Strategic Report

Content

Chief Executive's Review	09
Market Overview	14
Our Strategy	16
Our Strategic Priorities	18
Spotlight on...	
Brand growth	20
Commercial execution	21
Strategy supply partnerships	22
Organisational agility	23
Our People	24
Key Performance Indicators	26
Sustainability	28
Spotlight on...	
Purpose	30
People	31
Planet	32
Product	33
TCFD	34
Stakeholder Engagement	42
Financial Review	44
Principal Risks and Uncertainties	49

WE ARE **ALL**IANCE

"Our significant investment in knowledge building is helping to further cement the market leading position of Kelo-Cote™ in China."

Michael Khor
Head of APAC Commercial

Developing our Kelo-Cote™ ecosystem in China

In a rapidly evolving, and sometimes turbulent, market such as China, it is essential that we keep abreast of any developments within the ecosystem. In 2023, following a long period when we were prevented from being physically present in China due to COVID restrictions, we conducted numerous market visits, engaged extensively with our distributor partner and liaised with local consultants to further expand our domain expertise. Consequently, we have invested selectively to extend our market reach in a targeted way, identifying new growth opportunities in both the cross-border and domestic channels.

CHIEF EXECUTIVE'S REVIEW

Chief Executive's Review

"Our strong H2 performance drove record revenues and profit expansion in 2023. With further investment planned to support new product development and increased marketing, the Group is well positioned for mid-term growth."

Peter Butterfield
Chief Executive Officer until 13 May 2024

SEE-THROUGH REVENUE

£182.7m

+6% (2022: £172.0m)

See our Financial Review on page 44

TRADING PERFORMANCE

Overview

We achieved record revenues in 2023, as we overcame a number of challenges in H1 to deliver a strong recovery in H2. The performance of our Kelo-Cote™ franchise was particularly impressive, with revenues rising 29% CER to £63.2m, including those from our most recent US acquisition (ScarAway™) which exceeded our original expectations. Whilst Amberen revenues were weaker than anticipated, we increased marketing investment to launch award-winning advertising campaigns for Kelo-Cote and MacuShield™, which accelerated organic sales growth, and we brought a number of new products to market.

Alliance's clear focus on the core Consumer Healthcare business, in addition to our well-established scalable platform, is expected to deliver continued growth in the medium term. Our core priority markets remain competitive, but our key brands are well placed within their categories, and we will continue to increase investment in sales, marketing and innovation to maintain their leadership position.

We will continue to focus our resources on those market segments in which we already have a strong presence and expertise, in order to drive solid organic revenue growth above that of the broader Consumer Healthcare market over the longer term.

A challenging H1 but strong recovery in H2

We started 2023 anticipating a greater weighting of revenues in H2 than usual for Alliance due to the planned destocking by our China cross-border partner for Kelo-Cote. Whilst this destocking was completed in line with our forecasts, unexpected regulatory issues caused some manufacturing delays in certain smaller products in H1, and Amberen™ sales were hampered by a number of industry-wide challenges put in place by Amazon.

CHIEF EXECUTIVE'S REVIEW CONTINUED

However, our colleagues worked hard to address the regulatory issues to ensure that all products were back in stock by the year end. Strong consumer demand for Kelo-Cote™ gave our distributor partners the confidence to restock in H2 and our consumer activation campaigns delivered market share gains for Nizoral™. Amberen™ revenues remain below our expectations, resulting in a further impairment, but we are strengthening our internal and external capabilities in ecommerce and digital marketing to help mitigate future problems on Amazon.

Whilst see-through revenues increased 6% in the year, gross profit increased at a slower rate than revenues at 3% to £105.0m (2022: £101.7m) due to a less favourable product mix, and an increase in warehouse and distribution costs. However through robust control of the costs we actively manage, operating costs decreased 5% versus the previous year and underlying EBITDA increased 15% to £45.0m (2022: £39.2m).

During 2023, we continued the global roll out of our ERP system to all ex-China APAC entities so that our regional and central operational and finance teams now operate on the same platform with a single, standardised way of working. This gives us increased and more immediate business visibility which enhances our operational decision-making and agility.

On 23 May 2024 we announced the successful conclusion of our appeal before the Competition Appeal Tribunal ("CAT") of a decision by the UK Competition and Markets Authority ("CMA"). In a unanimous judgment, the CAT upheld Alliance's appeal, finding that there was no agreement to exclude competition from the market and no breach of competition law. The CMA's decision and £7.9m penalty imposed on Alliance have been set aside. In particular, the CAT found that Alliance's two key witnesses were both impressive and compelling, with their evidence singled out by the Tribunal in its concluding remarks.

Director disqualification proceedings brought by the CMA against two former Alliance CEO's, the first limb of which was joined to the appeal, will also now fall away. In 2021 we provided for the potential penalty, but now reverse this provision.

INNOVATION AND DEVELOPMENT ("I&D")

In 2023, £3.5m of Group revenues were generated by products developed and launched by Alliance, representing 2.5% of total consumer sales in the year and more than twice the revenues delivered in 2022 (£1.7m). This is a pleasing performance given that our dedicated innovation and development ("I&D") team was only established in 2021, and validates our decision to invest in it further.

Kelo-Cote Kids (launched in 2022) and Canker-X, part of the Aloclair™ brand franchise (launched in early 2023), were responsible for the majority of these revenues. Amberen™ Advanced Menopause Relief gummy was launched in late 2023.

This year, we will double our investment in I&D as we aim to achieve 10% of Consumer Healthcare sales through products developed on our I&D platform within the next five years. New products already launched in 2024 include ScarAway Kids and ScarAway Acne Scar Gel, both in the US.

In May 2024 we launched a second gummy in the Amberen range, which uses a different active ingredient to the original gummy launched in late 2023. This new gummy aims to promote positive energy, mood and improve sleep, which is particularly relevant to the perimenopause market.

CHIEF EXECUTIVE'S REVIEW CONTINUED

CONTINUING OUR SUSTAINABILITY JOURNEY

We continue to make good progress against our environmental sustainability agenda in 2023, setting a target to reach net zero for all Scope 3 emissions by 2044, with an interim target of 25% reduction by 2030; in addition to our previously published target to reach net zero Scope 1 and 2 emissions by 2030. This year, we conducted a risk assessment and climate change scenario analysis to support the publication of our second voluntary stand-alone Task Force on Climate-Related Disclosures ("TCFD") Report and more extensive voluntary TCFD disclosures on our journey to mandatory TCFD compliance.

During the Year, we have invested to install photovoltaic panels on the roof of our UK Headquarters in Chippenham. This programme of work also includes the installation of a new, more efficient substation and electric vehicle charging points. When this work completes and the panels become operational, we will be able to generate around 25% of our own electricity needs.

Throughout the Year, we developed a number of social and governance workstreams. We appointed a new e-learning provider to deliver 'gamified', engaging compliance training to our colleagues, including data protection, unconscious bias, modern slavery, anti-bribery and corruption and competition awareness training. We also entered a three-year partnership with the social enterprise Slave Free Alliance ("SFA") to safeguard individuals across our business from modern slavery and human trafficking, including those in our supply chain. Working with SFA we carried out a gap analysis, strengthened our Modern Slavery Statement and provided training to our quality, sourcing and supply chain teams to help these teams better identify modern slavery 'red flags' during quality audits and supplier site visits.

We implemented a Partner Code of Conduct in 2022 and, throughout 2023, have worked to ensure that all of our Contract Manufacturing Organisations ("CMOs") and distributors agree to comply with our code.

We have also introduced an Employee Code of Conduct, which includes a section on our Speak Up Policy. To support this, we have engaged Safecall, an independent reporting helpline, to allow colleagues and external partners to raise concerns anonymously from over 100 countries. The service is operational 24 hours a day, seven days a week and available in over 60 languages.

Further detail on the progress we have made with our sustainable business strategy will be provided in our Online Sustainability Report, which will be published shortly on our website.

CHIEF EXECUTIVE'S REVIEW CONTINUED

BUILDING A STRONG ALLIANCE OF COLLEAGUES

Our business, and the delivery of our strategy, is only possible due to our network of talented, dedicated colleagues. We currently employ more than 290 people in nine locations around the world. We created eight new roles in 2023, including Chief Operating Officer, as we looked to meet our evolving business needs. This, in addition to the head count expansion we delivered in 2022, means we now have the right size organisation to support our medium-term strategy.

We have also continued our talent development programmes to ensure we attract and retain an appropriate mix of skilled professionals. In 2023, we welcomed the second cohort of our graduate and year in industry programmes to support those at the early stages of their career development, which also complements our existing apprenticeship programme in the UK.

Our investment in colleague engagement continues to pay dividends as evidenced by our re-certification as a Great Place to Work® in the UK, US China and Singapore. In the 2023 survey, we were pleased to have received an overall Trust Index rating of 74% (2022: 79%) with 73% of participants globally saying that Alliance was a Great Place to Work (2022: 82%).

On behalf of the Board, we would like to thank all those colleagues who helped us to deliver our achievements in 2023.

BOARD AND EXECUTIVE CHANGES

Alliance has successfully continued its journey to becoming a fast growth Consumer Healthcare company, with Consumer Healthcare revenues representing 75% of Group revenues in the Period. The Board and Executive team have evolved accordingly in 2023, to ensure that the Group has the right skills and expertise to align with its longer-term strategy.

In February 2023, we welcomed Jeyan Heper to the Alliance Board as an Executive in the newly-created role of Chief Operating Officer. Jeyan has a strong track record of strategic leadership in the international Consumer Health market, overseeing a number of global programmes and driving growth in flagship brands. In his career spanning more than 25 years, Jeyan has held senior Executive roles at Procter & Gamble, Danone Group and Ansell's sexual wellness global business, before it was spun-out to become Lifestyles Healthcare – a private equity/pharma-owned Company where Jeyan became CEO, helping to bolster the Group's operational capabilities, identify growth opportunities, and support the delivery of the Company's strategy to expand its Consumer Health presence through, leveraging his experience of ecommerce in China and the US, and improve operational effectiveness.

The Board was strengthened further by the appointment of Martin Sutherland as an additional Independent Non-Executive Director in February 2023. Martin is a senior Executive with over 30 years' experience in global businesses and is currently Non-Executive Chair of Logiq Consulting Ltd, and a Non-Executive Director at both Forterra plc and XPS Pensions plc; prior to this, Martin was CEO of De La Rue PLC. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion.

In November 2023, we added a further two new Independent Non-Executive Directors, Eva-Lotta Sjöstedt and Richard McKenzie. Eva-Lotta has in-depth knowledge of global consumer retail, supply chain and digital transformation and has held leadership roles in consumer-facing industries across Europe, Japan, China and the US. From 2016 to 2018, Eva-Lotta was CEO of Georg Jensen, the luxury jewellery and Scandinavian design brand.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Prior to this, Eva-Lotta was CEO at Karstadt, a chain of premium department stores in Germany with a strong ecommerce presence. She started her career at IKEA, establishing the business in Japan where she worked for four years before becoming CEO of IKEA Netherlands and then Deputy Global Retail Manager. In this role, she was responsible for IKEA's global multi-channel strategy and the implementation of its on and offline experiences throughout the entire global value chain.

Richard has international ecommerce, distribution, supply chain and logistics experience in the consumer, retail and technology sectors, along with particular expertise in the Asia-Pacific region having lived and worked in mainland China for 10 years. From 2019 to 2023, Richard was Chief Commercial Officer and latterly President (Europe and Asia) for Ocado Solutions, driving the growth of this leading grocery ecommerce platform globally. Prior to this, Richard was a strategy consultant for OC&C in London and China, building the Company's presence in Asia-Pacific, before becoming a Senior Partner for the Consumer Goods and Retail practice of Oliver Wyman in Asia-Pacific. During this time, he built extensive experience of the retail consumer market in China, and Asia-Pacific more broadly.

In February 2024, Jo LeCouilliard stepped down from the Board with the appointment of Camillo Pane as the new Independent Chair of Alliance. Camillo Pane has over thirty years of relevant experience. He has held a number of senior positions at Reckitt Benckiser, including Senior Vice President and Global Category Officer for Consumer Health, before moving to Coty Inc, one of the largest beauty companies in the world, where, as CEO, he led the merger with Procter & Gamble Specialty Beauty. Most recently, he was Group CEO of Health & Happiness Group, a global Health and Nutrition company listed on the Hong Kong Stock Exchange with revenues of around $2.0bn.

On behalf of the entire Group, we would like to thank Jo for her contribution to the business over the last five years.

Peter Butterfield
Director
18 June 2024

More information on our Senior Leadership Team can be found on our website

MARKET OVERVIEW

The macro factors shaping our business

1. Ageing global population

By 2030, c.1.4 billion people globally will be over 60 years old[1] and the global hotspot of ageing is shifting from Europe to East Asia. By 2040, about a third of all Chinese (400 million+) will be over the age of 60 compared to just 18% in 2020[2]. Ageing, as well as education and income advancement in emerging markets, will all increase the global demand for healthcare.

