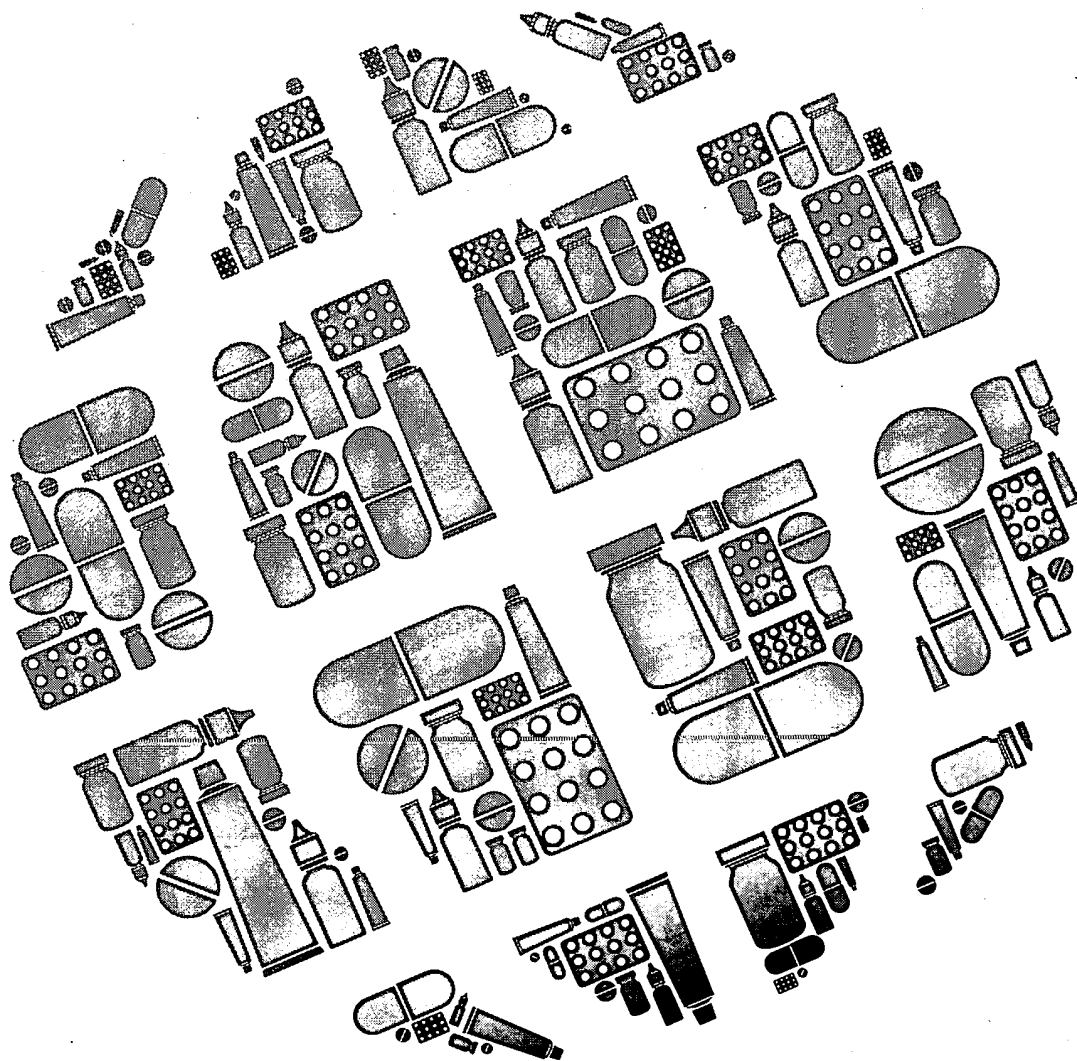


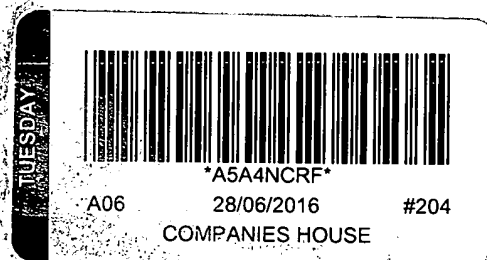


ALLIANCE

Breathing life into medicines



2015 Annual Report and Accounts



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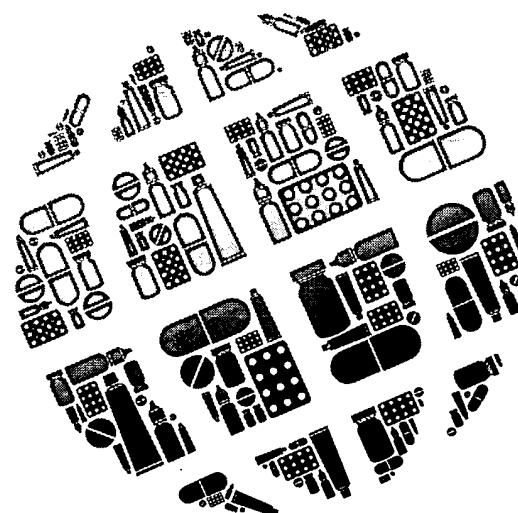
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*Unaudited information.



Alliance Pharma plc is an AIM listed specialty pharmaceutical company

Alliance, commencing trade in 1998, is an international specialty pharmaceutical company based in Chippenham, Wiltshire, UK. The Company has sales in more than 100 countries worldwide via direct sales, joint ventures and a network of distributors. Alliance has a strong track record of acquiring the rights to established niche products and it currently owns or licenses the rights to approximately 90 pharmaceutical and consumer healthcare products. The Company continues to explore opportunities to expand its product portfolio.

Business and Financial Highlights

Key Numbers

Sales

£48.3m

2015 48.3m

2014 43.5m

Profit Before Tax*

£11.4m

2015* 11.4m

2014* 10.8m

Dividend

1.100p

2015 1.100p

2014 1.000p

Free Cash Flow

£6.3m

2015 6.3m

2014 10.3m

EPS - Basic*

3.69p

2015* 3.69p

2014* 3.36p

*Before non-underlying items, being primarily compensation from Sanofi and acquisition costs for the Sinclair Healthcare Products Business in 2015 and Pavacol-D impairment in 2014.

Key Facts

Transformational Sinclair Healthcare Products Business acquisition in December 2015

MacuShield acquisition in February 2015, used in Age-related Macular Degeneration ('AMD'), contributed £3.5m to revenue in 2015 and provides an exciting international growth opportunity

Licensing agreement signed with Duchesnay Inc. in January 2015 for the product Diclectin

Revenue up 11% at £48.3m (2014: £43.5m), including £0.8m from the acquisition of the Sinclair Healthcare Products Business

Hydromol continues to demonstrate good growth, achieving year on year sales growth of 10% to £6.6m

Settlement received of £6.3m (net of fees) in connection with ImmuCyst claim

Full year dividend up 10% to 1.100p per share (2014: 1.000p)

0114

Our Business Model

Strategy

Alliance's principal activities are the acquisition or inward licensing of established and marketed products with stable sales or growth potential, and the marketing of those products. Its manufacturing, storage and logistics are controlled by Alliance but outsourced to leading specialist organisations in these fields. It does not engage in R&D, but does undertake modest development on line extensions.

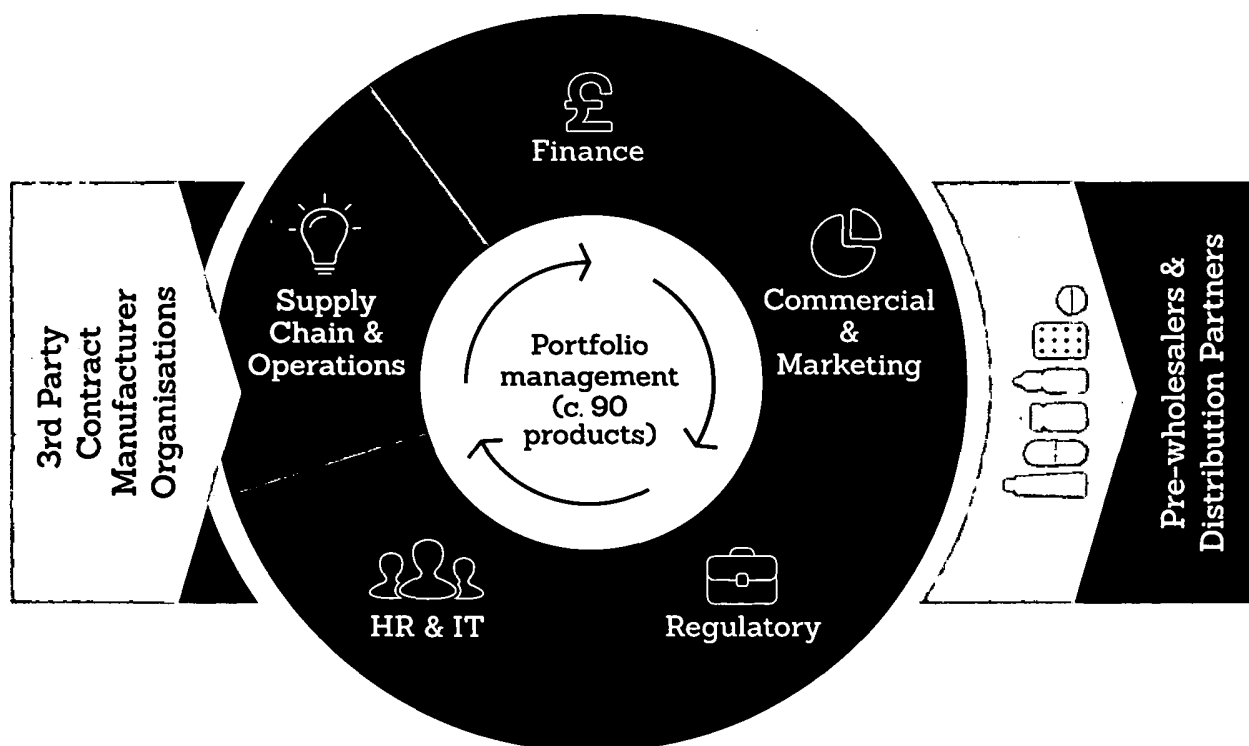
The acquired products have a market position which has been long established by their previous owners. Where necessary, Alliance ensures the product's viability by regulatory and technical initiatives so that the established franchise can be relied upon to provide sustainable cash-flow into the foreseeable future.

