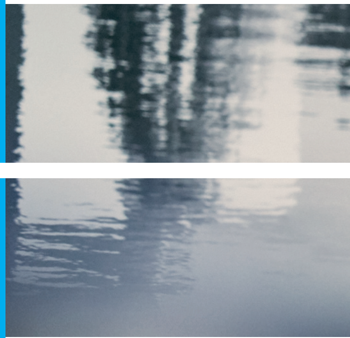
ALLIANCE

Providing clinically valuable healthcare products to people around the world

Alliance Pharma plc Half Year Report 2020



Our vision

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

We will be both the partner and employer of choice.

Our mission

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

Our purpose

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

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

Responsible business

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

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For more information visit
alliancepharmaceuticals.com

H1 2020 Financial Highlights

See-through Revenue*
£65.3m -7%

(2019: £70.3m)

2020	**£65.3m**
2019	£70.3m

Underlying Profit Before Taxation
£16.3m +7%

(2019: £15.2m)

2020	**£16.3m**
2019	£15.2m

Underlying Basic Earnings per Share
2.45p +5%

(2019: 2.34p)

2020	**2.45p**
2019	2.34p

Free Cash Flow*
£10.5m -27%

(2019: £14.5m)

2020	**£10.5m**
2019	£14.5m

Leverage
1.34x

(31 Dec 2019: 1.48x)

Adjusted net debt to EBITDA ratio

Interim Dividend per Share
0.536p 0%

(2019: 0.536p)

2020	**0.536p**
2019	0.536p

* 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 17.

Specifically, see-through revenue includes sales from Nizoral™ as if they had been invoiced by Alliance. Under the terms of the transitional services agreement with Johnson & Johnson (J&J), Alliance receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in each of the Asia-Pacific territories transfer from J&J to Alliance. For statutory accounting purposes the product margin on Nizoral sales is included within Revenue, in line with IFRS 15.

Overview

- Strong performance from Consumer Healthcare brands, with Kelo-cote™ revenues up 8% and see-through revenues down 3% overall
- Prescription Medicine revenues down 15%, reflecting delays in routine treatments as a result of COVID-19
- See-through revenue in total down 7% (down 7% on a constant currency* basis) to £65.3m
- Good control of operating expenditure resulting in a resilient underlying EBITDA* performance down 4% to £18.1m (H1 2019: £18.8m)
- Underlying profit before tax up 7% to £16.3m (H1 2019: £15.2m); reported profit before tax down 96% to £0.6m (H1 2019: £15.2m), due to non-cash impairment and amortisation charges
- Free cash flow robust at £10.5m, with continued reduction in leverage to 1.34 times from 1.48 times at December 2019
- New line extension for Nizoral™ launched in China in July 2020; majority of Nizoral licence transfers on track to be completed by the end of the year
- Product portfolio reclassified into Consumer Healthcare brands and Prescription Medicines, in recognition of the different characteristics of these product types
- Interim dividend payment of 0.536p announced

CHIEF EXECUTIVE'S STATEMENT

The Group delivered a robust operational and financial performance in the first half of 2020, despite the challenges posed by COVID-19.

H1 2020 Highlights

- Strong performance from our Consumer Healthcare brands, with Kelo-cote revenues up 8%
- Underlying profit before tax up 7%, notwithstanding a 7% reduction in see-through revenue
- New line extension for Nizoral launched in China in July 2020; good progress continues to be made with bringing the Nizoral business fully under our control

> "I'm very pleased with the Group's resilient performance in the first half of 2020, against the backdrop of COVID-19."

PETER BUTTERFIELD
Chief Executive

See-through Revenue

£65.3m -7%

(2019: £70.3m)

2020	**£65.3m**
2019	£70.3m

Underlying Profit Before Taxation

£16.3m +7%

(2019: £15.2m)

2020	**£16.3m**
2019	£15.2m

TRADING PERFORMANCE

Overview

Against the backdrop of COVID-19, the Group delivered a robust performance in the first half of 2020, with see-through revenues down 7% to £65.3m (H1 2019: £70.3m), and a similar level of decline on a constant currency basis.

Gross profit reduced, in line with revenues, by 7% to £38.6m (H1 2019: £41.3m), however a slowdown in the natural run rate of discretionary spend resulted in an increase in operational leverage, allowing underlying EBITDA to be maintained at a similar level to 2019, at £18.1m (H1 2019: £18.8m). Favourable currency movements coupled with lower borrowing costs meant underlying profit before tax increased 7% to £16.3m (H1 2019: £15.2m).

Over the past few years, Alliance's product portfolio has become focused increasingly on consumer healthcare products as the main driver of organic growth within the business, whilst revenues from our largely unpromoted pharmaceutical products have remained essentially stable. In recognition of the inherently different characteristics of these product types, we have taken the decision to reclassify our portfolio into two key areas: Consumer Healthcare brands and Prescription Medicines. Consumer Healthcare brands include our International Star brands, together with around 25 other brands, previously reported as part of Local brands.

A summary of see-through revenues under the new and previously adopted classifications is provided in the table below.

Unaudited six months ended 30 June	2020 £m	2019 £m	Growth/ (decline)
Consumer Healthcare	**43.8**	44.9	-3%
Prescription Medicines	**21.5**	25.4	-15%
See-through Revenue	**65.3**	70.3	-7%
International Star brands	**30.0**	30.9	-3%
Local brands	**35.3**	39.4	-11%
See-through Revenue	**65.3**	70.3	-7%

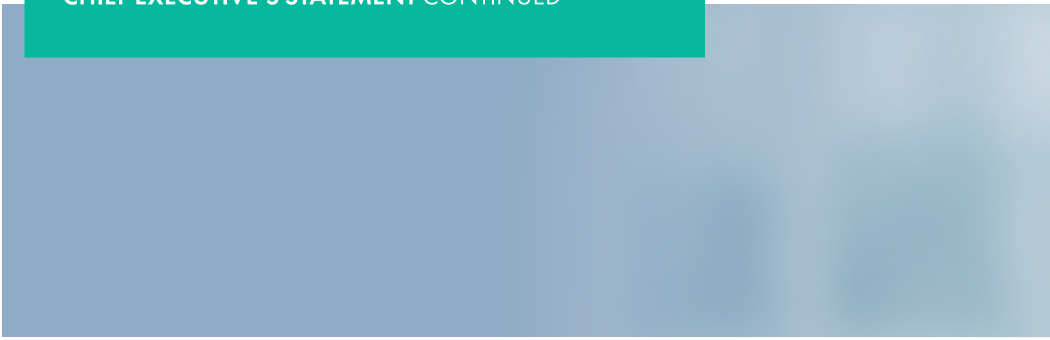
Consumer Healthcare brands performance

Overall, see-through revenues across our Consumer Healthcare portfolio, which includes our International Star brands, declined 3% in the first half of 2020 to £43.8m (H1 2019: £44.9m).

