however the existing survey was not as extensive as we needed for a larger, more diverse business and did not provide external benchmarking.

The GPTW survey covers a broad range of factors which are key drivers to building internal trust and engagement of employees. Having access to this much richer pool of data gives us a more in-depth insight into how our employees view Alliance, enabling us to further progress our engagement journey. It also shows how Alliance is performing against other leading businesses around the world.

In addition to employee participation in the survey which covered 60 core and 14 additional statements, we were also required to make a detailed submission on our response to the COVID-19 pandemic.

Outcomes

We were delighted to receive an overall Trust Index© rating of 79%, just six percentage points below that for the 2020 World's Best Workplaces Top 25, to have been Great Place to Work-Certified™ both in the UK and China, and to have earned a Best Workplaces™ nomination in the UK – quite an achievement considering that the survey was conducted in Autumn of 2020, when the majority of our employees had spent many months working remotely due to local pandemic restrictions.

Next steps

The survey has provided us with a lot of valuable feedback highlighting areas for us to focus on in 2021 and beyond, to ensure that we stay focused on putting our people at the top of our agenda, continuing to ensure that Alliance remains Great Place to Work-Certified™, and reinforcing the spirit of togetherness that is the lynchpin of our culture.

For more information visit
alliancepharmaceuticals.com

Helping others respond to the challenges of COVID-19

Providing support to healthcare professionals

Recognising that many healthcare professionals (HCPs) were starting to suffer from dermatological complications of continuous handwashing and extensive use of PPE, our UK sales team donated Hydromol™, an emollient product for the treatment of eczema, free of charge. The level of appreciation and gratitude from HCPs to these donations was such that we received numerous e-mails and social media posts thanking us for our support.

Supporting healthcare professionals
One of the images taken and used by the Royal London Hospital Air Ambulance team, showing their appreciation for the donations of Hydromol they received.

Alliance has always been a strong and consitent supporter of the wider community, from our PRAISE awards to employees, which give recipients the opportunity to nominate a charity to receive a cash donation, to our volunteering days, fundraising activities and product donations, which support both local and international charities.

Helping in the search for treatments

The pharmaceutical sector has been at the forefront of the COVID-19 crisis, both in the race to develop vaccines, and to identify other potential treatments for those affected by the virus. In the UK, we worked closely with the Department of Health to support their search for treatments and therapeutics, reinstating supply of a previously discontinued product which may potentially benefit those suffering from COVID-19, to expedited timescales.

The challenges of COVID-19 for charities

We recognise that for many charities, the impacts of the pandemic have been devastating, restricting their ability to fundraise whilst at the same time increasing the demand for their services. We therefore took the decision, in the early stages of the pandemic, to switch our original planned charity initiatives for 2020, and provide financial support to a charity local to each of our office locations. Over the course of the year, we donated more than £150,000 to six different charities around the world, to support them in delivering their services through the pandemic.

Banco Alimentare
上海市儿童基金会
Food from the Heart
BOYS & GIRLS CLUBS OF AMERICA
Medicine for those in need
Cruz Roja Española

For more information visit
alliancepharmaceuticals.com

Responding to COVID-19
Working together to keep our business strong through the global pandemic

Our Senior Leadership Team (left to right)

Peter Butterfield – Chief Executive Officer
Janice Timberlake – Chief People & Infrastructure Officer
Stephen Kidner – Chief Scientific Affairs & Operations Officer

Dan Thomas – Chief Corporate Development Officer
Alex Duggan – Chief Commercial Officer
Andrew Franklin – Chief Financial Officer

Never before has Alliance's culture of working together been more valuable or relevant than in 2020, as we sought to respond quickly and decisively to the challenges brought about by the global pandemic.

Our early-stage response was focused around two key objectives: keeping our people safe and keeping the business strong. Through the swift and measured response of our leaders, we were able to maintain our focus as we navigated our way through the changing local restrictions. As a result, we were able to exit 2020 in a strong position.

Overleaf we provide a timeline of key events and management actions taken in response to COVID-19 through 2020.

Responding to the challenges that COVID-19 has brought has highlighted the resilience and strength of our product portfolio, our business model, and, most importantly, our people.

Prioritising our Employees

A large part of Alliance's success is down to the strong, collaborative culture that exists within the business, and the high levels of commitment shown by its workforce of over 200 skilled and dedicated employees. To keep the business strong through the pandemic, the Senior Leadership Team ('SLT') knew that they needed to focus on keeping Alliance's people strong, providing reassurance around the business's resilience and its ability to weather the challenges brought about by COVID-19, trying to keep things as normal as possible for the business's employees, and to promote a sense of security through very uncertain times. This included:

- honouring their 2019 bonus arrangements
- maintaining the 2020 pay reviews and employee share option grants
- not making any use of the UK government loan assistance programmes, grants or furlough schemes, and
- not making any redundancies as a result of the pandemic.

Some of the specific measures we put in place in 2020 to support our employees through the challenges of prolonged remote working included:

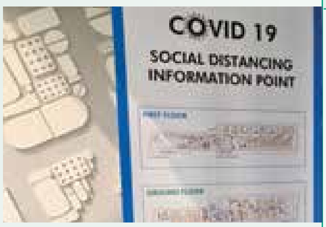
TIMELINE

Covid 19

Timeline of key responses to the COVID-19 global pandemic in 2020

January 2020
With concerns rising about the growing intensity of the COVID-19 outbreak in China, the SLT begin to actively monitor the situation, restricting business travel to/from China and closing our Shanghai office; discussions commenced around global business continuity planning

February 2020
COVID-response team put in place, reporting to the SLT with the remit to 'Safeguard our people and safeguard the business'; initial focus on APAC business and supply chain



March 2020
COVID-response team broadened in scope and representation as COVID-19 became a global challenge; majority of employees moved to remote working; international travel restrictions were put in place

Alliance's Board took the decision not to propose a final dividend for 2019, so as to conserve cash in light of global economic uncertainty brought about by the pandemic

April 2020
'Ways of Working' survey and 'Alliance Connect' meetings commence; update on initial response and near-term outlook provided to shareholders as part of our 2019 Prelims presentation and Annual Report

May 2020
Alliance holds its first virtual AGM

July 2020
Alliance issues a positive half year trading statement, noting that despite a modest drop in revenues, the business had seen a robust performance from its Consumer Healthcare products

August 2020
UK headquarters office reopened, to allow employees that need to work in the office to do so

September 2020
Home working reinstated as the default option for UK-based employees; further update on response and impacts provided as part of our Interim results announcement; dividend payments to shareholders recommenced – announcement of an interim dividend payment for 2020

October to December 2020
The business continues to operate largely remotely, with local lockdown restrictions being reintroduced in several locations

By the end of the year, Alliance has donated more than £150,000 to support charities working to help those impacted by the pandemic

Julian House
The home of opportunity

'Ways of Working' survey
A regular bi-weekly survey, open to all employees, which aims to monitor how changes in their working environment have impacted their productivity and their physical, mental and cognitive health and wellbeing.

- Enables additional targeted support to be provided to those that need it
- Helps us design the blueprint for our future ways of working

'Alliance Connect'
A more informal monthly meeting for all employees to come together virtually and share their experiences during the pandemic; this meeting complemented our regular monthly global Company briefings.

- Opportunity to share 'human interest' stories of how employees in different regions and parts of the organisation have been impacted by the pandemic
- Provides a forum for the SLT to address employees' questions and concerns

Current situation and expected impacts in 2021
Whilst the impact of the pandemic on our business has been modest to date, due to the nature of our business, our financial strength and the timely and effective management actions taken by the SLT, we recognise that the pandemic has the potential to continue to impact our sales performance in 2021, whilst regional/local restrictions persist. It is worth noting however that a sizeable portion of our sales are to China, where the ongoing impacts of the pandemic are being felt in a much more limited way.

We continue to regularly review and update our demand forecasts to understand and mitigate any potential adverse effects on revenues, and to maintain close working relationships with our suppliers and distributors, to understand the impacts of the pandemic on their businesses and to provide early warning of any potential signs of distress.

Whilst the vast majority of our employees continue to work from home, we continue to stay connected as a business and are looking forward to being able to re-engage with each other on a face-to-face basis. We continue to survey all our employees on a monthly basis, to provide real-time feedback on their work arrangements and wellbeing and to help inform our planning for new ways of working as pandemic restrictions are eased.

Whilst the global uncertainty brought about by the pandemic looks likely to continue for some time to come, we remain confident in our ability to continue to respond effectively to the challenges of COVID-19, and to maintain our robust operational and financial performance.

Key Performance Indicators

Our key financial and non-financial performance measures are set out below. 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*

£137.5m -5%

(2019: £144.3m)

2020	**£137.5m**
2019	£144.3m
2018	£124.0m
2017	£101.6m

Underlying EBITDA*

£38.6m -2%

(2019: £39.4m)

2020	**£38.6m**
2019	£39.4m
2018	£32.4m
2017	£27.2m

Underlying EBIT*

£36.8m -2%

(2019: £37.4m)

2020	**£36.8m**
2019	£37.4m
2018	£28.9m
2017	£25.8m

Underlying Profit Before Tax

£33.5m +2%

(2019: £32.9m)

2020	**£33.5m**
2019	£32.9m
2018	£28.1m
2017	£23.9m

Underlying Basic EPS

5.11p

(2019: 5.09p)

2020	**5.11p**
2019	5.09p
2018	4.54p
2017	4.05p

Dividend Per Share

1.610p +200%

(2019: 0.536p)

2020	**1.610p**
2019	0.536p
2018	1.464p
2017	1.331p

Free Cash Flow*

£34.1m +17%

(2019: £29.1m)

2020	**£34.1m**
2019	£29.1m
2018	£16.1m
2017	£22.0m

Leverage[1]

2.43x

(2019: 1.48x)

2020	**2.43x**
2019	1.48x
2018	2.33x
2017	2.46x

Nebt debt

£109.4m +85%

(2019: £59.2m)

2020	**£109.4m**
2019	£59.2m
2018	£85.8m
2017	£72.3m

* These measures constitute Alternative Performance Measures ('APMs'), as defined in note 33 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.

Non-Financial KPIs:

Commercial performance metrics

Consumer Healthcare sales as a % of total sales[1]

68% +4%

(2019: 64%)

YoY growth – Consumer Healthcare sales[1]

+1%

(2019: 31%) 3-year CAGR: +29%[2]

Prescription Medicines Sales as a % of total sales[1]

32% -4%

(2019: 36%)

YoY growth – Prescription Medicines Sales

-14%

(2019: -3%)

Acquisition-related metrics

Total number of opportunities reviewed in 2020:

96

(2019: 131)

Number of opportunities progressed to due diligence:

6

(2019: 4)

Number of acquisitions completed:

1

(2019: 0)

People-related metrics

Total number of employees on payroll

245

(2019: 214)

Female employees as a % of total employees

57%

(2019: 58%)

Employee turnover

0.8%

(2019: 1.3%)

1 Measured relative to see-through sales.

2 This includes the impact of Nizoral, which was acquired by the Group in July 2018.

Responsible business – our approach to ESG

Our purpose is to make a difference to people's lives through making a range of clinically valuable healthcare products available to consumers and patients around the world.

At Alliance, we have always had a strong focus on our people, and on how we do business and interact with our stakeholders, through our values-based culture, which promotes trust, openness, and fairness. This, coupled with the adoption of an increasingly mature approach to governance, has provided a strong foundation for the development of the Group's ESG strategy.

We work hard to ensure that we conduct our business in an ethical and sustainable way, having regard to the interests of all our stakeholders and the impact that our business has on the wider world and the people and communities within it.

Over the course of 2020, we have gained greater clarity around our priorities from an ESG perspective and considered how we can best manage and report on these, both internally, and externally, within the context of recognised reporting frameworks.

Ultimately the aim of our ESG strategy is to provide greater clarity and transparency around our business operations, and evidence of the steps we are taking to ensure our business operates in a way which is both responsible and sustainable.

A number of the initiatives we started in 2020, for example our Know Your Supplier ('KYS') programme, which aims to further improve and streamline our supplier management and associated business assurance activities, are currently at a fairly early stage and so we will report substantively on the outcomes from these next year. However, this is something we intend to do in the future, as these initiatives become more established and embedded in our day-to-day business operations.

Selection of an appropriate reporting framework

Following a review of recognised external reporting frameworks, we concluded that the most relevant primary reference framework for Alliance was the United Nations Sustainable Development Goals (UNSDGs), the 17 goals which were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development, which sets out a 15-year plan to achieve the Goals.

The goals which we consider to be most relevant to Alliance are:

UN goal:	How Alliance contributes:
Ensure healthy lives and promote well-being for all at all ages	Alliance's focus is on supplying clinically valuable healthcare products which enable people to lead healthier lives, either through the treatment of existing conditions, or through promoting well-being through adopting a preventative approach.
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Alliance works closely with HCPs, providing them with product and therapy area education, information and resources, so they can prescribe or recommend our products with confidence and offer informed guidance to users.
Ensure gender equality and empower all women and girls	Alliance is committed in its recruitment, promotion, and other selection processes to ensuring equal opportunities for all, irrespective of gender, and to maintaining a culture of inclusion, in which diversity is seen as a strength.
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Alliance currently employs more than 200 people around the world, working together in the delivery of our vision and sustainable growth of our business. Alliance recognises that its employees are key to the business's success, and ensuring that we have an engaged, skilled and motivated workforce is considered to be one of the Critical Success Factors to the successful delivery of our strategy.
Ensure sustainable consumption and production patterns	Through its quality management systems and supply chain management activities, Alliance aims to ensure that all its products meet the highest standards of quality, safety and efficacy and are manufactured by contract manufacturers who hold the required authorisations, comply with the Group's audit requirements and adhere to the Group's policies on anti-bribery and anti-slavery.

Board and SLT involvement

In recognition of the increasing importance of ESG, both to the Board and to key stakeholders, and following the Board evaluation which took place in January 2021, the Board took the decision to create an ESG Committee, initially comprising all Board members, to take overall responsibility for ESG matters.

Responsibility for overseeing the Group's ESG initiatives at an operational level will continue to sit with the Senior Leadership Team ('SLT').

Materiality assessment

Having considered the areas identified by the Sustainable Accounting Standards Board (SASB) standards as being likely to be material for businesses operating in the Healthcare sector / Pharmaceuticals industry, we have worked on developing our own internal landscape mapping and reporting structures around ESG, and have concluded that the areas which are most likely to have a material impact on Alliance's business performance from an ESG perspective are:

These areas form the focus of our ESG coverage for 2020.

People

- Culture & employee engagement
- Training & development
- Diversity & inclusion
- Health & well-being

Customers

- Access & affordability
- Product quality & safety
- Customer welfare / HCP support

Suppliers

- Supply chain management – including human rights & business ethics

Leadership & governance

- Business Ethics – existence of policies, employee training

Our principal stakeholders
Working together we create sustainable value for all our stakeholders

Our shareholders
- Strong financial performance
- Share price appreciation
- Dividend income

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

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

Communities
- Local engagement
- Charitable & product donations

Stakeholder engagement

Our business is based around our culture of working together to achieve more – working as one global team to create partnerships that unlock potential for brands, businesses, and people, thereby maximising the value we create, not just for our shareholders, but for all the key stakeholders in our business, recognising that each has a part to play in ensuring the business's long-term success.

For Alliance, regular engagement with our stakeholders is an integral part of how we operate as a business – actively seeking to understand the concerns and aspirations of our employees, how they perceive the business and their levels of engagement, the challenges faced by our suppliers and distributors – particularly in 2020 against the backdrop of the global pandemic – and the needs of consumers and patients, and healthcare professionals – the users and recommenders of our products.

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.

Our key stakeholders, their material issues and how we engage with them are set out in the table overleaf, with additional information on how stakeholder considerations have been considered by the Board in their decision-making in accordance with s172 of the Companies Act 2006 being provided as part of the s172 statement on page 42.

We summarise below the relevance of the four key elements of our strategy to our key stakeholder groups.

	Strategic objective				
Relevance to:	**Maximising brand potential** *to deliver organic growth*	**Acquiring new products** *to deliver additional growth*	**Investing in people** *and in developing our strong, collaborative culture*	**Acting responsibly** *to maximise the value created for all our stakeholders*	
Shareholders	Highly Relevant	Highly Relevant	Indirectly Relevant	Relevant	Our shareholders are interested in the overall financial performance of the business, which in turn is dependent on its ability to deliver sustainable long-term growth
Employees	Relevant	Relevant	Highly Relevant	Relevant	Our employees are primarily interested in the business's ability to provide them with fulfilling and rewarding work, to receive a fair reward for their efforts and to benefit from the business's success
Consumers & patients	Indirectly Relevant	Indirectly Relevant	Relevant	Relevant	Consumers and patients are interested in having access to products with a good safety and efficacy profile, at a reasonable cost
Suppliers & distribution partners	Relevant	Indirectly Relevant	Relevant	Relevant	Our suppliers and distribution partners are primarily interested in the development of long-term partnerships, with balanced contractual terms, and the continued growth of our business
Healthcare professionals	Indirectly Relevant	Indirectly Relevant	Relevant	Relevant	HCPs are interested in our product expertise and engaging with us to share information and resources
Communities	Indirectly Relevant	Indirectly Relevant	Relevant	Relevant	Our social impact activities are focused on donations of time, cash, and products

Highly Relevant

Relevant

Indirectly Relevant

Stakeholder engagement continued

Our key stakeholders	Shareholders	Employees	Consumers & patients
Their material issues / what's important to them	■ Financial performance ■ Share price appreciation ■ Strategy ■ Dividends ■ Business model ■ Corporate governance ■ ESG	■ Fulfilling and rewarding work ■ Competitive remuneration and benefits package ■ Opportunities: – to share in the Group's success – for learning and career development – to make a difference – to discover and realise their potential	■ Product quality ■ Product safety and efficacy ■ Product availability ■ Product cost
How we engage with them as a business	■ Investor roadshows ■ Capital Markets Days ■ One-to-one meetings ■ Annual Report and Accounts ■ Half year and Full year Trading and Results Announcements	■ Monthly Company briefings ■ Bi-annual appraisal process ■ Annual development reviews ■ Staff surveys ■ Social events	■ Consumer healthcare products: digital channels (websites, social media), advertising (TV, print, in-store promotions), focus groups ■ Medicines: direct engagement limited, due to regulatory constraints, although we do provide basic product information as part of our Medical Information function
Key metrics & deliverables in 2020	■ More than 50 one-to-one meetings held with current and prospective investors ■ 2 significant* new investors gained in 2020	■ Trust Index© score of 79% from Great Place to Work ('GPTW') employee engagement	■ 38m units of product sold in 2020 ■ 68% of revenues from more widely available Consumer Healthcare products, for which product positioning / market context are the main determinants of price
Board / SLT engagement	■ AGM (full Board) ■ Presentation of Half year and Full year Trading and Results Announcements (CEO/CFO) ■ Investor meetings (CEO/CFO/ Chairman) ■ Responding to specific shareholder enquiries (CEO/CFO) ■ Commissioning / reviewing shareholder research (CEO/CFO/ Board)	■ Monthly Company update meetings, led by CEO and other members of SLT ■ Reviewing results from GPTW employee engagement survey, sharing these with employees and formulating action plan (SLT) ■ Ensuring our employees were prioritised in determining our response to the global pandemic (SLT) **pages 32–33**	■ Most direct engagement is via our commercial / medical teams, with engagement by relevant SLT members on an 'as needed' basis
Links to other relevant content	s172 matters A–F and principal decisions **pages 42–43** Responsible Business – Leadership & governance **page 48**	Strategy in Action – Investing in People **page 30** Responsible Business – People **pages 44–45** Responding to COVID-19 **page 32**	Responsible Business – Customers **page 46**

* >2% of issued share capital

Suppliers	Distribution partners	Healthcare professionals	Communities
Long-term partnerships Collaborative approach Balanced contractual terms Fair payment terms Growth of our business	Long-term partnerships Collaborative approach Balanced contractual terms Growth of our business Reliable product supply	Engagement and product expertise Education, information, and resources	Time, skills, and expertise Financial support Donations of goods and products Participation as an active member of the local business community
Regular cross-functional meetings held with key suppliers throughout the year Communications increased in 2020 to understand and manage COVID-19 impacts	Regular meetings held with distributors to understand market dynamics and sales performance, provide product training, and address any regulatory or supply issues Level of communications increased in 2020 to understand and address COVID-19 impacts	Responding to specific product-related questions Providing educational materials and resources Acting as a source of scientific and clinical background to enable them to judge the place of our products in clinical practice, in guidelines and in funding decisions Utilising their expertise and advice in the development of our products and educational materials	Understanding their needs and making donations of cash, goods and products where we believe these can have maximum impact Strategy adapted in 2020 due to the challenges of COVID-19
£47.5m cost of sales spend All key suppliers paid in line with agreed payment terms	c. 55% of our sales are made via distributors	Ongoing engagement through attendance at / presentations to online symposia and other events for HCPs	£150,000 of charitable donations for COVID-19 support 11,875 units of product (equivalent to 37,500+ treatments) donated to IHP
Most direct engagement is via functional leads within our operations team, with engagement by SLT lead on an 'as needed' basis	Most direct engagement is via our commercial leads, with engagement by SLT lead generally on an 'as needed' basis, with ongoing direct involvement by SLT lead in a limited number of key distributor relationships	Most direct engagement is via our marketing and medical teams, with SLT review of outcomes from these engagements	Charitable initiatives lead by SLT Charitable donation limits agreed by the Board
Responsible Business – Suppliers **page 47**			Strategy in Action – Acting Responsibly **page 31** Responsible Business – Social impact **page 50**

Directors' responsibilities under s172 Companies Act 2006

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

In the table below, we set out how the Board has discharged its responsibilities under s172 Companies Act 2006 in 2020.

