ALLIANCE

WE ARE ALLIANCE

Alliance Pharma plc
Annual Report and Accounts
2022

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AN ALLIANCE OF PEOPLE, PARTNERS AND BRANDS, WORKING TOGETHER TO ACHIEVE MORE

How we report to our stakeholders

Annual Report

View our report online at alliancepharmaceuticals.com/annualreport22

Online Sustainability Report

Online sustainability report at alliancepharmaceuticals.com/sustainability

Our website

Visit our main site for further information at alliancepharmaceuticals.com

For more information visit
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ALLIANCE

Company Overview

WHO WE ARE

WE ARE **ALL**IANCE

An international consumer healthcare company, empowering people to make a positive difference to their health and wellbeing, through making our trusted and proven brands available around the world.

A TEAM OF
285
TALENTED PEOPLE
as at 31 December 2022

BASED IN
8
STRATEGIC LOCATIONS

Working together to deliver value for our stakeholders through maximising the value of our brands.

INVESTING IN OUR PRIORITY BRANDS AND CHANNELS

INNOVATING TO ENSURE OUR BRANDS REMAIN RELEVANT

SELECTIVELY EXTENDING THE GEOGRAPHIC REACH OF OUR BRANDS

Outsourcing capital-intensive activities, such as manufacturing and logistics, to allow us to focus on what we do best.

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Company Overview

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2022 PERFORMANCE OVERVIEW

SEE-THROUGH REVENUE*
£172.0m +1%
(2021: £169.6m)

UNDERLYING PROFIT BEFORE TAX*
£30.3m -28%
(2021: £42.2m)

UNDERLYING BASIC EPS*
4.28p -33%
(2021: 6.39p)

STATUTORY REVENUE
£167.4m +3%
(2021: £163.2m)

REPORTED PROFIT BEFORE TAX
£5.2m -71%
(2021: £18.2m)

REPORTED BASIC EPS
0.17p -88%
(2021: 1.37p)

FREE CASH FLOW*
£15.8m -48%
(2021: £30.2m)

NET DEBT*
£102.0m +17%
(2021: £87.0m)

* Non-IFRS Alternative Performance Measures ('APMs'), (see note 31).
See-through revenue includes all sales from Nizoral™ as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral™ sales made on an agency basis is included within Revenue, in line with IFRS 15.

Company Overview

2022 A YEAR IN REVIEW

Whilst trading performance in 2022 was not as strong as had been anticipated at the start of the Year, Alliance successfully completed a highly strategic acquisition of ScarAway™ and the rights to Kelo-Cote™ in the US in March and delivered the first new product launch from its innovation and development platform. The Group has robust plans in place to support a return to growth in 2023

- Consumer Healthcare see-through revenue[1] up 3% to £125.2m (2021: £121.8m) (down 3% CER[2]) with 16% growth in Other Consumer brands partially offsetting softer performance in key brands.
- Revenue growth impacted by lockdown in China, associated temporary business-to-business ('B2B') disruption to the supply chain, slower recovery in B2B demand for Kelo-Cote™ and a one-off destocking effect, but boosted by the US acquisition and FX gains.

- Prescription Medicines performance stable, with revenues of £46.8m (2021: £47.8m), down 2% CER[2].
- Underlying PBT declined 28% largely due to less favourable product mix with a lower proportion of Kelo-Cote™ and Amberen™ sales. Reported PBT declined 71% due to higher non-cash impairment charges of £18.2m, including £12.0m for Amberen.
- Free cash flow was lower by 48% at £15.8m, primarily reflecting the timing of sales and cash receipts. Cash from operations declined by 45% to £24.9m.
- Following the highly strategic US acquisition for $19.4m (£14.8m), net debt increased to £102.0m moving Group leverage to 2.57 times at 31 December 2022 (1.73 times at 31 December 2021).

- Integration of the US acquisition completed in just four months, successfully leveraging our established infrastructure, with revenues in line with expectations.
- Last remaining Nizoral™ marketing authorisations transferred from Johnson & Johnson ('J&J') to Alliance in both China and Vietnam; new top-tier Chinese distributor appointed and manufacturing supply consolidation progressing well, which will result in improvements in cost efficiencies in the near future.

1 Non-IFRS Alternative Performance Measure ('APM'), (see note 31).

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

2 Constant exchange rates.

- See our **Spotlight on ScarAway™ and Kelo-Cote™ US acquisition** on **page 22**
- See the **Chief Executive's Review** on **page 06**
- First new product launched from our innovation and development programme – Kelo-Cote™ Kids.

  See our **Spotlight on innovation and development** on **page 20**
- Scope 1 and 2 emissions target set to achieve net zero in 2030, with an interim reduction of 65% by 2025.

  See our **Spotlight on developing our response to climate change** on **page 33**
- Re-certified as a Great Place To Work® (GPTW) in the UK, China and Singapore with new certifications in the US and France and a Trust Index© rating of 79% (2021: 76%).

  See our **Spotlight on culture, people & values** on **page 24**
- Updated and refined our Purpose, Vision and Strategy to better align with the evolving dynamics of the consumer healthcare market.

  See **Our Strategy** on **page 12**

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Company Overview

PURPOSE, VISION, STRATEGY, VALUES

A clear purpose

We **empower** people to make a **positive difference** to their **health and wellbeing**

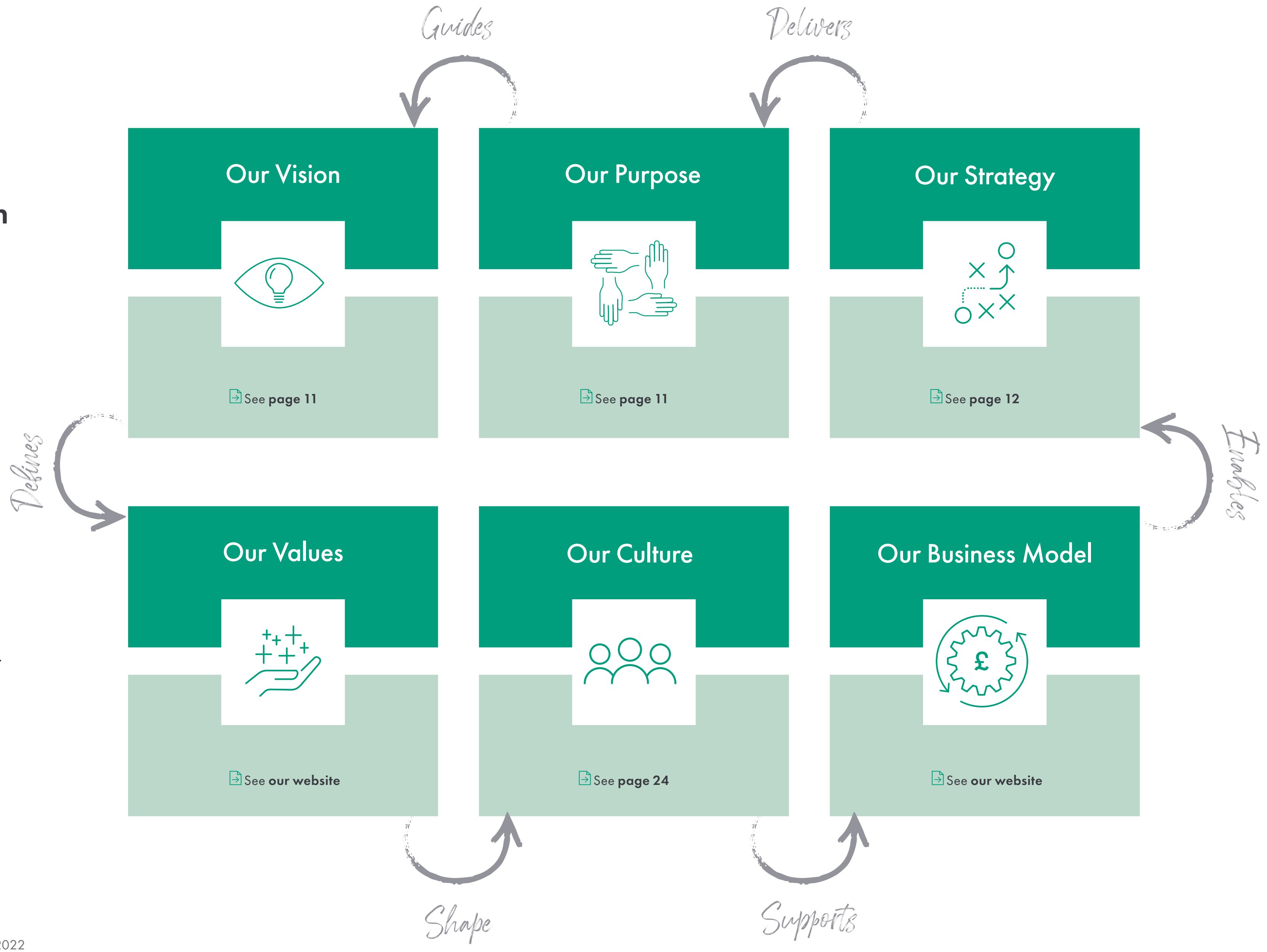
Our refreshed **purpose**, and the refined **vision** that it supports, enable us to align ourselves more closely to changing market dynamics.

Our **strategy** focuses on those categories in which we can add most value, to promote the successful evolution of our **business** and meet specific consumer needs.

Our strong **culture** will enable us to implement the transformation needed to deliver our strategic priorities.

Our **values** remain unchanged.

See our **purpose and vision** on **page 11**



Strategic Report

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Alliance Pharma plc Annual Report and Accounts 2022

Strategic Report

"As we continue on our growth trajectory journey, our portfolio continues to provide a robust platform from which to grow our consumer healthcare brands."

Peter Butterfield, Chief Executive Officer

Strategic Report

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CHIEF EXECUTIVE'S REVIEW

TRADING PERFORMANCE

Overview

We recognise that 2022 didn't deliver the trading performance that we expected at the start of the year. This was largely due to underperformance in two discrete areas of our business, Kelo-Cote™ in the business-to-business ('B2B') channel, and Amberen™ in the bricks and mortar channel, and was set against a challenging economic backdrop with the war in Ukraine and COVID 19-related lockdowns in China creating supply disruption.

However, we were able to successfully leverage our existing infrastructure, by acquiring ScarAway™ and the US rights to Kelo-Cote™ in March 2022, to create our first truly global brand, bringing additional growth opportunities into the business. We also started to realise the benefits of our investment in innovation and development with the launch of Kelo-Cote™ Kids.

We start 2023 in a good position, having refreshed our strategy, to better align our business with the evolving dynamics of the Consumer Healthcare market. Going forward, our efforts will be focused on those market segments in which we already have a strong presence and expertise in order to drive solid organic revenue growth above that of the broader Consumer Healthcare market.

A challenging year

The implementation of rigid lockdowns in China from March prevented the movement of Kelo-Cote™ across the border from Hong Kong, effectively closing the cross-border e-commerce ('CBEC') channel and leading to declines in the CBEC scar treatment market in H1. During this period, consumer demand remained strong and the domestic online market grew, with Kelo-Cote™ gaining share.

SEE-THROUGH REVENUE

£172.0m

+1% (2021: £169.6m)

See our operational performance on page 43

Whilst the CBEC market returned to growth in H2, and Kelo-Cote™ delivered a strong performance in the business-to-consumer ('B2C') channel, winning a prestigious Tmall global award for surpassing RMB100m (c. £12m) in sales, the B2B market was slower to recover, with traders reluctant to restock Kelo-Cote™ for fear that counterfeit product would be available at a lower price. This problem was compounded by a one-off destocking decision by our CBEC distributor.

We continue to work with our CBEC distributor to further develop this channel, expand reach and optimise sales. Our B2C channel is well developed, and we have refined our strategy to increase our presence in the significant B2B channel, which incorporates additional distributor support. In light of that, we anticipate that sales will build steadily through 2023.

Amberen™ sales performance was impacted by declines in the underlying bricks and mortar market due to an increase in prevalence of cheaper, white-label alternatives and switching to online platforms, in addition to the loss of a leading discount store account. Alliance is committed to increasing the performance of Amberen™ in the higher growth e-commerce channel whilst optimising sales in bricks and mortar where appropriate. The brand's packaging has been re-launched featuring stronger claims, and advertising investment continues focused on digital, video, social media and search engine optimisation to drive share gains.

We were disappointed by the CMA's finding that four companies, including Alliance, infringed competition law in relation to the sale of prescription prochlorperazine between June 2013 and July 2018. We fundamentally disagree with the findings, and the proposed fine, and look forward to presenting our case at the Competition Appeal Tribunal, which is scheduled to commence on 5 June 2023.

Strengthening our Consumer Healthcare business

We acquired ScarAway™ and the US rights to Kelo-Cote™ in March 2022 to create the Group's first fully global brand. The integration of both assets went very smoothly, with full transition completed in just four months and post-acquisition sales in line with expectations. This successful integration was made possible by the implementation of our ERP system in 2021, and we have used the learnings from this project to create a blueprint for future acquisitions.

CHIEF EXECUTIVE'S REVIEW CONTINUED

2022 was also the year in which we finally gained full control of the remaining marketing authorisations for Nizoral™ across the APAC region, securing China in March 2022 and Vietnam in May 2022, following the acquisition of the Nizoral™ brand from Johnson & Johnson ('J&J') in 2018. The transfer of the marketing authorisation in China allowed us to transition to a new top-tier local distributor at the end of H1 2022 to service the brand's largest market. Our new distributor offers a larger sales team than the partner we inherited from J&J and has fewer products in its portfolio, which ensures more sales resources are dedicated to our account.

Progressing our innovation and development programme

Our dedicated Innovation and Development ('I&D') team was established in 2021 to support the organic growth in our Consumer Healthcare brands and in April 2022 we launched the first product from this initiative, Kelo-Cote™ Kids, into the CBEC channel. With only two other products in the children's CBEC scar treatment market in China we were able to drive market share gains to 39% in December 2022, delivering incremental growth in the brand.

The performance of this launch has exceeded our initial expectations; new product innovation approvals have been submitted to allow us to launch Kelo-Cote™ Kids in the UK and Germany in 2023.

See our **Spotlight on innovation and development** on **page 20**

We have a number of new products, line extensions and reformulations in our I&D pipeline and have since launched Canker-X, part of the Aloclair™ brand franchise, in the US in January 2023. With investment of £1m – £2m per annum in I&D we aim to achieve 10% of Consumer Healthcare sales through products developed on our I&D platform in the next five years.

Refining our Purpose, Vision and Strategy

Throughout 2022 we have worked to refine our Purpose and Vision to align with our transformation to a predominantly Consumer Healthcare company. We have also worked to evolve our strategy to better position the Company for the years ahead and in response to changing underlying market dynamics. Going forward, our aim is to drive solid organic revenue growth above that of the broader consumer healthcare market.

This updated strategy provides a more targeted approach, identifying the key global categories in which we will operate, and more clearly defines the areas in which we would consider future acquisitions. Going forward, we will focus our resources on the global priority categories of helping damaged skin and supporting healthy ageing.

See our **Strategy** on **page 12**

Continuing our sustainability journey

We made good progress against our environmental sustainability agenda in 2022, setting a target to reach net zero for all Scope 1 & 2 emissions by 2030. This year we also undertook an initial risk assessment and scenario analysis to support the publication of our first voluntary stand-alone TCFD report and more extensive voluntary TCFD disclosures on our journey to full TCFD compliance.

See our **Spotlight on developing our response to climate change** on **page 33**

We gained greater understanding of the constituents of our packaging estate, both primary and secondary, and the steps we need to take to promote recycling and reduce the use of single-use plastics. Our newly appointed sustainable sourcing lead is helping us to progress these initiatives in 2023 with a number of pilot projects planned.

See our **Spotlight on managing our packaging estate** on **page 31**

Building a strong alliance of colleagues

Our business, and the delivery of our strategy, is only possible due to our network of talented, dedicated colleagues. We currently employ more than 285 people in eight locations around the world. We created 18 new roles in 2022, across all our geographies, as we looked to meet our evolving business needs, increasing our capabilities in data analysis, sustainable sourcing and packaging, ERP and sales and marketing in the US.

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We have also expanded our talent development programmes to ensure we attract and retain an appropriate mix of skilled professionals. In 2022 we launched our graduate and year in industry programmes to support those at the early stages of their career development and to complement our existing apprenticeship programme in the UK.

As COVID-19 restrictions eased around the world we were finally able to bring together colleagues from all our offices, with the exception of Shanghai, for our first global employee conference. The conference provided an opportunity for colleagues to network, share ideas and discuss our updated purpose, vision and strategy. Due to continued COVID-19 lockdowns, we organised a parallel event to allow our team in Shanghai to participate and share the experience.

Our investment in colleague engagement continues to pay dividends as evidenced by our re-certification as a Great Place to Work in the UK, China and Singapore. We were delighted to receive certification for the first time in the US and France meaning that all our qualifying offices are now certified. In the 2022 survey we were pleased to have received an overall Trust Index rating of 79% (2021: 76%) with 82% of participants globally saying that Alliance was a Great Place to Work (2021: 81%).

See our **Spotlight on culture, people and values** on **page 24**

On behalf of the Board, I would like to thank all those colleagues who helped us to deliver our achievements in 2022.

Board and executive changes

In February 2023 we welcomed Jeyan Heper to Alliance, in the newly created position of Chief Operating Officer. Jeyan has a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programmes and driving growth in flagship brands. In his career

spanning more than 25 years Jeyan has held senior executive roles at Procter & Gamble, Danone Group and Ansell's sexual wellness global business, before it was spun-out to become Lifestyles Healthcare, a private equity/pharma-owned company where Jeyan became CEO.

Jeyan will help to bolster the Group's operational capabilities, identify growth opportunities, and help drive the Company's strategy to expand its consumer health presence through leveraging his experience of e-commerce in China and the US, and improving operational effectiveness.

Jeyan joined the Alliance Board, which was strengthened further by the appointment of Martin Sutherland as an additional Independent Non-Executive Director ('NED'). Martin is a senior executive with over 30 years' experience in global businesses and is currently a NED at Forterra plc and Reliance Cyber Ltd. Prior to this, Martin was CEO of De La Rue PLC. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion.

Martin's experience will bring a new perspective to complement the strong consumer healthcare knowledge already present on the Board.

See our **Board of Directors** on **page 61**

Outlook for 2023

Our clear focus on the core Consumer Healthcare business in addition to our well-established, scalable platform across EMEA, APAC and the US, should support good organic growth in the near term. Whilst 2022 presented some challenges to the business, we have robust plans in place to drive growth in 2023 and the Board's expectations for full year performance are unchanged.

As indicated in the January trading update, Kelo-Cote™ revenues are expected to build through the year, supported by strong end-consumer demand. The China cross-border e-commerce market for Kelo-Cote™ has shown early signs of recovery with in-market demand and sales orders increasing over the first two months of the year, and we expect total revenue growth for the entire Kelo-Cote™ franchise to be above 20% in 2023. We expect to see high single-digit revenue growth from Nizoral™ in 2023, as we accelerate the roll-out of our tested strategic plan for the brand in partnership with our new distributors in China and Vietnam.

Amberen™ faced some temporary headwinds in early 2023 due to supply challenges at Amazon which are being addressed. The underlying market conditions are positive and this, together with our revised marketing plans, mean that we still anticipate double-digit revenue growth for Amberen on a like-for-like basis.

Our portfolio of other consumer brands is expected to deliver high single-digit revenue growth, substantially ahead of the broader consumer healthcare market.

Peter Butterfield
Chief Executive Officer
20 March 2023

MARKET OVERVIEW

The macro factors shaping our business

1. Ageing global population

By 2030, c.1.4 billion people globally will be over 60 years old, with an associated increase in demand for healthcare. Education and income advancement in emerging markets will also contribute to this trend.

2. Growth in self-care

There is a growing trend towards more proactive management of health and wellbeing, rather than an individual just taking action when they feel unwell. The rising cost of providing public healthcare means governments are becoming more supportive of this, increasing the availability of OTC medicines and supporting pharmacists and nutritionists to provide more first line care and support.

3. Digital health

The increasing adoption of digital health solutions is providing consumers, health practitioners and manufacturers with greater access to information on medical conditions, treatments, and outcomes. Regular feedback from a digital device can lead to a more engaged consumer who is willing to take more actions to manage their health. By aggregating that feedback across many consumers, we can identify emerging needs or gaps in the market and develop new products and services to meet them.

4. Omni-channel retail

Whilst there has been a rise in the purchase of health products and services online, this is not the only way that consumers want to transact. A purchasing journey may include multiple or omni-channels, such as first seeking advice in a pharmacy but ultimately purchasing from a website via a mobile phone. Each channel must be optimised so that the consumer is able to find what they want and complete their purchase easily.

5. Environmental sustainability

With greater focus and scrutiny on sustainability, the way a business operates matters more than ever. Many consumers now actively seek companies and brands whose values align with their own, for example choosing products containing sustainably sourced ingredients or with environmentally friendly packaging.

6. Economic uncertainty

Businesses operate in a volatile, uncertain, complex, and ambiguous world where being agile, resilient and managing cost is essential to success. Faced with a higher cost of living, consumers tend to look for brands and services that offer the best value to them, and with proven results, rather than risk using something unknown.

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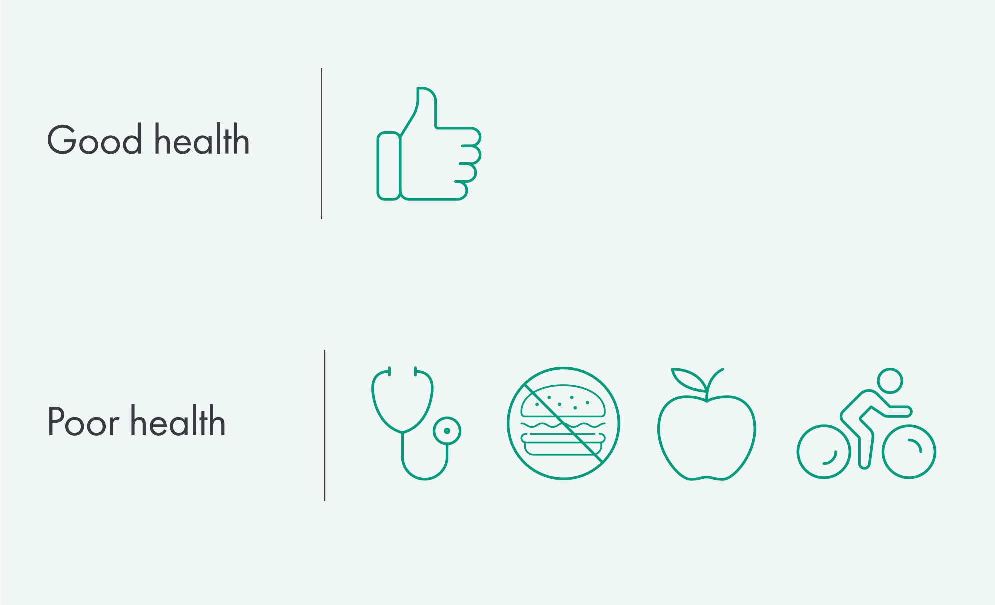
MARKET OVERVIEW CONTINUED

Strategic Report

Former paradigm

A Reactive Patient

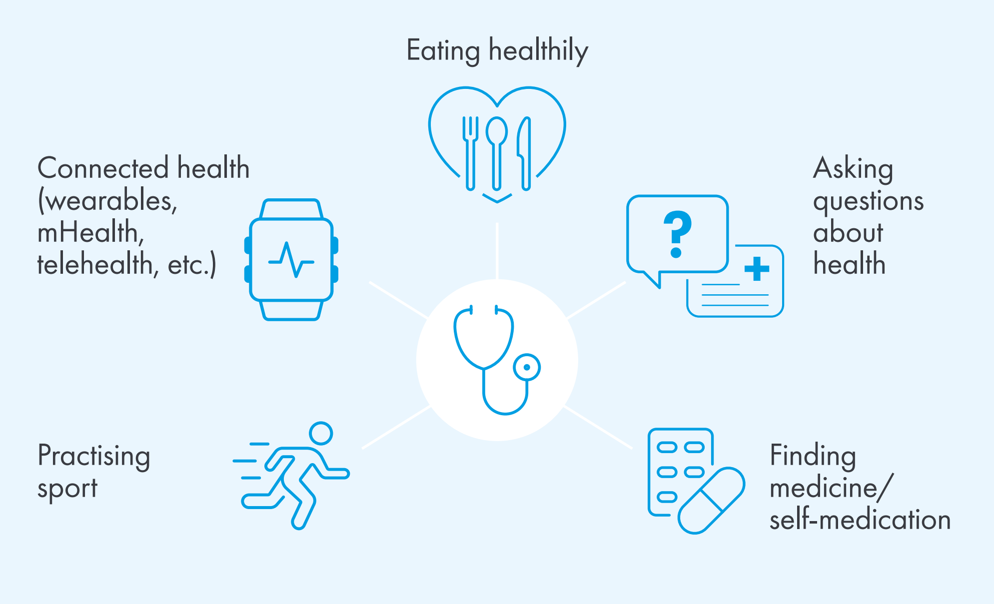
People only took action when they felt unwell.



New paradigm

A Proactive Consumer

Innovations and new technologies allow a more proactive management of health.



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MARKET OVERVIEW CONTINUED

We have considered these macro factors, in combination with our key areas of expertise, in order to refresh our purpose and refine our vision, which we believe places us in a stronger position to continue the successful evolution of our business.

Purpose

We empower people to make a positive difference to their health and wellbeing

We use the word 'empower' in recognition of the shift that we are witnessing from a reactive patient to a proactive healthcare consumer.

The words 'positive difference' refer to the maintenance, treatment or improvement of any aspect of a consumer's health & wellbeing, so that they perceive it to be better than it was before.

Vision

To be a high performing consumer healthcare company, built on a portfolio of leading, trusted and proven brands

Over 70% of our sales currently come from our consumer healthcare products. We have the ability to develop these products further and this will be our focus going forwards.

In considering our future performance we will take account of:

- the rate of growth achieved by our priority brands, relative to their respective categories;
- external expectations of our sales and profit growth;
- how we are rated by our strategic partners; and
- how we are rated by our employees.

By leading, trusted and proven brands, we mean brands with a strong point of difference, that are leaders in their field, and have a proven track record of delivering on their claims.

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OUR STRATEGY

Our vision is to be a high performing consumer healthcare company, built on a portfolio of leading, trusted and proven brands

EVOLVING OUR STRATEGY TO DELIVER AGAINST OUR REFINED VISION AND PURPOSE

Throughout this year we have refined our purpose, vision and strategy to align with our transformation to a predominantly consumer healthcare company. We have also worked to evolve our strategy to better position the Company for the years ahead, and in response to changing underlying market dynamics.

Our previous strategy focused on delivering organic growth in our key brands (broadly defined as our larger Consumer Healthcare brands) and complementary acquisitions, focused in the Consumer Healthcare space, whereas our updated strategy provides a more targeted approach. We've now identified the key categories in which we want to focus, both from a category and geographical perspective, which allows for a clearer definition of the acquisitions we will seek.

Our strategy will now focus on the global priority categories of helping damaged skin and supporting healthy ageing.

See our **evolved strategy** infographic on **page 15**

Helping damaged skin

Within the multi-billion-dollar global skincare category there are several skin health sub-categories, such as scar management, medicated anti-dandruff shampoo and dry skin – sub-categories which are both fast growing at present and have large future growth potential thanks to favourable demographics and high global prevalence of these conditions.

Alliance already has brands, products, technology, and expertise within these high-growth sub-categories – brands that are grounded in science, which we can build and develop further, to make a positive difference to more people's lives globally.

OUR STRATEGY CONTINUED

Supporting healthy ageing

The favourable demographics of the ageing global population are expected to continue, with forecasts predicting that an additional quarter of a billion people (or 40% of the global population) will be over the age of 45 by 2030. The 65+ age group is growing consistently faster than any other age group, as medical advances facilitate longer lifespans.

As people become increasingly proactive in managing their health, we anticipate sustained growth in those healthcare categories that support healthy ageing. This includes managing conditions that arise as a result of the ageing process, such as menopause, or age-related macular degeneration ('AMD'), and also long-term conditions which can occur at any age, where we can support an individual's health and wellbeing over a longer period of time.

Brands falling within the categories of Helping damaged skin, and Supporting healthy ageing will be the focus of our innovation and future acquisition activities going forwards.

In addition, we have a number of high performing local brands and critical medicines, which are central to the delivery of our purpose.

High performing local brands

We have a number of high performing local brands which continue to provide a strong contribution to the business and so warrant specific local focus and investment. These brands deliver significant sales in a market or region and have the potential to deliver good regional growth.

Critical medicines

Critical medicines are for conditions that are life-threatening or where patients' physical or mental health would be seriously impacted without the product and there are no viable alternatives.

We see it as part of our social responsibility to ensure that our critical medicines continue to be made available to patients, and it is this, rather than financial returns or growth potential, which underpins our resource allocation decisions for this group of products.

Foundation brands

We continue to review the future of those smaller brands which have lower contribution to our bottom-line performance, and which may have higher associated risks and, if appropriate, will look to discontinue or divest these.

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OUR STRATEGY CONTINUED

Core priority markets

Since 2016, and aligned with our period of expansion through acquisition, we have been building the optimal global office base to support our future growth. We remain fully committed to this global footprint.

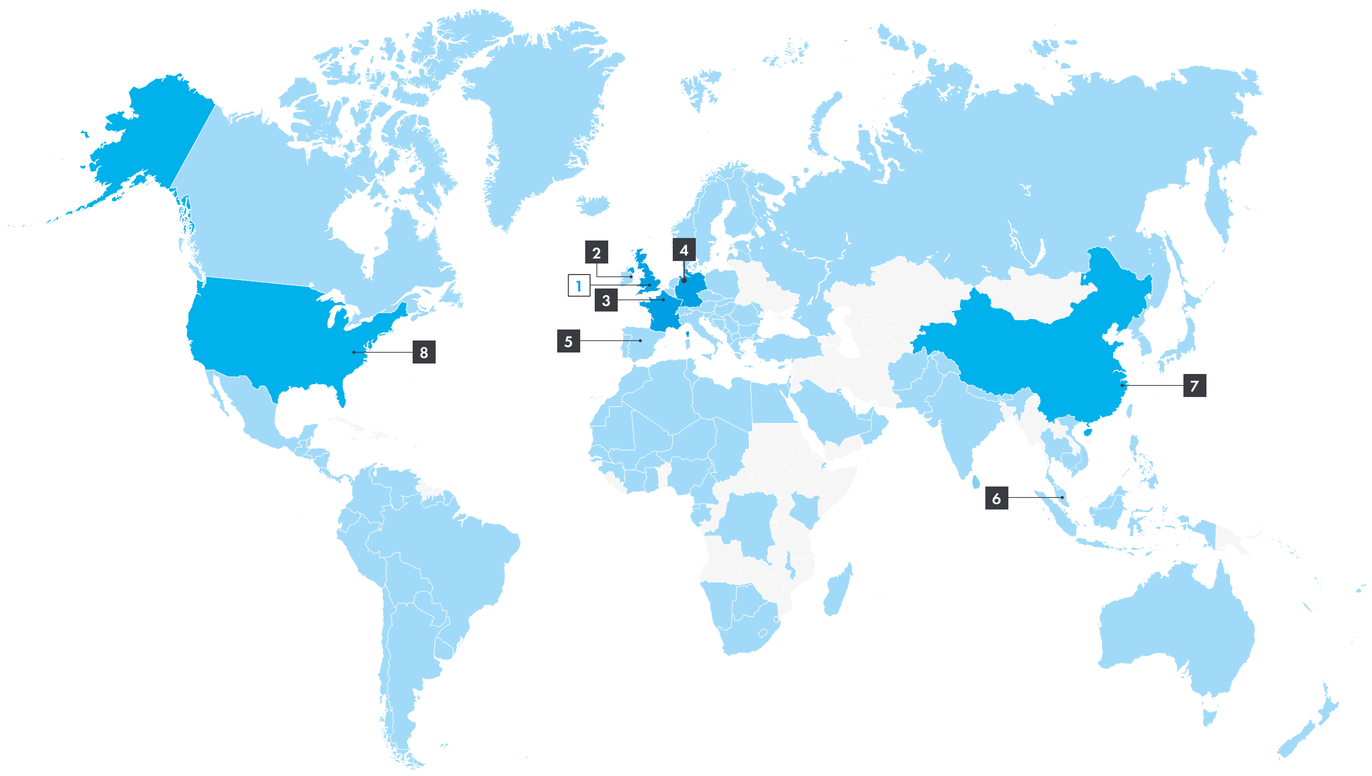
We will continue to manage and drive growth from our eight key regional offices located in Paris, Düsseldorf, Madrid, Dublin, Cary, Singapore, Shanghai, and our headquarters in Chippenham.

From this fixed base of offices, we will service and grow our business globally, with particular focus on our identified Core Priority markets:

› The US, China and UK will continue to be our highest priority geographies – these are markets where there remains significant growth potential and where we have existing scale.

› France and Germany offer attractive OTC markets, and whilst our revenue generation in these markets is relatively low at present, our direct presence and high-quality local teams provide the potential to drive both scale and growth.

Collectively, these five markets currently account for around 75% of our annual sales. Our remaining markets will continue to provide profitable incremental business.



Geographic key

- Core priority markets
- Other markets

International offices

1 Global Head Office: Chippenham, UK
2 Dublin, Republic of Ireland
3 Paris, France
4 Düsseldorf, Germany
5 Madrid, Spain
6 Singapore
7 Shanghai, China
8 Cary, North Carolina, USA

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THE EVOLUTION OF OUR STRATEGY

Previous strategy:

Core strategy:

Organic growth – Key brands

Complementary acquisitions

Underpinned by:

Investing in people

Sustainability

Revised strategy:

Market (category) focus:

Our revised strategy focuses on the global priority categories of helping damaged skin and supporting healthy ageing

Helping damaged skin

Supporting healthy ageing

Supported by:

High performing local brands

Critical medicines

Strategic priorities:

These are the four focus areas that will enable the successful delivery of our strategy

Brand growth

Commercial execution

Strategic supply partnerships

Organisational agility

These elements have now been embedded in our strategic priorities

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OUR STRATEGIC PRIORITIES

To enable the successful delivery of our new strategy, we have identified four priorities for the business over the next three to five years:

Brand growth

We will build **fast growing brands** where **consumer choice** is driven by the **positive difference** we make

We will seek to enhance the attractiveness of our high value brands, through:

- insight-led, data-driven, measurable marketing investment;
- acquisition and in-licensing of products or technologies to support our key brands; and
- innovation and development activity to keep our core brand portfolios ahead of their respective competitive sets.

