For immediate release **[22 March 2022]**

ALLIANCE PHARMA PLC
("Alliance" or the "Group")

Unaudited Preliminary Results for the year ended 31 December 2021

Excellent performance in 2021 gives strong foundation to continue growth in 2022

Alliance Pharma plc (AIM: APH), the international healthcare group, is pleased to announce its unaudited preliminary results for the year ended 31 December 2021 ("the Year"). The Group delivered a strong operational and financial performance in 2021, positioning the Group to take advantage of further growth opportunities in 2022.

FINANCIAL SUMMARY

Year ended	2021 Underlying (£m)	2021 Reported (£m)	2020 Underlying (£m)	2020 Reported (£m)	Growth underlying	Growth reported
Revenue (see-through basis)*	169.6	169.6	137.5	137.5	+23%	+23%
Revenue (statutory basis)	163.2	163.2	129.8	129.8	+26%	+26%
Gross profit	109.5	109.5	82.8	82.8	+32%	+32%
Profit before taxation	42.2	18.2	33.5	13.0	+26%	+39%
Basic earnings per share	6.39p	1.37p	5.11p	1.51p	+25%	-9%
Free cash flow*		30.2		34.1		-12%
Cash from operations		44.9		46.4		-3%
Net debt*		87.0		109.4		
Proposed total dividend per share		1.69p		1.61p		+5%

OPERATING AND FINANCIAL HIGHLIGHTS

- Strong overall revenue growth driven by Consumer Healthcare, underpinned by continued market penetration via e-commerce activity which now represents around 25% of Group revenues
- Consumer Healthcare see-through revenue* up 31% to £121.8m (2020: £93.0m) and up 36% at constant exchange rates ("CER*") with excellent performance from Kelo-cote™ and the first full year of Amberen™, acquired in December 2020
- Robust Prescription Medicine performance with revenues up 8% to £47.8m (2020: £44.5m), with strong H2 recovery as the effects of COVID-19 receded
- Strong free cash flow*, driving down Group leverage to 1.7x at 31 December 2021 (2.4x at 31 December 2020)
- Amberen fully integrated into the Group
- Successfully implemented Group-wide ERP system, enhancing visibility across the business

DEVELOPING OUR BUSINESS

- US operating capabilities expanded to provide a platform for future growth
- Strengthened European management team and expanded the Board to increase consumer brand experience
- Dedicated Innovation and Development ("I&D") team now in place to underpin Consumer Healthcare organic growth

Alliance Pharma plc

- Rollout of strategic brand plan for Nizoral™ now well underway
- Committed to carbon neutral Scope 1 and 2 emissions from 2021
- Certified as a Great Place To Work® again in UK and China, and now in Singapore with a Trust Index© rating of 76%

Commenting on the results, Peter Butterfield, Chief Executive Officer of Alliance, said:

"I'm delighted with the strong operational and financial performance of the Group in 2021. Our Consumer Healthcare business continued to perform well, with Kelo-cote enjoying another excellent year as we capitalised on the opportunities identified for the brand. Group double-digit organic revenue growth was complemented by the acquisition of Amberen which, coupled with solid cost control, resulted in strong cash generation allowing us to reduce both net debt and leverage.

"2022 has got off to an encouraging start. We remain confident in our ability to further capitalise on identified organic growth opportunities within the business and to deliver financial performance in line with market expectations. In addition, we continue to evaluate opportunities to selectively add complementary acquisitions to our Consumer Healthcare platform, taking advantage of our strong cash flow and reduced leverage."

Outlook for 2022

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 significant organic growth this year and beyond.

We expect to see increased growth from Nizoral in 2022, as we accelerate the roll-out of our strategic plan for the brand, and as the impact of the pandemic recedes. We also anticipate sales growth acceleration for Amberen now that the business is fully integrated into our enlarged US operations, and we realise additional revenue opportunities. The new Kelo-cote distribution agreement put in place in 2021 should enable us to drive further growth in cross-border e-commerce ("CBEC") sales and provides an opportunity to extend the range of products made available through this channel, potentially increasing the growth of a number of our other consumer brands.

We now have a more balanced consumer portfolio around the globe and, as our net debt and leverage continue to reduce, we are increasingly well placed to participate in complementary acquisitions in the consumer healthcare space, especially those that can leverage our established infrastructure. With a proven ability to extract value from our key consumer brands and acquired consumer brands, we remain confident in our ability to realise our mid-term growth ambitions.