Certain products are assessed for their potential to respond to promotional investment. If promotion would produce an economic return, then it is implemented via Alliance's specialised sales and marketing operation.

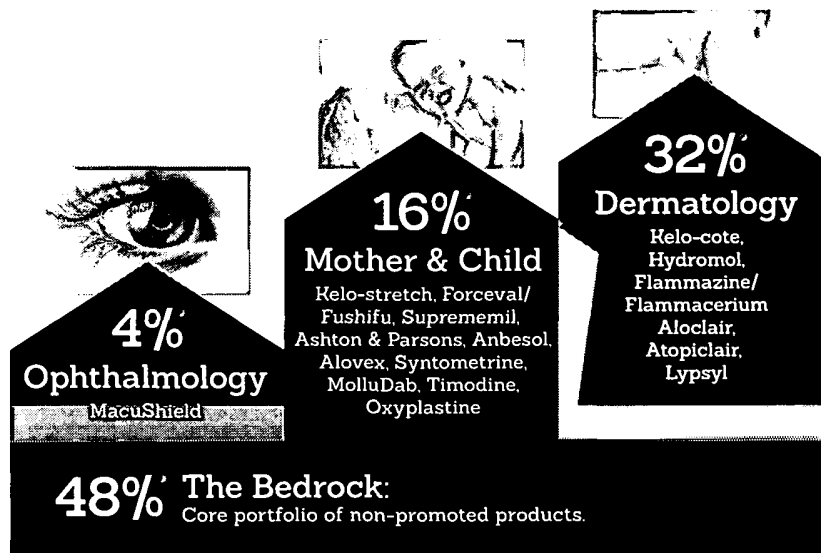
Corporate growth is further enhanced by licensing in and marketing products that have been developed by other companies' R&D activities.

The acquisition of products is typically financed by a combination of bank debt and equity in a ratio that optimises earnings per share whilst maintaining acceptable levels of gearing. Surplus cash generated after providing for debt servicing and the operational needs of the business is then available for dividend payments.

Operational Business Model



Balanced Portfolio



Three Pillars

Our promoted portfolio is focused on three key areas: Dermatology; Mother and Child; and Ophthalmology.

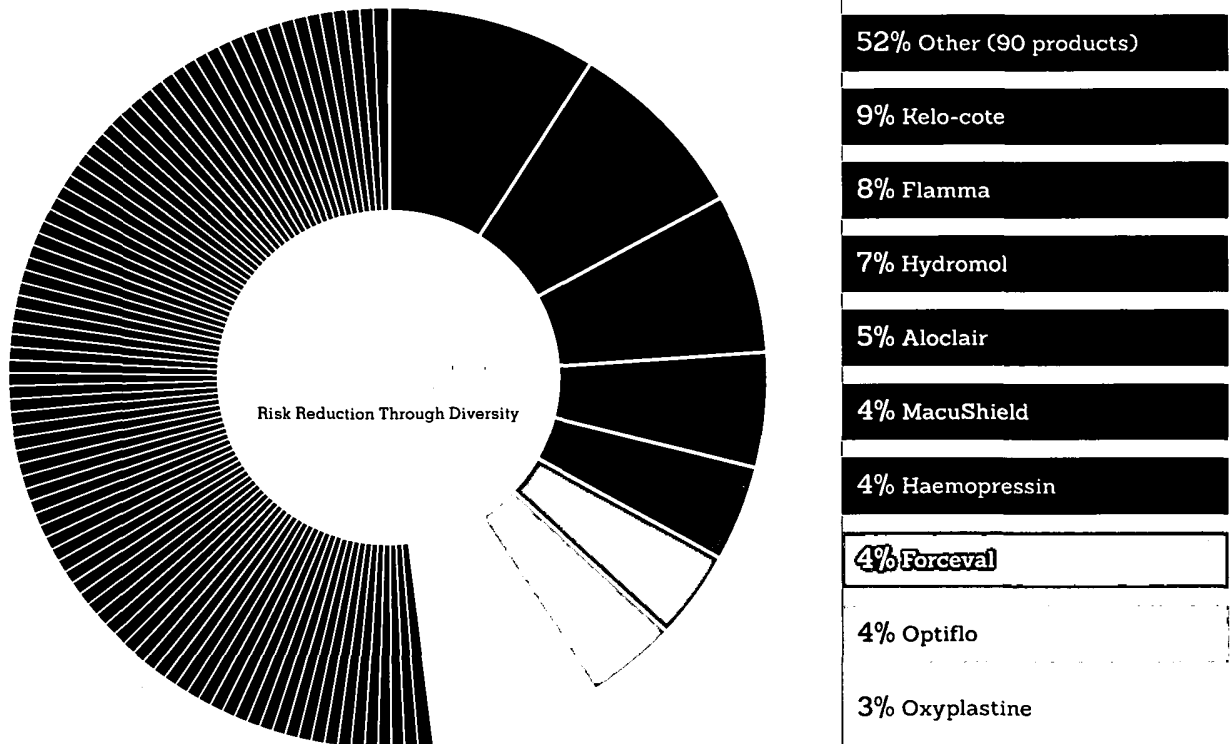
The promotion of these pillars is supported by our bedrock of non-promoted products.

These are good, stable products that continue to meet medical needs and require limited to no promotion in order to sustain their sales.

They provide considerable cash generation to support the growth activities of these three pillars, and also assist in the financing of acquisitions.

Risk Reduction through Diversity

Any potential risk is spread across a portfolio of around 90 products, the largest representing under 10% of Alliance's sales.*



*Percentages refer to pro forma sales in the 12 months to 31 December 2015, including share of Joint Ventures.

Sinclair Acquisition

Transformational acquisition launches a new stage in our growth.

In December 2015 we made our largest ever acquisition – our 31st since the company commenced trading in 1998. The £127.5m purchase of Sinclair Pharma's Healthcare Products Business will double the size of our business, bringing us 27 products generating annual sales of £39.4m in the 12 months to 31 December 2015.

These products, focused on dermatology and wound care, neatly complement our existing portfolio. The combined portfolio supports our strategy with a well balanced blend of stable, established products and growth brands, and enhances the balance between prescription and over-the-counter products.

The big change comes in our international reach and scale. Previously, some 80% of our sales came from the UK. Now, the split is broadly 50% UK, 25% Western Europe excluding UK, and 25% Rest of the World. Our strategy to build our presence in the top five EU markets has gained real momentum in France, Italy, Germany and Spain. And we've gained an extensive network of distributors serving fast-growing markets in SE Asia and footholds in the US and Latin America.

This expanded international footprint provides a strong platform for broadening sales of our key growth brands, particularly Hydromol and MacuShield. And we're now in a much stronger position to bid for attractive product acquisitions and in-licensing outside the UK.

Our increased scale will allow us to improve systems and gain operational efficiencies. The combined strengths of our product portfolios – together with the excellent strategic fit – will enable Alliance to build a truly international business.

New strength in Europe

Last year's sales* figures for the acquired Sinclair products, top five markets:

France	£8.3m
UK	£5.9m
Italy	£2.7m
Germany	£2.2m
Algeria	£2.1m

Next five largest markets: Spain, China, Brazil, Belgium, Indonesia

Key growth brands

The acquisition brings us four key growth brands:

Wound management	Kelo-cote (£7.7m*) – a patented gel for management of abnormal scars.
	The Flamma range (£6.9m*) – unique sterile treatments for severe burns and wounds prone to infection. Includes Flammacerium, designated as an orphan drug in the US, which we also plan to launch in the UK.
Skin care	Aloclair (£4.2m*) – fast pain relief and healing for mouth ulcers, with a new 'ultra' version in development.
	Atopiclair (£1.7m*) – steroid-free treatment for dermatitis, complementing the Hydromol range.

*Sales being the 12 months to 31 December 2015.

Atopiclair

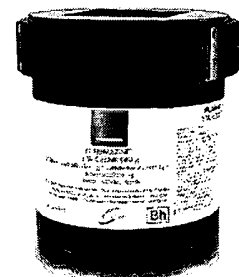


Crema
100g / 3.5oz
Non-steroidal
crema
Crema
non-steroidale

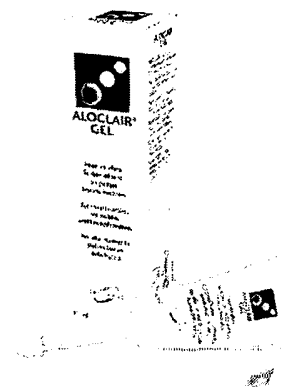
Il prodotto è indicato per
la dermatite atopica e
per le pruriti croniche.
Non è adatto per
l'uso prolungato su
grandi superfici.