Matter	Key decisions / areas of focus for the Board in 2020	For more information see:
a) Long-term impacts the likely consequences of any decision in the long term	■ Dividends – non-payment of 2019 final dividend due to economic uncertainty caused by COVID-19; reinstatement of dividend payments for 2020; review of dividend policy ■ Additional investment in ERP system: upgrade to D365 and additional consultancy support ■ Review and approval of annual strategy / long range plan ■ Extension of the Group's Revolving Credit Facility ■ Review of Group risk register ■ Succession planning ■ D&O insurance cover ■ Acquisition of Biogix Inc and submission of non-binding and binding offers for other acquisition opportunities	**Strategic report:** ■ Our Strategy **pages 24–31** ■ Our Business Model **pages 22–23** ■ Chief Executive's Review **pages 14–19** ■ Financial Review **pages 52–55** ■ Risk Management & Internal Controls **pages 56–57** ■ Principal Risks & Uncertainties **pages 58–65** **Governance:** ■ Audit & Risk Committee Report **pages 82–85** ■ Nominations Committee Report **pages 79–81**
b) Employee considerations the interests of the company's employees	■ Review of 2021 budget ■ Approval of updated whistleblowing procedure ■ Approval of share option grants ■ Review of findings from Great Place to Work survey ■ Review of non-financial KPIs relating to human capital management	**Strategic report:** ■ Our Strategy **pages 24–31** ■ Our Business Model **pages 22–23** ■ KPIs **pages 34–35** ■ Stakeholder engagement **pages 39–41** ■ Responsible Business – People **pages 36–51** **Governance:** ■ Audit & Risk Committee Report **pages 82–85** ■ Remuneration Committee Report **pages 86–94**
c) Business relationships the need to foster the company's business relationships with suppliers, customers and others	■ ERP implementation – engagement of additional consultancy support ■ Auditors – audit partner rotation ■ Brand protection	**Strategic report:** ■ Our Business Model **pages 22–23** ■ Stakeholder engagement **pages 39–41** ■ Principal Risks & Uncertainties **pages 58–65** **Governance:** ■ Audit & Risk Committee Report **pages 82–85**
d) Community and environmental impacts the impact of the company's operations on the community and the environment	■ Approval of charitable contributions in response to COVD-19 ■ Development of ESG strategy	**Strategic report:** ■ Our Strategy **pages 24–31** ■ Responsible Business – Our approach to ESG **pages 36–37** ■ Responsible Business – Social impact **page 50** ■ Responsible Business – Leadership & Governance **page 48**

Matter	Key decisions / areas of focus for the Board in 2020	For more information see:
e) Good reputation the desirability of the company maintaining a reputation for high standards of business conduct	■ Review of financial announcements, financial statements, and narrative reporting ■ Review of Group risk register ■ Approval of updated whistleblowing procedure	**Strategic report:** ■ Responsible business – Leadership & governance **page 48** ■ Risk Management & Internal Controls **pages 56–57** ■ Principal Risks & Uncertainties **pages 58–65** **Governance:** ■ Audit & Risk Committee Report **pages 82–85**
f) Acting fairly the need to act fairly as between members of the company	■ Dividends – see (a) above ■ Approval of share option grants ■ Approval of Directors' remuneration and bonus awards ■ The impact of acquisitions on bonus arrangements	**Strategic report:** ■ Financial Review **pages 52-55** **Governance:** ■ Remuneration Committee Report **pages 86–94**

Alliance's CEO, Peter Butterfield, in conversation with Chairman, David Cook

People

UN goals:

Culture & employee engagement

Alliance's employees are integral to the realisation of the Group's strategy and the successful delivery of its vision. As such, the Group places great importance on attracting and retaining high-quality employees and aligning the success of the Group with their rewards. The Group operates a share option scheme which aims to ensure that all employees have an opportunity to benefit from the growth of the business as reflected in the Company's share price and an annual corporate bonus scheme, which provides for rewards to be made to all employees, based on corporate and individual performance.

Our strong, collaborative culture of working together to achieve more is one of the defining characteristics of our business. Alongside our values (see below), it underpins how we go about our day-to-day activities, how we connect with each other and how we respond to challenges.

It is this culture, attitude and value set which has enabled us to not just survive but thrive as a business through the global pandemic. For more on Alliance's response to the pandemic see 'Responding to COVID-19' on pages 32-33.

The Group's Senior Leadership Team ('SLT') engages regularly with employees and monitors their views and any concerns raised closely. During the pandemic, with extensive remote working arrangements in place, the SLT increased their level of engagement, in recognition of the uncertain and challenging times facing both the business and all of its employees.

The Group has for many years carried out an annual employee engagement survey, the results of which are reviewed by the Board to ensure that appropriate actions are taken in response to the survey findings. In 2020 Alliance took part for the first time in the Great Place to Work® ('GPTW') survey. We were extremely pleased to have been Great Place to Work®-Certified both in the UK and in China and to have earned a Best Workplaces™ nomination in the UK. For more on our participation in the Great Place to Work survey see: **Strategy in Action – Investing in People** on page 30.

Alliance is committed to creating an environment based on the principles of fairness, honesty, integrity, and respect. Whilst employees are encouraged to raise any concerns they may have, relating to their employment with their line manager or a more senior manager within the Company on an informal basis in the first instance, the Group also operates a formal, confidential grievance procedure through which employees may raise any concerns which cannot be resolved through the informal route. This procedure is designed to ensure that any problem or grievance employees may have about their job or Alliance's treatment of them is properly and fairly considered by the Company.

Training & development

Alliance is committed to offering all permanent employees, whether full or part time, appropriate opportunities for training, development, and career enhancement, actively encouraging and supporting the development of their skills and knowledge through internal and external short courses and formal training programmes.

Annual development reviews are carried out for all employees, to identify any current job-specific training needs, and future career progression aspirations.

These reviews run alongside our annual performance appraisal process, which operates for all permanent employees, and which provide an opportunity to assess progress and performance against pre-agreed goals and objectives, on an annual basis, supported by mid-year reviews. More informal feedback is provided through regular weekly line management meetings, which are held with all employees.

We have several leadership and management development programmes in place. In 2020, we adapted our Management Development Programme to a virtual setting to ensure we maintained momentum in developing our new line managers and those identified through the development plan and annual appraisal processes as high-potential employees. The first virtual programme began in October with nine participants. This year we also launched our Master Classes for managers, in response to the development needs identified by managers. These focused on Coaching skills and in 'Leading Through Change' – an essential skill in the context of the pandemic.

We forecast our hiring needs annually, both on a short-terms basis, as part of our annual budgeting process, and in the longer term, as part of our strategic planning process. We continue to provide opportunities for early-stage career development, through our apprenticeship programme, and to carry out an annual succession planning exercise at senior level.

Diversity & inclusion

Alliance is committed to equality of treatment for all employees, and those seeking employment with the Group, regardless of gender, marital status, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or age, geographical origin, social status, or area of abode. The Group is committed to complying with all current legislation concerning unfair discrimination and to encouraging good practice in equality of treatment. In furtherance of this commitment, Alliance has an Equal Opportunities Policy Statement, which sets out its commitments, and the expectation Alliance has of all its employees to ensure we treat others with fairness, respect, and integrity.

In the GPTW survey, we were pleased to see that fairness and equality was one of our highest scoring areas.

Alliance continues to balance its employee headcount with a contract workforce, so as to maintain a scalable resource capability and ensure flexibility of resourcing, in particular to support resource intensive projects such as our ERP implementation. In 2020, 75 new people joined the business, 54 of whom (72%) joined as employees, with the remaining 21 being short-term contractors.

Health & wellbeing

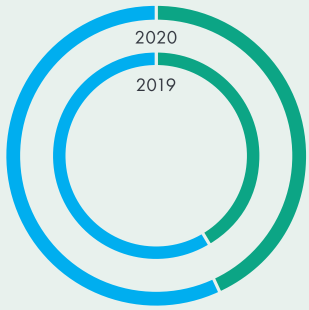
The Group remains committed to ensuring the health and wellbeing of its employees and provides Healthcare insurance to all permanent employees and their dependents, subject to qualifying conditions. Schemes are reviewed annually to ensure they continue to meet the needs of the business and our employees, with a new scheme provider being selected for our UK-based employees in 2020.

The Group has a formal work/life balance policy under which eligible employees can request a change to their working hours, or working patterns, for example term-time working, job-sharing, or staggered hours. Recognising the challenges faced by working parents and/or carers in balancing home schooling/caring responsibilities with work commitments during the pandemic, the Group was quick to take a very open approach to supporting those needing more flexible working arrangements.

Whilst the gym in our head office may have been repurposed as a COVID-safe meeting room and the provision of free fruit to employees temporarily suspended, Alliance remains committed to supporting employees in maintaining a healthy lifestyle whilst working from home. Employees have been encouraged to take regular breaks, go on lunchtime walks and stay active, whilst responses to the Ways of Working survey have provided a means for management to identify and address any potential areas of concern.

Make-up of Alliance's employee base at 31 December by gender:

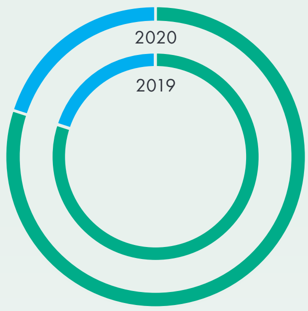
All employees:



Male
106 (43%)
2019: 89 (42%)

Female
140 (57%)
2019: 125 (58%)

Board & SLT:



Male
8 (80%)
2019: 8 (80%)

Female
2 (20%)
2019: 2 (20%)

Our values

Performance
Our high-performing people continually drive business success

Realism
We set stretching goals and targets which we believe are achievable

Accountability
We take responsibility and deliver what we promise

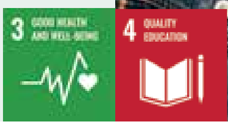
Integrity
We build trust in all our relationships through openness and fairness

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

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

Customers

UN goal:



Access & affordability

Alliance is committed to ensuring that all its products are readily available to consumers and patients, subject to relevant regulatory restrictions, and that the prices we charge for our products are reasonable and reflective of local market conditions. For many of our Prescription Medicines products, we are subject to external pricing controls, such as the voluntary scheme for branded medicines pricing and access in the UK (VPAS). We work closely with our suppliers and logistics providers to avoid, where at all possible, any disruption to the continuity of supply, particularly for those prescription medicine products deemed to have a high medical need.

In addition, we offer access to our products to those in need through our product donations to International Health Partners – see page 50.

Customer welfare, product quality & safety – our commitment to patients

Consumers and patients rely on us to deliver products that can help to improve their health – whether these are prescription medicines, or healthcare products bought online, or off the shelf in their local pharmacy or supermarket, by consumers, as part of a self-care regime, or to treat common ailments.

We are committed to ensuring that all our products meet the highest standards of safety and efficacy and that we remain fully compliant with all applicable regulations. Our quality assurance systems and processes aim to provide an appropriate level of confidence that suppliers, vendors, and contractors are able to supply consistent quality of materials, components, and services in compliance with regulatory requirements and to identify and mitigate any associated risks.

Support for healthcare professionals – our commitment to transparency

Alliance is committed to providing transparency and clarity around our collaboration with healthcare professionals, healthcare organisations and patient organisations. In the UK and Republic of Ireland, Alliance publishes transfers of value in accordance with the ABPI and IPHA Codes of Practice.

Responsible marketing, advertising, and sales practices

Alliance is committed to ethical business practices regarding the marketing, advertising, and sales of our brands, and we have robust standard operating procedures in place to achieve this, with comprehensive training for all compliance staff, to ensure our activities comply with the appropriate standards and legislation. Ultimately this provides reassurance for healthcare professionals, patients and consumers regarding the integrity of Alliance's brands.

Though our membership of key trade associations such as the Association of the British Pharmaceutical Industry (ABPI), the Proprietary Association of Great Britain (PAGB) and the Association of the British HealthTech Industry (ABHI), we are able to stay at the forefront of continually evolving compliance legislation. Our processes are regularly audited and refined to ensure continued compliance with relevant internal and external regulatory requirements.

Suppliers

UN goal:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Supply chain management

We recognise that, as a business which outsources all its manufacturing activites, we have an obligation to maintain adequate oversight of our end-to-end supply operations and to be aware of any associated environmental health and safety, business ethics and supply chain security risks which may exist within our supply chain, including risks to our supply chain arising from the effects of climate change, so these can be effectively managed.

Our established vendor selection processes aim to ensure that all new CMOs are subject to cross-functional assessment by representatives from our Finance and Legal, Sourcing, Technical and Quality teams against a broad set of measures, to ensure compliance with Alliance's internal policies, in addition to appropriate external quality standards, such as EU GMP, ISO 13485, ISO 22716 and GPvP, and that they have hold appropriate third party authorisations, e.g. MIA for medicines, issued by a competent authority.

To support those aspects of our supply chain which we are directly involved with, in the UK, we hold Wholesale Dealers Authorisations, assessed, and approved by the MHRA to allow wholesale dealing of medicines in the UK and in France we hold Exploitant status and a Wholesale Dealers Authorisation, assessed and approved by ANSM, to allow the marketing and wholesale dealing of medicines in France. Both our UK and Italian trading companies hold ISO 13485:2016 (similar to ISO 9001) assessed quality systems to support the marketing of medical devices, which are independently assessed by BSI (UK) and TUV (Italy). Both of these entities also have CE marked medical devices, Class II and above, independently assessed by the Italian and UK Ministry of Health assigned Notified Bodies. In the UK, we are audited regularly by Trading Standards to support the placing on the market of products designated as food supplements.

In China, we are working towards having an NMPA accredited quality management system to enable us to hold Marketing Authorisations in China.

To support these accreditations, in addition to annual pharmacovigilance training, all employees receive training on Good Distribution Practice, with regular training on Company procedures and policies being provided to relevant employees within the business, as needed. Those employees holding statutory roles, such as QPPV, RP, Clinicians, are expected to perform ongoing professional development as a prerequisite for holding these roles.

Business ethics considerations

We are committed to ensuring there is transparency not only in our own business but also in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery Act 2015. We expect the same high standards from all of our contractors, suppliers, and other business partners, and as part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards.

We carry out ongoing, risk-based monitoring of our suppliers, to ensure they remain able to supply consistent quality of materials, components, and services in compliance with regulatory requirements and to identify and mitigate any associated risks.

As part of our efforts to further improve and streamline our supplier management and associated business assurance activities, in 2020, we instigated a Know Your Supplier ('KYS') programme, partnering with a market-leading data aggregator / analytics provider to gain access to wide-ranging supplier data and in-depth analytics capabilities, to give us improved visibility of any potential 'red flags' in our supply chain. This in turn will enable us to better align existing compliance review and escalation processes, so as to ensure any identified issues are remediated on a timely basis. The solution is expected to be implemented during the first half of 2021, with the focus initially being on our direct suppliers, using a risk-based approach to selection.

Supply chain security and brand protection

We recognise that, for some of our consumer products, there is a risk of counterfeit product reaching the market, which may not have been subject to the same rigorous production standards and quality testing as genuine product, rendering it potentially less effective. In 2020, we created a new Head of Brand Protection role, to understand any potential vulnerabilities in our supply chain and address any identified counterfeiting risks.

We are also in the process of setting up a Know Your Customer ('KYC') programme, to bolster our customer qualification and approval processes and ensure we have full visibility over our end-to-end supply chain.

Governance – business ethics

Our approach to business ethics

Alliance is committed to operating its business in an ethical and sustainable way, putting in place formal policies around Modern Slavery and Bribery and Corruption, together with training for all employees and contractors, to ensure these policies are understood and adhered to.

Modern slavery

Alliance has an anti-slavery and human trafficking policy, designed to promote compliance with the Modern Slavery Act 2015. The policy provides guidance to employees, contractors and other business partners on slavery and human trafficking and the measures taken by Alliance to tackle any slavery and human trafficking in its business and its supply chains.

All employees and contractors are required to comply with this policy, with training on the policy, and on the risk the business faces from modern slavery in its supply chains, forming part of the induction process for all individuals who work for Alliance. Regular refresher training on this and other compliance matters is provided to all employees on an annual basis – see Employee training on this page.

For further detail on Modern Slavery and our supply chain, see page 47.

Bribery and corruption

It is our policy to conduct all business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption.

We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. However, as a UK-registered Group, we remain bound by UK laws, including the Bribery Act 2010, in respect of our conduct both at home and abroad.

Alliance has an anti-bribery and corruption policy, designed to assist in the prevention of bribery and corruption by or involving the Group's employees. The policy provides guidance both to the Group and its employees and contractors, with respect to their respective obligations and potential liabilities under the Bribery Act 2010. All employees and contractors are required to comply with this policy.

The Group also operates a formal Whistleblowing Procedure, to support employees in raising any concerns they may have around any suspected wrongdoing.

Employee training

In 2020, we rolled out a suite of online training courses to all employees, covering:

- Anti-Bribery
- Anti-Money Laundering
- Competition Law
- GDPR
- Market Abuse
- Modern Slavery Act
- Sanctions
- Tax Evasion Prevention

Over the course of the year, we achieved

1,359

course completions...

...accounting for

1,571

hours of study

All our employees (including contractors) are also required to undergo annual pharmacovigilance training, and we continue to provide further in-depth training for specific employees around such matters as competition law and contracts, as required.

Environment

2020/21 improvements to our Avonbridge House HQ:

- Replacement of existing windows with thermally efficient argon filled double glazing throughout the building
- Replacement of the last old AC unit with a modern energy efficient system
- Replacement of the lights in the Atrium and final suite with LED units
- Insulation of the attic space
- Replacement all of the glazing in the Atrium with thermally efficient units

Given the nature of our business and the fact that we outsource all of our manufacturing, our actual carbon emissions and other environmental impacts from our direct business operations are relatively modest.

We recognise that our business operations do have some limited impact on the natural environment both through the consumption of natural resources, such as water and fossil fuels, and through carbon emissions, both from our offices and from business travel.

We continue to look for ways to improve the energy efficiency of our UK headquarters building, where around 70% of our employees are ordinarily based, with further improvement works carried out in 2020, with an expected completion in H1 2021. Our opportunities to bring about positive environmental change in our regional offices around the world is limited, due to their much smaller size and location within multi-occupancy office buildings.

We are actively looking at how we can best utilise our office space to accommodate potential new ways of working as the global pandemic subsides and restrictions are lifted.

The amount of both domestic and international travel undertaken by our employees in 2020 has been significantly reduced due to global pandemic restrictions. This has forced us to rely much more on virtual rather than face-to-face meetings. Whilst we expect there to be some resumption of both domestic and international travel once restrictions are eased, it is unlikely that this will return to pre-pandemic levels.

Company reporting detail

Alliance Pharma plc is a company limited by guarantee, registered in England and Wales Number 04241478. Registered office: Avonbridge House, Bath Road, Chippenham, SN15 2BB.

The Company has gathered data regarding scope one and scope two carbon emissions (as defined by the GHG Protocol) for the financial year spanning 1 January 2020 to 31 December 2020 from its UK Operations for inclusion in Company Reporting (2020) as defined by the requirements of the Streamlined Energy and Carbon Reporting (SECR) legislation.

Scope 1	Unit	Raw Quality	kWh	Conversion Factor	tCO_2e
Natural Gas	kWh	10,644	10,644	0.18387	1.96
Transport (Diesel)	Litres	10,644	58,040	0.24057	13.96
Transport (Petrol)	Litres	4,456	42,824	0.2292	9.82
Scope 2					
Electricity (Imported)	kWh	241,339	241,339	0.23314	56.27

Total kWh	**352,847**
Total tCO_2e	**82.00**
Revenue (£m)	**109**
$kgCO_2e$/£m	**0.7523**

The combined Scope 1 and Scope 2 Carbon Emissions for the period was recorded at 82 tCO_2e. Since this is the first year of carbon footprint calculation it is not possible to publish a year-on-year change at this time. The energy consumed in the period is 352,847 kWh with 71% relating to building consumption and 29% related to employee travel. The Specific Carbon Consumption (SCC) for the period is calculated at 0.07523 $kgCO_2e$/£m of revenue excluding management fees and recharges.

During the reporting period Alliance complied with the Energy Savings Opportunity Scheme (ESOS) second phase, engaging with an external Lead Auditor to undertake energy and transport efficiency audits.

Social impact

Every year Alliance works with employees to identify and support a charity of choice either at a local or global level. Additionally, all employees are given a charity day each year to provide practical or fundraising support to a charity they care about.

In 2020, we decided to support one local charity in each country where we have an office base, which needed help to respond to the increased demands on their services as a result of COVID-19. Over the course of the year, we provided more than £150,000 of support, to local charities chosen by employees in each of our office locations. For more on how we helped others repond to the challenges of COVID-19, see Strategy in Action – Acting Responsibly on page 31.

Our work with International Health Partners

For more than 15 years, International Health Partners (IHP) has worked to facilitate the donation of essential medicines and healthcare products to some of the world's most vulnerable communities, including those caught up in conflict, and those impacted by natural disasters. In 2020, IHP sent 5.8 million treatments to those in need, covering 36 countries.

Alliance has been a long-term supporter of IHP and in 2020, we donated 11,875 units of product (equivalent to 37,500+ treatments) with a value in excess of £100,000, which were distributed to those in need in 10 countries across Africa, the Middle East, and Central America.

Our values

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

Performance

Our high-performing people continually drive business success

Realism

We set stretching goals and targets which we believe are achievable

Accountability

We take responsibility and deliver what we promise

Integrity

We build trust in all our relationships through openness and fairness

Skill

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

Entrepreneurship

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

Continued strong performance despite pandemic challenges

The Group delivered a robust financial performance in 2020, against the backdrop of the global pandemic, with see-through revenues decreasing just 5% to £129.8m (2019: £144.3m) and statutory revenues decreasing 4% to £135.6m (2019: £135.6m). This was largely due to continued strong performance by our Consumer Healthcare brands, in particular Kelo-cote. However, reductions in operating costs, together with lower interest and financing costs, resulted in a 2% increase in underlying profit before taxation in 2020 to £33.5m (2019: £32.9m). Reported profit before tax decreased 58% in 2020 to £13.0m (2019: £31.1m), primarily due to amortisation and impairment charges incurred as a result of the decision to adopt finite useful lives for our Prescription Medicines and certain other brand assets from the start of 2020.