Our International Star brands generally held up well during the first half of 2020, despite the challenges brought about by the pandemic, achieving see-through revenue of £30.0m (H1 2019: £30.9m), a decline of 3% compared with the same period last year.

Kelo-cote – scar prevention and treatment

We were particularly pleased with the performance of Kelo-cote, which continued to deliver growth during the first half of the year, with sales up 8% compared with the same period last year at £14.2m (H1 2019: £13.1m), primarily due to the return of demand from China during the second quarter, as local lockdown restrictions eased. In the rest of the APAC region other countries have been slower to emerge from lockdown and COVID-19 has therefore had a more sustained effect on the brand's performance. Nevertheless, we expect these regions to return strongly as lockdowns are eased, and we continue to embrace digital marketing strategies to reach the end user of the product.



During the first half of the year, we undertook further significant research amongst target users and influencers in the key global scar markets, the results from which we will be using to create new and impactful campaigns to further grow the Kelo-cote brand into 2021 and beyond. Kelo-cote was the fastest growing Top 5 Global Scar Treatment brand in 2019, according to Nicholas Hall DB6 data.

With the scar treatments market in China now growing at 29.6% per annum, Kelo-cote remains well placed to take advantage of this growth, following the conclusion of a new distribution agreement with our partner in July 2020.

Nizoral – medicated anti-dandruff shampoo

Despite the sustained and extensive lockdowns across the APAC region during the first half of 2020 in response to COVID-19, Nizoral sales were resilient, with the brand generating see-through sales of £9.8m (H1 2019: £10.0m).

In July, we launched a new formulation of Nizoral (branded locally as Triatop) in China, supported by an integrated marketing communication campaign across both digital and social platforms. This product will sit alongside the original formulations and early indications for the product's potential are promising.

Good progress continues to be made with the licence transfers and we expect to have transferred the vast majority of the licences by the end of 2020, with the remaining transfers to be completed in 2021.

Our marketing plans for repositioning the brand once it is fully under our control are well advanced and we have completed the set-up of new legal entities, where needed, to support our future trading activities. During the second half, our focus will be on the provision of final marketing collateral and development of launch plans with partners, together with content approval from local regulators, with launches in Taiwan, Korea, Thailand and India expected to take place later this year.

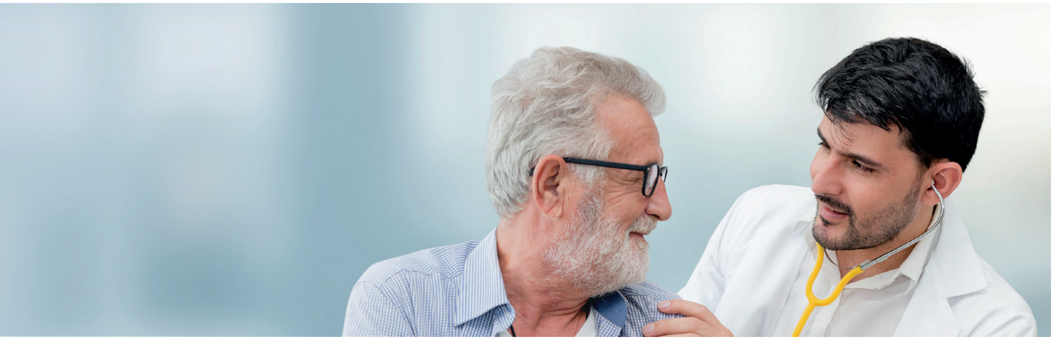
MacuShield™ – eye health supplement

MacuShield sales were down 39% on those for the same period last year at £2.8m (H1 2019: £4.7m), due in part to distributor stocking and changes in trading arrangements with a key distributor during the first half of 2019 resulting in higher than normal sales for that period. Compared with the second half of 2019, sales declined by 21%, primarily due to the temporary closure of bricks & mortar retail outlets and opticians in the UK in response to COVID-19.

Vamousse™ – prevention and treatment of head lice

Vamousse delivered another good performance in the first half of 2020, achieving sales of £3.2m, up 4% on the same period last year (H1 2019: £3.1m), due to strong performance in its core market, the US.

Whilst in-market demand for treatment products in the US initially held up well during the early weeks of lockdown, the category began to reflect reduced incidence and a weakening in demand as school closures continued and children's activities were paused. That said, Vamousse continued to gain market share during the first half of 2020, achieving an 8.6% revenue share of the head lice treatment category, based on data from IRI, up 2.7% versus its share when we acquired the brand in December 2017.



However, with a significant number of US schools not planning to re-open until 2021, it is likely that category demand will decline further over the coming months. In light of this, we expect that sales of Vamousse for the second half of the year will be significantly lower than those achieved during the same period last year.

Other Consumer Healthcare brands

Revenues generated by our other Consumer Healthcare brands (formerly disclosed within the Local brands grouping) in the first half of 2020 were £13.7m, down just 2% on the same period last year (H1 2019: £14.0m).

Whilst we continued to see strong performances from some of the brands in this part of our portfolio, for example, sales of our newly launched Ashton & Parsons™ teething gel were up 50% versus the same period last year, for those products which are sold principally through international distributors, the picture was more mixed, as distributors sought to respond to changes in local trading conditions as a result of COVID-19. Through continuing to maintain close working relationships with our distributors, we have been able to flex our production and supply to enable them to stay aligned with local market demand.

Prescription Medicines performance

As previously reported, demand for our prescription-driven products was lower in the first half, primarily due to the delays in routine treatments as healthcare professionals focused on maintaining hospital capacity to treat patients with COVID-19.

As a result, revenues from our Prescription Medicines in the first half of 2020 were £21.5m, down 15% on the corresponding period last year (H1 2019: £25.4m).

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

Regional performance

We have taken the opportunity to re-align our regional performance commentary and segmental analysis in this report, to align more closely with the Group's commercial reporting structure which focusses on the regions of Europe, Middle East and Africa (EMEA), Asia Pacific and China (APAC) and the Americas (AMER).

EMEA

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

Across the EMEA region as a whole, first half revenues were down 6% versus those for the same period last year at £44.8m (H1 2019: £47.7m).

Over 90% of our Prescription Medicine revenues are generated in EMEA. Whilst we saw a reduction in demand for Prescription Medicines in the first half of the year due to delays in routine treatments resulting in lower sales, this was partially offset by the continued good growth of our Consumer Healthcare portfolio in this region, and in particular the continued strong performance by Kelo-cote, to satisfy both export and local demand.

We also saw good growth across our distributor business in EMEA during the first half of 2020 (+8% versus the comparable period last year). Whilst this currently represents a relatively small portion of our sales in this region, at just under 20%, the consolidation of these distributor relationships under a single commercial lead going forwards should enable future growth opportunities to be realised more efficiently.