In 2022, we successfully rolled out our new, reinvigorated marketing strategy for Nizoral™

See our **Spotlight on marketing excellence** on **page 18**

We also saw £1.7m of sales generated from new innovation projects, including the expansion of our Kelo-Cote™ range with the launch of Kelo-Cote™ Kids.

See our **Spotlight on innovation and development** on **page 20**

And we completed the acquisition and successful integration of ScarAway™ and the US rights to Kelo-Cote™, widening the reach of this key brand franchise and bolstering our presence in the US

See our **Spotlight on ScarAway™ and Kelo-Cote™ US acquisition** on **page 22**

Commercial execution

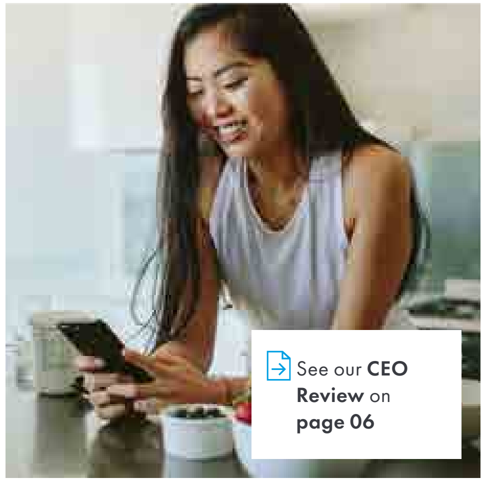
We will **increase** the **impact** of our **commercial execution**, with a major focus on **eCommerce**

We will continue to look for omni-channel presence in our core markets whilst recognising that e-commerce represents our fastest growth channels in these markets, a trend which we expect to continue for many years to come.

In 2022, more than a third of our consumer healthcare sales were via e-commerce, which is significantly more than the global average for consumer healthcare, of around 13%.

We believe that by 2027, this will have increased to around 40 – 45% of our total consumer healthcare sales.

Cross-border e-commerce ('CBEC') continues to be an important contributor to Kelo-Cote™ sales in China, both through the B2B and B2C channels.



See our **CEO Review** on **page 06**

Strategic Report

OUR STRATEGIC PRIORITIES CONTINUED

Strategic supply partnerships

We will **transform** our **supply chain** by investing in a network of **strategic partnerships**

2022 was a challenging year for our operational teams, with inflation and the war in Ukraine impacting the costs and availability of raw materials, componentry, and transportation. This resulted in longer lead times, and challenged our ability to ensure on-time-in-full delivery to our customers.

Going forward, we are looking to consolidate our supply chain, moving to a smaller, high-performing network of strong partners with whom we can collaborate and invest for the future.

Partners who will support us not just with the manufacture and supply of current products, but also with innovation and the delivery of our environmental sustainability strategy. A smaller network of partners will also facilitate efficiency gains.

See our **Sustainability overview** on **page 30**

Organisational agility

We will **continue to cultivate** an **agile organisation and culture** that delivers our growth

It is the diverse combination of skills, experience and energy of Alliance's people that help to create our strong culture. We will be harnessing this culture to enable the successful delivery of our new strategy with increased focus and pace.

We recognise that new technologies, approaches, and opportunities enable companies to gain competitive advantage quickly – innovation and e-commerce require us to excel in these fast-moving, competitive worlds. Change is continual and as the pace of change increases we need to ensure we maintain sufficient agility to respond appropriately.

Agile businesses are tuned in to the dynamic external world and centred on their customers' changing needs. They have a rapid cycle of ideas development – a test, learn and adapt approach, which we believe is well-suited to areas such as innovation and e-commerce.

In October 2022, we held our first ever global employee conference, at which we shared our new purpose, vision and strategy with our employees from around the world, as a precursor to the development of the detailed operational plans which will enable us to deliver our refined strategic priorities.

See our **Spotlight on culture, people & values** on **page 24**

SPOTLIGHT ON...

Marketing excellence

Reinvigorating a heritage brand

Nizoral™, or Triatop™ as it is known in China, is a brand with over 40 years' heritage in the Asia Pacific region.

Nizoral®

c. $240m

VALUE OF THE MEDICATED ANTI-DANDRUFF MARKET IN APAC[1]

4% p.a.

FORECAST MARKET GROWTH RATE TO 2025[1]

[1] Nicholas Hall

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SPOTLIGHT ON… **MARKETING EXCELLENCE** CONTINUED

When Alliance acquired Nizoral™ in the APAC region in 2018, it had been deprioritised by its former owners and had received little by way of marketing investment for several years. As a result, whilst it still had a loyal following amongst older consumers, a whole generation of younger consumers were largely unaware of the brand.

The challenge for Alliance was therefore to design a new marketing approach to target this younger demographic, which promoted the product through an appropriate channel mix and emphasised key points of differentiation over its competitors in a contemporary, culturally relevant way.

MARKET LEADER WITH

52%

SHARE IN AUSTRALIA[2]

Using the results from our extensive consumer insight research, we developed a consumer-focused regional campaign, partnering with our local distributors and agencies to tailor the execution of this by country – for example, using leading basketball players to promote the brand on social media in the Philippines, a greater reference to scientific evidence in China and a more light-hearted, humorous approach in Australia.

As a result, we have seen double-digit revenue growth this year in China, Australia and the Philippines.

[2] Iqvia

> "Our deep understanding of our target consumer's attitude and behaviours allowed us to develop an effective campaign across all key markets."

Ambrose Peng, Global Marketing Manager – Nizoral™/Triatop™

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SPOTLIGHT ON…

Innovation and development

Our new I&D platform gets off to a strong start!

April 2022 saw the launch of Kelo-Cote™ Kids – the first product from our new innovation platform – and a great example of how, through thinking creatively, we were able to extend the reach of our leading brand (Kelo-Cote™ scar gel) to a new audience – parents with children.

KELO·COTE

96%

OF PARENTS IN CHINA, WITH A CHILD WHO HAS EXPERIENCED SCARS, ARE LOOKING TO TREAT[1]

39%

MARKET SHARE AT DECEMBER 2022[2]

1 CLEAR consumer research, China, September 2021.
2 Brand value share – Scar kids segment - China, Nint, December 2022.

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SPOTLIGHT ON… **INNOVATION AND DEVELOPMENT** CONTINUED

Kelo-Cote™ Kids product launch – April 2022

Through our research[1], we discovered that in China:

- 60% of parents have children who have experienced scars in the last year
- Of those, 96% are looking to treat
- Safety, quality and efficacy are the key factors in parents' purchasing decisions
- 24% of parents were already using Kelo-Cote™ to treat their children's scars

New packaging, with fun otter characters designed to appeal to parents and children, enabled us to highlight those product claims which were most relevant to this audience:

- Helps soften and flatten scars
- Helps reduce redness and itching
- Suitable for sensitive skin
- Suitable for 3+ months

[1] CLEAR consumer research, China, September 2021.
[2] Brand value share – Scar kids segment - China, Nint, December 2022.

Since its launch in April 2022, Kelo-Cote™ Kids has enjoyed rapid market share growth, to command a 39% share of the market by value[2] in December 2022, with limited cannibalisation of core product sales. It is now being marketed both through our Kelo-Cote™ CBEC flagship store in China and through local domestic channels.

In 2023, we plan to roll out the product to more markets.

This is a great example of how our new I&D platform has enabled us to deliver relevant consumer innovation, whilst also strengthening our lead brand, Kelo-Cote™.

> "Since its launch, Kelo-Cote™ Kids has enjoyed rapid market share growth, to command a 39% share of the scar kids market in China."
>
> **Natalie Bayes,**
> Global Senior Brand Manager – Kelo-Cote™

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SPOTLIGHT ON…

ScarAway™ and Kelo-Cote™ US acquisition

A highly strategic acquisition

Alliance's acquisition of ScarAway™, the second largest brand in the US scar treatment market, and the US rights to Kelo-Cote™ in March 2022 is a great example of how we've executed our strategy to deliver growth through selective, complementary acquisitions.

KELO·COTE SCAR PREVENTION & TREATMENT

ScarAway® The Solution for Scars™

c. $90m

VALUE OF US SCAR TREATMENT MARKET[1]

28%

SCARAWAY'S™ SHARE OF THIS MARKET[1]

1 IRI and Jungle Scout.

SPOTLIGHT ON… **SCARAWAY™ AND KELO-COTE™ US ACQUISITION** CONTINUED

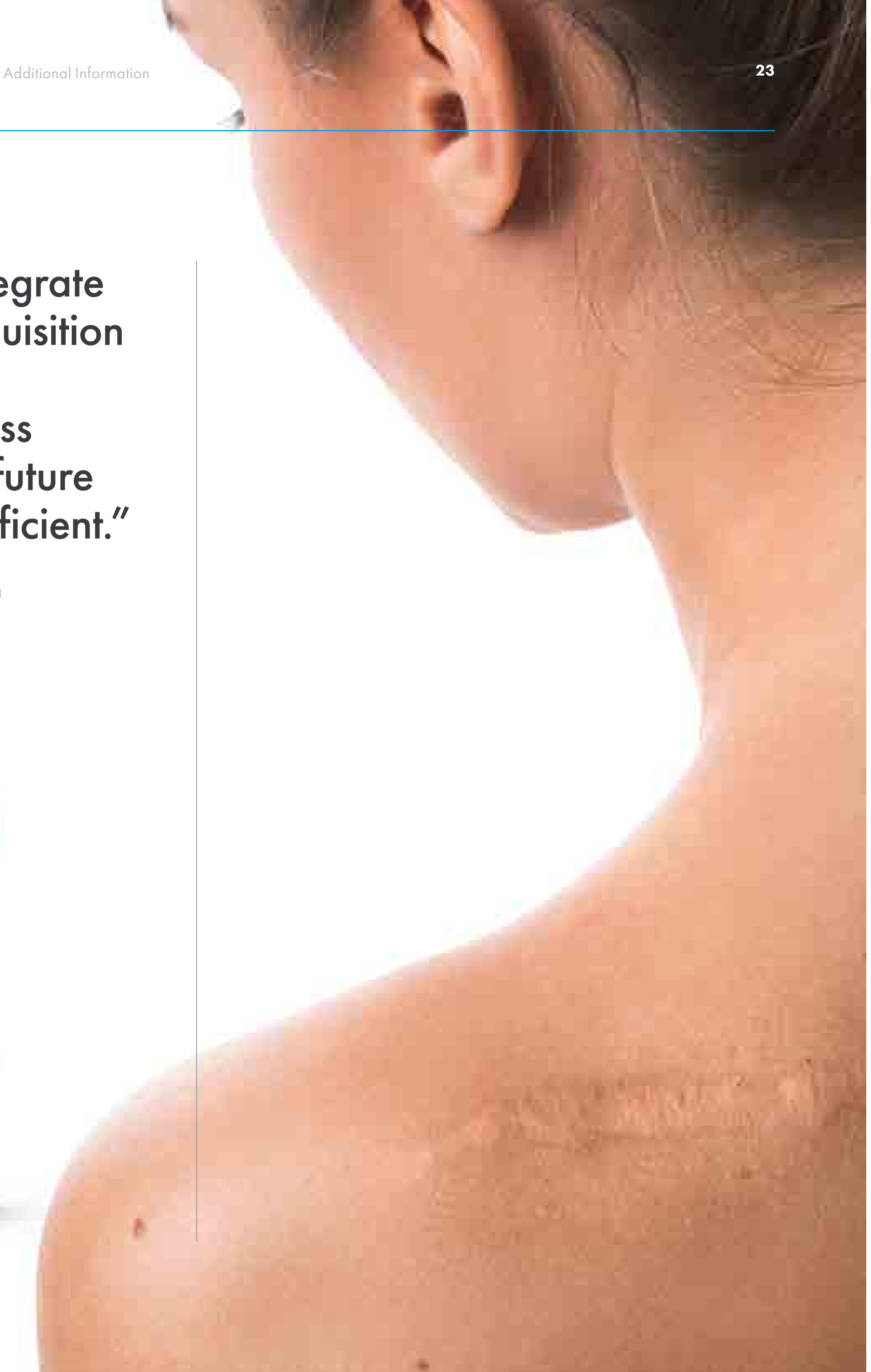
This acquisition created scale in the US, the largest consumer healthcare market in the world, enabling us to leverage the operating platform we'd created following the Vamousse™ and Amberen™ acquisitions, and completed our ownership of the worldwide rights to Kelo-Cote™, thereby creating our first global brand.

ScarAway™ also provided the opportunity to offer a silicone sheet in addition to a gel formulation in the US – both of which are universally considered first-line prophylactic and treatment options for hypertrophic scars and minor keloid scars.

Following rapid integration of the acquired business in just four months, our subsequent focus has been on leveraging the brands' existing distribution network, consolidating supply-side relationships, and increasing investment to drive further growth. New, modernised packaging is in development and is scheduled for launch in 2023, alongside a comprehensive consumer marketing campaign and new product development to accelerate market share gains.

"We were able to integrate the ScarAway™ acquisition in just four months, establishing a process which should make future integrations more efficient."

Amanda Sicvol, Head of North America



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SPOTLIGHT ON...

Culture, people and values

Ensuring our people and culture continue to support the business's medium-term growth ambitions

In 2022, we welcomed a record 80 new colleagues into the business, introduced new early careers schemes and held our first all-employee conference.

285

TOTAL EMPLOYEES[1]
2021: 245

82%

SAY THIS IS A GREAT PLACE TO WORK[2]
2021: 81%

[1]As at 31 December
[2]Based on findings from Great Place to Work® survey, October 2022

SPOTLIGHT ON… **CULTURE, PEOPLE & VALUES** CONTINUED

ORGANISATIONAL DEVELOPMENT

The continued expansion of our US team through 2022, initiated in response to the Amberen™ acquisition in 2020, followed by ScarAway™ and the US rights to Kelo-Cote™ in March 2022, means that we now have an experienced multi-functional team in the US, dedicated to supporting the growth of our growing portfolio of US-based brands, with a strong focus on innovation.

We also continued to support early career development, through the launch of our graduate development programme in the UK, bringing two graduates into our Commercial and Scientific Affairs teams, along with a year in industry placement student into our Group Finance function.

STRENGTHENING OUR EMPLOYER BRAND

This has been a major focus for us during 2022, as the competition for talent has intensified, leading to challenges in filling some specialist roles. We continue to provide a compelling career proposition and attract high calibre candidates with our strong positive culture and team ethos.

EMPLOYEE ENGAGEMENT[5]

SURVEY RESPONSE RATE	OVERALL TRUST INDEX© RATING
87%	79%
(2021: 74%)	(2021: 76%)

MOVING FORWARDS

Our new focus on organisational agility as a key enabler to the delivery of our strategy will require an increase both in focus and in pace – harnessing the skills, experience and energy that exists in our business, together with our culture of resilience, teamwork and collaboration, to enable us to respond to new challenges as they arise.

Throughout 2023, we will be focusing on building our innovation capability, processes and agility.

Progress in 2022:

- 80 new joiners integrated into the business, 18 of whom joined in newly created roles
- Improved GPTW survey outcomes, with additional certifications obtained in the US and France
- Supplier selection completed for our new HR system

Focus for 2023:

- Developing agile ways of working within our Innovation and Development team
- Continuing to strengthen our employer brand to attract and retain talent
- Enhancing our internal communications, to increase connection throughout the business
- Completing the implementation of our new HR system

EMPLOYEES BY GENDER[1]

BOARD & SENIOR LEADERSHIP TEAM

78% MALE	22% FEMALE

(2021: 80% Male 20% Female)

SENIOR MANAGERS[2,3]

69% MALE	31% FEMALE

(2021: 78% Male 22% Female)

ALL EMPLOYEES[4]

42% MALE	58% FEMALE

(2021: 42% Male 58% Female)

Footnotes:
1 As at 31 December.
2 2022: n=9 (2021: n=10).
3 Defined as those running major divisions of departments, but not part of the management team; 2022: n=29 (2021: n=27).
4 Including NED and fixed-term contractors.
5 As measured by the Great Place to Work® survey.

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SPOTLIGHT ON… **CULTURE, PEOPLE & VALUES** CONTINUED

All together in Bath – reconnecting post-pandemic

Maintaining cultural cohesion and connectivity has always been really important to us – particularly following the adoption of hybrid working, which rapidly became the norm post-pandemic. It was this desire for connection which led to the decision to hold our first global employee conference in 2022.

In addition to giving all our colleagues around the world the opportunity to come together in person to network and share ideas, the conference also enabled us to discuss our updated purpose, vision, and strategy with all our employees, listen to their feedback and start to build collective understanding around some of the operational challenges we will need to address as we look to implement this revised strategy.

It was a great way to meet new colleagues and strengthen personal connections across the business, particularly given the high number of new recruits over the past couple of years, and the limited opportunities for in-person connection during the global pandemic.

Sustainability was very much front of mind, both in the conference content and organisation – from a lunchtime 'pop up' to increase employee awareness and engagement around our sustainability strategy, to the catering and travel arrangements for the conference itself.

Our first global conference was very well received by colleagues, and we're sure that the benefits in terms of increased understanding, cultural alignment and connection, will continue to prevail through the organisation for many years to come.

246
CONFERENCE ATTENDEES

>90%
OF ELIGIBLE ATTENDEES

KEY PERFORMANCE INDICATORS

Strategic Report

FINANCIAL KPIs

We set out here our key financial performance measures.

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

SEE-THROUGH REVENUE[1]

£172.0m +1%

(2021: £169.6m)

GM%: (OVERALL)

59.1% -540bp[3]

(2021: 64.5%)

UNDERLYING EBITDA[1]

£39.2m -19%

(2021: £48.6m)

UNDERLYING PROFIT BEFORE TAX

£30.3m -28%

(2021: £42.2m)

UNDERLYING BASIC EPS

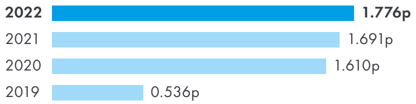
4.28p -33%

(2021: 6.39p)

DIVIDEND PER SHARE

1.776p +5%

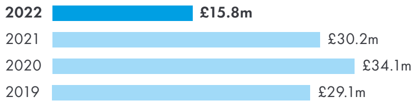
(2021: 1.691p)



FREE CASH FLOW[1]

£15.8m -48%

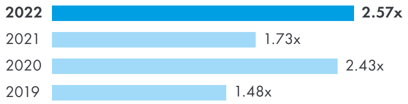
(2021: £30.2m)



LEVERAGE[2]

2.57x

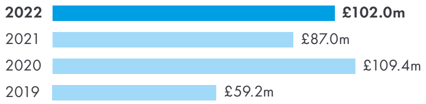
(2021: 1.73xx)



NET DEBT[1]

£102.0m +17%

(2021: £87.0m)



1 These measures constitute Alternative Performance Measures ('APMs'), as defined in note 31 to the Financial Statements.

2 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.

3 Basis points.

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KEY PERFORMANCE INDICATORS CONTINUED

ADDITIONAL KPIs

WORKING CAPITAL MANAGEMENT

SUPPLIER PAYMENT DAYS[1]

58 +12 days

(2021: 46)

DAYS SALES OUTSTANDING[2]

71 +10 days

(2021: 61)

DAYS INVENTORY ON HAND[3]

154 -15 days

(2021: 169)

PORTFOLIO EVOLUTION

REVENUE: CONSUMER HEALTHCARE BRANDS[4]

£125.2m +3%

(2021: £121.8m)

CONSUMER HEALTHCARE AS A % OF TOTAL REVENUE[4]

73% +1%

(2021: 72%)

RESOURCING

TOTAL HEADCOUNT[5]

285 +16%

(2021: 245)

EMPLOYEE ENGAGEMENT: (GPTW Trust Index©)

79% +3%

(2021: 76%)

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

2 Month-end value of trade receivables relative to the trailing 12 months sales expressed as a days' equivalent, averaged over the year.

3 Month-end value of inventory relative to the trailing 12 months cost of goods expressed as a days' equivalent, averaged over the year.

4 See-through basis.

5 As at 31 December

Other measures

In addition to the measures disclosed above, we also employ a broad range of other measures to help us manage business performance, including but not limited to:

- Brand revenues, margins and contribution, by management region and relative to marketing and innovation investment
- Post-acquisition performance evaluation measures
- On-time in-full delivery and out-of-stocks (to ensure continuity of product supply)
- Additional detail around inventory levels, provisioning and ageing profile; trade receivables and payables levels and ageing profiles (working capital management)

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

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SUSTAINABILITY

Prioritising people, planet and product

Our approach

We are committed to operating our business in a responsible way, which minimises negative impacts on people and planet, makes a positive contribution to society and promotes the sustainability of our business for the longer term.

Our sustainability framework

Our sustainability framework identifies the key areas we are focusing on, to deliver our purpose and to assure the future of our business for the longer term.

Visit our Sustainability hub

Learn more about how our framework has evolved, and our approach to materiality and governance on our website alliancepharmaceuticals.com/sustainability

Read about how we have delivered against our **sustainability commitments** on **page 30** and in our **Online Sustainability Report** on our website

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Overview

We have made good progress against our sustainability agenda in 2022 – below is a summary of our key achievements in the year and our main areas of focus for 2023.

Further detail, including relevant metrics for all the areas of focus forming part of our sustainability framework, can be found in our Online Sustainability Report.

Identified focus areas for 2022	Progress in the year	Focus for 2023
PEOPLE Continued investment in capability development, to ensure our resourcing supports our growth ambitions. Continued focus on cultural development and employee engagement. Ensuring that our employees continue to have a good understanding of, and comply with, all relevant ethical business practices.	› 80 new heads brought into the business in 2022 – 18 of which were in newly created roles › New UK graduate and industry placement schemes rolled out › High levels of employee engagement maintained with increased GPTW survey participation and trust index ratings; additional certifications achieved in US and France › First all-employee conference held › More targeted approach to online compliance training, driving an increase in course completion rates › Compliance training provision further enhanced through partnering with new external providers	› Increasing our organisational agility – developing the requisite capabilities through a combination of talent acquisition, training, and cultural change › Maintaining and enhancing our high levels of employee engagement › Launching our employee code of conduct, setting the benchmark for the ethical behaviours we expect from colleagues
PLANET Environmental strategy development – developing our carbon action plan and our response to climate change. Packaging lifecycle management – strategy development and target setting.	› Offset Scope 1 & 2 UK emissions for 2021 › Set Scope 1 & 2 net zero targets › Commenced initial engagement ('fact find') with all our contract manufacturers ('CMOs') and our top ten logistics partners to establish where they are on their climate change journeys › Undertook scenario analysis and risk assessment to support publication of first full TCFD report and disclosures › Gained greater understanding of the constituents of our packaging estate (primary and secondary) and the steps we need to take to promote circularity and reduce our use of single-use plastics; pilot projects initiated to further understanding	Continuing to work towards developing our Scope 3 emissions reduction targets, through: › embedding ownership of product-related emissions within the appropriate functional areas of the business; and › continued methodology improvements to increase the accuracy of emissions measurement across all categories Continuing to develop our packaging strategy, confirming and publishing sustainability improvement targets for both primary and secondary packaging
PRODUCT Increasing the oversight we have of our supply chain; obtaining confirmation from our contract manufacturers and other suppliers that they comply with our ethical standards.	› Partner code of conduct published, setting out the ethical expectations we have of our partners – be they CMOs, logistics service providers or distributors	› Obtaining formal confirmation from our CMOs that they comply with our ethical standards › Tightening our processes around modern slavery in our supply chain

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ALLIANCE

SPOTLIGHT ON...

Managing our packaging estate

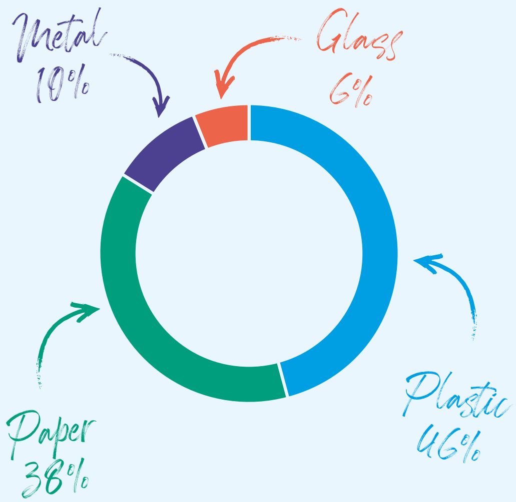
Developing and implementing a sustainable packaging strategy, supported by appropriate targets and delivery plans, was one of the key focus areas we identified for 2022 to reduce the environmental impact of our product packaging.

We have made good progress in 2022 to build a better understanding of our primary and secondary packaging estate, and the associated challenges and opportunities it presents, although we are not yet in a position to publish targets relating to packaging sustainability.

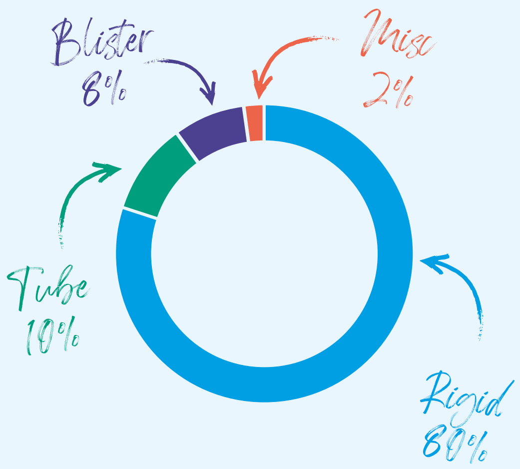
Just over half of our packaging by weight is made up of paper, metal, and glass – materials for which there are already established circularity channels. Our focus will therefore be on leveraging these channels, through better labelling of recycling instructions on packs and the use of recycled and/or FSC-certified paper for our secondary packaging and instructions for use sheets.

The remainder of our estate comprises plastics – primarily rigid plastics, such as bottles and jars. The recyclability of these varies both by product, and by country.

WHAT DOES OUR PRODUCT PACKAGING CONSIST OF?



THE DIFFERENT FORMATS THAT OUR PLASTIC PACKAGING TAKES



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SPOTLIGHT ON…

Managing our packaging estate continued

We have identified a number of avenues we will be exploring in 2023 to improve the environmental credentials of the plastics used in our packaging. These include:

- reducing overall consumption through 'right sizing' of components;
- increasing component recyclability – through better labelling and the switch to materials that are more widely recycled;
- replacing PVC/PVDC plastics with alternative materials, or formats; and
- maximising the use of PCR content.

Blister packs present a particular challenge for us, and the pharmaceutical industry as a whole, as they comprise two different elements welded together, making them widely unrecyclable. These packs also contain harmful PVC.

Elimination of polyvinylchloride ('PVC') and polyvinylidene chloride ('PVDC')

PVC and PVDC are widely used in the forming material for blister packs, as they're low cost, have good barrier properties, and are easy to use. However, they are non-recyclable and their presence pollutes plastics recycling streams. When incinerated, they release chlorine into the atmosphere – or into the water table if sent to landfill.

Maximising the use of post-consumer recycled ('PCR') plastics

Whilst we will be looking to incorporate more PCR plastic in our packaging, the availability of PCR plastic suitable for use in consumer healthcare products is currently low, and what is available is of inconsistent quality and commands a higher price than the equivalent virgin material. Over time, the expectation is that progressive legislation will tax virgin materials to promote use of PCR, whilst high levels of investment in recycling technologies (mechanical and chemical) will improve the availability and competitiveness of high-quality PCR material.

We are excited by the potential to bring about positive change, through working in partnership with our suppliers to source new and better alternatives to some of our current packaging, in furtherance of our ambition to reduce our reliance on single-use plastics.

Pilot studies have been initiated to look at more sustainable packaging options for plastic tubes, rigid packaging, and blister packs. We expect these to be completed during the first half of 2023 and the outputs from these projects will then inform the future development of our strategy.

We remain mindful of the need to balance environmental benefits with broader sustainability considerations within our supply chain, including cost, security of supply, and the maturity of associated technologies.

Whilst improving the environmental credentials of our packaging will help to reduce our end-to-end Scope 3 emissions – both those associated with the end-of-life treatment of our packaging, and the more significant emissions associated with its manufacture – collectively they only account for only c.10% of our total emissions and so will be a contributor to, rather than a key driver of, our wider Scope 3 product-related emissions reduction.

SPOTLIGHT ON…

Developing our response to climate change

In our 2021 Annual Report, we highlighted our ambition to progress towards full disclosure, in line with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, in 2022.

During the year we have worked with external consultants to support us with the evaluation of our business from a TCFD perspective and to undertake the scenario analysis and risk assessment required in order to determine our exposure to climate-related risks, considering both our own operations and the locations of our key supply partners.

As part of our journey to full TCFD compliance, we are proud to publish our extended voluntary disclosures for 2022 as part of this Report, with additional detail to be provided in our first stand-alone TCFD report, to follow shortly on our website. The disclosures are being made on a voluntary basis because, as a UK-registered company, with securities admitted to AIM, with less than 500 employees, we are currently outside the scope of the mandatory disclosure requirements.

As a result of this process, and the associated climate scenario analysis and risk review, we have concluded that we should be recognising the impact of tackling climate change as a principal risk and it has therefore been added to our Principal Risks and Uncertainties coverage on pages 47-56.

The scenario analysis and risk evaluation process has been a valuable learning experience for us, as we included not just our own operational sites, but also those of our larger CMOs, enabling us to make use of insights gained in relation to the resilience of our supply chain through COVID-19, and disruptions to global supply chains as a result of the war in Ukraine in our assessment of both physical and transition risks.

In 2023, we will look to deepen our relationships with our partners, in order to support the mutual dissemination of knowledge around climate risks and opportunities, and to better understand their emissions management strategies, as a precursor to developing our Scope 3 emissions targets.

We will also be looking to extend our climate risk analysis to include other key partners in our value chain.

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SPOTLIGHT ON…

Developing our response to climate change continued

Setting (and delivering against) our Scope 1 & 2 emissions targets

Midway through 2022, we set and published our Scope 1 & 2 emissions targets:

- To achieve a 65% reduction in our emissions (versus 2018 baseline) by 2025, and to achieve net zero (90% absolute reduction) by 2030.
- We used 2018 as our base year so we could demonstrate the significant reduction in emissions we've achieved already through environmental improvements to our Chippenham office HQ and to avoid using a base year in which use of the building was artificially low, due to COVID-19 restrictions.

The graphic below shows the trajectory of our emissions from 2018 through 2021 (the latest data available at the time the targets were set), and the further reductions needed to reach our targets.

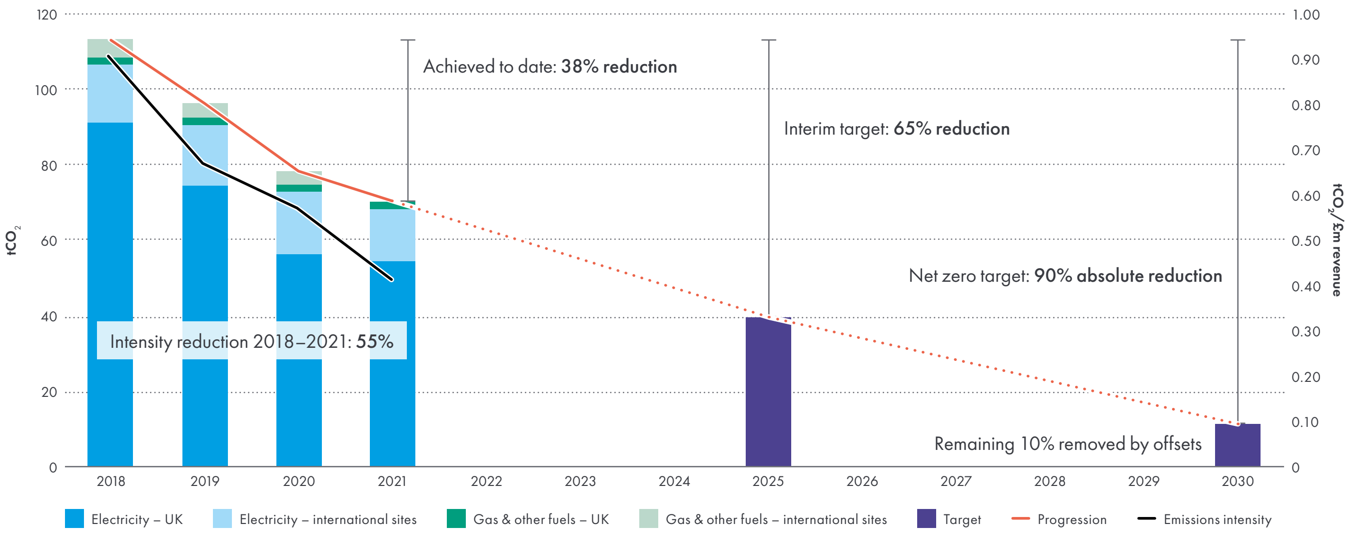
Our Scope 1 & 2 emissions for 2022 were 52 tCO_2, a reduction of 26% versus those for 2021, due primarily to reduced consumption at our Chippenham HQ and the non-renewal of the lease for our leased office in Chester mid-way through the year.

We anticipate that further reductions in our UK emissions will be driven largely by own electricity generation at our Chippenham HQ, through the installation of PV roof panels, subject to receipt of all necessary consents.

Reductions in emissions at our international sites where we control the supply will be driven principally by switching to renewable tariffs.

We also expect to benefit from small reductions in consumption driven by energy-saving measures through increased colleague awareness and engagement across all our offices and from grid-driven reductions in electricity tariffs.

Scope 1 & 2 emissions – progression and targets



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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We recognise that we have a role to play in reducing our environmental impact and our contribution to climate change.

Whilst there is no current requirement for us to comply with the mandatory requirements of TCFD, we welcome the recommendations, and having published partial disclosures in our 2021 Annual Report, we are pleased to report voluntarily on our progress in 2022 in integrating climate considerations into our existing business strategy and risk management processes.

In addition to the disclosures below, we plan to publish our first stand-alone TCFD report on the sustainability section of our website at the end of March 2023, to provide supplementary information around the risks and opportunities we face as a business as a result of climate change and how we plan to address these.

Governance – *taking responsibility for climate-related risks and opportunities*

Climate governance has been integrated into our existing corporate governance structures, with the Board having overall responsibility for Alliance's response to climate change and providing oversight on climate-related risks and opportunities, whilst ensuring suitable management processes are integrated into future financial planning, business strategy and operations. The CEO is the Board Director responsible for sustainability and for ensuring communication between stakeholders, the Board, management, and employees around our climate action is ongoing.