Group revenues were only minimally impacted by exchange rate movements, which benefited by approximately £0.3m from Sterling strengthening against the US Dollar through the second half of the year, offsetting a slight weakening in Sterling against the Euro. The impact of exchange rate movements at the operating profit level was minimal.

Gross profit decreased by a similar percentage to revenues, to £82.8m, down 4% versus the previous year (2019: £86.1m), with gross margin increasing slightly, from 59.7% to 60.2% of see-through revenue, and from 63.5% to 63.8% of statutory revenue, due mainly to favourable changes in product mix.

Operating costs (defined as underlying administration and marketing expenses, excluding underlying depreciation, amortisation, and impairment charges) decreased by £2.1m to £42.8m (2019: £44.9m), due to deferral of discretionary spend, in response to the pandemic, and reductions in other expenditure, partially offset by increased marketing costs to support the investment in Consumer Healthcare brands. This resulted in operating costs as a percentage of see-through sales to be maintained in line with the prior year, at 31.1% (2019: 31.1%).

The IFRS 2 share options charge for 2020 was £1.4m, down £0.4m versus that for the previous year (2019: £1.8m).

As a result of the reduction in operating costs, the impact on underlying earnings before interest, taxes, depreciation, and amortisation (EBITDA) was much smaller, with underlying EBITDA decreasing just 2% to £38.6m (2019: £39.4m), and underlying operating profit decreasing by a similar amount to £36.8m (2019: £37.4m). Reported operating profit decreased 54% to £16.3m (2019: £35.6m).

Underlying depreciation, amortisation, and underlying impairment charges

Underlying depreciation, amortisation, and impairment charges for 2020 were £1.8m, down £0.2m on the prior year (2019: £2.0m). Following changes in the accounting policy regarding classification of non-underlying items announced in the first half of 2020, as set out below, for 2020 this charge relates purely to depreciation.

Finance costs

Finance costs were down by £1.3m compared with the previous year, at £3.3m (2019: £4.6m). Of this, £1.2m related to a reduction in borrowing costs, reflecting both a lower level of borrowings and a reduction in the interest rate charged on our borrowings. The remaining £0.1m related to currency movements.

The average interest charge on gross debt during the period (including non-utilisation fees) was 2.55% (2019: 3.37%).

Change in accounting estimate

As set out in the Half Year Report, as the Group continues its focus on its growing Consumer Healthcare portfolio, the Directors have considered the continuing appropriateness of using the indefinite useful lives accounting concept across the entire intangible brand asset portfolio.

For the majority of Consumer Healthcare brand assets, having regard to the expected long-term growth profile of the Consumer Healthcare business and the enduring nature of the brands, which are supported by ongoing marketing spend, the Directors have concluded that indefinite useful lives remain appropriate.

However, for Prescription Medicines brand assets, the Directors have decided to adopt finite useful lives of up to 20 years for all these assets effective from 1 January 2020. In arriving at this lifespan, the Directors took account of all relevant factors, including typical pharmaceutical product life cycles and the potential development of alternative treatments over time, and also the policies adopted by our peer group.

As a result of this change in estimated useful lives, the carrying value of the Prescription Medicines and certain other brand assets will be amortised to the profit and loss account over their useful lives, generating an annual non-cash amortisation charge of £7.2m in 2020 and for subsequent years.

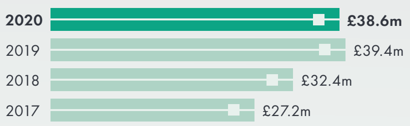
2020 Highlights

- Underlying EBITDA remained resilient, despite a 5% fall in see-through revenues (statutory revenues -4%), due to good control over operating expenditure; operating leverage maintained in line with 2019
- Underlying profit before tax up 2% (reported profit before tax -58%, due to non-cash impairment and amortisation charges, and acquisition costs)
- Very strong cash generation, helped by favourable movements in working capital, with post-acquisition leverage still below 2.5x

Underlying EBITDA*

£38.6m -2%

(2019: £39.4m)

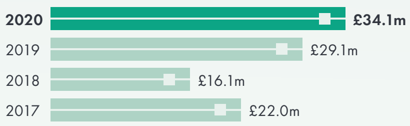


Reported operating profit £16.2m (2019: £35.6m) -54%

Free Cash Flow*

£34.1m +17%

(2019: £29.1m)



Cash generated from operations £46.4m (2019: £39.0m) +17%

* Non-IFRS alternative performance measures (see note 33). See-through revenue includes sales from Nizoral as if they had been invoiced by Alliance. For statutory accounting purposes the product margin on Nizoral sales is included within Revenue, in line with IFRS 15.

Non-cash impairment charges

The Group has also conducted impairment reviews for all intangible brand assets. These reviews, together with the change in useful life assumption for Prescription Medicines assets, have resulted in some non-cash impairments, as detailed in note 5.

Classification of non-underlying items

The Group has also updated its classification policy for non-underlying items. Following this update all non-cash amortisation and impairment charges will be included as non-underlying items for 2020 and subsequent years, in line with the general market treatment. This change has been made to enable users to better understand the financial performance and position of the Group from one period to the next, and to facilitate comparison with its peer group, the majority of whom also exclude amortisation and impairment from their underlying results.

Reconciliation of underlying to reported profit before tax

Year ended 31 December	2020 £m	2019 £m
Underlying profit before taxation	**33.5**	32.9
Non-underlying items:		
Amortisation of intangible assets	**(7.2)**	–
Impairment of intangible assets and goodwill	**(12.1)**	–
Acquisition costs – Biogix Inc.	**(1.3)**	–
Return of Xonvea licensing rights	**–**	(1.7)
Disposal of Flammacerium	**–**	(0.1)
Total	**(20.5)**	(1.8)
Reported profit before taxation	**13.0**	31.1

Taxation

The underlying total tax charge for 2020 was £6.4m (2019: £6.4m), which equates to an effective tax rate of 19.0% (2019: 19.5%). The total tax charge for the year was £5.0m (2019: £6.1m), equating to an effective tax rate on reported profits of 38.3% (2019: 19.5%). The tax credit on non-underlying items reflects the net effect of the tax credit on amortisation and impairment items, of £3.2m, partially offset by a charge of £1.8m due to the impact of the change in the UK tax rate from 17% to 19% on deferred tax balances, which relate primarily to intangible assets.

2020 Highlights continued

Underlying Profit Before Tax

£33.5m +2%

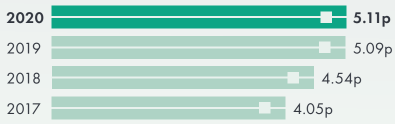
(2019: £32.9m)

Reported Profit Before Tax £13.0m (2019: £31.1m) -58%

Underlying Basic EPS**

5.11p

(2019: 5.09p)

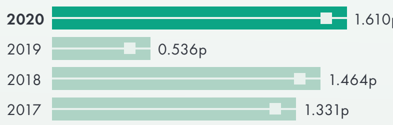


Reported Basic EPS 1.51p (2019: 4.80p) -69%

Dividend Per Share

1.610p +200%

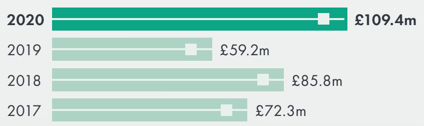
(2019: 0.536p)



Net Debt

£109.4m +85%

(2019: £59.2m)



* The 2017 measure refers to the Underlying Adjusted Basic EPS as disclosed in the 2017 Annual Report which was adjusted to normalise the impact of significant changes in overseas tax rates.

Earnings per share

Underlying basic earnings per share, the measure used by the Board in assessing earnings performance, was marginally up on the previous year at 5.11p, (2019: 5.09p), reflecting the very small increase in the Group's underlying profit after tax, coupled with a modest increase in the number of shares in issue.

Reported basic earnings per share reduced by 69% to 1.51p (2019: 4.80p) due to the greater impact which non-underlying items had on reported earnings in 2020 versus 2019.

Dividend

The Board is pleased to announce that, after cancelling the 2019 final dividend owing to COVID-19 and then paying an interim dividend payment for 2020, in line with that for 2019, it is proposing a final dividend payment of 1.074p per share for 2020, taking the total dividend payment for the year to 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, subject to approval at the Company's AGM on 19 May 2021, will be paid on 8 July 2021 to shareholders on the register on 11 June 2021.

Balance sheet

Intangible assets increased by £84.2m in 2020, to £412.9m (2019: £328.7m), due mainly to the addition of acquired intangibles from the Biogix acquisition of £105.4m, partially offset by non-underlying impairments of £12.1m and amortisation charges of £7.2m as announced at half year.

Further detail is provided in note 11.

Working capital

The Group continued to maintain good control of its working capital during 2020, despite the challenges of the pandemic, with total net working capital at 31 December 2020 of £19.3m, a reduction of £5.4m on that at the start of the period (31 December 2019: £24.7m) due mainly to the movement in receivables and payables balances.

Inventories, net of provisions, amounted to £22.9m as at 31 December 2020, an increase of £7.4m versus the start of the year (31 December 2019: £15.5m), and £2.2m of this reflects inventory acquired as part of the Biogix acquisition; the remainder reflects the purchase of additional finished goods inventory, raw materials and componentry, to mitigate against both future manufacturing and supply challenges as a consequence of COVID-19 and any potential disruption to our supply chain in the wake of the UK's departure from the EU.

Receivables decreased by £5.9m, reflecting both the decline in revenues and the timing of fourth quarter sales, whilst payables increased by £6.9m, as a result of higher inventory holdings and the phasing of payments around the year end.

Cash flow and net debt

Free cash flow (see note 33 for definition) for the year remained very strong at £34.1m (2019: £29.1m), with second half cash flows being significantly stronger than first half, bolstered by favourable movements in net working capital. Cash generated from operations was £46.4m (2019: £39.0m).

Following the drawdown of US$110.0m from our existing £165 million Revolving Credit Facility to fund the acquisition of Biogix Inc, announced on 29 December 2020, net debt was £109.4m at 31 December 2020 (31 December 2019: £59.2m).

As a result of this acquisition, Group leverage increased to 2.43 times at 31 December 2020 (31 December 2019: 1.48 times), still comfortably within our covenant limit of 3.0 times.

We expect free cash flow generation to remain good in 2021, albeit constrained in the first half, due to the reversal of the favourable working capital movements seen in Q4 2020. In the absence of further acquisitions, we expect leverage to decrease to below 2.0 times by the end of the year.

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 finance larger acquisitions. Borrowings are denominated in Sterling, Euro and US Dollars.

Group risk management policy is to hedge up to 75% of estimated future foreign currency EBITDA exposure, for up to 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.

In June 2020, the Group exercised its option to secure a 12-month extension to its £165m Revolving Credit Facility, on the same terms, and this now runs through to July 2024. This facility provides flexibility for the Group to pursue its acquisition strategy over the next few years, to complement future organic growth.

Following the Biogix acquisition on 29 December 2020, £25m of this facility remained unutilised at 31 December 2020.

Andrew Franklin
Chief Financial Officer
23 March 2021

Risk management and internal controls

At a global level, Alliance Pharma recognises that it is essential that we actively manage our risks and maximise our opportunities.

We remain focused on our values and believe that adopting responsible behaviour across our business activities plays an important part in achieving our purpose. The Board ensures a healthy balance between the risks we face and harnessing the opportunities to support sustainable growth in order to help meet the Group's strategic objectives, delivering value to our shareholders.

Our approach to risk management and internal control

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control. It delegates oversight of the management of risk and internal control to the Audit and Risk Committee. During the year, and in line with its responsibilities pursuant to its terms of reference, the Audit and Risk Committee reviews the identification, evaluation and management of the risks facing the business and considers the effectiveness of associated processes and controls.

The Committee reports regularly to the Board and, at least once a year, the Board carries out a formal review of risk management and the risks which have been identified by the risk management process. Those risks which the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transfered to insurers.

1 Oversight and reporting

The Board and the Audit and Risk Committee leads process for risk management

- The Audit and Risk Committee reviews the framework for risk management and considers the Group's principal risks and uncertainties.
- The Audit and Risk Committee reports directly to the Board.

2 Identify and assess

Top-down/bottom-up review

- The identification and assessment and management of risks in the business is driven and monitored by the Senior Leadership Team with the support of the Company Secretary.
- The existence of a risk is identified from either a 'bottom-up' process involving line management or a 'top-down' review by the Senior Leadership Team. As well as a consolidated Group Risk Register, there are risk registers in place at a functional business level.
- Risks are identified and assessed by the likelihood of them occurring and their potential impact on the business. This calculates the potential level of exposure on the business. These are then categorised to identify those that can be effectively managed at a functional or departmental level and those that need to be addressed at a cross-functional business level.
- Risk registers are regularly reviewed to capture and identify new risks and identify opportunities to improve the mitigating actions.

3 Review and mitigate

The SLT reviews progress and mitigations

- Each risk is allocated a business owner, who is responsible for implementing the mitigating actions and reporting on progress with those improvements and the status of those risks to the Senior Leadership Team. The Senior Leadership Team reviews all risks on a quarterly basis, with the principal risks being monitored monthly and, in the case of the principal risks and uncertainties, such risks are reported to and reviewed by the Audit and Risk Committee as well as the Board.
- Actions being taken, or that should be taken, to help mitigate the potential exposure to the risks are regularly reviewed to ensure the appropriate individual 'owns' the risk and the actions being taken remain effective.

4 Report and review

The Audit and Risk Committee reviews and discusses key risks identified

- The Company Secretary prepares an update report on risk and notifies the Audit and Risk Committee of key changes to the Group Risk Register.
- Existing mitigations are considered for each risk and the residual levels of exposure assessed.

> “The Audit and Risk Committee keeps under review the Group’s internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.”

David Cook
Independent Non-executive Chairman

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 and the regulatory and legal requirements as a UK AIM listed plc.

The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The key components of the current system of internal control are:

Communicating our strategy and our values	Setting and communicating clear strategic goals to the business helps ensure all employees understand the objectives of the business and raises awareness. Defining the Group’s values and maintaining a code of ethics for all employee to encourage a culture that promotes good behaviour.
Planning	Developing clear business plans and budgets in line with strategy, supported by intra-year forecasting. This provides the business with clear points of reference.
Policies, processes and procedures	Developing clear policies and procedures for all areas of the business which consider all aspects of legal, regulatory and ethical responsibility. Final implementation of the Enterprise Resource Planning (ERP) system will further strengthen and enhance the Group’s systems of internal control. This provides the business with an opportunity to review processes and reporting practices throughout the Group and provide consistency across the same.
Reporting, management information and discussion	Regular reporting of actual performance relative to those strategic goals, plans, budgets and forecasts. This ensures the business can track and trace factors that could impact on strategy and performance.
Organisational structure, accountability	Creating an appropriate structure of responsibility and accountability, including segregation of duties, appropriate reporting lines for key managers and regular line management communications and one-to-one meetings where performance is discussed, supported by an appraisal process.
Training and monitoring	Training and monitoring employees’ understanding of the external regulatory codes which are applicable to the Group’s business, as well as the Group’s internal policies and procedures. Management monitoring of compliance with the external regulatory codes which are applicable to the Group business, as well as the Group’s internal policies and procedures, and responding appropriately to any breaches.

Internal audit function

Each year, the Audit and Risk Committee and the Board separately consider the need for an internal audit function. Given the current size of the Group, the Audit and Risk Committee and the Board do not judge it appropriate to maintain a dedicated internal audit function. This position is kept under review.

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 below.

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. This year, we are including a mapping showing the current positioning of each of our principal risks based on our assessment of their residual impact and likelihood.

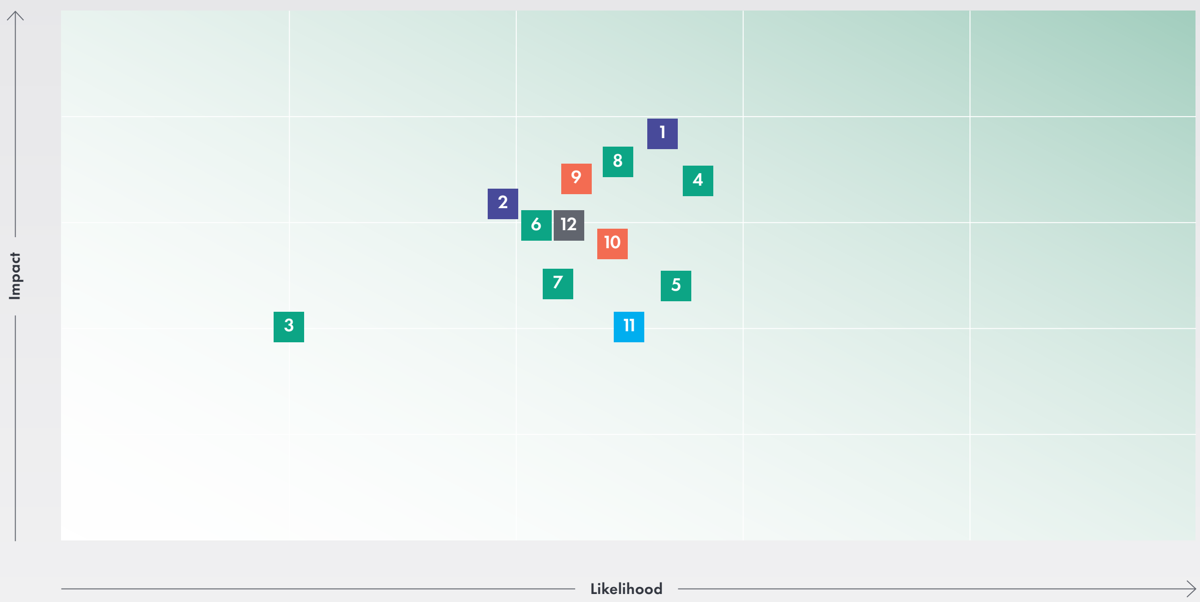
The identified risks are not intended to be an exhaustive list of all risks the Group faces but are the principal risks and uncertainties which the Directors believe include all known material risks in relation to the Group and the markets and industry within which we operate.

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. During 2020, we faced a new risk arising from the global pandemic. Further information on the impact of COVID-19 on all aspects of our business can be found on pages 32 and 33.

How our principal risks and uncertainties impact the achievement of our strategic objectives

			Strategic objectives			
			Maximising brand potential	Acquiring & integrating new products	Investing in people	Acting responsibly
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	Pandemics and other worldwide events: COVID-19	■	■	■	■
	13	Unforeseen event	■	■	■	■

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 Pandemics and other world-wide events: COVID-19

An unforeseen event means one or more significant events, which could not reasonably have been foreseen, and which adversely impacts the business's ability to continue to operate effectively.

We have taken the decision to remove the specific risk of political uncertainty associated with Brexit from our principal risks and uncertainties this year, on the basis that it is no longer considered to pose a significant risk to the Group. Now that the transition period has come to an end and a trade deal has been agreed with this EU, we have more clarity around post-Brexit trading arrangements and are confident that any residual risk from Brexit, for example to movement of goods to/from the UK/EU, can be managed within our existing risk management framework.

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, both as to product and channel, resulting in a loss of competitive positioning, 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 distributor loss or from the failure to secure a suitable distributor in a new market we are looking to enter.	• Loss of revenue, reduced profitability and reduced growth from failure to maintain our competitive positioning, or to identify and exploit new geographic markets for our 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 • Rollout 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	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

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, 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 or 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 COVID-19 /Brexit • 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 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's ability to continue to operate effectively. The business is also in the process of implementing an ERP system to replace a number of its legacy finance / supply chain management systems. Once implemented, the ERP system is expected to improve the internal control environment, although the implementation process carries with it some short-term transitional risk.	• 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 new ERP system may not work as intended or may fail to deliver the expected business benefits	• Continued investment in key business systems – including our new ERP system • 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 not changed materially since 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

	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's 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	Risk has not changed materially since last year
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. Failure to maintain sufficient oversight of our end-to-end supply operations and the associated Environmental H&S, Business Ethics, Supply Chain Security and Climate risks. 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. We also face the risk of some of our more popular consumer products being subject to counterfeiting, leading not only to a potential loss of revenue, but also reputational damage and a potential safety risk to consumers/patients.	• Potential reputational damage, loss of product supply and loss of revenues from failure to maintain sufficient oversight of our end-to-end supply operations • 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	• Setting up a 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 will enable us to better align existing compliance review and escalation processes, so as to facilitate timely remediation of issues • Creation of new Head of Brand Protection role, to understand any potential vulnerabilities in our supply chain and address any identified counterfeiting risks • Setting up a Know Your Customer ('KYC') programme, to bolster our customer qualification and approval processes	This is a new risk

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	Risk has not changed materially since last year
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 • Ongoing investigation by the Competition and Markets Authority (CMA) relating to Prochlorperazine could potentially lead to fines being imposed on the Group	• 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 • Ongoing work with the help of external lawyers to work with the CMA to resolve those allegations	Risk has not changed materially since last year

Financial risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
11. Foreign exchange risk	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 and US 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.	• Adverse movements in Sterling exchange rates vs Euro, US 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	Risk has increased since last year

Other risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
12. Pandemics and other worldwide events: COVID-19	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 continues to create global uncertainty. Whilst the impact of the pandemic on our business has been relatively minimal to date, due to proactive management by the Group's Senior Leadership Team, there will continue to be a risk to revenues and to profits whilst regional / local restrictions persist.	• Reduction in revenues/ profitability and/ or failure to achieve expected growth due to reductions in demand or potential supply issues caused by local pandemic restrictions and/or the knock-on impact of lockdowns (for example on the provision of routine healthcare procedures) • Any significant impact on the Group's revenues and profitability could potentially affect the Group's ability to comply with its borrowing covenants	• 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 • Continuing to support our employees through an extended period of remote working	Risk has reduced since last year

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Governance

Chairman's introduction to governance

"It is my pleasure to introduce this year's report on governance. In the following sections, we provide an update on our compliance with Corporate Governance, the Remuneration Report and the Directors' Report."

Dear shareholders and colleagues,

Here we explain the activities of the Board and its Committees and how we have ensured that governance remains central to delivering on our strategy and the successful operation of our business.