Atopiclair
T. 02 57 57 57 57

Flammacerium



Aloclair



Business Summary

A beautiful
scar is a scar
you can fo

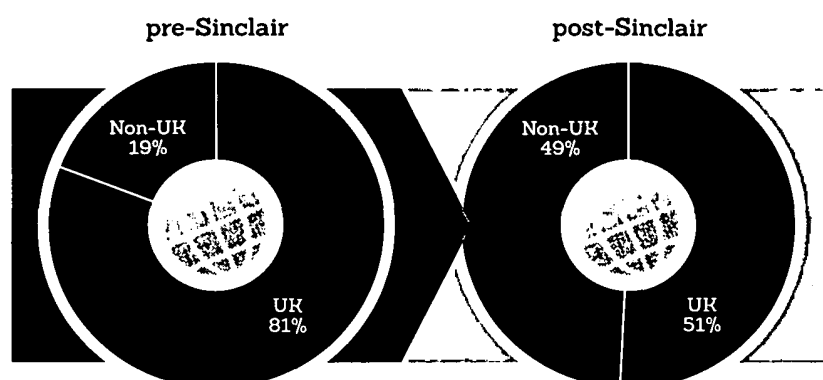


Growth through International Expansion

Internationalisation accelerated in 2015

Following the Sinclair acquisition, we now have a substantially larger international footprint. Previously, we made approximately 80% of our sales in the UK. Now, the split is broadly 50% UK, 25% Western Europe excluding UK, and 25% Rest of World.

We have gained new strength in China, greater exposure to fast-growing markets in SE Asia, and footholds in the US and Latin America. We have also boosted our position in Europe, gaining operating companies in France and Italy and a sales presence in Spain, meaning we now have significant sales in each of the EU-5 (UK, France, Germany, Spain & Italy).



*Pro-forma sales for the 12 months to December 2015, including share of Joint Ventures.

1 UK – Chippenham

Our Group HQ will continue to be in Chippenham where we have around 90 people working across supply chain, finance, corporate development, sales and marketing, regulatory, medical, quality, IT and HR.

Whilst we are undertaking international expansion, around 50% of Group sales are in the UK and this remains an important growth area in which we will continue to review acquisition opportunities. The UK domestic market commercial activities are also managed from this office.

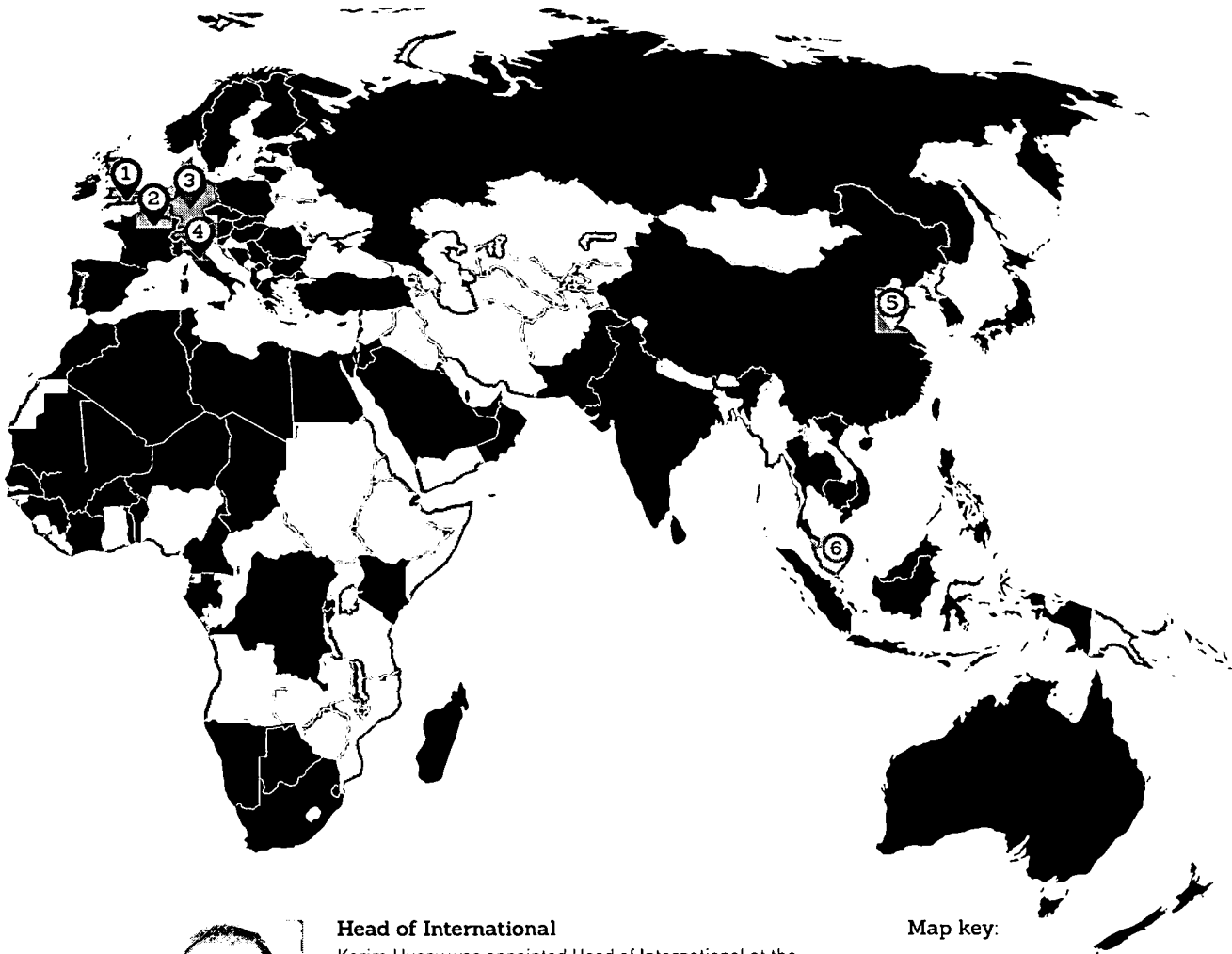
2 France – Paris

We appointed Philippe Padelou in 2012 as Country Manager in France, the same year in which we made our first French product acquisitions, Paludrine and Savarine.

The Sinclair acquisition has brought a significant platform for growth, bringing both an office in Paris, with around 20 people, and £8m of sales (based on the 12 months to 31 December 2015). The Paris office houses the French local country organisation and also the Group's International business centre under Karim Husny.

3 Germany – Düsseldorf

Following the appointment of Lars Börger as Country Manager of Germany, Austria and Switzerland in 2012, Alliance made its first German product acquisition, Irenat, in 2014. Following the Sinclair acquisition, we have now established a small office in Düsseldorf for commercial activities to manage the newly expanded portfolio and continue to look for new opportunities.



Head of International

Karim Husny was appointed Head of International at the beginning of 2016 covering all our distributor-based business in the expanded Group, which now accounts for some 25% of sales. He brings extensive international experience in OTC and consumer healthcare at European pharmaceutical firms including Omega Pharma, Pfizer and Sanofi's Zentiva business.

Map key:

- Direct Presence
- Direct Presence being established
- Distribution Partners

4 Italy – Milan

With the Sinclair acquisition we now have an office in Milan with around 12 people and sales in Italy of some £3m. The principal activities in Milan are the commercial management of the Italian territory sales and also a part of the Group quality function focusing on Medical Devices.

5 China – Shanghai

Our activities in China grew considerably in 2015. From Sinopharm Nutraceuticals Shanghai, we acquired five child nutrition brands with annual sales of around £1.5m but with significant turnaround potential. Additionally, one of the key growth brands we acquired from Sinclair is Kelo-cote, a scar treatment gel that sells well in China. After some years of preparatory work we now have a portfolio of products around which we are developing our business in China, and we look to build on this platform over the next few years.

6 SE Asia – Singapore

We have recently appointed Roger Lim as Regional Business Manager for SE Asia. We see this region providing significant growth potential for the acquired products from Sinclair as well as the historic Alliance portfolio, and this appointment will keep us close to the market.

Corporate Development

Our core strategy remains the pursuit of organic growth complemented by acquisitions, in-licensing and modest development of line extensions.

We have a long track record of successful acquisitions, having completed 31 acquisitions and a number of in-licensing deals over the past 17 years.

Under our long-established 'buy and build' strategy we supplement organic growth with acquisitions that allow us to accelerate expansion and adjust the balance of our portfolio.

We will acquire established medicines with continuing clinical need, a history of stable sales, limited competition and limited promotional support to add to our non-promoted 'bedrock' products.

We will also acquire products and businesses with the potential for growth through targeted promotional investment. In recent years we have been broadening the growth element of our portfolio to include consumer healthcare products. Our developing experience in this area enables us to identify products that offer substantial organic growth potential in return for relatively modest promotional investment. The Sinclair Healthcare Products acquisition has further increased our consumer focus and this will be important moving forward. These consumer products also have a degree of pricing flexibility and therefore help to balance margin risk across the portfolio.

We will work closely with existing and new partner companies to share and license rights to assets that have growth opportunities.

We will concentrate our commercial growth activities behind the therapy areas of Dermatology, Mother & Child and Ophthalmology, making full use of our expanded geographic footprint.

We will leverage our new scale to attract wider international licensing opportunities, such as pan-EU deals and deals with partners outside Europe.