2. Growth in self-care

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

3. Digital health

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

4. Omni-channel retail

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

5. Environmental sustainability

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

6. Economic uncertainty

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

1 Source: World Economic Forum.
2 Source: Statista.

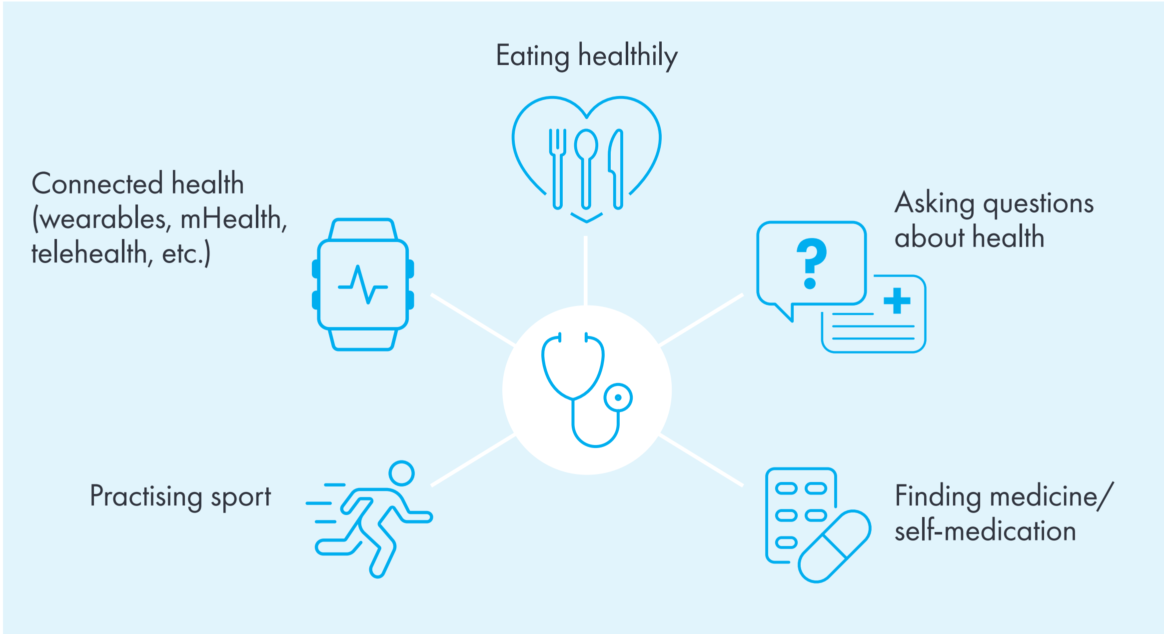
MARKET OVERVIEW CONTINUED

Proactive consumers

Where people previously adopted a reactive approach to their health and only took action when they felt unwell, more recent innovations and new technologies now allow a more proactive management of health.

HOW WE TARGETED OUR MESSAGE TO A MORE PROACTIVE CONSUMER IN 2023:

Our Purpose and Vision considers these macro factors in combination with our key areas of expertise, which we believe places us in a stronger position to deliver our strategy and to continue the successful evolution of our business.



AMBEREN SUPPORTING WOMEN THROUGH MENOPAUSE

Our website for Amberen™ in the US contains a wealth of information to support women through menopause and provides the opportunity to subscribe to monthly shipments to improve consistent usage and ultimately product satisfaction. Marketing plans feature the use of both consumer and healthcare professional social media influencers to showcase the experiences of women who have benefitted from taking the supplement.

KELO-COTE SINGLES' DAY SUCCESS

During the Singles' Day festival in China, our global ecommerce team hosted a livestreaming event on Tmall to educate consumers on the benefits of using Kelo-Cote™ to improve the appearance of scars. This helped deliver 20% increase in Kelo-Cote sales on Tmall during the festival, versus the same period the prior year.

OUR STRATEGY

Our vision is to be a high-performing Consumer Healthcare Company, built on a portfolio of leading, trusted and proven brands

As we continue to evolve into a predominantly Consumer Healthcare Company, our strategy focuses on the global priority categories of helping damaged skin and supporting healthy ageing.

See our Purpose, Vision and strategy infographic on page 05.

HELPING DAMAGED SKIN

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

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

SUPPORTING HEALTHY AGEING

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

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

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

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

High-performing local brands

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

Critical medicines

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

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

Foundation brands

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

OUR STRATEGY CONTINUED

Core Priority markets

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

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

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

- The US, China and UK will continue to be our highest priority geographies – these are markets where there remains significant growth potential and where we have existing scale.
- France and Germany offer attractive OTC markets, and whilst our revenue generation in these markets is relatively low at present, our direct presence and high-quality local teams provide the potential to drive both scale and growth.

Collectively, these five markets currently account for around 77% of our annual sales (2022: 75%). Our remaining markets will continue to provide profitable incremental business.

77%
ANNUAL REVENUE FROM US, CHINA, UK, FRANCE AND GERMANY MARKETS

9
STRATEGIC LOCATIONS

Geographic key

- Core Priority markets
- Other markets

International offices

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

OUR STRATEGIC PRIORITIES

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

Brand growth

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

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

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

ScarAway, our most recent acquisition, generated £9.9m revenue in 2023, up 20% CER on a like-for-like basis, as we responded to consumer demand to reintroduce discontinued SKUs.

In 2023, we delivered £3.5m revenues from products developed and launched by Alliance with Kelo-Cote Kids (launched in 2022) and Canker-X (launched in 2023) responsible for the majority of these revenues.

See our **Spotlight on building fast growing brands** on **page 20** and our **performance case study on page 06**

Commercial execution

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

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

In 2023, 44% our consumer healthcare sales were via ecommerce; up from 34% in 2022 and significantly more than the global average for consumer healthcare of around 15%.[1]

We believe that by 2027, this will have increased to around 50%–55% of our total consumer healthcare sales.

Cross-border ecommerce ("CBEC") continues to be an important contributor to Kelo-Cote™ sales in China, both through the B2B and B2C channels, and in 2023 we leveraged our ecommerce knowledge to broaden the geographic reach of our ecommerce platforms and enter new markets.

See our case study on **developing the Kelo-Cote ecosystem in China** on **page 08** and the **Realism case study on the Kelo-Cote Singles' Day success** on **page 06**

1 Source: IQVIA

OUR STRATEGIC PRIORITIES CONTINUED

Strategic supply partnerships

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

We remain committed to finding ways to consolidate our supply chain, moving to a smaller, high-performing network of strong partners with whom we can collaborate and invest for the future.

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

In 2023, we successfully moved the manufacture of Nizoral™ from Belgium to Thailand to be closer to the customer, delivering cost savings and improving on-time-in-full order fulfilment, in addition to environmental benefits through a reduction in carbon emissions.

See our **case study on strategic supply partnerships** on **page 22** and our **Sustainability overview** on **page 29**

Organisational agility

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

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

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

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

We remain focused on ensuring we attract and retain the right people to support and maintain an agile culture. Our early careers programme is building momentum, and we were delighted to be re-certified as a Great Place to Work® in the UK, US, China and Singapore.

See our **case studies on the early careers programme** on **page 23** and our **People** section on **page 24**.

SPOTLIGHT ON…

Brand growth

In response to consumer requests we worked with our contract manufacturing partner for ScarAway™ to reintroduce tan scar sheets that had been discontinued by the previous brand owner, prior to our acquisition. This decision supported market leading growth in 2023.

Unlike clear scar sheets, tan scar sheets are designed to be washed and reused, offering the consumer greater flexibility and allowing them to observe their scar healing. Prior to Alliance's acquisition of the brand, the previous owner had discontinued all tan sheets in the range. When tan products in the range went out of stock we had numerous requests online and through our customer service helpline to bring them back. Working with our partner we were able to quickly resupply the previous range, in addition to offering a new variety pack containing multiple sizes in one box. Scar sheets are particularly well suited to the ecommerce channel, so the decision to relaunch the range was well aligned with our strategy. The new SKUs and associated marketing activation helped to support 20% like for like revenue growth for ScarAway in 2023 and 30% growth in sheets, above that of the market.

#1

BRAND IN SILICONE SCAR SHEET CATEGORY[1]

+30%

GROWTH IN SCARAWAY SHEETS VERSUS CATEGORY GROWTH OF 22%[2]

1 Neilson data as at 30.12.2023
2 Source: Nielsen, XAOC, ScarAway Competitive Set, L52 w/e 12/20/2023

WE ARE **ALL**IANCE

"Consumers wanted the range, and we had a partner with the necessary raw materials already in stock so the whole process was seamless and aligned with our strategy to focus on ecommerce."

Alethea Taylor
US Brand Manager

SPOTLIGHT ON…

Commercial execution

Working with Saatchi & Saatchi Wellness, we developed a creative campaign to build and grow global consumer awareness of the Kelo-Cote™ franchise, following the acquisition of ScarAway™ in the US in 2022.

The campaign was launched first in the UK, building on the success of the out-of-home poster campaign, and providing a useful benchmark for the wider EMEA market. By deliberately incorporating talent and messaging which has global appeal, we have ensured that the campaign assets can be repurposed for our core markets at little additional expense, whilst maintaining global brand consistency. In 2024, we intend to launch the campaign across Europe, the US and the cross-border market in China.

+12pp

INCREASE IN POST CAMPAIGN UK BRAND AWARENESS

4.3

STAR RATING ON AMAZON

WE ARE **ALL**IANCE

"By strategically investing in global marketing assets today, we are well positioned to strengthen the leadership of the Kelo-Cote franchise for the future."

Natalie Bayes
Senior Global Brand Manager – Kelo-Cote

SPOTLIGHT ON…

Strategic supply partnerships

In 2023, we completed the transfer of our Nizoral™ production from the Belgium-based legacy CMO that we inherited at the time of the brand's acquisition to a new CMO based in Thailand.

Our aim was to localise production, which is significantly more cost-effective and efficient for supplying Nizoral to our APAC markets. As well as shortening lead times, localised production also reduces carbon emissions as the product now travels a considerably shorter distance to market and is shipped by land or sea rather than air. Having selected a highly skilled and reliable CMO, we worked closely with them to ensure the seamless transfer of production with no disruption to supply.

c.£0.5m
ANNUALISED COST SAVINGS

100%
ON-TIME-IN-FULL DELIVERY, SIGNIFICANT IMPROVEMENT

WE ARE ALLIANCE

"Moving production of Nizoral to Thailand provides significant advantages for our customers and our business, as well as reducing carbon emissions."

Jerry Sun
APAC Operations Director

SPOTLIGHT ON…

Organisational agility

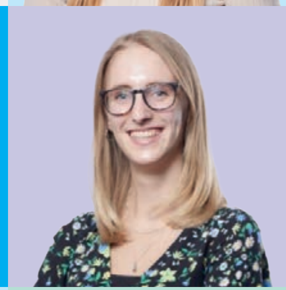
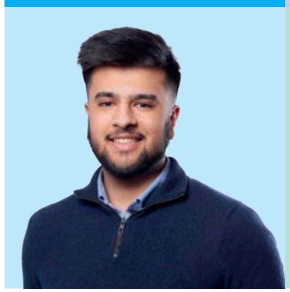
Our graduate development programme provides an exceptional opportunity to develop a career in international healthcare. Two graduates join our commercial and scientific affairs teams each year, along with a Year in Industry placement student in finance.

The programmes allow participants to experience the full breadth of our operations through rotations across different teams, which may include an international placement for the two-year graduate scheme. This helps our recruits to identify and create a career path that best suits their skills and interests. A key component of the programme is mentorship and support from senior leaders.

Our other early careers options include apprenticeships and Year in Industry programmes, and we support our people to obtain professional qualifications.

We have continued our partnering with local schools, supporting their work experience and summer placements programmes.


Our current graduate development programme colleagues


Top left: **Georgia Wood**, Commercial Graduate

Top right: **Kathryn Brooks**, Scientific Affairs Graduate

Middle: **Lauren Green**, Scientific Affairs Graduate

Bottom left: **Haris Qureshi**, Finance Trainee

Bottom right: **Madeleine Thow**, Commercial Graduate

WE ARE **ALL**IANCE

"We provide extensive support and development to help our graduates build and accelerate their career at Alliance."

Julie Murday
Head of Human Resources and Facilities

OUR PEOPLE

Our People

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

In 2023, we welcomed 52 new colleagues into the business including our new Chief People Officer, Julie Skinner, and created eight new roles to support our strategy.

292

TOTAL EMPLOYEES[1]

2022: 285

73%

SAY THIS IS A GREAT PLACE TO WORK[2]

2022: 82%

1 As at 31 December.

2 Based on findings from Great Place to Work® survey, October 2023.

WE ARE **ALL**IANCE

"The delivery of our strategy is only possible due to our network of talented, dedicated colleagues."

Julie Skinner
Chief People Officer

OUR PEOPLE CONTINUED

OUR PEOPLE

In 2023 we continued to embed our culture, values and processes following a period of significant recruitment to support our refreshed strategy in 2022. We also continued to support early career development with the second cohort of graduate development programme participants and a new Year in Industry placement student.

In a tough business climate, we are delighted to have been re-certified as a Great Place to Work® in the UK, US, China and Singapore.

STRENGTHENING OUR PROCESSES

One of our key focus areas for 2023 was the implementation of a global Human Resources Information System. With our preferred supplier identified in 2022, we made great progress in launching the system in the UK and US in H2 23, and remain on track to onboard all remaining colleagues in H1 24.

The new information system provides significant efficiency benefits, moving previously manual processes for booking annual leave and appraisals onto a standardised platform. Further opportunities exist to host reward and recognition tools on the platform.

SUPPORTING OUR EMPLOYER BRAND

We continue to have a strong response to our employee engagement survey which generates valuable insight and feedback from which to shape our People plans for the coming years. Whilst recruitment remains challenging in this sector, we continue to provide a compelling career proposition and attract high calibre candidates with our strong positive culture and team ethos.

MOVING FORWARDS

We recognise the need to offer flexibility to our colleagues whilst balancing the need to collaborate across the business, and are continuing to refine our approach to hybrid working in a way that suits the individual, teams and wider business. The arrival of our new Chief People Officer, Julie Skinner, in late 2023 allows fresh perspective and ideas. She will lead the development of a comprehensive People plan, incorporating an Equity, Diversity and Inclusion strategy, throughout 2024, ensuring we remain an employer of choice in the years ahead.