APAC

APAC revenues were recognised previously as part of International revenues. The revenue base in this region is dominated by Kelo-cote and Nizoral, which collectively accounted for approximately 90% of sales in the first half of 2020.

See-through sales across the APAC region as a whole were down 11% versus the prior year at £16.9m (H1 2019: £18.8m), primarily due to the reduction in Kelo-cote sales across the majority of countries in the region, with the exception of China which, as previously noted, benefited from a recovery in demand during the second quarter.

Nizoral sales remained stable, despite the impact of COVID-19, with the brand generating see-through sales of £9.8m (H1 2019: £10.0m).

AMER

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

Sales in the AMER region were broadly in line with last year, with revenues for the first half of 2020 of £3.6m, down 3% versus the comparable period last year (H1 2019: £3.7m).

This is predominantly a Consumer Healthcare-focused region, the largest component of which is Vamousse. Whilst Vamousse sales in the US held up well, this was offset by weaker demand across our international distributor business in South America, in response to COVID-19.

Navigating the challenges of COVID-19

Supporting our employees

In common with the majority of established office-based businesses, we successfully transitioned to remote working as needed during the pandemic, with minimal disruption to the business.

Since the early stages of the pandemic, we have been carrying out regular bi-weekly surveys of all our colleagues to assess the impact that changes in their working environment have had on their productivity and on their physical, mental

and cognitive health and wellbeing. In addition to helping to identify those employees requiring additional support, this process has provided an opportunity for the senior leadership team to learn what works best for everybody, with a view to building this into the design of our future ways of working. The results of this survey will shape the way we run our business in the future.

In addition to our regular monthly global company briefings, we introduced a second, less formal monthly opportunity for colleagues to come together and share their experiences during the pandemic, 'Alliance Connect', which also provides a forum for the senior leadership team to address employees' questions and concerns.

The nature of our business operations and continued performance have meant that we have not needed to make use of the UK government furlough scheme for any of our UK-based employees, or to make any redundancies, as a result of the pandemic.

Supporting our distributors

From the start of the pandemic, we increased the level of contact with our key distributors, understanding and supporting them through the challenges they faced in their businesses. This increased contact has been central to ensuring that we have good visibility of distributor stocking and sell-out and remain able to anticipate future changes in demand.

Increasing our digital focus to better support our customers

Pre-pandemic, digital was already an established and important sales channel for many of our Consumer Healthcare brands, with around 40% of our Chinese sales for Kelo-cote being facilitated by online platforms. In Europe and North America, Amazon forms a key element of our marketing strategy – not only for revenue generation, but also for generating positive reviews to drive product recommendations. In common with many consumer-facing businesses, the pandemic has resulted in an overall shift to online sales platforms, particularly for Consumer Healthcare brands such as Ashton & Parsons, MacuShield and Kelo-cote.

For 2021, we are looking at further developing our e-commerce strategy in Japan & Latin America and will also be looking to roll out our global Digital Excellence training programme across our key Consumer Healthcare brands.

Managing our financial exposure

We entered the pandemic with a strong balance sheet, just under £18m of cash and an undrawn commitment of £86m on our Revolving Credit Facility at 31 December 2019. By the end of June 2020, our cash on hand had increased to £20.5m, and our net debt had reduced by £7.0m to £52.2m, with a consequential reduction in leverage, due to continued strong cash generation.

Managing our supply chain

We have maintained a close dialogue with our suppliers throughout, and continue to monitor our supplier base for early indications of any operational or financial distress. We have also purchased high risk/more specialised active pharmaceutical ingredients and componentry for our most important products, to secure production through to the end of 2020 and, where appropriate, into 2021. In light of this, we are confident in our ability to continue to supply products to meet distributor forecasts/expected market demand across all the markets in which we operate.

Supporting healthcare professionals

Recognising the toll that constant handwashing was taking on healthcare professionals' (HCPs) hands, our UK sales team offered them Hydromol™, an emollient product for the treatment of eczema, free of charge, which received a very positive response. The team are now looking at other ways our products could potentially be used to support HCPs in their new ways of working.

Supporting our communities

We recognise that for many charities, the impacts of the pandemic have been devastating, restricting their ability to fundraise whilst at the same time increasing the demand for their services. We therefore took the decision early on to switch our original planned charity initiatives for 2020, which were focused on providing practical support to charities, to providing financial support to a local charity in each of our office locations which needed help to enable them to better support those impacted by COVID-19. To date, we have donated more than £100,000 to five charities in five different countries, to support them in delivering their services through the pandemic.

Operational review

We continue to monitor closely the progress of the Brexit trade negotiations to ensure we are able to maintain continuity of supply, irrespective of the timings or nature of the trade agreements reached with the EU with regard to consumer healthcare products and prescription medicines.

We continue to progress with the development of our ERP system and are now expecting this to go live in H1 2021. Once implemented, it will deliver business benefits and scale-up capability through the standardisation of processes.

Our new global Sales & Operations Planning (S&OP) process is now fully embedded in the business and has proved invaluable in helping us to manage the demand fluctuations caused by COVID-19 and to secure the supply of product though the remainder of 2020 and into 2021.

People

Alliance currently employs more than 200 people in 10 locations around the world; all committed to the successful delivery of Alliance's vision.

We recognise that great results can only be achieved through the combined efforts of our dedicated team of colleagues around the globe, our partners and customers, and through the strong collaborative culture that we have built within Alliance.

It is this 'can do' culture that has enabled the Group to come through the initial phase of the pandemic so strongly. Over the past few months, there have been numerous examples of our employees 'going the extra mile' and thinking creatively to ensure that our products continue to be available to consumers and patients who need them, overcoming the challenges that remote working has brought, and continuing to deliver great results for the business.

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to all those who have worked so hard to deliver a very creditable performance for Alliance in the first half of 2020, in these unprecedented and challenging times.

Acquisitions

Our acquisition strategy remains unchanged and we continue to review a number of acquisition opportunities, focused on adding selectively to our portfolio, as suitable opportunities arise, with a focus on augmenting our Consumer Healthcare brands where we already have a presence. Our strong cash generation in 2019, and significant available credit facilities leave us well-placed to pursue this element of our strategy.

Current trading and outlook

Whilst inevitably challenging, the past few months have proved the robustness and resilience of our product portfolio, our business model, and our people.

The second half of the year has started well and, whilst the global uncertainty created by COVID-19 is likely to continue for some time, based on current management forecasts and trading in the year to date, the Board expects full year results to be in line with market expectations.

Operationally, the priorities for the Group remain unchanged: continuing to invest in our Consumer Healthcare brands in order to deliver organic growth and completing the transition of Nizoral, which will enable us to benefit from the increased control we will have over the brand and its future direction as the marketing authorisations in each of the territories transfer.