We have access to considerable financial resources to fund future deals, both through our investor base and our banking partners.

To enable us to deliver on our strategy, the group has a dedicated Corporate Development team who actively seek acquisition and licensing opportunities. We have considerable expertise in target selection, contract negotiation, due diligence and efficient integration of acquired products and businesses into our organisation.



Dan Thomas, Chief Corporate Development Officer

Irenat

Acquired January 2014, Germany



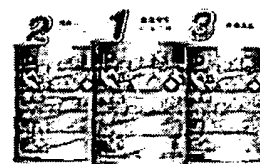
MacuShield

Acquired February 2015, Global exc. US



Suprememil

Joint venture January 2014, China



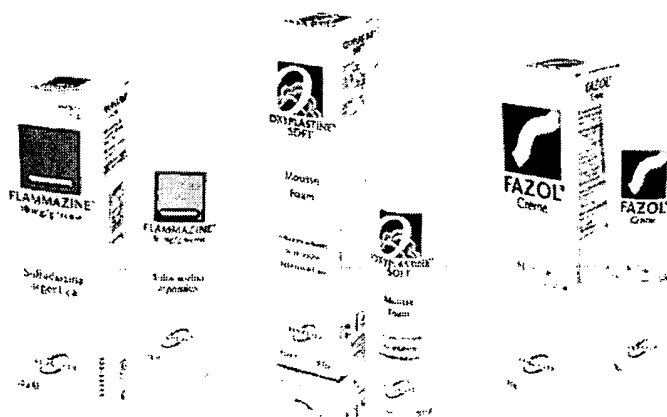
Lypsyl

Acquired December 2013, UK & ROI



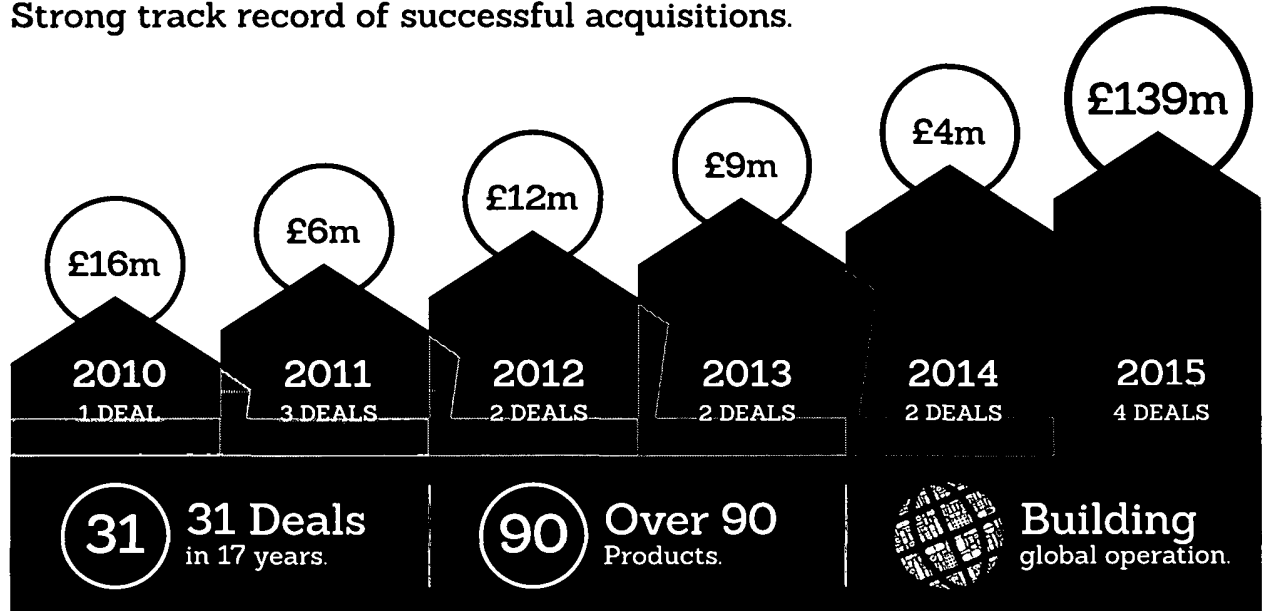
Sinclair Healthcare Products Business

Acquired December 2015



Growth through Acquisitions

Strong track record of successful acquisitions.



Acquisitions

We are actively seeking opportunities to acquire individual products, portfolios of products or corporates that meet our target criteria.

Within the 31 acquisitions, we acquired products from several of the multi-national and mid-tier pharma companies, as well as making a number of corporate acquisitions.

We welcome speculative approaches. We are open to acquisitions in any therapy area or geography, although we are particularly interested in products which complement any of our existing therapy areas or which have sales in the 'EU5' territories (UK, France, Germany, Spain & Italy) or in China.

Our evaluation processes are well developed and managed by a dedicated team of professionals who engage with colleagues in both the commercial and functional support areas (technical operations, medical, regulatory, finance, legal, HR) as required in order to facilitate a rapid and thorough assessment. As part of this process, the team routinely manage integration planning and any transitional arrangements, so as to make the subsequent incorporation of the new assets as smooth as possible.

In licensing

We seek to in-license the rights to new product opportunities in therapy areas which are complementary to our existing promoted business interests in Dermatology, Mother & Child, and Ophthalmology. We are equally happy to look at products in other therapy areas too, which otherwise fit our criteria.

Typically we would look to take-on products for which all clinical trial work has been completed that are either in the process of registration, or which are already registered and ready to commercialise.

We have good experience in bringing new products to market, leveraging the relationships we have fostered with healthcare professionals in our existing promoted therapy areas.

We seek international licensing opportunities, such as pan-EU deals.

Our assessment processes for in-licensing opportunities mirror those for acquisitions, being led by our Corporate Development team, supported by expertise from elsewhere in the business, as needed. We aim to complete a thorough and timely assessment of opportunities and will work with prospective licensing partners to agree a balanced share of the risks and rewards inherent in bringing a new product to market and developing its market position.

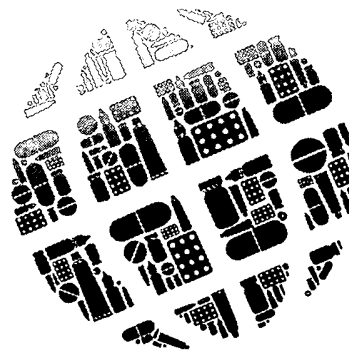
Promoted Brands

Our promoted portfolio is focused on three key areas: Dermatology, Mother and Child, and Ophthalmology.

In addition to Sinclair, we made three important additions in 2015 to these areas, from which we expect to drive significant growth in the next few years:

- MacuShield, a treatment for age-related macular degeneration, gives us a fast-growing product with major potential for internationalisation.
- Diclectin, which we have in-licensed for the UK market, is on track to be the UK's only licensed product for nausea and vomiting of pregnancy.
- Five child nutrition brands in China from Sinopharm Nutraceuticals Shanghai ('SNS'). These add to our Mother and Child business in China and have significant turnaround potential.

Our increased scale and international reach now also provides an enhanced platform for further development. This creates new marketing opportunities for our existing products and also the acquired Healthcare Products from Sinclair.



Ophthalmology

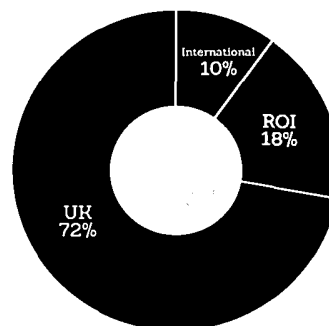
MacuShield

Acquired in February 2015, MacuShield is the UK's most recommended eye care supplement by opticians.

MacuShield is a unique food supplement containing the three macular pigments Lutein, Zeaxanthin and Meso-Zeaxanthin, and is designed to be taken by sufferers of dry age-related macular degeneration ('AMD') and other eye conditions. The product is supported by numerous peer-reviewed published studies.

Sales of MacuShield were £3.5m in the 11 months to 31 December 2015, representing growth on a twelve month basis of 13% on the previous year. Of the £3.5m of sales, some 90% of this was in the UK & ROI. This demonstrates the potential for international expansion through our expanded global distribution partner network.

International potential



The UK's most recommended eye care supplement



Dermatology

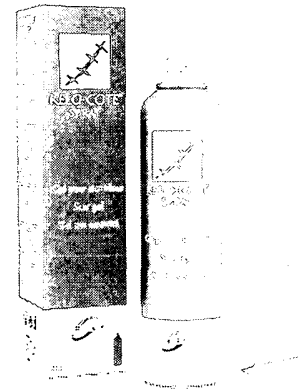
Kelo-cote

Kelo-cote, acquired as part of the Sinclair Healthcare Products Business, is now Alliance's largest brand with sales in the 12 months to 31 December 2015 of £8m.

Kelo-cote is a patented, non-invasive, clinically proven solution to prevent and treat excessive scarring. It forms a self-drying, transparent silicone layer which creates a flexible and breathable barrier, enabling the affected area to heal under the best conditions to reduce redness. This will flatten and diminish the appearance of raised or coloured scars as old as four years, along with relieving itching and discomfort.

With a presence in more than 60 countries and over one million patients treated worldwide, Kelo-cote is a prized brand that we see as having further potential for international growth.