Progress in 2023:

- Implemented our new HR Information System
- Maintained GPTW certification in the UK, US, China and Singapore
- Continued our early careers programmes
- Launched our Employee Code of Conduct
- Implemented a comprehensive programme of Lunch and Learn events for colleagues on a diverse range of topics

Focus for 2024

- Continue to increase and improve communication throughout the business
- Continue to embed a culture of wellbeing
- Further the development and implementation of our reward and recognition proposition
- Develop a comprehensive three year People strategy to support Alliance's growth ambitions and business strategy

EMPLOYEES BY GENDER[1]

BOARD & SENIOR LEADERSHIP TEAM[2]

75% MALE

25% FEMALE

(2022: 78% Male, 22% Female)

SENIOR MANAGERS[3]

64% MALE

36% FEMALE

(2022: 69% Male, 31% Female)

ALL EMPLOYEES[4]

41% MALE

59% FEMALE

(2022: 42% Male, 58% Female)

1 Based on Company data as at 31 December.

2 2023: n=12 (2022: n=9).

3 Defined as those running major divisions of departments, but not part of the Board and Senior Leadership Team; 2023: n=25 (2022: n=29).

4 Includes NEDs and fixed-term contractors.

KEY PERFORMANCE INDICATORS

Financial KPIs

We set out here our key financial performance indicators.

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

SEE-THROUGH REVENUE[1]

£182.7m +6%

(2022: £172.0m)

GROSS MARGIN[1]

57.5% -160bp[3]

(2022: 59.1%)

UNDERLYING EBITDA[1]

£45.0m +15%

(2022: £39.2m)

UNDERLYING PROFIT BEFORE TAX[1]

£31.5m +4%

(2022: £30.3m)

UNDERLYING BASIC EPS[1]

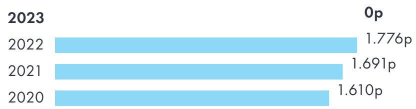
4.55p +6%

(2022: 4.28p)

DIVIDEND PER SHARE

Nil

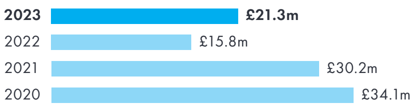
(2022: 1.776p)



FREE CASH FLOW[1]

£21.3m +35%

(2022: £15.8m)



LEVERAGE[2]

2.05x

(2022: 2.57x)

NET DEBT[1]

£91.2m -11%

(2022: £102.0m)

1 These measures constitute Alternative Performance Measures ("APMs"), as defined in note 30 to the financial statements.

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

3 Basis points.

KEY PERFORMANCE INDICATORS CONTINUED

Additional KPIs

WORKING CAPITAL MANAGEMENT

SUPPLIER PAYMENT DAYS[1]

60 +2 days

(2022: 58)

2023	**60**
2022	58
2021	46
2020	52

DAYS SALES OUTSTANDING[2]

74 +3 days

(2022: 71)

2023	**74**
2022	71
2021	61
2020	55

DAYS INVENTORY ON HAND[3]

152 -2 days

(2022: 154)

2023	**152**
2022	154
2021	169
2020	138

PORTFOLIO EVOLUTION

REVENUE: CONSUMER HEALTHCARE BRANDS[4]

£136.4m +9%

(2022: £125.2m)

2023	**£136.4m**
2022	£125.2m
2021	£121.8m
2020	£93.0m

CONSUMER HEALTHCARE AS A % OF TOTAL REVENUE[4]

75% +2pp[6]

(2022: 73%)

2023	**75%**
2022	73%
2021	72%
2020	68%

RESOURCING

TOTAL HEADCOUNT[5]

292 +2%

(2022: 285)

2023	**292**
2022	285
2021	245
2020	245

EMPLOYEE ENGAGEMENT: (GPTW Trust Index©)

74% -5pp[6]

(2022: 79%)

2023	**74%**
2022	79%
2021	76%
2020	79%

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

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

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

4 On a See-through basis.

5 As at 31 December.

6 Percentage Point.

Other indicators

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

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

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

SUSTAINABILITY

Prioritising people, planet and product

OUR APPROACH

We are committed to operating our business in a responsible way, minimising our negative impacts and maximising our positive contribution while promoting the sustainability of our business for the longer term.

OUR SUSTAINABILITY FRAMEWORK

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

PURPOSE

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

Visit our Sustainability hub

Learn more on our website and in our Online Sustainability Report at alliancepharmaceuticals.com/sustainability

PEOPLE

We are working to improve the quality of life for all people we interact with.

PLANET

We seek to minimise our carbon emissions and reduce our environmental impact.

PRODUCT

We deliver products that meet the highest standards of quality, safety and supply chain ethics.

SUSTAINABILITY CONTINUED

Overview

We made good progress against our sustainability agenda in 2023 – below is a summary of our key achievements in the year and our main areas of focus for 2024. Further detail, including relevant metrics for all the areas of focus forming part of our sustainability framework, can be found in our Online Sustainability Report.

PEOPLE

Identified focus areas for 2023

To increase our organisational agility – developing the requisite capabilities through a combination of talent acquisition, training, and cultural change.

To maintain and enhance our high levels of employee engagement.

To launch our Employee Code of Conduct, setting the benchmark for the ethical behaviours we expect from colleagues.

Progress in the year

- Implemented our new global Human Resources Information System.
- Maintained Great Place to Work® certification in the UK, US, China and Singapore (see page 31).
- Introduced new ethical and legal compliance training (see page 06) with new modules on issues such as unconscious bias.
- Launched and rolled out our Employee Code of Conduct (see page 06).
- Continued our early years career programme (see page 23).
- Implemented a comprehensive programme of Lunch and Learn events for colleagues on a diverse range of topic.

Focus for 2024

- Continue to increase and improve communication throughout the business.
- Continue to embed a culture of wellbeing
- Further the development and implementation of our reward and recognition proposition
- Develop a comprehensive three-year People strategy to support Alliance's growth ambitions and business strategy.

PLANET

Identified focus areas for 2023

To continue to work towards developing our Scope 3 emissions reduction targets, through:

- embedding ownership of product-related emissions within the appropriate functional areas of the business; and
- continued methodology improvements to increase the accuracy of emissions measurement across all categories.

To continue to develop our packaging strategy, confirming and publishing sustainability improvement targets for both primary and secondary packaging.

Progress in the year

- Scope 1 and 2 (location based) emissions up 13% versus 2022 as more colleagues return to the office, but 76% reduction in market based emissions through use of green energy suppliers. 48% reduction in location based emissions versus 2018 baseline.
- Offset these emissions, and those for 2022, through the purchase of carbon credits.
- Commenced a project to install photovoltaic ("PV") panels onto the roof of our headquarters in Chippenham. (See page 32).
- Set a Scope 3 emissions target to achieve a 25% reduction (versus 2022 baseline) by 2030 and to achieve net zero by 2044.
- Continued to develop our packaging strategy and initiated an agreement with Valpak to create and maintain a database of all our packaging.

Focus for 2024

- Begin to generate our own electricity through the PV panels. Continue to engage with our CMOs and LSPs to improve the calculation of our Scope 3 emissions.
- Develop a sustainable packaging strategy with appropriate KPIs.
- Launch new packaging for Nizoral™ Derma Daily with 35% post recycled plastic and primary carton box removed.
- Publish a Travel policy for employees to encourage more sustainable modes of transport.

PRODUCT

Identified focus areas for 2023

To obtain formal confirmation from our CMOs that they comply with our ethical standards.

To tighten our processes around modern slavery in our supply chain.

Progress in the year

- Moved Nizoral API manufacture from Belgium to India and China.
- Moved Nizoral finished good production from Belgium to Thailand.
- 98% of CMOs managed by our sourcing team have either signed up to our Partner Code of Conduct or provided us with a copy of their equivalent code.
- Carried out a strategic gap analysis and developed a three-year anti-slavery strategy and action plan (see page 33).
- Introduced a modern slavery module into our compliance training.
- Carried out a tender assessment on third-party warehouse and logistics partners.

Focus for 2024

- Continue to provide modern slavery training to relevant colleagues including senior leaders.
- Undertake a supply chain human rights risk assessment and supplier lifecycle due diligence review.
- Develop a comprehensive Human Rights strategy.
- Develop a procurement framework including sustainability criteria.

SPOTLIGHT ON…

Purpose

Alliance's purpose is to empower people to make a positive difference to their health and wellbeing. Kerry's story provides an example of how our products improve lives.

Following an accident, Kerry was left with a life-changing scar under her arm. As a personal trainer and keen swimmer, she was concerned about how the scar might impact her freedom of movement and draw attention. The scar knocked Kerry's confidence and was very red and painful. Kerry reported that Kelo-Cote™ significantly levelled and flattened the scar, which reduced discomfort and gave her enough confidence to take part in a marathon open water swim.

Find out more about the **Kerry's** story

KELO·COTE®
SCAR PREVENTION & TREATMENT

"It's just amazing how a product that's just the size of an eye gel can change your life."

Kerry
Personal Trainer

SPOTLIGHT ON…

People

We are proud to be a certified Great Place to Work ("GPTW") and are always looking for ways to improve by listening and responding to feedback from our colleagues. The changes we made during the year in response to this feedback delivered improved results in the 2023 survey.

Throughout 2023, the HR team worked closely with all country leaders and cross-departmental focus groups to help interpret feedback from the 2022 GPTW survey and create meaningful action plans, with a particular focus on health and wellbeing. The subsequent changes implemented included improvements to the working environment, an increase in social events and greater opportunities to celebrate successes. We were delighted to see improved scores in response to the statements: 'I get empathy and support from my manager/supervisor when needed' and 'I am offered training and development to further myself professionally'.

Great Place To Work. Certified OCT 2023-OCT 2024 CHN

Great Place To Work. Certified OCT 2023-OCT 2024 SG

Great Place To Work. Certified OCT 2023-OCT 2024 USA

Great Place To Work. Certified OCT 2023-OCT 2024 UK

87%

OF COLLEAGUES AGREED THAT THEY GET SUPPORT FROM THEIR MANAGER/ SUPERVISOR (+7PP)

71%

OF COLLEAGUES AGREED THAT THEY ARE OFFERED TRAINING AND DEVELOPMENT (+7PP)

WE ARE **ALL**IANCE

"People are our most important asset - by collaborating with colleagues, we have put in place changes to drive meaningful improvement in our work environment."

Julie Skinner

Chief People Officer

SPOTLIGHT ON…

Planet

We are committed to operating our business in a responsible way, which minimises negative impacts on the planet. Our goal is to achieve net zero Scope 1 and 2 emissions by 2030 and Scope 3 by 2044.

In 2023, we commenced a project to install photovoltaic ("PV") panels on the roof of our headquarters in Chippenham. This required planning consent, listed building consent and landlord approval before building work could begin in August 2023. A separate project will follow to install four electric vehicle charging points. Once the PV panels are onstream, we expect to generate around 25% of our own electrical supply, which is a significant step towards our net zero target.

25%

OWN ELECTRICAL SUPPLY GENERATION ONCE PV PANELS ARE ONSTREAM

2030

THE YEAR IN WHICH WE AIM TO REACH NET ZERO SCOPE 1 AND 2 EMISSIONS

WE ARE **ALL**IANCE

"Alliance is leading the field in emissions reductions versus its AIM-listed peers and our PV panels will help us meet our net zero target."

Cora McCallum

Head of Investor Relations and Corporate Communications

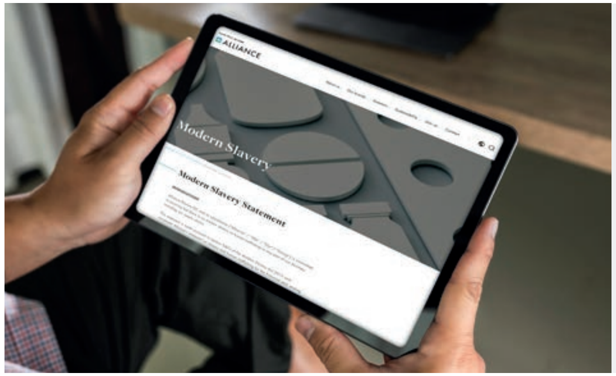
Find out more about the **Online Sustainability Report at alliancepharmaceuticals.com/sustainability**

SPOTLIGHT ON…

Product

During 2023, we entered into a three-year partnership with social enterprise Slave-Free Alliance ("SFA") to safeguard those across all of our business, including our supply chain, from modern slavery and human trafficking.

Working with SFA, we carried out a strategic gap analysis that included document reviews and multi-stakeholder discussions with employees. We have since strengthened our Modern Slavery Statement and developed a three-year anti-slavery strategy and action plan. As well as providing tailored training to our procurement team, we have carried out a tender assessment on third-party warehouse and logistics candidates. Commitments for 2024 include further training and undertaking a supply chain risk assessment and supplier lifecycle due diligence review.



SLAVE-FREE ALLIANCE
Working Towards a Slave-free Supply Chain

94%
CODE OF CONDUCT TRAINING COMPLETION RATE

93%
QUALITY AND SOURCING AUDITS COMPLETED GLOBALLY IN 2023

WE ARE **ALL**IANCE

"Alliance is committed to ensuring that there is no modern slavery or human trafficking in any part of our business."

Gaby Gray
Head of Legal

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

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

Whilst there is no current requirement for us to report against the mandatory requirements of TCFD, we welcome the recommendations and are pleased to report voluntarily on our progress in 2023; integrating climate-related considerations into our existing business strategy and risk management processes.