We continue to look for opportunities to selectively add to our portfolio, with a focus on augmenting our Consumer Healthcare brands in international markets where we already have a presence.

Peter Butterfield
Chief Executive

22 September 2020

The first half of 2020 saw the Group continue to deliver a strong financial performance, both in terms of profitability and cash generation.

H1 2020 Highlights

- Underlying EBITDA remained resilient (-4%) despite a -7% reduction in see-through revenues, with operating leverage maintained in line with H1 2019
- Cash generation remained robust at £10.5m, leading to a further reduction in leverage
- Interim dividend payment of 0.536p announced

> "I'm pleased that we've been able to maintain profitability and cash generation in the first half of 2020, and to re-instate dividend payments."
>
> **ANDREW FRANKLIN**
> Chief Financial Officer

Underlying Basic Earnings per Share

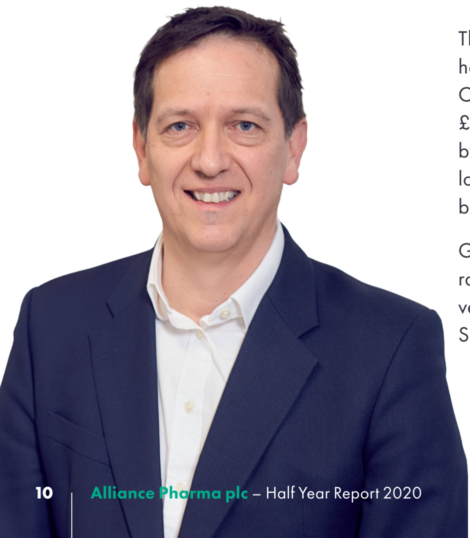
2.45p +5%

(2019: 2.34p)

Free Cash Flow

£10.5m -27%

(2019: £14.5m)



The Group delivered a robust financial performance in the first half of 2020, given the trading challenges it faced as a result of COVID-19, with see-through revenues decreasing only 7% to £65.3m (H1 2019: £70.3m) and statutory revenues decreasing by a similar amount to £61.7m (H1 2019: £66.0m). However, lower interest and financing costs resulted in underlying profit before taxation increasing 7% to £16.3m (H1 2019: £15.2m).

Group revenues were only minimally impacted by exchange rate movements, which benefited by approximately £0.3m versus the same period last year due to the weakening of Sterling against the US Dollar.

Summary underlying income statement

Unaudited six months ended 30 June	2020 £m	2019 £m	Growth
See-through Revenue*	**65.3**	70.3	-7%
Statutory Revenue	**61.7**	66.0	-7%
Gross profit	**38.6**	41.3	-7%
Operating expenses	**(20.5)**	(22.5)	-9%
Underlying EBITDA*	**18.1**	18.8	-4%
Underlying depreciation & amortisation	**(0.8)**	(1.1)	-27%
Underlying EBIT*	**17.2**	17.7	-2%
Finance costs	**(1.0)**	(2.5)	61%
Underlying profit before taxation	**16.3**	15.2	+7%
Reported profit before taxation	**0.6**	15.2	-96%
Underlying basic earnings per share	**2.45p**	2.34p	+5%
Reported basic earnings per share	**(0.33)p**	2.34p	-114%
Interim dividend per share	**0.536p**	0.536p	0%

* 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 17.

Specifically, see-through revenue includes sales from Nizoral™ as if they had been invoiced by Alliance. Under the terms of the transitional services agreement with Johnson & Johnson (J&J), Alliance receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in the Asia-Pacific territories transfer from J&J to Alliance. For statutory accounting purposes the product margin on Nizoral sales 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. For 2020, underlying results exclude the amortisation and impairment of intangible assets; for 2019, there were no non-underlying items and underlying results were the same as total results. Further detail can be found in note 6.

Gross profit decreased by a similar percentage to sales at 7% to £38.6m (H1 2019: £41.3m), with gross margin increasing very slightly from 58.8% to 59.1% of see-through revenue. Gross margin relative to statutory revenue was 62.5% (H1 2019: 62.6%).

Operating costs (defined as underlying administration and marketing expenses, excluding underlying depreciation, amortisation and impairment charges) were down by £1.8m versus the first half of 2019 at £19.9m (H1 2019: £21.7m), due to slight reductions in sales and marketing costs, and other discretionary spend, in response to COVID-19. As a result, operating costs as a percentage of sales reduced 0.3% to 30.5% of see-through sales (H1 2019: 30.8%).

The IFRS2 share options charge for the first half of 2020 was £0.6m, down £0.3m versus that for the same period last year (H1 2019: £0.9m).

As a result of the reduction in operating costs, the impact on underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) was much smaller, with first half EBITDA down 4% to £18.1m (H1 2019: £18.8m), whilst underlying operating profit decreased by 2% to £17.2m (H1 2019: £17.7m) and reported operating profit decreased 91% to £1.6m (H1 2019: £17.7m).

Underlying depreciation, amortisation and impairment charges

Underlying depreciation, amortisation and impairment charges for the first half of 2020 were £0.8m, down £0.3m on the prior year (H1 2019: £1.1m). Following changes in the accounting policy regarding classification of non-underlying items as set out below, for 2020 this charge relates purely to depreciation.

Finance costs

Finance costs were down by £1.5m compared with the same period last year, at £1.0m (H1 2019: £2.5m), £0.5m of which related to a reduction in borrowing costs, reflecting both a lower level of borrowings and a reduction in the interest charge as a consequence of reductions in variable interest rates. The remainder related primarily to currency movements – in the first half of 2019, there was an adverse impact from currency movements of £0.2m, coupled with a £0.4m loss on derivatives; the first half of 2020 saw a favourable impact from currency movements of £0.6m, partially offset by a loss on derivatives of £0.1m.

The average interest charge on gross debt during the period (including non-utilisation fees) was 2.78% (H1 2019: 3.12%).

Non-underlying items

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

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

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

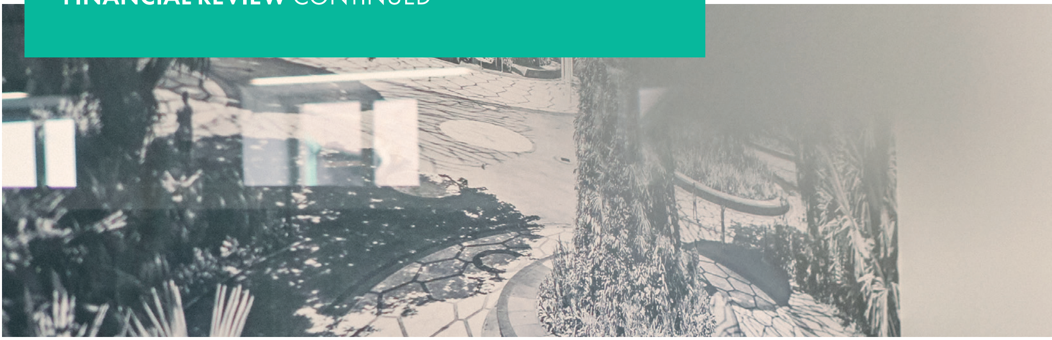
As a result of this change in estimated useful lives, the carrying value of the Prescription Medicine and certain other brand assets will be amortised to the profit and loss account over their useful lives, generating an annual non-cash amortisation charge of £7.2m in 2020 and for subsequent years.