** 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 14.*

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 relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

ANALYST MEETING & WEBCAST

A meeting for analysts will be held at 9.30am this morning, 22 March 2022, at Investec Bank plc, 30 Gresham Street, London EC2V 7QP. For further details, analysts should contact Buchanan at alliancepharma@buchanan.uk.com.

A live webcast of the analyst meeting will be available at this link:

https://webcasting.buchanan.uk.com/broadcast/620a757b26d01a4c0553d15f.

A recording of the webcast will be made available at the investor section of Alliance's website, https://www.alliancepharmaceuticals.com/investors/

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Corporate Broking: Patrick Robb	

About Alliance

Alliance Pharma plc (AIM: APH) is an international healthcare group. Our purpose is to improve the lives of consumers and patients through making available a range of clinically valuable healthcare products.

Our core focus is on the marketing of Consumer Healthcare brands, complemented by a smaller Prescription Medicines business. In total, we hold marketing rights to around 80 brands, with revenues generated from a mix of direct, distributor and e-commerce sales.

Headquartered in the UK, the Group employs around 250 people based in locations across Europe, North America, and the Asia Pacific region. By outsourcing our manufacturing and logistics operations, we remain asset-light and focused on maximising the value of our brands.

For more information on Alliance, please visit our website: www.alliancepharmaceuticals.com

Trading performance

Strong revenue growth

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

Revenue summary

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

Consumer Healthcare

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

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

Kelo-cote – scar prevention and treatment

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

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

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

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

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

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

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

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

Nizoral – medicated anti-dandruff shampoo

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

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

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

Other Consumer Healthcare brands

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

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

As we progress through 2022, and global trading patterns and consumer behaviours start to normalise post COVID-19, we expect to see sales of Vamousse, Aloclair, Oxyplastine and a number of our other smaller consumer brands start to pick up again. Further revenue detail on these brands is available in note 2.

Prescription Medicines

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

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

Regional performance

EMEA (Europe, UK, Middle East and Africa)

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

APAC (Asia Pacific and China)

APAC regional see-through revenues rose 47% versus the prior year at £54.4m (2020: £37.0m), with statutory revenues up 64% to £48.0m (2020: £29.3m). Kelo-cote and Nizoral collectively accounted for 90% of APAC sales in 2021 with all Nizoral sales by Alliance generated in this region.

Regional revenues in 2021 benefited from the change in distribution arrangements for Kelo-cote CBEC sales described above. The uplift in sales also reflects underlying growth in Kelo-cote sales, both in China and across the wider APAC region, coupled with a slight decline in Nizoral sales.

AMER (The Americas)

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

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

Increased profitability

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

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

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

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

Net of the increase in operating costs and the share options charge, underlying earnings before interest, taxes, depreciation, and underlying amortisation (EBITDA) increased 26% in the Year to £48.6m (2020: £38.6m), whilst underlying operating profit (EBIT) increased by 24% to £45.6m (2020: £36.8m). Reported operating profit increased by £5.3m to £21.6m (2020: £16.3m), with non-underlying items of £24.1m (2020: £20.5m), principally comprising amortisation charges of £7.2m (2020: £7.2m), impairment charges of £6.2m (2020: £12.1m), restructuring costs of £2.4m (2020: £nil) and a provision in relation to the Competition and Markets Authority (CMA) decision of £7.9m. Further detail on non-underlying items is provided in note 4.

With net finance costs of £3.4m in-line with prior year (2020: £3.3m) and an underlying tax charge of £8.0m (2020: £6.4m) equating to a tax rate of 19.0% (2020: 19.0%), underlying basic earnings per share increased 25% to 6.39p (2020: 5.11p).

Balance sheet development

Following the successful deployment of our new ERP system in mid-2021, we conducted a review of the associated capitalised project costs, and as a result have transferred these capitalised costs, amounting to £15.0m, from property, plant and equipment (PPE) to intangible assets. These additions have effectively been offset by underlying amortisation charges of £1.4m, non-underlying amortisation charges of £7.2m and non-underlying impairment charges of £6.2m, such that the increase in intangible assets for the Year amounted to £0.9m.

In the Year, the Group created provisions totalling £9.5m as at 31 December 2021 (31 December 2020: £nil), £7.9m of which relates to the CMA decision, the remainder, £1.6m, being a provision for restructuring costs. Further detail is provided in note 10.

Strong cash generation

Free cash flow (see note 14B for definition) for the Year remained strong at £30.2m (2020: £34.1m), with second half cash flows being significantly stronger than first half (H1 2021: £6.5m; H2 2021: £23.7m), reflecting both the reversal of the favourable movements in net working capital seen at the end of 2020 during the first half of the Year, and the timing of sales in the second half. Cash generated from operations decreased by 3% to £44.9m (2020: £46.4m).