Reflecting on the last 15 months, the Board and I have been impressed with the way in which the business has come together to navigate both the challenges of the pandemic and the opportunities to build a stronger, more connected, and resilient business.

As a global business, we have benefitted from the investment we have made into our technology and infrastructure, which has allowed us to provide a secure and effective way for our employees to continue their work remotely. Our systems and processes across the Group have proved to be robust and where needed they have been adapted to maintain continuity and minimise disruption. In addition, we have neither furloughed our employees nor taken up any support from government.

There is a strong culture of supportive leadership at Alliance. As we have moved through the global pandemic, the continuing safety, health, and wellbeing of our employees has remained one of our key concerns. Different ways of working have, in many ways, brought the global Alliance team closer together. There is frequent dialogue between management and employees through online meetings, Breakfast Briefings, Alliance Connect, regular employee surveys and virtual social events. This has helped us understand how we can best help and support our people and foster their continued engagement. This was further reinforced in Autumn 2020, when we were pleased to announce that Alliance received the 'Great Place to Work®' certification both in the UK and in China. You can read more about this on page 30.

Identifying and managing risks remains an inherent part of our business. We have continued to strengthen our governance and assurance frameworks to align with our growth strategy and to provide a platform that helps us build a sustainable and resilient business over the long term.

Notwithstanding these uncertain times, we have been able to draw on our strong foundations and seek new opportunities to advance our strategy. The recent US acquisition of Biogix Inc. with the addition of Amberen into our Consumer Healthcare portfolio is further evidence of the capabilities of our people to continue to target, deliver and implement our business strategy with confidence.

Alliance is in an industry where we can be part of the solution to the pandemic. Our teams worked with the Department of Health to ensure the supply of a product which may potentially benefit patients with COVID-19. In addition, our social impact activities focused on donating to charities whose work supports those local to our various office locations affected by COVID-19.

Following this year's Board evaluation review carried out in January 2021, and in light of the increasing important of ESG, the Board has taken the decision to establish an ESG Committee. We will report on the activities of this new committee in next year's annual report. Further information on the Company's work in this area can be found on pages 36 to 51 of this report.

We were pleased to resume dividends and declared an interim dividend to shareholders at half-year. This follows a review by the Board of our dividend policy after suspending the final dividend payment for 2019 in response to the COVID-19 pandemic. Since then, we have continued to assess the level of cash distributions having regard to overall performance of the business and outlook and we are pleased to be recommending a final dividend to shareolders of 1.074 pence per share.

At last year's AGM, shareholders voted to approve changes to the Company's Articles of Association that provided flexibility to the Board in the event of continued uncertainty. The Board has therefore taken the decision to hold this year's AGM in the form of a hybrid meeting and will be held at 10.00am on 19 May 2021. Further details will be notified to shareholders in due course.

The Board would like to thank all shareholders and colleagues for their continued support, and we look forward to continuing with our good work. We wish you a safe and healthy 2021.

David Cook
Chairman
23 March 2021

Members and meetings at a glance

Meetings held between 1 January 2020 and 31 December 2020

Board

13 Meetings – 100% attendance

David Cook	Chairman	Independent	13/13
Peter Butterfield	CEO	–	13/13
Andrew Franklin	CFO	–	13/13
Nigel Clifford	NED	Independent	13/13
Jo LeCouilliard	NED	Independent	13/13
Richard Jones	NED	Independent	13/13

Audit & Risk Committee

4 Meetings – 100% attendance

Richard Jones	Chair	4/4
Jo LeCouilliard	NED	4/4
David Cook	NED	4/4

Remuneration Committee

5 Meetings – 100% attendance

Jo LeCouilliard	Chair	5/5
Davd Cook	NED	5/5
Nigel Clifford	NED	5/5

Nomination Committee

2 Meetings – 100% attendance

David Cook	Chair	2/2
Jo LeCouilliard	NED	2/2
Nigel Clifford	NED	2/2
Richard Jones	NED	2/2

David Cook
Independent Non-executive Chairman

Peter Butterfield
Chief Executive Officer

Andrew Franklin
Chief Financial Officer

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.

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.

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

Qualifications

David qualified as a Chartered Accountant with PricewaterhouseCoopers after graduating in Chemistry at the University of Oxford.

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

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

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.

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.

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

C

View the Nomination Committee Report on page 79

Committee Membership Key

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

Nigel Clifford

Independent Non-executive Director

Nigel joined the Board of Alliance as a Non-executive Director in 2015.

Nigel graduated in Geography from the University of Cambridge and has an MBA from Strathclyde University.

He was appointed Deputy Chair at the UK Government's new Geospatial Commission in December 2018 and is an Operating Partner with Marlin Operations Group. Previously, he held Chief Executive and senior positions at Ordnance Survey, Procserve Holdings, Micro Focus International plc, Nokia, Symbian Software, Tertio Telecoms, Cable and Wireless plc, Glasgow Royal Infirmary NHS Trust and BT plc. He also served as a Non-executive Director of Anite plc.

He brings significant experience of the strategic and commercial management of complex global businesses, gained in a variety of industry sectors and under a variety of ownership structures.

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.

In 2020, Richard was appointed Chief Financial Officer at UK main market listed Medica Group PLC, the UK's leading teleradiology provider. Prior to this he was CFO and a Board member of dual UK and 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 82

Jo LeCouilliard

Independent Non-executive Director

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

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

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 Recordti S.p.a.

C

View the Remuneration Committee Report on page 86

Our Governance Framework

Shareholders

Our shareholders delegate to the Board collectively, the responsibility for the long-term success of the Company within a framework of good governance. The Board seeks to understand the investor base through regular dialogue and engagement.

The Matters Reserved to the Board and Committee terms of reference can be viewed on the Company's website.

The Board

The Board's role is to set the vision and strategy for the Company and deliver value to its shareholders over the medium to long term.

There is a collective responsibility for deciding the governance arrangements most appropriate to achieving the Company's purpose to support robust decision making, managing risk and ensuring a healthy culture. To assist in discharging its duties, some areas of responsibility are delegated to the Committees of the Board.

More information on the activities of the Board can be found on page 74

compliance & assurance oversight and delegated authorities

The Nomination Committee

The Nomination Committee leads on the process for appointment, succession planning and evaluating Board and Committee composition and diversity to ensure Board effectiveness.

More information on the work of the Nomination Committee can be found on pages 79 to 81

The Audit and Risk Committee

The Audit and Risk Committee leads on reviewing the Company's integrity of the financial results and other reporting; reviews the effectiveness of the external audit; and has oversight of the effectiveness of risk management and systems of internal control.

More information on the work of the Audit and Risk Committee can be found on pages 82 to 85

The Remuneration Committee

The Remuneration Committee leads on designing remuneration policy, determining Board and senior executive remuneration; and takes account of the wider Group pay and associated policies.

More information on the work of the Remuneration Committee can be found on pages 86 to 94

CEO & Senior Leadership Team

The SLT is led by the Chief Executive and meets on a regular basis. The SLT is responsible for business operations.

More information on the SLT can be found on our website at www.alliancepharmaceuticals.com/about-us/our-leadership-team

Group	EMEA*	APAC*	AMER*

compliance & assurance oversight, delegated authorities risk management and internal controls

Function support

- Finance and tax
- Governance and legal
- Corporate development
- People and infrastructure
- Commercial, sales and marketing
- Regulatory
- Supply and logistics
- Scientific affairs and operations

Values & behaviours

- Agents, customers and suppliers
- Business reporting
- Compliance with laws
- Conflicts of interest
- Fair competition and business practice
- Protection of Company assets
- Anti-bribery and corruption
- Whistleblowing

* For definitions, see page 19

Our compliance with the principles of the QCA code

As an AIM listed company, our governance is underpinned by the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 (the 'QCA Code'). In addition to the QCA Code, we monitor developments and guidance in the UK Corporate Governance Code, applicable to main market listed companies, to keep abreast of matters which we feel could also be embedded as best practice as part of a progressive approach.

1. To establish a strategy and business model which promote long-term value for shareholders
2. To seek to understand and meet shareholder needs and expectations
3. To take into account wider stakeholder and social responsibilities and their implications for long-term success
4. To embed effective risk management, considering both opportunities and threats, throughout the organisation
5. To maintain the Board as a well-functioning, balanced team led by the Chair
6. To ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
7. To evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
8. To promote a culture that is based on ethical values and behaviours
9. To maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
10. To communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Complying with the QCA Code

1 2 3

We have indicated with the numeric markers throughout this section to highlight how we comply with the QCA Code. Further information can also be found on our website at: www.alliancepharmaceuticals.com/investors/governance

For more information visit
alliancepharmaceuticals.com

Key activities of the Board and its Committees

Throughout the year the Board received regular updates on, and considered, the commercial and financial performance of the business, scientific operations and affairs, people and infrastructure, legal, ERP implementation, and the management and impact of COVID-19. 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			■			■	■					
2021 Budget Presentations and budget approval for 2021										■	■	■
Corporate development Review of acquisition opportunities and completion of acquisition of Biogix Inc.									■	■	■	■
Business reviews Mainland Europe, Asia Pacific, US and product review, brand protection		■		■			■		■		■	■
Investor engagement and broker presentations Presentations from brokers, full and half year results webcast presentations, analyst calls and investor roadshows, private client fund manager meetings, one-to-one calls and AGM	■			■	■	■	■		■		■	■
Review of banking facilities Approval of extension to Group banking facilities				■								
Company results, trading statements and dividends Annual Report and Accounts, dividend policy and declarations	■		■				■		■			
Nomination Committee Board composition and Committee membership, succession planning, terms of reference, bonus proposal for 2021			■									■
Remuneration Committee Review of salary proposals, 2019 corporate bonus awards, Company share option awards, 2020 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			■				■		■			■
Governance including ESG Includes the review of risk management framework, Board Effectiveness Review, Governance reporting, review of Articles of Association, AGM Notice, D&O insurance, review of ESG requirements, CSR, 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 1

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 in June, 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. This strategic plan and business model is regularly reviewed by the SLT to ensure alignment with the operations of the business and the CEO reports to the Board on implementation and progress and ensures decisions are made in line with the plan. 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 24 to 31 and on its business model on pages 22 and 23.

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. Key responsibilities of the Board 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.

Promoting the long-term success of the Company

The powers and duties of the Directors are determined by legislation and the Company's Articles of Association. Directors are required to act in good faith in a way that they consider would be most likely to promote the success of the Company and having considered the views of the wider stakeholders of the Company.

The Directors are aware and mindful of their duties and obligations under s.172 of the Companies Act 2006. The Board ensures that the decisions are taken with a view to promoting the success of the Group as a whole and having considered the likely and long-term consequences and wider stakeholder considerations. Further information on this can be found on pages 42 and 43 in the Responsible Business section of this report.

Open and honest discussion at Board level between management and the Directors considers the impact on the Group's stakeholders when reviewing items flowing up to the Board as part of its activities, whether this is reviewing strategy, budget or a corporate development opportunity. Each meeting considers what information is needed to assist the Directors with their responsibilities. This can take the form of written reports, market reviews and guidance, and presentations and briefings from both internal members of staff and external advisers.

Promoting corporate culture 8

The Board aims to lead by example and make decisions that are in the best interest of the Group as a whole. Our culture is underpinned by a clear set of values, which guide decision making at all levels in the business. The Board reviews and approves the Group's policies which are then implemented and communicated internally and externally to those who are expected to adhere to them. Further information about our culture and values can be found on pages 44 and 45.

Engagement with shareholders and other stakeholders

2 3 10

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 discussion 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.

Further information on our dialogues and engagement with shareholders and other stakeholders can be found on pages 38 to 41.

The Directors are committed to open communication with the Group's shareholders to ensure that they clearly understand our business, strategy and performance. Throughout the year, the CEO and CFO meet with potential and existing investors and they feed back to the Board the key summary points for their meetings. In addition to these meetings, there were at least 50 scheduled meetings held as part of the Company's investor roadshows for the annual 2019 and half-year 2020 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 95 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 Group recognises the importance of retail shareholders and the 'Investors' section on the Group's website is regularly updated with the aim of providing good information for all investors, but particularly retail shareholders. The website offers a facility to sign up for email alert notifications of Company news and regulatory announcements. In addition, the CEO and CFO will regularly present at conferences attended by many potential and current retail investors and meet with specialist private client fund managers.

The Board and its Committees 5 9

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 annually by the Nomination Committee.

The responsibilities of both the Chairman and CEO are clearly defined and understood.

The Chairman

The Chairman, David Cook, has primary responsibility for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively and in the best interests of the shareholders. In addition, he maintains a strong focus on governance to ensure good practice is embedded in the business with good flows in communication and reporting. He maintains a regular dialogue with the CEO to ensure the business 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 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.

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 independent Non-executive Directors sits on at least two of the Audit and Risk, Nomination and Remuneration Committees. This ensures 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 three years, subject to annual re-election by shareholders at the AGM. Their appointment term may be renewed by mutual agreement.

Board Committees

The Board has delegated and empowered three Committees: a Remuneration Committee, a Nomination Committee and an Audit and Risk 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 not permitted to be members of the Committees. 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

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 two unscheduled meetings, during the year. Due to COVID-19 rules, eight meetings were held electronically, and five meetings were held in person.

Meetings follow a clear agenda, supported by written reports and presentations from both internal members of staff as well as external advisers and consultants. Two ad hoc meetings of the Board were called to deal with non-routine business.

Board meeting attendance

David Cook	Chairman	Independent	13/13
Peter Butterfield	CEO	–	13/13
Andrew Franklin	CFO	–	13/13
Nigel Clifford	NED	Independent	13/13
Jo LeCouilliard	NED	Independent	13/13
Richard Jones	NED	Independent	13/13

Meeting management

The Company Secretary is secretary to the Board and the Board's Committees and assists the Chairman to ensure good governance. On behalf of the Chairman, Chris Chrysanthou is responsible for ensuring that all Board and Committee meetings are conducted properly, 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 6

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 7

As required under the QCA, 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.

Key improvements following the outcomes of the 2020 review have enhanced our planning to maintain Board focus on strategy and drawing on the wider skills and experience of the Non-executive Directors by encouraging greater dialogue with senior management. The Board has enhanced its forward planning of topics to support strategic discussions, and the process has been further refined as part of our 2021 planning. Despite the challenges in 2020 of not being able to meet face to face there was still a good dialogue between the Non-executive Directors and the senior team through video-conference when required.

The 2021 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 also obtained feedback from each Director on the Chairman. Key discussion points included a review of activities held during 2020, Board dynamics and culture, meeting structure, risk and governance, strategy, the work of the Committees, ESG, engagement with shareholders, and priorities over the next 12–18 months.

Results and outcomes were reviewed, summarised and circulated to Board members for discussion in February 2021. The table below sets out the key focus areas arising from the 2021 review and explains how previous years' recommendations have been addressed:

Areas of focus	Feedback and recommendations
An effective Board, its culture, and dynamics	There is a high degree of challenge, with good debate and discussion. There is a healthy divergence of opinion; views are respected and challenge is responded to in positive and constructive manner. To enhance decision-making and debate, the Company Secretarial team will ensure that the Non-executive Directors are able to meet and discuss both separately and with the Executive any matters on an ad hoc basis.
Ambition and strategic planning	Being able to deliver against the Group strategy remains a core focus and the Board will continue broadening strategic questions and spend more time thinking about global prospects, and risks and opportunities for the longer term. However, despite this, the online presentations were still very productive and well delivered by the management teams. As we continue to build a consumer healthcare business, the Board will consider running a two-step approach to strategy, holding both a mini-strategy day and the larger strategy event later in the year.
Meeting format, locations and 2021 planning/priorities	Our meeting planning, process and format works well and overall, the Board feels very supported. Enhanced forward planning will continue to align with the delivery on strategy, focusing on growth, ESG, core assets, and regions. Meetings will be held through a blend of face-to-face and remote working. Efficiencies through reporting will also be developed to engender a culture that embeds an understanding of the need to support the Board in discharging its responsibilities.
Roles, contributions, and stakeholder engagement	When making its decisions the Board considers the interests of and feedback from its stakeholders. It is therefore important that the Board continues to maintain a dialogue with the Company's shareholders, its workforce, and other key stakeholders. The Non-executive Directors do not operate exclusively within the confines of the boardroom and maintain a good understanding of the business. To further this, the Board will work with the SLT to develop an engagement strategy based on the issues that are most important to the Company's long-term success. The Board will also review the need for dedicated investor relations support.

The next review is scheduled for early 2022.

Nomination Committee Report

"As an international business it is critical that we ensure we have the right people to help us continue to deliver our objectives in line with the Group's strategy."

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 an international business it is critical that we ensure we have the right people to help us continue to deliver our objectives in line with Group's strategy. This means the Committee must remain focused on understanding its framework for diversity alongside talent and succession planning across the business. You can read more about diversity and inclusion and our accreditation as a Great Place to Work on page 30 of this Annual Report.

Gender and ethnic diversity forms part of the Committee's discussions when reviewing succession plans for the Board and SLT. With two new members joining the Board in 2019, we have been working hard to ensure stability and effectiveness to lead on our strategy. Each year, our Board evaluation process also discusses with Board members their thoughts on succession and diversity when reviewing Board culture and the Board's effectiveness.

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 an AIM listed company, 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.

David Cook
Nomination Committee Chairman
23 March 2021

DIRECTOR	ROLE	GENDER	FINANCE	PHARMA/ LIFE SCIENCES	INTERNATIONAL	SALES & MARKETING	GROWTH	FINANCIAL MARKET*	STRATEGIC MERGERS & ACQUISITIONS
Peter Butterfield	CEO	M		■	■	■	■	■	■
Andrew Franklin	CFO	M	■	■	■			■	■
Nigel Clifford	INED	M			■	■	■		■
David Cook	INED	M	■	■	■		■	■	■
Jo LeCouilliard	INED	F	■	■	■	■	■		■
Richard Jones	INED	M	■	■	■		■	■	■

* UK and overseas financial markets experience

The role of the Committee

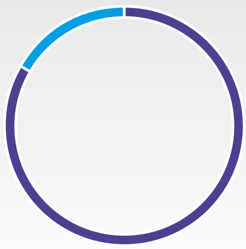
The Nomination Committee's primary role is to carry out a selection process for the appointment and reappointment of all Directors to the Board, and to review the structure, size and composition of the Board (including in terms of skills, knowledge, experience and diversity). The Committee also reviews 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.
- Considers 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.



Board gender diversity

Male
83%

Female
17%

Committee membership and attendance

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.

Attendance

During the year, the Committee held two scheduled meetings and reported on its activities to the Board. As at the date of this report, the members of the Nomination Committee, all of whom held office throughout the year and to the date of this report unless otherwise stated, are:

Member	Role	Status	Appointment date	Attendance
David Cook	Chairman	Independent	01/04/2014	2/2
Nigel Clifford*	NED	Independent	26/01/2015	2/2
Jo LeCouilliard	NED	Independent	29/01/2019	2/2
Richard Jones	NED	Independent	29/01/2019	2/2

* Nigel Clifford stepped down as Chairman of the Committee on 1 January 2021 and was replaced by David Cook. Nigel Clifford remains a member of the 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.

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 Nigel Clifford, Richard Jones and Jo LeCouilliard.

Committee membership changes

At Nigel Clifford's request, the Committee reviewed the time commitment required with respect to the chairing of both the Nomination and Remuneration Committees. In December 2020, following this review and on the recommendation of the Committee, the Board approved a change to the chairmanship of these Committees with effect from 1 January 2021: David Cook was appointed Chair of the Nomination Committee and Jo LeCouilliard was appointed Chair of the Remuneration Committee. Nigel remains a member of both Committees.

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 2020, 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 on a small number of other companies, as detailed in their biographies on pages 70 and 71. It is considered that the Chairman and Non-executive Directors allocate sufficient time and commitment to fulfil their duties to the Company.

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.

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 shortlist 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 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 Head of Legal and Group Company Secretary and receive 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

"Information that is fair, balanced, and understandable helps shareholders assess Alliance's performance, business model and strategy."

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 an AIM listed company, 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. Below we set out the Committee's responsibilities and report on the activities of the Committee during the year.

The consequences of the outbreak of the pandemic in 2020 were quickly a key topic at the Audit and Risk Committee and we witnessed a reporting regime in the UK that had to adapt to accommodate some of the challenges being faced by the business community. At the start of the year, this saw us announcing a temporary postponement of our audited preliminary results based on the Financial Conduct Authority's (FCA) guidance to observe a moratorium on the publication of preliminary financial statements for at least two weeks owing to the impact of the COVID-19 coronavirus on companies and auditors. This provided our auditor KPMG LLP (KPMG) further opportunity to review and challenge management in relation to the potential impact of COVID-19 on the Group's solvency and going concern. We were pleased to release our 2019 annual results on 7 April 2020 having carefully reviewed the potential impact of COVID-19 on our estimates and judgements particularly in respect of going concern.

During the year, we segregated our portfolio of assets into two areas: (i) Consumer Healthcare brands and (ii) Prescription Medicines. As a result, the Committee took the opportunity to consider the portfolio and review the estimates and judgements being used to determine indefinite useful lives of these products and conducted impairment reviews for all intangible brand assets. In addition, in order to bring our policy into line with market, we updated the classification policy for non-underlying items and took the decision to include all amortisation and impairment charges for intangible assets in non-underlying items for 2020 and subsequent years to add additional clarity to our underlying trading in our financial statements. Changes in the useful life assumptions and resulting impairments were explained to the market on 23 September 2020 as part of the Company's half-year financial statements and can also be found in note 2.9 on page 133.

At the very end of the year and in early 2021, we carefully reviewed the accounting treatment and key estimates and judgements in respect of the acquisition of Biogix Inc on 29 December 2020. Further details are set out in note 31 on page 154.