The ESG Committee, which in 2022 comprised all Board members, is responsible for setting the Group's overarching sustainability strategy, and for identifying relevant ESG priorities that most significantly impact the Group, including those relating to climate change. The Committee is also responsible for ensuring that climate change priorities are anchored as an integral part of the Company's business strategy.

The ESG Committee has delegated management responsibility for climate-related risks and opportunities to the Senior Leadership Team ('SLT'), supported by the Corporate Sustainability Lead. Collectively, they ensure the development and implementation of the Company's sustainability strategy, including climate action and TCFD reporting.

Throughout the year, members of the ESG Board Committee, SLT and wider management worked with third-party ESG specialists to identify and assess the impact of climate change on our business operations. A series of workshops were held to build internal capability across all levels within the organisation, as a precursor to the creation of a climate risk register, which will be reviewed and updated annually, to ensure climate risks and opportunities continue to be properly assessed, monitored, and reported.

Strategy – *developing a resilient business strategy*

We have a clear strategy to deliver sustainable business growth, through maximising the value of our core Consumer Healthcare business. Through implementing the recommendations of the TCFD, we have been able to identify the climate risks which may prevent us from successfully delivering our business strategy, together with opportunities to strengthen our position and deliver increased value for stakeholders. This forward-looking analysis has helped us consider climate change in our long-term planning, to ensure that our business strategy remains resilient to the impacts of climate change.

Our climate risk management process identified the climate-related risks and opportunities, which could potentially impact our business. To strengthen this process, we utilised climate scenario analysis, investigating the resilience of our business strategy across differing future projections of climate events. Climate scenario analysis was conducted for all our operational sites with the exception of Dublin (due to its size), allowing us to assess the impact of climate change on our future operations.

The outsourced nature of our business means that we rely heavily on third-party partners, such as our distributors, contract manufacturers ('CMOs') and logistic service providers ('LSPs'). Any climate-related impacts on their operations could potentially present a significant risk to our business. We therefore widened our assessment of physical risks, through carrying out climate scenario analysis on 24 of our key supplier sites, to begin to understand how climate change may impact our value chain. We plan to extend this analysis further in 2023.

Climate scenarios

We considered three climate change scenarios, when evaluating the impact of each identified risk on our business operations and financial planning:

› Below 2°C
› 2–3°C
› Above 3°C

With the warming pathways modelled over three time-horizons:

› Short-term (2022–2025)
› Medium-term (2025–2035)
› Long-term (2035–2050)

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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

We considered both the short to medium-term risks and opportunities arising from the transition to a lower-carbon economy, together with our level of exposure to the longer-term physical risks associated with global warming. Through this process, we identified eight transition risks and two climate-related opportunities, which are outlined in the table below, together with their potential impacts, to the extent that we are able to quantify these. We also identified six physical risks which we will need to manage our exposure to in the longer term, which are also summarised below.

Transition risks

Area	Risk	Scenario(s)	Timeframe	Impact description	Impact
Policy & Legal	Increased regulation due to climate change	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Expenditures – Increased operating costs (e.g. higher compliance costs)	Negligible/< £0.5m
	Increase in carbon pricing	2–3°C	Medium Term (2025–2035)	Expenditures – Increased direct costs	Negligible/< £0.5m
	Mandates on and regulation of existing products and services	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Expenditures – Increased direct costs	Negligible/< £0.5m
Market	Increased cost of energy and materials	Below 2°C, 2–3°C and >3°C	Short to Medium Term (2022–2035)	Expenditures – Increased indirect (operating) costs	Small/£0.5m–£1.5m
	Changing consumer preferences and increased sensitivity to ESG	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Revenue – Decreased revenue due to reduced demand for products	Small/£0.5m–£1.5m
Reputation	Increased stakeholder concern damaging our reputation	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capital and Financing – Decreased access to capital	Small/£0.5m–£1.5m
Technology	Substitution of existing products with lower emissions alternatives	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capex – Increased capital expenditure / investment	Small/£0.5m–£1.5m
	Costs to transition to lower emissions technology	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capex – Increased capital expenditure / investment	Negligible/< £0.5m

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Climate-related opportunities

Area	Opportunity	Timeline	Impact
Products and Services	Development of new products or services through R&D and innovation	Medium (2025–2035)	Increased revenue from an increase in demand for sustainable products We are not yet in a position to quantify this opportunity
Energy resources	Use of lower-emission sources of energy	Short – Medium Term (2022–2035)	Reduction in operating expenses because of increased efficiency (for example, energy costs) Small/£0.5m – £1.5m

Physical risks

Nature	Climate-related Risk	Scenario	Timeline	Exposure
Acute	Increased frequency and severity of flooding	Above 3°C	Long Term (2035–2050)	Seven of our offices and 21 supplier sites are situated in potential high flood risk zones
	Increased frequency of heatwaves/extreme heat	Above 3°C	Long Term (2035–2050)	Seven of our offices and 20 supplier sites are situated in areas at high risk of experiencing rising temperatures
	Increased frequency of wildfires	Above 3°C	Long Term (2035–2050)	One of our offices and eight supplier sites are located in areas at high risk of wildfire impact
Chronic	Rising mean temperatures	Above 3°C	Long Term (2035–2050)	Seven of our offices and 20 supplier sites will experience a significant increase in mean temperatures
	Sea level rise	Above 3°C	Long Term (2035–2050)	Two of our offices and 11 supplier sites are potentially at risk from rising sea levels
	Water stress	Above 3°C	Long Term (2035–2050)	Four of our offices and 12 supplier sites are located in areas likely to be subject to extremely high, or high, water stress by 2030

Additional details of our climate-related risks, scenario analysis and assessment processes underpinning these can be found in our 2022 TCFD report, which will be published shortly on our website.

Strategic Report

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ALLIANCE

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Risk Management – *Embedding climate into our risk management framework*

At Alliance, we have an established and comprehensive risk management framework, which informs how business risks are identified, rated, and monitored. Through our TCFD programme, and with the support of third-party consultants, we have created a stand-alone climate risk management framework, to identify and assess our climate-related risks and opportunities, and then integrated this into our wider business risk management processes.

The creation of our climate risk management framework followed four key steps, to identify our risks, consider their potential impacts and identify current and future mitigation actions, to reduce their impact.

1. Identify
- internal stakeholder engagement programme created, to identify climate-related risks which may impact our business

2. Assess
- climate scenario analysis carried out to develop our understanding of climate change and how the identified risks and opportunities could potentially impact our business over time

3. Appraise
- risk management options appraised, through a series of climate risk management workshops, to evaluate the effectiveness of the current mitigation actions

4. Address
- identification and implementation of further mitigation actions to reduce climate change risk, as required

Going forwards, we will be reviewing our climate-related risks and opportunities annually, to monitor the performance of our mitigation plans and reassess the impact as appropriate. Responsibility for maintaining the climate risk register and for ensuring that climate risks and opportunities are accurately reviewed, reported, and monitored, sits with the SLT.

Following completion of the scenario analysis necessary to enable us to determine our potential level of exposure to climate-related risks – and the impact that these may have on our business, both in the short to medium term and in the longer term – we have taken the decision to recognise the impact of tackling climate change as a principal risk this year, rather than an emerging risk, as reported in our 2021 Annual Report.

Metrics and Targets – *Measuring and managing our climate impact*

The primary metrics and targets we use to assess and manage relevant climate-related risks and opportunities are as follows:

Carbon emissions metrics

	2022 Calculated Emissions (tonnes of CO_2e)		2021 Calculated Emissions (tonnes of CO_2e)		2020 Calculated Emissions (tonnes of CO_2e)	
Emission Type	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based
Scope 1 (direct)	2	2	2	2	64	–
Scope 2 (indirect)	50	52	68	16	89	–
Scope 3 (indirect)	47,973	47,973	37,648	37,648	32,243	–
Total	48,025	48,026	37,627	37,575	32,396	–
Emissions intensity*	279	279	128	128	128	

* Defined as tCO_2e per £m of revenue.

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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

The increase in Scope 3 emissions from 2020 to 2021 was primarily due to increased activity levels following the easing of pandemic restrictions and the acquisition of Amberen™, coupled with an increased use of air freight versus sea freight to mitigate ongoing pandemic-related disruptions to supply chains and available logistics capacity.

The increase in Scope 3 emissions from 2021 to 2022 was driven by increases in emissions associated with contract manufacturer activity, logistics (upstream and downstream) and business travel.

Targets and progress

In September 2022, we set our Scope 1 & 2 emissions targets, to achieve net zero in 2030, with an interim target of 65% reduction by 2025, using 2018 as our baseline. More detail on our Scope 1 & 2 emissions targets and the progress we've made in delivering these can be found on page 34.

We continued to evolve our data collection processes to improve the accuracy of our Scope 3 emissions in 2022, as a precursor to setting targets for specific categories of Scope 3 emissions in 2023, as we look to further evolve our carbon action plan and climate change commitments.

Related reading:

See **ESG Committee Report** on **page 86**

See **Spotlight on developing our response to climate change** on **page 33**

See **Principal Risks & Uncertainties – impact of tackling climate change climate change** on **page 48**

See **Streamlined Energy and Carbon Reporting (SECR)** on **page 90**

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders

Overview

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 a positive contribution to both our local and wider communities. The Board works closely with the Senior Leadership Team to ensure we continue to understand and meet the evolving needs of all our stakeholders, whilst maintaining our relevance and ability to create long-term sustainable value.

On the following pages, we have identified our principal stakeholders, their primary requirements and how we've delivered against these in 2022.

Examples of how stakeholder interests have been considered by the Board in their decision-making are provided in the Governance section.

See **Promoting the success of the company – s.172** on **page 67**

Additional content regarding our stakeholder relationships and how we manage these can also be found on our website.

SHAREHOLDERS

Our shareholders are interested in:

- Strong financial performance
- Share price appreciation
- Dividend income
- ESG and long-term business sustainability

How we delivered for our shareholders in 2022:

- Dividend +5% vs 2021
- Share price adversely impacted by financial performance
- Refreshed purpose, vision and strategy
- Infrastructure strengthened; new people and skills brought into the business
- Portfolio broadened through ScarAway™ acquisition in the US
- Good progress made with developing and executing our sustainability strategy

EMPLOYEES

Our employees are interested in:

- Competitive reward structures
- Opportunity to share in the success of the business
- Flexible working
- Meaningful work and connection
- Learning and development opportunities

How we delivered for our employees in 2022:

- Corporate bonus paid (for FY21)
- Annual pay increase
- Share options granted to all eligible employees
- Flexible working arrangements maintained
- Monthly business briefings
- Participation in GPTW survey
- Global employee conference

CUSTOMERS

Our customers are looking for:

- Safe and effective healthcare products, which are widely available, at a reasonable cost

How we delivered for our customers in 2022:

- Safety and efficacy standards maintained (see Online Sustainability Report)
- 44m units of product supplied
- Continued channel expansion for our consumer products, particularly in e-commerce
- Pricing aligned with competitive positioning (consumer products)

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STAKEHOLDER ENGAGEMENT CONTINUED

SUPPLY AND DISTRIBUTION PARTNERS

Our supply & distribution partners are looking for:

- Continued business growth opportunities

How we delivered for our supply and distribution partners in 2022:

- Supplier spend +39% vs 2021
- >£70m of sales made via distributors in 2022

HEALTHCARE PROFESSIONALS

Healthcare professionals are looking for:

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

How we delivered for healthcare professionals in 2022:

- Responses provided to more than 900 enquiries from HCPs

LENDERS

Our lenders are interested in:

- Strong financial performance
- Ability to service & repay borrowings

How we delivered for our lenders in 2022:

- £15.8m of free cash flow generated
- Compliance with borrowing covenants maintained

WIDER COMMUNITIES

The wider community is interested in:

- Social impact strategy
- Local engagement
- Charitable and product donations

How we delivered for the wider community in 2022:

- 12,000 units of product donated to International Health Partners, enabling 149,000 treatments to be sent to 10 countries around the world
- £50k donated to Ukraine humanitarian appeal
- Ongoing support of local charities and community events

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ALLIANCE

FINANCIAL REVIEW

"Whilst 2022 presented challenges in two discrete areas of the business, we worked hard to control costs and minimise the impact on underlying operating profit, whilst developing robust mitigation plans."

Andrew Franklin, Chief Financial Officer

UNDERLYING EBITDA*

£39.2m

(2021: £48.6m -19%)

FREE CASH FLOW*

£15.8m

(2021: £30.2m -48%)

* Non-IFRS alternative performance measures (see note 31).

FINANCIAL REVIEW CONTINUED

SUMMARY UNDERLYING INCOME STATEMENT

Year ended 31 December

	2022 £m	2021 £m	Growth
See-through revenue*	**172.0**	169.6	+1%
Statutory revenue	**167.4**	163.2	+3%
Gross profit	**101.7**	109.5	-7%
Operating costs (including share-based employee remuneration)	**62.5**	60.9	+3%
Underlying EBITDA*	**39.2**	48.6	-19%
Depreciation and underlying amortisation	**3.5**	2.9	+20%
Underlying operating profit (EBIT)	**35.7**	45.6	-22%
Finance costs	**5.4**	3.4	+57%
Underlying profit before taxation	**30.3**	42.2	-28%
Reported profit before taxation	**5.2**	18.2	-71%
Underlying basic earnings per share	**4.28p**	6.39p	-33%
Reported basic earnings per share	**0.17p**	1.37p	-88%
Proposed total dividend per share	**1.776p**	1.691p	+5%

* The performance of the Group is assessed using Alternative Performance Measures ('APMs'), which are measures that are not defined under IFRS, but are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts and against the Group's longer-term strategic plans. APMs are defined in note 31.

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

Underlying profitability metrics are presented as we believe this provides investors with useful information about the performance of the business. In 2022, underlying results exclude the amortisation and impairment of acquired intangible assets; in 2021, underlying results exclude the amortisation and impairment of acquired intangible assets, the CMA provision and restructuring costs. Further detail can be found in note 5.

REVENUE SUMMARY

Year ended 31 December

	2022 £m	2021 £m	Growth	CER growth
Kelo-Cote™ franchise	**50.0**	48.8	+2%	-6%
Amberen™	**14.9**	19.2	-22%	-30%
Nizoral™*	**21.8**	20.6	+6%	+3%
Other consumer brands	**38.4**	33.2	+16%	+14%
Total Consumer Healthcare	**125.2**	121.8	+3%	-3%
Prescription Medicines	**46.8**	47.8	-2%	-2%
See-through revenue*	**172.0**	169.6	+1%	-3%%
LFL Consumer Healthcare see-through revenue, excl. ScarAway™ & Kelo-Cote™ US*	**118.9**	121.8	-2%	-7%
LFL see-through revenue, excluding ScarAway™ & Kelo-Cote™ US*	**165.7**	169.6	-2%	-6%
Statutory revenue – Consumer Healthcare	**120.6**	115.4	+5%	+3%
Statutory revenue – Group	**167.4**	163.2	+3%	-2%
LFL Consumer Healthcare statutory revenue, excluding ScarAway™ & Kelo-Cote™ US	**114.3**	115.4	-1%	-6%
LFL Group statutory revenue, excluding ScarAway™ & Kelo-Cote™ US	**161.1**	163.2	-1%	-5%

REVENUES

Group see-through revenue increased 1% to £172.0m (2021: £169.6m) and decreased 3% at constant exchange rates ('CER'). Like-for-like see-through revenue excluding ScarAway™ and Kelo-Cote™ US, acquired in March 2022, decreased 2% (-6% CER). Group revenue benefited from exchange rate movements in 2022, principally the weakening of Sterling against the US Dollar and HK Dollar, which increased see-through revenue by approximately £6.7m. Statutory revenue increased 3% to £167.4m (2021: £163.2m) (-2% CER).

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FINANCIAL REVIEW CONTINUED

REVENUES CONTINUED

Consumer Healthcare

Total Consumer Healthcare revenues for the year were £125.2m (2021: £121.8m), up 3% on the prior year (-3% CER) benefiting from the US acquisition in addition to currency tailwinds. On a statutory basis, reported Consumer Healthcare revenues were £120.6m, up 5% from the previous year (2021: £115.4m) and up 3% CER.

Excluding the impact of the US acquisition, like-for-like see-through Consumer Healthcare revenue fell 2% (-7% CER) to £118.9m whilst on a statutory basis, like-for-like Consumer Healthcare revenues decreased 1% to £114.3m (-6% CER).

Kelo-Cote™ franchise– scar prevention and treatment

Kelo-Cote™ franchise revenues grew 2% to £50.0m (2021: £48.8m) in the year, boosted by the US acquisition and currency gains (-6% CER). As previously reported, the cross-border e-commerce ('CBEC') scar treatment market declined during H1 2022 as rigid lockdowns in China from March prevented the movement of product across the border from Hong Kong for a number of months. However, the online domestic market grew, and Kelo-Cote™ gained share. In H2 2022, a slower recovery in B2B demand for Kelo-Cote™ in the China CBEC channel, coupled with a one-off destocking effect in that channel, meant that like-for-like global Kelo-Cote™ revenues were down 17% CER in the year.

End-consumer demand in the scar treatment market in e-commerce in China remains strong, with 7% value growth in 2022 and Kelo-Cote™ gaining share. We continue to work with our CBEC distributor to develop further this channel, expand reach and optimise sales. Our B2C channel is well developed and in September our Kelo-Cote™ flagship online store was awarded a prestigious Tmall Global award, alongside a small number of other prominent brands, for surpassing RMB100m (c.£12m) in annual sales for the first time. We have refined our strategy to increase our presence in the significant B2B channel, which incorporates additional distributor support, and have successfully reduced the level of counterfeit product in the market.

Looking ahead, we expect total Kelo-Cote™ franchise revenues to build throughout the year with overall growth anticipated to be above 20% in 2023, compensating in part for the one-off events which adversely affected revenues in 2022. This is slightly ahead of the 18% CAGR delivered for the four-year period ending 31 December 2022, excluding the US acquisition.

Nizoral™ – medicated anti-dandruff shampoo

Following the completion of the marketing authorisation transfer for Nizoral™ in China from Johnson & Johnson, we transitioned to a new top-tier local distributor at the end of H1 2022 to service the brand's largest market. However phasing of orders to the new distributor led to a 12% decline in revenues in H1 2022.

Nizoral™ revenues recovered strongly in H2 2022, growing 15% CER, partly due to the delayed orders from H1 falling into H2 and as Alliance finalised the remaining marketing authorisation transfers in Vietnam. Consequently, revenues grew 6% to £21.8m (2021: £20.6m) for the year (3% CER). The new Chinese distributor, and the completion of all marketing authorisation transfers, provides a very strong platform to drive high single-digit revenue growth for Nizoral™ in 2023, supported by new marketing initiatives and the introduction of updated packaging.

Amberen™ – vitamin mineral supplement for the relief of menopause symptoms

Amberen™ generated net revenues of £14.9m (2021: £19.2m), 22% below prior year (-30% CER). Amberen™ sales performance was impacted by declines in the underlying bricks and mortar market due to an increase in prevalence of cheaper, white-label alternatives and customer switching to online platforms, in addition to the loss of a leading discount store account. Alliance is committed to improving the performance of Amberen™ in the higher-growth e-commerce channel, whilst optimising sales in bricks and mortar where appropriate. The brand's packaging has been re-launched featuring stronger claims, and advertising investment continues, focused on digital, video, social media and search engine optimisation to drive share gains.

Amberen™ now has an enhanced platform from which to generate double-digit revenue growth on a like-for-like basis in 2023 and beyond. We are also focused on developing an innovation pipeline, to underpin the growth of the brand in the longer-term. Given the disruption to the bricks and mortar market, we now anticipate 2025 sales of c. £20m, below our original £35m expectation. As a consequence, coupled with higher interest rates, we have impaired the asset value by £12.0m.

Other Consumer Healthcare brands

Our underlying business remains strong, with Other Consumer Healthcare revenues increasing 16% to £38.4m (2021: £33.2m) and 14% CER, with particularly strong growth from Aloclair™ and Vamousse™. This solid performance in our Other Consumer Healthcare brands clearly illustrates the benefits of a diversified portfolio, and we anticipate continued high single-digit growth in this portfolio of products in 2023, substantially ahead of the broader consumer healthcare market.

Prescription Medicines

The Prescription Medicines business continues to deliver stable revenues with £46.8m (2021: £47.8m), in the year, down 2% on the prior year on both a reported and currency-adjusted basis. Key brands include Hydromol (emollient for the treatment of eczema), Forceval (nutritional supplement) and the Opus range of stoma care products, all of which performed well in the year.

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

Operating performance

Whilst revenues increased 1% in the year, gross profit decreased 7% to £101.7m (2021: £109.5m) due to a less favourable product mix with a lower proportion of Kelo-Cote™ and Amberen™ sales, and with Kelo-Cote™ generating a lower gross margin than in 2021 due to a less favourable channel mix. Gross margin reduced by 540 basis points to 59.1% of see-through revenue (2021: 64.5%) and gross margin relative to statutory revenue was 60.7% (2021: 67.1%).

Operating costs (defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges) increased 6% versus the prior year to £62.4m (2021: £58.6m) largely due to increased investment in marketing and employee costs to drive future growth, coupled with a modest increase in expenses to accommodate the US acquisition. As a result, operating costs as a percentage of sales increased 1.7% to 36.3% of see-through sales (2021: 34.6%).

With a lower share price in H2 2022 leading to a £2.2m reduction in share option charges versus prior year (2022: £0.1m, 2021: £2.3m) underlying earnings before interest, taxes, depreciation and underlying amortisation ('EBITDA') decreased 19% in the year to £39.2m (2021: £48.6m), whilst underlying operating profit ('EBIT') decreased by 22% to £35.7m (2021: £45.6m). Reported operating profit decreased by £11.0m to £10.6m (2021: £21.6m), with non-underlying items of £25.1m (2021: £24.1m).

Finance costs increased by £2.0m to £5.4m (2021: £3.4m), due to an increase in borrowing costs, reflecting both the rise in interest rates and an increase in the level of borrowings following the US acquisition.

The average interest charge on gross debt during the year (including non-utilisation fees) was 3.6% (2021: 2.2%).

The significant reduction in gross margin, in addition to the increase in operating and finance costs, led to a 28% decrease in underlying profit before tax to £30.3m (2021: £42.2m), resulting in a 730 basis point margin reduction to 17.6% of see-through revenues. Reported profit before tax decreased 71% to £5.2m (2021: £18.2m), primarily due to non-underlying amortisation and impairment charges. Further detail on non-underlying items is provided below and in note 5.

Depreciation and underlying amortisation

Depreciation and underlying amortisation charges for the year were £3.5m, up £0.6m on the prior year (2021: £2.9m), reflecting the first full year of amortisation of the ERP system.

Non-underlying items

Non-underlying items in the year principally comprised amortisation charges for Prescription Medicines and certain other brand assets, together with impairment charges identified as a result of the annual impairment review (see note 11).

For 2022, impairment charges of £18.2m include £12.0m in relation to Amberen™, reflecting both the reduction in expected future cash flows, following the loss of a leading discount store account and more challenging trading conditions in the bricks and mortar market, and the higher cost of capital through increasing market interest rates.

For the prior year, non-underlying items comprised amortisation and impairment charges, together with a provision of £7.9m in relation to the Competition and Markets Authority ('CMA') decision (see note 20) and restructuring costs relating to the closure of our offices in Milan and Los Angeles. Further detail on non-underlying items is provided in note 5.

RECONCILIATION OF UNDERLYING TO REPORTED PROFIT BEFORE TAX

Year ended 31 December

	2022 £m	2021 £m
Underlying profit before taxation	30.3	42.2
Non-underlying items:		
Amortisation of acquired intangibles	(7.2)	(7.2)
Impairment of intangible assets and goodwill	(18.2)	(6.2)
CMA provision	–	(7.9)
Restructuring costs	–	(2.4)
Other	0.4	(0.4)
Total	(25.1)	(24.1)
Reported profit before taxation	5.2	18.2

Taxation

The underlying tax charge for the year was £7.2m (2021: £8.0m), which equates to an underlying effective tax rate of 23.9% (2021: 19.0%). The total tax charge for the year was £4.3m (2021: £10.8m), equating to an effective tax rate on reported profits of 82.0% (2021: 59.7%). The prior year figure includes a £5.0m charge following the increase in the UK tax rate from 19% to 25%, relating primarily to an increase in the deferred tax balances on intangible assets.

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FINANCIAL REVIEW CONTINUED

Strategic Report

Earnings per share

Underlying basic earnings per share, the measure used by the Board in assessing earnings performance, was 4.28p, a decrease of 33% on the prior year (2021: 6.39p), reflecting the decrease 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 decreased by 88% to 0.17p (2021: 1.37p) due to a greater impact from non-underlying items on reported earnings in 2022 versus 2021.

Dividend

The Board is proposing a final dividend payment of 1.184p per share for 2022, an increase of 5% on the final dividend payment for 2021, taking the total dividend payment for the year to 1.776p (2021: 1.691p). The Board will continue to assess the level of future cash distributions having regard to overall business performance and future outlook.

The final dividend for 2022, subject to approval at the Company's AGM on 25 May 2023, will be paid on 18 July 2023, to shareholders on the register on 23 June 2023.

Balance sheet

Intangible assets increased by £7.9m in the year to £421.6m (31 December 2021: £413.7m). Of this, £15.2m relates to the US acquisition and associated distribution rights in March 2022, the remainder comprises the acquisition of an Aloclair™ brand asset for £1.2m, upwards revaluation adjustments linked to exchange rate movements of £18.7m, underlying amortisation charges of £2.0m, non-underlying amortisation charges of £7.2m, non-underlying impairment charges of £18.2m and £0.2m of additions to computer software assets. As noted above, £12.0m of the non-underlying impairment charges related to Amberen™.

Working capital

Net working capital at 31 December 2022 was £38.0m, an increase of £16.0m on that at the start of the year (31 December 2021: £22.0m), primarily reflecting movements in payables and receivables balances.

Inventories, net of provisions, increased £3.2m to £24.3m at 31 December 2022 (31 December 2021: £21.1m). This increase was due in part to the inclusion of inventory relating to ScarAway™ and Kelo-Cote™ US, coupled with increased inventory holdings to mitigate against both inflationary pressures and supply chain disruption.

Receivables increased by £18.5m to £49.3m, reflecting the timing of sales and cash receipts in the second half of the year, versus the equivalent period in 2021. Payables increased by £5.7m to £35.6m, reflecting the phasing of invoices and payments around the year end, higher cost of sales and the increase in the year end inventory holding.

Provisions

Provisions decreased by £1.1m in the year, reflecting the utilisation of the restructuring provision for the closure of the Italy office. Of the £8.4m total provision, £7.9m relates to the CMA decision and £0.5m is the remaining restructuring provision. Further detail is provided in note 20.

Cash flow and net debt

Free cash flow (see note 31 for definition) for the year was £15.8m, in line with guidance given in the November Trading Update, but below the £30.2m reported in 2021, due to the weaker trading performance and the increase in working capital due to the timing of sales and cash receipts in the second half. Cash generated from operations decreased by 45% to £24.9m (2021: £44.9m).

Net debt increased by £15.0m to £102.0m at 31 December 2022 (31 December 2021: £87.0m), reflecting both in-year cash generation and the $19.4m (£14.8m) US acquisition of ScarAway™ and the US rights to Kelo-Cote™, with Group leverage increasing to 2.57x (31 December 2021: 1.73x) and interest rate cover decreasing to 7.39 times (31 December 2021: 14.34 times).

Net debt and Group leverage are both expected to fall during 2023, particularly in the second half, reflecting the Group's anticipated strong cash generation, with Group leverage expected to be below 2.0x by the end of 2023.

Treasury and capital management

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

The Group benefits from a £165m Revolving Credit Facility ('RCF') and a £50m Accordion Facility, expiring in July 2024. Of this RCF, £29.9m, together with the whole of the Accordion Facility, remained unutilised as at 31 December 2022.

Borrowings are denominated in Sterling, Euro and US Dollars.

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

- in reinvesting in our current portfolio of brands, with investment being primarily targeted at our larger Consumer Healthcare brands;
- in selectively acquiring and in-licensing products or technologies that support our key brands;
- in paying down debt; and
- in paying dividends to our shareholders.

Andrew Franklin

Chief Financial Officer
20 March 2023

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ALLIANCE

PRINCIPAL RISKS AND UNCERTAINTIES

Protecting our business

During the year, the Board reviewed the principal risks and uncertainties facing the Group and continues to focus on those which could threaten the sustainability of our business model, our reputation, future performance expectations, or in extreme cases, the solvency or liquidity of our business. The links between our principal risks and uncertainties and our strategy are set out in the table on pages 49 to 56.

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

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

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

The links between **our principal risks and uncertainties and our strategy** are set out in the table on **pages 49 to 56**.

Analysing our identified risks

STRATEGIC RISKS

1 Organic growth: innovation and competition
2 Inorganic growth – acquisitions

OPERATIONAL RISKS

3 Product safety
4 Supply disruption
5 Impact of tackling climate change
6 Business systems
7 Cyber-security
8 People
9 Supply chain management

COMPLIANCE RISKS

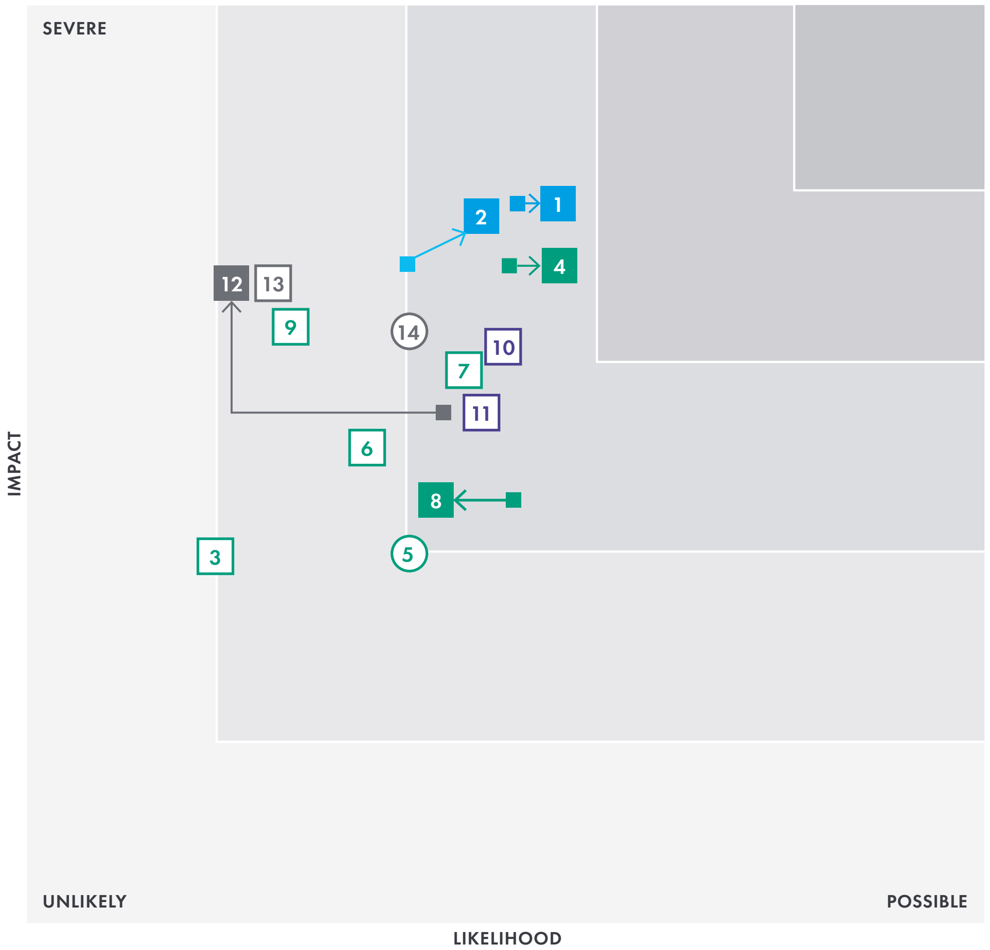
10 Product regulations
11 Legal and compliance

OTHER RISKS

12 Macro-economic
13 Pandemics
14 Geopolitical and other worldwide events

RISK MOVEMENT

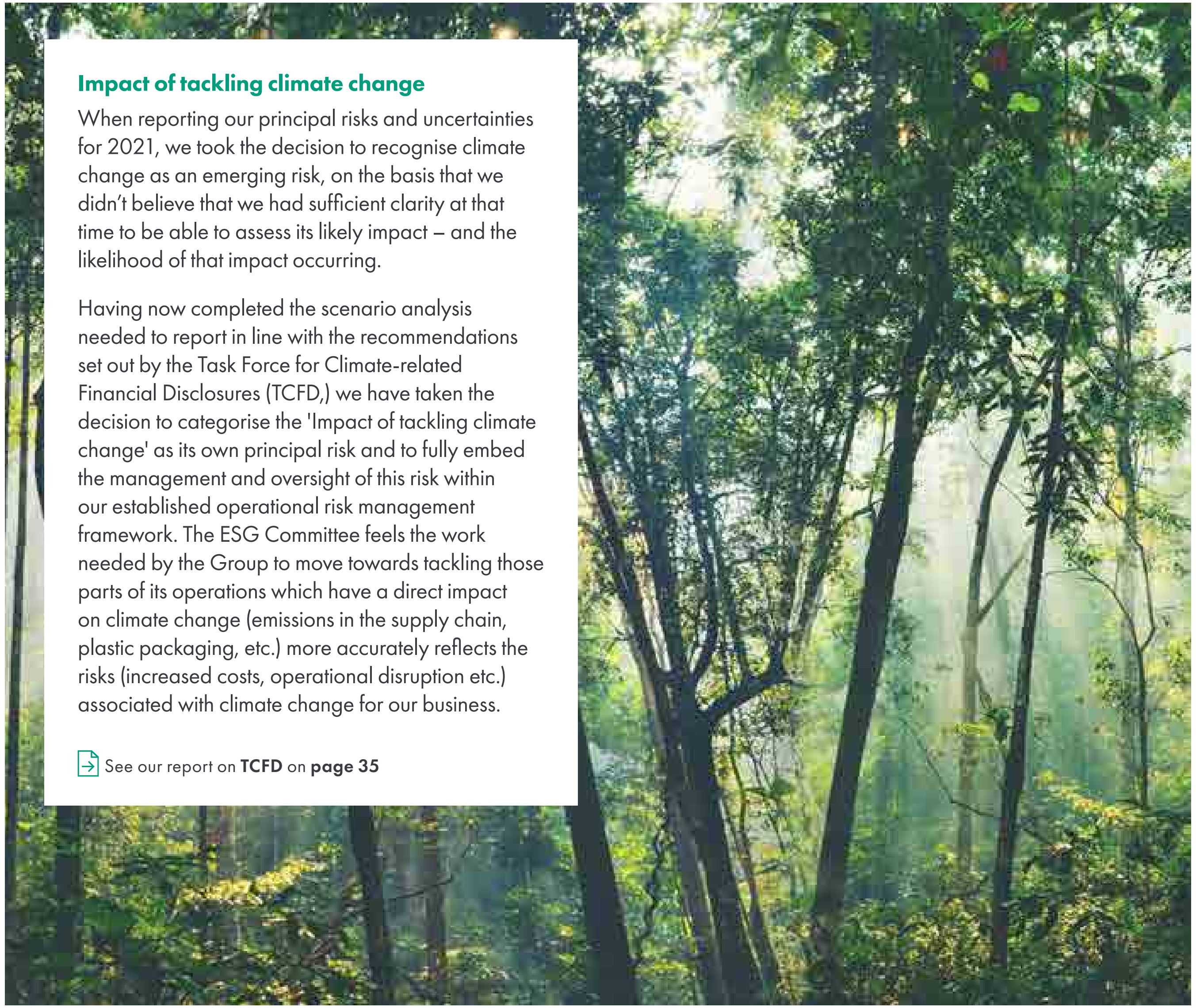
No Change
Movement
New



PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

The Board, with the support of the Audit and Risk Committee, monitors and reviews risks in relation to those risks that could or are impacting the Group's performance, its operations, and its stakeholders. The consideration of risks is inherent within the decision-making, and throughout the year the Board members have challenged management on key issues faced by the business.