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

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

Dividend

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

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

Operational developments

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

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

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

During the Year we secured new, larger offices in Cary, North Carolina, to accommodate our growing US team, closed our office in Los Angeles and streamlined our European footprint through the closure of our Milan office, incurring associated restructuring costs of £2.4m, which have been presented as non-underlying. We also completed further substantial upgrade and refurbishment works at our UK headquarters, improving the building's environmental credentials whilst also reconfiguring space to better accommodate post-pandemic working arrangements. All employees have now returned to the office on a hybrid basis, both in the UK and in our regional offices around the globe, as pandemic restrictions allow.

Increasing our focus on sustainability

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

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

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

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

Further coverage on the progress we have made with our sustainable business strategy can be found in our 2021 Annual Report, which will be published in due course on our website.

People

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

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

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

Further coverage on this and other aspects of our people strategy can be found in our 2021 Annual Report, which will be published on our website.

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

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

Board changes

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

Looking forward to 2022

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

Operationally, the priorities for the Group in 2022 are:

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

Peter Butterfield
Chief Executive Officer
22 March 2022

Andrew Franklin
Chief Financial Officer
22 March 2022

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CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2021			Year ended 31 December 2020		
		Underlying £000s	Non-Underlying £000s (Note 4)	Total £000s	Underlying £000s	Non-Underlying £000s (Note 4)	Total £000s
Revenue	2, 14	**163,207**	**–**	**163,207**	129,801	–	129,801
Cost of sales		**(53,757)**	**–**	**(53,757)**	(46,985)	–	(46,985)
Gross profit		**109,450**	**–**	**109,450**	82,816	–	82,816
Operating expenses							
Administration and marketing expenses	4	**(60,202)**	**(2,843)**	**(63,045)**	(44,614)	(1,300)	(45,914)
Amortisation of intangible assets	4	**(1,362)**	**(7,168)**	**(8,530)**	–	(7,155)	(7,155)
Impairment of goodwill and intangible assets	4	**–**	**(6,150)**	**(6,150)**	–	(12,057)	(12,057)
CMA provision	10	**–**	**(7,900)**	**(7,900)**	–	–	–
Share-based employee remuneration		**(2,250)**	**–**	**(2,250)**	(1,374)	–	(1,374)
Operating profit		**45,636**	**(24,061)**	**21,575**	36,828	(20,512)	16,316
Finance costs							
Interest payable and similar charges	5	**(3,646)**	**–**	**(3,646)**	(2,657)	–	(2,657)
Finance costs	5	**228**	**–**	**228**	(643)	–	(643)
		(3,418)	**–**	**(3,418)**	(3,300)	–	(3,300)
Profit before taxation	3	**42,218**	**(24,061)**	**18,157**	33,528	(20,512)	13,016
Taxation	4, 6	**(8,033)**	**(2,805)**	**(10,838)**	(6,372)	1,383	(4,989)
Profit for the period attributable to equity shareholders		**34,185**	**(26,866)**	**7,319**	27,156	(19,129)	8,027
Earnings per share							
Basic (pence)	8	**6.39**		**1.37**	5.11		1.51
Diluted (pence)	8	**6.30**		**1.35**	5.05		1.49

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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CONSOLIDATED BALANCE SHEET

	Note	31 December 2021 £000s	31 December 2020 £000s
Assets			
Non-current assets			
Goodwill and intangible assets		**413,744**	412,872
Property, plant and equipment		**4,826**	15,921
Deferred tax	**11**	**3,526**	2,139
Other non-current assets		**371**	682
		422,467	431,614
Current assets			
Inventories		**21,075**	22,917
Trade and other receivables		**30,821**	25,114
Derivative financial instruments		**64**	310
Cash and cash equivalents		**29,061**	28,898
		81,021	77,239
Total assets		**503,488**	508,853
Equity			
Ordinary share capital	**12**	**5,382**	5,329
Share premium account		**151,328**	150,645
Share option reserve		**10,058**	8,426
Other reserve		**(329)**	(329)
Cash flow hedging reserve		**48**	239
Translation reserve		**(419)**	(1,055)
Retained earnings		**116,418**	117,703
Total equity		**282,486**	280,958
Liabilities			
Non-current liabilities			
Loans and borrowings	**9**	**116,060**	138,328
Other liabilities		**2,637**	3,200
Deferred tax liability	**11**	**61,728**	56,181
		180,425	197,709
Current liabilities			
Corporation tax		**1,178**	1,435
Trade and other payables		**29,930**	28,736
Provisions	**10**	**9,469**	–
Derivative financial instruments		**–**	15
		40,577	30,186
Total liabilities		**221,002**	227,895
Total equity and liabilities		**503,488**	508,853

Alliance Pharma plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED CASH FLOW STATEMENT

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. General information

Alliance Pharma plc ('the Company') and its subsidiaries (together "the Group") acquire, market and distribute pharmaceutical and other medical products. 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.