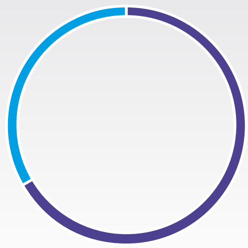
DIRECTOR	ROLE	GENDER	FINANCE	PHARMA/ LIFE SCIENCES	INTERNATIONAL	SALES & MARKETING	GROWTH	FINANCIAL MARKET*	STRATEGIC MERGERS & ACQUISITIONS
Richard Jones (C)	INED	M	■	■	■		■	■	■
David Cook	INED	M	■	■	■		■	■	■
Jo LeCouilliard	INED	F	■	■	■	■	■		■

* UK and overseas financial markets experience

One of the Committee's key responsibilities is to review and challenge the processes for identifying risks and opportunities (both financial and non-financial) and risk mitigation structures. We regularly review the Group's risk register throughout the year 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 system of risk management and internal control together with the principal risks and uncertainties facing the business can be found on pages 56 to 65.

The Committee also carried out a review of the effectiveness of the Company's auditor, KPMG LLP. Following this review, we are pleased to be recommending their reappointment at this year's AGM. In addition, and in line with rules on audit partner rotation, Andrew Campbell-Orde will be stepping down following the signing of these accounts and Huw Brown will take over as lead partner for the 2021 audit. The Committee would like to thank Andrew for his support to the Committee since 2016.

Richard Jones
Audit and Risk Committee Chairman
23 March 2021



Committee gender diversity

Male
67%

Female
33%

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 shareholder with the information necessary to assess the Company's performance, business model and strategy.
- Considering the appointment of external auditors and the frequency of retendering 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 review 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.

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 comprehendible. 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.

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 auditors 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 auditors directly if required.

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:

Member	Role	Status	Appointment date	Attendance
Richard Jones	Chairman	Independent	29/01/2019	4/4
David Cook	NED	Independent	01/04/2014	4/4
Jo LeCouilliard	NED	Independent	29/01/2019	4/4

Activities of the Committee

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2020
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 2019 and 2020 and in the unaudited half year results to 30 June 2020, with reference to the reports being fair, balanced and understandable. • Review of the preliminary results for the financial years ended 31 December 2019 and the unaudited half year results to 30 June 2020. • All financial announcements are circulated for review and approved by the Board. • Consideration of reports from the external auditor in respect of the Annual Report and Accounts for 2019 and 2020.
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.
Accounting policies and standards	Estimates and judgements, amortisation of intangible assets and non-underlying classification.	• Review of estimates and judgements being used to determine indefinite useful lives of product portfolio. • Review of amortisation and impairment. • Review of non-underlying classification policy.
	Estimates and judgements acquisition of Biogix Inc.	• Review of estimates and judgements to accounting for the acquisition of Biogix Inc. under IFRS 3 including careful review of the underlying estimates and judgements in the preliminary Purchase Price Allocation.
	Foreign Exchange Hedging Treasury Policy.	• Review of foreign exchange and hedging pre- and post the acquisition of Biogix Inc. to ensure forward hedging strategies in respect of Sterling and US Dollar ensure certainty. This included a review of the impact on leverage and accounting.

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 is set out on pages 56 to 65. • Annual review of the need for an internal audit function.
	Regulatory and compliance risk	• Reviewed and introduced an updated Whistleblowing policy and procedure.
Review of external auditor	External auditor's independence and objectivity and the effectiveness of the audit process. The policy to control engagement of the external auditor to supply non-audit services.	• 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 2019 and 2020. • Approve the terms of appointment, areas of responsibility and duties. • Scope and strategy of the 2020 external audit set out in the engagement letter and recommend approval to the Board. • Review of the external auditor's performance, independence, and objectivity.
	The rotation of Audit Partner	• Considered the rules relating to the rotation of the audit partner rotation under the 2019 FRC Ethical Standards. Andrew Campbell-Orde's five-year term to the end of the 2020 annual audit was reviewed and the Committee agreed that there would be a change in audit partner following the completion of the 2020 audit.
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.

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. Following a review by the Committee, the proposed reappointment of KPMG as the Company's auditor will be recommended to shareholders by the Board at the 2021 AGM.

Internal audit function

The Audit and Risk Committee considers the need for an internal audit function. This is reviewed annually, and the Committee has determined, that given the current size of the Group, it is not appropriate to maintain a dedicated internal audit function. The position is kept under review.

Whistleblowing

In June 2020, the Board approved a revised Whistleblowing Policy and procedures. Published on the Company's intranet, it 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.

Remuneration Committee Report

"Our remuneration policy seeks to balance long-term shareholder value with fair pay and reward to ensure that we attract, motivate and retain the best skills, experience and capabilities."

Chairman's statement

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to introduce my first Remuneration Committee report since becoming Chairman of the Committee at the beginning of 2021.

In line with good practice reporting for Remuneration Committees on AIM, this year's report provides readers with greater disclosure of the Board's approach to remuneration. As an AIM listed company, 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. Below we set out the Committee's responsibilities and report on the activities of the Committee during the year.

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.

Matters considered by the Committee during the year have been very cognisant of market expectations and the views of investor bodies, including the expectation for executive remuneration outcomes to reflect the experience of shareholders, the wider workforce, and other key stakeholders. The Committee believes that the Company's current remuneration policy encourages and rewards the right behaviours and that any risks created by its structure is within the appetite of the Board.

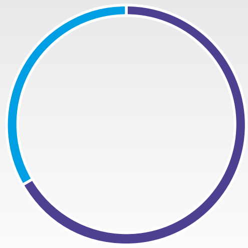
DIRECTOR	ROLE	GENDER	FINANCE	PHARMA/ LIFE SCIENCES	INTERNATIONAL	SALES & MARKETING	GROWTH	FINANCIAL MARKET*	STRATEGIC MERGERS & ACQUISITIONS
Jo LeCouilliard (C)	INED	F	■	■	■	■	■		■
David Cook	INED	M	■	■	■		■	■	■
Nigel Clifford	INED	M			■	■	■		■

* UK and overseas financial markets experience

This year's results highlight the resilient nature of our business and are a credit to the hard work of the management team and all our employees. Our policy on remuneration remains unchanged for both Executive and Non-executive Directors. In applying our policy during the year, the Committee considered the resilient performance of the business and the fact that the Company grew underlying profits before tax without the need to reduce headcount, furlough employees or take any other direct support (financial or otherwise) from government. The Company also made significant progress in delivering its strategy by growing organically and inorganically despite the impact of the pandemic. In view of this resilient performance and strategic progress, limited discretion was applied in assessing the achievement of corporate bonus targets for all employees, including the Executive Directors.

The key activities of the Committee included:

- A review of our remuneration policies, remuneration levels (both fixed and variable), and appropriate AIM market comparisons with respect to discussions on any changes to Executive remuneration. 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.
- Discussions in the context of the potential impact of external factors, such as COVID-19, 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 bonus 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 2020.
- 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.



Committee gender diversity

Male
67%

Female
33%

The Committee continues to monitor trends and developments in relation to remuneration and market practices, 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 19 May 2021 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
23 March 2021

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 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. 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 five 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, who all held office throughout the year and to the date of his report. The members and their attendance are as follows:

Member	Role	Status	Appointment date	Attendance
Jo LeCouilliard	Chairman	Independent	29/01/2019	5/5
David Cook	NED	Independent	01/04/2014	5/5
Nigel Clifford*	NED	Independent	24/02/2015	5/5

* Nigel Clifford stepped down as Chairman of the Committee on 1 January 2021 and was replaced by Jo LeCouilliard. Nigel Clifford remains a member of the Committee.

Activities of the Committee

During the year 2020, matters reviewed and considered by the Remuneration Committee included reviewing policies on remuneration, external environment, and 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. No Directors or senior managers are involved in any decisions as to their own remuneration.

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. Notwithstanding, 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 AIM-listed 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.
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 ('Target'), 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 Target has been achieved by the business and, once this target has been achieved, applying a further multiplier which is determined by assessment of the Executive's personal performance for the relevant year. The Target is set at the start of each financial year – the Target is determined with the approval of the Remuneration Committee to ensure it incentivises Executives and aligns with the Group's strategy. Personal performance is measured on various factors including delivery of pre-set personal targets. Based on a combination of Target and personal performance the Annual Bonus that each of the Executives is able to earn is as follows: **Chief Executive Officer** A Target bonus of 50% of base salary for 100% Target performance, increasing on a sliding scale up to a maximum of 100% of base salary. The Target bonus can be further increased by applying a personal performance multiplier to the achieved Target bonus for overperformance. The maximum personal performance related multiplier of 1.5x (up to an additional 50%) is applied to the Target bonus. The CEO's potential maximum Annual Bonus reward is 150% of base salary. **Chief Financial Officer** A Target bonus of 40% of base salary for 100% OTE Target 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 to the achieved Target bonus for overperformance. The maximum personal performance-related multiplier of 1.5x (up to an additional 50%) is applied to the Target bonus. The CFO's potential maximum Annual Bonus reward is 120% of base salary.

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 Company Share Option Plan (CSOP) and the Long-Term Incentive Scheme (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 market benchmarked Earnings Per Share (EPS) and Total Shareholder Return (TSR). 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 95.
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 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. Both the CEO and CFO are required to build a qualifying interest equal to 100% of their base salaries. Further information can be found on page 94 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.

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[1]		Total remuneration, including share options	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Peter Butterfield	311,667	266,667	12,328	14,214	27,389	24,004	206,250	206,250	557,634	511,135	54,400	1,223,558	612,034	1,734,693
Andrew Franklin	210,000	186,000	8,590	8,023	20,636	18,258	110,000	114,000	349,226	326,281	–	452,250	349,226	778,531
Nigel Clifford	44,389	42,848	–	–	–	–	–	–	44,389	42,848	–	–	44,389	42,848
David Cook	78,488	76,069	–	–	–	–	–	–	78,488	76,069	–	–	78,488	76,069
Richard Jones	44,389	41,598	–	–	–	–	–	–	44,389	41,598	–	–	44,389	41,598
Jo LeCouilliard	42,723	37,848	–	–	–	–	–	–	42,723	37,848	–	–	42,723	37,848
	731,656	651,030	20,918	22,237	48,025	42,262	316,256	320,250	1,116,849	1,035,779	54,400	1,675,808	1,172,249	2,711,587

1 Details of share option exercises carried out during the year are shown in the notes to the table on share incentive awards on page 93.

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 following a benchmarking exercise in the first quarter of 2020, which resulted in a rebasing of their annual salaries and increased from £275,000 to £330,000 for the CEO and from £190,000 to £220,000 for the CFO. These increases took effect on 1 May 2020.

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%.

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. As seen from the table, only Executive Directors accrue retirement benefits, all 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

Due to the impact of COVID-19, the Company narrowly missed its internal profit target set before the outbreak of the pandemic. The Company grew its underlying profits before tax without the need to reduce headcount, furlough employees, or take any other direct support (financial or otherwise) from the government. It also made significant progress in delivering its strategy by growing organically and inorganically despite the pandemic. In view of this strategic progress and resilient performance, bonuses were awarded to all employees as though the Company's profit target had been met, but not exceeded. For the Executive Directors this resulted in the following payments:

	2020 £	2019 £	2020 % salary	2019 % salary
Peter Butterfied	206,250	206,250	62.5	75
Andrew Franklin	110,000	114,000	50	60

Non-executive Directors' fees

In 2020, and following an internal benchmarking review of the market, the Board approved an increase to the Non-executive Director fees. The annual fee paid to David Cook increased from £75,456 to £80,000. Fees paid to Nigel Clifford, Jo LeCouilliard and Richard Jones increased from £38,170 to £45,000 per annum. These changes took effect from 1 May 2020. Non-executive Directors no longer 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 95.

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 SLT. The quantum of award is equal to 50% of their base salary and where appropriate may attract HMRC tax advantages.

On 23 September 2020, the Company granted Peter Butterfield 165,000 and Andrew Franklin 110,000 unapproved share options under the CSOP with an exercise price of 0.737p per share (being the closing mid-market price of one 1p Ordinary Share in the Company at close of trading on 22 September 2020). Based on the exercise price, the value of the awards as at the date of grant was equal to £121,605 for the CEO and £81,070 for the CFO. These awards will vest on the third anniversary from the date of grant, 23 September 2021, subject to meeting the EPS and TSR performance targets as set out below.

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 23 September 2020 with a face value of 55% of base salary to the CEO, equal to (246,269 option awards); and 45% of base salary to the CFO, equal to £99,000 (134,328 option awards). The strike price used to calculate the quantum of awards was 0.737p per share (being the closing mid-market price of one 1p Ordinary Share in the Company at close of trading on 22 September 2020). These awards will vest on the third anniversary from the date of grant, 23 September 2023, subject to meeting the EPS and TSR performance targets on the follow 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 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 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. Reputational 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.

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 2020 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% is 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 2019, to (ii) the EPS as presented in the published Annual Report for the financial year ending 31 December 2022.

EPS Performance Period: the period from 31 December 2019 to 31 December 2022 (inclusive).

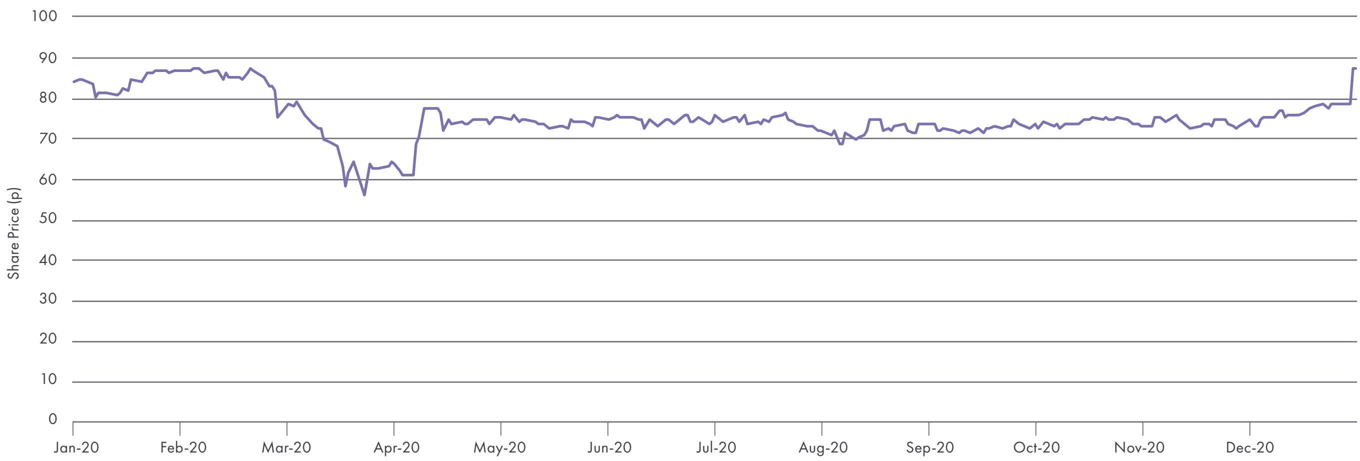
TSR against the FTSE Small Cap Index (ex-Trusts) over the performance period	% of award that vests (of 50%)
Less than the Index	0%
Equal to the Index	50%
Between the Index but less than 15% outperformance of the Index on a cumulative basis over the TSR performance period	Calculated on a straight-line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

Share Price 2020



The closing mid-market price of Ordinary shares on 31 December 2020 (being the last dealing day in the calendar year) was 87.6p and the range during the year was from 57.2p to 87.6p.

Share Incentive Awards

Executive Directors hold options over 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 2020 and who served during the year are as follows:

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	200,000	200,000	200,000[1]	–	–	27-Oct-19	27-Oct-26
CSOP Unapproved	27-Oct-16	47.50	EPS	1,000,000	–	–	–	–	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	–	–	–	–	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
				3,400,453	405,000	200,000		205,000		

1 On 7 May 2020, Peter Butterfield exercised 200,000 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. 161,915 shares were then subsequently sold at a market price of 74.7p per share and 38,085 shares were retained in accordance with the Company's Share Ownership Policy.

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 Approved	04-Dec-15	46.75	No	64,171	64,171	64,171[1]	–	–	04-Dec-18	04-Dec-25
CSOP Unapproved	04-Dec-15	46.75	No	1,935,829	1,935,829	1,435,829[1]	–	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	–	–	–	–	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	–	–	–	–	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
				3,353,511	2,325,000	1,500,000		825,000		

1 As disclosed to the market in 2019, 1,500,00 share options were exercised by Andrew Franklin on 2 December 2019 following which 128,384 shares were retained in accordance with the Company's Share Ownership Policy.

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. 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.

The Committee recently agreed that from the 1 April 2021, the holding requirements under the share ownership policy are to increase from 100% to 200% of base salary for the CEO and from 100% to the 150% of base salary for the CFO.

As at 22 March 2021, the Executive Directors hold the following interests in Ordinary shares of the Company:

Director		Percentage of salary	2020 Base salary	Shareholding	Value of holdings*	% achieved
Peter Butterfield	CEO	100%	£330,000	412,461	£350,179	106%
Andrew Franklin	CFO	100%	£210,000	128,384	£108,998	50%

* At the closing market price on 22 March 2021: 84.9p.

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

	At 31 December 2019			At 31 December 2020		
Director	Beneficial	Non-beneficial	Total	Beneficial	Non-beneficial	Total
Peter Butterfield	374,376	–	374,376	412,461	–	412,461
Andrew Franklin	128,384	–	128,384	128,384	–	128,384
Nigel Clifford	180,663	–	180,663	180,663	–	180,663
David Cook	102,371	–	102,371	234,129	–	234,129
Richard Jones	15,000	–	15,000	15,000	–	15,000
Jo LeCouilliard	–	–	–	–	–	–

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 for 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	24 Months
Jo LeCouilliard	Independent NED	01/01/2019	5 years	34 Months
Nigel Clifford	Independent NED	26/01/2015	4 years	34 Months
Richard Jones	Independent NED	01/01/2019	5 years	34 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.

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 2020.

The Directors' Report required under the Companies Act 2006 includes and comprises the Directors' biographies on pages 70 and 71, the Corporate Governance statement on pages 68 to 85, the Remuneration Committee report on pages 86 to 94 and the Strategic Report on pages 14 to 65.

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 14 to 65. 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 healthcare and pharmaceutical products.

Branches

A list of the Group's subsidiaries and associated undertakings can be found on pages 136 and 137 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 70 and 71. 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 81 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 94. 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 date of this report is 533,301,854 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 2020 of 0.536p per share (2019: 0.536p) which was paid on 7 January 2021. The Directors are recommending a final dividend of 1.074pence per share (2019: Nil) which, subject to shareholders' approval at the AGM, will be paid on 8 July 2021 to shareholders on the register at close of business on 11 June 2021. The total dividend paid and proposed in respect of the year ended 31 December 2020 is therefore 1.610pence per share (2019: 0.536p).

Substantial shareholdings

As at the date of this report, 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	53,317,753	10.00%
Slater Investment	38,846,041	7.28%
Blackrock Investment Mgt	31,870,145	6.00%
Kempen Capital Management N.V.	26,621,969	5.01%
John Dawson	29,976,402	5.63%
Polar Capital	23,252,692	4.36%
MVM Partners LLP	21,282,590	3.99%
Investec Wealth & Investment	19,844,776	3.72%
Rathbone Investment Mgt	18,294,618	3.43%
Artemis Invetsment Mgt	16,304,802	3.06%

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.

Awards granted are based on a percentage 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 page 91.

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 pages 91 and 93.

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 94.

Accounting policies, financial instruments and risks

Details of the Group's financial instruments and financial risk management disclosures can be found in note 20 of the Group financial statements on pages 140 to 146.

Charitable donations

During the year ended 31 December 2020, the Group contributed £212,000 (2019: £55,000) to charitable causes. Further information on our social responsibilities can be found on page 50.

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

Our auditor, KPMG LLP, has expressed its willingness to continue in office and a resolution to reappoint KPMG LLP as auditor for the next year will be proposed at the Annual General Meeting.

Annual General Meeting

This year's AGM will take place at 10.00am on 19 May 2021. As permitted under the Company's Articles of Association, the Board has taken the decision to hold this year's AGM in the form of a hybrid meeting. This is due to the ongoing uncertainties relating to lockdown measures due to COVID-19. The Notice of AGM together with details on how to attend the meeting will be circulated to shareholders and published on the Company's website in due course.

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 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.

Chris Chrysanthou
Company Secretary
23 March 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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:

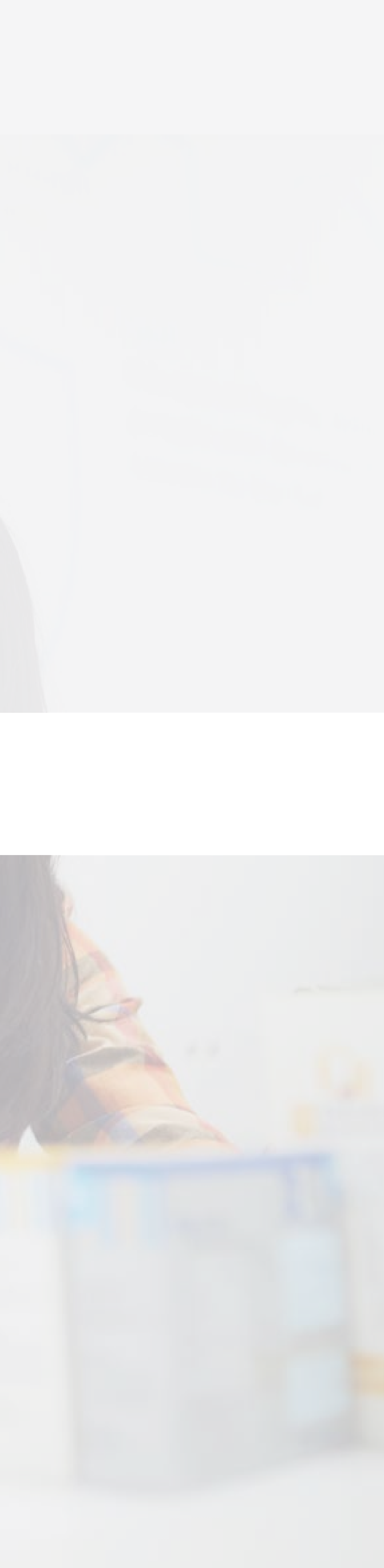
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 complies with that law and those regulations.