Kelo-cote



Hydromol

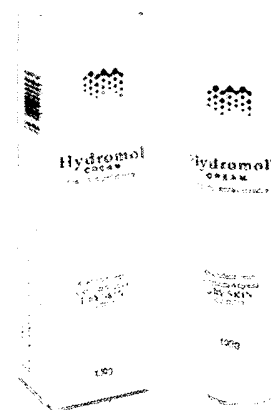
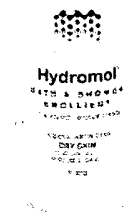
The Hydromol complete emollient therapy range is used to control dry skin conditions and improve skin hydration.

Dermatological conditions are among the most common diseases encountered by healthcare professionals. Atopic eczema accounts for 30% of all dermatological consultations in general practice, and the prevalence is increasing. Estimates vary due to the different populations examined, but figures suggest a prevalence of around 15-20% in children and 2-10% in adults.

Hydromol has achieved good growth over a number of years, and in 2015 continued to do so; sales grew by 10% to £6.6m.

Our increased scale and international reach provide an enhanced platform for further development, creating new marketing opportunities for Hydromol.

Hydromol



Promoted Brands continued

Mother and Child

Diclectin

Alliance in-licensed Diclectin from Duchesnay Inc. in January 2015.

This combination of a widely-used antihistamine with vitamin B6 has a well-established safety and efficacy profile and has been used for over 30 years in Canada to treat nausea and vomiting of pregnancy. We submitted Diclectin for UK registration in the second quarter of 2015, and we estimate being able to launch in 2017.

In the United States, it was licensed by the FDA in 2013 under the name Diclegis with a Category A safety rating for drugs used during pregnancy. Since then, sales have reached \$160m in under three years, which augurs well for its prospects in the UK. Pending UK approval, we are undertaking market access work with NHS budget holders to facilitate uptake at launch.

We believe Diclectin represents an exciting growth opportunity for Alliance over the next 5 years.

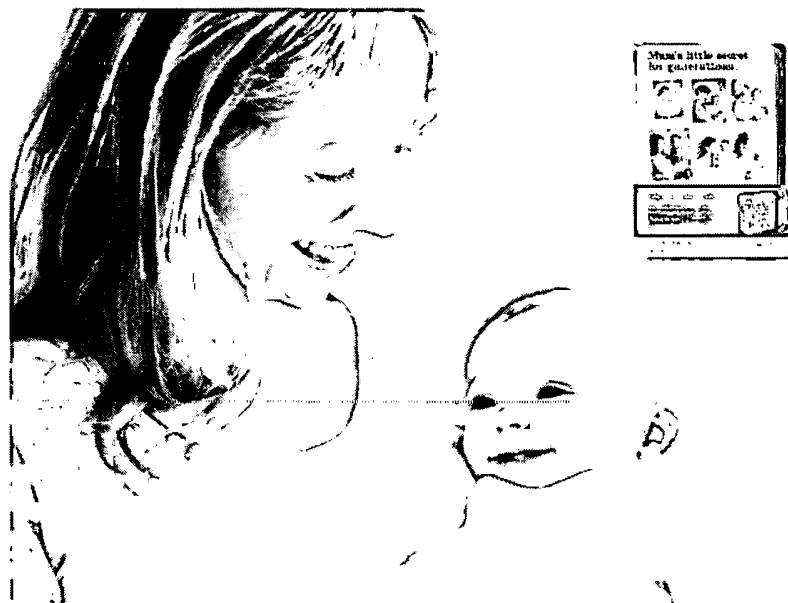


Ashton & Parsons

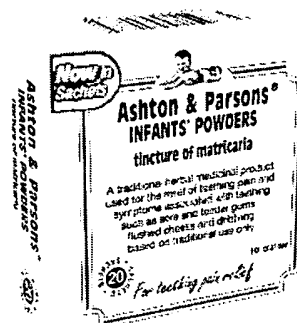
Ashton & Parsons Infants' Powders are a gentle, natural remedy for the pain and symptoms associated with teething.

Originally developed in 1867 by Ashton & Parsons London, The City Homeopathic Pharmacies, these Infants' Powders have been used to soothe the symptoms of teething pain for nearly 150 years. Made from tincture of Matricaria, which is extracted from German Chamomile flowers, Ashton & Parsons is proud to be Britain's No.1 Teething Remedy in Pharmacies.

Sales in 2015 were £1.5m, and in 2016 we will be building distribution listings to ensure wide availability.



Ashton & Parsons



Development of the Organisation



Janice Timberlake, Chief Human Resources Officer



Stephen Kidner, Chief Scientific and Operations Officer

Organisation & People

We continue to be an exciting and dynamic organisation, growing through acquisition to create an increasingly international footprint. The recent acquisition has brought 41 new people into the business in France, Italy and in the UK, which together with a number of new appointments in the UK, Spain, Germany, Singapore & China will bring our people base to around 150 globally.

Our capable people are at the heart of our business; a diverse team of dedicated, enthusiastic and experienced professionals who are committed to providing much needed medicines around the world. As our international footprint increases, we are becoming more multi-cultural. We recognise and celebrate this diversity, learning from one another, and sharing cultural perspectives. This adds strength and quality to our thinking and delivery, so creating a healthy progressive culture.

This environment also enables us to attract people from top blue chip pharmaceutical and non-pharmaceutical companies. We have recruited this year across several disciplines, from supply chain, finance, sales and marketing to more specialist pharmaceutical disciplines of development, regulatory, medical and quality. These people bring with them expertise on many brands, therapy areas and wide-ranging professional experiences and best practice.

The growth over the past year has also created exciting opportunities for our people to develop their careers with us. We encourage our people to stretch themselves personally by taking on fresh challenges and projects.

Developing our skills and capability is important to Alliance and over the past year we have continued to support part-time study, professional exams, short skills courses, continuous professional development and have several internal development programmes, including personal impact, change management and essential management skills programmes.

Scientific Affairs & Operations

In February 2016 we brought together our Medical & Regulatory Affairs and Operations departments to create one Scientific Affairs and Operations team. By integrating all the functions needed to supply cost-effective and compliant product we aim to streamline our processes and by doing so expect to realise greater operating efficiency and effectiveness.

We now source products from 50 manufacturing partners concentrated within Europe and by doing so have retained our agile, asset light and low risk manufacturing model. Active tendering and supplier relationship management ensures the right spread of partners and that mutual value is realised.

Reflecting the increased scale and scope of our global supply chain operations we have strengthened our logistics capabilities. We have invested in our quality management team whilst leveraging strengths acquired in the quality management of medical devices in Milan.

Whilst our current focus is firmly on integrating our new enlarged business we have begun our search for a new ERP system which we anticipate will be operational late in 2017. Having the entire Alliance group on a single ERP platform will enable us to run our global operations far more efficiently.



Strategic Report

2015 was a transformational year for Alliance. Following the acquisition of the Healthcare Products Business from Sinclair IS Pharma plc, we will double the scale of our business – in terms of sales, profits and people. We have extended our reach from around 40 countries to over 100 and extended our portfolio to some 90 products. Importantly this greatly strengthens our presence in Europe enhancing our ability to compete for future pan-European licensing and acquisition opportunities. It also brings extra business into our China operation and in South East Asia, where we will establish a base in Singapore. Alliance is now a truly international business.

The acquisition from Sinclair for £132.2m (including inventory), announced on 17 December 2015, was our largest acquisition to date, bringing us 27 products which generated annual revenues to 31 December 2015 of £39.4m.

In addition, we made two other important additions in the first quarter of 2015, from which we expect to drive significant growth in the next few years. MacuShield, a treatment for age-related macular degeneration, gives us a fast-growing product with major potential for internationalisation. And Diclectin, which we have licensed for the UK market, is on track to be the UK's only licensed product for nausea and vomiting of pregnancy. We also acquired five child nutrition brands in China from Sinopharm Nutraceuticals Shanghai ('SNS') in September 2015. These add to our Mother and Child business in China and have significant turnaround potential.

These additions represent exciting prospects for our performance in 2016 and beyond and should not overshadow the good progress made in our underlying business over the past year. Our sales growth of over 11% in 2015 was due to a strong performance of our existing portfolio and the impact of the MacuShield.

Trading performance

Sales rose over 11% to £48.3m, including £0.8m contributed by the acquired Sinclair business in December. Excluding Sinclair, the sales increase was almost 9%.

The principal growth driver continued to be the Hydromol dermatology range, up 10% to £6.6m. Anbesol, one of our consumer health products, has continued to benefit from a strong following on social media and sales grew 20% to £1.5m. Gelclair, our treatment for oral mucositis, rose 5% to £1.4m. And Forceval capsules recovered strongly from earlier stock-outs, with sales up by £0.6m to £2.1m.

MacuShield, acquired in February 2015, outperformed our expectations, contributing £3.5m of sales.

Partially offsetting these gains was the loss of revenue from nine products that we handed back to Novartis in 2014. In the 2014 financial year, they contributed sales of £1.6m although the margins on the products were relatively small. Nu-Seals continued to suffer sales erosion by generic competitors in Ireland, and sales fell by a further £0.6m to £1.9m; we are still awaiting a decision from the regulator on whether to allow generic substitution by pharmacists. Quinoderm Cream remains off the market, as the sole manufacturer of the active ingredient has ended production. We are in the process of developing alternative supplies, and look forward to recommencing sales in early 2017.

We have been preparing to put marketing support behind two key brands in 2016. We trialled TV advertising for Ashton & Parsons Infants' Powders in 2015, and before committing to a full campaign we are building distribution listings to ensure wide availability; meanwhile, sales levelled-off in 2015 at £1.5m after strong growth in 2014. Lypsyl sales were also flat at £1.1m while we worked on redesigning the product for relaunch in 2016.