The financial information set out in the announcement does not constitute the Group's statutory accounts for the year ended 31 December 2021 or 31 December 2020. The auditors reported on the accounts for the year ended 31 December 2020 and their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2021 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

2. Revenue and segmental information

The Group's reportable segments are the strategic business units that represent different parts of the overall product portfolio. These being Consumer Healthcare brands and Prescription Medicines. The business units are managed separately as each portfolio requires different expertise to deliver the corresponding product offering. The segmental presentation reflects the decision in the year to reclassify the portfolio, in recognition of the inherently different characteristics of these product types. Previously the business has been reported as a single segment.

Operating segments are disclosed in a manner consistent with the internal reporting provided to the CODM during the reporting year. The Group's Board of Directors ('the Board') is the Group's CODM. The Group evaluates performance of the operational segments on the basis of revenue and gross profit. Other than intangible assets, assets and liabilities are reported to the Board at Group level and are not separated segmentally.

Revenue information By Brand	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Consumer Healthcare brands:		
Kelo-cote	**48,845**	34,748
Amberen	**19,233**	–
Nizoral *	**14,189**	13,260
MacuShield	**8,829**	6,751
Aloclair	**5,773**	7,601
Vamousse	**4,110**	5,626
Other consumer healthcare brands	**14,397**	17,354
Total revenue – Consumer healthcare brands	**115,376**	85,340
Prescription Medicines:		
Hydromol	**7,009**	6,304
Flamma Franchise	**6,610**	5,897
Forceval	**5,685**	4,893
Other prescription medicines	**28,527**	27,367
Total revenue – Prescription medicines	**47,831**	44,461
Total Revenue	**163,207**	129,801

* Nizoral statutory revenue includes revenue generated on an agency basis. Nizoral revenue presented on a see-through income statement basis is included as an alternative performance measure in note 14.

Revenue information by Geography

Classification by geography is based on customer location.

Revenue information By Geography	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Europe, Middle East and Africa (EMEA)	**89,188**	93,769
Asia Pacific and China (APAC)	**48,030**	29,309
Americas (AMER)	**25,989**	6,723
Total Revenue	**163,207**	129,801

Operating Segment Results

	Year ended 31 December 2021		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £'000s
Revenue	**115,376**	**47,831**	**163,207**
Cost of Sales	**(31,545)**	**(22,212)**	**(53,757)**
Gross Profit	**83,831**	**25,619**	**109,450**

	Year ended 31 December 2020		
	Consumer Healthcare £000s	Prescription Medicines £000s	Total £'000s
Revenue	85,340	44,461	129,801
Cost of Sales	(26,199)	(20,786)	(46,985)
Gross Profit	59,141	23,675	82,816

Major customers

The revenues from the Group's largest customers are as follows. No customers separately comprised 10% or more of revenue (2020: two).

Major customer 1 is a multinational organisation with sales in both EMEA and AMER regions.

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Major customer 1 (Consumer healthcare and Prescription medicine sales in EMEA and AMER)	**13,723**	17,345
Major customer 2 (Consumer healthcare sales in EMEA)	**12,014**	16,646

3. Profit before taxation

Profit before taxation is stated after charging:	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Amounts receivable by the Company's auditor and its associates in respect of		
– The audit of these financial statements	**96**	48
– The audit of the financial statements of subsidiaries	**326**	198
– Other assurance services	**5**	5
Amortisation of intangible assets	**8,530**	7,155
Impairment of intangible assets	**6,150**	12,057
CMA provision	**7,900**	–
Losses on disposals	**–**	308
Share options charge	**2,250**	1,374
Depreciation of plant, property and equipment	**1,575**	1,753
(Gain)/Loss on foreign exchange transactions	**(205)**	653

4. 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; gains or losses on disposal; remeasurement and accounting for the passage of time in respect of contingent considerations; and the revaluation of deferred tax balances following substantial tax legislation changes. This assessment requires judgement to be applied by the Directors as to which transactions are non-underlying and whether this classification enhances the understanding of the users of the financial statements.