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


ALLIANCE



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Financial Statements

KPMG

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 2020 which comprise the 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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 (2019: £1.4m) 4.7% (2019: 4.3%) of normalised Group profit before tax	
Coverage	92% (2019: 92%) of group profit before tax	
Key audit matters vs 2019		
Recurring risks	Impairment of intangible assets (including goodwill)	◀▶
	Recoverability of parent company's investment in subsidiaries	◀▶
	New: Intangible assets: Selection of useful economic lives	
	New: Business combinations: valuation of identified intangible assets	

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:

	The risk	Our response
Impairment of intangible assets and goodwill (£412.9m; 2019: £328.7m) Refer to page 119 (accounting policy) and page 131 (financial disclosures).	**Forecast-based valuations** The estimated recoverable amount of intangible assets 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, growth rates and, in the case of finite life assets, the estimated useful economic lives), which are inherently highly judgemental. Given the quantum of the balance in relation to our materiality and the inherent estimation uncertainty associated with these judgements, we concluded this to be our most significant Key Audit Matter. The effect 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.	We applied the procedures below to higher risk CGUs for detailed testing based on historic headroom levels, sensitivities, historic forecasting accuracy, issues identified from discussions with commercial, regulatory and financial management and information about the products available in the public domain. — **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 (including competitor analysis). In addition, we assessed whether the forecasts (including growth rate) were consistent with current business strategies in place, 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 the remaining population of CGUs, we performed historical comparisons, sensitivity analysis and held discussions with the directors.

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

	The risk	Our response
Intangible assets: selection of useful economic lives (£381.6m; 2019: £312.1m) Refer to page 119 (accounting policy) and page 131 (financial disclosures).	**Subjective estimate** Certain intangible assets are sensitive to the selection of useful economic lives due to the impact of this estimate on the recoverable amount and amortisation charged against finite life assets. The estimate is subjective due to the inherent uncertainty involved in determining an appropriate useful economic life for assets of this nature. This assessment is based on factors that include how established the brand is, the stability of the industry, barriers to entry and risks of obsolescence. The effect of these matters is that, as part of our risk assessment, we determined that the selection of useful economic lives 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.	Our procedures included: — **Our sector experience:** Evaluated the assumptions used in the selection of useful economic lives; — **Benchmarking assumptions:** Compared the group's assumptions to internal and externally derived data such as projected growth of specific products or markets, and an assessment of certain products' competition; — **Sensitivity analysis:** Performed a sensitivity analysis on the assumptions noted above and performed a comparison against peer companies; — **Assessing transparency:** Assessed the adequacy of the Group's disclosures in respect of the change in estimate.
Business combinations: valuation of identified intangible assets (£90.0m) Refer to page 122 (accounting policy) and page 154 (financial disclosures).	**Forecast-based valuations** 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. Accounting for acquisitions can be complex, with judgement required in both the identification of assets acquired (including any intangible assets), and the valuation of those assets and liabilities assumed, in accordance with IFRS 3 'Business Combinations'. The calculation of fair value is subjective due to the inherent uncertainty involved in the valuation of assets and liabilities, and this requires the application of judgement by management and technical expertise. In particular the method of valuation, future forecasts (including cash-flow forecasts) and underlying assumptions may all have a material impact on the valuation of assets and liabilities, notably on the valuation of intangible assets which typically represents the most significant assets acquired in acquisitions of this nature.	Our procedures included: — **Test of detail:** Reviewed the sale agreement and the accounting for the acquisition, including review of the identification of assets acquired (including any potential intangible assets) and the valuation of assets acquired and liabilities assumed. — **Test of detail:** Considered the completeness of the intangible assets identified by management and the valuation of those intangible assets with the assistance of our corporate finance specialist. — **Benchmarking assumptions:** Assessed the appropriateness of the valuation models used, assessment of the discount rate used in the models, and a review of the cash flow forecasts used to value the identified intangible assets and the fair value of assets and liabilities acquired. — **Assessing transparency:** Assessed the completeness of disclosures for the acquisition against the requirements of the relevant accounting standards.

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£199.8m; 2019: £194.6m) Refer to page 121 (accounting policy) and page 136 (financial disclosures).	**Low-risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 99.9% (2019: 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: — **Tests of detail:** We compared the carrying amount of 100% of the investments with the net assets value of the respective subsidiaries, being an approximation of 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; — **Test of detail:** Where the carrying value of the investment exceeded the net assets of the subsidiary we obtained the forecasts used by the directors in their assessment of the recoverability of the investments in the Company balance sheet. We challenged and assessed the underlying assumptions used in these forecasts, taking into consideration the assumptions used by the directors in testing the recoverability of the intangible assets at a Group level and the sensitivity of impairment of the parent company's investment in subsidiaries to these assumptions.

We continue to perform procedures over going concern and the impact of uncertainties due to the UK exiting the European Union on our audit, however given the passage of time, the level of uncertainty over the impact of Covid-19 and Brexit on the Group has reduced.

As a result of these matters, we have not assessed these risks as the most significant in our current year audit and, therefore, are 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 (2019: £1.4m), determined with reference to a benchmark of group profit before tax, normalised to exclude the impairment and amortisation of intangible assets (as disclosed in note 5) of £19.2m (2019: normalised to exclude costs relating to the return of Xonvea Licensing Rights of £1.7m), of which it represents 4.7% (2019: 4.3%).

Materiality for the parent company financial statements as a whole was set at £1.4m (2019: £1.3m), determined with reference to a benchmark of company total assets, of which it represents 0.7% (2019: 0.7%).

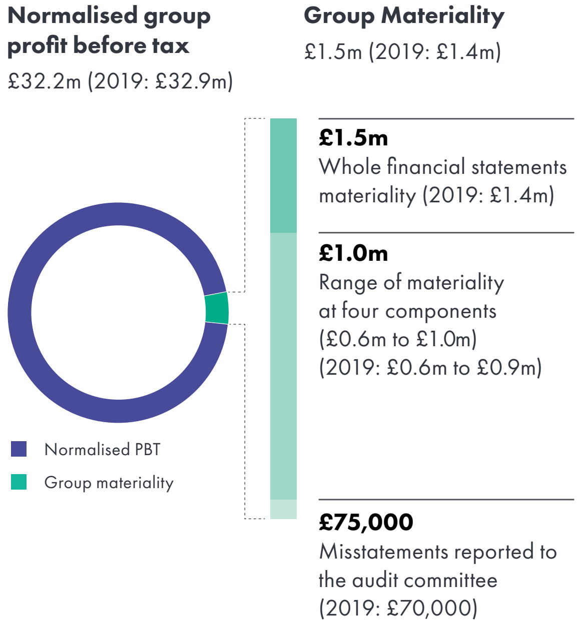
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material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

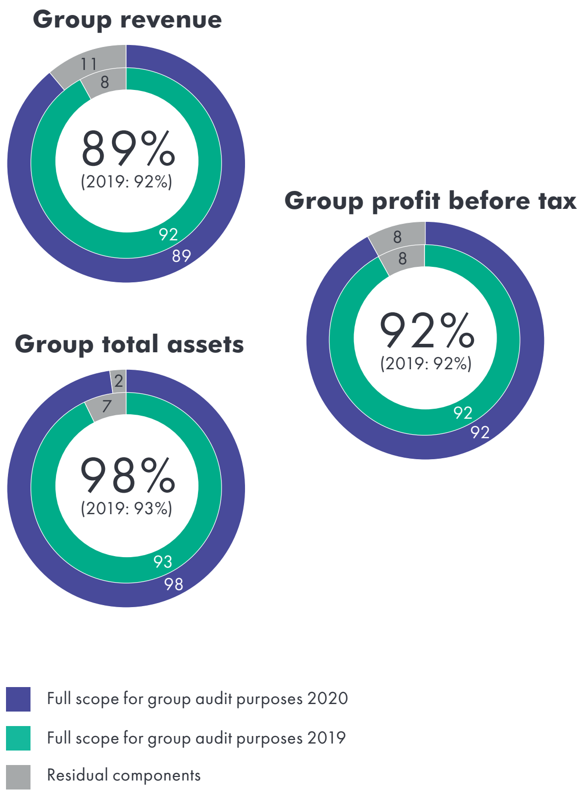
Performance materiality was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £1.125m (2019: £1.05m) for the group and £1.05m (2019: £0.975m) for the parent company. We applied this percentage in our determination of performance materiality because we did 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 (2019: £70,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 19 (2019: 18) reporting components, we subjected 4 (2019: 4) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

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 £0.6m 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 (2019: 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.





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

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 impact of Covid-19 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 or the Company 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.

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

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

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 revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We also identified fraud risks related to the impairment of intangible assets (including goodwill) and the selection of useful economic lives of intangible assets in response to possible pressures to meet profit targets.

Further detail in respect of the impairment of intangible assets (including goodwill) and selection of useful economic lives of intangible assets are 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, 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.

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.

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

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 97, 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.

Andrew Campbell-Orde

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

23 March 2021

Consolidated Income Statement

	Note	Year ended 31 December 2020 Underlying £000s	Year ended 31 December 2020 Non-underlying £000s (Note 5)	Year ended 31 December 2020 Total £000s	Year ended 31 December 2019 Underlying £000s	Year ended 31 December 2019 Non-underlying £000s (Note 5)	Year ended 31 December 2019 Total £000s
Revenue	3,33	**129,801**	–	**129,801**	135,637	–	135,637
Cost of sales		**(46,985)**	–	**(46,985)**	(49,561)	–	(49,561)
Gross profit		**82,816**	–	**82,816**	86,076	–	86,076
Operating expenses							
Administration and marketing expenses	5	**(44,614)**	**(1,300)**	**(45,914)**	(46,351)	–	(46,351)
Amortisation of intangible assets	5	–	**(7,155)**	**(7,155)**	(179)	–	(179)
Impairment of goodwill and intangible assets	5	–	**(12,057)**	**(12,057)**	(284)	–	(284)
Share-based employee remuneration	7, 23	**(1,374)**	–	**(1,374)**	(1,816)	–	(1,816)
Return of Xonvea Licensing Rights	5	–	–	–	–	(1,672)	(1,672)
Disposal of Flammacerium	5	–	–	–	–	(145)	(145)
Operating profit		**36,828**	**(20,512)**	**16,316**	37,446	(1,817)	35,629
Finance costs							
Interest payable and similar charges	6	**(2,657)**	–	**(2,657)**	(3,777)	–	(3,777)
Finance costs	6	**(643)**	–	**(643)**	(776)	–	(776)
		(3,300)	–	**(3,300)**	(4,553)	–	(4,553)
Profit before taxation	4	**33,528**	**(20,512)**	**13,016**	32,893	(1,817)	31,076
Taxation	8	**(6,372)**	**1,383**	**(4,989)**	(6,414)	348	(6,066)
Profit for the period attributable to equity shareholders		**27,156**	**(19,129)**	**8,027**	26,479	(1,469)	25,010
Earnings per share							
Basic (pence)	10	**5.11**		**1.51**	5.09		4.80
Diluted (pence)	10	**5.05**		**1.49**	4.99		4.72

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 2020 £000s	Year ended 31 December 2019 £000s
Profit for the year	**8,027**	25,010
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign exchange translation differences (net of deferred tax)	**(1,051)**	(1,495)
Forward exchange forward contracts – cash flow hedge (net of deferred tax)	**(250)**	489
Interest rate swaps – cash flow hedge (net of deferred tax)	**27**	(23)
Total comprehensive income for the year	**6,753**	23,981

Consolidated Balance Sheet

	Note	31 December 2020 £000s	31 December 2019 £000s
Assets			
Non-current assets			
Goodwill and intangible assets	11	**412,872**	328,660
Property, plant and equipment	12	**15,921**	11,554
Deferred tax	21	**2,139**	1,710
Other non-current assets		**682**	676
		431,614	342,600
Current assets			
Inventories	14	**22,917**	15,518
Trade and other receivables	15	**25,114**	30,992
Derivative financial instruments	20	**310**	697
Cash and cash equivalents	16	**28,898**	17,830
		77,239	65,037
Total assets		**508,853**	407,637
Equity			
Ordinary share capital	22	**5,329**	5,294
Share premium account		**150,645**	149,036
Share option reserve		**8,426**	7,208
Other reserve		**(329)**	(329)
Cash flow hedging reserve		**239**	462
Translation reserve		**(1,055)**	(4)
Retained earnings		**117,703**	112,513
Total equity		**280,958**	274,180
Liabilities			
Non-current liabilities			
Loans and borrowings	18	**138,328**	77,040
Other liabilities	19	**3,200**	2,401
Deferred tax liability	21	**56,181**	29,810
		197,709	109,251
Current liabilities			
Corporation tax		**1,435**	2,344
Trade and other payables	17	**28,736**	21,815
Derivative financial instruments	20	**15**	47
		30,186	24,206
Total liabilities		**227,895**	133,457
Total equity and liabilities		**508,853**	407,637

The financial statements were approved by the Board of Directors on 23 March 2021.

Peter Butterfield
Director

Andrew Franklin
Director

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

Company number 04241478

	Note	31 December 2020 £000s	31 December 2019 £000s
Assets			
Non-current assets			
Investment and loans to subsidiaries	13	**199,776**	194,630
Current assets			
Trade and other receivables	15	**36**	24
Cash and cash equivalents	16	**297**	97
		333	121
Total assets		**200,109**	194,751
Equity			
Ordinary share capital	22	**5,329**	5,294
Share premium account		**150,645**	149,036
Share option reserve		**7,955**	6,846
Retained earnings		**34,912**	32,316
Total equity		**198,841**	193,492
Liabilities			
Current liabilities			
Trade and other payables	17	**306**	225
Corporation tax		**962**	1,034
Total liabilities		**1,268**	1,259
Total equity and liabilities		**200,109**	194,751

The Company's profit for the year was £5,433,000 (2019: £12,161,000).

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 23 March 2021.

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 2019	5,182	144,639	(329)	(4)	1,491	6,121	95,099	252,199
Issue of shares	112	4,397	–	–	–	–	–	4,509
Dividend paid	–	–	–	–	–	–	(7,596)	(7,596)
Share options charge (including deferred tax)	–	–	–	–	–	1,087	–	1,087
Transactions with owners	112	4,397	–	–	–	1,087	(7,596)	(2,000)
Profit for the year	–	–	–	–	–	–	25,010	25,010
Other comprehensive income								
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	–	–	–	489	–	–	–	489
Interest rate swaps – cash flow hedge (net of deferred tax)	–	–	–	(23)	–	–	–	(23)
Foreign exchange translation differences (net of deferred tax)	–	–	–	–	(1,495)	–	–	(1,495)
Total comprehensive income for the year	–	–	–	466	(1,495)	–	25,010	23,981
Balance 31 December 2019	5,294	149,036	(329)	462	(4)	7,208	112,513	274,180
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**

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 2019	5,182	144,639	6,121	27,751	183,693
Issue of shares	112	4,397	–	–	4,509
Dividend paid	–	–	–	(7,596)	(7,596)
Share options charge (including deferred tax)	–	–	725	–	725
Transactions with owners	112	4,397	725	(7,596)	(2,362)
Profit for the period and total comprehensive income	–	–	–	12,161	12,161
Balance 31 December 2019	5,294	149,036	6,846	32,316	193,492
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**

Consolidated and Company Cash Flow Statements

	Note	Group: Year ended 31 December 2020 £000s	Group: Year ended 31 December 2019 £000s	Company: Year ended 31 December 2020 £000s	Company: Year ended 31 December 2019 £000s
Cash flows from operating activities					
Cash generated from operations	24	**46,405**	38,958	**(2,133)**	(773)
Tax paid		**(4,838)**	(3,200)	**(1,012)**	(445)
Cash flows from/(used in) operating activities		**41,567**	35,758	**(3,145)**	(1,218)
Investing activities					
Interest received		**10**	23	–	–
Dividend received		–	–	**2,800**	7,596
Acquisition of Biogix Inc	31	**(82,667)**	–	–	–
Contribution from/(investment in) subsidiary	13	–	–	**1,738**	(3,277)
Development expenditure	11	–	(12)	–	–
Purchase of property, plant and equipment	12	**(4,612)**	(4,145)	–	–
Proceeds from disposal of Joint Venture Investment	31	–	500	–	–
Proceeds from disposal of intangibles	30	**1,405**	350	–	–
Net cash (used in)/from investing activities		**(85,864)**	(3,284)	**4,538**	4,319
Financing activities					
Interest paid and similar charges		**(2,866)**	(2,505)	–	–
Loan issue costs		**(362)**	(1,401)	–	–
Capital lease payments		**(884)**	(726)	–	–
Proceeds from exercise of share options		**1,644**	4,509	**1,644**	4,509
Dividend paid	9	**(2,837)**	(7,596)	**(2,837)**	(7,596)
Proceeds from borrowings	20	**82,595**	1,054	–	–
Repayment of borrowings	20	**(21,541)**	(18,533)	–	–
Net cash provided by/(used in) financing activities		**55,749**	(25,198)	**(1,193)**	(3,087)
Net movement in cash and cash equivalents		**11,452**	7,276	**200**	14
Cash and cash equivalents at 1 January		**17,830**	10,893	**97**	83
Exchange losses on cash and cash equivalents		**(384)**	(339)	–	–
Cash and cash equivalents at 31 December	16	**28,898**	17,830	**297**	97

The accompanying accounting policies and notes form an integral part of these 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 23 March 2021.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'). 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:

- Selection of indefinite useful economic lives for certain intangible assets (note 11).
- Identification and presentation of non-underlying items (note 5).
- Assessment of the Statement of Objection issued by the UK's Competition and Markets Authority ('CMA') (note 26).
- Identification of intangible assets and other fair value adjustments in business combinations (note 31).

2. Summary of significant accounting policies continued

2.3 Judgements and estimates continued

Selection of indefinite useful economic lives for certain intangible assets

As a result of the 2020 Strategic Review, the Group has 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 in the context of the focus on growing Consumer Healthcare brands, their increasing dominance of the portfolio and the planned rollout 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 Medicine brand assets, finite useful lives of up to 20 years have been adopted prospectively from 1 January 2020. The determination of this lifespan takes into account all relevant factors for each individual asset, including typical pharmaceutical asset life cycles and the potential development of alternative treatments over time.

As a result of this change in estimate for 2020 and subsequent years, the carrying value of the Prescription Medicines and certain other brand assets will be amortised to the profit and loss account over their useful lives. This generates an annual non-cash amortisation charge of £7.2m.

The Group has conducted impairment reviews for all intangible brand assets. These reviews, together with the change in useful life assumption for Prescription Medicines assets, have resulted in a number of impairments as detailed in note 11.

Identification and presentation of non-underlying items

The Group has updated its classification policy for non-underlying items (note 5). Following the update all amortisation and impairment charges for intangible assets will be included as non-underlying items for 2020 and subsequent years, in line with the majority of peer companies of the Group. The revaluation of deferred tax balances following substantial tax legislation changes will also be included as non-underlying items for 2020 and subsequent years.

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).
- Useful economic lives selected for intangible assets with finite lifespans (note 11).
- Fair value measurement of assets and liabilities acquired in business combinations (note 31).

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 a third party on its behalf under certain transitional arrangements. The Group has assessed the performance obligations as being each unit of good sold by the third party.

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 J&J as described in full under 'Specific revenue streams'. This is because the Group controls each specified good before transfer to customers.

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.

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: Recognition at a point in time when each unit of pharmaceutical product is dispatched to the customer. At this point in time the customer has an obligation to pay for the goods, legal title and significant risks and rewards of ownership.

(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 payable (including VPAS): 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 2020 were under this threshold, the Group was exempt from any VPAS payments and, as a result, no amounts were deducted from revenue (2019: no deduction).

(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 33) where the Group has a transitional services agreement with J&J. Under the terms of the agreement, 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 this relationship 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. Summary of significant accounting policies continued

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.

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. In assessing performance, the Board reviews financial information for the Group, substantially in the form of, and on the same basis as, the Group's IFRS financial statements. Revenue and Gross profit are the key measures reviewed by the CODM at the segmental reporting level.

2.7 Property, plant and equipment

Computer software and 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 software and 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 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.

(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.

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, is 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 all intangible assets 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.

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. Cost 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.

2.13 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 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 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.

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.

2. Summary of significant accounting policies continued

2.15 Equity

'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 £47.1m (2019: £41.8m). 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, following utilisation of a one-year extension option in the year.

The Directors have prepared cash flow forecasts for a period of 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. The cash flow forecasts include the current estimated impact of COVID-19.

Also, the Directors have considered the sensitivity of cash flow forecasts to severe downside scenarios. In particular, the Directors considered a severe scenario involving a 25% decline in EBITDA against budget until Q1 2022 and no further reduction in net debt. Even in this unlikely scenario, the forecasts indicate that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period.

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. Even in a more extreme scenario 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.

2.19 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 33.

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. The segmental presentation reflects the decision in the year to reclassify the portfolio, in recognition of the inherently different characteristics of these product types. Previously the business has been reported as a single segment.

Operating segments are disclosed in a manner consistent with the internal reporting provided to the CODM during the reporting year. 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 2020 £000s	Year ended 31 December 2019 £000s
Consumer Healthcare brands:		
Kelo-cote	**34,748**	31,039
Nizoral*	**13,260**	11,528
MacuShield	**6,751**	8,236
Vamousse	**5,626**	6,538
Aloclair	**7,601**	8,057
Ashton & Parsons	**3,408**	2,676
Oxyplastine	**3,140**	3,458
Other Consumer Healthcare brands	**10,806**	12,192
Total Revenue – Consumer Healthcare brands:	**85,340**	83,724
Prescription Medicines:		
Hydromol	**6,304**	6,732
Flamma Franchise	**5,897**	7,647
Forceval	**4,893**	4,409
Optiflo	**3,056**	2,921
Ametop	**1,465**	2,272
Other prescription medicines	**22,846**	27,932
Total Revenue – Prescription Medicines	**44,461**	51,913
Total Revenue	**129,801**	135,637

* Nizoral is shown on an agency basis in statutory revenue. Nizoral revenue presented on a see-through income statement basis is included as an alternative performance measure in note 33.