The Group has also conducted impairment reviews for all intangible brand assets. These reviews, together with the change in useful life assumption for Prescription Medicine assets, have resulted in some non-cash impairments, as detailed in note 6.

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

Reconciliation of underlying to reported profit before tax

Unaudited six months ended 30 June	2020 £m	2019 £m
Underlying profit before taxation	**16.3**	15.2
Non-underlying items:		
Amortisation of intangible assets	**(3.6)**	
Impairment of intangible assets and goodwill	**(12.1)**	
Total	**(15.6)**	–
Reported profit before taxation	**0.6**	15.2



Taxation

The underlying tax charge for the period was £3.3m (H1 2019: £3.0m), which represents an effective tax rate in line with last year of 20.0% (H1 2019: 19.9%). The total tax charge for the period was £2.4m (H1 2019: £3.0m).

Earnings per share

Underlying basic earnings per share, the measure used by the Board in assessing earnings performance, was 2.45p, an increase of 5% on the corresponding period last year (H1 2019: 2.34p), and reflects the increase in the Group's underlying profit after tax, coupled with a modest increase in the number of shares in issue.

Reported basic earnings per share reduced by 114% to (0.33)p (H1 2019: 2.34p) due to the impact of non-underlying items on reported earnings for the first half of 2020.

Dividend

The Board is pleased to announce that, after suspending the final dividend payment for 2019 in response to the COVID-19 pandemic, it is declaring an interim dividend payment of 0.536p per share for 2020, in line with that for 2019. The Board will continue to assess the level of future cash distributions having regard to overall business performance and future outlook, in light of the global uncertainty created by COVID-19.

The interim dividend for 2020 will be paid on 7 January 2021 to shareholders on the register on 18 December 2020.

Balance sheet

Intangible assets reduced by £11.6m during the first half of 2020 to £317.0m (31 December 2019: £328.7m) following the change in accounting estimate for intangibles noted above; the non-underlying impairments of £12.1m and amortisation charges of £3.6m, being offset by £4.7m of revaluation adjustments due to exchange rate movements.

Further detail is provided in note 6.

Working capital

The Group continued to maintain good control of its working capital during the first half of the year, despite the challenges of COVID-19, with total net working capital at 30 June 2020 of £29.0m, an increase of £4.3m on that at the start of the period (31 December 2019: £24.7m).

Inventories, net of provisions, amounted to £18.2m as at 30 June 2020, up £2.7m since the start of the year (31 December 2019: £15.5m), reflecting the purchase of additional finished goods inventory, raw materials and componentry to mitigate against any manufacturing and supply challenges in the wake of COVID-19 and to secure future product supply.

Receivables decreased by £1.8m, reflecting the decline in revenues, whilst payables decreased by £3.5m, reflecting the lower level of operating spend.

Cash flow and net debt

Free cash flow remained strong at £10.5m (H1 2019: £14.5m), leading to a £7.0m reduction in net debt in the period, to £52.2m at 30 June 2020 (31 December 2019: £59.2m).

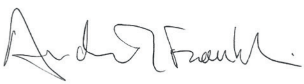
As a result of this continued strong cash generation, leverage (adjusted net debt/EBITDA) reduced to 1.34 times at the end of June 2020 (31 December 2019: 1.48 times) and we expect a further reduction in leverage during the second half of the year.

Treasury and capital management

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

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

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



Andrew Franklin
Chief Financial Officer

22 September 2020

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020			Unaudited Six months ended 30 June 2019		
		Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s	Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s
Revenue	4	**61,708**	**–**	**61,708**	66,007	–	66,007
Cost of sales		**(23,117)**	**–**	**(23,117)**	(24,691)	–	(24,691)
Gross profit		**38,591**	**–**	**38,591**	41,316	–	41,316
Operating expenses							
Administration and marketing expenses		**(20,747)**	**–**	**(20,747)**	(22,402)	–	(22,402)
Amortisation of intangible assets	6	**–**	**(3,577)**	**(3,577)**	(107)	–	(107)
Impairment of goodwill and intangible assets	6	**–**	**(12,057)**	**(12,057)**	(284)	–	(284)
Share-based employee remuneration		**(595)**	**–**	**(595)**	(855)	–	(855)
Operating profit/(loss)		**17,249**	**(15,634)**	**1,615**	17,668	–	17,668
Finance costs							
Interest payable and similar charges	5	**(1,558)**	**–**	**(1,558)**	(2,287)	–	(2,287)
Finance income/(costs)	5	**572**	**–**	**572**	(221)	–	(221)
		(986)	**–**	**(986)**	(2,508)	–	(2,508)
Profit/(loss) before taxation		**16,263**	**(15,634)**	**629**	15,160	–	15,160
Taxation	7	**(3,253)**	**856**	**(2,397)**	(3,018)	–	(3,018)
Profit/(loss) for the period attributable to equity shareholders		**13,010**	**(14,778)**	**(1,768)**	12,142	–	12,142
Earnings per share							
Basic (pence)	9	**2.45**		**(0.33)**	2.34		2.34
Diluted (pence)	9	**2.42**		**(0.33)**	2.30		2.30

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
(Loss)/profit for the period	**(1,768)**	12,142
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Interest rate swaps – cash flow hedge (net of deferred tax)	**(10)**	(69)
Forward exchange forward contracts – cash flow hedge (net of deferred tax)	**(762)**	–
Foreign exchange translation differences (net of deferred tax)	**2,863**	224
Total comprehensive income for the period	**323**	12,297