Our substantial bedrock portfolio of unpromoted products performed well, with overall sales stable as expected.

In Europe, our French and German businesses maintained stable sales volumes – although the value was affected by the relative strength of sterling against the euro during the year.

In China, we currently have a 20% stake in Synthasia International. In 2015 we helped to resolve some supply issues with its Swiss manufacturer of infant milk formula products and our 20% share of the sales grew 29% to £0.4m. Forceval, which we sell in China through a distributor, suffered from stockholding fluctuations: sales fell from £1.6m in 2014 to £0.9m, but are now recovering. Our child nutrition brands, acquired in September 2015, contributed £0.2m sales.

Financial performance

Pre-tax profits were up 49% to £15.2m (2014: £10.2m). However, this result benefited from the balance of some significant one-off items. Excluding these, the underlying trading profit was up 6% to £11.4m (2014: £10.8m).

These major exceptional items included £6.3m (net) compensation received for the suspension of ImmuCyst production by Sanofi, partially offset by Sinclair acquisition costs of £1.8m together with a fair value adjustment to the deferred consideration for the MacuShield acquisition of £0.5m, partly triggered by better-than-forecast sales growth.

Gross profit was up 15% to £28.7m (2014: £25.0m), giving a gross margin for the year of 59.4%. This increase on the 57.5% achieved in 2014 was primarily due to a more favourable mix following handback of the nine Novartis products. We expect to maintain gross margins at 55-60%.

The increase in gross profit was partially absorbed by higher operating costs of £16.3m, excluding non-underlying items, up from £13.3m in 2014. This resulted from increased marketing investment in key brands, particularly MacuShield following acquisition, pre-launch preparation for Diclectin and a strengthening of the supply chain function leading to a modest increase in staff numbers and costs.

MacuShield, acquired in February 2015, outperformed our expectations, contributing £3.5m of sales.

Gross profit was up 15% to £28.7m (2014: £25.0m), giving a gross margin for the year of 59.4%.

In recent years we have been broadening the growth element of our portfolio to include consumer healthcare products.

Operating profit – excluding non-underlying items – was £12.5m (2014: £11.8m). This represented 25.8% of sales (2014: 27.1%), the slight decrease being driven by the above mentioned increased investment.

The underlying business remains strongly cash generative. However, in 2015 free cash flow reduced to £6.3m (2014: £10.3m). The principal factors were one-off events: planned stock building to pre-empt supply disruptions, and the inventory costs resulting from the Sinclair products acquisition.

The Sinclair acquisition was financed by increases in both share capital and bank debt. The issue of some 204m shares raised a net £80.8m. For the balance, we negotiated an increase in bank facilities from £55m to £100m, from which we drew £75m for acquisition funding and repayment of existing facilities. This resulted in net debt at the year-end of £71.5m (2014: £21.1m), which we expect to reduce progressively with cash generated by the enlarged business.

At the year-end, the bank debt/EBITDA ratio was 2.8 times on a pro forma basis including historic EBITDA for the Sinclair business. This compares with 1.6 times at the end of 2014.

At the year-end, our unused bank facility stood at £25.0m (2014: £23.8m) plus a £5m overdraft facility.

Earnings per share and dividend

Reported earnings per share (EPS) was 4.65p (2014: 3.17p).

Adjusted for non-underlying items, the diluted EPS figure was 3.61p, 8% above 2014.

The 2015 EPS figure is based on a time-weighted average number of shares for the year of 279m, reflecting the increased number of shares in issue at the year-end of 468m, compared with 264m in 2014.

Given the year's strong performance, and consistent with our progressive dividend policy, we are recommending a final payment of 0.734p per ordinary share to give a total for the year of 1.1p. This represents an increase of 10% on 2014. The final dividend will be paid on 13 July 2016 to shareholders on the register on 17 June 2016. Although the new shares for the Sinclair acquisition were issued in December 2015, this had a minimal impact on EPS dilution, and the level of dividend cover in 2015 remained ample at over three times. The total dividend payment for 2015 will be £5.1m including the £1.7m interim payment.

Strategy

Our business model is based on a diversified and growing portfolio of products and brands, in which no single brand currently accounts for more than about 9% of total sales. This portfolio

balances two elements. We have a segment of brands with growth potential in which we invest and we have a bedrock of brands that are well established in their market niches and will maintain their sales for many years with little or no promotion. By balancing the two, we can invest in targeted marketing to grow sales while maintaining good cash generation and profitability.

Our promoted portfolio is focused on three key areas: Dermatology where our main products are Kelo-cote, Hydromol and Flammazine/Flammacerium; Mother and Child where our key products are Oxyplastine, Ashton & Parsons, Diclectin (pre-launch) and Suprememil in China; and Ophthalmology with MacuShield where a significant internationalisation opportunity exists.

Under our long-established 'buy and build' strategy we supplement organic growth with acquisitions that allow us to accelerate expansion and adjust the balance of our portfolio.

In recent years we have been broadening the growth element of our portfolio to include consumer healthcare products. Our growing experience in this area enables us to identify products that offer substantial organic growth potential in return for relatively modest promotional investment. These consumer products also have a degree of pricing flexibility and therefore help to balance margin risk across the portfolio. The February 2015 acquisition of MacuShield has further boosted our offer to both healthcare professionals and retailers. We are promoting it to ophthalmology clinicians, who recommend it to suitable patients to purchase over-the-counter ('OTC'), where we also have promotional capabilities.

We further expanded our prescription healthcare portfolio in 2015 by in-licensing Diclectin. This combination of a widely-used antihistamine with vitamin B6 has a well-established safety and efficacy profile and has been used for over 30 years in Canada to treat nausea and vomiting of pregnancy. We submitted Diclectin for UK registration in the second quarter of 2015, and we estimate being able to launch in 2017. In the United States, it was licensed by the FDA in 2013 under the name Diclegis with a Category A safety rating for drugs used during pregnancy. Since then, sales have reached \$160m in under three years, which augurs well for its prospects in the UK. Pending UK approval, we are undertaking market access work with NHS budget holders to facilitate uptake at launch.

On the acquisition side, the Sinclair Healthcare Products Business fits very well with our strategy. We have gained 27 products including four key growth brands. Of these, three (Kelo-cote, Flammazine/Flammacerium and Atopiclair) are in skincare and wound management; the other (Aloclair) is an OTC consumer treatment for mouth ulcers.

Strategic Report *continued*

Since completion of the acquisition in mid-December 2015, sales of Kelo-stretch, which had been identified as a key growth brand, have been lower than we had anticipated despite extensive promotional activities by A. Menarini Asia-Pacific Pte. Ltd., our key partner in South East Asia. Despite this, other Sinclair brands they distribute for us are performing well. The relationship with Menarini remains strong and other opportunities are being positively explored. The 2016 impact of the Kelo-stretch shortfall is estimated at a possible reduction of £1.2m at the operating profit level. Notwithstanding this, trading to date for the Sinclair Healthcare Products in aggregate has remained in line with management's expectations.

In the expanded product portfolio, the balance between promoted and non-promoted 'bedrock' products remains roughly equal thus balancing cash flow stability and promotion driven growth. The balance between OTC and prescription products has shifted slightly in favour of OTC – but the impact on marketing costs will be limited because a large proportion of Sinclair product sales are made through distributors, who bear the cost of advertising.

We now have a substantially larger international footprint. Previously, we made approximately 80% of our sales in the UK. Now, the split is broadly 50% UK, 25% Western Europe excluding UK, and 25% Rest of World. We have gained new strength in China, greater exposure to fast-growing markets in SE Asia, and footholds in the US and Latin America. We have also boosted our position in Europe, gaining operating companies in France and Italy and a sales presence in Spain.

Our core strategy remains unchanged, with organic growth augmented by acquisitions, in-licensing and modest development of line extensions. Our increased scale and international reach provide an enhanced platform for further development. They create new marketing opportunities for our existing products, particularly Hydromot and MacuShield, and strengthen our hand in seeking acquisition and in-licensing opportunities outside the UK. We intend to maintain a balance between non-promoted bedrock products and our three promoted growth areas: Dermatology, Mother and Child, and Ophthalmology.

Integration of the Sinclair products and teams is on track and will continue through 2016. Our Chippenham office remains the Group and UK headquarters, while our international distributor management is run from our international business centre in Paris where we have staff of around 20 people. We are establishing a small office in Singapore to manage operations in SE Asia.

Our activities in China grew considerably in 2015. From Sinopharm Nutraceuticals Shanghai, we acquired five child nutrition brands with annual sales of around £1.5m but with significant turnaround potential. We now own these brands outright, and are marketing them through our part-owned Synthasia business. Additionally, one of the key growth brands we acquired from Sinclair is Kelo-cote, a scar treatment gel that sells particularly well in China.

After some years of preparatory work we now have a portfolio of products around which we are developing our business in China, and we look to build on this platform over the next few years. To facilitate our trading in China we have established a 'wholly owned foreign enterprise' in the Shanghai Free Trade Zone.

We resumed sales of our bladder cancer treatment, ImmuCyst, in February 2016. This had been one of our lead products until our

supplier, Sanofi Pasteur, suspended production in mid-2012 for which we received compensation of £6.3m, net of costs, in 2015. Despite ImmuCyst's absence for three and a half years, the market remained underserved until recently, as the only competitor treatment was in short supply. It is difficult to estimate our likely market share going forward, as our supplies from Sanofi will be limited and we believe the competitor product is now available in greater quantities.