Revenue information by geography

Classification by geography is based on customer location.

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Europe, Middle East and Africa (EMEA)	**93,769**	97,347
Asia Pacific and China (APAC)	**29,309**	29,558
Americas (AMER)	**6,723**	8,732
Total Revenue	**129,801**	135,637

Operating segment results

	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**

	Year ended 31 December 2019		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £000s
Revenue	83,724	51,913	135,637
Cost of sales	(25,228)	(24,333)	(49,561)
Gross profit	58,496	27,580	86,076

Major customers

The revenues from the Group's largest customers are as follows. Two customers separately comprised 10% or more of revenue (2019: one). Major customer 1 is a multinational organisation with sales in both EMEA and AMER regions.

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Major customer 1 (Consumer Healthcare and Prescription Medicines sales in EMEA and AMER)	**17,345**	24,036
Major customer 2 (Consumer Healthcare sales in EMEA)	**16,646**	2,595

4. Profit before taxation

Profit before taxation is stated after charging/(crediting):	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Amounts receivable by the Company's auditor and its associates in respect of:		
– The audit of these financial statements	**48**	40
– The audit of the financial statements of subsidiaries	**198**	161
– Other assurance services	**5**	5
Amortisation of intangible assets	**7,155**	179
Impairment of intangible assets	**12,057**	284
Losses on disposals	**308**	1,817
Share options charge	**1,374**	1,816
Depreciation of plant, property and equipment	**1,753**	1,496
Loss on foreign exchange transactions	**653**	799

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 intangibles; 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 2020 £000s	Year ended 31 December 2019 £000s
Amortisation of intangible assets	**(7,155)**	–
Impairment of goodwill and intangible assets	**(12,057)**	–
Biogix acquisition costs	**(1,300)**	–
Return of Xonvea Licensing Rights	–	(1,672)
Disposal of Flammacerium	–	(145)
Total non-underlying items before taxation	**(20,512)**	(1,817)
Taxation on non-underlying items	**3,194**	348
Impact of UK tax rate change from 17% to 19%	**(1,811)**	–
Total non-underlying items after taxation	**(19,129)**	(1,469)

Amortisation of intangible assets

As disclosed in notes 2 and 11, finite useful lives of up to 20 years have been adopted prospectively from 1 January 2020 for Prescription Medicines and certain other brand assets. This generates an annual amortisation charge of £7.2m. The amortisation charges are a significant item considered unrelated to 2020 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 Group conducted impairment reviews for all intangible assets as part of its interim reporting to 30 June 2020. These reviews, together with the change in useful life assumption for Prescription Medicines 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 2020 trading performance, and have been presented as non-underlying.

Biogix acquisition costs

Legal and professional fees related to the purchase of Biogix Inc (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.

Return of Xonvea Licensing Rights

In November 2019, the Group reached an agreement with Duchesnay Inc. of Canada ('Duchesnay') to return the UK and EU licensing rights to Xonvea, a prescription medicine for the treatment of nausea and vomiting of pregnancy where conservative management has failed. The total non-underlying loss on disposal was £1.7m (note 30). The disposal is a significant item considered unrelated to 2019 trading performance, and as such has been presented as non-underlying.

Disposal of Flammacerium

In December 2019, the Group sold the global rights to the brand Flammacerium for gross cash consideration of £0.75m payable over six years. The total non-underlying loss on disposal was £0.1m (note 30). The disposal is a significant item considered unrelated to 2019 trading performance, and as such has been presented as non-underlying.

Impact of UK tax rate change from 17% to 19%

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016, reducing the main rate from 19% to 17% from 1 April 2020. This commitment was abandoned in the Budget on 11 March 2020. As this change was substantively enacted on 17 March 2020, the effect is included in these financial statements. The change in tax rate is a significant item that relates only to deferred tax, principally on intangibles, and is unrelated to 2020 trading performance. As such the rate change impact has been presented as non-underlying.

6. Finance costs

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Interest payable and similar charges		
On loans and overdrafts	**(1,988)**	(3,191)
Amortised finance issue costs	**(581)**	(491)
Interest on lease liabilities	**(88)**	(95)
	(2,657)	(3,777)
Finance income		
Interest income	**10**	23
Net exchange losses	**(653)**	(799)
	(643)	(776)
Finance costs – net	**(3,300)**	(4,553)

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7. Directors and employees

Employee benefit expenses for the Group (including Directors) during the year were as follows:

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Wages and salaries	**16,437**	15,432
Social security costs	**1,958**	2,443
Other pension costs (note 27)	**994**	812
Share-based employee remuneration (note 23)	**1,374**	1,816
	20,763	20,503

The average number of employees of the Group (including Directors) during the year was:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Management and administration	**221**	219

Key management of the Group is the Board of Directors (including Non-executive Directors). Benefit expenses in respect of the key management was as follows:

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Directors' remuneration	**1,069**	991
Pension contributions	**48**	43
	1,117	1,034

During the year contributions were paid to defined contribution schemes for two Directors (2019: two).

Gain on share options exercised by Directors during the year was £54,000 (2019: £1,676,000). The notional non-cash IFRS 2 share-based payment expense in respect of Directors was £217,000 (2019: £156,000).

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Emoluments for qualifying services	**531**	485
Pension contributions	**27**	26
	558	511

The notional non-cash IFRS 2 share-based payment expense in respect of the highest paid Director was £156,000 (2019: £114,000).

Average number of members of the Board of Directors (including Non-executive Directors) for the year ended 31 December 2020 was six (2019: six).

8. Taxation

Analysis of the charge for the period is as follows:

	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Corporation tax		
In respect of current period	**4,417**	4,373
Adjustment in respect of prior periods	**(123)**	(227)
	4,294	4,146
Deferred tax (see note 21)		
Origination and reversal of temporary differences	**705**	1,804
Adjustment in respect of prior periods	**(10)**	116
Taxation	**4,989**	6,066

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 2020 £000s	Year ended 31 December 2019 £000s
Profit before taxation	**13,016**	31,076
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%)	**2,473**	5,904
Effect of:		
Non-deductible expenses	**614**	166
Non-taxable income	**(18)**	–
Adjustment in respect of prior periods	**(132)**	(111)
Differences between current and deferred tax rates	**1,811**	(226)
Differing tax rates on overseas earnings	**40**	277
Share options	**(7)**	(241)
Movement in other tax provisions	**208**	297
Total taxation	**4,989**	6,066

The taxation charge for the year includes 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. As this change was not substantively enacted at the balance sheet date, the effect is not included in these financial statements and UK timing differences have continued to be recognised at 19% for deferred tax purposes. The overall effect of this change in policy, if it had applied to the deferred tax balance at the balance sheet date, would be to increase the overall net deferred tax liability by £4.7m. The income tax expense for the period would have increased by £5.1m, with a credit of £0.2m to the revaluation reserve, and a £0.2m credit to other comprehensive income.

The Group has calculated 'adjusted underlying effective tax rate' as an alternative performance measure in note 33.

9. Dividends

An interim dividend of 0.536p per share for the 2020 financial year was paid on 7 January 2021.

	Year ended 31 December 2020 Pence/share	Year ended 31 December 2020 £000s
Amounts recognised as distributions to owners in 2020		
Interim dividend for the 2019 financial year	**0.536**	**2,837**

The interim dividend for 2019 was paid on 10 January 2020.

	Year ended 31 December 2019 Pence/share	Year ended 31 December 2019 £000s
Amounts recognised as distributions to owners in 2019		
Interim dividend for the 2018 financial year	0.487	2,524
Final dividend for the 2018 financial year	0.977	5,072
		7,596

The interim dividend for 2018 was paid on 10 January 2019. The final dividend for 2018 was paid on 11 July 2019.

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 2020	Year ended 31 December 2019
Basic EPS calculation	**531,062,798**	520,687,101
Employee share options	**6,256,040**	9,471,693
Diluted EPS calculation	**537,318,838**	530,158,794

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 2020 £000s	Year ended 31 December 2019 £000s
Earnings for basic EPS	**8,027**	25,010
Non-underlying items (note 5)	**19,129**	1,469
Earnings for underlying basic EPS	**27,156**	26,479

The resulting EPS measures are:

	Year ended 31 December 2020 Pence	Year ended 31 December 2019 Pence
Basic EPS	**1.51**	4.80
Diluted EPS	**1.49**	4.72
Underlying basic EPS	**5.11**	5.09
Underlying diluted EPS	**5.05**	4.99

11. Goodwill and intangible assets

The Group	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Development costs £000s	Assets under development £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

The Group	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Development costs £000s	Assets under development £000s	Total £000s
Cost						
At 1 January 2019	16,565	172,781	155,311	768	1,000	346,425
Additions	–	–	–	12	–	12
Disposals (note 30)	(33)	–	(1,500)	(780)	(1,000)	(3,313)
Exchange adjustments	–	(1,679)	(1,372)	–	–	(3,051)
At 31 December 2019	16,532	171,102	152,439	–	–	340,073
Amortisation and impairment						
At 1 January 2019	–	4,226	6,956	–	–	11,182
Underlying impairment for the year	–	–	284	–	–	284
Underlying amortisation for the year	–	–	179	–	–	179
Disposal (note 30)	–	–	(232)	–	–	(232)
At 31 December 2019	–	4,226	7,187	–	–	11,413
Net book amount						
At 31 December 2019	16,532	166,876	145,252	–	–	328,660
At 1 January 2019	16,565	168,555	148,355	768	1,000	335,243

Goodwill and brands and distribution rights are subject to an impairment review at least annually.

Recent 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).

11. Goodwill and intangible assets continued

Key judgement – useful economic lives

As a result of the 2020 Strategic Review, the Group has 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 in the context of the focus on growing Consumer Healthcare brands, their increasing dominance of the portfolio and the planned rollout 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 have been adopted prospectively from 1 January 2020. The determination of this lifespan takes into account all relevant factors for each individual asset, including typical pharmaceutical asset life cycles and the potential development of alternative treatments over time.

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 19 years at 31 December 2020.

An increase in the finite useful lives adopted of two years would have reduced the annual amortisation charge by £0.6m. A reduction of two years would have increased the annual amortisation charge by £0.8m.

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 2020		
	Goodwill £000s	Consumer healthcare brands and distribution rights £000s	Total £000s
Amberen	15,140	88,321	103,461
Nizoral	–	60,307	60,307
Vamousse	–	11,596	11,596
MacuShield	–	8,740	8,740
Anbesol & Ashton and Parsons	–	2,550	2,550
Nutraceutical products	–	1,715	1,715
Quinoderm	–	1,500	1,500
Products acquired from Sinclair			
Kelo-cote (non EU, excluding US)	–	40,245	40,245
Kelo-cote (EU)	–	17,800	17,800
Aloclair	–	14,000	14,000
Atopiclair	–	2,300	2,300
Goodwill – Sinclair Prescription Medicines	1,105	–	1,105
Goodwill – Sinclair Consumer Healthcare	10,819	–	10,819
	27,064	249,074	276,138

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.

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.

Assets are tested for impairment at least annually, or more frequently if there are indicators that amounts might be impaired. 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.

The Group conducted impairment reviews for all intangible assets as part of its interim reporting to 30 June 2020. These reviews, together with the change in useful life assumption for Prescription Medicines assets, resulted in impairment losses as the carrying value of certain cash-generating units exceeded estimated recoverable amounts. Recoverable amounts are the greater of value in use and fair value less costs to sell over the assets' useful lives.

The key assets impacted were:

- Haemopressin and Optiflo intangible asset impaired by £5.3m (£0.7m due to market factors and £4.6m due to the change in accounting estimate).
- Nu-seals intangible asset impaired by £3.6m (£2.9m due to market factors and £0.7m due to the change in accounting estimate).
- Other intangible assets impaired by £2.1m (£1.8m due to market factors and £0.3m due to the change in accounting estimate).
- Goodwill impaired by £1.1m (£1.1m due to market factors).

The impairments due to market factors were a result of changes in the long-term sales, cost and margin expectations in the Group's latest financial forecast.

The Group has completed an additional impairment review at 31 December 2020 for all intangible assets. No further impairments were identified in this review.

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 6.7%–11.0%, or pre-tax 8.4%–13.8% (2019: 7.7%–12.0%, or pre-tax 9.6%–15.0%). The Group's WACC has reduced in the year due to updates in assumptions for the risk-free rate, the small stock premium and the equity beta. The risk-free rate has reduced 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 reduced based on sector market data. These factors were partially offset by the inclusion of a risk premium to recognise the impact of COVID-19.

- 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 to perpetuity using growth rates between -3.0% to 2.0% (2019: -2.8% 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.

11. Goodwill and intangible assets continued

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.

Management have identified that for certain CGUs with lower headroom, a reasonably possible change in the 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	
	Carrying amount £000s	Estimated recoverable amount £000s	Remaining UEL years	Pre-tax discount rate %	Terminal margin growth rate %	Pre-tax discount rate %	Terminal margin growth rate %
Haemopressin, Optiflo & Others	18,711	18,946	19	9.0	0.7	9.3	0.2
Nu-Seals	5,222	5,458	19	8.8	(2.0)	9.5	(3.5)

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	
	2.0% increase in pre-tax discount rate	2.0% reduction in terminal margin growth rate
Haemopressin, Optiflo & Others	**(2,091)**	**(1,151)**
Nu-Seals	**(583)**	**(350)**

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 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 2019	**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

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 2019	5,327	2,036	14	3,964	11,341
Additions	3,461	684	–	1,329	5,474
Effect of movements in exchange rates	(9)	(14)	–	–	(23)
Disposals	(268)	(7)	–	–	(275)
At 31 December 2019	8,511	2,699	14	5,293	16,517
Depreciation					
At 1 January 2019	1,074	836	–	1,837	3,747
Provided in the year	367	375	4	750	1,496
Effect of movements in exchange rates	(1)	(4)	–	–	(5)
Disposals	(268)	(7)	–	–	(275)
At 31 December 2019	1,172	1,200	4	2,587	4,963
Net book amount					
At 31 December 2019	7,339	1,499	10	2,706	11,554
At 1 January 2019	4,253	1,200	14	2,127	7,594

Property, plant and equipment of £14.4m is located within the United Kingdom (2019: £9.7m). The balance is located in France, Italy, China, Singapore, Spain, Germany and the United States of America. Right of use assets relate to the Group's leased offices.

13. Investments

The Company	Investment and loans to subsidiary undertakings £000s
Cost	
At 1 January 2020	**194,630**
Net additions	**5,146**
At 31 December 2020	**199,776**
At 1 January 2019	184,211
Net additions	10,419
At 31 December 2020	194,630

The investment balance includes outstanding intercompany debt due from subsidiaries of £176.5m (note 28). 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 subsidiary and associated undertakings where the Group held 20% or more of the equity share capital at 31 December 2020 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
Synthasia International Company Limited	Hong Kong	20	Pharmaceutical sales
Synthasia Shanghai Co. Limited	China	20	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

The registered address in each country is as follows:

Territory	Company	Registered Office Address
USA	Advanced Bio-Technologies Inc.	100 N. Tampa Street, Suite 2700, Tampa, FL 33602, United States
	Alliance Pharma Inc.	Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801-1120
	Biogix Inc.	201 Continental Blvd., Suite 230, El Segundo, California 90245
France	Alliance Pharmaceuticals SAS	69, avenue Franklin D. Roosevelt, 75008 Paris, France
	Alliance Pharma France SAS	69, avenue Franklin D. Roosevelt, 75008 Paris, France
China	Alliance Pharmaceuticals Lifescience Technology (Shanghai) Co.,Limited	Suit 1004, NanFung Tower, No. 1568, Road Huashan, Shanghai, 200030, P.R.China
	Synthasia Shanghai Company Limited	Suite 806, Silva Bay Tower, Tower C, 469 Wusong Road, Hongkou District, Shanghai 200080, 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
	Synthasia International Company Limited	Unit 2402, 24/F, Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong
Italy	Alliance Pharma S.r.l.	Via Brera 6, 20121 Milan, 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	6 Battery Road, #10-01, Singapore (049909)
Spain	Alliance Pharmaceuticals Spain SL	Paseo de la Castllana 259 C – 18th Floor, Regus Business Center, Torre de Cristal, Madrid, ZIP Code 28046, Spain
Switzerland (Branch)	Alliance Pharmaceuticals GmbH Düsseldorf	Bahnhofstrasse 37, Postfach 2818, CH-8021 Zürich
Thailand	Alliance Pharmaceuticals (Thailand) Co., Ltd	The Ninth Tower 35th floor, 33/4, Tower A Rama 9 Road, Huaykwang Subdistrict, Huaykwang district, Bangkok, Thailand 10310
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	Allinace 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 this company has guaranteed the subsidiary company under Section 479C of the Act.

14. Inventories

The Group	31 December 2020 £000s	31 December 2019 £000s
Finished goods and materials	**25,916**	19,089
Inventory provision	**(2,999)**	(3,571)
	22,917	15,518

Inventory costs expensed through the income statement during the year were £39,636,000 (2019: £42,631,000). During the year £1,284,000 (2019: £2,673,000) was recognised as an expense relating to the write-down of inventories to net realisable value. The prior year expense included £1,152,000 related to the return of Xonvea licensing rights (note 30).

15. Trade and other receivables

	The Group		The Company	
	31 December 2020 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2019 £000s
Trade receivables	**19,834**	23,987	**–**	–
Other receivables	**1,544**	2,522	**25**	9
Prepayments	**898**	703	**11**	15
Accrued income	**2,838**	3,780	**–**	–
	25,114	30,992	**36**	24

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.

The ageing of trade receivables of the Group at 31 December is detailed below:

Trade receivables and accrued income, net estimated allowances for expected credit losses	31 December 2020 £000s	31 December 2019 £000s
Not past due – accrued income	**2,838**	3,780
Not past due	**15,764**	19,640
1–30 days past due	**2,550**	3,253
31–60 days past due	**1,520**	278
61–90 days past due	**–**	320
Past 91 days	**–**	496
	22,672	27,767

Trade receivables and accrued income, gross of estimated allowances for expected credit losses	31 December 2020 £000s	31 December 2019 £000s
Not past due – accrued income	**2,838**	3,780
Not past due	**15,764**	19,640
1–30 days past due	**2,550**	3,253
31–60 days past due	**1,606**	278
61–90 days past due	**31**	320
Past 91 days	**524**	1,495
	23,313	28,766

As at 31 December 2020, trade and other receivables of £641,000 (2019: £999,000) 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 2020 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2019 £000s
Sterling	**15,842**	6,275	**297**	97
Euros	**2,039**	6,563	**–**	–
US Dollars	**7,495**	2,071	**–**	–
Other currencies	**3,522**	2,921	**–**	–
Cash at bank and in hand	**28,898**	17,830	**297**	97

17. Trade and other payables

	The Group		The Company	
	31 December 2020 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2019 £000s
Trade payables	**11,275**	6,970	**16**	–
Other taxes and social security costs	**2,440**	3,247	**–**	–
Accruals	**13,639**	10,114	**290**	225
Other payables	**418**	459	**–**	–
Lease liabilities	**964**	1,025	**–**	–
	28,736	21,815	**306**	225

18. Loans and borrowings

The Group has a £165m fully Revolving Credit Facility ('RCF'), together with a £50m accordion facility, with an syndicate of lenders. This facility is available until July 2024, following utilisation of a one-year extension option from July 2023 in the year. 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 2020 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2019 £000s
Bank loans:				
Secured	**139,920**	78,848	**–**	–
Finance issue costs	**(1,592)**	(1,808)	**–**	–
	138,328	77,040	**–**	–

Movement in loans and borrowings	31 December 2020 £000s	31 December 2019 £000s
At 1 January	**77,040**	96,702
Net receipts/(payments) from borrowing	**61,054**	(17,479)
Additional prepaid arrangement fees	**(362)**	(1,401)
Amortisation of prepaid arrangement fees	**578**	491
Exchange movements*	**18**	(1,273)
At 31 December	**138,328**	77,040

* Exchange movements on loans and borrowings are reported in other comprehensive income and accumulated in the translation reserve.

19. Other non-current liabilities

	The Group		The Company	
	31 December 2020 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2019 £000s
Lease liabilities	**2,731**	1,997	–	–
Other non-current liabilities	**469**	404	–	–
	3,200	2,401	–	–

20. 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, following utilisation of a one-year extension option from July 2023 in the year.

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.

The Group also has access to an overdraft facility of £4.0m.

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 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**

* Includes an amount of £139.9m (2019: £78.8m) 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 2020. As explained above, 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 2019				
	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	20,790	–	–	–	20,790
Bank loans*	79,852	–	–	–	79,852
Interest rate swaps	47	–	–	–	47
Lease liabilities	1,025	717	1,339	164	3,245
	101,714	717	1,339	164	103,934

The maturity profile of the Company's financial gross liabilities (capital and interest) at the year end is as follows:

	31 December 2020 In one year or less £000s	31 December 2019 In one year or less £000s
Trade and other payables	**306**	225

Interest rate risk

The Group's debt is provided on a floating interest rate basis. The Group previously used interest rate swaps to fix the rates paid on a portion of its debt in order to mitigate against the risks of increasing interest rates. These swaps were remeasured to fair value at each period end.

The Group has no interest rate swaps in place at 31 December 2020 (2019: GBP interest rate swaps with a nominal value of £8.0m, and EUR interest rate swaps with a nominal value of EUR12.0m were in place).