OVERVIEW

In 2023, we were delighted to have received the award for best communication of Sustainability in the small cap category, from the IR Society. This demonstrates the Group's commitment to sustainability and to ensuring we effectively communicate our journey with all stakeholders.

In addition to the disclosures that follow, we plan to publish our second voluntary stand-alone TCFD Report on the Sustainability section of our website, to provide supplementary information about the risks and opportunities we face as a business as a result of climate change, and how we plan to address these.

ABOUT THE TCFD

Alliance fully complies with the TCFD framework which follows 11 recommended disclosures, spanning four themes, representing core business elements: **Governance, Strategy, Risk Management and Metrics and Targets**.

This framework supports Alliance to identify and assess the impact of climate-related risks and opportunities on our business and communicate our ability to manage this impact to our stakeholders. Reporting against the TCFD framework ensures that climate change is considered throughout our main business functions, and that we can effectively communicate its impact on our business to our stakeholders.

In 2023, as in previous years, we partnered with an external consultancy to support us with the evaluation of our business from a TCFD perspective and to undertake the scenario analysis and risk assessment required to determine our exposure to climate-related risks, considering both our own operations and the location of our key manufacturing and distribution partners.

This disclosure outlines our approach to mitigating and addressing physical risks (the physical impact of climate change, such as flooding), and transition risks (those associated with the transition to a decarbonised economy). This financial year, we expanded our reporting to include climate scenario analysis of our largest logistics service providers, in addition to the CMO's we assessed last year, to effectively understand the impact of future projections of our changing climate.

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

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

Climate governance

Climate governance has been integrated into our existing corporate governance structures, with the Board having overall responsibility for Alliance's response to climate change and providing oversight on climate-related risks and opportunities, ensuring suitable management processes are integrated into future financial planning, business strategy and operations.

Whilst climate-related performance metrics are not currently linked to Executive remuneration, this is an area of focus for 2024. More detail is provided in the ESG Committee report on page 83.

Our CEO is responsible for sustainability and for ensuring effective communication between stakeholders, the Board, management, and employees around our climate action plan. The Board has delegated the responsibility of managing and overseeing climate-related risks and opportunities to the ESG Committee.

In 2023, the ESG Committee was restructured and Kristof Neirynck was appointed as the ESG Committee Chair in April 2023. Three Independent Non-Executive Directors, who are members of the Board, served on the ESG Committee. In addition, the CEO, COO and Head of Investor Relations (who is also the Corporate Sustainability Lead) were invited to attend the Committee.

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

The ESG Committee and Board consider climate change when guiding the business strategy and developing risk management procedures. Risk assessments of climate risk impacts, such as flooding, have been taken as part of our ESG reviews. In addition, Alliance now focuses on transporting its products by sea rather than air, to minimise its carbon footprint and climate impact.

The ESG Committee has delegated management responsibility for climate-related risks and opportunities to three members of the Senior Leadership Team ("SLT") the COO, Chief People Officer and Group General Council & Company Secretary, supported by the Corporate Sustainability Lead. Collectively, they ensure the development and implementation of the Company's sustainability strategy, including climate action and TCFD reporting.

During the financial year, the ESG Committee held four scheduled meetings and provided quarterly updates to the Board regarding its activities and progress against goals and targets. Progress has been made in several areas during the financial year, with key activities focused on the scoping and resourcing of sustainable packaging, net zero strategy and roadmap, climate risks, TCFD, carbon action planning, employee engagement, supply chain oversight and responsible partnering. Climate change is a standing agenda at all ESG Committee meetings.

The Committee's key climate-related ESG priorities in 2023 have been:

- Developing a net zero strategy and roadmap that includes a Scope 3 emissions target.
- Presenting mitigation steps to climate risks.
- Promoting a sustainable packaging plan.

Throughout the financial year, members of the ESG Committee, SLT and wider management team worked with our third-party ESG consultancy to identify and assess the impact of climate change on our operations. Two Climate Risk Management Workshops were held for members of our facilities team, supply chain leads and SLT, which included climate change training. Following the workshops, we held follow-up calls with members of the team, to collect additional information from across the departments, mainly relating to supplier sites. Subsequently, this was presented to the Board in December 2023.

The session with the Board covered climate change, the climate-related risks identified in the workshops, and key next steps in climate reporting and climate mitigation initiatives. Through this presentation, the Board was able to review and approve climate-related risks for 2023.

We have a Climate Risk Register, which is maintained annually, and overseen by SLT to ensure climate risks and opportunities are accurately updated, monitored, and reported, with key information being provided to the Board when necessary.

Strategy – *Developing a resilient business strategy*

Alliance has a clear strategy to deliver sustainable business growth, whilst maximising the value of our core Consumer Healthcare business. With the increased risk of our operations potentially being impacted by climate change, we welcomed the recommendations of the TCFD and analysed the impact that global warming may have on our operations and growth. In 2023, for the third year, we continued to embed the recommendations of the TCFD, identifying climate-related risks that may impact the business and the climate-related opportunities on which we aim to capitalise. Although this is not a mandatory disclosure for Alliance, this forward-looking analysis has helped us consider sustainability in our long-term planning to ensure that our business strategy remains resilient to the impacts of climate change.

We used our established risk management framework to assess and rate climate change risks. Climate-related risks were scored using Alliance's business risk rating system for likelihood (likelihood of the risk occurring) and impact (the potential or actual impact that the risk may have on the business). The impact of climate-related risks on the revenue of the business will be fully considered in 2024, where possible.

Our climate risk management framework identified the climate-related risks and opportunities, that could potentially impact our business. To strengthen this process, we utilised climate scenario analysis, investigating the resilience of our business strategy across differing future projections of climate events. Climate scenario analysis was conducted for all seven of our operational sites, allowing Alliance to assess the impact on our future operations.

As a Consumer Healthcare Company, we rely heavily on third-party partners, such as our distributors, contract manufacturers ("CMOs") and logistic service providers ("LSPs"). Any climate-related impacts on their operations could potentially present a significant risk to our business. Therefore, we widened our assessment of physical risks by conducting climate scenario analysis on 25 of our largest supplier sites representing 83% of total supplier spend, and our 10 key distributor sites, as determined by financial spend, to further our understanding how climate change may impact our value chain.

OUR CLIMATE SCENARIOS

To analyse the impact of climate risks in accordance with the TCFD guidance, we employed three climate change scenarios, each depending on the action that countries, businesses and the public will take to respond to global warming. The three scenarios are described in Table 1.

Several established international frameworks were used to develop these scenarios. These included the International Energy Agency's World Energy Models ("WEM"), the Shared Socioeconomic Pathways ("SSPs"), Climate Natural Catastrophe Damage Model, the Co-ordinated Regional Climate Downscaling Experiment ("CORDEX") forecasts, Central Banks, Supervisors Network for Greening the Financial System ("NGFS") and Integrated Assessment Models ("IAM").

While climate models offer detailed insights into potential futures based on different emission pathways, their accuracy is not guaranteed. Notably, certain climate models may either exaggerate or underestimate the significance of climate variables in the climate system, such as downwelling pressure, wind, clouds, temperature, precipitation, ocean currents, sea ice, permafrost, and others. Furthermore, disparities between model predictions and actual observations are common when assessing these elements or features.

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

Table 1: The three warming pathways used in the climate scenario analysis

Below 2°C (proactive scenario)	Between 2–3°C (reactive scenario)	Above 3°C (inactive scenario)
In this scenario, global efforts to mitigate climate change are substantial. Governments, businesses, and the public unite their efforts, to limit global warming to below 2°C, compared to pre-industrial levels. Many organisations start to follow the Science-Based Target initiative and the Paris Agreement, to achieve net zero emissions by 2050. Governments work together to put strict laws and regulations into effect that will lower carbon emissions. Every Company aspires to set the bar high for climate action to cut emissions. This planned strategy for addressing climate change produces a structured process, at an additional cost to businesses. Although there are significant transition risks in this case, the physical hazards of climate change will be less severe.	This scenario is the result of the COP26 policies and accords. It foresees a postponed response to climate change, resulting in the introduction of measures, in an unplanned manner to cut global emissions. In the near term, business as usual continues, but due to the delayed response, there are higher levels of transitional risks and some physical risks in the medium term. Governments will heavily rely on technology, to mitigate the effects of climate change. Only the most dedicated enterprises will take real action.	In this scenario, business as usual is maintained, where limited climate action is taken. Global emissions will increase until 2040, causing a rise in global temperature of more than 3°C. The IPCC ("Intergovernmental Panel on Climate Change") predicts that multiple climate tipping points will be met. This will lead to the highest levels of physical risk because of these tipping points. Governments and organisations will eventually feel pressure to act, due to the physical risks brought on by the inevitable rise in temperatures. As a result, rushed and disorganised policies will be implemented in the long term.

The following list outlines the time horizons Alliance used to identify when a risk or opportunity will have the most significant impact on the business. These timeframes were chosen to align with the UK's target to be net zero by 2050.

- Short (2023–2027): Greatest changes would be in the proactive scenario over this period.
- Medium (2028–2037): Physical impacts would start to be experienced, and policies will tighten in the proactive/reactive scenarios.
- Long (2038–2052): Greatest physical impacts would be experienced in this period in the inactive scenario.

The results from the climate scenario analysis were presented to our facilities team, supply chain leads team, Corporate Sustainability Lead, and SLT in our Climate Risk Management Workshops in November 2023, to determine the likelihood and impact of each potential climate-related risk. Through this process, we identified nineteen climate-related risks and three climate-related opportunities. The risks that were deemed to have a high impact and are material to the business are those which have an impact score of 4, and a potential associated cost of £2.5m or more. The impact of this risk on business strategy and financial planning will be fully considered in 2024. Of the nineteen risks, one was deemed material to the business (increased frequency and severity of flooding). This material risk is outlined in Table 2, with the climate opportunities provided in Table 3. The climate-related metrics that are used to measure and manage our climate-related risks can be found in the carbon emissions on page 40 and additional environmental metrics on page 41 sections of this report. Information on all our climate-related risks can be found in our 2023 TCFD Report which will be made available on our website shortly.

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

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

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

The creation of our climate risk management framework consists of four key steps:

1. Identify

- In 2023, we conducted a climate scenario analysis to identify climate-related risks and opportunities for the business and our key suppliers and distributors. New risks were considered and in total, we identified nineteen climate-related risks, one material to the business, and three climate-related opportunities.

2. Assess

- The impact of each risk and opportunity was assessed across three scenarios (<2°C, 2-3°C and >3°C) and three time horizons: Short Term (2023–2027), Medium Term (2028–2037) and Long Term (2038–2052). This enabled us to understand where the impact for Alliance would be highest. In 2023, a total of two Climate Risk Management Workshops (November 2023) were held for our facilities team, supply chain leads and SLT, to understand the impact of current climate-related risks across the business, which was used to support our analysis. This was followed by a presentation to the ESG Board Committee in December 2023.

3. Appraise

- After assessing the impact of each risk, we appraised a range of risk management options. During the Climate Risk Management Workshops, we evaluated the effectiveness of the current risk mitigation actions for each climate-related risk and opportunity. For example, a key supplier site had been flooded before, however, flood defences have been implemented, reducing the risk at this site. We developed a climate risk management framework, to ensure our business operations remain resilient to climate change.

4. Address

- Our main aim is to ensure that we effectively manage and minimise the impact of climate risk on our operations. In the 2022 annual report, the impact of tacking climate change was determined as a principal risk to the business, after being reviewed by the Audit and Risk Committee.
- In 2023, we engaged with our key suppliers and distributors to understand how they are mitigating the potential impacts of climate change. Key distributors, such as one located in Florida, US, have implemented flood defences around the building. We plan to review our climate-related risks and opportunities annually, to monitor the performance of our mitigation plans and reassess the impact accordingly.
- The SLT, who are responsible for climate risks in Alliance, will review and update our Climate Risk Register to ensure that any risks, opportunities, or mitigation steps taken are reported with accuracy and transparency.

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

Table 2: Physical risks identified in 2023 that may impact the business under the most severe scenario analysis and in the longer term

Area	Climate-related Risk	Time Horizon	Scenario	Exposure	Climate-related Target
Acute	Increased frequency and severity of flooding.	Medium–Long Term (2028–2052)	> 3°C	A total of seven Alliance offices, twenty CMO and nine Distributor sites are in potential high flood risk zones.	Continue to conduct climate scenario analysis annually to understand the sites that are at high risk of flooding and will consider relocation of vulnerable sites.

Table 3: The Group's climate-related opportunities

Opportunity Area	Opportunity	Time Horizon	Scenario	Potential Impact
Energy resources	Use of lower-emission sources of energy.	Short–Medium Term (2023–2037)	< 2°C 2-3°C	Reduction in operating expenses as a result of increased efficiency (energy costs).
Technology and changing customer behaviour	Consumer shift towards sustainable designs and solutions presents a significant market opportunity.	Short–Medium Term (2023–2037)	> 2°C	Increased revenue generation from an increase in demand for sustainable products and services.
Reputation	Champion Alliance as a market-leader in the Consumer Healthcare industry.	Short–Medium Term (2023–2037)	< 2°C 2-3°C	Increased revenue generation as a result of (stakeholders) customers being attracted to the business' proactive agency regarding climate change.