Team

In September we welcomed Andrew Franklin to the Board as Chief Financial Officer. Andrew was Finance Director and Company Secretary of Genzyme Therapeutics Ltd from 2010 to 2012 and had previously held senior financial management positions with Wyeth for over 12 years. He joined us from Panasonic Europe, where he was General Manager, European Tax and Accounting.

Non-executive Director Nigel Clifford joined the Board in January 2015.

Consequent upon the planned departure in 2016 of Tony Booley, our long-standing Executive Director – International, we have brought together the Group's commercial leadership under Peter Butterfield as Chief Commercial Officer. Reporting to Peter, Karim Husny has joined Alliance as Paris-based Head of International covering all our distributor-based business, which now accounts for some 25% of sales. He brings extensive international experience in OTC and consumer healthcare at European pharmaceutical firms including Omega Pharma, Pfizer and Sanofi's Zentiva business.

About 40 key staff have joined us from Sinclair and we are recruiting around 20 more to support the new products and operations.

Charity

We continue to donate products regularly to International Health Partners, which distributes medicines to doctors in the world's neediest areas. We also support employee fundraising for local causes including Wiltshire Air Ambulance and Bristol charity PROPS, which provides support for young people with learning difficulties and disabilities and their families.

Outlook

In 2016 and beyond, we look forward to building on the greatly enlarged platform established during 2015. We acknowledge the effort required this year to integrate two organisations with different working methods, data and IT systems; but the process is already well underway and progressing successfully. Although most of the one-off costs of the Sinclair acquisition were met in 2015, we expect the bulk of the integration costs to be borne in 2016. We also intend to take the opportunity to invest in a significant new enterprise resource planning ('ERP') system over the next 18 months.

We are very pleased with the Sinclair products acquisition and, notwithstanding the Kelo-stretch shortfall, we expect the enlarged Group to perform in line with expectations for the full year.

In the meantime we will maintain our long-term 'buy and build' strategy for business growth. Our increased capitalisation and greatly strengthened international position will significantly enhance our ability to grow both organically – by our access to much larger markets – and through further acquisitions.

Our increased scale and international reach provide an enhanced platform for further development.

Our activities in China grew considerably in 2015.

About 40 key staff have joined us from Sinclair.

Principal risks and uncertainties

The Group's principal risks and uncertainties are outlined below.

Integration of the Healthcare Products Business acquired from Sinclair

The integration of the Sinclair acquisition, completed on 17 December 2015, is a key area of focus in 2016. The acquired business brings offices in Paris and Milan, and also operates on different IT systems to the existing Group. As such, rationalising the Group onto a common ERP system will be a project extending through to 2017. In addition, there is an increased risk from the number of new contract manufacturing organisations ('CMOs') and distributors and we will build relationships in the first half of 2016 with them in order to maintain supply and develop sales. See note 35 for more detail on this acquisition.

A dedicated Project Manager has been assigned to the integration to ensure key transition milestones are achieved by the business to the required timetable. The Project Manager is supported by a cross-functional team, with regular communication across the business providing the necessary skills and resource to enable a successful transition.

Financial risk management

The Group regularly monitors its cash flow and covenant forecast, allowing for mitigating actions to be taken to remain within contracted covenants and plan ahead to make regular debt payments.

The Group monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk. The Group's other financial risk management policies and objectives are detailed in note 21 of the financial statements.

The Sinclair acquisition primarily increases the exposure that Alliance has to fluctuations in the US Dollar and the Euro. To mitigate the impact of Dollar and Euro receipts devaluing, a proportion of the loans to fund the acquisition were drawn down in US Dollar and Euro denominations (see note 21). We will continue to monitor the Group's exposure and use financial instruments, such as forward contracts, to manage this risk as required.

Sales volumes being affected by supply chain constraints

Issues within the supply chain can interrupt supply leading to insufficient stock being available to meet demand, particularly as all manufacturing is outsourced and is therefore outside our direct control. Over the last few years Alliance has taken a number of measures to strengthen its supply chain. These include where possible strengthening the supply chain team within the business, dual sourcing of some key products and of some key ingredients, holding larger buffer stocks of selected products and improved communication with suppliers.

Sales volumes being affected by a change in demand

Changes in demand for pharmaceutical products could be caused by a number of factors, such as changes in the competitive environment. Key criteria when Alliance selects products to add to its portfolio are that the products are in niche areas and that the products have many years of steady sales history prior to acquisition.

Sales pricing being reduced by regulatory action

Pricing pressure is being seen across Europe as countries look to reduce their national debt. Our largest exposure is in the UK where around 18% of the Group's revenues were from products covered by the Pharmaceutical Price Regulation Scheme ('PPRS') in 2015, which is the UK Government's tool for controlling pricing for the NHS. Alliance is a member of the ABPI and other industry bodies which are consulted by the Government on changes to the PPRS. The latest scheme commenced in January 2014 and runs for five years. Most of the other UK revenue is from products that are medical devices, sold over the counter or are generic. The regulatory regime for medical devices allows for inflationary price increases each year and over the counter and generic products are freely priced. Following the acquisition of the Healthcare Products Business from Sinclair, and the resulting internationalisation, the concentration risk for pricing reductions in the UK is now significantly reduced.

Cost price inflation affecting gross margins

Increases in the cost of goods could erode gross margins. In a number of cases Alliance has arrangements with suppliers which either fix prices or limit price increases over the next few years. At the expiry of such arrangements, prices are tested against prevailing rates in the market. Alliance also looks for improvements in production techniques to reduce the cost of manufacturing.

System failure or cyber security breach

The Group has a range of measures in place to monitor and mitigate this risk: networks and systems are protected by anti-virus software, firewalls and network segmentation that are regularly updated; regular introduction of more up to date software also provides additional in-built security; and incident management, business continuity management and IT disaster recovery plans are in place for critical business processes to mitigate the effects of the business being unable to operate in the event of a major incident.

On behalf of the Board



Sarah Robinson
Company Secretary
6 April 2016

Board of Directors

Directors who held office at the date of this report are set out below. All were Directors throughout 2015 with the exception of Andrew Franklin, who was appointed 28 September 2015, and Nigel Clifford, who was appointed with effect from 26 January 2015.



Andrew Smith
Non-Executive Director, Chairman²³⁵

Andrew joined the Board of Alliance in 2006. He has held various senior positions in the pharmaceutical industry in the UK and USA having been Managing Director and Senior Vice-President of SmithKline Beecham Pharmaceuticals (now GlaxoSmithKline), chief executive of Cerebrus plc until its sale, and President of International Medical Marketing Services with Parexel International. Andrew is a founder of Navitas BioPharma Consulting. He graduated in Natural Sciences from the University of Cambridge.



John Dawson
Executive Director, Chief Executive Officer⁴

John founded Alliance in 1996. He gained multi-disciplinary experience in the pharmaceutical industry over thirty years. John held various senior roles at Sandoz (now Novartis AG) as Director of Finance and Administration and Deputy Managing Director. John has a BSc (Pharmacy) and an MSc (Finance) from the London Business School.



Andrew Franklin
Executive Director, Chief Financial Officer

Andrew joined Alliance in September 2015 from Panasonic Europe Ltd, where he was General Manager – European Tax and Accounting. From 2010 to 2012 Andrew was Finance Director and Company Secretary of Genzyme Therapeutics Ltd, the UK & Ireland subsidiary of Genzyme Corporation, the biotechnology company acquired by Sanofi. Prior to that, he gained 12 years pharmaceutical experience with Wyeth in a variety of senior financial positions.



Tony Booley
Executive Director

Tony joined Alliance in 1998. He has had around 30 years' experience in the pharmaceutical and healthcare industries, with positions at Leo Pharma, Glaxo Wellcome (now GlaxoSmithKline) and Getinge Industrier AB. His senior management experience includes positions in the UK and overseas. Tony graduated in Physiology, has an MBA from the University of Warwick and is a Chartered Marketer. On 23 November 2015 it was announced that Tony had informed the Board of his intention to leave the Company in order to pursue other business interests. Tony will remain in his role until the handover of his duties is completed, which is expected to be by 30 June 2016.



Peter Butterfield
Executive Director, Chief Commercial Officer

Peter joined the Board of Alliance in February 2010 following the acquisition of Cambridge Laboratories, where he spent five years, latterly as UK Commercial Director. He is a Board Member of the Association of the British Pharmaceutical Industry ('ABPI') and is chairman of the ABPI Small Companies Forum. Prior to joining Cambridge Laboratories, Peter spent six years at GlaxoSmithKline. He holds an honours degree in Pharmacology from the University of Edinburgh.



Thomas Casdagli
Non-Executive Director⁴⁶

Thomas joined the Board of Alliance as a non-executive director on 3 March 2009. He is a partner at MVM Life Science Partners LLP, a life science venture capital fund. He has been an active investor in life sciences since joining MVM in 2002. Before joining MVM, Thomas worked at PricewaterhouseCoopers LLP where he qualified as a Chartered Accountant. Thomas graduated in Molecular and Cellular Biochemistry from the University of Oxford in 1998.