- The Board continues to monitor, and assess the likelihood of any further impact on the Group from the demand for Kelo-Cote™ in the China B2B market, which was recovering more slowly than the Company or its distribution partners had anticipated in 2022, impacting stockholdings and sales orders – the effects of which were communicated to the market on 23 November 2022.
- The Nomination Committee accelerated its succession planning review for Executives and Senior Management – this work is ongoing and led to the appointment of Jeyan Heper as a new Chief Operating Officer. The Board was further enhanced by the appointment of Martin Sutherland, as a new independent Non-executive Director, who along with Jeyan has strengthened the Board.
- The pressure of increases on costs of goods being felt by all businesses continues to be a key consideration for the Group – active engagement with our supply partners to mitigate any such increases, whilst also managing the sale side of the supply chain, has seen a reduction in the potential impacts, and the business remains focused on this key area.
- The Board is mindful of the potential impact on the business of the Competition and Markets Authority's ('CMA') decision dated 3 February 2022, including the proposed fine of £7.9m. The Board continues to believe that the Company has a strong case and is appealing the UK CMA's decision. The date of the hearing is set for 5 June 2023.



Impact of tackling climate change

When reporting our principal risks and uncertainties for 2021, we took the decision to recognise climate change as an emerging risk, on the basis that we didn't believe that we had sufficient clarity at that time to be able to assess its likely impact – and the likelihood of that impact occurring.

Having now completed the scenario analysis needed to report in line with the recommendations set out by the Task Force for Climate-related Financial Disclosures (TCFD,) we have taken the decision to categorise the 'Impact of tackling climate change' as its own principal risk and to fully embed the management and oversight of this risk within our established operational risk management framework. The ESG Committee feels the work needed by the Group to move towards tackling those parts of its operations which have a direct impact on climate change (emissions in the supply chain, plastic packaging, etc.) more accurately reflects the risks (increased costs, operational disruption etc.) associated with climate change for our business.

See our report on **TCFD** on **page 35**

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Strategic risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
1. Organic growth: innovation and competition	Risk that we are unable to achieve our strategic growth ambitions due to a failure to keep pace with changing consumer preferences or due to a failure to identify and exploit new geographic markets for our products. The products we sell are subject to normal market forces, so demand may fall, or the price we can achieve may be reduced, as our products face new or increased competition in response to changing consumer preferences for products or sales channel. As a significant portion of our international sales are made via distributors, we are also at risk from losing a distributor or failing to secure a suitable distributor in existing or new markets. The significant proportion of sales into China via the CBEC trading route (in particular the B2B channel) leaves the Group exposed to the sensitivities of that market and the impacts of a slower than expected recovery of that market post-lockdowns. Widening sales distribution channels to include digital online sales platforms means sales could be affected should third-party systems become temporarily unavailable. We also face the risk of some of our more popular consumer products being subject to counterfeiting, where others seek to take advantage of the reputation built up in our brands for their own commercial exploitation.	› Loss of revenue, reduced profitability and reduced growth from failure to maintain our competitive positioning, or to increase or maintain market share. In particular, the risk to Kelo-Cote™ forecast sales (principally in China) due to slower than expected recovery of the B2B trading channels could result in loss of high margin sales › Loss of revenue, and potential damage to reputation from counterfeit product reaching the market, which may not have been subject to the same rigorous quality and safety testing as genuine products › Depending on its severity, this could also potentially impact our share price, cash flow and covenant compliance	› Continued focus on Marketing Excellence, to ensure we stay attuned to changing consumer preferences, and to maximise the value of our marketing campaigns › Increasing focus on innovation and development activities › Maintaining close working relationships with our distributors › Ongoing monitoring and forecasting of sales, costs, profits, and cash flows › Head of Brand Protection, brand protection strategies, support from external experts › Product or claims innovation strategies, to pre-empt patent expiration › Sustaining investment in brand promotion	Increased
2. Inorganic growth – acquisitions	Risk that we are unable to deliver additional growth in excess of our strategic growth ambitions due to (i) lack of affordable funding (both debt and equity) (ii) a lack of suitable acquisition opportunities, or (iii) a failure to effectively integrate assets and maximize their potential 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. This would be further impacted by an inability to source affordable debt (or any debt depending on the Groups then prevailing leverage). A lack of sensible debt option would lead the Group to look to raise equity which itself may prove difficult or too expensive depending on the prevailing market sentiment and the impact this has on the prevailing share price. As the Group looks to increase the size of acquisitions, the complexity and costs 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	Increased

Strategic Report

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ALLIANCE

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Operational risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
3. Product safety	Risk of an adverse reaction to one of our products constituting a safety risk for consumers. The Group produces and sells a wide range of medicines, medical devices, food supplements and cosmetics. There are inherent risks that some of these products could cause adverse reactions.	› Products have to be withdrawn from sale and we may have legal liability to those injured by the product, potentially damaging our reputation, and compromising our future performance. In an extreme scenario, this could impact our liquidity position or even solvency	› 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	Not changed
4. Supply disruption	Disruption to the continuity of supply as a result of our inability to procure critical ingredients, due for example to geopolitical events, logistics failures, or reliance on a single site of manufacture.	› Manufacturing, sourcing, or distribution issues, including an inability to increase production volumes to meet demand, impinges on our potential sales and has the potential to compromise our future performance and, in an extreme scenario, cash generation	› Maintaining close working relationships with our key suppliers, to ensure we have early visibility of any potential issues › Ensuring we maintain adequate stocks of critical ingredients and of finished goods, to enable us to cushion the impacts of any disruption in the supply chain › Forward booking transportation, to minimise the impacts of any disruption to logistics provision – for example due to geopolitical and economic events › Putting in place dual sourcing arrangements for key products, to mitigate against manufacturer failure/inability to supply to meet sales demand › Where possible, and cost-effective, the potential financial impact of supply chain disruption is mitigated by insurance	Increased

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PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
5. Impact of tackling climate change	Risk to the longer-term viability of the business due to the impacts of all the changes to be made by the business to its operations in order to tackle the effects of climate change. In addition, to the operational impacts of tackling the wider impact our business has on the climate, the Group also faces challenges from the direct physical impacts of climate change itself, e.g. the severity and frequency of adverse weather events and rising sea levels, and indirect impacts, such as higher energy costs, infrastructure funding, all of which are likely to become increasingly prevalent as we implement our plans to tackle the impact of climate change by transitioning to a low-carbon economy.	As detailed on page 36 of our TCFD disclosures potential impacts during the transition phase include: Increased cost of energy and materials, in particular the increases which would come from ensuring more sustainable packaging for our products as we seek to transition away from plastics where possible. The increased costs of production and transportation associated with a more environmentally friendly supply chain, including the possible need to engage a more expensive group of selective manufacturers who meet the needs of our own ESG demands. › Changing consumer preferences and increased sensitivity to ESG with consumers potentially substituting existing products with lower emissions alternatives › Reputation damage due to a failure to respond to increased stakeholder concerns › The identified physical risks (see page 37) all have the potential to cause disruption to our business activities and supply chains in the longer term, depending on the warming pathway we find ourselves on.	› Increased business focus on environmental strategy and associated risks › Engagement of third party expert support and wider engagement with competitors/peers to ensure we are able to utilise any improvements which are made in the wider market around issues such as packaging › Creation of TCFD roadmap and emissions reduction targets	NEW

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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
6. 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.	› 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	› 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	
7. 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 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	

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ALLIANCE

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
8. 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	Reduced
9. Supply chain management	The increasing globalisation of our supplier base as a result of recent acquisitions has served to increase our exposure to risks around Environmental, H&S, Business Ethics, Supply Chain Security and Climate and increases the risk of failing to maintain sufficient oversight of our end-to-end supply operations associated with these areas. This is potentially a significant risk for Alliance, as our outsourced supply model has historically afforded only limited visibility of our end-to-end supply chain.	› Potential reputational damage, loss of product supply and loss of revenues from failure to maintain sufficient oversight of our end-to-end supply operations	› Our Know Your Supplier ('KYS') programme, which provides us with visibility of potential 'red flags' in our supply chain, enabling us to align compliance and escalation processes to facilitate timely remediation of issues › Project to review contract manufacturers is underway › The publication of our Partner Code of Conduct, setting out our expectations of our Partners from a business ethics perspective	Not changed

Strategic Report

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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Compliance risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
10. 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	Not changed
11. Legal and compliance management	Risk of non-compliance with relevant laws and regulations in all countries in which we operate, including anti-corruption laws, data privacy laws, competition laws, accounting, taxation and listing regulations. As the scope and scale of our business operations increases, we face an increasingly complex compliance burden. The level of legal and regulatory requirements to which we are subject continues to increase, and also the penalties for non-compliance, so it is vital that we are able to effectively manage all the various aspects of our compliance risk. As we enter new territories and overseas markets, we become exposed to increased bribery, anti-slavery, and corruption risks. Likewise, as the Group expands its operations, the VAT and general tax environment in which it operates becomes more complex and the risk of incorrectly reporting and paying relevant taxes increases.	› The Group has ongoing regulatory requirements (pharmacovigilance, etc.) which could, if not adhered to, lead to substantial fines and impact on the Group's ability to sell certain products. Likewise, we may incur penalties for non-compliance as a result of adverse findings from regulatory inspections, which may potentially impact on the sales of our products, damage our brands and our reputation › Bribery, anti-slavery, and corruption all carry their own penalties, and reputational damage › A failure to abide by data protection rules or incur a breach of data security could also pose a financial and reputational risk to the Group › Breaches of VAT and taxation rules also carry a risk of interest and penalties becoming payable › Infringement Decision by the CMA relating to alleged anti-competitive agreement would, in the event that the Company's appeal is not successful, lead to a fine of up to £7.9m	› Continuing oversight of corporate compliance by in-house Company Secretarial function › Training for 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 › The filing of the notice of appeal against the CMA's infringement decision and ongoing work with expert legal team to ensure that the Company's appeal is as robust and effective as possible to give the Company the greatest chance of succeeding	Not changed

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ALLIANCE

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Links to strategy: Brand Growth · Commercial execution · Strategic supply partnerships · Agile organisation

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

Financial risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
12. Macro-economic	Movements in FX rates adversely impact financial performance. The Group earns a proportion of its revenues and profits in currencies other than Sterling (principally Euros, US Dollars and Hong Kong Dollars), but accounts for the business in Sterling. The reporting of revenues and profits is therefore subject to volatility due to changes in exchange rates Inflationary increases means that the business must ensure it adjusts its financial and commercial strategies either in the UK or overseas. Income generation could be impacted by operational and other risks, thereby increasing the Group's leverage.	› Adverse movements in Sterling exchange rates vs Euro, US Dollar, Hong Kong Dollar and other currencies increase the costs of raw material and other overheads including wages and is often linked to supply chain disruption as markets adapt. › Higher prices for goods will decrease consumer purchasing of non-essential products. › Increased leverage would impact ability of the Group's ability to implement its desired capital allocation strategy, which could in turn stifle the growth potential.	› 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 › Review pricing strategies across the portfolio and look to increase flexibility with supply chain	Increased

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Agile organisation

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

Other risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
13. Pandemics	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, the aftermath effects of which continues to impact our trading environment today, particularly in China.	› Reduction in revenues/profitability and/or failure to achieve expected growth due to reductions in demand or potential supply issues. Any significant impact on the Group's revenues and profitability could potentially affect the Group's ability to comply with its borrowing covenants › Pressure on sourcing and supply chain could lead to (i) an increase in the cost of transportation, raw materials and goods in general, or (ii) a reduction in availability of certain materials, both of which could in turn impact profitability	› Work toward less value concentration of our business in any one jurisdiction or market to try and mitigate inability to make sales in affected areas. › Move towards more on-line sales for those of our products which are permitted to be sold on-line, with a drive to increase share on those on-line channel, to help mitigate any loss of sales for physical markets are shut down.	
14. Geopolitical and worldwide events	Last year, we saw how the escalation of geopolitical events in Europe had the potential to cause supply chain disruption within the business and subject us to increased economic uncertainty. Any further escalation of the current conflicts, or any new conflicts in or connected to our major markets could have a significant impact on sales or manufacturing. Inflationary pressures globally are increasing costs of goods.	› Disruption caused by military or political conflict/tensions could cause our markets to be restricted or even close. This could lead to loss of sales and a potential inability to recover market share if/when those issues are resolved › Increased costs/reduced demand for goods due to weaker economic growth and higher inflation › General inflationary pressures being experienced by the wider business community will lead to increased pressure on workforce costs and rewards, which in turn could impact profitability › Increasing costs impact our profits and ability to remain competitive. This could also impact market share	› Regular review and updating of demand forecasts to understand and mitigate any potential adverse effects on revenues, supported by our recently improved S&OP processes › Maintenance of close working relationships with suppliers and distributors; ongoing monitoring for any signs of distress › Keeping abreast of global events and economic conditions in the territories in which we operate to ensure risks are monitored accordingly.	NEW

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Governance

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ALLIANCE

Alliance Pharma plc Annual Report and Accounts 2022

Governance

"We continue to ensure that our corporate governance processes remain robust, challenging and appropriate."

David Cook, Chair

Governance

CHAIR'S INTRODUCTION

"Our governance framework helps us set priorities, establish accountabilities and manage risks effectively."

Dear shareholders and colleagues,

In my last year as Chair and on behalf of the Board, I am pleased to introduce the Governance Report for the year ended 31 December 2022. The following sections provide readers with an overview of the Group's governance arrangements.

As a company admitted to AIM, our governance is underpinned by the Quoted Companies Alliance ('QCA') Corporate Governance Code 2018 ('the QCA Code'). During the year, we have complied with the principles of the QCA Code and details of how we have done so can be found in the governance section of the Company's website. The Board continues to ensure that our corporate governance processes remain robust, challenging and appropriate providing strong foundations to underpin our assessment of risks to our strategy and the delivery of that strategy for the long-term sustainability of the business.

During the year we took the opportunity to review and reset our strategy and we have redefined our vision and purpose, which you can read more about on pages 12 to 17. We have aligned this with our governance framework to ensure it is supportive of the strategy and the decisions we as a Board and as Directors must make. This year has not been without its challenges, as the business has continued to navigate certain externalities resulting from changes in the macro-economic, political and residual post-pandemic environments. Some of these challenges are explained in the section on Protecting the Business on page 47. The good work of the Committees also ensures there is appropriate focus with sensible, pragmatic outcomes. You can read more about their work in the reports that follow.

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CHAIR'S INTRODUCTION CONTINUED

Developing our strategic partnerships to ensure the sustainable organic growth of the business

Steady progress against our sustainability objectives with continued oversight from the ESG Committee

Succession planning and incentive structures to ensure effective, motivated leadership to support the future direction of the Company

Challenging financial performance and resilience across the business to ensure sustainable foundations for growth

CHANGE OF AUDITOR

This year we were pleased to welcome Deloitte LLP as the Company's new auditor following KPMG LLP's resignation at the beginning of August 2022. Shareholders will see that their reappointment is proposed at this year's Annual General Meeting ('AGM').

BOARD APPOINTMENTS

You can read about the Directors' skills and experience on pages 61 and 62.

As previously announced, we were delighted that Jeyan Heper joined as Chief Operating Officer, and also joined the Board, on 1 February 2023. Jeyan has a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programmes and driving growth in flagship brands. He has responsibility for the Group's operational capabilities, identifying growth opportunities, and further driving the Company's strategy to expand its consumer health presence.

To further support the delivery of our strategy we also welcome Non-executive Director Martin Sutherland who joined us on 1 February 2023. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion. We believe that Martin's experience will bring a new perspective to complement the strong consumer healthcare knowledge already present on the Board.

At the same time, we announced that the Board had agreed the appointment of Richard Jones as Senior Independent Director whose role will provide further support to Board members and shareholders.

On 18 May 2022, we announced the successful appointment of Jo LeCouilliard as my successor as Chair. I wish Jo all the very best in her new role.

2023 ANNUAL GENERAL MEETING

This year's AGM will be held at 9.00am on 25 May 2023. Further details can be found in the Notice of AGM accompanying this Report. As previously announced, I will be stepping down as Chair and Director of the Company at the end of the 2023 AGM as I hand over the role to Jo LeCouilliard.

The Board and I would like to thank all shareholders and colleagues for their continued support, and we look forward to continuing with our good work during 2023.

David Cook
Chair
20 March 2023

Governance

OUR GOVERNANCE STRUCTURE

THE BOARD

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

See our **Board of Directors** on **pages 61 to 62**

CHIEF EXECUTIVE OFFICER

Responsible for the day-to-day running of the business and the implementation of the Group's strategy.

BOARD CHAIR

Leadership of the Board and facilitating the effective contribution of all members to meetings.

BOARD COMMITTEES

Four Committees operate under delegated powers and with clear terms of reference.

SENIOR LEADERSHIP TEAM

Support CEO and have management responsibility for the business operations and its support functions.

NOMINATION COMMITTEE

Reviews the leadership needs of the organisation and monitors succession planning for both Board and senior executive roles. Responsible for the selection process and nomination of all Directors to the Board, and reviews the structure, size, and composition of the Board

Read more on **pages 69 to 71**

Committee Chair:
Jo LeCouilliard

Members:
4

Meetings:
8

AUDIT AND RISK COMMITTEE

Monitors and reviews the financial results and other reporting and oversees the effectiveness of risk management and systems of internal control. Provide confidence to shareholders on the integrity of reported financial results and challenge to the external auditors and senior management.

Read more on **pages 72 to 76**

Committee Chair:
Richard Jones

Members:
3

Meetings:
8

REMUNERATION COMMITTEE

Ensures there is a formal process for reviewing salaries, benefits, and other terms of service to determine appropriate levels of remuneration for the Executive Directors and other senior executives.

Read more on **pages 77 to 85**

Committee Chair:
Jo LeCouilliard

Members:
3

Meetings:
7

ESG COMMITTEE

Reviews the overarching ESG vision for the Company and ensure that the priorities are anchored to become an integral part of the overall strategy.

Read more on **pages 86 to 87**

Committee Chair:
David Cook

Members:
6

Meetings:
2

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ALLIANCE

Governance

BOARD OF DIRECTORS

COMMITTEE MEMBERSHIP KEY

- Audit and Risk Committee View report on **page 72**
- Nomination Committee View report on **page 69**
- Remuneration Committee View report on **page 77**
- ESG Committee View report on **page 86**
- C Committee Chair

David Cook
Independent Non-executive Chair

COMMITTEE MEMBERSHIP AS AT 31 DECEMBER 2022

C

DATE JOINED

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

QUALIFICATIONS

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

EXPERIENCE

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

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

Peter Butterfield
Chief Executive Officer

DATE JOINED

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

QUALIFICATIONS

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

EXPERIENCE

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

Andrew Franklin
Chief Financial Officer

DATE JOINED

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

QUALIFICATIONS

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

EXPERIENCE

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

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

Jeyan Heper
Chief Operating Officer

DATE JOINED

Jeyan joined Alliance as Chief Operating Officer and Board member on 1 February 2023. He has more than 25 years of diverse experience with a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programmes and driving growth in flagship brands.

QUALIFICATIONS

Jeyan graduated from the Bosphorus University in Istanbul with a Bachelor of Arts degree in Political Science and International Relations.

EXPERIENCE

Jeyan has held senior executive roles at Proctor & Gamble and Danone Group. In addition, Jeyan was President and General Manager of Ansell's sexual wellness global business before it was spun-out to become Lifestyles Healthcare, a private equity/pharma-owned company where Jeyan became CEO.

During his tenure as CEO at Lifestyles Healthcare, Jeyan delivered significant growth through market and category expansion, building a strong e-commerce platform in China and the US, and improving operational effectiveness. Most recently, Jeyan worked as Head of Global Transformation at British American Tobacco (BAT) and held a Non-Executive Director seat on the Board of NASDAQ-listed Organigram Inc.

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ALLIANCE

Governance

BOARD OF DIRECTORS CONTINUED

COMMITTEE MEMBERSHIP KEY

- Audit and Risk Committee View report on **page 72**
- Nomination Committee View report on **page 69**
- Remuneration Committee View report on **page 77**
- ESG Committee View report on **page 86**
- C Committee Chair

Jo LeCouilliard
Independent Non-executive Director

COMMITTEE MEMBERSHIP AS AT 31 DECEMBER 2022

C C

DATE JOINED

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

QUALIFICATIONS

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

EXPERIENCE

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

She is currently a Non-executive Director at UK listed companies Indivior plc and Niox Group plc (formally Circassia Group plc). She is also on the Board of Recordati S.p.A, a company listed on the Milan Stock Exchange.

Richard Jones
Senior Independent Non-executive Director

C

DATE JOINED

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

QUALIFICATIONS

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

EXPERIENCE

Richard was appointed as Chief Financial Officer at UK main market listed Medica Group PLC, an international provider of high-quality telemedicine services. Prior to this, Richard gained extensive experience in the healthcare sector in his roles at UK AIM listed companies Mereo BioPharma Group PLC and Shield Therapeutics PLC. At Mereo, he had a leading role In the merger with US listed OncoMed Pharmaceuticals, Inc and Mereo's dual listing on Nasdaq In 2019.

At Shield he had a leading role establishing the finance operations and guiding Shield through its 2016 IPO.

His prior career in investment banking included 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.

Kristof Neirynck
Independent Non-executive Director

DATE JOINED

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

QUALIFICATIONS

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

EXPERIENCE

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

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

Martin Sutherland
Independent Non-executive Director

DATE JOINED

Martin joined Alliance as an independent Non-executive Director on 1 February 2023.

QUALIFICATIONS

Martin graduated from Oxford University with a Master of Arts degree in Physics and The University College of London with a Master of Science degree in Remote Sensing.

EXPERIENCE

Martin is a senior executive with more than 30 years of global business experience. He is currently a NED at FTSE listed Forterra plc, a leading UK manufacturer of essential clay and concrete building products, sitting on their Nomination, Remuneration, Audit and Risk and Sustainability Committees. Martin is also a NED on the Board of Reliance Cyber, a privately held specialist cyber security business where up until January 2023 he was CEO.

Martin was CEO of De La Rue plc from 2014 to 2019 and previously held a variety of roles at Detica plc, becoming Managing Director in 2008 on its acquisition by BAE Systems plc delivery. He brings experience in delivering growth through new product innovation, market diversification and international expansion.

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ALLIANCE

Governance

GOVERNANCE

KEY ACTIVITIES OF THE BOARD AND ITS COMMITTEES

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug*	Sep	Oct	Nov	Dec
Strategic planning Strategy planning, review of Group strategy, presentations from business and functions					X		X					
2023 Budget Presentations and budget approval											X	X
Corporate development Review of historical acquisitions			X									
Business reviews Mainland Europe, Asia Pacific, US, various product and brand reviews, brand protection, Great Place to Work, Innovation and Development	X	X	X	X	X	X	X		X	X	X	X
Investor engagement and broker presentations Full and half-year results webcast presentations, analyst calls and investor road-shows, private client fund manager meetings, one-to-one calls and AGM, and presentations from brokers	X			X			X		X	X		
Company results, trading statements and dividends Annual Report and Accounts, dividend policy and declarations	X		X				X		X		X	X
Nomination Committee Board composition and Committee membership, Board and senior management succession planning, NED recruitment, terms of reference		X		X	X		X		X	X	X	X
Remuneration Committee Review of salary proposals 2022, Executive remuneration, 2022 corporate bonus awards, Review of incentive plans, 2022 Company share option awards, 2023 corporate bonus scheme, objectives and targets, terms of reference	X		X	X		X		X	X			X
Audit and Risk Committee Appointment of new auditor, key accounting estimates and judgements, significant accounting policies, annual audit process and fees, external auditor, internal audit, foreign currency and hedging		X	X		X	X		X	X			X
ESG Committee Sustainability framework and initiative, investor engagement, disclosure and accounting metrics, carbon action plan and environmental strategy, TCFD reporting and corporate website disclosures				X					X			
Governance & Legal Includes the review of risk management framework, Board Effectiveness Review, Governance reporting, AGM Notice, litigation, Modern Slavery Statement, review of gender pay, Group compliance		X	X	X	X		X			X		X

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

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ALLIANCE

THE ROLE OF THE BOARD

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

Each year the Board holds a two-day strategy planning meeting at which the SLT and other senior employees present their proposals. From this session, the Group's strategic plan and business model is agreed. The CEO is responsible for the implementation of the strategy which is communicated to all employees by the management team 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 12 to 26.

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

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

THE BOARD AND ITS COMMITTEES

The Board currently comprises eight Directors, being the Chair, four further independent Non-executive Directors and three Executive Directors. Following David Cook's departure, there will be seven Directors comprising the Chair, three further independent Non-executive Directors and three Executive Directors.

The Chair

The Chair, David Cook, has primary responsibility for leading the Board and facilitating the effective contribution of all members to meetings. He maintains a strong focus on governance to ensure good practice is embedded in the business with good flows in communication and reporting. He has regular dialogue with the CEO to ensure the business and the management team receive the support from the Board necessary to progress the strategy. As announced on 18 May 2022 David steps down as Chair of the Company from the 2023 AGM and Jo LeCouilliard will become Chair of the Board.

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

Since the announcement on 23 November 2022 that Peter Butterfield was taking leave from the business, Andrew Franklin has been acting CEO and continues to do so as at the date of this Report. He has been carrying out these responsibilities in Peter's absence.

The Senior Independent Director ('SID')

On 1 February 2023, at the recommendation of the Nomination Committee, we announced the appointment of Richard Jones as SID. His role is to act as a sounding board and intermediary for the Chair and other Board members. His responsibilities include leading the performance evaluation of the Chair and attending meetings with shareholders and analysts to obtain a balanced understanding of any issues or concerns.

The Non-executive Directors

Non-executive Directors are required to commit the time necessary to fulfill their role 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.

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Governance

Independence on the Board is reviewed and confirmed annually by the Nomination Committee. Each of the Non-executive Directors sits on at least three of the Committees ensuring that between them they have a role in determining the pay and benefits of the Executive Directors and in the planning of Board succession, including the appointment and, if necessary, removal of Executive Directors. They are appointed for an initial term of five years, subject to annual re-election by shareholders at the AGM. Their appointment term may be renewed by mutual agreement.

Board attendance, support and meeting management

Meeting attendance

Directors are expected to attend all Board meetings. This includes a two-day strategy meeting in each year which is also attended by all senior executives of the Group to review progress in delivering the Group's long-term strategic objectives.

Member	Role	Status	Attendance
David Cook	Chair	Independent	14/14
Peter Butterfield*	CEO	–	12/14
Andrew Franklin	CFO	–	14/14
Kristof Neirynck	NED	Independent	14/14
Jo LeCouilliard**	NED	Independent	13/14
Richard Jones**	NED	Independent	13/14

* Peter Butterfield took leave from the business with effect from 23 November 2022.

** Jo LeCouilliard and Richard Jones were recused from meetings in which they had an interest.

The Board held 11 scheduled meetings, and three unscheduled meetings, during the year. Meetings follow a clear agenda, supported by written reports and presentations from both internal members of staff as well as external advisers and consultants.

Meeting management

The Company Secretary is secretary to the Board and the Board's Committees. On behalf of the Chair, the Company Secretary is responsible for ensuring that all Board and Committee meetings are conducted properly and that the Directors are properly briefed on any item of business to be discussed. He has a direct line into the Chair 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.

Board Committees

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

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

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

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.

Director induction, training, and development

The Company Secretary is responsible for ensuring that all newly appointed Directors receive a thorough formal tailored briefing and induction on joining the Board aimed at providing Directors with the information to become effective as soon as possible in their role. The induction has the aim of:

› building an understanding of the Company's business and markets;
› building a link with the Company's people and an understanding of the Company's main relationships; and
› ensuring an understanding of the Board's governance framework and Board processes.

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ALLIANCE

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Each Director received one-to-one inductions with Board and SLT members and are provided with access to the Directors' handbook. Both Jeyan Heper and Martin Sutherland received tailored inductions which included but wasn't limited to:

- meetings with each Board member and their roles and responsibilities on the Board and the Committees;
- meetings with each SLT member to explain their areas of responsibility within the business;
- an explanation of the Company's governance and compliance framework, including Board procedures;
- an explanation of Directors' responsibilities under the AIM Rules and other statutory and regulatory rules; and
- pharmacovigilance and Good Distribution Practice inductions.

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.

BOARD RESPONSIBILITY FOR SUSTAINABILITY

The Board has overall responsibility for the Group's sustainability strategy and programme which includes climate policy and action and TCFD reporting. In 2022 we continued to refine our approach to our sustainability framework. The ESG Committee is responsible for setting the Group's overarching Sustainability Strategy, including climate change, and you can read more about the Committee's work on pages 86 and 87.

CORPORATE CULTURE AND BUSINESS CONDUCT

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

The Board expects the business to foster relationships and operate high standards of business conduct. We recognise that investors are increasingly looking for socially responsible companies to invest in, employees are seeking employers with a strong ethics culture that aligns with their own moral code, and customers are conducting enhanced due diligence on their suppliers' ethical and legal compliance controls.

The Board reviews and approves the Group's policies that have been implemented and communicated internally and externally in the Company's core languages to those who are expected to adhere to them. For example, in addition to the codes of conduct, this includes policies on diversity and inclusion, the prevention of bribery and corruption, fair competition, conflicts of interest and anti-slavery. Further information about our policies can be found in Sustainability – Policies and Documents on our website.

STAKEHOLDER ENGAGEMENT

Engaging with the Company's stakeholders is well embedded in the business as we continue to look after our relationships with shareholders, employees, customers, suppliers and consumers and the wider communities. The Board is made aware of and considers the needs and interests of these various stakeholders and any impact of the decisions it makes.

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 upholds its values and monitors behaviour for acceptability.

Governance

PROMOTING THE SUCCESS OF THE COMPANY – S.172

The powers and duties of the Directors are determined by legislation and the Company's Articles of Association. Collectively, they have a duty to promote the success of Alliance for the benefit of its members over the long term.

The Directors are aware and mindful of their duties and obligations under s.172 of the Companies Act 2006 (Section 172). They are required to act in good faith and their discussions give due consideration to the impact of those decisions on the Group's strategy, values, and the interests of the Company's various stakeholders. Each Director is responsible for weighing up all the relevant factors and how these ultimately promote the long-term success of the Company for the benefit of its shareholders as a whole. To help them reach well informed decisions they are provided written reports, market reviews, guidance, and presentations and briefings from both internal members of staff and external advisers alongside which assists them when assessing any risks.

Throughout this Annual Report there are various examples of how the actions and behaviours of the business affect the interests of its employees, customers, suppliers, the wider community and the environment but in this section we also demonstrate how the Directors have applied their duties under Section 172.

The likely consequences of any decision in the long term

The Board considers the long-term consequences on the business and its stakeholder group when setting and approving the strategy and the annual budget. For this purpose, the Directors consider the assessment of risks and opportunities and how these might benefit shareholders, and impact, for example, consumers, suppliers and employees. A long-term approach ensures the Directors take decisions that mean a more sustainable business. The strategy is explained on pages 12 to 17.

The interests of the Company's employees

The Board considers the activities and welfare of the Company's employees at its meetings and from time to time, employees are invited to attend Board and Committee meetings to present on key operational, financial, and strategic matters. There is regular dialogue between the SLT and all employees through Breakfast Briefings at which employees are briefed on matters such as the outcome of surveys, organisational changes, and other positive initiatives to support their health and wellbeing. This helps to ensure our employees remain engaged. They are also able to participate in the Company's employee share option schemes to ensure they feel aligned with the Company's plans for growth over the longer term. You can read more about our employee engagement on pages 24 to 26 and on page 40.

The need to foster the Company's business relationships with suppliers, customers, and others

When the Board reviews the Company's strategy, the annual budget and risks, due consideration business relationships to ensure that they support the long-term objectives. In addition, the Board reviews policies and codes of conduct that govern these relationships took into consideration of some elements for strategic report and sustainability sections i.e., on anti- bribery and corruption, human rights, as well as supply chain resilience. More on the Company's engagement with its stakeholders can be found on pages 40 and 41.

The impact of the Company's operations on the community and the environment

The work of the ESG Committee helps the Directors consider their responsibilities in relation to the environment and wider communities. They receive updates on climate risk and the impact of the business on the environment. All employees are also encouraged to participate in the process to drive positive change. When the Board is discussing consumer products, it discusses the benefits and timings of transitioning towards sustainable packaging and considers solutions that help drive the sustainability agenda. The Board's commitment in this area is demonstrated by approval of the Alliance Environment Strategy and Carbon Action Plan. You can read more on the Company's sustainability objectives on pages 29 to 39.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board ensures that the right culture is embedded throughout the business and is in part attributable to the Company's values, attitudes and behaviours when conducting its business and engaging with stakeholders. Maintaining high standards promotes the reputation of the Company, which is clearly communicated via the Partner Code of Conduct – available on the Company's website.