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Amortisation of intangible assets	**(7,168)**	(7,155)
Impairment of goodwill and intangible assets	**(6,150)**	(12,057)
Biogix acquisition costs	**–**	(1,300)
CMA provision (see note 10)	**(7,900)**	–
Restructuring costs	**(2,420)**	–
Other	**(423)**	–
Total non-underlying items before taxation	**(24,061)**	(20,512)
Taxation on non-underlying items	**2,167**	3,194
Impact of UK tax rate change from 17% to 19%	**–**	(1,811)
Impact of UK tax rate change from 19% to 25%	**(4,972)**	–
Non-underlying taxation	**(2,805)**	1,383
Total non-underlying items after taxation	**(26,866)**	(19,129)

Amortisation of intangible assets

The amortisation costs of acquired intangible assets are a significant item considered unrelated to trading performance, and as such have been presented as non-underlying. This classification is in line with the majority of peer companies of the Group.

Impairment of goodwill and intangible assets

The impairment reviews for the Group's intangible assets resulted in impairment losses as the carrying value of certain cash-generating units exceeded estimated recoverable amounts. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to 2021 trading performance, and have been presented as non-underlying.

Biogix acquisition costs

Legal and professional fees related to the purchase of Biogix Inc in 2020 were £1.3m. These acquisition costs are a significant item considered unrelated to 2020 trading performance, and as such have been presented as non-underlying.

CMA provision

The CMA provision of £7.9m relates to the CMA Infringement Decision which is detailed further in note 10. This is considered unrelated to trading performance, and as such has been presented as non-underlying.

Restructuring costs

Costs of group restructuring in the Year ended 31 December 2021 relating to the closure of the Milan and Los Angeles offices were £2.4m (2020: £Nil). These costs are a significant item considered unrelated to 2021 trading performance, and as such have been presented as non-underlying.

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

The taxation charge for the Year Ended 31 December 2020 includes the impact on deferred tax of the main rate of UK corporation tax from 17% to 19%, following the abandonment of the proposed reduction to 17% in the March 2020 Budget. The change in tax rate is a significant item that relates only to deferred tax, principally on intangibles, and is unrelated to trading performance. As such, the rate change impact has been presented as non-underlying.

Impact of UK tax rate change from 19% to 25%

In the Budget on 3 March 2021, a further change to UK corporation tax rates was announced, increasing the main rate from 19% to 25% with effect from 1 April 2023. The impact on deferred tax of this further rate increase is included in these financial statements as a non-underlying item.

5. Finance costs

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Interest payable and similar charges		
On loans and overdrafts	**(2,904)**	(1,988)
Amortised finance issue costs	**(639)**	(581)
Interest on lease liabilities	**(103)**	(88)
	(3,646)	(2,657)
Finance income		
Interest income	**23**	10
Net exchange gains/(losses)	**205**	(653)
	228	(643)
Finance costs – net	**(3,418)**	(3,300)

6. Taxation

Analysis of the charge for the period is as follows:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Corporation tax		
In respect of current period	**6,069**	4,417
Adjustment in respect of prior periods	**(65)**	(123)
	6,004	4,294
Deferred tax (see note 11)		
Origination and reversal of temporary differences	**4,471**	705
Adjustment in respect of prior periods	**363**	(10)
Taxation	**10,838**	4,989

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

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Profit before taxation	**18.157**	13,016
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%)	**3,449**	2,473
Effect of:		
Non-deductible expenses	**1,888**	614
Non-taxable income	**(4)**	(18)
Adjustment in respect of prior periods	**298**	(132)
Differences between current and deferred tax rates	**4,972**	1,811
Differing tax rates on overseas earnings	**114**	40
Unrecognised losses	**246**	–
Foreign exchange	**96**	–
Share options	**(352)**	(7)
Movement in other tax provisions	**–**	208
Other differences	**131**	–
Total taxation	**10,838**	4,989

The taxation charge for the year ended 31 December 2020 included the impact on deferred tax of the increase in the main rate of UK tax from 17% to 19%, following the abandonment of the proposed reduction to 17% in the Budget on 11 March 2020.

A further change to UK corporation tax was announced in the Budget on 3 March 2021, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The taxation charge for the year ended 31 December 2021 includes the impact on deferred tax of this increase.

The Group has calculated 'adjusted underlying effective tax rate' as an alternative performance measure in note 14.

7. Dividends

An interim dividend of 0.563p per share for the 2021 financial year was paid on 7 January 2022. The Board is proposing a final dividend payment of 1.128p per share for 2021, taking the total dividend payment for the year to 1.691p (2020: 1.610p).