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited 30 June 2020 £000s	Audited 31 December 2019 £000s
Assets			
Non-current assets			
Goodwill and intangible assets	10	**317,040**	328,660
Property, plant and equipment	11	**12,736**	11,554
Deferred tax asset		**1,710**	1,710
Other non-current assets		**685**	676
		332,171	342,600
Current assets			
Inventories		**18,191**	15,518
Trade and other receivables	12	**29,184**	30,992
Derivative financial instruments		**–**	697
Cash and cash equivalents		**20,524**	17,830
		67,899	65,037
Total assets		**400,070**	407,637
Equity			
Ordinary share capital		**5,311**	5,294
Share premium account		**149,732**	149,036
Share option reserve		**7,718**	7,208
Other reserve		**(329)**	(329)
Cash flow hedging reserve		**(310)**	462
Translation reserve		**2,859**	(4)
Retained earnings		**107,908**	112,513
Total equity		**272,889**	274,180
Liabilities			
Non-current liabilities			
Loans and borrowings	15	**72,743**	77,040
Other liabilities	14	**2,329**	2,401
Deferred tax liability		**30,696**	29,810
		105,768	109,251
Current liabilities			
Corporation tax		**2,819**	2,344
Trade and other payables	13	**18,363**	21,815
Derivative financial instruments		**231**	47
		21,413	24,206
Total liabilities		**127,181**	133,457
Total equity and liabilities		**400,070**	407,637

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Operating activities			
Profit for the period before tax		**629**	15,160
Interest payable and similar charges	5	**1,558**	2,287
Interest income	5	**(10)**	(13)
Foreign exchange (gain)/loss	5	**(562)**	234
Depreciation of property, plant and equipment	11	**831**	745
Amortisation and impairment of intangible assets	10	**15,634**	391
Loss on disposal of intangibles		**309**	–
Share-based employee remuneration		**595**	855
Change in inventories		**(2,674)**	2,247
Change in trade and other receivables		**1,798**	1,743
Change in trade and other payables		**(1,687)**	(4,467)
Cash generated from operations		**16,421**	19,182
Tax paid		**(1,964)**	(1,283)
Cash flows from operating activities		**14,457**	17,899
Investing activities			
Interest received	5	**10**	13
Development costs capitalised		**–**	(8)
Purchase of property, plant and equipment	11	**(1,949)**	(1,680)
Proceeds from the disposal of intangibles		**385**	–
Net cash used in investing activities		**(1,554)**	(1,675)
Financing activities			
Interest paid and similar charges		**(1,974)**	(1,721)
Loan issue costs	15	**(330)**	–
Proceeds from exercise of share options		**712**	395
Capital lease payments		**(426)**	(375)
Dividend paid	8	**(2,837)**	(2,524)
Repayment of borrowings	15	**(5,930)**	(6,359)
Net cash used in financing activities		**(10,785)**	(10,584)
Net movement in cash and cash equivalents		**2,118**	5,640
Cash and cash equivalents at beginning of period		**17,830**	10,893
Effects of exchange rate movements		**576**	(65)
Cash and cash equivalents at end of period		**20,524**	16,468

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Ordinary Share Capital £000s	Share Premium account £000s	Share Option reserve £000s	Other reserve £000s	Cash flow Hedging reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2020 (audited)	**5,294**	**149,036**	**7,208**	**(329)**	**462**	**(4)**	**112,513**	**274,180**
Issue of shares	**17**	**696**	–	–	–	–	–	**713**
Dividend paid	–	–	–	–	–	–	**(2,837)**	**(2,837)**
Share options charge (including deferred tax)	–	–	**510**	–	–	–	–	**510**
Transactions with owners	**17**	**696**	**510**	–	–	–	**(2,837)**	**(1,614)**
Loss for the period	–	–	–		–	–	**(1,768)**	**(1,768)**
Other comprehensive income								
Interest rate swaps – cash flow hedge (net of deferred tax)	–	–	–	–	**(10)**	–	–	**(10)**
Foreign exchange forward contracts – cash flow hedge (net of deferred tax)	–	–	–	–	**(762)**	–	–	**(762)**
Foreign exchange translation differences	–	–	–	–	–	**2,863**	–	**2,863**
Total comprehensive income for the period	–	–	–	–	**(772)**	**2,863**	**(1,768)**	**323**
Balance 30 June 2020 (unaudited)	**5,311**	**149,732**	**7,718**	**(329)**	**(310)**	**2,859**	**107,908**	**272,889**

	Ordinary Share Capital £000s	Share Premium account £000s	Share Option reserve £000s	Other reserve £000s	Cash flow Hedging reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2019 (audited)	5,182	144,639	6,121	(329)	(4)	1,491	95,099	252,199
Issue of shares	17	378	–	–	–	–	–	395
Dividend payable/paid	–	–	–	–	–	–	(7,596)	(7,596)
Share options charge (including deferred tax)	–	–	651	–	–	–	–	651
Transactions with owners	17	378	651	–	–	–	(7,596)	(6,550)
Profit for the period	–	–	–	–	–	–	12,142	12,142
Other comprehensive income								
Interest rate swaps – cash flow hedge (net of deferred tax)	–	–	–	–	(69)	–	–	(69)
Foreign exchange translation differences	–	–	–	–	–	224	–	224
Total comprehensive income for the period	–	–	–	–	(69)	224	12,142	12,297
Balance 30 June 2019 (unaudited)	5,199	145,017	6,772	(329)	(73)	1,715	99,645	257,946

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 London Stock Exchange, Alternative Investment Market (AIM).

The information in these financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. These financial statements have been prepared in accordance with the AIM rules, and IAS 34 has not been adopted. A copy of the Group's statutory accounts for the year ended 31 December 2019, prepared under International Financial Reporting Standards as adopted by the European Union, has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006.

These consolidated financial statements for the six-month period ended 30 June 2020 have been approved for issue by the Board of Directors on 22 September 2020.

2. Going Concern

The Group has access to a £165m fully Revolving Credit Facility ('RCF'), with an additional £50m accordion facility. During the period the length of this facility was extended by one year to July 2024, with other terms remaining unchanged.

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 have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the forecast period). These indicate that the Group will have sufficient funds, given the RCF financing available, to meet its liabilities as they fall due for that period.

The cash flow forecasts include the current estimated impact of COVID-19. The Directors have also considered further potential implications of COVID-19 by modelling severe but plausible downside scenarios. These include a severe but plausible scenario in which the level of trade seen in Q2 2020 continues for the remainder of the financial year, reflecting the impact on the Group if global lockdown conditions continue. The scenarios 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.

Consequently, the Directors are confident that the Group 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.

3. Accounting policies

Judgements and estimates

As part of the 2020 strategic review, the Group has determined its portfolio of assets can be segregated into two areas; Consumer Healthcare brands and Prescription Medicines.

Following this determination the Directors have considered the continuing appropriateness of indefinite useful lives which have previously been adopted across the intangible brand asset portfolio.

For the majority of Consumer Healthcare brand assets, indefinite useful lives have been judged to remain appropriate. This due to the expected long-term growth profile of the Consumer Healthcare business and the enduring nature of the brands, which are supported by continuing marketing spend.

For Prescription Medicine brand assets, finite useful lives of up to 20 years have been adopted from 1 January 2020. The determination of this lifespan takes into account all relevant factors for each individual asset, including typical pharmaceutical asset life cycles and the potential development of alternative treatments over time.