The need to act fairly as between members of the Company

Shareholders are kept informed of Company news via stock exchange announcements, website and hard copy communications. With the support of Investor Relations all shareholders receive information by their chosen method. In addition, the Company sets up investor roadshows to meet with shareholders and discuss any concerns they have. More recently, the Board took the decision to appoint a Senior Independent Director to assist the Chair with shareholder engagement. All shareholders are also encouraged to attend the Company's AGM each year, where they can ask questions freely.

ENGAGEMENT WITH SHAREHOLDERS

The Board and its Committees recognise that to meet their responsibilities to shareholders and other stakeholders, it is important to ensure effective engagement with, and encourage participation from, these parties.

When engaging with shareholders, the Directors are supported by the Head of IR and Corporate Communications (Head of IR).

Throughout the year, the CEO, CFO, Chair, Non-executive Directors and Head of IR met with potential and existing investors, and they fed back to the Board the key summary points from their meetings. In addition to these meetings, there were 115 scheduled meetings held as part of the Company's investor road-shows for the annual 2021 and half-year 2022 results.

Feedback following an analysis of the Company's investor base at each Board meeting and research notes by sell-side analysts is reported by the CEO. The Board also received analysts' notes, and brokers' briefings 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 88 of the Directors' Report.

These are regularly updated following the formal notification of movements to the Company.

The Company further communicates with shareholders through its Annual Report and Accounts, half-year announcements, trading updates and at the Company's AGM. Such reports as well as other relevant announcements and related information are all available on the Group's website, www.alliancepharmaceuticals.com.

The website also offers a facility to sign up for email alert notifications of Company news and regulatory announcements.

BOARD EFFECTIVENESS REVIEW

As required under the QCA Code, the Board continually monitors and improves its performance and evaluates its performance based on clear and relevant objectives. The Chair 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.

In last year's Report we set out the feedback received following the 2022 review, which focused on four key areas including Board planning and dynamics, focus on strategic performance, and Committee remit and Board engagement. During the year, the following progress was made which included:

- Enhancing the Board's planning framework to drive discipline and behaviours. The Chair encourages the NEDs to feed into the planning process any matters that they feel need to be brought to the Board for discussion. Improving the reporting to better support decision-making has been slower than expected and this continues to be kept under review to ensure greater focus on strategy and risk and less on operational matters.
- The strategy continues to be well formulated with more time dedicated to discussing progress against the strategy with ongoing commitment to understanding the impact of emerging trends and envision the longer-term plans in the healthcare sectors and markets.
- The Committee Chairs worked with the Company Secretary to ensure their work is discharged effectively, reviewing business and compliance requirements in line with broader annual planning. Succession planning is being developed more strategically and the Company was pleased to appoint Jeyan Heper as Chief Operating Officer on the Board.
- The Board continues to work on improving its engagement with investors and employees.

The 2023 evaluation consisted of one-to-one meetings between the Chair and each Director to discuss various matters relating to Board and Committee performance and their effectiveness.

Results and outcomes were reviewed, summarised and circulated to Board members for discussion in February 2023.

The table below sets out the key focus areas arising from the 2023 review:

Areas of focus	Feedback and recommendations
Planning, reporting and risk	The Board can sometimes be too operationally focused. Further improvements will be made to ensure alignment of reporting against key risks and strategy and including less by way of detailed operational updates.
Board structure and dynamics	Alliance has a relatively small but engaged Board which meets every month with members forming close working relationships. This is a strength, but it is also important to continue promoting healthy discussion and challenge. Having two additional board members is welcomed and they have been onboarded well. They add further perspective and experience to the discussions at the Board.
Succession planning	The Nomination Committee will make it a priority to ensure conclusion of the ongoing succession plans, dealing with both long and short-term needs as required.
Board engagement	The Board needs to be more proactive when engaging with shareholders and will be working with the Head of IR and Communications and advisers to create shareholder communication and IR plans. The SID will be expected to take a leading role to promote good relations with the Company's shareholders.

The next review in relation to 2023 is scheduled for early 2024.

NOMINATION COMMITTEE REPORT

"Our succession plans remain focused on ensuring we retain a diverse leadership with the right skills and experience to grow the business."

Jo LeCouilliard, Nomination Committee Chair

CHAIR'S STATEMENT

I became Chair of the Nomination Committee ('the Committee') shortly after the announcement that David Cook would be stepping down from the Board. I am pleased to be able to introduce the Committee's Report which sets out its responsibilities and the activities of the Committee during the year.

This year the focus was on succession planning for the Chairmanship and at the Executive and senior levels of the organisation. This process included reviewing Board balance and Committee composition, diversity of people and the skills and experience needed to support growth and development.

The Committee, led by Kristof Neirynck, was able to work with Executive Directors and the Chief People and Infrastructure Officer to run the process for the nomination and appointment of a successor for the Chairmanship. As announced on 18 May 2022, I am delighted to have accepted the role of Chair of the Board when David steps down.

The Committee also ran the process for the appointment of a new executive role of Chief Operating Officer and a new independent Non-executive Director to strengthen the Board's skills and capabilities. We were pleased to announce the appointments of both Jeyan Heper and Martin Sutherland earlier this year. On 10 February 2023, we were pleased to welcome Martin Sutherland as a member of the Committee.

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.

Jo LeCouilliard
Nomination Committee Chair
20 March 2023

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Governance

NOMINATION COMMITTEE REPORT CONTINUED

SKILLS & EXPERIENCE MATRIX

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

* UK and overseas financial markets experience.

THE ROLE OF THE COMMITTEE

The Committee's primary roles are to carry out a selection process for the appointment and reappointment of all Directors to the Board, and to review the structure, size, and composition of the Board (including in terms of skills, knowledge, experience and diversity). The Committee also reviews the leadership needs of the organisation and monitors succession planning for both Board and senior executive roles.

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

MEMBERSHIP AND MEETING ATTENDANCE

Appointments to the Committee are made by the Board. During the year the Committee comprised four independent Non-executive Directors who have the right to attend meetings. Martin Sutherland joined the Committee in February 2023. 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 processes.

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.

During the year, the Committee held a total of eight meetings: two scheduled and six unscheduled. Members who are not able to attend unscheduled meetings offer their apologies and provide feedback to the Chair of the Committee in advance of meetings. The two unscheduled meetings were held to deal with the appointment of the successor to the Chair and review other executive and senior level succession plans. When discussing the succession to the Chairmanship of the Board, these meetings were not attended by Non-executive Directors who formed the subject of these discussions. Whilst David Cook attended these meetings, he did not chair them; they were chaired by Kristof Neirynck.

Member	Role	Status	Attendance
David Cook	Chair	Independent	8/8
Jo LeCouilliard*	NED	Independent	6/8
Kristof Neirynck	NED	Independent	8/8
Richard Jones*	NED	Independent	6/8

* Board members were recused from meetings in which they were conflicted.

Board gender diversity

Whilst certain diversity targets are not directly imposed on AIM companies, the Committee continues to monitor 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. The Company's Diversity and Inclusion Policy can be found on the Company's website.

The Committee is aware of and has discussed the benefits of diversity on the Board and at the senior management level as part of the review of succession planning and any Director appointment process. 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. The Committee discussed 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.

With currently only one female member on the Board, the Board acknowledges that female representation on the Board is not where it needs to be, but ensures that focus is maintained at all stages of the Board recruitment process. The Company engages and works with specialist recruitment consultants to help identify talent and search for potential candidates that meet our objective criteria. Jo LeCouilliard will become the Company's first female Chair with effect from the end of the 2023 AGM.

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ALLIANCE

ACTIVITIES OF THE COMMITTEE

The duties and activities of the Committee during the year included:

Duties	Activity in 2022
Review the structure, size, and composition of the Board, including the independence of Directors, diversity, skills, knowledge, experience, and time commitments at least annually and prior to commencing any appointment process	• The Committee considers there to be an appropriate balance between Executive and Non-executive Directors on the Board. Having considered the guidelines on independence, on appointment as Chair, David Cook was independent and continues to be regarded by the Board as independent alongside Richard Jones, Jo LeCouilliard, and Kristof Neirynck. • The Chair and Non-executive Directors hold appointments as Directors and/or senior management on a small number of other companies, as detailed in their biographies on pages 61 and 62. It is considered that the Chair and Non-executive Directors are not over-boarded and can allocate sufficient time and commitment to fulfil their duties to the Company. • Prior to the search and recruitment process for new Directors, the Committee reviewed the skills, capabilities, diversity, and experience on the Board and concluded to specifically seek out skills and experience in overseas territories and a listed environment.
Consider succession plans for Directors and other senior executives	• The Committee worked closely with the Board and, with the support of the Chief People and Infrastructure Officer, developed strategies in support of progressive and orderly succession planning for Board and senior management. Planning included consideration of the challenges and opportunities facing the Company with 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. • Reviewed succession plans in relation to the Chief Executive Officer and other members of the senior leadership team and approved the appointment of Jeyan Heper to the Board.
Nominate and recommend candidates to fill Board vacancies and make recommendations to the Board on matters such as Committee membership, reappointment, and re-election of Directors	• The Committee is responsible for the selection process for the recruitment of Directors. This process is supported by the Chief People and Infrastructure Officer and the Company engaged the services of an external executive search and recruitment agency. The process is supported by a detailed recruitment process. Further information about the appointment and induction of Board Directors can be found in the Chair's Report on Governance on page 65. • As announced last year, the nine-year tenure of the Chair will come to an end in early 2023, after which he is no longer considered to be independent. Accordingly, during the year, the Committee considered succession for the role and shareholders were notified on 18 May 2022 that Jo LeCouilliard will become Chair of the Board following the 2023 AGM. Page 85 in the Remuneration Committee Report sets out the term of appointment for each Director. • Recommended the appointment of Jeyan Heper as a new Chief Operating Officer and to the Board. • Recommended the appointment of new Non-executive Director Martin Sutherland to the Board.
Reviewing the need for a 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 Chair or other Board members. Richard Jones was appointed SID with effect from 1 February 2023.
Reviewing the outcomes of the Board evaluation insofar as these relate to composition and time commitment of Directors	• The Committee reviewed the outcomes from the annual evaluation of the Board insofar as these 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.
Recommend 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 five Directors, being eligible, put themselves forward for annual re-election and both Jeyan Heper and Martin Sutherland stand for election at the Company's AGM.

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AUDIT AND RISK COMMITTEE REPORT

"The Committee reviews the integrity of the financial statements and challenges systems of governance."

Richard Jones, Audit and Risk Committee Chair

CHAIR'S STATEMENT

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

This report is intended to provide shareholders with information about the Committee's responsibilities and report on the activities of the Committee during the year.

During the year, alongside our regular work carefully reviewing the Company's annual financial statements and the associated accounting treatment and disclosures, efforts focused on the change of auditor. As detailed in last year's Annual Report, we initiated a tender process for the 2022 audit and the Company was pleased to announce on 8 August 2022 the appointment of Deloitte LLP ('Deloitte') as the Group's auditor. Andrew Wright is the lead audit partner and, as well as meeting up with Deloitte without management being present, I also meet Andrew regularly throughout the year.

There has also been a strong focus on the reporting of performance and accounting treatment in relation to our CBEC business in China, and acquisitions in the US: Biogix Inc. (Amberen™) and ScarAway® the largest silicone-based scar treatment brand in the US, and the rights to sell Kelo-Cote™.

The Committee reviews the Group's risk register quarterly, and believes that the Group strategy has the support of a management team who understand the risk management framework required to deliver it. In addition, the risk framework and risk register are shared with Deloitte, who consider and challenge the Committee on our reporting and disclosure requirements.

On 10 February 2023, we were pleased to welcome Martin Sutherland as a member of the Committee.

Richard Jones
Audit and Risk Committee Chair
20 March 2023

Governance

THE ROLE OF THE COMMITTEE

The 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 taken as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Company's performance, business model and strategy;
- considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit;
- overseeing the relationship with, and the independence and objectivity of, the external auditors;
- setting policy in relation to the use of the external auditors for non-audit services;
- advising the Board on the Company's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these;
- reviewing the Company's risk management and internal control systems and their effectiveness; and
- 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 Chair of the Committee works closely with the CFO and the finance department to ensure papers for meetings are comprehensive and comprehensible. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

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

MEMBERSHIP AND MEETING ATTENDANCE

During the year, the Committee held a total of eight meetings: six scheduled and two unscheduled meetings, reporting on its activities to the Board. Members who are not able to attend unscheduled meetings offer their apologies and provide feedback to the Chair of the Committee In advance of meetings.

The Committee comprised three independent Non-executive Directors who have the right to attend meetings. Martin Sutherland joined the Committee in February 2023.

Member	Role	Status	Attendance
Richard Jones	Chair	Independent	8/8
David Cook	NED	Independent	8/8
Jo LeCouilliard	NED	Independent	6/8

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. During 2022, the three Non-executive Directors, all of whom have an accountancy qualification, review internal controls and financial reporting matters. They have a direct relationship with the external auditor. All 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, Group Head of Finance and Group Financial Controller are invited to attend all meetings, while other senior financial managers attend as appropriate.

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

KEY ACTIVITIES OF THE COMMITTEE

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2022
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 2021 and 2022 with reference to the reports being fair, balanced and understandable. This included a review of the appropriateness of the disclosures considering requirements and guidance under IFRS, the AIM Rules for Companies, Companies Act 2006 requirements, FRC guidance and the QCA Corporate Governance Code 2018. › Review of the preliminary results and Annual Report and Accounts for the financial year ended 31 December 2021 › Review of the unaudited half-year results to 30 June 2022. › Review of the preliminary results and Annual Report and Accounts for the financial year ended 31 December 2022. › Consideration of reports from the external auditor in respect of the Annual Report and Accounts from 1 January 2022 to the date of this Report.
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	Key accounting estimates and judgements	› In respect of the preparation of the financial statements for the year ended 31 December 2022, the Committee reviewed key accounting judgements and estimates including a review of the Group's weighted average cost of capital ('WACC'). › Review of intangible assets, including consideration of impairment under IAS 36. › Review of alternative performance measures. › Continued review and assessment under IFRS 15 and the revenue recognition in relation to a major cross-border e-commerce distribution agreement.
Risk management and internal controls	Financial and other internal controls and risk management systems, including the Group's Principal Risks and Uncertainties	› 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 and Group risk register. › Review of the Principal Risks and Uncertainties reported in the Annual Report & Accounts 2022. › Review of progress to establish an internal audit function.
	Regulatory and compliance risk	› Review of the Company's Whistleblowing policy and procedures.

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ALLIANCE

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Governance

KEY ACTIVITIES OF THE COMMITTEE CONTINUED

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2022
Review of external auditor	The policy to control engagement of the external auditor to supply non-audit services	› Review of feedback received from the outgoing auditor and consideration of whether there were any areas of financial oversight or governance to address concluding no changes were required. › Conduct a tender process for the change of auditor. › Review the terms of appointment, areas of responsibility and duties of the auditor including fees for the 2022 external audit and recommendation to the Board for approval. › Review of the scope and strategy for the 2022 external audit. › Review of the external auditor's performance, independence, and objectivity 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 years ended 31 December 2021 and 2022.
	External auditor's independence and objectivity and the effectiveness of the audit process	› Meetings with the external auditor without management to consider any potential areas of concern. › Review and consideration of the external auditor's findings and recommendations and management's response from the audit of the years ended 31 December 2021 and 2022.
Terms of Reference	Reporting to the Board on how the Committee has discharged its responsibilities	› The Committee reviewed its own Terms of Reference which are considered to be satisfactory. The Committee and Board were satisfied that the Committee and its members continue to operate effectively individually and collectively and had discharged all of the duties within its remit.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Governance

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

- Clearly communicating Alliance's values and strategy to ensure these are understood and people know what is expected
- Developing business and financial plans that support the strategy
- Reviewing policies and procedures to ensure these remain fit for purpose
- Strengthening controls through enterprise resource planning
- Regular reporting of actual performance relative to goals, budgets and forecasts
- Ensuring there is a structure of accountability
- Training and monitoring

INTERNAL AUDIT FUNCTION

The Committee asked management to establish an internal audit function and is monitoring the establishment of the internal audit function as we strengthen our internal audit capabilities by investing in people and systems to assist with reporting and auditing trails. This process is expected to complete in 2023.

SPEAK UP POLICY

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

EXTERNAL AUDITOR

Change of auditor

During the year, the Committee led a formal tender process in search of a new audit firm for the 2022 audit. The process included issuing an audit tender letter, timetable, audit scope and information on the Company. Potential firms were assessed against set criteria with quality and challenge being primary factors and in line with FRC recommended selection processes.

Following this process, we were pleased to notify the appointment of Deloitte on 8 August 2022, when KPMG stepped down as the Company's auditor. KPMG did not participate in the tender process.

Deloitte's reappointment requires the approval of shareholders at the AGM and accordingly, the Committee recommended that a resolution be proposed for their appointment at this year's AGM.

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. Deloitte formally presented 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 auditor. The objectivity and independence of the external auditor is safeguarded by reviewing the auditor's formal declarations, monitoring relationships between key audit staff and the Company, and tracking the level of non-audit fees payable to the external auditor. The Committee annually reviews the scope and fees for the annual audit of the Company.

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Governance

"We balance our remuneration policies and practice with the size and complexity of our business."

Jo LeCouilliard, Remuneration Committee Chair

CHAIR'S STATEMENT

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

This year, we held several meetings to review our remuneration policy to ensure it remains appropriate for the size and complexity of our business. The Committee continues to believe that the Company's current remuneration policy encourages and rewards the right behaviours and that any risks created by its structure are within the appetite of the Board. There were no changes to our Policy on Remuneration this year. Key activities of the Committee included:

- reviewing our remuneration policies and remuneration levels (both fixed and variable) in the context of appropriate AIM market comparisons;
- ensuring our policy continues to achieve its objectives and continues to attract, retain, and motivate a high-quality management team to run the Alliance business successfully for our shareholders;
- reviewing the remuneration for the acting CEO;
- 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 2022;
- approving the grant of share option awards under the Company's share incentive plans to the Executive Directors and employees; and
- reviewing the holding requirements under the Company's Share Ownership Policy.

On the 10th February 2023, we were pleased to welcome Martin Sutherland to the Committee. The Committee continues to monitor trends and developments in relation to remuneration market practices and corporate governance, and welcomes views from its shareholders. I will be available to answer any shareholder questions on the Committee's activities at this year's AGM. In the meantime, I would like to thank our shareholders for their continued support.

Jo LeCouilliard
Remuneration Committee Chair
20 March 2023

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ALLIANCE

Governance

THE ROLE OF THE REMUNERATION COMMITTEE

The role of the 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.

MEMBERSHIP AND MEETING ATTENDANCE

Appointments to the Committee are made by the Board following 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. During the year, the Committee held a total of seven meetings: three scheduled and four unscheduled and reported on its activities to the Board.

During the year, the Remuneration Committee comprised three independent Non-executive Directors and their attendance was as follows:

Member	Role	Status	Attendance
Jo LeCouilliard	Chair	Independent	7/7
David Cook	NED	Independent	7/7
Kristof Neirynck	NED	Independent	7/7

Martin Sutherland was appointed to the Committee in February 2023.

ACTIVITIES OF THE COMMITTEE

During the year, matters reviewed and considered by the Remuneration Committee included reviewing policies on remuneration, the external environment, market comparators, increases to annual base salaries, short-term and long-term reward structures, 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 its external advisers, Ellason LLP. They are members of the Remuneration Consultants Group, which sets out guidelines to ensure that any advice received is independent. Ellason LLP provides no other services to the Company and the Committee is satisfied that the advice received is objective and independent.

No Directors or senior managers are involved in any decisions as to their own remuneration.

REMUNERATION POLICY

Remuneration policy tables

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

Governance

POLICY TABLE IN RESPECT OF EXECUTIVE REMUNERATION

Element	Policy
Base salary	Base salaries are reviewed annually to ensure they remain in line with other pharmaceutical/healthcare and other AIM companies and reflect the size and scope of the individual's role. Within that frame of reference, the Company aims to be at or near the median level. Annual base salaries increase 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% of salary. 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, which is the key metric the Board considers in monitoring corporate performance; and • personal performance of each Executive. As part of this incentive strategy Executive Directors are eligible to participate in the all-employee Annual Bonus scheme. The level of that bonus is determined by first assessing whether the threshold level of financial performance has been achieved by the business and, once this has been achieved, applying a further multiplier which is determined by assessment of the Executive's personal performance for the relevant year. The financial targets are set at the start of each financial year – the targets are determined with the approval of the Remuneration Committee to ensure they incentivise the Executives and align with delivery of the Group's strategy. Personal performance is measured using various factors, including delivery of pre-set personal targets. Based on a combination of financial and personal performance, the Annual Bonus that each of the Executives is able to earn is as follows:
Annual bonus continued	**Chief Executive Officer** A bonus of 20% of base salary, increasing on a sliding scale up to a maximum of 100% of base salary, is payable upon the achievement of financial performance targets. The bonus payable can be further increased by applying a personal performance multiplier. The maximum personal performance multiplier is 1.5x (i.e. up to an additional 50% of salary). The CEO's potential maximum Annual Bonus opportunity is therefore 150% of base salary. **Chief Financial Officer** A bonus of 20% of base salary, increasing on a sliding scale up to a maximum of 100% of base salary, is payable upon the achievement of financial performance targets. The bonus can be further increased by applying a personal performance multiplier. The maximum personal performance-related multiplier is 1.5x (up to an additional 40% of salary). The CFO's potential maximum Annual Bonus opportunity is therefore 120% of base salary.
Share incentive schemes	The Company operates two share incentive schemes to encourage a culture of long-term growth and performance that aligns with share ownership. Executive Directors can participate in both the market value Company Share Option Plan ('CSOP'), and a nil-cost Long-Term Incentive Plan ('LTIP'). Any awards granted to the Executive Directors are subject to performance metrics which are reviewed regularly by the Committee, and the level of award is reviewed annually to ensure that the aggregate remuneration remains competitive. Performance targets for Directors' awards granted under the LTIP and CSOP continue to be based on Earnings Per Share ('EPS') and Total Shareholder Return ('TSR') related targets, assessed over a three-year performance period. The maximum total market value of shares over which awards may be granted under the LTIP to any participant during any financial year is 100% of the participant's salary. However, in exceptional circumstances, the Committee may, at its absolute discretion, grant a higher amount. The maximum market value of shares under the approved part of the CSOP shall not exceed HMRC approved limits. 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 pages 81 and 82.
Share ownership	To align Directors and Senior Management's interests with our shareholders, the Company operates a Share Ownership Policy. When exercising share options, relevant employees are required to build a qualifying interest in shares or vested options capable of exercise that is equal to a percentage of their base salary. Ordinary shares are valued at their market value at the time of any calculation carried out to determine whether a qualifying interest has been established or needs to be increased. The CEO is required to build a qualifying interest equal to 200% of his base salary, while the CFO and COO are required to build an interest equal to 150% of their salary. Further information can be found on page 85 of this Report.

Governance

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 Board 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.

DIRECTORS' REMUNERATION

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

	Salary or fees		Other		Pension		Bonus		Total remuneration, excluding share options		Exercised share option gains		Total remuneration, including share options	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Peter Butterfield	**356,083**	335,500	**12,235**	12,377	**31,514**	28,998	**–**	238,889	**399,832**	615,764	**–**	363,146	**399,832**	978,910
Andrew Franklin	**239,200**	226,667	**11,474**	11,922	**20,846**	22,667	**–**	155,940	**271,520**	417,296	**–**	–	**271,520**	417,296
Nigel Clifford[1]	**–**	15,000	**–**	–	**–**	–	**–**	–	**–**	15,000	**–**	–	**–**	15,000
David Cook	**88,000**	82,667	**–**	–	**–**	–	**–**	–	**88,000**	82,667	**–**	–	**88,000**	82,667
Richard Jones	**49,458**	45,750	**–**	–	**–**	–	**–**	–	**49,458**	45,750	**–**	–	**49,458**	45,750
Jo LeCouilliard	**49,458**	45,750	**–**	–	**–**	–	**–**	–	**49,458**	45,750	**–**	–	**49,458**	45,750
Kristof Neirynck	**47,201**	3,844	**–**	–	**–**	–	**–**	–	**47,201**	3,844	**–**	–	**47,201**	3,844
	829,400	755,178	**23,709**	24,299	**52,360**	51,665	**–**	394,829	**905,469**	1,225,971	**–**	363,146	**905,469**	1,589,217

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

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

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Governance

BASE SALARY

During the year, the Committee undertook a review of market benchmarks, including companies of similar size and sector, to gauge the pay positioning of the executive directors and other senior management; the review concluded that our total remuneration levels were positioned materially below median.

To help improve the positioning, base salaries for the CEO and CFO were increased during the year from £338,250 to £365,000 for the CEO and from £230,000 to £243,800 for the CFO. These increases took effect on 1 May 2022. In addition, the Committee agreed an uplift of £7,000 per month to Andrew Franklin in recognition of his additional responsibilities as acting CEO since November 2022. Peter Butterfield earned his fixed pay whilst on leave.

The annual base salary for the COO is £275,000.

PENSION AND BENEFITS

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

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

ANNUAL BONUS

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

No annual bonus payments have been paid to the Executive Directors in respect of the year ending 31 December 2022 as the required threshold level of PBT was not achieved.

NON-EXECUTIVE DIRECTORS' FEES

An increase to Non-executive Directors' fees was approved during the year and took effect on 1 May 2022.

The annual fee paid to David Cook as Chair is £90,000. Jo LeCouilliard and Richard Jones each receive an annual fee of £46,128 plus a Committee Allowance of £5,000 for chairing the Remuneration and Audit and Risk Committees, respectively. Kristof Neirynck's annual fees increased to £47,736.

No Committee Allowance is paid for the chairing of the Nomination Committee.

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 89.

AWARDS UNDER THE ALLIANCE COMPANY SHARE OPTION PLAN 2015 ('CSOP')

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

On 29 September 2022, the Company granted Peter Butterfield 182,500 share options under the CSOP and Andrew Franklin 121,900 share options. These share options were granted with an exercise price of 58.2p per share (being the closing mid-market price of one 1p Ordinary share in the Company at close of trading on 28 September 2022). Based on the exercise price, the value of the awards as at the date of grant was equal to £106,215 for the CEO and £70,945 for the CFO. These awards will vest on the third anniversary from the date of grant, 28 September 2025, subject to meeting the EPS and TSR performance targets as set out on the following page.

AWARDS UNDER THE ALLIANCE LONG-TERM INCENTIVE PLAN 2019 ('LTIP')

The Committee also approved awards granted under the Company's LTIP in the form of nil-cost options. These were granted on 29 September 2022 with a face value of 55% of base salary to Peter Butterfield, equal to £200,750 (344,931 option awards); and 45% of base salary to Andrew Franklin, equal to £109,710 (188,505 option awards). The strike price used to calculate the quantum of awards was 58.2p per share (being the closing mid-market price of one 1p Ordinary share in the Company at close of trading on 28 September 2022). These awards will vest on the third anniversary from the date of grant, 28 September 2025, subject to meeting the EPS and TSR performance targets on the following page.

Governance

MALUS AND CLAWBACK

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

PERFORMANCE CONDITIONS

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

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 2022 to Executives under the CSOP and LTIP are subject to EPS and TSR performance conditions. 50% of the awards are subject to EPS and 50% are subject to TSR, equally weighted 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 2021, to (ii) the EPS as presented in the published Annual Report for the financial year ending 31 December 2024.

EPS Performance Period: means the period from 31 December 2021 to 31 December 2024 (inclusive).

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

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

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

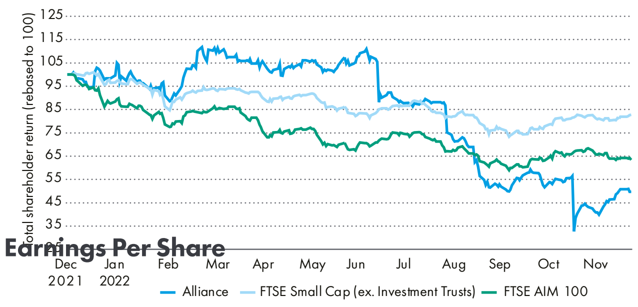
TSR Performance Period: means the period starting on the Grant Date and ending on the third anniversary of the Grant Date.

AWARDS VESTING DURING THE YEAR

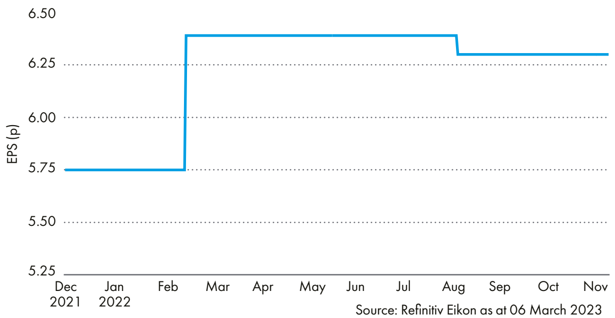
On 5 December 2022, market value share options made in 2019 under the CSOP to Peter Butterfield and Andrew Franklin vested 50% based on the achievement of the EPS target for the financial year ending 31 December 2021 of 6.30p (being RPI+2% per annum over the three-year performance period). The remaining 50% of the CSOP awards lapsed as the TSR element was not met.

Total Shareholder Return

3rd January 2022 to 29th December 2022



Earnings Per Share



Source: Refinitiv Eikon as at 06 March 2023

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ALLIANCE

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LTIPs granted in 2019 also vested to Peter Butterfield and Andrew Franklin vested at 50% based on the achievement of an EPS target for the financial year ending 31 December 2021 of 6.30p (being RPI+2% p.a. over the five-year performance period). The remaining 50% of the LTIP awards lapsed as the TSR element was not met.

Details of the number of shares vesting and the relevant exercise prices for these option awards are set out in the table below and on page 84. The closing mid-market price of Ordinary shares on 31 December 2022 (being the last dealing day in the calendar year) was 53.0p and the range during the year was from 35.3p to 121.6p.

SHARE INCENTIVE AWARDS

Executive Directors hold options through the Company's share option and long-term incentive plans. Details of options held under the Company's employee share schemes by the Directors as at 31 December 2022 and who served during the year are as shown below. Shares are retained as required to comply with the Company's Share Ownership Policy for which details are provided on page 79.

Peter Butterfield

Type of award	Date of grant	Exercise price (p)	Performance condition	No. of options granted	Vested	Exercised*	Lapsed	Number of options capable of exercise	Exercisable from	Exercisable to
CSOP Unapproved	27-Oct-16	47.50	EPS	1,000,000	1,000,000	500,000	–	500,000	27-Oct-21	27-Oct-26
CSOP Unapproved	05-Oct-18	81.60	EPS	1,250,000	1,250,000	–	–	1,250,000	05-Oct-21	05-Oct-28
CSOP Unapproved	05-Dec-19	76.90	EPS & TSR	137,500	68,750	–	68,750	68,750	05-Dec-22	05-Dec-29
LTIP	05-Dec-19	Nil	EPS & TSR	196,684	98,342	–	98,342	98,342	05-Dec-22	05-Dec-23
CSOP Unapproved	23-Sep-20	73.70	EPS & TSR	165,000	–	–	–	–	23-Sep-23	23-Sep-30
LTIP	23-Sep-20	Nil	EPS & TSR	246,269	–	–	–	–	23-Sep-23	23-Sep-24
CSOP Unapproved	29-Sep-21	102.80	EPS & TSR	139,943	–	–	–	–	29-Sep-24	29-Sep-31
CSOP Approved	29-Sep-21	102.80	EPS & TSR	29,182	–	–	–	–	29-Sep-24	29-Sep-31
LTIP	29-Sep-21	Nil	EPS & TSR	180,970	–	–	–	–	29-Sep-24	29-Sep-25
CSOP Approved	29-Sep-22	58.20	EPS & TSR	1	–	–	–	–	29-Sep-25	29-Sep-32
CSOP Unapproved	29-Sep-22	58.20	EPS & TSR	182,499	–	–	–	–	29-Sep-25	29-Sep-32
LTIP	29-Sep-22	Nil	EPS & TSR	344,931	–	–	–	–	29-Sep-25	29-Sep-26
				3,872,979	**2,417,092**	**500,000**	**167,092**	**1,917,092**		

***No shares were exercised during 2022**

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ALLIANCE

Andrew Franklin

Type of award	Date of grant	Exercise price (p)	Performance condition	No. of options granted	Vested	Exercised*	Lapsed	Number of options capable of exercise	Exercisable from	Exercisable to
CSOP Unapproved	04-Dec-15	46.75	No	1,935,829	1,935,829	1,435,829	–	500,000	04-Dec-18	04-Dec-25
CSOP Unapproved	27-Oct-16	47.50	EPS	155,000	155,000	–	–	155,000	27-Oct-19	27-Oct-26
CSOP Unapproved	27-Oct-16	47.50	EPS	400,000	400,000	–	–	400,000	27-Oct-21	27-Oct-26
CSOP Unapproved	15-Sep-17	53.00	EPS	170,000	170,000	–	–	170,000	15-Sep-20	15-Sep-27
CSOP Unapproved	05-Oct-18	81.60	EPS	178,000	178,000	–	–	178,000	05-Oct-21	05-Oct-28
CSOP Approved	05-Dec-19	76.90	EPS & TSR	39,011	19,505	–	19,505	19,505	05-Dec-22	05-Dec-29
CSOP Unapproved	05-Dec-19	76.90	EPS & TSR	55,989	27,994	–	27,994	27,994	05-Dec-22	05-Dec-29
LTIP	05-Dec-19	Nil	EPS & TSR	111,183	55,592	–	55,592	55,592	05-Dec-22	05-Dec-23
CSOP Unapproved	23-Sep-20	73.70	EPS & TSR	110,000	–	–	–	–	23-Sep-23	23-Sep-30
LTIP	23-Sep-20	Nil	EPS & TSR	134,328	–	–	–	–	23-Sep-23	23-Sep-24
CSOP Unapproved	29-Sep-21	102.80	EPS & TSR	115,000	–	–	–	–	29-Sep-24	29-Sep-31
LTIP	29-Sep-21	Nil	EPS & TSR	100,681	–	–	–	–	29-Sep-24	29-Sep-25
CSOP Unapproved	29-Sep-22	58.20	EPS & TSR	121,900	–	–	–	–	29-Sep-25	29-Sep-32
LTIP	29-Sep-22	Nil	EPS & TSR	188,505	–	–	–	–	29-Sep-25	29-Sep-26
				3,815,426	**2,941,920**	**1,435,829**	**103,091**	**1,506,091**		

*Neither Peter Butterfield nor Andrew Franklin exercised any share options during the year.