	Year ended 31 December 2021	
	Pence / share	£'000s
Amounts recognised as distributions to owners in 2021		
Interim dividend for the 2020 financial year	**0.536**	**2,857**
Final dividend for the 2020 financial year	**1.074**	**5,747**
Total dividend	**1.610**	**8,604**

The interim dividend for 2020 was paid on 7 January 2021. The final dividend for 2020 was paid on 8 July 2021.

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

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

8. Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. There are no differences in earnings used to calculate each measure as a result of the dilutive employee share options.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Basic EPS calculation	**535,295,583**	531,062,798
Employee share options	**7,039,113**	6,256,040
Diluted EPS calculation	**542,334,696**	537,318,838

The underlying basic EPS is intended to demonstrate recurring elements of the results of the Group before non-underlying items. A reconciliation of the earnings used in the different measures is given below:

	Year ended 31 December 2021 £000s	Year ended 31 December 2020 £000s
Earnings for basic EPS	**7,319**	8,027
Non-underlying items (note 4)	**26,866**	19,129
Earnings for underlying basic EPS	**34,185**	27,156

The resulting EPS measures are:

	Year ended 31 December 2021 Pence	Year ended 31 December 2020 Pence
Basic EPS	**1.37**	1.51
Diluted EPS	**1.35**	1.49
Underlying basic EPS	**6.39**	5.11
Underlying diluted EPS	**6.30**	5.05

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

Non-current	31 December 2021 £000s	31 December 2020 £000s
Bank loans:		
Secured	**117,025**	139,920
Finance issue costs	**(965)**	(1,592)
	116,060	138,328

Movement in loans and borrowings	31 December 2021 £000s	31 December 2020 £000s
At 1 January	**138,328**	77,040
Net receipts/(payments) from borrowing	**(22,587)**	61,054
Additional prepaid arrangement fees	**–**	(362)
Amortisation of prepaid arrangement fees	**628**	578
Exchange movements *	**(309)**	18
At 31 December	**116,060**	138,328

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

10. Provisions

	CMA provision £000s	Restructuring provision £000s	Total £000s
At 1 January 2021	–	–	–
Charge to income statement	**7,900**	**1,869**	**9,769**
Provisions utilised during the year	–	**(259)**	**(259)**
Exchange differences	–	**(41)**	**(41)**
At 31 December 2021	**7,900**	**1,569**	**9,469**

On 23 May 2019 the UK's Competition and Markets Authority ('CMA') issued a Statement of Objection alleging anti-competitive agreement involving the Group and certain other pharmaceutical companies in relation to the sale of prescription prochlorperazine. Prochlorperazine is one of the Group's smaller products and had peak sales in 2015 of £1.9m and sales of £0.7m in 2021.

On 3 February 2022, the CMA announced its finding that four companies, including Alliance, had infringed competition law (the "Infringement Decision"). The Directors fundamentally disagree with the CMA's finding.

The Group believes that it has a strong case and will be appealing the CMA's decision, and the proposed fine of £7.9m, at the Competition Appeal Tribunal which is expected to be heard in late 2022/early 2023, although the timing may be extended due to the current workload pressures within the court system. Historically, the Group's assessment was that there were no matters for which a provision was required, however the Infringement Decision has caused the Group to revisit this assessment.

Despite the Group's intention to appeal, the Directors believe that, as a result of the Infringement Decision, a provision of £7.9m should be recorded at 31 December 2021 (2020: £nil).

This reflects the amount of the proposed fine communicated by the CMA, and therefore, notwithstanding the Directors belief as to the merits of the grounds on which it will be appealing the CMA decision, the Directors consider this to be the appropriate position given that, in the event that the Group's appeal 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 these costs relate to the decision to appeal which was taken after the year end and their amount cannot be reliably estimated.

In accordance with IAS 37.92, the Group does not provide further information on the grounds that this could seriously prejudice the outcome of the appeal.

The restructuring provision of £1.6m at 31 December 2021 (2020: £Nil) relates to restructuring costs in relation to the closure of the Milan office following a change to the operating model for our direct-to-market business in Italy. The related outflows are expected to occur in the Year Ended 31 December 2022.