The interest rate exposure of the financial liabilities of the Group at the period end was:

	Fixed £000s	Floating £000s	Total £000s
At 31 December 2020			
Bank loans – Sterling denominated	–	**105,317**	**105,317**
Bank loans – Euro denominated	–	**9,281**	**9,281**
Bank loans – US Dollar denominated	–	**25,322**	**25,322**
Total financial liabilities	–	**139,920**	**139,920**
Unamortised issue costs	–	**(1,592)**	**(1,592)**
Net book value of financial liabilities	–	**138,328**	**138,328**

	Fixed £000s	Floating £000s	Total £000s
At 31 December 2019			
Bank loans – Sterling denominated	–	54,792	54,792
Bank loans – Euro denominated	–	13,559	13,559
Bank loans – US Dollar denominated	–	10,497	10,497
Interest rate hedges – Sterling denominated	8,000	(8,000)	–
Interest rate hedges – Euro denominated	10,169	(10,169)	–
Total financial liabilities	**18,169**	**60,679**	**78,848**
Unamortised issue costs	–	(1,808)	(1,808)
Net book value of financial liabilities	**18,169**	**58,871**	**77,040**

20. Financial instruments continued

Interest rate risk continued

	Fixed rate financial liabilities	
	Weighted average fixed rate %	Weighted average period for which rate is fixed
At 31 December 2020		
Sterling	–	–
Euros	–	–
At 31 December 2019		
Sterling	3.20	0.91 years
Euros	2.16	0.91 years

The Sterling floating rate borrowings bear interest at a rate based on LIBOR. 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 reduce pre-tax profits by approximately £0.3m in 2020. A 0.5% decrease would have the opposite effect.

A 0.5% increase in EURIBOR would reduce pre-tax profits by approximately £0.1m in 2020. 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 reduce 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 and US Dollars.

Approximately 40% of the Group's sales are invoiced in Euros and 17% invoiced in US 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 33) in 2020. On the same basis, 5% weakening or strengthening of Sterling against the US Dollar would have resulted in a £0.4m gain or loss to EBITDA in 2020.

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 2020 Carrying value £000s	31 December 2019 Carrying value £000s
Interest rate swaps	2	–	(47)
Forward foreign exchange contracts	2	**295**	697
		295	650

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 Levels 2 and 3 are described below:

Interest rate swaps (Level 2)

The Group's interest rate swaps were not traded in active markets. These were fair valued using observable interest rates. The effects of non-observable inputs are not significant for interest rate swaps.

Counterparty banks performed valuations of interest rate swaps for financial reporting purposes, determined by discounting the future cash flows at rates determined by year end yield curves. The valuation processes and fair value changes were discussed by the Audit and Risk Committee and the finance team at least every half year, in line with the Group's reporting dates.

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.

20. Financial instruments continued

Forward foreign exchange contracts (Level 2) continued

The following table details the foreign currency forward contracts outstanding at the end of the reporting period. 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:

	Average forward rate		Notional value: Foreign currency				Carrying amount of the hedging instruments assets/(liabilities)	
	2020 rate	2019 rate	2020 $000s	2020 €000s	2019 $000s	2019 €000s	2020 £000s	2019 £000s
Sell Dollars								
Less than 3 months	**1.246**	1.282	**2,400**	–	2,025	–	**168**	68
3 to 6 months	**1.320**	1.283	**2,900**	–	2,225	–	**112**	80
6 to 12 months	**1.306**	1.272	**4,000**	–	5,125	–	**196**	232
12 to 18 months	**1.342**	–	**900**	–	–	–	**13**	–
	1.298	1.278	**10,200**	–	9,375	–	**489**	380
Sell Euros								
Less than 3 months	**1.132**	1.153	–	**6,175**	–	3,350	**(89)**	42
3 to 6 months	**1.115**	1.144	–	**6,550**	–	2,800	**(34)**	102
6 to 12 months	**1.112**	1.131	–	**9,660**	–	4,550	**(43)**	173
12 to 18 months	**1.115**	–	–	**3,000**	–	–	**(28)**	–
	1.119	1.143	–	**25,385**	–	10,700	**(194)**	317
			10,200	**25,385**	9,375	10,700	**295**	697

Classification of financial assets and liabilities

Group

Classification of the Group's financial assets and liabilities is set out below:

Financial assets	31 December 2020 £000s	31 December 2019 £000s
Financial assets at amortised cost		
Trade receivables	**20,221**	23,987
Accrued income	**2,838**	3,780
Cash and cash equivalents	**28,898**	17,830
Derivative financial instruments		
Used for hedging	**310**	697
	52,267	46,294

Financial liabilities	31 December 2020 £000s	31 December 2019 £000s
Financial liabilities at amortised cost		
Trade and other payables	**27,220**	20,790
Loans and borrowings	**138,328**	77,040
Other liabilities	**470**	404
Lease liabilities	**3,695**	3,022
Derivative financial instruments		
Used for hedging	**15**	47
	169,728	101,303

Company

Classification of the Company's financial instruments is set out below:

Financial assets	31 December 2020 £000s	31 December 2019 £000s
Financial assets at amortised cost		
Trade and other receivables	**36**	24

Financial liabilities	31 December 2020 £000s	31 December 2019 £000s
Financial liabilities at amortised cost		
Trade and other payables	**306**	225

20. Financial instruments continued

Reconciliation to cash flow movements

		Cash flows		Non-cash changes				
	2019 £000s	Principal £000s	Interest £000s	Foreign exchange* £000s	Net additions £000s	Amortisation £000s	Interest £000s	2020 £000s
Gross loans and borrowings	78,848	61,054	–	18	–	–	–	**139,920**
Prepaid arrangement fees	(1,808)	(362)	–	–	–	578	–	**(1,592)**
Accrued interest	866	–	(2,778)	–	–	–	1,988	**76**
Lease liabilities	3,022	(884)	(88)	–	1,557	–	88	**3,695**

* Exchange movements on loans and borrowings are reported in other comprehensive income and accumulated in the translation reserve.

Derivative financial instruments

	31 December 2020 Assets/(Liabilities) £000s	31 December 2019 Assets/(Liabilities) £000s
Current portion	–	(47)
Interest rate swap – cash flow hedge	–	(47)
Current portion	**310**	697
Non-current portion	**(15)**	–
Forward exchange swap – cash flow hedge	**295**	697

The cash flow hedges were tested for effectiveness both retrospectively and prospectively as at 31 December 2020. 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 £49,000 (2019: £103,000). The amounts recognised through the income statement in respect of the forward foreign exchange contracts during the year was a credit of £51,000 in finance costs (2019: credit of £109,000), and a credit of £24,000 in Revenue (2019: £nil).

21. Deferred tax

The Group	31 December 2020 £000s	31 December 2019 £000s
Accelerated capital allowances on tangible assets	**(917)**	(468)
Temporary differences: trading	**492**	234
Temporary differences: non-trading	**623**	662
Accelerated allowances on intangible assets	**(9,839)**	(10,081)
Initial recognition of intangible assets from business combination	**(45,369)**	(19,161)
Share-based payments	**1,024**	806
Interest rate hedge	**–**	8
Foreign exchange forward contracts	**(56)**	(100)
	(54,042)	(28,100)
Recognised as:		
Deferred tax asset	**2,139**	1,710
Deferred tax liability	**(56,181)**	(29,810)

Reconciliation of deferred tax movements:

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)**

21. Deferred tax continued

The Group	1 January 2019 £000s	Recognised in other comprehensive income £000s	Recognised directly in equity £000s	Recognised in the income statement £000s	31 December 2019 £000s
Non-current assets					
Intangible assets	(28,491)	–	606	(1,357)	(29,242)
Property, plant and equipment	(172)	–	–	(296)	(468)
Non-current liabilities					
Derivative financial Instruments	1	(93)	–	–	(92)
Other non-current liabilities	715	(53)	–	–	662
Equity					
Share option reserve	735	–	179	(108)	806
Temporary differences					
Trading	108	–	–	126	234
Losses	286	–	–	(286)	–
	(26,818)	(146)	785	(1,921)	(28,100)
Recognised as:					
Deferred tax asset	1,845				1,710
Deferred tax liability	(28,663)				(29,810)

The Group has no unrecognised deferred tax assets (2019: £nil).

22. Share capital

	Allotted, called up and fully paid	
	No. of shares	£000s
At 1 January 2019 – Ordinary shares of 1p each	518,214,226	5,182
Issued during the year	11,188,393	112
At 31 December 2019 – 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**

Between 1 January 2020 and 31 December 2020 3,516,492 shares were issued on the exercise of employee share options (2019: 11,188,393).

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.

Potential share options commitment

Under the Group's share option scheme for employees and Directors, options have been granted to subscribe for shares in the Company at prices ranging from 0.00p to 81.60p (2019: 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 2020 Number (000s)	31 December 2019 Number (000s)
2010	33.25 and 34.25	2013	CSOP	**–**	79
2011	31.00 and 34.12	2014	CSOP	**186**	401
2012	29.25	2015	CSOP	**75**	126
2013	35.75 and 37.25	2016	CSOP	**892**	1,211
2013	35.75	2018	CSOP	**450**	450
2014	33.75	2017	CSOP	**494**	581
2015	43.75 and 46.75	2018	CSOP	**1,852**	2,066
2016	44.00 and 47.5	2019	CSOP	**3,896**	5,114
2016	47.50	2021	CSOP	**3,500**	3,500
2017	53.00	2020	CSOP	**4,694**	6,260
2018	81.60	2021	CSOP	**6,322**	6,769
2019	76.90	2022	CSOP	**6,793**	7,331
2019	0.00	2022	LTIP	**596**	596
2020	73.70	2023	CSOP	**6,129**	–
2020	0.00	2023	LTIP	**704**	–
				36,583	34,484

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.

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 2020, net debt was £109.4m (2019: £59.2m) (note 33), whilst shareholders' equity was £281.0m (2019: £274.2m).

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 2020 and 2019.

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.

23. Share-based payments

Under the Group's share option scheme for employees and 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.

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 2020 Number (000s)	31 December 2019 Number (000s)
2013	35.75	2018	**450**	450
2014	33.75	2017	**204**	204
2015	43.75	2018	**317**	317
2016	47.50	2019	**545**	875
2016	47.50	2021	**3,500**	3,500
2017	53.00	2020	**1,028**	1,358
2018	81.60	2021	**2,411**	2,411
2019	76.90	2022	**1,127**	1,127
2019	0.00	2022	**596**	596
2020	73.70	2023	**917**	–
2020	0.00	2023	**704**	–
			11,799	10,838

The total expense for the year relating to share-based payment plans was £1.4m (2019: £1.8m), of which £1.1m (2019: £1.0m) related to equity-settled transactions and £0.3m (2019: £0.8m) 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 23 September 2020 was £1,117,000. The model inputs were a market price of 73.7p, expected volatility of 31.74% and a risk-free rate of 0.0%.

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2020		2019	
	Number (000s)	Weighted average price Pence	Number (000s)	Weighted average price Pence
Outstanding at start of year	**34,484**	**59.40**	40,714	52.10
Granted	**6,833**	**66.10**	7,928	76.90
Exercised	**(3,516)**	**47.65**	(11,188)	40.30
Forfeited	**(1,218)**	**74.70**	(2,970)	62.89
Outstanding at end of year	**36,583**	**61.39**	34,484	59.40
Exercisable at end of year	**12,539**	**47.02**	10,030	43.32

Share options were exercised throughout the financial year. Share options were exercised at prices of between 29.25 and 53.0 pence per share.

24. Cash generated from operations

	Group		Company	
	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s	**Year ended 31 December 2020 £000s**	Year ended 31 December 2019 £000s
Profit for the year	**8,027**	25,010	**5,433**	12,161
Taxation	**4,989**	6,066	**941**	877
Interest payable and similar charges	**2,657**	3,777	–	–
Interest income	**(10)**	(23)	**(5,777)**	(6,225)
Foreign exchange loss	**644**	799	–	–
Return of Xonvea Licensing Rights	–	1,672	–	–
Loss on disposal of intangibles	**308**	145	–	–
Depreciation of property, plant and equipment	**1,753**	1,496	–	–
Amortisation and impairment of intangibles	**19,212**	463	–	–
Change in inventories	**(5,206)**	2,036	–	–
Change in trade and other receivables	**6,728**	(498)	**(12)**	5
Change in trade and other payables	**5,929**	(3,801)	**82**	5
Share-based employee remuneration	**1,374**	1,816	–	–
Dividends received	**–**	–	**(2,800)**	(7,596)
Cash generated from/(used in) operations	**46,405**	38,958	**(2,133)**	(773)

25. Capital commitments

The Group had capital commitments at 31 December 2020 totalling £3,500,000 (2019: £3,900,000).

26. 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 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.

On 23 May 2019 the UK's Competition and Markets Authority ('CMA') issued a Statement of Objection alleging anti-competitive agreements against 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 £0.3m in 2020.

The Group confirms that it has had no involvement in the pricing or distribution of prochlorperazine since 2013, when it was outlicensed by the Group. Prior to 2013, prochlorperazine was marketed directly by the Group.

The Group has reviewed the CMA Statement of Objection in detail and is working with the CMA to resolve its alleged objections.

The Group's assessment as at the date of this report, based on currently available information, is that there are no matters for which a provision is required (31 December 2019: £nil). However, given the inherent uncertainties involved in assessing the outcomes of such matters there can be no assurance regarding the outcome of any ongoing inspections/investigations and the position could change over time as a result of the factors referred to above.

27. Pensions

The Group operates a defined contribution pension scheme for the benefit of certain Directors and employees.

The Group	31 December 2020 £000s	31 December 2019 £000s
Contributions payable by the Group for the year	**994**	812

28. 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 2020 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2019 £000s
Alliance Pharmaceuticals Limited – Net funds received	**750**	974	**176,539**	170,056
Alliance Pharmaceuticals Limited – Interest received	**5,777**	6,225	–	–
Alliance Pharmaceuticals Limited – Investments during the year	**(272)**	4,167	–	–
Alliance Pharmaceuticals Limited – Share-based payment recharge	**(1,109)**	(1,025)	–	–
Alliance Pharmaceuticals Limited – Dividend declared and received	**2,800**	7,596	–	–

29. Joint Ventures and post balance sheet events

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

The Group owns 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 has determined that, as a result of these rights and by exercise of judgement, Synthasia is 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.

The carrying value of Joint Ventures is as follows:

Investments	31 December 2020 £000s	31 December 2019 £000s
Synthasia International Company Limited	–	–
Synthasia Shanghai Company Limited	–	–

Trade and other receivables	31 December 2020 £000s	31 December 2019 £000s
Synthasia International Company Limited	–	–
Synthasia Shanghai Company Limited	–	–

The receivables from Synthasia International Company Limited are stated after a provision of £2.2m (2019: £2.2m).

30. Significant disposals

Return of Xonvea Licensing Rights

In November 2019, the Group reached an agreement with Duchesnay Inc. of Canada ('Duchesnay') to return the UK and EU licensing rights to Xonvea, a prescription medicine for the treatment of nausea and vomiting of pregnancy where conservative management has failed. Under the terms of the agreement, £2.0m in milestone payments made to date will be paid to the Group, £1.25m having been paid to date with the balance due in 2021. Additionally, the remaining £0.5m due on initial acquisition of Xonvea previously held as contingent consideration was waived as part of the agreement. This resulted in the release of the contingent consideration and the disposal of the corresponding £0.5m asset under development in 2019. Both the release and disposal were included within the loss on disposal, resulting in no net impact on the income statement.

In 2019, the Group incurred non-underlying inventory provisions and associated restructuring costs in connection with the return of the Xonvea rights of £1.9m (note 14). The total non-underlying loss on disposal was £1.7m as follows:

Return of Xonvea Licensing Rights	£000s
Milestone repayments	2,000
Net book amount – intangible asset brand (note 11)	(1,268)
Net book amount – intangible asset under development (note 11)	(1,000)
Release of contingent consideration	500
Inventory provisions	(1,152)
Associated restructuring costs	(752)
Non-underlying loss	**(1,672)**

Disposal of Flammacerium

In December 2019, the Group sold the global rights to the brand Flammacerium for gross cash consideration of £0.75m payable over six years. Flammacerium is used for the prevention and treatment of infections in severe burn wounds. The total non-underlying loss on disposal was £0.1m as follows:

Disposal of Flammacerium	£000s
Gross cash consideration	750
Impact of discounting on cash consideration	(57)
Net book amount – intangible asset development costs (note 11)	(780)
Net book amount – goodwill (note 11)	(33)
Associated transaction costs	(25)
Non-underlying loss	**(145)**

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 brings 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 $111.6m, being $110.0m consideration paid in cash on completion, $0.7m estimated working capital adjustment paid in cash on completion and $0.9m foreign exchange option cash premium paid in December 2020.

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 provisional 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			**20,750**	**15,427**
Fair value of net assets acquired			**111,569**	**82,951**
Cash consideration			**110,000**	**81,784**
Working capital adjustment paid in cash			**660**	**491**
Option premium paid in cash			**909**	**676**
Total consideration			**111,569**	**82,951**

The fair values set out above are provisional figures which will be confirmed in the 2021 financial statements, following additional review of judgemental areas including intangible asset allocation and finalisation of completion accounts.

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 as 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).

The amounts included in the consolidated statement of comprehensive income since 29 December 2020 included no revenue or gross profit. Had the transaction occurred on the first day of the financial year, then estimated contribution to Group revenues would have been $25.8m (£20.0m) and gross profit of $20.2m (£15.6m).

32. 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.

33. 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:

Measure	Definition	Reconciliation to GAAP measure
Underlying EBIT and EBITDA	Earnings before interest, tax and non-underlying items (EBIT), 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 J&J, 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 from J&J 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 currency basis revenue	See-through revenue stated so that the portion denominated in non-Sterling currencies is retranslated using foreign exchange rates from the previous financial year.	Note F below

33. Alternative performance measures continued

A. Underlying EBIT and EBITDA

Reconciliation of Underlying EBIT and EBITDA	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Profit before tax	**13,016**	31,076
Non-underlying items (note 5)	**20,512**	1,817
Finance costs (note 6)	**3,300**	4,553
Underlying EBIT	**36,828**	37,446
Depreciation (note 12)	**1,753**	1,496
Underlying impairment (note 11)	**–**	284
Underlying amortisation (note 11)	**–**	179
Underlying EBITDA	**38,581**	39,405

B. Free cash flow

Reconciliation of free cash flow	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Cash generated from operations (note 24)	**46,405**	38,958
Interest payable and similar charges	**(2,866)**	(2,505)
Capital expenditure	**(4,612)**	(4,145)
Tax paid	**(4,838)**	(3,200)
Free cash flow	**34,089**	29,108

C. Net debt

Reconciliation of net debt	Note	31 December 2020 £000s	31 December 2019 £000s
Loans and borrowings – non-current	18	**(138,328)**	(77,040)
Cash and cash equivalents	16	**28,898**	17,830
Net debt		**(109,430)**	(59,210)

D. Underlying effective tax rate

Reconciliation of underlying effective tax rate	Year ended 31 December 2020 £000s	Year ended 31 December 2019 £000s
Total taxation charge for the year	**(4,989)**	(6,066)
Non-underlying tax credit (note 5)	**(1,383)**	(348)
Underlying taxation charge for the year	**(6,372)**	(6,414)
Underlying profit before tax for the year	**33,528**	32,893
Underlying effective tax rate	**19.0%**	19.5%

E. See-through income statement

	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%**

	2019 Statutory values £000s	See-through adjustment £000s	2019 See-through values £000s
Revenue – Consumer Healthcare brands	83,738	8,641	92,379
Revenue – Prescription Medicines	51,899	–	51,899
Total Revenue	135,637	8,641	144,278
Cost of sales	(49,561)	(8,641)	(58,202)
Gross profit	86,076	–	86,076
Gross profit margin	63.5%		59.7%

There is no impact from the see-through adjustment on income statement lines below gross profit.

F. Constant currency revenue

	2020 £000s	Foreign exchange impact £000s	2020 Constant currency revenue £000s
See-through revenue (Note E)	**137,520**	**(329)**	**137,191**

	2019 £000s	Foreign exchange impact £000s	2019 Constant currency revenue £000s
See-through revenue (Note E)	144,278	(767)	143,511

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 questions about your shareholding in the Company or 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	19 May 2021
Interim results announcement	21 September 2021
Year end	31 December 2021
Preliminary announcement	22 March 2022

Five Year Summary

	Year ended 31 December 2016 £m	Year ended 31 December 2017 £m	Year ended 31 December 2018 £m	Year ended 31 December 2019 £m	**Year ended 31 December 2020 £m**
Revenue	97.5	101.6	118.2	135.6	**129.8**
Operating profit before non-underlying items	25.6	25.8	28.9	37.4	**36.8**
Non-underlying operating items	–	4.4	(5.3)	(1.8)	**(20.5)**
Operating profit	25.6	30.2	23.7	35.6	**16.3**
Profit before tax before non-underlying items	22.2	23.9	28.1	32.9	**33.5**
Profit before tax after non-underlying items	22.2	28.3	22.8	31.1	**13.0**
Intangible assets	264.8	278.6	335.2	328.7	**412.9**
Tangible assets	1.8	5.7	7.6	11.6	**15.9**
Current assets	49.3	49.1	58.7	65.0	**77.2**
Current liabilities	50.3	61.4	91.7	24.2	**30.2**
Equity	179.3	203.1	252.2	274.2	**281.0**
Average shares in issue (millions)	469.4	473.8	497.2	520.7	**531.1**
Shares in issue at period end (millions)	472.6	475.0	518.2	529.4	**532.9**
Earnings per share – basic (p)	3.85	6.08	3.69	4.80	**1.51**
Earnings per share – adjusted underlying basic (p)	3.69	4.05	4.54	5.09	**5.11**

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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
ANSM	Agence Nationale de Sécurité du Médicament et des Produits de Santé
BSI	British Standards Institution
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMO	Contract Manufacturer
ERP	Enterprise Resource Planning
FDA	US Food and Drug Administration
IHP	International Health Partners
GMP	Good Manufacturing Practice
GPvP	Good Pharmacovigilance Practice
IPHA	Irish Pharmaceutical Healthcare Association
J&J	Johnson and Johnson
MDR	Medical Device Regulation
MHRA	Medicines and Healthcare products Regulatory Agency
MIA	Medical Industry Accredited
NMPA	National Medical Products Administration
NPI	New Product Introduction
OTC	Over the Counter
PAGB	Proprietary Association of Great Britain
QPPV	Qualified Person Responsible For Pharmacovigilance
RP	Responsible Person
SECR	Streamlined Energy and Carbon Reporting regulations
S&OP	Sales and Operations Planning
VPAS	Voluntary Pricing and Access Scheme

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