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

The Group has conducted impairment reviews for all intangible brand assets. These reviews, together with the change in useful life assumption for Prescription Medicine assets, have resulted in a number of impairments as detailed in note 6.

Non-underlying items

The Group has updated its classification policy for non-underlying items (note 6). Following the update, all amortisation and impairment charges for intangible assets will be included as non-underlying items for 2020 and subsequent years. This policy is in line with the majority of peer companies of the Group.

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.

Other accounting policies

The remaining accounting policies applied in these interim financial statements are the same as those published by the Group in the 31 December 2019 Annual Report. The Annual report is available on the Group's website: www.alliancepharmaceuticals.com.

4. Revenue

Revenue information by brand	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Consumer Healthcare International Star brands:		
Kelo-cote	**14,181**	13,143
Nizoral*	**6,209**	5,702
MacuShield	**2,837**	4,666
Vamousse	**3,217**	3,080
	26,444	26,591
Other Consumer Healthcare brands:		
Aloclair	**4,553**	4,371
Oxyplastine	**2,215**	2,078
Ashton & Parsons	**1,815**	1,207
Other Consumer Healthcare brands	**5,165**	6,372
Total Revenue – Consumer Healthcare brands	**40,192**	40,619
Prescription Medicines:		
Hydromol	**3,300**	3,356
Flamma Franchise	**2,897**	3,856
Forceval	**2,322**	2,048
Optiflo	**1,578**	1,503
Ametop	**641**	1,002
Other prescription medicines	**10,778**	13,623
Total Revenue – Prescription Medicines	**21,516**	25,388
Total Revenue	**61,708**	66,007

Revenue information by geography	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Europe, Middle East and Africa (EMEA)	**44,791**	47,724
Asia Pacific and China (APAC)	**13,299**	14,569
Americas (AMER)	**3,618**	3,714
Total Revenue	**61,708**	66,007

* Nizoral is shown on a net profit basis in statutory revenue. Nizoral revenue presented on a see-through income statement basis is included as an alternative performance measure in note 17.

5. Finance costs

	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
On loans and overdrafts	**(1,139)**	(1,634)
Amortised finance issue costs	**(267)**	(233)
Net fair value losses on derivatives	**(109)**	(377)
Interest on lease liabilities	**(43)**	(43)
Interest payable and similar charges	**(1,558)**	(2,287)
Interest income	**10**	13
Net exchange gain/(loss)	**562**	(234)
Finance income/(costs)	**572**	(221)
Net finance costs	**(986)**	(2,508)

6. 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 performance of the Group, and can exclude items such as: amortisation and impairment of intangibles; gains or losses on disposal; remeasurement and accounting for the passage of time in respect of contingent considerations; and the revaluation of deferred tax balances following substantial tax legislation changes.

This assessment requires judgement to be applied by the Directors as to which transactions are non-underlying and whether this classification enhances the understanding of the users of the financial statements.

	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Amortisation of intangible assets	**3,577**	–
Impairment of goodwill and intangible assets	**12,057**	–
Total non-underlying items before taxation	**15,634**	–
Taxation on amortisation and impairment items	**(2,298)**	–
Impact of UK tax rate change from 17% to 19%	**1,442**	–
Non-underlying taxation	**(856)**	–
Total non-underlying items after taxation	**14,778**	–

6. Non-underlying items continued

Amortisation of intangible assets

As disclosed in note 3, finite useful lives of up to 20 years have been adopted from 1 January 2020 for Prescription Medicine and certain other brand assets. As a result of this change in estimate for 2020, and subsequent years, the carrying value of the Prescription Medicine and certain other brand assets will be amortised to the profit and loss account over their useful lives. This generates an annual amortisation charge of £7.2m.

Impairment of goodwill and intangible assets

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

The key Prescription Medicine assets impacted are:

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

Goodwill and other intangible assets have also been impaired by £3.2m (£2.9m due to market factors and £0.3m due to the change in accounting estimate).

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

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016, reducing the main rate from 19% to 17% from 1 April 2020. This commitment was abandoned in the Budget on 11 March 2020. As this change was substantively enacted on 17 March 2020, the effect is included in these financial statements as a non-underlying item.

7. Taxation

Analysis of charge for the period is as follows:

	Unaudited Six months ended 30 June 2020			Unaudited Six months ended 30 June 2019		
	Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s	Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s
Corporation tax	**2,439**	**–**	**2,439**	2,916	–	2,916
Deferred tax	**814**	**(856)**	**(42)**	102	–	102
Taxation	**3,253**	**(856)**	**2,397**	3,018	–	3,018

The difference between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Profit before taxation	**629**	15,160
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom at 19% (2019: 19%)	**120**	2,880
Effects of:		
Non-deductible items and adjustments	**163**	138
Non-qualifying amortisation and impairment	**672**	–
UK rate change impact (note 6)	**1,442**	–
Total tax charge	**2,397**	3,018

8. Dividends

The Board has declared an interim dividend payment of 0.536p per share for the 2020 financial year. This will be paid to shareholders in January 2021.

	Pence/share	Six months ended 30 June 2020 £000s
Amounts recognised as distributions to owners in 2020		
Interim dividend for the 2019 financial year	**0.536**	**2,837**

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

	Pence/share	Six months ended 30 June 2019 £000s
Amounts recognised as distributions to owners in 2019		
Interim dividend for the 2018 financial year	0.487	2,524
Final dividend for the 2018 financial year	0.977	5,072
		7,596

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

9. Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period. For diluted EPS, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

A reconciliation of the weighted average number of Ordinary Shares used in the measures is given below:

	Weighted average number of shares 000s	
	Six months ended 30 June 2020	**Six months ended 30 June 2019**
For basic EPS	**530,303**	518,516
Share options	**6,875**	10,019
For diluted EPS	**537,178**	528,535

	Six months to 30 June 2020 £000s	**Six months to 30 June 2019 £000s**
Earnings for basic and diluted EPS	**(1,768)**	12,142
Non-underlying items (note 6)	**14,778**	–
Earnings for underlying basic and diluted EPS	**13,010**	12,142

The resulting EPS measures are:

	Six months to 30 June 2020 Pence	**Six months to 30 June 2019 Pence**
Basic EPS	**(0.33)**	2.34
Diluted EPS	**(0.33)**	2.30
Underlying basic EPS	**2.45**	2.34
Underlying diluted EPS	**2.42**	2.30

10. Goodwill and intangible assets

	Goodwill £000s	Brands and distribution rights £000s	Total £000s
Cost			
At 1 January 2020 (audited)	16,532	323,541	340,073
Disposals	–	(714)	(714)
Exchange adjustments	–	4,728	4,728
At 30 June 2020 (unaudited)	**16,532**	**327,555**	**344,087**
Amortisation and impairment			
At 1 January 2020 (audited)	–	11,413	11,413
Impairment for the period (note 6)	1,144	10,913	12,057
Amortisation for the period (note 6)	–	3,577	3,577
At 30 June 2020 (unaudited)	**1,144**	**25,903**	**27,047**
Net book amount			
At 30 June 2020 (unaudited)	**15,388**	**301,652**	**317,040**
At 1 January 2020 (audited)	16,532	312,128	328,660