11. Deferred tax

	31 December 2021 £000s	31 December 2020 £000s
Accelerated capital allowances on tangible assets	**(464)**	(917)
Temporary differences: trading	**291**	492
Temporary differences: non-trading	**915**	623
Accelerated allowances on intangible assets	**(13,452)**	(9,839)
Initial recognition of intangible assets from business combination	**(47,796)**	(45,369)
Share-based payments	**1,819**	1,024
Foreign exchange forward contracts	**(16)**	(56)
Losses	**501**	–
	(58,202)	(54,042)
Recognised as:		
Deferred tax asset	**3,526**	2,139
Deferred tax liability	**(61,728)**	(56,181)
	(58,202)	(54,042)

Reconciliation of deferred tax movements:

	1 January 2021 £000s	Transfer £000s	Recognised in other comprehensive income £000s	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)**

	1 January 2020 £000s	Recognised in other comprehensive income £000s	Recognised directly in equity £'000s	Recognised on acquisition £000s	Recognised in the income statement £000s	31 December 2020 £000s
Non-current assets						
Intangible assets	(29,242)	–	–	(25,491)	(475)	(55,208)
Property, plant and equipment	(468)	–	(42)	–	(407)	(917)
Non-current liabilities						
Derivative financial instruments	(92)	36	–	–	–	(56)
Other non-current liabilities	662	(39)	–	–	–	623
Equity						

Share option reserve	806	–	96	–	122	1,024
Temporary differences						
Trading	234	–	221	–	37	492
	(28,100)	(3)	275	(25,491)	(723)	(54,042)
Recognised as:						
Deferred tax asset	1,710					2,139
Deferred tax liability	(29,810)					(56,181)

The Group has no unrecognised deferred tax assets (2020: £nil).

12. Share capital

	Allotted, called up and fully paid	
	No. of shares	**£000s**
At 1 January 2020 – ordinary shares of 1p each	529,402,619	5,294
Issued during the year	3,516,492	35
At 31 December 2020 – ordinary shares of 1p each	532,919,111	5,329
Issued during the year	5,306,413	53
At 31 December 2021 – ordinary shares of 1p each	538,225,524	5,382

Between 1 January 2021 and 31 December 2021 5,306,413 shares were issued on the exercise of employee share options (2020: 3,516,492).

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Managing Capital

Our objective in managing the business's capital structure is to ensure that the Group has the financial capacity, liquidity and flexibility to support the existing business and to fund acquisition opportunities as they arise.

The capital structure of the Group consists of net bank debt and shareholders' equity. At 31 December 2021 net debt was £87.0m (2020: £109.4m), whilst shareholders' equity was £282.5m (2020: £281.0m).

The business is profitable and cash-generative. The main financial covenant applying to bank debt is that leverage (the ratio of net bank debt to EBITDA) should not exceed 3.0 times. The Group complied with this covenant in 2021 and 2020.

Smaller acquisitions are typically financed using bank debt, while larger acquisitions typically involve a combination of bank debt and additional equity. The mixture of debt and equity is varied, taking into account the desire to maximise the shareholder returns while keeping leverage at comfortable levels.

13. Cash generated from operations

	Year ended 31 December 2021 £000s	**Year ended 31 December 2020 £000s**
Profit for the year	**7,319**	8,027
Taxation	**10,838**	4,989
Interest payable and similar charges	**3,646**	2,657
Interest income	**(23)**	(10)
Foreign exchange (gain)/loss	**(205)**	644
Loss on disposal of intangibles	**–**	308
Depreciation of property, plant and equipment	**1,575**	1,753
Amortisation and impairment of intangibles	**14,680**	19,212
Change in inventories	**1,842**	(5,206)
Change in trade and other receivables	**(6,146)**	6,728
Change in trade and other payables	**(326)**	5,929
Change in provisions	**9,469**	–

Share based employee remuneration	**2,250**	1,374
Cash generated from operations	**44,919**	46,405

14. Alternative performance measures

The performance of the Group is assessed using Alternative Performance Measures ('APMs'). The Group's results are presented both before and after non-underlying items. Adjusted profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans. APMs used to explain and monitor Group performance are as follows:

Measure	**Definition**	**Reconciliation to GAAP measure**
Underlying EBIT and EBITDA	Earnings before interest, tax and non-underlying items (EBIT also referred to as underlying operating profit), then depreciation, amortisation and underlying impairment (EBITDA). Calculated by taking profit before tax and financing costs, excluding non-underlying items and adding back depreciation and amortisation. EBITDA margin is calculated using see-though revenue.	Note A below
Free cash flow	Free cash flow is defined as cash generated from operations less cash payments made for interest payable and similar charges, capital expenditure and tax.	Note B below
Net debt	Net debt is defined as the group's gross bank debt position net of finance issue costs and cash.	Note C below
Underlying effective tax rate	Underlying effective tax rate is calculated by dividing total taxation for the year less impact of tax rate changes and non-underlying charges, by the underlying profit before tax for the year.	Note D below
See-through income statement	Under the terms of the transitional services agreement with certain supply partners, Alliance receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in the Asia-Pacific territories transfer to Alliance. The net product margin is recognised as part of statutory revenue. The see-through income statement recognises the underlying sales and cost of sales which give rise to the net product margin, as management consider this to be a more meaningful representation of the underlying performance of the business, and to reflect the way in which it is managed	Note E below
Constant exchange rate (CER) revenue	Like-for-like revenue, impact of acquisitions and total see-through revenue stated so that the portion denominated in non-sterling currencies is retranslated using foreign exchange rates from the previous financial year.	Note F below
Like-for-like	Like-for-like figures compare financial results in one period with those for the previous period, excluding the impact of acquisitions and disposals made in either period. For 2021, like-for-like revenue excludes the impact of Amberen which was acquired in December 2020.	Not needed