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

During 2023, we remained committed to reducing our environmental impact while delivering sustainable business growth. Alliance's ESG consultancy have supported us in 2023 for the third year, to improve our environmental performance and data collection processes. We continued to work towards our target of achieving net zero absolute Scope 1 and 2 emissions by 2030 and have now set an absolute Scope 3 emissions target of net zero by 2044, versus the 2022 baseline. We are on track to meet our interim target of a 65% reduction in absolute Scope 1 and 2 emissions by 2025 (versus 2018 baseline). The 2030 targets for Scope 1 and 2 differ from the 2044 objectives for Scope 3, due to the complexities associated with mitigating emissions beyond direct operational control.

We have analysed all of Alliance's operations, entities and geographies to assess our sustainability performance and resilience against climate-related risks through various metrics including greenhouse gas emissions as outlined below.

Carbon emissions

As part of our wider sustainability programme, we are committed to reducing the greenhouse emissions associated with our business operations. We appreciate that understanding our carbon footprint is the first step in achieving this goal.

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

We have calculated our UK Scope 1 and 2 carbon emissions since 2018, as part of our Streamlined Energy and Carbon Reporting ("SECR") and in Table 4 we show the last three years' calculations. Further information can also be found on page 41. In 2021, we began developing our carbon action plan which included widening our data collection process to include the quantification of our Scope 3 carbon emissions, and in subsequent years we have refined the data quality through close collaboration with our partners. Further detail on the data sources and methodologies used for each category of emissions, including the areas of data collection that would benefit from improvement in the future, are provided in the Carbon Balance Sheet Report on our website **https://www.alliancepharmaceuticals.com/media/yycdxc02/inspired-carbon-balance-sheet-alliance-pharmaceuticals-limited-2023.pdf**.

Table 4: Group carbon balance sheet

	2023 Calculated Emissions (tonnes of CO_2e)		2022 Calculated Emissions (tonnes of CO_2e)		2021 Calculated Emissions (tonnes of CO_2e)		2018 Baseline Calculated Emissions (tonnes of CO_2e)	
Emission type	**Location-based**	**Market-based**	**Location-based**	**Market-based**	**Location-based**	**Market-based**	**Location-based**	**Market-based**
Scope 1 (direct)	**0**	**0**	2	2	2	2	7	–
Scope 2 (indirect)	**59**	**13**	50	52	68	16	107	–
Scope 3 (indirect)	**50,125**	**50,125**	47,973	47,973	37,648	37,648	–	–
1. Purchased Goods and Services	**43,034**	**43,034**	34,345	34,345				
2. Capital Goods	**121**	**121**	124	124				
3. Fuel-related Emissions	**17**	**17**	17	17				
4. Upstream Transportation and Distribution	**2,894**	**2,894**	6,962	6,962				
5. Waste Generated in Operations	**1**	**1**	1	1				
6. Business Travel	**1,014**	**1,014**	825	825				
7. Employee Commuting	**376**	**376**	499	499				
8. Upstream Leased Assets	**35**	**35**	42	42				
9. Downstream Transportation and Distribution	**2,433**	**2,433**	4,972	4,972				
10. Processing of Sold Products	**N/A**	**N/A**	N/A	N/A				
11. Use of Sold Products	**N/A**	**N/A**	N/A	N/A				
12. End-of-life Treatment of Sold Products	**199**	**199**	187	187				
13. Downstream Leased Assets	**N/A**	**N/A**	N/A	N/A				
14. Franchises	**N/A**	**N/A**	N/A	N/A				
15. Investments	**N/A**	**N/A**	N/A	N/A				
Total	**50,184**	**50,138**	48,025	48,026	37,627	37,575		
Emissions intensity*	**275**	**275**	279	279	128	128		

* Defined as tCO_2e per £m of revenue.

Scope 1 & 2 – Decarbonising our operations

Whilst the environmental impact of our own operations (Scope 1 and 2) is low (0.1% of total emissions for 2023) and considered not material to our longer-term sustainability performance - reducing them is important to us from a broader societal perspective. To decarbonise our own operations, we have taken two main steps in 2023. First, we are installing solar panels on the roof of our head office in Chippenham to be completed in mid 2024. Second, our office uses 100% renewable energy through green tariffs and energy attribute certificates ("EACs").

Most of our global office real estate is leased. Therefore, whenever possible, we work with property owners to optimise sustainability. Outside the UK, our office premises tend to be held on all-inclusive operating leases, which provides limited opportunities to control environmental footprint. However, we will seek to increase our understanding on an office-by-office basis, to determine potential measures.

We continue to identify opportunities to reduce Scope 1 and 2 emissions, which amounted to 59tCO_2e in 2023, and continue to offset these emissions, through regulated carbon market solutions that also deliver positive impact for local communities, to achieve carbon neutrality as an interim measure. In September 2022, we set our Scope 1 and 2 emissions targets to achieve net zero in 2030, with an interim target of 65% reduction by 2025, using 2018 as our baseline. For more detail on our Scope 1 and 2 emission calculation methodology, targets, and the progress we have made in delivering these, see our stand-alone 2023 TCFD Report.

Scope 3 – Decarbonising our value chain

Calculating our Scope 3 emissions enables us to understand and evaluate the full impact of our operations on the environment and develop our roadmap to net zero emissions by 2044 at the latest for Scope 3. Given the nature of our business and because we use of third-party distributors, CMOs and LSPs, most of our carbon emissions are classified as Scope 3 (99.9% of total emissions for 2023). The environmental impacts of these activities constitute one of the material focus areas within our sustainability framework.

Of the fifteen Scope 3 Categories, ten were applicable to the business. We do not have any Investments, Franchises, Downstream Leased Assets, nor do we process the End-of-life Treatment of Sold Products.

In 2023, we worked to improve our Scope 3 data collection processes, following the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standards. We worked with our largest suppliers, CMOs and LSPs, to understand their emission sources (scopes 1 and 2) and reduction plans, to help improve the methodology used in our Scope 3 calculations. This helped us to identify hot spots and seek opportunities to reduce the Scope 3 emissions in our supply chain, as part of our overall carbon reduction plan. Also, we are seeking ways to reduce emissions attributable to the other categories under Scope 3. For example, non-stock purchases, business travel and employee commuting. Further details can be found on pages 28 and 29 and in our Online Sustainability Report.

Additional environmental metrics

Waste management

Reducing our product packaging is a priority for the Group. We continue to better understand our primary packaging (directly in contact with a product) and secondary packaging (which holds all individual units of a batch of products) across our estate.

We are excited by the potential to bring about positive change, through working in partnership with our suppliers to source new and better alternatives to some of our current packaging, in furtherance of our ambition to reduce our reliance on single-use plastics. In 2024, we will assess the feasibility of setting waste targets.

Water

Alliance water consumption is low, with most usage being domestic. However, we still aim to minimise water use. In 2023, we engaged with our key suppliers to understand how they are minimising their water consumption, and discussed their water-related targets. In 2024, we will assess the feasibility of setting water targets.

STAKEHOLDER ENGAGEMENT

ENGAGING WITH OUR STAKEHOLDERS

Overview

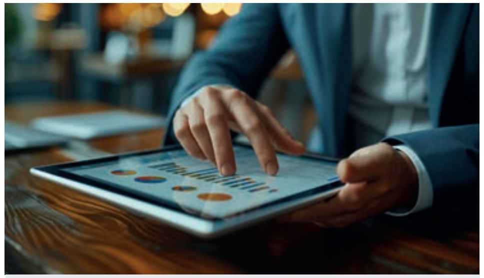
The Board recognises the importance of maintaining an engaged and motivated workforce, dependable supply chains, customer confidence in our products, close relationships with healthcare professionals, good returns for our shareholders and a positive contribution to both our local and wider communities. The Board works closely with the Senior Leadership Team to ensure we continue to understand and meet the evolving needs of all our stakeholders, whilst maintaining our relevance and ability to create long-term sustainable value.

On the following pages, we have identified our principal stakeholders, their primary requirements and how we've delivered against these in 2023.

Examples of how stakeholder interests have been considered by the Board in their decision-making are provided in the Governance section on pages 67 and 68.

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

SHAREHOLDERS



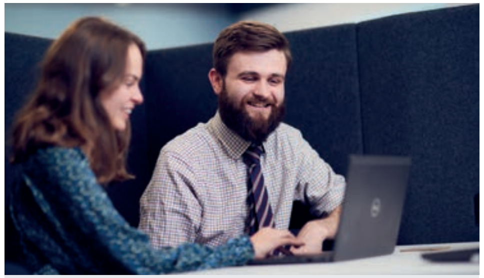
Our shareholders are interested in:

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

How we delivered for our shareholders in 2023:

- Delivered record revenues.
- Grew EBITDA.
- Strengthened the skills, experience and expertise on the Board to align with the long term strategy.
- Sought feedback from shareholders representing 60% of total holdings through a governance roadshow.
- Strengthened infrastructure with new people and skills brought into the business.
- Good progress made with developing and executing our sustainability strategy.

EMPLOYEES



Our employees are interested in:

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

How we delivered for our employees in 2023:

- Annual pay review in line with industry benchmarks.
- Share options granted to all eligible employees, with a new scheme for senior leaders in 2023.
- Flexible working arrangements maintained.
- Monthly business briefings.
- Lunch and learn sessions arranged to educate colleagues on topics such as financial planning and mental health.
- Participation in GPTW survey.

CUSTOMERS

Our customers are looking for:

- Safe and effective healthcare products, which are widely available, at a reasonable cost.
- Reliable sources of information and practical help to manage their and their family's health and wellbeing.
- Products and services that have as low as possible an impact on the planet.

How we delivered for our customers in 2023:

- Safety and efficacy standards maintained.
- 44m units of product supplied.
- Innovation launches in both of our global priority categories.
- Market and channel expansion for our consumer products, particularly in ecommerce.
- Consumer Healthcare product pricing aligned with competitive positioning.

STAKEHOLDER ENGAGEMENT CONTINUED

SUPPLY AND DISTRIBUTION PARTNERS

Our supply & distribution partners are looking for:

- Continued business growth opportunities.
- Reliable counterparties who share similar values and who act both responsibly and with integrity.
- Strong brands with growth potential and appropriate investment in marketing and innovation.
- Proactive partnering and regular engagement.

How we delivered for our supply and distribution partners in 2023:

- Global brand protection strategies.
- Regular quality and sourcing audits.
- Partnership with Slave Free Alliance.
- Published our Supplier Code of Conduct.

HEALTHCARE PROFESSIONALS

Healthcare professionals are looking for:

- Safe and efficacious products.
- Engagement, education, information, and resources.
- Therapy area expertise.

How we delivered for healthcare professionals in 2023:

- Zero safety actions needed in-market due to defective product
- New Social Media use and control policies published, to help ensure only factual and compliance information is provided on Alliance controlled Social Media platforms
- Responses provided to more than 900 enquiries from HCPs.
- Over 3,300 responses provided directly to customers and patients
- HCP meetings policy updated to ensure we more flexibly meet the needs of HCPs

LENDERS

Our lenders are interested in:

- Strong financial performance.
- Ability to service and repay borrowings.

How we delivered for our lenders in 2023:

- Regular communication and reporting of business performance.
- £21.3m of free cash flow generated.
- Compliance with borrowing covenants maintained.
- Timely refinancing of the business, introducing a new facility running to June 2026 with two one-year options to extend.
- Leverage down significantly in the period.

WIDER COMMUNITIES

The wider community is interested in:

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

How we delivered for the wider community in 2023:

- Promoted the Alliance Volunteering Day, which is one day of paid leave that can be utilised to support a nominated charity or local community.
- Supported our colleagues to fund raise through initiatives such as bake sales, raffles and quizzes, then matched the funds raised.
- Encouraged colleagues to donate clothes and toiletries to the local homeless shelter in the UK.
- Helped to pack meals for the Rise Against Hunger food bank in the US.
- Monthly PRAISE Award allows the winner to donate £100 prize money to the charity of their choice.

FINANCIAL REVIEW

Financial Review

"Robust control of the costs we can actively manage drove 5% reduction in operating costs[1] leading to underlying EBITDA up 15% on revenue growth of 6%."

Andrew Franklin
Chief Financial Officer

UNDERLYING EBITDA

£45.0m

+15% (2022: £39.2m)

See our Financial Statements on page 104

SUMMARY INCOME STATEMENT

Year ended 31 December

	2023 £m	2022[2] £m	Growth
See-through revenue[3]	**182.7**	172.0	6%
Statutory revenue	**180.7**	167.4	8%
Gross profit	**105.0**	101.7	3%
Operating costs (including share-based employee remuneration)	**60.0**	62.5	-4%
Underlying EBITDA[3]	**45.0**	39.2	15%
Depreciation and underlying amortisation	**3.1**	3.5	-11%
Underlying operating profit ("EBIT")[3]	**41.9**	35.7	17%
Finance costs	**10.4**	5.4	93%
Underlying profit before taxation[3]	**31.5**	30.3	4%
Reported profit/(loss) before taxation	**(48.8)**	(23.1)	111%
Underlying basic earnings per share[3]	**4.55p**	4.28p	6%
Reported basic earnings per share	**(6.13)p**	(3.93)p	56%
Proposed total dividend per share	**nil**	1.776p	–

1 Excluding share-based employee remuneration.

2 Restated, see note 2.20 for further detail on prior year adjustment.

3 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 30.

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

Underlying profitability metrics are presented, as we believe this provides investors with useful information about the performance of the business. In 2023 and 2022, underlying results exclude the amortisation and impairment of acquired intangible assets. Further detail can be found in note 5.