DIRECTORS' INTERESTS, SHAREHOLDINGS & SHARE OWNERSHIP POLICY

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

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

Governance

DIRECTORS' INTERESTS, SHAREHOLDINGS & SHARE OWNERSHIP POLICY CONTINUED

As at 14 March 2023, the Executive Directors hold the following interests in Ordinary shares of the Company:

Director		Percentage of salary	2022 Base salary	Shareholding	Vested but unexercised awards	Value of holdings*	% achieved
Peter Butterfield	CEO	200%	£365,000	442,104	1,917,092	£371,233	102%
Andrew Franklin	CFO	150%	£243,800	128,384	1,506,092	£214,360	88%

* At the closing market price on 13 March 2023: 66.1p.

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

	At 31 December 2021			At 31 December 2022		
Director	Beneficial	Non-beneficial	Total	Beneficial	Non-beneficial	Total
Peter Butterfield	442,104	–	442,104	442,104	–	442,104
Andrew Franklin	128,384	–	128,384	128,384		128,384
David Cook	234,129	–	234,129	234,129	–	234,129
Richard Jones	15,000	–	15,000	15,000	–	15,000
Jo LeCouilliard	–	–	–	–	–	–
Kristof Neirynck	–	–	–	–	–	–

DIRECTORS' 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	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
Jeyan Heper	Chief Operating Officer	01/02/2023	11/01/2023 Rolling 12 months	12 months*	12 months*

* 6-months' written notice during first 12 months of employment and thereafter not less than 12-months written notice by either the Company or the Director.

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

Non-executive Director		First date of appointment	Current term	Unexpired term
David Cook*	Chair & Independent NED	01/04/2014	4 years	Nil
Jo LeCouilliard	Independent NED	01/01/2019	5 years	9 Months
Richard Jones	Independent NED	01/01/2019	5 years	9 Months
Kristof Neirynck	Independent NED	01/12/2021	5 years	46 Months
Martin Sutherland	Independent NED	01/02/2023	5 years	58 months

* David Cook will step down as Chair of the Board with effect from the AGM.

The Executive Directors' service contracts and Chair 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.

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ESG COMMITTEE REPORT

"Running our business in a responsible way, minimises negative impacts so we can make a positive contribution."

David Cook, ESG Committee Chair

CHAIR'S STATEMENT

It gives me great pleasure to introduce this year's report from the ESG Committee ('the Committee').

This year we have made significant strides into our commitment to becoming a more sustainable business and in setting our ESG priorities, ensuring that these priorities align with the Company's strategy. The Committee continues to believe that operating our business in a responsible way, minimises negative impacts on people and planet and makes a positive contribution to society.

A lot of ground has been covered in the 12 months since the last Committee's report. We have witnessed progress in the Company's Net Zero Carbon strategy; have come to understand our material sustainability issues, introduced or reviewed policies to strengthen our governance framework and improved our voluntary TCFD reporting.

The following pages set out the Committee's responsibilities and you can read about the activities the Committee discussed during the year.

I would like to thank those shareholders who also continue to work with us to help us better understand responsible investing.

You can also read more about our work on Sustainability on the Company's website.

David Cook
ESG Committee Chair
20 March 2023

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THE ROLE OF THE COMMITTEE

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

DUTIES OF THE COMMITTEE

The duties of the Committee include:

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

MEMBERSHIP AND MEETING ATTENDANCE

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

Member	Role	Status	Attendance
David Cook	Chair	Independent	2/2
Peter Butterfield	CEO	–	2/2
Andrew Franklin	CFO	–	2/2
Jo LeCouilliard	NED	Independent	2/2
Richard Jones	NED	Independent	2/2
Kristof Neirynck	NED	Independent	2/2

The Committee works closely with the SLT, Investor Relations and our Corporate Sustainability Lead who are invited to attend meetings. Others are invited to attend as appropriate to support the Committee with discussions.

During the year, the Committee also invited ESG consultants to present on the work that they have been doing with the business on Net Zero Carbon strategy, understanding the Company's Scope 1, 2 and 3 emissions and setting the carbon action plan.

ACTIVITIES OF THE COMMITTEE

An overview of our approach and sustainability framework can be found on pages 29 to 30 and can be found in our Online Sustainability Report on our website.

Activities

- Reviewed 2022 and 2023 objectives and sustainability framework and initiatives
- Established a sustainable packaging strategy programme to review the Group's product portfolio
- Increased supply chain oversight through "Know your Supplier" and published our Partner Code of Conduct
- Developed the carbon action plan which includes understanding what the Company's supply chain are doing to reduce their Scopes 1,2 and 3 emissions
- Outlined current investment into environmental strategy and carbon action plan by introducing EV schemes to encourage behavioural changes
- Continued to work with the Company's appointed energy consultancy firm to help shape the medium-term ambition, particularly in the areas of TCFD and Scope 3 emissions, supply chain management and development of key metrics

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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 2022.

The Directors' Report, required under the Companies Act 2006, includes and comprises the Directors' biographies on pages 61 and 62, the Governance statement on pages 58 to 68, the Remuneration Committee Report on pages 77 to 85 and the Strategic Report on pages 06 to 56.

As permitted under the Companies Act 2006, certain matters which would otherwise need to be included in this Directors' Report have instead been discussed in the Strategic Report on pages 06 to 56. These matters include any important post-balance sheet events, the likely future developments in the business of the Company and its subsidiaries, the activities of the Company and its subsidiaries in the field of research and development.

Principal activities

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

Branches

A list of the Group's subsidiaries and associated undertakings can be found on pages 128 and 129 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 61 and 62. The rules setting out the powers of Directors, their appointment and replacement are set out in the Company's Articles of Association. Further information on the associated process can be found on page 70 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 85. All Directors put themselves forward for annual re-election at the Company's AGM.

Directors' indemnities

The Company's Articles of Association contain provisions 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 17 March 2023 is 539,995,086 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 2022 of 0.592p per share (2021: 0.563p) which was paid to shareholders on 19 January 2023. The Directors are recommending a final dividend of 1.184p per share (2021: 1.128p) which, subject to shareholders' approval at the AGM on the 25 May 2023, will be paid on 18 July 2023 to shareholders on the register at close of business on 23 June 2023.

The total dividend paid and proposed in respect of the year ended 31 December 2022 is therefore 1.776p per share (2021: 1.691p).

Substantial shareholdings

As at 17 March 2023, 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
DBAY Advisors Limited	55,734,204	10.32%
Slater Investment	51,906,041	9.61%
Van Lanschot Kempen	49,854,026	9.23%
Rathbone plc	20,879,002	3.87%
Royal Bank of Canada	20,645,236	3.82%
Fidelity Mgt & Research	19,644,025	3.64%
Investec Group	17,264,547	3.20%
Mr John Dawson	16,200,462	3.00%

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COMPANY SHARE INCENTIVE PLANS

The Company operates two incentive share plans.

The Alliance Company Share Option Plan 2015 ('CSOP')

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

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

All awards granted to Executive Directors and Senior Management are subject to performance conditions. These are explained in the Remuneration Committee Report on page 81.

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 83 and 84.

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 84.

Accounting policies, financial instruments and risks

Details of the Group's financial instruments and financial risk management disclosures can be found in note 21 of the Group financial statements on pages 133 to 137.

Charitable donations

During the year ended 31 December 2022, the Group contributed £58,790 (2021: £25,635) to charitable causes.

Political donations

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

Governance

Directors' obligations to the auditor

The Directors confirm that: (a) so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and (b) 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. This statement is given in accordance of section 418 of the Companies Act 2006.

Company's auditor

The Company announced the appointment of Deloitte LLP on 8 August 2022 to fill a casual vacancy until the next AGM. Deloitte LLP has expressed its willingness to be formally appointed as the Company's auditor and a resolution will be proposed at the AGM.

Annual General Meeting

This year's AGM will be held on 25 May 2023, the business of which is set out in the Notice of Meeting. A circular containing the Notice of Meeting together with an explanatory letter from the Chair accompanies the Annual Report and is also available on the Company's website.

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

Electronic communications

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

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

Shareholders can also vote electronically using the following link, www.signalshares.com. Registering your details on Link's 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.

COMPLIANCE WITH THE STREAMLINED ENERGY AND CARBON REPORTING REQUIREMENTS

Annual reporting figures

The total consumption and emissions figures for energy supplies reportable by the Company.

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

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

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

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

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

Totals

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

Utility and Scope	2022 Consumption (kWh)	2021Consumption (kWh)
Grid-supplied electricity (Scope 2)	229,932	256,103
Gaseous and other fuels (Scope 1)	8,604	10,644
Transportation (Scope 1 and 3)	193,853	144,186
Total	432,389	410,933

The total emission (tCO_2e) figures for reportable energy supplies are set out below. Conversion factors utilised in these calculations are detailed in the appendix on page 91:

Utility and Scope	2022 Consumption (tCO_2e)	2021 Consumption (tCO_2e)
Grid-supplied electricity (Scope 2)	44.46	54.38
Gaseous and other fuels (Scope 1)	1.57	1.95
Transportation		
(Scope 1 and 3)	45.38	33.68
Total	91.42	90.01

Intensity metric

An intensity metric of tCO_2e per £m turnover has been applied for our annual total emissions. The methodology of the intensity metric calculations are detailed in the appendix on page 91, and the results of this analysis are shown as follows:

Intensity Metric	2022 Intensity Metric	2021 Intensity Metric
tCO_2e/£m turnover	0.79	0.70
tCO_2e/£m headcount	0.48	0.50

Governance

Energy efficiency improvements

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

Measures ongoing and undertaken through 2022

In 2022, we submitted an application for full planning permission and listed building consent for the installation of solar PV panels on the roof of our Avonbridge site.

Measures prioritised for implementation in 2023

Subject to receipt of the required permissions and consents, we plan to progress with the installation of the solar PV panels in 2023.

Appendix to SECR

Reporting methodology

Scope 1, 2 and 3 consumption and CO_2e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting period 01/01/2022 – 31/12/2022.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Alliance were calculated on a kWh/day pro-rata basis at the meter level. These estimations equated to 8% of reported consumption.

For properties where Alliance is indirectly responsible for utilities (i.e. via a landlord or service charge), an average consumption for properties with similar operations was calculated at meter level and applied to the properties with no available data. These full-year estimations were applied to one electricity supply and one gas supply.

Intensity metrics have been calculated using total tCO_2e figures, and the selected performance indicator agreed with Alliance for the relevant report period:

- Total UK turnover in 2022: £115.5m (2021: £128.4m)
- Total UK headcount in 2022: 190 (2021: 179)

Directors' Responsibilities Statement

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

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

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

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

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

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

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

Chris Chrysanthou
Group General Counsel & Company Secretary
20 March 2023

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Financial Statements

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Alliance Pharma plc Annual Report and Accounts 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALLIANCE PHARMA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- the financial statements of Alliance Pharma plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company balance sheet;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated and company cash flow statements; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: › Valuation of the Amberen Cash Generating Unit ('CGU') › Recoverability of Trade Receivables for a significant distributor ('distributor')
Materiality	The materiality that we used for the Group financial statements was £1,500,000 which was determined on the basis of profit before tax adjusted for impairment.
Scoping	Our group scoping results in 82% of group revenues, 81% of group profit before tax, and 95% of group net assets being subject to full scope audit procedures.
Significant changes in approach	The valuation of the Amberen Cash Generating Unit; and the recoverability of trade receivables for a significant distributor are new key audit matters in the current year. In the prior year the key audit matters identified by the predecessor auditor included the impairment of brand assets. The predecessor auditor also identified the CMA infringement decision; the accounting treatment of costs related to cloud-based software arrangements; and the recoverability of parent company's investment in subsidiaries as additional key audit matters. We do not consider these to be key audit matters in the current year.

4. Conclusions relating to going concern

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

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

- assessing the financing facilities available to the group, including the nature of available facilities, repayment terms and required covenants;
- assessing the assumptions and sensitivity scenarios used in the forecasts;
- assessing management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecasts prepared by management;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- reading analyst reports, industry data and other external information to determine if it provided corroborative or contradictory evidence in relation to assumptions used;
- evaluating the disclosures made within the financial statements.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

5.1 Valuation of Amberen Cash Generating Unit ('CGU')

Key audit matter description	Brand intangible CGUs are valued at £282.2m and allocated goodwill is valued at £21.5m. The valuation of brand CGUs is dependent upon a number of estimates, including future growth forecasts, assumed margins, long term growth, working capital requirements and the selected discount rate. The Amberen brand CGU has a fair value of £105.4m, following an impairment recognised during the year of £12.0m in respect of allocated goodwill. Our key audit matter relates to the revenue growth and discount rate assumptions linked to the Amberen CGU, due to the significant sensitivities and judgement linked to each input, with reasonable possible changes leading to a material difference. Where budgeted growth rates are not achieved; or where interest rates continue to rise, further impairment may be required. Note 2.3 to the financial statements provides details of the key sources of estimation uncertainty in respect of intangible assets. Note 2.9 to the financial statements sets out the group's accounting policy for intangible assets acquired as part of a business combination (Brands, Patents and Distribution Rights), goodwill and impairment of assets; and outlines the key assumptions involved in the intangible asset impairment assessment. Note 11 to the financial statements outlines sensitivity analysis for reasonable possible changes in two key assumptions which could cause the carrying amount to exceed the recoverable amount.

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5. Key audit matters continued

5.1 Valuation of Amberen Cash Generating Unit ('CGU') continued

How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over management's impairment assessment. We considered indicators of impairment including with reference to historical performance, external market data, and assessment of the group's future strategy and budgets. We challenged the revenue growth assumptions used in the cash flow forecasts through enquiries of the finance teams and commercial teams within the United States and the United Kingdom, as well as the directors of the company to understand the performance of the brand. We involved our valuations specialists to estimate an appropriate discount rate with reference to market data and compared that to the rate used by management. We tested the arithmetical accuracy of management's impairment models and checked these for consistency with approved forecasts. We assessed the accuracy of management's historical forecasts; and we evaluated the impact of these on the current year forecasts. We assessed sensitivities to calculations prepared by management for contradictory and confirmatory evidence, to determine the impact on headroom of reasonably possible changes in assumptions.
Key observations	Based on our work performed, we concur with management's assessment of the valuation of the Amberen brand CGU. We consider management's reasonable case sensitivity disclosures to be appropriate.

5.2 Recoverability of trade receivables for a significant distributor ('distributor')

Key audit matter description	A distribution agreement is held for the sale of cross-border e-commerce sales of the Kelo-Cote product to China. As at 31 December 2022, £12.1m of related trade receivables were outstanding, with extended credit terms provided to 31 March 2023. Cash receipts since the year end amount to £2.1m (received as an early settlement) with £10.0m outstanding but not overdue at the time of our report. We consider the recoverability of trade receivables of this distributor to be a key audit matter. There is a critical judgement made by management in the recoverability of the balance outstanding, given that this was made on extended credit terms to the distributor. In addition, the distributor's parent has irrevocably and unconditionally guaranteed to the group all of the distributor's obligations under the distribution agreement. Note 2.3 to the financial statements provides details of the critical accounting judgements in respect of the recoverability of trade receivables with the distributor. Note 2.13 to the financial statements sets out the group's accounting policy for trade receivables and note 15 to the financial statements discloses the ageing of trade receivables.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over trade receivables. We evaluated the contract and agreement in place with the distributor to assess the extended terms and to assess whether there are unusual terms. We obtained an independent confirmation from the distributor, regarding sales made in the financial period and the amount owing as at 31 December 2022. We inspected credit checks performed by management, together with available public records regarding the financial stability of the distributor and its parent as guarantor to the agreement. We obtained a breakdown of sales to the distributor in the year and reconciled the outstanding balance as at 31 December 2022 to the invoices raised and cash receipts in the year and post year-end. We assessed the disclosure of the recoverability of trade receivables of the distributor as a critical judgement.
Key observations	Based on our work performed, we concur with the group's assessment that the amount outstanding remains recoverable; and we consider the disclosure of this being a critical judgement as at 31 December 2022 and as at the date of reporting appropriate.

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Financial Statements

6. Our application of materiality

6.1 Materiality

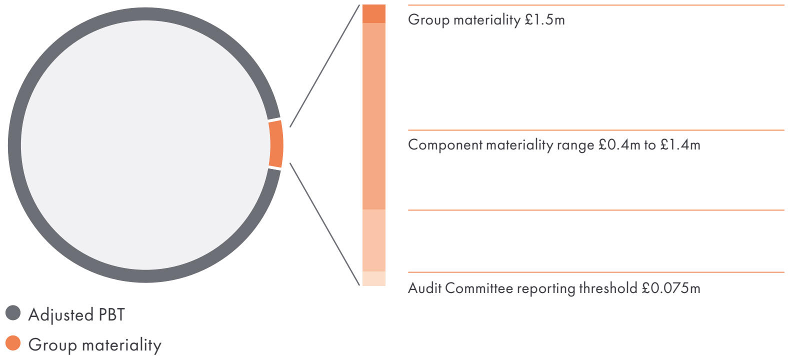
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Parent company financial statements
Materiality	£1,500,000 (2021: predecessor auditor £1,500,000)	£600,000 (2021: predecessor auditor: £900,000)
Basis for determining materiality	6.4% of profit before tax adjusted for impairment. Materiality equates to 0.9% of revenue. In the prior year, the predecessor auditor determined materiality which represented 4.7% of profit before tax, normalised to exclude the impairment of intangible assets and the CMA provision.	0.5% of net assets, capped at 40% of group materiality. In the prior year, the predecessor auditor determined materiality based on 0.5% of total assets.
Rationale for the benchmark applied	Adjusted profit before tax is a key metric for the principal users of the financial statements as it derives the prediction of future share price, the ability to pay dividends, and is therefore of particular importance to both shareholders and potential investors. Impairment of non-current assets are also excluded for banking covenant calculations.	The company is non-trading and operates primarily as a holding company. As such, we believe the net asset position is the most appropriate benchmark to use.

Profit before tax adjusted for impairment
£23.4m (2021: £32.2m)

Group materiality
£1.5m (2020: £1.5m)



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality (2021: predecessor auditor: 75% of group materiality)	70% of parent company materiality (2021: predecessor auditor: 75% of parent company materiality)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: › Our understanding of the group and its environment, together with changes in the business. › The overall quality of the control environment. › The nature, size and number of uncorrected misstatements identified in the prior year by the predecessor auditor.	

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Financial Statements

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £75,000 (2021: £75,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our audit scoping considered the significance of each component, including the nature of the group and its environment and an assessment of the risks of material misstatement across the group.

Full scope audit procedures have been completed for the following components:

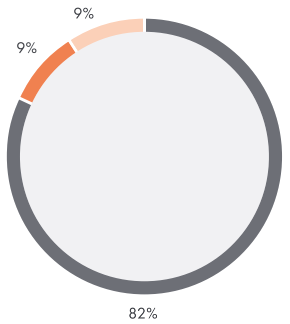
- Alliance Pharma plc;
- Alliance Pharmaceuticals Limited; and
- Alliance Pharma, Inc.

A combination of specified balances and analytical procedures at a group level has been completed for the remaining components of the group.

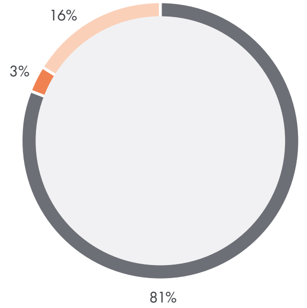
Our group scoping, as defined as scope A below, results in 82% of group revenues, 81% of group profit before tax, and 95% of group net assets being subject to full scope audit procedures.

All of these procedures were performed by the group engagement team in the United Kingdom.

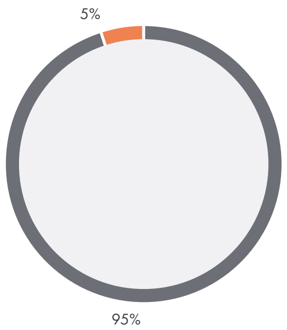
Revenue



Profit before tax



Net assets



Scope – A – Full scope components
Scope – B – Specified balances
Scope – C – Desktop review

7. An overview of the scope of our audit continued

7.2 Our consideration of the control environment

The group operates a diverse IT infrastructure. With the involvement of our IT specialists, we obtained an understanding of the relevant IT environment and assessed the design and implementation of key general IT controls.

For all in scope components we obtained an understanding of the relevant controls associated with the financial reporting process, key audit matters, accounting estimates and revenue recognition. We did not plan to rely on controls in any areas of the audit and instead adopted a fully substantive approach. This is due to the group being in the process of updating their controls and processes, specifically to improve documentary evidence of the operation of controls.

7.3 Our consideration of climate-related risks

The group has assessed that climate did not have a material impact on the Group's carrying value of assets and liabilities at the balance sheet date.

We assessed the climate related risk of material misstatement and concur with management's assessment. With support from our climate specialists we read the related narrative in the annual report to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

Financial Statements

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, including the UK's Competition and Market Authority's infringement decision, as described within the financial review section of the annual report and note 20 of the financial statements;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations
- the matters discussed among the audit engagement team including tax, valuations, impairment, IT and forensic specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Valuation of Amberen Cash Generating Unit
- Revenue recognised, for a significant distributor
- Recoverability of trade receivables, with a significant distributor

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the AIM rules, UK Companies Act, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This includes the group's ability to obtain relevant approvals for the sale of products.

Financial Statements

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of Amberen Cash Generating Unit and the recoverability of trade receivables, with a significant distributor as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house/external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC;
- engaging with fraud specialists to consider the risk of fraud within the group and to establish appropriate and suitable substantive audit procedures;
- in relation to the potential fraud risk in revenue, we obtained a confirmation letter from the significant distributor confirming value of goods purchased in the 12 months ended 31 December 2022; obtained a breakdown of sales to the distributor in the year and traced these through to signed delivery notes and cash receipts in the year and post year-end; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

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15. Use of our report

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 Wright

Andrew Wright, FCA

(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

21 March 2023

CONSOLIDATED INCOME STATEMENT

Financial Statements

	Note	Year ended 31 December 2022 Underlying £000s	Year ended 31 December 2022 Non-underlying £000s (Note 5)	Year ended 31 December 2022 Total £000s	Year ended 31 December 2021 Underlying £000s	Year ended 31 December 2021 Non-underlying £000s (Note 5)	Year ended 31 December 2021 Total £000s
Revenue	3,31	167,416	–	167,416	163,207	–	163,207
Cost of sales		(65,733)	–	(65,733)	(53,757)	–	(53,757)
Gross profit		101,683	–	101,683	109,450	–	109,450
Operating expenses							
Administration and marketing expenses	5	(63,955)	369	(63,586)	(60,202)	(2,843)	(63,045)
Amortisation of intangible assets	5, 11	(1,964)	(7,238)	(9,202)	(1,362)	(7,168)	(8,530)
Impairment of goodwill and intangible assets	5	–	(18,234)	(18,234)	–	(6,150)	(6,150)
CMA provision	20	–	–	–	–	(7,900)	(7,900)
Share-based employee remuneration	7, 24	(92)	–	(92)	(2,250)	–	(2,250)
Operating profit		35,672	(25,103)	10,569	45,636	(24,061)	21,575
Finance costs							
Interest payable and similar charges	6	(5,433)	–	(5,433)	(3,646)	–	(3,646)
Finance income	6	72	–	72	228	–	228
		(5,361)	–	(5,361)	(3,418)	–	(3,418)
Profit before taxation	4	30,311	(25,103)	5,208	42,218	(24,061)	18,157
Taxation	8	(7,234)	2,962	(4,272)	(8,033)	(2,805)	(10,838)
Profit for the period attributable to equity shareholders		23,077	(22,141)	936	34,185	(26,866)	7,319
Earnings per share							
Basic (pence)	10	4.28		0.17	6.39		1.37
Diluted (pence)	10	4.23		0.17	6.30		1.35

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.

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ALLIANCE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Profit for the year	**936**	7,319
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign exchange translation differences (gross)	**16,438**	586
Foreign exchange translation differences (deferred tax)	**(3,589)**	50
Foreign exchange forward contracts – cash flow hedge (gross)	**111**	(255)
Foreign exchange forward contracts – cash flow hedge (deferred tax)	**(28)**	64
Total comprehensive income for the year	**13,868**	7,764

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CONSOLIDATED BALANCE SHEET

	Note	**31 December 2022 £000s**	31 December 2021 £000s
Assets			
Non-current assets			
Goodwill and intangible assets	11	**421,630**	413,744
Property, plant and equipment	12	**5,578**	4,826
Deferred tax asset	22	**4,117**	3,526
Derivative financial instruments	21	**17**	–
Other non-current assets		**588**	371
		431,930	422,467
Current assets			
Inventories	14	**24,286**	21,075
Trade and other receivables	15	**49,324**	30,821
Derivative financial instruments	21	**157**	64
Cash and cash equivalents	16	**31,714**	29,061
		105,481	81,021
Total assets		**537,411**	503,488
Equity			
Ordinary share capital	23	**5,400**	5,382
Share premium account		**151,650**	151,328
Share option reserve		**10,141**	10,058
Other reserve		**(329)**	(329)
Cash flow hedging reserve		**131**	48
Translation reserve		**12,430**	(419)
Retained earnings		**108,238**	116,418

	Note	**31 December 2022 £000s**	31 December 2021 £000s
Total equity		**287,661**	282,486
Liabilities			
Non-current liabilities			
Loans and borrowings	18	**133,744**	116,060
Other liabilities	19	**3,415**	2,637
Deferred tax liability	22	**65,569**	61,728
		202,728	180,425
Current liabilities			
Corporation tax		**2,984**	1,178
Trade and other payables	17	**35,616**	29,930
Provisions	20	**8,422**	9,469
		47,022	40,577
Total liabilities		**249,750**	221,002
Total equity and liabilities		**537,411**	503,488

The financial statements were approved by the Board of Directors on 20 March 2023.

Peter Butterfield
Director

Andrew Franklin
Director

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

Company number 04241478

Financial Statements

COMPANY BALANCE SHEET

	Note	**31 December 2022 £000s**	31 December 2021 £000s
Assets			
Non-current assets			
Investment and loans to subsidiaries	13	**197,253**	199,348
Current assets			
Trade and other receivables	15	**93**	39
Cash and cash equivalents	16	**50**	141
		143	180
Total assets		**197,396**	199,528
Equity			
Ordinary share capital	23	**5,400**	5,382
Share premium account		**151,650**	151,328
Share option reserve		**10,214**	8,962
Retained earnings		**29,377**	33,064
Total equity		**196,641**	198,736
Liabilities			
Current liabilities			
Trade and other payables	17	**755**	368
Corporation tax		**–**	424
Total liabilities		**755**	792
Total equity and liabilities		**197,396**	199,528

The Company's profit for the year was £5,429,000 (2021: £6,756,000).

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 20 March 2023.

Peter Butterfield
Director

Andrew Franklin
Director

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

Company number 04241478

Financial Statements

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ALLIANCE

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 2021	5,329	150,645	(329)	239	(1,055)	8,426	117,703	280,958
Issue of shares	53	683	–	–	–	–	–	736
Dividend paid	–	–	–	–	–	–	(8,604)	(8,604)
Share options charge (including deferred tax)	–	–	–	–	–	1,632	–	1,632
Transactions with owners	53	683	–	–	–	1,632	(8,604)	(6,236)
Profit for the year	–	–	–	–	–	–	7,319	7,319
Other comprehensive income								
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	–	–	–	(191)	–	–	–	(191)
Foreign exchange translation differences (net of deferred tax)	–	–	–	–	636	–	–	636
Total comprehensive income for the year	–	–	–	(191)	636	–	7,319	7,764
Balance - 31 December 2021	5,382	151,328	(329)	48	(419)	10,058	116,418	282,486
Balance 1 January 2022	**5,382**	**151,328**	**(329)**	**48**	**(419)**	**10,058**	**116,418**	**282,486**
Issue of shares	**18**	**322**	**–**	**–**	**–**	**–**	**–**	**340**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(9,116)**	**(9,116)**
Share options charge (including deferred tax)	**–**	**–**	**–**	**–**	**–**	**83**	**–**	**83**
Transactions with owners	**18**	**322**	**–**	**–**	**–**	**83**	**(9,116)**	**(8,693)**
Profit for the year	**–**	**–**	**–**	**–**	**–**		**936**	**936**
Other comprehensive income								
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	**–**	**–**	**–**	**83**	**–**	**–**	**–**	**83**
Foreign exchange translation differences (net of deferred tax)	**–**	**–**	**–**	**–**	**12,849**	**–**	**–**	**12,849**
Total comprehensive income for the year	**–**	**–**	**–**	**83**	**12,849**	**–**	**936**	**13,868**
Balance - 31 December 2022	**5,400**	**151,650**	**(329)**	**131**	**12,430**	**10,141**	**108,238**	**287,661**

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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 2021	5,329	150,645	7,955	34,912	198,841
Issue of shares	53	683	–	–	736
Dividend paid	–	–	–	(8,604)	(8,604)
Share options charge (including deferred tax)	–	–	1,007	–	1,007
Transactions with owners	53	683	1,007	(8,604)	(6,862)
Profit for the period and total comprehensive income	–	–	–	6,756	6,756
Balance 31 December 2021	5,382	151,328	8,962	33,064	198,736
Balance 1 January 2022	**5,382**	**151,328**	**8,962**	**33,064**	**198,736**
Issue of shares	**18**	**322**	**–**	**–**	**340**
Dividend paid	**–**	**–**	**–**	**(9,116)**	**(9,116)**
Share options charge (including deferred tax)	**–**	**–**	**1,252**	**–**	**1,252**
Transactions with owners	**18**	**322**	**1,252**	**(9,116)**	**(7,524)**
Profit for the period and total comprehensive income	**–**	**–**	**–**	**5,429**	**5,429**
Balance 31 December 2022	**5,400**	**151,650**	**10,214**	**29,377**	**196,641**

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CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	Note	Group		Company	
		Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s	**Year ended 31 December 2022 £000s**	Year ended 31 December 2021 £000s
Cash flows from operating activities					
Cash generated from operations	25	**24,929**	44,919	**(1,385)**	(961)
Tax paid		**(3,957)**	(6,260)	**–**	–
Cash flows from/(used in) operating activities		**20,972**	38,659	**(1,385)**	(961)
Investing activities					
Dividend received		**–**	–	**–**	2,600
Acquisitions	11	**(16,618)**	183	**–**	–
Purchase of intangible assets	11	**(249)**	(4,006)	**–**	–
Purchase of property, plant and equipment	12	**(358)**	(1,526)	**–**	–
Proceeds from reimbursement of property costs	12	**200**	–	**–**	–
Contribution from subsidiary	13	**–**	–	**10,069**	6,073
Proceeds from disposal of intangibles		**–**	750	**–**	–
Net cash (used in)/from investing activities		**(17,025)**	(4,599)	**10,069**	8,673
Financing activities					
Interest paid and similar charges		**(4,804)**	(2,965)	**–**	–
Capital lease payments		**(961)**	(924)	**–**	–
Proceeds from exercise of share options		**341**	736	**341**	736
Dividend paid	9	**(9,116)**	(8,604)	**(9,116)**	(8,604)
Proceeds from borrowings	21	**14,925**	–	**–**	–
Repayment of borrowings	21	**(1,261)**	(22,587)	**–**	–
Net cash provided by/(used in) financing activities		**(876)**	(34,344)	**(8,775)**	(7,868)
Net movement in cash and cash equivalents		**3,071**	(284)	**(91)**	(156)
Cash and cash equivalents at 1 January		**29,061**	28,898	**141**	297
Exchange (gains)/losses on cash and cash equivalents		**(418)**	447	**–**	–
Cash and cash equivalents at 31 December	16	**31,714**	29,061	**50**	141

In the Company cash flow statement, the 'contribution from subsidiary' cash flows have been reclassified from financing activities to investing activities. This reclassification has been made for both the year ended 31 December 2022 and the year ended 31 December 2021. In addition, no tax was paid by the Company in the year ended 31 December 2021 and as such, the 'tax paid' cash flows of £1.5m, which did not reflect a cash outflow, have been removed from the cash flow statement. The corresponding non-cash movement was included within 'contribution from subsidiary' which has also been reduced by the same amount.

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

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ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2023.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

A number of amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

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:

- Recoverability of trade receivables with a significant distributor.
- Assessment of cloud-based software costs in relation to the Group's cloud hosted ERP system.
- Identification and presentation of non-underlying items (note 5).
- Assessment of the Infringement Decision announced by the UK's Competition and Markets Authority ('CMA') (note 20).

Recoverability of trade receivables with a significant distributor

As at 31 December 2022, £12.1m of related trade receivables were outstanding with a significant distributor, with extended credit terms provided to 31 March 2023.

2. Summary of significant accounting policies continued

2.3 Judgements and estimates continued

Cash receipts since the year end amount to £2.1m (received as an early settlement) with £10.0m outstanding but not overdue at the date of this report.

The recoverability of the balance outstanding is considered a critical judgement, given the size of the balance. The distributor has no history of bad debt, and the distributor's parent has irrevocably and unconditionally guaranteed to the Group all of the distributor's obligations under the distribution agreement. Having considered these factors, the Group concludes that the amount outstanding remains recoverable.

Intangible assets – cloud-based software costs

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

In the year ended 31 December 2021, in light of the IFRIC agenda decision regarding cloud-based software, the Group reviewed its service agreements in respect of its cloud-based ERP system and considered several factors to conclude on the appropriate accounting treatment. These factors include the nature and key terms of licence arrangements, ownership of intellectual property rights, ability to restrict access to systems and the feasibility of removing software applications from the cloud environment and running them within the Group's own IT environment instead, taking into account the associated costs and potential change in functionality.

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

Identification and presentation of non-underlying items

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

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

Estimates

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

The Directors consider these estimates to be as follows:

- Key assumptions used in discounted cash flow projections for impairment testing of certain intangible assets (note 11).
- Determination of the useful economic lives for the intangible brand and distribution rights assets (note 11).

2.4 Revenue recognition

Identification of performance obligations

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

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

Transaction price

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

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

Financial Statements

2. Summary of significant accounting policies continued

2.4 Revenue recognition continued

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

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

Timing of recognition

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

Specific revenue streams

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

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

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

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

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

VPAS applies to branded, licensed medicines which are available on NHS prescription. Under the scheme, a fixed percentage of measured sales is due to the Department of Health and Social Care and the rebate is calculated and paid on a quarterly basis. For medium-sized companies, the VPAS scheme includes an exemption where total measured sales are less than £5.0m per year. As the Group's total measured sales in 2022 were under this threshold, the Group was exempt from any VPAS payments and, as a result, no amounts were deducted from revenue (2021: no deduction).