A. Underlying EBIT and EBITDA

Reconciliation of Underlying EBIT and EBITDA	**Year Ended 31 December 2021 £000s**	**Year Ended 31 December 2020 £000s**
Profit before tax	**18,157**	13,016
Non-underlying items (note 4)	**24,061**	20,512
Finance costs (note 5)	**3,418**	3,300
Underlying EBIT	**45,636**	36,828
Depreciation	**1,575**	1,753
Underlying Amortisation	**1,362**	–
Underlying EBITDA	**48,573**	38,581

B. Free cash flow

Reconciliation of free cash flow	Year Ended 31 December 2021 £000s	Year Ended 31 December 2020 £000s
Cash generated from operations (note 13)	**44,919**	46,405
Interest payable and similar charges	**(2,965)**	(2,866)
Capital expenditure	**(5,532)**	(4,612)
Tax paid	**(6,260)**	(4,838)
Free cash flow	**30,162**	34,089

C. Net debt

Reconciliation of net debt	Note	31 December 2021 £000s	31 December 2020 £000s
Loans and borrowings – non-current	**9**	**(116,060)**	(138,328)
Cash and cash equivalents		**29,061**	28,898
Net debt		**(86,999)**	(109,430)

D. Underlying effective tax rate

Reconciliation of adjusted underlying effective tax rate	Year Ended 31 December 2021 £000s	Year Ended 31 December 2020 £000s
Total taxation charge for the year	**(10,838)**	(4,989)
Non-underlying tax credit	**2,805**	(1,383)
Adjusted underlying taxation charge for the year	**(8,033)**	(6,372)
Underlying profit before tax for the year	**42,218**	33,528
Adjusted underlying effective tax rate	**19.0%**	19.0%

E. See-through income statement

	2021 statutory values £000s	See-through adjustment £000s	2021 see-through values £000s
Revenue – Consumer healthcare brands	**115,376**	**6,443**	**121,819**
Revenue – Prescription Medicines	**47,831**	**–**	**47,831**
Total Revenue	**163,207**	**6,443**	**169,650**
Cost of sales	**(53,757)**	**(6,443)**	**(60,200)**
Gross profit	**109,450**	**–**	**109,450**
Gross profit margin	**67.1%**	**–**	**64.5%**

	2020 statutory values £000s	See-through adjustment £000s	2020 see-through values £000s
Revenue – Consumer healthcare brands	85,340	7,719	93,059
Revenue – Prescription Medicines	44,461	–	44,461
Total Revenue	129,801	7,719	137,520
Cost of sales	(46,985)	(7,719)	(54,704)
Gross profit	82,816	–	82,816
Gross profit margin	63.8%		60.2%

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

F. Constant exchange rate revenue

See-through revenue	2021 £000s	Foreign exchange impact £000s	2021 CER £000s

LFL see-through revenue - Consumer Healthcare brands	**102,586**	**3,389**	**105,975**
LFL see-through revenue - Prescription Medicines	**47,831**	**326**	**48,157**
Like-for-like see-through revenue	**150,417**	**3,715**	**154,132**
Impact of acquisitions (Amberen)	**19,233**	**1,362**	**20,595**
See-through revenue (Note E)	**169,650**	**5,077**	**174,727**

Statutory revenue	**2021 £000s**	**Foreign exchange impact £000s**	**2021 CER £000s**
LFL statutory revenue - Consumer Healthcare brands	**96,143**	**3,247**	**99,390**
LFL statutory revenue - Prescription Medicines	**47,831**	**326**	**48,157**
Like-for-like statutory revenue	**143,974**	**3,573**	**147,547**
Impact of acquisitions (Amberen)	**19,233**	**1,362**	**20,595**
Statutory revenue	**163,207**	**4,935**	**168,142**