FINANCIAL REVIEW CONTINUED

REVENUE SUMMARY

Year ended 31 December

	2023 £m	2022 £m	Growth	CER growth
Kelo-Cote™ franchise	**63.2**	50.0	26%	29%
Amberen™	**11.2**	14.9	-25%	-25%
Nizoral™*	**21.7**	21.8	-0.5%	3%
Other Consumer brands	**40.3**	38.4	5%	5%
Total Consumer Healthcare	**136.4**	125.2	9%	11%
Prescription Medicines	**46.3**	46.8	-1%	-1%
See-through revenue*	**182.7**	172.0	6%	7%
*LFL Consumer Healthcare See-through revenue, excl. US Acquisition**	**133.8**	125.2	7%	9%
*LFL See-through revenue, excluding US Acquisition**	**180.1**	172.0	5%	6%
Statutory revenue – Consumer Healthcare	**134.3**	120.6	11%	13%
Statutory revenue – Group	**180.7**	167.4	8%	9%
*LFL Consumer Healthcare statutory revenue, excluding US Acquisition**	**131.7**	120.6	9%	11%
*LFL Group statutory revenue, excluding US Acquisition**	**178.1**	167.4	6%	8%

REVENUES

The Group delivered record see-through revenues in the period of £182.7m (FY22: £172.0m), up 6% versus the prior period and up 7% at constant exchange rates ("CER"). Excluding sales from ScarAway™ and the US rights to Kelo-Cote in Q1 23, both acquired in March 2022 (the "US Acquisition") - like-for-like see-through revenues increased 6% CER.

Group revenue was adversely affected by exchange rate movements throughout 2023, principally the strengthening of Sterling against the Hong Kong Dollar and the Chinese Yuan, which decreased see-through revenue by approximately £2.1m. Statutory revenue increased 8% to £180.7m (2022: £167.4m) and up 9% CER.

Consumer Healthcare

Total see-through Consumer Healthcare revenues for the year were £136.4m (2022: £125.2m), up 9% on the prior year (+11% CER) benefitting from an additional quarter of sales from the US Acquisition. Statutory Consumer Healthcare revenues were £134.3m, up 11% from the previous year (2022: £120.6m) and up 13% CER.

Excluding the impact of the US Acquisition, like-for-like see-through Consumer Healthcare revenue increased 7% (+9% CER) to £133.8m, whilst on a statutory basis, like-for-like Consumer Healthcare revenues increased 9% to £131.7m (+11% CER).

Kelo-Cote franchise – scar prevention and treatment

Continued strong consumer demand, particularly in China, drove significant recovery in Kelo-Cote franchise revenues in H2, following the previously communicated 4% decline in H1 due to lower order volumes from our China cross-border partner during a period of destocking. Consequently, FY23 revenues increased 29% CER to £63.2m (2022: £50.0m).

Whilst revenues in China make up over 66% of the total Kelo-Cote franchise, we saw strong growth in smaller markets where we are beginning to leverage our global presence to drive targeted consumer activation campaigns. Our first UK outdoor campaign was particularly successful, increasing sales in the UK by 36% for the year versus 2022, and was followed by a multimedia digital marketing campaign. The assets for this campaign were designed to have global appeal and will be used in other geographies this year.

Our most recent acquisition of the US rights to ScarAway and Kelo-Cote (which completed in March 2022), has created the Group's first fully global brand. The integration of both assets has gone very smoothly with full transition completed in just four months. ScarAway sales reached £9.9m in 2023, exceeding our expectations to rise 20% CER on a like-for-like basis as we increased marketing investment behind the brand and worked with our CMO partner to bring key SKUs to market that had been discontinued by the previous owner. We continue to see opportunities for further growth and range extensions.

FINANCIAL REVIEW CONTINUED

Recent new product introductions across the Kelo-Cote™ franchise are performing well with a second year of strong revenues for Kelo-Cote Kids in APAC. In Q1 24, we launched ScarAway™ Kids and ScarAway Acne Scar Gel in the US on Amazon, whilst further activation campaigns are planned for recently launched Kelo-Cote Sheets.

Starting this year, our ambition is to move towards smaller, more regular order fulfilment, to create a more consistent revenue stream, reducing the stocking and destocking cycles we've experienced over the last two years. This is expected to yield mid-single digit revenue growth for the Kelo-Cote franchise in 2024, before returning to double-digit growth from 2025.

Nizoral™ – medicated anti-dandruff shampoo

Nizoral revenues increased 3% CER to £21.7m (2022: £21.8m) reflecting both market share and distribution gains. Performance in 2023 showed marked volatility in growth in H1 versus H2 due to the timing of distributor orders received in 2022. H1 revenues grew 40% CER versus H1 22, benefitting from the aforementioned timing and some inventory build ahead of a move in manufacturer, whereas H2 revenues declined 18% CER, limiting overall growth in the year.

Having completed the transfer of all the marketing authorisations from Johnson & Johnson ("J&J") to Alliance in 2022 we were able to bring in a new distributor and begin the process to consolidate manufacturing in Asia in 2023. Our new Chinese distributor has identified strong growth opportunities through expanding the brand's reach, supported by our marketing initiatives. A new out-of-home campaign was launched in the top nine cities in China in August focused on new user recruitment, which was supported by our distributor partner's in-store promotional activity.

The roll out of our strategic brand plan for Nizoral is now well underway, with consumer activation campaigns ongoing across a number of other territories where Nizoral commands a market leading position, including Australia, South Korea, Thailand and the Philippines. These campaigns are run in partnership with our local distributors, as part of a growth strategy centred around Consumer Healthcare professional activation, ecommerce, and I&D. We launched new, modernised packaging in Thailand, designed to appeal to a younger audience, with marketing focused on social media platforms popular with this demographic. This new packaging will be launched in other markets in 2024.

During the year, we also selected a new manufacturer in Thailand and have now completed the transfer of manufacturing from J&J's site in Belgium. We anticipate that this will deliver advantages through COGS reductions, improvements in on-time-in-full, order fulfilment and reduced carbon emissions. We expect further reductions in carbon emissions through changes to product packaging.

The inventory build in H1 23 to secure supply during the move to the new manufacturer began to unwind in H2 23, and continued to do so through H1 24. Whilst we anticipate a strong H2 24 as we launch new products, sales for FY 2024 are expected to be broadly in line with FY 2023.

As part of our annual impairment review, we have adopted a more conservative approach and lowered future growth expectations for Nizoral until we have greater certainty on consumer response to our marketing campaigns and new product launches. We have therefore impaired the carrying value of Nizoral by £10.3m.

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

Amberen revenues declined 25% CER to £11.2m (2022: £14.9m) and fell 6% CER on an underlying basis (excluding the leading discount store account that was lost in 2022). Whilst this performance was below our expectations at the beginning of the Year, it reflects challenging conditions in both the wider US consumer market and specific issues with Amazon. These included a change to the billing for Amazon's warehouse space and its' price comparison approach, in addition to the delisting of the perimenopause product, albeit for a few months, due to the incorrect application of an algorithm that screens advertising claims.

Despite these challenges, Amberen revenues on Amazon still grew strongly in the period, but lagged total category growth which was driven primarily by new entrants. The bricks and mortar market for VMS menopause relief continues to decline, falling 7% in value terms in 2023 as consumers pivot to ecommerce platforms.

As a consequence of 2023 performance, and as part of the annual impairment review, we have assessed the expected future cash flows generated by Amberen, taking into account future planned innovation launches, marketing investment, increased competition and a higher cost of capital due to the overall increase in borrowing rates. Whilst Amberen continues to remain a profitable and cash generative brand, we have further impaired the carrying value of Amberen by £46.4m.

We remain focussed on addressing these brand and marketplace issues through strengthening both our internal and external capabilities in ecommerce and digital marketing. We have also increased the level of marketing support to revert the brand to growth. Amberen for menopause remains the largest SKU in value terms across the category in the US and we are focused on developing an innovation pipeline, to underpin the growth of the brand in the longer term and widen the product range to cover a multiple set of benefits in line with consumer's needs.

Other Consumer Healthcare brands

Our underlying business remains strong, with Other Consumer Healthcare revenues increasing 5% CER to £40.3m (2022: £38.4m), despite regulatory delays in some products impacting stock availability in H1 23.

FINANCIAL REVIEW CONTINUED

These issues have now been resolved. We saw particularly strong full year growth from Oxyplastine (skin care) and Ashton & Parsons (teething powder). This robust performance in our Other Consumer Healthcare brands clearly illustrates the benefits of a diversified portfolio, and we anticipate mid single-digit growth in this portfolio of products in 2024.

Prescription Medicines

The Prescription Medicines business continues to deliver stable revenues with £46.3m (2022: £46.8m), in the year, down 1% on the prior year; reflecting a strong recovery in H2 as expected, as previously out of stock products became available. Our two largest prescription brands Hydromol™ (emollient for the treatment of eczema) and Forceval™ (nutritional supplement), both performed well in the year delivering record sales of £9.0m and £6.6m respectively.

Operating performance

Whilst see-through revenues increased 6% in the year, gross profit increased at a rate slower than revenues at 3% to £105.0m (2022: £101.7m) due to a less favourable product mix (comprising fewer high margin Amberen sales, and the impact of regulatory delays in some products restricting stock availability in H1 2023), and an increase in warehouse and distribution costs primarily related to Amazon in the US. Gross margin reduced by 160 basis points to 57.5% of see-through revenue (2022: 59.1%) and gross margin relative to statutory revenue was 58.1% (2022: 60.8%).

However, through robust control of the costs we actively manage, operating costs (defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges) decreased 5% versus the prior year to £59.1m (2022: £62.3m).

With a £0.8m increase in share option charges versus prior year (2023: £0.9m, 2022: £0.1m), underlying earnings before interest, taxes, depreciation, and underlying amortisation ("EBITDA") increased 15% to £45.0m (2022: £39.2m), whilst underlying operating profit ("EBIT") increased by 17% to £41.9m (2022: £35.7m). Reported operating loss increased by £20.8m resulting in a £38.4m loss (2022 restated: £17.7m loss), after non-underlying items of £80.3m (2022 restated: £53.4m).

Net finance costs of £10.4m include a £4.6m increase in interest payable to £10.0m (2022: £5.4m), due to an increase in borrowing costs, reflecting the rise in interest rates, together with net exchange losses of £0.5m (negligible gain in 2022).

As a result of higher finance costs, underlying profit before tax increased by only 4% to £31.5m (2022: £30.3m), resulting in a 40 basis point margin reduction to 17.2% of see-through revenues. Reported profit before tax decreased to a £48.8m loss (2022 restated: £23.1m loss), primarily due to higher non-underlying impairment charges in 2023.

Depreciation and underlying amortisation

Depreciation and underlying amortisation charges for the year were £3.1m (2022: £3.5m), a reduction of £0.4m due to lower depreciation charges.

Non-underlying items

Non-underlying items in the year principally comprised amortisation charges for Prescription Medicines and certain other brand assets, together with impairment charges identified as a result of the annual impairment review (see note 5).

For 2023, impairment charges of £79.3m include a charge of £46.4m in relation to Amberen™, together with £32.9m relating to a number of other products (including £10.3m for Nizoral) driven by out of stock and regulatory issues, and the increased cost of capital for the business as a whole.

As noted on page 04, an impairment charge of £46.4m relating to Amberen was included as a non-underlying item for the year ended 31 December 2023. We have also undertaken a review of the valuation of Amberen in the 2022 accounts to correct for errors noted in the valuation model. Adjusting for these corrections in the prior year, the impairment charge for Amberen would have totalled £32.0m for the year ended 31 December 2022, compared to the £12.0m actually reported. Further information on this prior year adjustment is set out on page 78 of the Audit and Risk Committee report and in note 2.20 on page 128 for further details.

Post year end and as previously mentioned, we were successful in our appeal of the CMA decision. As this is an adjusting post balance sheet event we have removed the provision relating to the potential fine of £7.9m, accordingly. This has been recorded as a non-underlying event, consistent with the treatment when the original accrual was made in 2021.

Further detail on non-underlying items is provided in note 5.

RECONCILIATION OF UNDERLYING TO REPORTED PROFIT BEFORE TAX

	2023 £m	2022[1] £m
Underlying profit before taxation	31.5	30.3
Non-underlying items:		
Amortisation of acquired intangibles	(7.2)	(7.2)
Impairment of intangible assets and goodwill	(79.3)	(46.5)
Other	6.1	0.4
Total	(80.3)	(53.4)
Reported profit before taxation	(48.8)	(23.1)

1 Restated

FINANCIAL REVIEW CONTINUED

Taxation

The underlying tax charge for the year was £6.9m (2022: £7.2m), equating to an underlying effective tax rate of 22.0% (2022: 23.9%). The reported total tax for the year was a credit of £15.7m (2022 restated: £1.8m credit) which included a deferred tax credit of £22.6m mainly due to the impairment of Amberen and Nizoral.

Earnings per share

Underlying basic earnings per share, the measure used by the Board to assess earnings performance, increased 6% to 4.55p (2022: 4.28p). Reported basic earnings per share was a loss of 6.13p (2022 restated: 3.93p loss) due to the impact from non-underlying items on reported earnings in 2023 versus 2022.

Dividend

As detailed in the interim statement on 26 September 2023, the dividend was paused to allow the Board to develop a new dividend policy with greater emphasis on reinvestment in the business to drive growth. Taking account of shareholder feedback, the Board has decided that no dividend will be declared for 2023 with cash prioritised for investment in innovation, development, brand marketing and reducing debt. The Board expects to provide an update on dividend policy when appropriate.

Balance sheet

Intangible assets decreased by £93.4m in the year to £300.0m (31 December 2022 restated: £393.4m) reflecting non-underlying amortisation and impairment charges of £86.5m, underlying amortisation of £1.9m and exchange rate-related revaluation adjustments of £5.0m.