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

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

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

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

This is relevant to Nizoral™ (note 31) where the Group has transitional agreements with certain supply partners. Under the terms of the agreements, the Group receives the benefit of the net profit on sales of Nizoral™ from the date of acquisition up until the product licences in the Asia-Pacific territories transfer to Alliance. The Group has determined it is an 'agent' in these relationships as it does not control the sale of goods to third party customers.

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

Financial Statements

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, as defined by IFRS 8, and all significant operating decisions are taken by the Board.

2.7 Property, plant and equipment

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

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

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

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

2.8 Leases

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

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

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

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

2.9 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units ('CGUs') 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.

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2. Summary of significant accounting policies continued

2.9 Intangible assets and goodwill continued

(ii) Patents

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

(iii) Distribution rights

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

(iv) Computer software

Computer software comprises software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads. Software integral to an item of hardware equipment is classified as property, plant and equipment. Costs associated with maintaining software programs are recognised as an expense when they are incurred. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life from the date the software is available for use, generally eight years.

Development costs

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

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

Development costs are reviewed at least annually for impairment by assessing the recoverable amount of each cash-generating unit, to which the development costs relate.

The recoverable amount is the higher of fair value less costs to sell and value in use. Development costs not meeting the recognition criteria are expensed as incurred.

Impairment

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

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

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

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

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

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. Inventory cost for the Group is determined on a first-in-first-out basis. Inventory provisions have been made for slow-moving and obsolete stock. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

2.11 Taxation

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

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

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

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

2.12 Derivative financial instruments and hedging activities

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

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

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

Cash flow hedges

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

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Translation risk

Exchange differences arising from the translation of the net investment in foreign operations are reported in other comprehensive income and accumulated in the translation reserve. Gains and losses on those hedging instruments designated as hedges of the net investment in foreign operations, are recognised to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the Income Statement for the period. Gains and losses accumulated in the translation reserve are reclassified to the Income Statement when the foreign investment is disposed of. 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.

Financial Statements

2. Summary of significant accounting policies
continued

2.13 Non-derivative financial instruments

Modifications of financial instruments (including loans and borrowings) are reviewed quantitatively and qualitatively to determine if the modification is 'substantial'. Substantial modification of a financial liability results in derecognition of the original balance, and recognition of a new financial liability at fair value. The difference between the carrying amount of the original financial liability and the fair value of the new financial liability is charged to the Income Statement. A non-substantial modification of financial liability does not result in the derecognition of the original balance, however it may also result in a gain or loss recognised in the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The Group's trade receivables are subject to the IFRS 9 expected credit loss model. The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance based on historic default rates. The expected credit loss rate varies depending on whether and the extent to which settlement of the trade receivables is overdue.

Accrued income represents amounts owed unconditionally to the Group which have not been invoiced at the year end. For these assets, only the passage of time is required before payment becomes due.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Dividends and interest received are included in investing activities. Dividends and interest paid are included in financing activities.

Investments in debt and equity securities

The Company's investment and loans to subsidiaries is stated at amortised cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

2.14 Employee benefits – Share-based payment transactions

Employees (including Executive Directors) of the Group receive part of their remuneration in the form of share-based payments, whereby, depending on the scheme, employees render services in exchange for rights over shares ('equity-settled transactions') or entitlement to a future cash payment ('cash-settled transactions'), the amount of which is determined with reference to the Company's share price.

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value at the date on which they are granted. Where options need to be valued an appropriate valuation model is applied. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations. The cost of equity-settled transactions is fully recharged to subsidiaries.

The cost of cash-settled transactions is measured with reference to the fair value of the liability, which is taken to be the closing price of the Company's shares. Until the liability is settled it is remeasured at the end of each reporting period and at the date of settlement, with any changes in the fair value being recognised in the Income Statement.

The cost of equity-settled transactions is recognised, along with a corresponding increase in equity, over the years in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cost of cash-settled transactions is recognised, along with a provision for expected cash settlement, over the vesting period.

At each reporting date, the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of management, will ultimately vest. Management's estimates are based on the best available information at that date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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Financial Statements

2. Summary of significant accounting policies
continued

2.15 Equity

The provision of shares to satisfy certain of the Group's share option schemes can be facilitated by purchases of own shares by the Group's Employee Benefit Trust. The costs of operating the Trust is borne by the Group but is not material. To date, no shares have been purchased by the Trust for satisfaction of outstanding or future share option awards.

The Employee Benefit Trust is considered to be controlled by the Group. The activities of the Trust are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and, on this basis, the assets held by the Trust are consolidated into the Group's financial statements.

'Share capital' represents the nominal value of equity shares.

'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

'Share option reserve' represents equity-settled share-based employee remuneration.

'Retained earnings' represents retained profit.

'Other reserve' represents the difference between the fair value and nominal value of shares issued on a reverse takeover.

'Cash flow hedging reserve' represents the fair value of derivative financial instruments at the balance sheet date that are designated as cash flow hedges, net of deferred tax, less amounts reclassified through other comprehensive income.

'Translation reserve' represents gains and losses arising on translation of the net assets of overseas operations into the Group's presentation currency of Sterling.

2.16 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required for settlement and where a reliable estimate can be made of the amount of the obligation. Where material, provisions have been discounted to their present value.

Restructuring provisions are recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity

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.

In assessing whether an acquired set of assets and activities is a business or an asset, management will first elect whether to apply an optional concentration test to simplify the assessment. Where the concentration test is applied, the acquisition will be treated as the acquisition of an asset if substantially all of the fair value of the gross assets acquired (excluding cash and cash equivalents, deferred tax assets, and related goodwill) is concentrated in a single asset or group of similar identifiable assets. Where the concentration test is not applied, or is not met, a further assessment of whether the acquired set of assets and activities is a business will be performed.

2.18 Going concern

The Group is in a net current asset position of £58.5m (2021: £40.4m). 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 and the directors have a reasonable expectation that a refinancing of the facility will be concluded in the coming months. The amount drawn as at 31 December 2022 was £134.1m (2021: £117.0m) and £134.0m as at 28 February 2023.

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2. Summary of significant accounting policies continued

2.18 Going concern continued

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.

Also, the Directors have considered the sensitivity of cash flow forecasts to severe downside scenarios, including the impact of a potential payment of a £7.9m CMA fine. In particular, the Directors considered a reasonably possible downside scenario which models severe disruption to CBEC sales resulting in a decline in EBITDA against budget of over 30%. Even in this severe 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. Only interest rate rises above current market projections would result in a breach of the interest cover covenant under this scenario. In isolation, interest rates would need to rise by over 2% (200bp) above current market projections to cause a breach in the interest cover covenant, before the impact of any mitigating actions.

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. All covenants have been fully complied with to date. 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 31.

The Group does not consider adjusted profitability measures or APMs to be a substitute for, or superior to, IFRS measures.

3. Revenue and segmental information

The Group's reportable segments are the strategic business units that represent different parts of the overall product portfolio, these being Consumer Healthcare brands and Prescription Medicines. The business units are managed separately as each portfolio requires different expertise to deliver the corresponding product offering as a result of the inherently different characteristics of these product types.

Operating segments reflect the way in which information is presented to and reviewed by the CODM for the purposes of making strategic decisions and assessing Group-wide performance. The Group's Board of Directors ('the Board') is the Group's CODM. The Group evaluates performance of the operational segments on the basis of revenue and gross profit. Other than intangible assets, disclosed in note 11, assets and liabilities are reported to the Board at Group level and are not separated segmentally.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Revenue and segmental information continued

Revenue

Revenue information by brand	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Consumer Healthcare brands:		
Kelo-Cote™ franchise	**50,039**	48,845
Amberen™	**14,909**	19,233
Nizoral™*	**17,231**	14,189
MacuShield™	**9,080**	8,829
Aloclair™	**9,272**	5,773
Vamousse™	**4,602**	4,110
Other Consumer Healthcare brands	**15,489**	14,397
Total revenue – Consumer Healthcare brands:	**120,622**	115,376
Prescription Medicines:		
Hydromol	**8,070**	7,009
Flamma Franchise	**6,548**	6,610
Forceval	**5,872**	5,685
Other prescription medicines	**26,304**	28,527
Total revenue – Prescription Medicines	**46,794**	47,831
Total revenue	**167,416**	163,207

* Nizoral™ statutory revenue includes revenue generated on an agency basis. Nizoral™ revenue presented on a see-through Income Statement basis is included as an alternative performance measure in note 31.

Classification by geography is based on customer location.

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Europe, Middle East and Africa (EMEA)	**78,920**	89,188
Asia Pacific and China (APAC)	**59,186**	48,030
Americas (AMER)	**29,310**	25,989
Total revenue	**167,416**	163,207

Operating segment results

	Year ended 31 December 2022		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £000s
Revenue	**120,622**	**46,794**	**167,416**
Cost of sales	**(43,019)**	**(22,714)**	**(65,733)**
Gross profit	**77,603**	**24,080**	**101,683**

	Year ended 31 December 2021		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £000s
Revenue	115,376	47,831	163,207
Cost of sales	(31,545)	(22,212)	(53,757)
Gross profit	83,831	25,619	109,450

Major customers

The revenues from the Group's largest customers in the year ended 31 December 2022 (customers separately comprising more than 10% of the Group's revenue) are as follows. In 2021, no customers separately comprised 10% or more of revenue.

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Major customer 1 (Consumer Healthcare sales in EMEA and APAC)	**21,461**	14,228
Major customer 2 (Consumer Healthcare sales in APAC)	**17,898**	11,064

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4. Profit before taxation

Profit before taxation is stated after charging/(crediting):	**Year ended 31 December 2022 £000s**	Year ended 31 December 2021 £000s
Amounts receivable by the Company's auditor and its associates in respect of:		
– The audit of these financial statements	**480**	96
– The audit of the financial statements of subsidiaries	**220**	326
– Other assurance services (covenant compliance and other regulatory compliance services)	**17**	5
Amortisation of intangible assets	**9,202**	8,530
Impairment of intangible assets	**18,234**	6,150
CMA provision	**–**	7,900
Share options charge	**92**	2,250
Depreciation of plant, property and equipment	**1,558**	1,575
Gain on foreign exchange transactions	**(56)**	(205)

5. Non-underlying items

The Group presents a number of non-IFRS measures which exclude the impact of significant non-underlying items. This is to allow investors to understand the underlying trading performance of the Group, and can exclude items such as: amortisation and impairment of acquired intangible assets; restructuring costs; significant gains or losses on disposal; remeasurement and accounting for the passage of time in respect of contingent considerations; and the revaluation of deferred tax balances following substantial tax legislation changes. This assessment requires judgement to be applied by the Directors as to which transactions are non-underlying and whether this classification enhances the understanding of the users of the financial statements.

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Amortisation of acquired intangible assets	**(7,238)**	(7,168)
Impairment of goodwill and intangible assets	**(18,234)**	(6,150)
CMA provision	**–**	(7,900)
Restructuring costs	**–**	(2,420)
Other	**369**	(423)
Total non-underlying items before taxation	**(25,103)**	(24,061)
Taxation on non-underlying items	**2,962**	2,167
Impact of UK tax rate change from 19% to 25%	**–**	(4,972)
Non-underlying taxation	**2,962**	(2,805)
Total non-underlying items after taxation	**(22,141)**	(26,866)

Amortisation of intangible assets

The amortisation costs of acquired intangible assets are a significant item considered unrelated to trading performance, and as such have been presented as non-underlying. This classification is in line with the majority of peer companies of the Group.

Impairment of goodwill and intangible assets

The impairment reviews for the Group's intangible assets resulted in impairment losses as the carrying value of certain cash-generating units exceeded estimated recoverable amounts. Further details are provided in note 11. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to 2022 trading performance, and have been presented as non-underlying.

CMA provision

The CMA provision of £7.9m recognised in the year ended 31 December 2021 relates to the CMA Infringement Decision which is detailed further in note 20. This is considered unrelated to trading performance, and as such has been presented as non-underlying.

Financial Statements

5. Non-underlying items continued

Restructuring costs

Costs of Group restructuring in the year ended 31 December 2021 (£2.4m) related to the closure of the Milan and Los Angeles offices. These costs are a significant item considered unrelated to 2021 trading performance, and as such have been presented as non-underlying.

Other non-underlying items

The other non-underlying items relate to capitalised professional fees in relation to the ScarAway™ acquisition which completed in March 2022. These costs were incurred in 2021 as non-underlying costs and capitalised in 2022 post-completion.

Impact of UK tax rate change from 19% to 25%

In the Budget on 3 March 2021, a change to UK corporation tax rates was announced, increasing the main rate from 19% to 25% with effect from 1 April 2023. The impact on deferred tax of this further rate increase is included in these financial statements as a non-underlying item for the year ended 31 December 2021.

6. Finance costs

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Interest payable and similar charges		
On loans and overdrafts	**(4,668)**	(2,904)
Amortised finance issue costs	**(648)**	(639)
Interest on lease liabilities	**(117)**	(103)
	(5,433)	(3,646)
Finance income		
Interest income	**16**	23
Net exchange gains	**56**	205
	72	228
Finance costs – net	**(5,361)**	(3,418)

7. Directors and employees

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

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Wages and salaries	**18,777**	18,886
Social security costs	**2,040**	2,077
Other pension costs (note 28)	**1,345**	1,306
Share-based employee remuneration (note 24)	**92**	2,250
	22,254	24,519

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Management and administration	**249**	**255**

Key management of the Group is the Board of Directors (including Non-executive Directors) and the Senior Leadership Team (SLT). Benefit expenses in respect of the key management were as follows:

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Key management remuneration	**1,699**	3,442
Pension contributions	**114**	121
	1,813	3,563

During the year contributions were paid to defined contribution schemes for two Executive Directors (2021: two).

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7. Directors and employees continued

Gain on share options exercised by Executive Directors during the year was £90,000 (2021: £363,000). The notional non-cash IFRS 2 share-based payment expense in respect of Directors was £461,000 (2021: £256,000).

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

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Emoluments for qualifying services	**368**	587
Pension contributions	**32**	29
	400	616

The notional non-cash IFRS 2 share-based payment expense in respect of the Director was £160,000 (2021: £177,000).

Average number of members of the Board of Directors (including Non-executive Directors) for the year ended 31 December 2022 was six (2021: six).

8. Taxation

Analysis of the charge for the period is as follows:

	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s
Corporation tax		
In respect of current period	**5,669**	6,069
Adjustment in respect of prior periods	**110**	(65)
	5,779	6,004
Deferred tax (see note 22)		
Origination and reversal of temporary differences	**(837)**	4,471
Adjustment in respect of prior periods	**(670)**	363
Taxation	**4,272**	10,838

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 2022 £000s	Year ended 31 December 2021 £000s
Profit before taxation	**5,208**	18,157
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2021: 19.00%)	**989**	3,449
Effect of:		
Non-deductible expenses	**2,583**	1,888
Non-taxable income	**–**	(4)
Adjustment in respect of prior periods	**(560)**	298
Differences between current and deferred tax rates	**(104)**	4,972
Differing tax rates on overseas earnings	**(266)**	114
Unrecognised losses	**(6)**	246
Foreign exchange	**1,427**	96
Share options	**315**	(352)
Movement in other tax provisions	**(106)**	131
Total taxation	**4,272**	10,838

A change to UK corporation tax was announced in the Budget on 3 March 2021, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The taxation charge for the year ended 31 December 2021 includes the impact on deferred tax of this increase.

The Group has calculated 'underlying effective tax rate' as an alternative performance measure in note 31.

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9. Dividends

An interim dividend of 0.592p per share for the 2022 financial year was paid on 19 January 2023.

	Year ended 31 December 2022 Pence/share	£000s
Amounts recognised as distributions to owners in 2022		
Interim dividend for the 2021 financial year	**0.563**	**3,030**
Final dividend for the 2021 financial year	**1.128**	**6,086**
Total dividend	**1.691**	**9,116**

The interim dividend for 2021 was paid on 7 January 2022. The final dividend for 2021 was paid on 7 July 2022.

9. Dividends

	Year ended 31 December 2021 Pence/share	£000s
Amounts recognised as distributions to owners in 2021		
Interim dividend for the 2020 financial year	0.536	2,857
Final dividend for the 2020 financial year	1.074	5,747
Total dividend	1.610	8,604

The interim dividend for 2020 was paid on 7 January 2021. The final dividend for 2020 was paid on 8 July 2021.

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 2022	Year ended 31 December 2021
Basic EPS calculation	**539,480,306**	535,295,583
Employee share options	**5,800,317**	7,039,113
Diluted EPS calculation	**545,280,623**	542,334,696

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 2022 £000s	Year ended 31 December 2021 £000s
Earnings for basic and diluted EPS	**936**	7,319
Non-underlying items (note 5)	**22,141**	26,866
Earnings for underlying basic and diluted EPS	**23,077**	34,185

The resulting EPS measures are:

	Year ended 31 December 2022 Pence	Year ended 31 December 2021 Pence
Basic EPS	**0.17**	1.37
Diluted EPS	**0.17**	1.35
Underlying basic EPS	**4.28**	6.39
Underlying diluted EPS	**4.23**	6.30

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Goodwill and intangible assets

The Group	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Computer software £000s	Total £000s
Cost					
At 1 January 2022	**32,382**	**260,080**	**151,544**	**15,043**	**459,049**
Additions	–	**16,386**	–	**249**	**16,635**
Exchange adjustments	**2,244**	**15,296**	**1,147**	–	**18,687**
At 31 December 2022	**34,626**	**291,762**	**152,691**	**15,292**	**494,371**
Amortisation and impairment					
At 1 January 2022	**1,144**	**8,185**	**34,614**	**1,362**	**45,305**
Non-underlying impairment for the year	**11,952**	**1,164**	**5,118**	–	**18,234**
Non-underlying amortisation for the year	–	**226**	**7,012**	–	**7,238**
Underlying amortisation for the year	–	–	–	**1,964**	**1,964**
At 31 December 2022	**13,096**	**9,575**	**46,744**	**3,326**	**72,741**
Net book amount					
At 31 December 2022	**21,530**	**282,187**	**105,947**	**11,966**	**421,630**
At 1 January 2022	31,238	251,895	116,930	13,681	413,744

The Group	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Computer software £000s	Total £000s
Cost					
At 1 January 2021	32,404	258,203	152,890	–	443,497
Transfer from property, plant and equipment	–	–	–	11,037	11,037
Additions	–	–	–	4,006	4,006
Acquisition	(183)	–	–	–	(183)
Exchange adjustments	161	1,877	(1,346)	–	692
At 31 December 2021	32,382	260,080	151,544	15,043	459,049
Amortisation and impairment					
At 1 January 2021	1,144	6,459	23,022	–	30,625
Non-underlying impairment for the year	–	1,500	4,650	–	6,150
Non-underlying amortisation for the year	–	226	6,942	–	7,168
Underlying amortisation for the year	–	–	–	1,362	1,362
At 31 December 2021	1,144	8,185	34,614	1,362	45,305
Net book amount					
At 31 December 2021	31,238	251,895	116,930	13,681	413,744
At 1 January 2021	31,260	251,744	129,868	–	412,872

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11. Goodwill and intangible assets continued

Acquisitions

Included in additions in the year is £15.2m relating to the purchase of the ScarAway™ brand asset which completed in March 2022 and £1.2m relating to the purchase of an Aloclair™ brand asset which completed in October 2022.

Useful economic lives

The Group segregates its portfolio of assets into two areas: Consumer Healthcare brands and Prescription Medicines. The Directors have considered the continuing appropriateness of the useful economic lives assigned to the assets.

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. 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.

For Prescription Medicines brand assets, finite useful lives of up to 20 years were adopted prospectively from 1 January 2020. The determination of this lifespan considered all relevant factors for each individual asset, including typical pharmaceutical asset life cycles and the potential development of alternative treatments over time and the remaining useful lives of these brands are considered to remain appropriate.

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.

The Prescription Medicines brand assets have a weighted average remaining life of 17 years at 31 December 2022 (2021: 18 years).

The net book value of intangible assets and goodwill which are considered to have indefinite useful lives are allocated to CGUs in the following table. Goodwill relating to the acquisition of certain assets and businesses from Sinclair IS Pharma plc is allocated to the group of related Consumer Healthcare and Prescription Medicines product CGUs. Other goodwill amounts are allocated to the product CGU with which they were originally acquired. Intangible assets that are considered to have indefinite lives all relate to the Consumer Healthcare segment, except for Sinclair Prescription Medicines goodwill.

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11. Goodwill and intangible assets continued

Useful economic lives continued

	31 December 2022		
	Goodwill £000s	Consumer healthcare brands and distribution rights £000s	Total £000s
Ameren™	4,983	100,000	104,983
Nizoral™	–	60,307	60,307
Kelo-Cote™ (US rights and ScarAway™)	–	15,202	15,202
Vamousse™	–	11,596	11,596
MacuShield™	1,748	8,740	10,488
Ashton and Parsons	–	1,562	1,562
Aloclair™ (non-Sinclair)	–	1,184	1,184
Lefuzhi	–	1,009	1,009
Anbesol	–	987	987
Aiweidi	–	138	138
Opus range	1,849	–	1,849
Cambridge intangibles	598	–	598
Products acquired from Sinclair			
Kelo-Cote™ (non EU, excluding US)	–	45,567	45,567
Kelo-Cote™ (EU)	–	17,800	17,800
Aloclair™ (Sinclair)	–	14,000	14,000
Atopiclair	–	2,300	2,300
Goodwill – Sinclair Prescription Medicines	1,722	–	1,722
Goodwill – Sinclair Consumer Healthcare	10,630	–	10,630
Assets with indefinite lives	21,530	280,392	301,922

Impairment

As explained in note 2.9, all intangible assets are stated at cost less accumulated amortisation and impairment.

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. For intangible assets with an indefinite life, assets with a finite life that show indicators of impairment, and goodwill, this includes estimation of the recoverable amount. 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 CGU, which corresponds to the higher of the fair value less costs to sell or its value in use.

The value in use calculation uses cash flow projections based on financial forecasts for up to the next five years extrapolated to perpetuity. Financial forecasts for the following year are based on the approved annual budget. Financial forecasts for years two to five are based on the approved long-range plan. Margins are based on past experience and cost estimates.

As a result of the impairment review for the year ended 31 December 2022, the following impairment charges were identified:

- Goodwill relating to Ameren™ impaired by £12.0m (2021: £nil) due to a reduction in expected cash flows because of challenging market conditions and an increase in the discount rate applied to these cash flows which is the result of increasing market interest rates.
- Consumer healthcare brand and distribution rights assets impaired by £1.2m (2021: £1.5m) due to viability of future sales in the current market.
- Prescription medicine brand and distribution rights assets impaired by £5.1m (2021: £4.7m) due to viability of future sales in the current market, supply issues, and increasing costs resulting from changes in the regulatory framework.

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11. Goodwill and intangible assets continued

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 7.0%–12.4%, or pre-tax 9.4%–14.5% (2021: 6.3%–8.6%, or pre-tax 7.9%–10.8%). The Group's WACC has increased as a result of the increase in risk-free rate due to changes in government bond yields, the increase in small stock premium to recognise the Group's reduction in market capitalisation, offset to an extent by a small reduction in the equity beta based on sector market data.
- Estimation uncertainty: The assumptions included in the compilation of the CGU-specific discount rates are designed to approximate the discount rate that a potential market participant would adopt. Given the nature of the Group's business model, the discount rate necessarily includes estimation uncertainty.

Forecast cash flows

- Methodology: Approved budgets and forecasts for up to five years, based on management's best estimate of cash flows by individual CGU. These forecasts are then uplifted for the CGU's remaining useful economic life, or to perpetuity for assets with indefinite useful lives, using growth/decline rates between -5.5% to 2.0% (2021: -2.5% to 2.0%) based on the Group's long-term projections.
- Estimation uncertainty: The growth rates assumed in the Group's budgets and forecasts inherently include estimation uncertainty relating to the achievement of commercial initiatives and external factors such as competition.

Sensitivity analysis

The Group has conducted sensitivity analysis on the impairment tests. The valuations generally indicate sufficient headroom and, except for Amberen™ which is detailed below, the Group does not consider that any reasonably possible change in key assumptions could result in an impairment.

Management has identified that for the goodwill and brand and distribution rights related to Amberen™, a reasonable possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount:

1) The recoverable amount is sensitive to changes in the discount rate applied, particularly in the context of market volatility and increasing interest rates.

2) The recoverable amount is sensitive to changes in the cash flow forecasts which are dependent on key revenue growth assumptions.

The following table shows the potential impact of reasonably possible changes to individual assumptions on the estimated recoverable amount of the Amberen™ CGU. As the carrying value is equal to the recoverable amount at 31 December 2022, this would result in an increase in impairment.

		Decrease in CGU recoverable amount £000s	
	Headroom	2.0% (200bp) increase in pre-tax discount rate	20% reduction in cash flow forecasts, before the impact of mitigating actions
Amberen™	–	**(20,598)**	**(17,700)**

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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 2022	2,037	3,730	73	6,306	12,146
Additions	153	205	–	1,997	2,355
Transfers	108	(108)	–	–	–
Effects of movements in exchange rates	(30)	323	1	(172)	122
Disposals	(69)	(206)	–	(2,901)	(3,176)
At 31 December 2022	**2,199**	**3,944**	**74**	**5,230**	**11,447**
Depreciation					
At 1 January 2022	1,670	1,741	36	3,873	7,320
Provided in the year	153	541	13	851	1,558
Transfers	108	(108)	–	–	–
Effect of movements in exchange rates	(5)	32	–	(60)	(33)
Disposals	(69)	(6)	–	(2,901)	(2,976)
At 31 December 2022	**1,857**	**2,200**	**49**	**1,763**	**5,869**
Net book amount					
At 31 December 2022	**342**	**1,744**	**25**	**3,467**	**5,578**
At 1 January 2022	367	1,989	37	2,433	4,826

The Group	Computer software and equipment £000s	Fixtures, fittings & equipment £000s	Plant & machinery £000s	Right-of-use lease assets £000s	Total £000s
Cost					
At 1 January 2021	13,048	2,511	32	6,739	22,330
Additions	162	1,323	41	275	1,801
Transfer to intangible assets	(11,037)	–	–	–	(11,037)
Disposals	(136)	(104)	–	(708)	(948)
At 31 December 2021	2,037	3,730	73	6,306	12,146
Depreciation					
At 1 January 2021	1,620	1,408	8	3,373	6,409
Provided in the year	186	446	28	915	1,575
Effect of movements in exchange rates	–	(9)	–	–	(9)
Disposals	(136)	(104)	–	(415)	(655)
At 31 December 2021	1,670	1,741	36	3,873	7,320
Net book amount					
At 31 December 2021	367	1,989	37	2,433	4,826
At 1 January 2021	11,428	1,103	24	3,366	15,921

Property, plant and equipment of £3.2m is located within the United Kingdom (2021: £4.1m). The remaining balance is located in France, China, Singapore, Spain, Germany and the United States of America. Right-of-use assets relate to the Group's leased offices.

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13. Investments

The Company	Investment and loans to subsidiary undertakings £000s
Cost	
At 1 January 2022	**199,348**
Net movements	**(2,095)**
At 31 December 2022	**197,253**
At 1 January 2021	199,776
Net movements	(428)
At 31 December 2021	199,348

The investment balance includes outstanding intercompany debt due from subsidiaries of £176.1m (note 29). The Directors do not consider that this amount will be demanded by the Company and therefore it has been classified as an investment. No provision has been recognised for estimated credit losses on loans to subsidiaries, as it is considered these would be immaterial.

The net movement for the year ended 31 December 2022 included interest charged of £8.4m (2021: £6.1m), the recharge of the share option charge of £1.3m (2021: £1.1m), the dividend received of £nil (2021: £2.6m) and payments received to reduce the loan.

The subsidiary and associated undertakings where the Group held 20% or more of the equity share capital at 31 December 2022 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 S.r.l.	Italy	100	Pharmaceutical sales
Alliance Pharmaceuticals Limited*	England & Wales	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
Alliance Pharma (Ireland) Limited	Republic of Ireland	100	Pharmaceutical sales
Alliance Pharmaceuticals GmbH*	Germany	100	Non-trading
Alliance Pharmaceuticals GmbH* – Swiss Branch	Switzerland	100	Non-trading
Alliance Pharmaceuticals SAS*	France	100	Non-trading
Alliance Pharma (Singapore) Private Limited*	Singapore	100	Non-trading
Alliance Pharmaceuticals (Asia) Limited*	Hong Kong	100	Non-trading
Opus Healthcare Limited	Republic of Ireland	100	Dormant
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

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Investments continued

Company	Country of registration or incorporation	% owned	Nature of business
MacuVision Europe Limited	England & Wales	100	Dormant
Maelor Laboratories 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.	11000 Regency Pkwy, Ste 106, Cary NC 27518, United States
	Alliance Pharma Inc.	11000 Regency Pkwy, Ste 106, Cary NC 27518, United States
France	Alliance Pharmaceuticals SAS	13 rue Paul Valéry, 75016, Paris, France
	Alliance Pharma France SAS	13 rue Paul Valéry, 75016, Paris, France
China	Alliance Pharmaceuticals Lifescience Technology (Shanghai) Co.,Limited	Suite 701, NanFung Tower, No. 1568, Road Huashan, Shanghai, 200030, P.R.China
Germany	Alliance Pharmaceuticals GmbH	Niederkasseler Lohweg 175, 40547, Dusseldorf, Germany
Hong Kong	Alliance Pharmaceuticals (Asia) Limited	Room 2105, 21/F Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong
Italy	Alliance Pharma S.r.l.	Viale Francesco Restelli 5, 20124, Milano, Italy
Republic of Ireland	Alliance Pharma (Ireland) Limited	United Drug House, Magna Drive, Dublin, D24 X0CT, Ireland
	Opus Healthcare Limited	6th Floor, South Bank House, Barrow Street, Dublin 4
Singapore	Alliance Pharma (Singapore) Private Limited	1 Scotts Road, Shaw Centre 22-06, 228208, Singapore
Spain	Alliance Pharmaceuticals Spain SL	Regus Business Center Torre de Cristal, Paseo de la Casstellana, 259 C Planta 18, Cuatro Torres Business area 28046, Madrid, Spain
Switzerland (Branch)	Alliance Pharmaceuticals GmbH Düsseldorf	Bahnhofstrasse 37, Postfach 2818, CH-8021 Zürich, Switzerland
Thailand	Alliance Pharmaceuticals (Thailand) Co., Ltd	No. 444 Olympia Thai Tower, 8th Floor, Ratchadapisek Road, Samsennok Sub-district, Huaykwang District, Bangkok, Thailand
England & Wales	All Companies	Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB
Northern Ireland	Caraderm Limited	6 Trevor Hill, Newry, County Down, BT34 1DN
Philippines	Alliance Pharmaceuticals (Philippines) Corporation	30/F 88 Corporate Center Sedeno Cor.Valero STS., BEL-AIR 1209, City of Makati NCR, Fourth District, Philippines
India	Alliance CHC (India) Private Limited	314, Bhaveshwar Arcade Annexe, LBS Marg, Opp. Shreyas Cimema, Ghatkopar West Mumbai, Bandra Suburban, MH 400086 IN

Unless otherwise stated, the share capital comprises Ordinary shares and the ownership percentage is provided for each undertaking. All subsidiary undertakings prepare accounts to 31 December.

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14. Inventories

The Group	**31 December 2022 £000s**	31 December 2021 £000s
Finished goods	**21,804**	20,111
Work in progress	**416**	23
Raw materials	**5,083**	4,177
Inventory provision	**(3,017)**	(3,236)
	24,286	21,075

Inventory costs expensed through the Income Statement during the year were £59,566,000 (2021: £52,932,000). During the year £993,000 (2021: £534,000) was recognised as an expense relating to the write-down of inventories to net realisable value.

15. Trade and other receivables

	The Group		The Company	
	31 December 2022 £000s	31 December 2021 £000s	**31 December 2022 £000s**	31 December 2021 £000s
Trade receivables	**44,764**	23,929	**–**	–
Other receivables	**2,775**	1,953	**85**	31
Prepayments	**1,094**	3,102	**8**	8
Accrued income	**691**	1,837	**–**	–
	49,324	30,821	**93**	39

Accrued income, which is all classified as not past due, represents amounts owed unconditionally to the Group which have not been invoiced at the year end. For these assets, only the passage of time is required before payment becomes due.

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

Trade receivables, net of estimated allowances for expected credit losses	**31 December 2022 £000s**	31 December 2021 £000s
Not past due	**41,642**	20,405
1–30 days past due	**2,514**	2,573
31–60 days past due	**432**	633
61–90 days past due	**176**	318
Past 91 days	**–**	–
	44,764	23,929

Trade receivables, gross of estimated allowances for expected credit losses	**31 December 2022 £000s**	31 December 2021 £000s
Not past due	**41,642**	20,405
1–30 days past due	**2,514**	2,573
31–60 days past due	**432**	633
61–90 days past due	**197**	389
Past 91 days	**390**	780
	45,175	24,780

As at 31 December 2022, trade and other receivables of £411,000 (2021: £851,000) 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.

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16. Cash and cash equivalents

	The Group		The Company	
	31 December 2022 £000s	31 December 2021 £000s	**31 December 2022 £000s**	31 December 2021 £000s
Sterling	**10,556**	17,541	**50**	141
Euros	**8,214**	3,862	**–**	–
US Dollars	**3,758**	2,427	**–**	–
Thai Baht	**3,991**	3,060	**–**	–
Other currencies	**5,195**	2,171	**–**	–
Cash at bank and in hand	**31,714**	29,061	**50**	141

17. Trade and other payables

	The Group		The Company	
	31 December 2022 £000s	31 December 2021 £000s	**31 December 2022 £000s**	31 December 2021 £000s
Trade payables	**18,567**	8,341	**111**	–
Other taxes and social security costs	**1,546**	2,773	**–**	–
Accruals	**13,972**	17,512	**644**	368
Other payables	**918**	848	**–**	–
Lease liabilities	**613**	456	**–**	–
	35,616	29,930	**755**	368

18. Loans and borrowings

The Group has a £165m fully Revolving Credit Facility ('RCF'), together with a £50m Accordion Facility, with a syndicate of lenders. This facility is available until July 2024. This has been classified as a non-current liability (note 2.18). The bank facility is secured by a fixed and floating charge over the Company's and Group's assets registered with Companies House. The loan commitments are all 'investment grade' as at the balance sheet date.