11. Property, plant and equipment

The Group	Computer software and equipment £000s	Fixtures, fitting and equipment £000s	Plant & machinery £000s	Right of use Lease assets £000s	Total £000s
Cost					
At 1 January 2020 (audited)	8,511	2,699	14	5,293	16,517
Additions	1,941	8	–	89	2,038
Effect of movements in exchange rates	(21)	(4)	–	–	(25)
At 30 June 2020 (unaudited)	**10,431**	**2,703**	**14**	**5,382**	**18,530**
Depreciation					
At 1 January 2020 (audited)	1,172	1,200	4	2,587	4,963
Provided in the period	197	226	2	406	831
At 30 June 2020 (unaudited)	**1,369**	**1,426**	**6**	**2,993**	**5,794**
Net book amount					
At 30 June 2020 (unaudited)	**9,062**	**1,277**	**8**	**2,389**	**12,736**
At 1 January 2020 (audited)	7,339	1,499	10	2,706	11,554

12. Trade and other receivables

	Unaudited 30 June 2020 £000s	Audited 31 December 2019 £000s
Trade receivables	**21,422**	23,987
Other receivables	**2,640**	2,522
Prepayments and accrued income	**5,122**	4,483
	29,184	30,992

13. Trade and other payables

	Unaudited 30 June 2020 £000s	Audited 31 December 2019 £000s
Trade payables	**7,509**	6,970
Other taxes and social security costs	**1,661**	3,247
Accruals and deferred income	**8,216**	10,114
Other payables	**113**	459
Lease liabilities	**864**	1,025
	18,363	21,815

14. Other non-current liabilities

	Unaudited 30 June 2020 £000s	Audited 31 December 2019 £000s
Lease liabilities	**1,894**	1,997
Other non-current liabilities	**435**	404
	2,329	2,401

15. Loans and borrowings

The Group has access to a £165m fully Revolving Credit Facility ('RCF'), with an additional £50m accordion facility. During the period the length of this facility was extended by one year to July 2024, with other terms remaining unchanged.

The bank facility is secured by a fixed and floating charge over the Company's and Group's assets registered with Companies House.

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

Movements in borrowings are analysed as follows:

	£000s
At 1 January 2020 (audited)	77,040
Repayment of borrowings	(5,930)
Additional prepaid arrangement fees	(330)
Amortisation of prepaid arrangement fees	267
Exchange movements*	1,696
At 30 June 2020 (unaudited)	**72,743**

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

The carrying amount of the Group's borrowings are denominated in the following currencies:

	Unaudited 30 June 2020 £000s	**Audited 31 December 2019 £000s**
GBP	**49,491**	54,792
USD	**11,259**	10,497
EUR	**13,864**	13,559
Loan issue costs	**(1,871)**	(1,808)
	72,743	77,040

16. Contingent liabilities

On 23 May 2019 the UK's Competition and Markets Authority ('CMA') issued a Statement of Objection alleging anti-competitive agreements against the Group and certain other pharmaceutical companies in relation to the sale of prescription prochlorperazine.

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

The Group's assessment as at 22 September 2020, based on currently available information, is that there are no matters for which a provision is required (31 December 2019: £nil). However, given the inherent uncertainties involved in assessing the outcomes of such matters there can be no assurance regarding the outcome of any ongoing inspections/investigations and the position could change over time.

17. Alternative performance measures

The performance of the Group is assessed using Alternative Performance Measures (APMs). The Group's results are presented both before and after non-underlying items. Adjusted profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter term budgets and forecasts but also against the Group's longer-term strategic plans.

APMs used to explain and monitor Group performance are:

Measure	**Definition**	**Reconciliation to GAAP measure**
Underlying EBIT and EBITDA	Earnings before interest, tax and non-underlying items (EBIT), then depreciation, amortisation and underlying impairment (EBITDA). Calculated by taking profit before tax and financing costs, excluding non-underlying items and adding back depreciation and amortisation.	Note A below
Free cash flow	Free cash flow is defined as cash generated from operations less cash payments made for financing costs, 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
See-through income statement	Under the terms of the transitional services agreement with J&J, Alliance receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in the Asia-Pacific territories transfer from J&J to Alliance. The net product margin is recognised as part of statutory revenue. The see-through income statement recognises the underlying sales and cost of sales which give rise to the net product margin, as management consider this to be a more meaningful representation of the underlying performance of the business, and to reflect the way in which it is managed.	Note D below

17. Alternative performance measures continued

A. Underlying EBIT and EBITDA

Reconciliation of Underlying EBIT and EBITDA	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Profit before tax	**629**	15,160
Non-underlying items (note 6)	**15,634**	–
Net finance costs (note 5)	**986**	2,508
Underlying EBIT	**17,249**	17,668
Depreciation (note 11)	**831**	745
Underlying amortisation and impairment	**–**	391
Underlying EBITDA	**18,080**	18,804

B. Free cash flow

Reconciliation of free cash flow	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s
Cash generated from operations	**16,421**	19,182
Financing costs	**(1,974)**	(1,721)
Capital expenditure	**(1,949)**	(1,680)
Tax paid	**(1,964)**	(1,283)
Free cash flow	**10,534**	14,498

C. Net debt

Reconciliation of net debt	Unaudited 30 June 2020 £000s	Audited 31 December 2019 £000s
Loans and borrowings – non-current	**(72,743)**	(77,040)
Cash and cash equivalents	**20,524**	17,830
Net debt	**(52,219)**	(59,210)

D. See-through income statement

	Unaudited Six months ended 30 June 2020 statutory values £000s	See-through adjustment £000s	Unaudited Six months ended 30 June 2020 see-through values £000s
Revenue	**61,708**	**3,553**	**65,261**
Cost of sales	**(23,117)**	**(3,553)**	**(26,670)**
Gross profit	**38,591**	**–**	**38,591**
Gross profit margin	**62.5%**	**–**	**59.1%**

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

Summary of historical see-through revenues for the years ended 31 December 2017, 2018 and 2019 under the new and previously adopted classifications

Audited years ended 31 December	2017 £000s	2018 £000s	2019 £000s
Consumer Healthcare	43,593	70,276	92,365
Prescription Medicines	58,051	53,766	51,913
See-through Revenue	101,644	124,042	144,278
International Star brands	20,045	46,076	65,982
Local brands	81,599	77,966	78,296
See-through Revenue	101,644	124,042	144,278

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