Working capital

Net working capital at 31 December 2023 was £43.4m, an increase of £5.4m on that at the start of the year (31 December 2022: £38.0m), primarily reflecting movements in accounts receivable balances.

Inventories, net of provisions, increased £1.4m to £25.7m at 31 December 2023 (31 December 2022: £24.3m).

Accounts receivable increased by £5.4m to £54.7m, reflecting the timing of sales and cash receipts in the second half of the year, versus the equivalent period in 2022.

Accounts payable was broadly in line with the prior year, up £1.5m to £37.1m.

Cash flow and net debt

Free cash flow (see note 30 for definition) for the year rose 35% to £21.3m (2022: £15.8m), due to the strong trading performance in H2. Cash generated from operations increased by 48% to £36.9m (2022: £24.9m).

This solid cash generation supported a reduction in net debt of £10.8m to £91.2m at 31 December 2023 (31 December 2022: £102.0m), with Group leverage (the ratio of net bank debt to EBITDA) decreasing to 2.05 times (31 December 2021: 2.57 times). Interest rate cover (the ratio of EBITDA to finance charges) decreased to 4.82 times (31 December 2022: 7.39 times), reflecting the increase in net interest cost on rising interest rates.

Net debt and Group leverage are both expected to fall further during 2024, particularly in the second half, with Group leverage expected to be below 2.0 times by the end of 2024.

Prior year adjustments

Following a comprehensive review of our brand and intangible assets we have reassessed the carrying value and identified errors in the impairment review performed in 2022. As a consequence, we increased the 2022 impairment of intangibles assets by £28.3m. As discussed previously, £20.0m of this relates to Amberen, whilst £8.3m comprises other assets, including £3.4m relating to the Flamma franchise.

Treasury management

In August, we successfully completed the refinancing of our Revolving Credit Facility, which was scheduled to mature in July 2024. The facility was agreed with the Group's existing syndicate of supportive relationship banks. Through the refinancing, we took the opportunity to resize and reduce the total committed facility by £15.0m to £150.0m, whilst increasing the Accordion by £15.0m to £65.0m.

The covenants include a net leverage and interest cover test. The facility is available until August 2026, with two further one-year extension options. Of this RCF, £35.2m, together with the whole of the Accordion Facility, remained unutilised as at 31 December 2023. Borrowings are denominated in Sterling, Euro and US Dollars.

In 2023, the Group also entered into interest rate swaps totalling £90.0m with staged maturities over three years to hedge the interest rate exposure on the RCF.

Looking forward to 2024

Alliance's clear focus on the core Consumer Healthcare business, in addition to our well-established, scalable platform across EMEA, APAC and the US, is expected to deliver continued modest revenue growth.

As we continue to refine our strategy we intend to move towards smaller, more regular order fulfilment, to create a more consistent revenue stream, reducing the stocking and destocking cycles we've experience over the last two years as we've changed distributors, moved manufacturing and managed through the COVID environment.

In 2024 we will continue to increase investment in sales, marketing, insights and innovation to maintain our leadership position in key categories.

The Board continues to anticipate that profits in FY 2024 will be in-line with FY 2023. As in previous years, performance is expected to be H2 weighted, particularly in Nizoral.

We remain confident in our ability to further capitalise on identified organic growth opportunities within the business, and to deliver financial performance which will help drive the de-levering of our balance sheet.

Andrew Franklin
Chief Financial Officer
18 June 2024

PRINCIPAL RISKS AND UNCERTAINTIES

Protecting our business

During the year, the Board, with the support of the Audit and Risk Committee, reviewed the principal risks and uncertainties facing the Group and has continued to focus on those which could threaten the sustainability of our business model, our reputation, future performance expectations, or, in extreme cases, the solvency or liquidity of our business. The consideration of risks is inherent within decision-making, and throughout the year, Board members have challenged management on key issues faced by the business.

The identified risks are not intended to be an exhaustive list of all the risks the Group faces but are the principal risks and uncertainties which the Directors believe include all known material risks in relation to the Group and the markets and industry within which we operate. The environment in which we operate is constantly evolving and can be affected by events that are outside of our control, and which may impact on us both operationally and financially. New risks may emerge, the potential impact of known risks, including how quickly they escalate, and/or our assessment of these risks may need to change.

During the review process, risks are identified and categorised into 14 principal areas of risks. Risks will come in and out of focus depending on prevailing circumstances. Some risks are pervasive, and others are active and current. SLT, together with their management teams, maintain a careful watch on all risks identified, and review these at least three times a year to ensure that they have been accurately assessed. How we identify, monitor, and review our risks is explained in greater detail on the Company's website.

Analysing our identified risks

STRATEGIC RISKS

1 Organic growth: innovation and competition

2 Inorganic growth – acquisitions

OPERATIONAL RISKS

3 Product safety

4 Supply disruption

5 Impact of tackling climate change

6 Business systems

7 Cyber-security

8 People

9 Supply chain management

COMPLIANCE RISKS

10 Product regulations

11 Legal and compliance

OTHER RISKS

12 Macro-economic

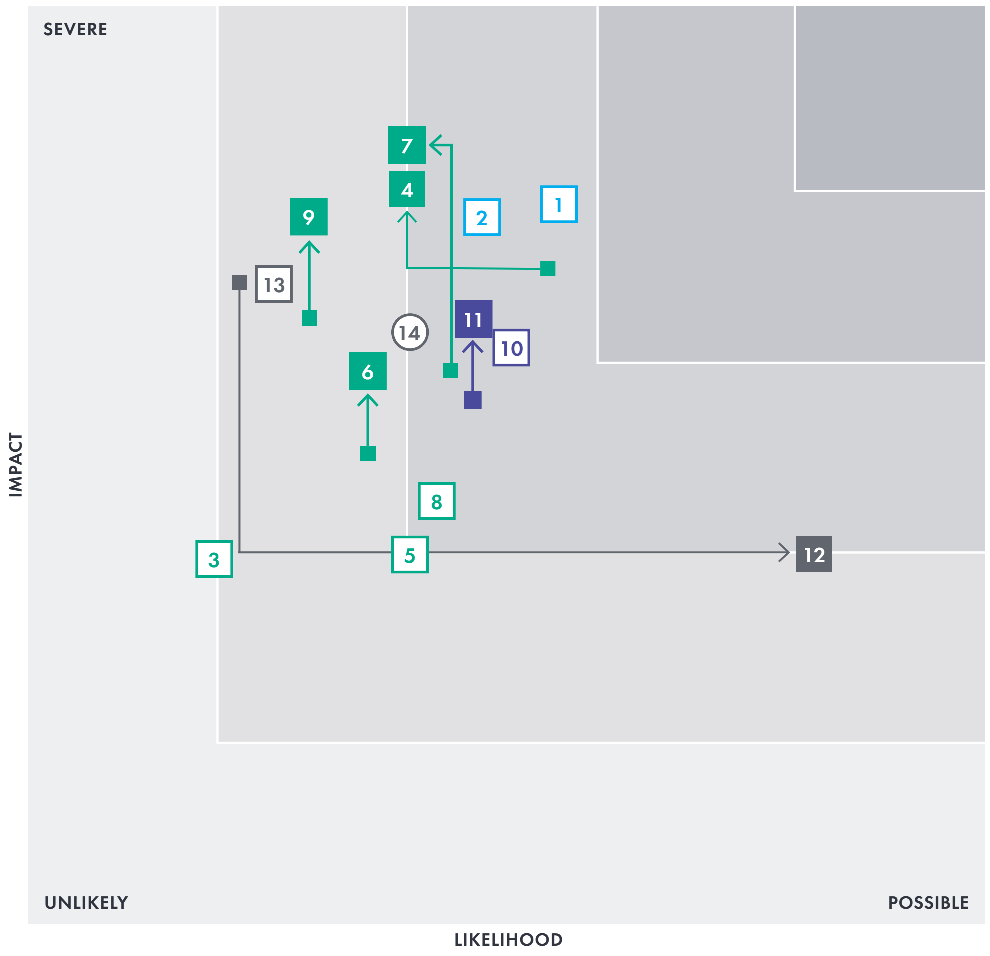
13 Geopolitical and other worldwide events

RISK MOVEMENT

No Change

Movement

New



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Principal risks are assessed and scored on a residual basis according to our current view of their potential severity (being the combination of impact and likelihood), and assuming that existing plans for mitigation are, and remain, effective. In addition, the Board considers the links between our principal risks and uncertainties and our current strategy which focuses on brand growth, commercial execution, our strategic supply partnerships and ensuring we build a strong and agile organisation.

When assessing the risks to our business, we do so in the context of their relevance to our strategic priorities: how they affect our ability to grow our brands, our relationships with strategic suppliers, our commercial execution and organisational agility. Within this context, the assessment by the business includes consideration of those risks that are emerging and by their nature may be more uncertain due to a lack of information and are not yet fully known or quantifiable. The Board discusses such risks to not only raise awareness but also make sure that business builds greater resilience to anticipate possible events occurring and can prepare an appropriate and measured response.

The current positioning of our principal risks, based on our assessment of their residual impact and likelihood, is shown in the graph on page 49.

Strategic Risk

1. ORGANIC GROWTH – INNOVATION AND COMPETITION

We are unable to achieve strategic growth because:

The risks

- We fail to track changing consumer preferences, or fail to identify and exploit new or existing geographic markets for our products. External market forces mean demand for our products may fall, consumers may switch to competing products and the prices we can achieve are reduced.
- Our consumer products are subject to counterfeiting in key markets, where others seek to take advantage of the reputation built up in our brands for their own commercial exploitation.
- We fail to adequately manage or mitigate the inherent operational and financial risks involved with any change in relationship or trading model for our key brands in our key markets.
- We fail to maintain our competitive positioning, or to increase or maintain market share, specifically the risk to Kelo-Cote™ forecast sales (principally in China).
- We fail to secure or maintain suitable partnerships with our international distributors in existing or new markets.
- Sales are affected by over reliance on third party systems in our sales distribution channels.

The impact

- We lose our ability to grow revenues leading to reduced profitability, reduced growth and increased inventory risk.
- We lose high margin sales from our leading brands either permanently or as part of any operational transitional period.
- We are unable to continue to increase our market share and suffer damage to reputation from counterfeit products reaching strategic markets, which may not have been subject to the same rigorous quality and safety testing as genuine products.
- Depending on the severity, the risks may impact our share price, cash flow and our ability to comply with banking covenants.
- A significant or continued loss of sales could affect the carrying value of a brand, or portfolio of brands, and lead to an impairment charge.

Our mitigations

- We continue to invest in and focus on 'marketing excellence', to ensure we stay attuned to changing consumer preferences, promote our brands and maximise the value of our marketing campaigns.
- We invest in product innovation and development activities.
- We maintain close working relationships with our distributors.
- We continue to assess the positive/negative impacts of any change in operational structures for our business with a full assessment of the adverse impacts in making long term beneficial changes
- We forecast and monitor sales, costs, profits, and cash flows.
- We have a Head of Brand Protection, brand protection strategies, support from external experts
- We undertake product or claims innovation strategies, to pre-empt patent expiration.

Links to strategy: Brand Growth | Commercial execution | Strategic supply partnerships | Organisational agility

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic Risk

2. INORGANIC GROWTH RISKS – ACQUISITIONS

We are unable to deliver additional growth because:

The risks

- We are unable to identify suitable targets to continue to boost the Group's growth through acquisitions. The market for high-quality assets – whether brands or corporates – is highly competitive and the Group may find itself unable to compete if the pricing of targets proves prohibitive.
- We are unable to source affordable debt (or any debt depending on the Group's then prevailing leverage). A lack of sensible debt option would lead the Group to look to raise equity, which itself may prove difficult or too expensive depending on the prevailing market sentiment and the impact this has on the prevailing share price.
- We fail to effectively integrate assets and maximise their potential once acquired.

The impact

- We are unable to grow inorganically leading to an over-reliance on organic growth and its associated risks.
- Acquisitions fail to deliver expected benefits – due to overly optimistic forecasts, unidentified risks/poor evaluation of identified risks during due diligence, or because of failings in the integration process, resulting in integration taking longer/costing more than was originally anticipated.
- The business suffers distraction costs resulting from acquisition evaluation activities.

Our mitigations

- We continue to refine our acquisition evaluation process.
- We nurture and record the experience gained from having completed multiple deals.
- We ensure that we engage experienced legal, regulatory and financial experts to assist with the due diligence process.
- We have put in place a debt facility through to 2026.

Operational Risk

3. PRODUCT SAFETY

Our products harm consumers because:

The risks

- Products are poorly manufactured or are damaged and contaminated during transit.
- We fail to carry out quality checks and audits on our CMOs and fail to detect manufacturing issues.
- A consumer/patient could misuse a product or suffer an adverse reaction to one of our products constituting a safety risk.

The impact

- We need to withdraw products from sale causing a direct impact on revenues.
- We may have legal liability to those injured by the product.
- We potentially damage the reputation of the business, compromising our future performance and, in an extreme scenario, this could impact our liquidity position or even solvency.
- A poor claims history, or the use of certain ingredients in our products could mean our insurance premiums increase, become too expensive or that we are unable to procure applicable cover.

Our mitigations

- Our Quality team carry out regular audits of our manufacturers on a risk-based frequency which is in line with all laws and regulations. Our manufacturers for medicines have a QP (designated regulated quality person) who is responsible for signing-off all batches before they are released to market. For all other products, our manufacturers are contractually required to certify every batch is fit for release.
- We have quality technical agreements in place with manufacturers which outline the responsibilities for compliance.
- With our distributors we have a safety data exchange agreement that requires them to report information on safety events from the market in a timely manner.
- We operate a process for adverse event reporting and signal management for all medicine products.
- We maintain the necessary regulatory approvals for all products in the markets in which we operate and sell products.
- We maintain public and products liability insurance to provide an appropriate level of protection for the Company.
- We provide product vigilance training for all new employees, directors and contractors and annual compulsory refresher training.