	The Group		The Company	
Non-current	**31 December 2022 £000s**	31 December 2021 £000s	**31 December 2022 £000s**	31 December 2021 £000s
Bank loans:				
Secured	**134,065**	117,025	**–**	–
Finance issue costs	**(321)**	(965)	**–**	–
	133,744	116,060	**–**	–

Movement in loans and borrowings	**31 December 2022 £000s**	31 December 2021 £000s
At 1 January	**116,060**	138,328
Net (payments)/receipts from borrowing	**13,664**	(22,587)
Additional prepaid arrangement fees	**–**	–
Amortisation of prepaid arrangement fees	**648**	628
Exchange movements*	**3,372**	(309)
At 31 December	**133,744**	116,060

* Exchange movements on loans and borrowings with effective net investment hedges are reported in other comprehensive income and accumulated in the translation reserve.

19. Other non-current liabilities

	The Group		The Company	
	31 December 2022 £000s	31 December 2021 £000s	**31 December 2022 £000s**	31 December 2021 £000s
Lease liabilities	**3,219**	2,426	–	–
Other non-current liabilities	**196**	211	–	–
	3,415	2,637	–	–

20. Provisions

	CMA provision (£000s)	Restructuring provision (£000s)	Total (£000s)
At 1 January 2022	**7,900**	**1,569**	**9,469**
Provisions utilised during the year	**–**	**(1,078)**	**(1,078)**
Exchange differences	**–**	**31**	**31**
At 31 December 2022	**7,900**	**522**	**8,422**

On 23 May 2019 the UK's Competition and Markets Authority ('CMA') issued a Statement of Objection alleging anti-competitive agreement involving the Group and certain other pharmaceutical companies in relation to the sale of prescription prochlorperazine. Prochlorperazine is one of the Group's smaller products and had peak sales in 2015 of £1.9m and sales of £0.1m in 2022 (2021: £0.7m).

On 3 February 2022, the CMA announced its finding that four companies, including Alliance, had infringed competition law (the 'Infringement Decision'). The Alliance Board fundamentally disagrees with the CMA's finding.

The Group believes that it has a strong case and has appealed the CMA's decision, and the proposed fine of £7.9m, with its appeal now fixed to be heard at the Competition Appeal Tribunal from 5 June 2023.

Despite its Appeal, the Directors believe that, as a result of the Infringement Decision, a provision of £7.9m should be recorded at 31 December 2022 (2021: £7.9m).

This reflects the maximum amount of the proposed fine communicated by the CMA, and therefore, notwithstanding the Directors' belief as to the merits of the grounds on which it is appealing the CMA decision, the Directors consider this to be the appropriate position given that, in the event that the Group's appeal proved to be unsuccessful, the ultimate level of the fine cannot be greater than this. In addition, in the event the Group's appeal were to prove to be unsuccessful, the Directors consider that there are strong grounds upon which the amount of the fine could be reduced. However, as this is a matter which cannot be predicted with certainty at this time the Directors believe that the most appropriate course of action is to include the maximum potential amount of the fine.

If the appeal is unsuccessful, the Group may also be liable for a proportion of the legal costs of the CMA relating to the appeal. The Group has not recorded a provision in relation to these potential litigation costs as their amount cannot be reliably estimated.

In accordance with IAS 37.92, the Group does not provide further information on the grounds that this could seriously prejudice the outcome of the appeal.

The restructuring provision of £0.5m at 31 December 2022 (2021: £1.6m) relates to the balance of restructuring costs in relation to the closure of the Milan office following a change to the operating model for our direct-to-market business in Italy. The remaining related outflows are expected to occur in the year ending 31 December 2023.

Financial Statements

21. Financial instruments

The Group uses financial instruments comprising borrowings, derivatives, cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk. The Board is responsible for risk management policies on managing each of these, which are summarised below, except credit risk which is detailed in note 15.

Liquidity risk

The Group's operations are financed by retained earnings and bank borrowings, with additional equity being raised on a periodic basis to finance larger acquisitions. Borrowings are denominated in Sterling, Euro and US Dollars. The purpose of Euro and US Dollar borrowings are to manage the currency exposure arising from the Group's operations.

The Group has a £165m fully Revolving Credit Facility ('RCF'), together with a £50m Accordion Facility, with a syndicate of lenders. This facility is available until July 2024.

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll-over the debt. This is due to mitigating actions it could take to maintain compliance with these conditions, including future covenant requirements, even in downside scenarios. The Directors therefore believe that the Group has the ability and the intent to roll-over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

The Group also has access to an overdraft facility of £2.0m.

The maturity profile of the Group's financial gross (capital and interest) liabilities, except forward foreign exchange contracts for which maturity is disclosed separately, at the year-end is as follows:

	31 December 2022				
	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	**35,003**	**–**	**–**	**–**	**35,003**
Bank loans*	**134,065**	**–**	**–**	**–**	**134,065**
Lease liabilities	**613**	**594**	**1,263**	**1,362**	**3,832**
	169,681	**594**	**1,263**	**1,362**	**172,900**

* Includes an amount of £130.1m (2021: £117.1m) 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 2022. 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 2021				
	In one year or less £000s	In more than one year, but not more than two £000s	In more than two years, but not more than five £000s	In more than five years £000s	Total £000s
Trade and other payables	36,166	–	–	–	36,166
Bank loans*	117,057	–	–	–	117,057
Lease liabilities	539	391	900	1,244	3,074
	153,762	391	900	1,244	156,297

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21. Financial instruments continued

Liquidity risk continued

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

	31 December 2022 In one year or less £000s	31 December 2021 In one year or less £000s
Trade and other payables	**755**	368

Interest rate risk

The Group's debt is provided on a floating interest rate basis.

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

Floating rate interest exposure	**31 December 2022 £000s**	31 December 2021 £000s
At 31 December 2022		
Bank loans – Sterling denominated	**96,817**	96,817
Bank loans – Euro denominated	**6,987**	7,895
Bank loans – US Dollar denominated	**30,261**	12,313
Total financial liabilities	**134,065**	117,025
Unamortised issue costs	**(321)**	(965)
Net book value of financial liabilities	**133,744**	116,060

The Sterling floating rate borrowings bear interest at a rate based on SONIA for the year ended 31 December 2022. 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 SONIA would have reduced pre-tax profits by approximately £0.5m in 2022. A 0.5% decrease would have the opposite effect.

Because of the size of the Euro-denominated loan, a 0.5% increase or decrease in EURIBOR would not have affected pre-tax profits in 2022.

A 0.5% increase in US LIBOR would have reduced pre-tax profits by approximately £0.1m in 2022. A 0.5% decrease would have the opposite effect.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily Sterling, Euro, US Dollars and Hong Kong Dollars.

Approximately 25% of the Group's sales are invoiced in Euro, 33% invoiced in US Dollars and 6% invoiced in Hong Kong Dollars. 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 31) in 2022. On the same basis, 5% weakening or strengthening of Sterling against the US Dollar would have resulted in a £0.7m gain or loss to EBITDA in 2022.

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.

Financial Statements

21. Financial instruments continued

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 2022 Carrying value £000s	31 December 2021 Carrying value £000s
Forward foreign exchange contracts	2	**174**	64
		174	64

For the other financial assets and liabilities, the carrying amount is a reasonable approximation of fair value and therefore no further disclosure is provided. The valuation techniques used for instruments categorised in Level 2 are described below:

Forward foreign exchange contracts (Level 2)

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

Counterparty banks perform valuations of currency rate swaps for financial reporting purposes, determined by discounting the future cash flows at rates determined by year-end spot and forward rate. The valuation processes and fair value changes are discussed by the Audit and Risk Committee and the Finance team at least every half year, in line with the Group's reporting dates.

Forward foreign exchange contract assets and liabilities are presented in 'Derivative financial instruments' (either as assets or as liabilities) within the statement of financial position.

At 31 December 2022, the Group held the following forward exchange contracts to hedge exposures to changes in foreign currency rates:

	Maturity		
	1–6 months	**6–12 months**	**More than one year**
Forward exchange contracts			
Net exposure (£000s)	**117**	**40**	**17**
Average GBP:USD forward contract rate	**1.195**	**1.200**	**1.196**
Average GBP:EUR forward contract rate	**1.131**	**1.123**	**1.120**
Average GBP:HKD forward contract rate	**–**	**–**	**–**

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21. Financial instruments continued

At 31 December 2021, the Group held the following forward exchange contracts to hedge exposures to changes in foreign currency rates:

	Maturity		
	1–6 months	6–12 months	More than one year
Forward exchange contracts			
Net exposure (£000s)	54	10	–
Average GBP:USD forward contract rate	1.370	1.367	–
Average GBP:EUR forward contract rate	1.138	–	–
Average GBP:HKD forward contract rate	10.508	10.488	–

Group

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

Financial assets	31 December 2022 £000s	31 December 2021 £000s
Financial assets at amortised cost		
Trade receivables	**44,764**	23,929
Accrued income	**691**	1,837
Cash and cash equivalents	**31,714**	29,061
Derivative financial instruments		
Used for hedging	**174**	64
	77,343	54,891

Financial liabilities	31 December 2022 £000s	31 December 2021 £000s
Financial liabilities at amortised cost		
Trade and other payables	**33,457**	36,166
Loans and borrowings	**134,108**	117,057
Lease liabilities	**3,832**	2,882
	171,397	156,105

Company

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

Financial assets	31 December 2022 £000s	31 December 2021 £000s
Financial assets at amortised cost		
Trade and other receivables	**–**	31

Financial liabilities	31 December 2022 £000s	31 December 2021 £000s
Financial liabilities at amortised cost		
Trade and other payables	**755**	368

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21. Financial instruments continued

Reconciliation to cash flow movements

		Cash flows		Non-cash changes				
	2021 £000s	Principal £000s	Interest £000s	Foreign exchange* £000s	Net additions £000s	Amortisation £000s	Interest £000s	2022 £000s
Gross loans and borrowings	117,025	**13,664**	**–**	**3,376**	**–**	**–**	**–**	**134,065**
Prepaid arrangement fees	(965)	**–**	**–**	**–**	**–**	**644**	**–**	**(321)**
Accrued interest	32	**–**	**(4,657)**	**–**	**–**	**–**	**4,668**	**43**
Lease liabilities	2,882	**(961)**	**(147)**	**(56)**	**1,997**	**–**	**117**	**3,832**

* Exchange movements on loans and borrowings with effective net investment hedges are reported in other comprehensive income and accumulated in the translation reserve.

Derivative financial instruments

	31 December 2022 Assets/(Liabilities) £000s	31 December 2021 Assets/(Liabilities) £000s
Current portion	**157**	64
Non-current portion	17	–
Forward exchange swap – cash flow hedge	174	64

The cash flow hedges were tested for effectiveness both retrospectively and prospectively as at 31 December 2022. They were found to be highly effective, with the ineffective element being immaterial. The amount recognised through the Income Statement in finance costs for interest rate swaps during the year was a charge of £nil (2021: £nil). The amounts recognised through the Income Statement in respect of the forward foreign exchange contracts during the year was a credit of £1,060,000 in revenue (2021: credit of £982,000).

22. Deferred tax

The Group	31 December 2022 £000s	31 December 2021 £000s
Accelerated capital allowances on tangible assets	**1,057**	(464)
Temporary differences: trading	**205**	291
Temporary differences: non-trading	**1,630**	915
Accelerated allowances on intangible assets	**(14,085)**	(13,452)
Initial recognition of intangible assets from business combination	**(51,440)**	(47,796)
Share-based payments	**167**	1,819
Foreign exchange forward contracts	**(44)**	(16)
Losses and unrelieved interest	**1,058**	501
	(61,452)	(58,202)
Recognised as:		
Deferred tax asset	**4,117**	3,526
Deferred tax liability	**(65,569)**	(61,728)

Reconciliation of deferred tax movements:

The Group	1 January 2022 £000s	Transfers £000s	Recognised in other comprehensive income/ directly in equity	Recognised in the income statement £000s	31 December 2022 £000s
Non-current assets					
Intangible assets	(61,248)	(1,435)	(4,275)	1,433	(65,525)
Property, plant and equipment	(464)	1,435	–	86	1,057
Non-current liabilities					
Derivative financial instruments	(16)	–	(28)	–	(44)
Other non-current liabilities	915	–	715	–	1,630
Equity					
Share option reserve	1,819	–	(1,169)	(483)	167
Temporary differences					
Trading	291	–	–	(86)	205
Losses	501	–	–	557	1,058
	(58,202)	–	(4,757)	1,507	(61,452)
Recognised as:					
Deferred tax asset	3,526	–	–	–	4,117
Deferred tax liability	(61,728)	–	–	–	(65,569)
	(58,202)	–	–	–	(61,452)

The Group has unrecognised deferred tax assets of £354,000 in relation to losses (2021: £246,000).

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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22. Deferred tax continued

The Group	1 January 2021 £000s	Transfers £000s	Recognised in other comprehensive income/directly in equity	Recognised in the income statement £000s	31 December 2021 £000s
Non-current assets					
Intangible assets	(55,208)	(670)	(284)	(5,086)	(61,248)
Property, plant and equipment	(917)	670	–	(217)	(464)
Non-current liabilities					
Derivative financial instruments	(56)	–	40	–	(16)
Other non-current liabilities	623	–	292	–	915
Equity					
Share option reserve	1,024	–	626	169	1,819
Temporary differences					
Trading	492	–	–	(201)	291
Losses	–	–	–	501	501
	(54,042)	–	674	(4,834)	(58,202)
Recognised as:					
Deferred tax asset	2,139				3,526
Deferred tax liability	(56,181)				(61,728)
	(54,042)				(58,202)

23. Share capital

	Allotted, called up and fully paid	
	No. of shares	£000s
At 1 January 2021 – Ordinary shares of 1p each	532,919,111	5,329
Issued during the year	5,306,413	53
At 31 December 2021 – Ordinary shares of 1p each	538,225,524	5,382
Issued during the year	1,769,562	18
At 31 December 2022 – Ordinary shares of 1p each	**539,995,086**	**5,400**

Between 1 January 2022 and 31 December 2022 1,769,562 shares were issued on the exercise of employee share options (2021: 5,306,413).

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.

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23. Share capital continued

Potential share options commitment

Under the Group's share option scheme for employees and Executive Directors, options have been granted to subscribe for shares in the Company at prices ranging from 0.00p to 102.80p (2021: 0.00p to 102.80p). 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 2022 Number (000s)	31 December 2021 Number (000s)
2012	29.25	2015	CSOP	**–**	41
2013	37.25	2016	CSOP	**233**	263
2014	33.75	2017	CSOP	**281**	321
2015	43.75	2018	CSOP	**350**	719
2015	46.75	2018	CSOP	**500**	500
2016	47.50	2019	CSOP	**619**	1,077
2016	47.50	2021	CSOP	**1,400**	1,800
2017	53.00	2020	CSOP	**2,366**	2,877
2018	81.60	2021	CSOP	**3,241**	4,171
2019	76.90	2022	CSOP	**4,412**	5,422
2019	0.00	2022	LTIP	**226**	529
2020	73.70	2023	CSOP	**4,231**	5,042
2020	0.00	2023	LTIP	**542**	628
2021	102.80	2024	CSOP	**6,044**	7,012
2021	0.00	2024	LTIP	**468**	531
2022	58.20	2025	CSOP	**7,837**	–
2022	0.00	2025	LTIP	**877**	–
				33,627	30,933

The weighted average remaining contractual life at 31 December 2022 is 7.8 years (2021: 7.8 years).

The provision of shares to satisfy certain of the Group's share option schemes can be facilitated by purchases of own shares by the Group's Employee Benefit Trust. The cost of operating the Trust is borne by the Group but is not material. To date, no shares have been purchased by the Trust for satisfaction of outstanding or future share option awards.

Managing capital

Our objective in managing the business's capital structure is to ensure that the Group has the financial capacity, liquidity and flexibility to support the existing business and to fund acquisition opportunities as they arise.

The capital structure of the Group consists of net bank debt and shareholders' equity. At 31 December 2022 net debt was £ 102.0m (2021: £87.0m) (note 31), whilst shareholders' equity was £287.7m (2021: 282.5m).

The business is profitable and cash-generative. The main financial covenants applying to bank debt are that leverage (the ratio of net bank debt to EBITDA) should not exceed 3.0 times, and interest cover (the ratio of EBITDA to finance charges) should not be less than 4.0 times. The Group complied with both of these covenants in 2022 and 2021.

Smaller acquisitions are typically financed using bank debt, while larger acquisitions typically involve a combination of bank debt and additional equity. The mixture of debt and equity is varied, taking into account the desire to maximise the shareholder returns while keeping leverage at comfortable levels.

24. Share-based payments

Under the Group's share option scheme for employees and Executive Directors, options to subscribe for shares in the Company are granted normally once each year. The contractual life of an option is ten years from date of grant. Generally, options granted become exercisable on the third anniversary of the date of grant, but in certain instances this can be extended to five years. Exercise of an option is normally subject to continued employment. Options are valued by a third-party provider using the Black-Scholes option-pricing model.

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

	2022		2021	
	Number (000s)	**Weighted average price Pence**	Number (000s)	Weighted average price Pence
Outstanding at start of year	**30,933**	**71.62**	36,583	47.02
Granted	**8,759**	**52.34**	7,674	93.94
Exercised (issued)	**(1,770)**	**50.96**	(5,306)	50.07
Exercised (withheld)	**(1,203)**	**63.21**	(4,493)	56.12
Forfeited	**(3,092)**	**75.53**	(3,525)	74.65
Outstanding at end of year	**33,627**	**67.54**	30,933	71.62
Exercisable at end of year	**13,628**	**64.71**	11,845	60.12

Share options were exercised throughout the financial year. Share options were exercised at prices of between 55.40p and 120.20p per share.

Certain options are subject to EPS or Total Shareholder Return (TSR) accretion performance criteria; those outstanding are as follows:

Year of grant	Exercise price Pence	Exercise from	31 December 2022 Number (000s)	31 December 2021 Number (000s)
2013	35.75	2018	**–**	–
2014	33.75	2017	**92**	92
2015	43.75	2018	**104**	104
2016	47.50	2019	**155**	155
2016	47.50	2021	**1,400**	1,800
2017	53.00	2020	**323**	323
2018	81.60	2021	**1,639**	1,639
2019	76.90	2022	**421**	911
2019	0.00	2022	**226**	529
2020	73.70	2023	**637**	837
2020	0.00	2023	**542**	628
2021	102.80	2024	**961**	1,172
2021	0.00	2024	**468**	531
2022	58.20	2025	**919**	–
2022	0.00	2025	**877**	–
			8,764	8,721

24. Share-based payments continued

The total expense for the year relating to share-based payment plans was £0.1m (2021: £2.3m), of which £1.1m (2021: £1.1m) related to equity-settled transactions and a credit of £1.0m (2021: debit of £1.2m) related to cash-settled transactions.

It is assumed that, on average, options will be exercised after five years. The expected volatility is based on historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is based on UK Government bonds of a term consistent with the assumed option life.

The cash-settled transaction expense includes provision for social security charges based on the applicable social tax rate applied to the number of share awards which are expected to vest, valued with reference to the year-end share price.

The estimated total equity-settled fair value of the share options granted on 29 September 2022 was £1,105,000. The model inputs were a market price of 58.2p, expected volatility of 31.93% and a risk-free rate of 3.96%.

25. Cash generated from operations

	Group		Company	
	Year ended 31 December 2022 £000s	Year ended 31 December 2021 £000s	**Year ended 31 December 2022 £000s**	Year ended 31 December 2021 £000s
Profit for the year	**936**	7,319	**5,429**	6,756
Taxation	**4,272**	10,838	**1,280**	945
Interest payable and similar charges	**5,433**	3,646	**–**	–
Interest income	**(16)**	(23)	**(8,427)**	(6,121)
Foreign exchange (gain)/loss	**(56)**	(205)	**–**	–
Loss on disposal of intangibles	**–**	–	**–**	–
Depreciation of property, plant and equipment	**1,558**	1,575	**–**	–
Amortisation and impairment of intangibles	**27,436**	14,680	**–**	–
Change in inventories	**(2,209)**	1,842	**–**	–
Change in trade and other receivables	**(18,720)**	(6,146)	**(54)**	(3)
Change in trade and other payables	**7,281**	(326)	**387**	62
Change in provisions	**(1,078)**	9,469	**–**	–
Share-based employee remuneration	**92**	2,250	**–**	–
Dividends received	**–**	–	**–**	(2,600)
Cash generated from/(used in) operations	**24,929**	44,919	**(1,385)**	(961)

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26. Capital commitments

The Group had capital commitments at 31 December 2022 totalling £22,000 (2021: £nil).

27. Contingent liabilities

Contingent liabilities are possible obligations that are not probable. The Group operates in a highly regulated sector and in markets and geographies around the world each with differing requirements. As a result, and in the normal course of business, the Group can be subject to a number of regulatory inspections, investigations and customer and other claims on an ongoing basis.

It is therefore possible that the Group may incur penalties for non-compliance. In addition, a number of the Group's brands and products are subject to pricing and other forms of legal or regulatory restrictions from both governmental and 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.

As at 31 December 2022 there are no contingent liabilities (2021: £nil).

28. Pensions

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

The Group	**31 December 2022 £000s**	31 December 2021 £000s
Contributions payable by the Group for the year	**1,345**	1,306

29. Related party transactions

During the year, the Company entered into the following transactions with related parties:

	The Company Transaction values for the year ended		**Amount due from related parties**	
	31 December 2022 £000s	31 December 2021 £000s	**31 December 2022 £000s**	31 December 2021 £000s
Alliance Pharmaceuticals Limited – Net funds received	**(11,814)**	(10,170)	**174,005**	176,111
Alliance Pharmaceuticals Limited – Interest received	**8,427**	6,121	**–**	–
Alliance Pharmaceuticals Limited – Share-based payment recharge	**1,281**	1,021	**–**	–
Alliance Pharmaceuticals Limited – Dividend declared and received	**–**	2,600	**–**	–

Net funds received represent net payments made against the intercompany loan by Alliance Pharmaceuticals Limited.

30. 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.

31. 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.

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31. Alternative performance measures continued

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, also referred to as underlying operating profit), then depreciation, amortisation and impairment (EBITDA). Calculated by taking profit before tax and financing costs, excluding non-underlying items and adding back depreciation and amortisation. EBITDA margin is calculated using see-though revenue.	Note A below
Free cash flow	Free cash flow is defined as cash generated from operations less cash payments made for interest payable and similar charges, capital expenditure and tax.	Note B below
Net debt	Net debt is defined as the Group's gross bank debt position net of finance issue costs and cash.	Note C below
Underlying effective tax rate	Underlying effective tax rate is calculated by dividing total taxation for the year less impact of tax rate changes and non-underlying charges, by the underlying profit before tax for the year.	Note D below
See-through Income Statement	Under the terms of the transitional services agreement with certain supply partners, Alliance receives the benefit of the net profit on sales of Nizoral™ from the date of acquisition up until the product licences in the Asia-Pacific territories transfer to Alliance. The net product margin is recognised as part of statutory revenue. The see-through Income Statement recognises the underlying sales and cost of sales which give rise to the net product margin, as management consider this to be a more meaningful representation of the underlying performance of the business, and to reflect the way in which it is managed.	Note E below
Constant exchange rate (CER) revenue	Like-for-like revenue, impact of acquisitions, and total see-through revenue are stated so that the portion denominated in non-Sterling currencies is retranslated using foreign exchange rates from the previous financial year.	Note F below
Like-for-like	Like-for-like figures compare financial results in one period with those for the previous period, excluding the impact of acquisitions and disposals made in either period. For 2022, like-for-like revenue excludes the impact of ScarAway™ and Kelo-Cote™ US which were acquired in March 2022.	Not needed
Operating costs	Defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges.	Not needed

A. Underlying EBIT and EBITDA

Reconciliation of Underlying EBIT and EBITDA	**Year ended 31 December 2022 £000s**	Year ended 31 December 2021 £000s
Profit before tax	**5,208**	18,157
Non-underlying items (note 5)	**25,103**	24,061
Underlying profit before tax	**30,311**	42,218
Finance costs (note 6)	**5,361**	3,418
Underlying EBIT	**35,672**	45,636
Depreciation (note 12)	**1,558**	1,575
Underlying amortisation (note 11)	**1,964**	1,362
Underlying EBITDA	**39,194**	48,573
Underlying EBITDA margin	**22.8%**	28.7%

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ALLIANCE

31. Alternative performance measures continued

B. Free cash flow

Reconciliation of free cash flow	**Year ended 31 December 2022 £000s**	Year ended 31 December 2021 £000s
Cash generated from operations (note 25)	**24,929**	44,919
Interest payable and similar charges	**(4,804)**	(2,965)
Capital expenditure	**(407)**	(5,532)
Tax paid	**(3,957)**	(6,260)
Free cash flow	**15,761**	30,162

C. Net debt

Reconciliation of net debt	Note	**31 December 2022 £000s**	31 December 2021 £000s
Loans and borrowings – non-current	(18)	**(133,744)**	(116,060)
Cash and cash equivalents	(16)	**31,714**	29,061
Net debt		**(102,030)**	(86,999)

D. Underlying effective tax rate

Reconciliation of underlying effective tax rate	**Year ended 31 December 2022 £000s**	Year ended 31 December 2021 £000s
Total taxation charge for the year	**(4,272)**	(10,838)
Non-underlying tax debit/(credit) (note 5)	**(2,962)**	2,805
Underlying taxation charge for the year	**(7,234)**	(8,033)
Underlying profit before tax for the year	**30,311**	42,218
Underlying effective tax rate	**23.9%**	19.0%

E. See-through Income Statement

	2022 Statutory values £000s	**See-through adjustment £000s**	**2022 See-through values £000s**
Revenue – Consumer Healthcare brands	**120,622**	**4,594**	**125,216**
Revenue – Prescription Medicines	**46,794**	**–**	**46,794**
Total revenue	**167,416**	**4,594**	**172,010**
Cost of sales	**(65,733)**	**(4,594)**	**(70,327)**
Gross profit	**101,683**	**–**	**101,683**
Gross profit margin	**60.7%**	**–**	**59.1%**

	2021 Statutory values £000s	See-through adjustment £000s	2021 See-through values £000s
Revenue – Consumer Healthcare brands	115,376	6,443	121,819
Revenue – Prescription Medicines	47,831	–	47,831
Total revenue	163,207	6,443	169,650
Cost of sales	(53,757)	(6,443)	(60,200)
Gross profit	109,450	–	109,450
Gross profit margin	67.1%	–	64.5%

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

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Financial Statements

31. Alternative performance measures continued

F. Constant exchange rate revenue

	2022 AER £000s	Foreign exchange impact £000s	2022 CER £000s
LFL see-through revenue – Consumer Healthcare brands	118,883	(5,994)	112,889
LFL see-through revenue – Prescription Medicines	46,794	95	46,889
Like-for-like see-through revenue	165,677	(5,899)	159,778
Impact of acquisitions (ScarAway™ and Kelo-Cote™ US)	6,333	(774)	5,559
See-through revenue (Note E)	172,010	(6,673)	165,337

	2022 AER £000s	Foreign exchange impact £000s	2022 CER £000s
LFL statutory revenue – Consumer Healthcare brands	114,289	(5,994)	108,295
LFL statutory revenue – Prescription Medicines	46,794	95	46,889
Like-for-like statutory revenue	161,083	(5,899)	155,184
Impact of acquisitions ((ScarAway™ and Kelo-Cote™ US	6,333	(774)	5,559
Statutory revenue	167,416	(6,673)	160,743

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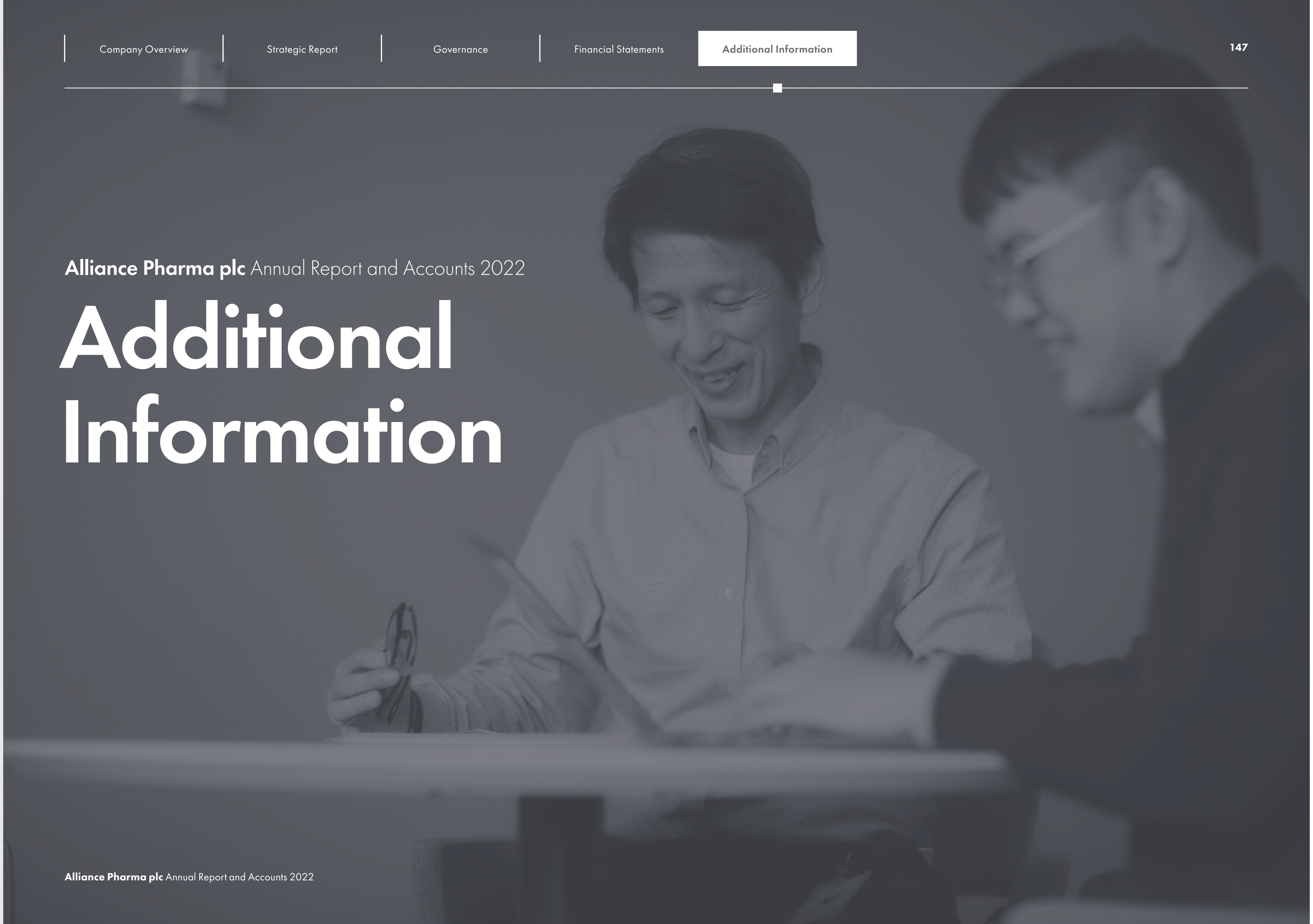
Additional Information



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Additional Information

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Additional Information

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Unaudited information

Shareholder information

Shareholder enquiries

The Company's share register is maintained by Link Group ('Link') who are responsible for updating the register, including changes to shareholders' names or addresses and processing off-market transfers of the Company's shares.

If you have any question about your shareholding in the Company or you need to notify any changes to your personal details you should write to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL or telephone 0371 664 0300 (calls are charged at the standard geographical rate and will vary by provider, lines are open 9.00am to 5.00pm Monday to Friday).

Financial Calendar

Annual General Meeting	25 May 2023
Interim results announcement	19 September 2023
Year end	31 December 2023
Preliminary announcement	19 March 2024

Additional Information

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ALLIANCE

FIVE YEAR SUMMARY

	Year ended 31 December 2018 £m	Year ended 31 December 2019 £m	Year ended 31 December 2020 £m	Year ended 31 December 2021 £m	Year ended 31 December 2022 £m
Revenue	118.2	135.6	129.8	163.2	**167.4**
Operating profit before non-underlying items	28.9	37.4	36.8	45.6	**35.7**
Non-underlying operating items	(5.3)	(1.8)	(20.5)	(24.0)	**(25.1)**
Operating profit	23.7	35.6	16.3	21.6	**10.6**
Profit before tax before non-underlying items	28.1	32.9	33.5	42.2	**30.3**
Profit before tax after non-underlying items	22.8	31.1	13.0	18.2	**5.2**
Intangible assets	335.2	328.7	412.9	413.8	**421.6**
Tangible assets	7.6	11.6	15.9	4.8	**5.6**
Current assets	58.7	65.0	77.2	81.0	**105.5**
Current liabilities	91.7	24.2	30.2	40.6	**47.0**
Equity	252.2	274.2	281.0	282.5	**287.7**
Average shares in issue (millions)	497.2	520.7	531.1	535.3	**539.5**
Shares in issue at period end (millions)	518.2	529.4	532.9	538.2	**540.0**
Earnings per share – basic (p)	3.69	4.80	1.51	1.37	**0.17**
Earnings per share – adjusted underlying basic (p)	4.54	5.09	5.11	6.39	**4.28**

Additional Information

ADVISERS AND KEY SERVICE PROVIDERS

Registered Office
Avonbridge House
Bath Road
Chippenham
Wiltshire
SN15 2BB

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04241478

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BS1 6GD

Financial PR
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107 Cheapside
London
EC2V 6DN

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Nomad and Joint Broker
Numis Securities Limited
45 Gresham Street
London
EC2V 7BF

Joint Broker
Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Bankers
Bank of Ireland
Bow Bells House
1 Bread Street
London EC4M 9BE

Citibank, N.A
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Lloyds Bank PLC
25 Gresham Street
London EC2V 7HN

National Westminster Bank PLC
250 Bishopsgate
London EC2M 4AA

Silicon Valley Bank
Alphabeta
14–18 Finsbury Square
London EC2A 1BR

Additional Information

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.

Additional Information

GLOSSARY

AGM	Annual General Meeting
APAC	Asia Pacific and China
B2B	Business-to-business
B2C	Business-to-consumer
CBEC	Cross-border e-commerce
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMA	Competition and Markets Authority
CMO	Contract manufacturer
EMEA	Europe, Middle East and Africa
ERP	Enterprise resource planning
ESG	Environmental, Social, and Governance
GPTW®	Great Place To Work
HCP	Healthcare professional
I&D	Innovation and development
IHP	International Health Partners
J&J	Johnson & Johnson
LSP	Logistics service provider
NED	Non-executive Director
OTC	Over the counter
SECR	Streamlined Energy and Carbon Reporting regulations
TCFD	Task Force on Climate-related Financial Disclosures

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