Links to strategy: Brand growth | Commercial execution | Strategic supply partnerships | Organisational agility

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Operational Risk

4. SUPPLY DISRUPTION RISKS

We are unable to supply our market leading products because:

The risks

- We cannot procure critical ingredients or components, or continue with the uninterrupted manufacture or sourcing of our finished goods, due to geopolitical events, including pandemics, logistical failures, or reliance on a single site of manufacture
- There is a scarcity of natural ingredients due to climate or other factors.

The impact

- We suffer manufacturing, sourcing, or distribution issues leading to an inability to supply our products to our customers.
- We are unable to increase production volumes to meet consumer demand, impinging on potential sales, compromising our future performance and, in extreme cases, our ability to generate cash.
- We fail to achieve the expected growth due to reductions in demand or potential supply issues.
- Any significant impact on the Group's revenues and profitability could potentially affect the Group's ability to comply with its borrowing covenants.

Our mitigations

- We continue to maintain close working relationships with our key suppliers, to ensure we have early visibility of any potential issues.
- We ensure adequate stocks of critical ingredients and of finished goods, to enable us to cushion the impacts of any disruption in the supply chain.
- We forward book transportation to minimise the impacts of any disruption to logistics provision – for example, due to geopolitical or economic events.
- We set up dual sourcing arrangements for our key products to mitigate against manufacturing failures or their inability to supply products to meet sales demand.
- Where possible and cost-effective, the potential financial impact of supply chain disruption is mitigated by insurance.
- We work towards less value concentration of our business in any one jurisdiction or market to try and mitigate inability to make sales in affected areas.
- We move towards more online sales for those of our products which are permitted to be sold online, with a drive to increase share on online channels, to help mitigate any loss of sales for physical markets that may be shut down.

Operational Risk

5. IMPACT OF TACKLING CLIMATE CHANGE

We fail to respond to the needs of tackling climate change risks:

The risks

- Risk to the longer-term viability of the business due to the impacts of all the changes to be made by the business to its operations to tackle the effects of climate change.
- We fail to monitor and meet changing consumer preferences and increased sensitivity to ESG with consumers who are potentially substituting existing products with more environmentally friendly competing products.

The impact

- We incur increased indirect costs as a result of the challenges associated with direct physical impacts of climate change (adverse weather events and rising sea levels).
- Our cost of energy and materials increase as we introduce initiatives such as moving towards more sustainable packaging for our products as we seek to transition away from plastics where possible.
- We incur increased costs of production and transportation associated with a more environmentally friendly supply chain, including the possible need to engage a more expensive group of selective manufacturers who meet the needs of our own ESG demands.
- The identified physical risks (see page 39 of the Annual Report) all have the potential to cause disruption to our business activities and supply chains in the longer term, depending on the warming pathway we find ourselves on.
- Our reputation is damaged due to a failure to respond to increased stakeholder concerns.

Our mitigations

- We have increased the business' focus on our sustainability strategy and associated risks.
- We continue to work with third-party experts to support our sustainability strategy.
- We ensure there is wide engagement with our competitors/peers to ensure we can utilise any industry-wide improvements (i.e. packaging).
- We have created a TCFD roadmap and set emissions reduction targets that are realistic and balance resources.

Links to strategy: Brand growth | Commercial execution | Strategic supply partnerships | Organisational agility

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Operational Risk

6. BUSINESS SYSTEMS RISKS

Our business can no longer operate because:

The risks

- We fail to maintain and develop business systems and technology which adequately supports business processes, organisational infrastructure, and strategic growth ambitions.
- We have poor or no business continuity plans that are initiated when there are unforeseen events that affect our operations.

The impact

- We lose operational efficiency.
- We lose access to key resources, systems and/or data.
- We cannot report on the status of our operations whether internally or externally, which could also potentially lead to a compliance failure, loss of control or an inability to trade.
- The quality of our data degrades across multiple systems, leading to poor decision-making and increased transactional errors.

Our mitigations

- We continue to improve change control/change management processes to better protect the integrity of our master data.
- Our IT Steering Group maintains oversight of core systems, leading on systems projects driven by systems development or regulatory changes.
- Develop and keep under review our business continuity plans.

Operational Risk

7. CYBER SECURITY

We cannot operate due to a security breach because:

The risks

- The business or part of the business suffers a cyber-attack.
- We also hold confidential data on our customers and employees, some of which is collected via our transaction processes, and so includes their financial information in addition to other personal data, which is similarly at risk of loss, corruption, or unauthorised dissemination as a result of a successful cyber-attack.

The impact

- We breach the integrity, confidentiality and availability of our data and third-party information which we hold is compromised.
- We lose or compromise significant amounts of confidential data relating to our products, our commercial activities, our financial transactions, and all other aspects of our business operations in electronic format.
- The reputation of the business is impacted if we suffer a major loss of personal data.
- Financial transactions are being rerouted fraudulently because sensitive transactional data obtained.
- Data is deliberately destroyed.
- The business is held to ransom because of a malicious link being clicked.

Our mitigations

- We use of anti-virus software, firewalls, and network segmentation.
- We ensure that all business software is up to date, to provide additional in-built security.
- We implement and review our incident management, business continuity and IT disaster recovery plans.
- We maintain appropriate physical and cyber-security measures to prevent unauthorised access to information.
- We train and alert staff to ensure that they are aware of known risks.
- We engage with third parties to review and recommend ongoing improvements to enhance IT security and resilience.

Links to strategy: Brand growth | Commercial execution | Strategic supply partnerships | Organisational agility

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Operational Risk

8. PEOPLE RISKS

We are unable to attract or retain the right people because:

The risks

- We fail to attract and retain sufficient high-quality people to deliver the business's strategic growth ambitions.
- We lose good employees who have considerable sector and other specialist expertise making them attractive to competitors.
- As the business continues to scale and to expand its geographic presence, our requirements for high-calibre people continues to increase.

The impact

- We weaken the Group's operational/management capabilities, potentially impeding its ability to grow.
- We lose strategic and operational expertise and knowledge as a result of employee replacement, leading to operational inefficiencies.
- We do not have the required skills and expertise to support the continued growth of the business, its systems, procedures, and processes.

Our mitigations

- Maintaining competitive incentive and reward structures, which remain attractive to existing employees and enable us to continue to attract high-quality applicants for new roles.
- Clearly defining roles and responsibilities supported by documented systems and procedures to provide a level of continuity in the event an employee leaves the Group.
- Maintaining relationships with several international and local recruitment agencies to ensure we can find and recruit good quality employees.
- Maintaining a balance between permanent and contract heads to increase flexibility, particularly for project-based work.

Operational Risk

9. SUPPLY CHAIN MANAGEMENT

We fail to manage our supply chain because:

The risks

- Our outsourced supply model affords only limited visibility of our end-to-end supply chain.
- We fail to maintain sufficient oversight of our end-to-end supply operations.
- We are exposed to risks around Environmental, H&S, Business Ethics, Supply Chain Security and Climate.

The impact

- The reputation of the business suffers.
- We fail to maintain continuity of product supply.
- We fail to meet revenue targets.

Our mitigations

- Our Know Your Supplier ("KYS") programme provides us with visibility of potential 'red flags' in our supply chain, enabling us to align compliance and escalation processes to facilitate timely remediation of issues.
- Project to review contract manufacturers is underway.
- We have published and maintain a Partner Code of Conduct, setting out our expectations of our partners from a business ethics' perspective.

Links to strategy: Brand growth | Commercial execution | Strategic supply partnerships | Organisational agility

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Compliance Risks

10. PRODUCT REGULATIONS

We are unable to comply with product regulations because:

The risks

- We fail to keep up with changing product regulations.
- New requirements are introduced (e.g. Medical Device Regulations), or product classifications are changed.

The impact

- Some of our products may not gain regulatory approval or could face the risk of having their regulatory status challenged or adversely altered. This could affect the Group's ability to launch new products or maintain sales of its current products in current jurisdictions or pursue further geographic expansion.
- Non-compliance with product classification regulations may mean that our products need to be withdrawn from the market leading to limitation of market opportunities and loss of sales.

Our mitigations

- We allocate sufficiently experienced internal resource to support the regulatory approval of products, including any extensions to other markets.
- In several territories, our product registrations are maintained by local distributors in order to comply with local regulatory requirements.
- We ensure there is a regular dialogue with local regulatory advisers to monitor any products that may be subject to challenge.

Compliance Risks

11. LEGAL & COMPLIANCE RISKS

We are unable to comply with rules and regulations because:

The risks

- Across the Group, we fail to comply with relevant laws and regulations including anti-corruption laws, data privacy laws, competition laws, accounting, taxation, and listing regulations.
- As we enter new territories and overseas markets, we become exposed to increased bribery, anti-slavery, and corruption risks which require monitoring and resource to ensure compliance.
- As the Group expands its operations, the VAT and general tax environments in which we operate become more complex and there is a risk of incorrectly reporting and paying relevant taxes increases.
- We fail to comply with ongoing industry-specific UK and overseas regulatory requirements (i.e. pharmacovigilance).

The impact

- We may incur substantial fines, penalties, and interest on those payments, as a result of adverse findings from regulatory inspections and non-compliance.
- Adverse findings could also potentially impact our ability to sell certain products, damage our brands, and harm our reputation.
- A failure to abide by data protection rules or incur a breach of data security could also pose a financial and reputation risk to the Group.

Our mitigations

- We ensure all employees receive training on anti-bribery, anti-money laundering, competition law, market abuse, modern slavery, sanctions, tax evasion and GDPR. This includes the creation of in-house SharePoint sites providing helpful information and easy access for employees.
- We build strong relationships with third-party experts in the UK and in our overseas territories to help us ensure compliance with local rules and regulations.
- We catch things early by raising awareness as part of a wide-ranging induction process for all new starters to ensure they understand their individual, and the Group's obligations in relation to matters such as adverse event reporting.

Links to strategy: Brand growth | Commercial execution | Strategic supply partnerships | Organisational agility

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Financial Risks

12. MACRO-ECONOMIC RISKS

The financial performance of the business suffers because:

The risks

- We fail to hedge the risk of movements in FX rates because the Group earns a proportion of its revenues and profits in currencies other than Sterling (principally Euros, US Dollars and Hong Kong Dollars), but accounts for the business in Sterling. The reporting of revenues and profits is therefore subject to volatility due to changes in exchange rates.
- The business fails to adjust its financial and commercial strategies to deal with the risk of global inflationary increases.
- We fail to hedge the risk of adverse movements in interest rates linked to our borrowing facilities.

The impact

- Swings in the macro-economic environment could affect income generation, increasing the Group's leverage.
- Adverse movements in Sterling exchange rates vs Euro, US Dollar, Hong Kong Dollar and other currencies could increase the cost of raw material and other overheads including wages and is often linked to supply chain disruption as markets adapt.
- Higher prices for goods will decrease consumer purchasing of non-essential products.
- Increased leverage would impact the Group's ability to implement its desired capital allocation strategy, which could in turn stifle growth potential and affect the ability to remain within banking covenants.
- Adverse movements in interest rates increase interest costs, reducing PBT and shareholder returns.

Our mitigations

- We ensure flexible funding structures, with borrowings denominated in Sterling, Euros and US Dollars providing a natural hedge to exposures.
- The Group has a risk management policy, to hedge up to 75% of its estimated future foreign currency EBITDA exposure for up to 18 months at any given point in time. The Group uses forward foreign exchange contracts to implement this policy, which are generally designated as cash flow hedges.
- The Group has an interest rate hedging policy and uses interest rate swaps to fix the rates paid on a portion of the Group's debt.
- We regularly review pricing strategies across the portfolio and look to increase flexibility with supply chain.

Other risks

13. GEOPOLITICAL AND WORLDWIDE EVENTS

The business suffers as a result of geopolitical and other worldwide events because:

The risks

- We fail to minimise disruption to our supply chain because of geopolitical events occurring in our key markets, such as APAC and Europe.
- We risk being subjected to changing policies, laws and regulations making it more difficult to operate.
- The business is at risk of further macro-economic changes.

The impact

- The escalation of conflicts, or any new conflicts in or connected to our major markets, could have a significant impact on our ability to manufacture and/or sell products in certain markets causing increased economic uncertainty and ultimately impact growth.
- Disruption caused by military or political conflict/tensions could cause our markets to be restricted or even close. This could lead to loss of sales and a potential inability to recover market share if/when those issues are resolved.
- Increased costs/reduced demand for goods due to weaker economic growth and higher inflation.
- General inflationary pressures being experienced by the wider business community will lead to increased pressure on workforce costs and rewards, which in turn could impact profitability.
- Increasing costs impact our profits and ability to remain competitive; this could also impact market share.

Our mitigations

- Regular review and updating of demand forecasts to understand and mitigate any potential adverse effects on revenues, supported by our recently improved S&OP processes.
- Maintenance of close working relationships with suppliers and distributors; ongoing monitoring for any signs of distress.
- Keeping abreast of global events and economic conditions in the territories in which we operate to ensure risks are monitored accordingly.
- Monitoring and reviewing our supply chain to ensure we dual source or look for alternative suppliers to diversify the supply chain.

Links to strategy: Brand growth | Commercial execution | Strategic supply partnerships | Organisational agility

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