Nigel Clifford
Non-Executive Director²⁴⁶ (appointed to Committees on 24 February 2015)

Nigel joined the Board of Alliance as a non-executive director on 26 January 2015. He is currently Chief Executive Officer of Ordnance Survey and formerly a non-executive director of Anite plc. He has previously held senior positions at Procservice Holdings Limited as Chief Executive, Micro Focus International plc, Nokia, Symbian Software Ltd, Tertio Telecoms Limited, Cable and Wireless plc, Glasgow Royal Infirmary NHS Trust and BT plc. Nigel graduated in Geography from the University of Cambridge and has an MBA from Strathclyde University.



David Cook
Non-Executive Director¹⁴⁶

David joined the Board of Alliance as a non-executive director on 1 April 2014. He is currently Chief Financial Officer and Chief Business Officer of Biotie Therapies Corp, a drug development company quoted in Helsinki on the NASDAQ OMX market and in New York on NASDAQ. He has previously held senior financial positions with Jazz Pharmaceuticals International, EUSA Pharma Inc and Zeneus Pharma. David qualified as a Chartered Accountant with PricewaterhouseCoopers after graduating in Chemistry at the University of Oxford.

¹ Chairman Audit Committee
⁴ Nomination Committee member

² Audit Committee member
⁵ Chairman Remuneration Committee

³ Chairman Nomination Committee
⁶ Remuneration Committee member

Corporate Governance

Introduction

Alliance Pharma plc is an AIM listed company and the Board is committed to achieving good standards of corporate governance, integrity and business ethics.

Responsibilities of the Board

The Board is responsible to the shareholders for:

- Setting the Group's strategy
- Maintaining the policy and decision-making process around which the strategy is implemented
- Ensuring that necessary financial and human resources are in place to meet strategic aims
- Monitoring performance against key financial and non-financial indicators
- Providing leadership whilst maintaining the controls for managing risk
- Overseeing the system of risk management
- Setting values and standards in corporate governance matters.

There is a list of matters reserved for the Board which may be updated by the Board and approved by the Board only.

The Chairman is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. The Chief Executive Officer is responsible for the leadership of the business and implementation of the strategy. The Company Secretary is responsible, on behalf of the Chairman, for ensuring that all Board and Committee meetings are conducted properly, that the Directors receive the appropriate information prior to the meeting, for ensuring that governance requirements are considered and implemented and for accurately recording each meeting. The Directors may have access to independent professional advice, where needed, at the Group's expense.

Board Evaluation and Governance Review

In 2014 the Board conducted a Board Evaluation and a Review of Corporate Governance. The Evaluation and Review are conducted biennially. The Board Evaluation, reviews the effectiveness of the Board in determining the corporate strategy, governance and controls, and Board development. The Evaluation results are used to develop the effectiveness of the Board when progressing the corporate strategy and oversight of the control structure within the organisation.

We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Company.

The review noted that the appointment of David Cook in April 2014 and the appointment of Nigel Clifford in January 2015 would build on the independence of the Board. The Board did not consider that the appointment of a senior independent director was necessary but will consider this at each review. The UK Governance Code requires the Board to consider their policy on

gender diversity in the boardroom, to report against it annually and to consider diversity as a factor when evaluating the effectiveness of the Board. Therefore the Company searches for, recruits and appoints the best available person on the basis of aptitude and ability, regardless of sex, marital or civil partnership status, race, colour, nationality, ethnic or national origins, pregnancy, disability, age, sexual orientation, religion, belief or gender reassignment.

Relations with Shareholders

At each meeting, the Board is updated on the meetings and communications with the shareholders and an analysis of the shareholder base is presented. Research notes by brokers are circulated to all Board members. Throughout the year the Chief Executive Officer and Chief Financial Officer meet with the large, institutional shareholders who hold the majority of the shares. Regular feedback is given to the Board following meetings with the shareholders from the financial PR advisors and from the shareholders via the brokers.

The Group recognises that whilst the majority of the shares are held by large institutions, attention should be paid to the private shareholders and the Investors section of the Group's website is regularly updated and amended with the aim to provide good information to all shareholders, particularly private investors. The website provides a facility to receive email alert notifications of Group news and stock exchange announcements. In addition the Chief Executive Officer and Chief Financial Officer regularly present at conferences attended by many potential and current private shareholders and meet with Private Client Fund Managers representing the interests of private investors following which feedback is given to the Group.

At the Annual General Meeting the Chairman issues a statement on current trading. Directors are available following the meeting to answer questions and for informal discussions. The results of the proxy votes are announced at the meeting, including the abstentions and these are published on the website following the meeting.

Modern Slavery Act

Relevant commercial organisations are required to prepare and publish a slavery and human trafficking statement each financial year. The new reporting provision applies to financial years ending on or after 31 March 2016. The Board are taking steps to incorporate appropriate and proportionate controls.

Management Teams

During 2015 the Board delegated management of the business to the Corporate Organisation Team. The Executive Team, which comprises the Executive Directors, is the Chief Operating Decision Maker and attended the Corporate Organisation Team and Review and Planning team meetings.

Reporting Structure

Committees

The Board has an Audit Committee, a Nominations Committee and a Remuneration Committee, each with written terms of reference. The terms of reference are available on the Group website. The Report of the Remuneration Committee and Report of the Nominations Committee form part of this governance section. Each Committee reports to the Board on its activities.

Meetings

The Board meets regularly on pre-determined dates and has a strategy meeting each year consisting of the Board and other Senior Managers, the purpose of which is to discuss progress on the strategy, to review the long-term strategy and develop the strategic framework for the achievement of the Group's targets. During 2015 the Board held 11 scheduled meetings. Thomas Casdagli, David Cook and Anthony Booley attended ten scheduled Board meetings, Andrew Franklin attended all the Board meetings since his appointment on 28 September, and Nigel Clifford attended eight Board meetings since his appointment. All other members of the Board attended all the scheduled meetings. In addition there were a number of ad-hoc meetings.

Non-Executive Directors

The role of the Non-Executive Directors is to:

- Challenge constructively and help develop proposals on strategy
- Satisfy themselves as to the financial integrity of the financial information
- Satisfy themselves as to the robustness of the controls
- Ensure that the systems of risk management are robust and defensible
- Review management performance and the monitoring and reporting of such performance.

They have a role in determining the pay and benefits of the Executive Directors, to play a key role in the appointment and, if necessary, removal of Executive Directors and Board succession.

Remuneration Committee

The members of the Remuneration Committee are:

Andrew Smith (Chairman of the Remuneration Committee)

Thomas Casdagli

David Cook

Nigel Clifford (appointed 24 February 2015)

The Company Secretary attends the meetings of the Remuneration Committee as Secretary to the Remuneration Committee. The Chief Executive Officer and the Chief Human Resources Officer are also invited to attend certain meetings of the Remuneration Committee. There were five Remuneration Committee meetings held during the year.

The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 do not apply to companies quoted on AIM; the Remuneration Committee is committed to use the Regulations to influence the Report and follow best practice where appropriate.

The terms of reference of the Remuneration Committee are available on www.alliancepharma.co.uk

Role of the Remuneration Committee

The Remuneration Committee reviews and determines on behalf of the Board and shareholders of the Company the pay, benefits and other terms of service of the Executive Directors of the Company and the broad pay strategy with respect to senior Company employees.

Remuneration Policy

The objective of the Company's remuneration policy is to attract and retain the Directors and senior executives needed to run the Company in a cost-effective manner.

The remuneration policy of the Company has four principal components:

1. **Basic Salaries and Benefits in Kind** – Basic salaries are determined by the Remuneration Committee bearing in mind the salaries paid in AIM-listed and other small market capitalisation healthcare companies. Within that frame of reference, it is intended that pay should be at or near the median level. Benefits in kind include the provision of company cars (or a salary alternative).
2. **Bonuses** – Bonuses are payable to staff according to the achievement by the Group of certain pre-determined earnings targets. The level of bonuses payable on achievement of the targets is set at the level perceived appropriate to provide the necessary incentives for Executive Directors and Senior Managers. There are appropriate adjustments to the bonus payable in the event of over- or under-achievement of the Group against those targets. In addition, bonuses are adjusted for personal performance and the amount of bonus paid will reflect any substantial periods of absence or unavailability of the employee.
3. **Share Options Scheme** – The Company has in place a share option scheme covering all employees, under which share options are normally granted once a year. The exercise price of the options granted under the scheme is set equal to the market value of the Company's shares at the time of grant. The share option scheme is overseen by the Remuneration Committee which shall determine the terms under which eligible individuals may be invited to participate. The scheme is normally an HMRC approved scheme but may be unapproved in relation to certain individuals. Share Options granted to senior managers include a company performance element.
4. **Pensions** – There is a defined contribution scheme for all Executive Directors and employees. Only basic salaries are pensionable, except in the case of Tony Booley, whose bonus is also pensionable.

Gender Pay Transparency Report

The Remuneration Committee will consider the Regulations under the Equality Act 2010 on Gender Pay Transparency in 2016.

Diversity Policy Reporting

Listed companies will also be required to include in their corporate governance statement a description of the board diversity policy applied with regard to aspects such as age, gender or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.

Directors' Remuneration

Directors' Remuneration

The aggregate remuneration payable to the directors during the period was as follows:

£	Salary		Bonus		Other		Pension		Total Remuneration	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
A R Booley	195,301	182,057	62,131	7,789	370,291	6,483	-	2,403	627,723	198,732
P J Butterfield	175,065	161,600	92,438	10,219	537	520	16,553	15,140	284,593	187,479
T Casdagli	-	-	-	-	-	-	-	-	-	-
J Dawson	219,614	212,677	96,680	8,014	1,922	5,332	10,000	10,000	328,216	236,023
A T Franklin	38,802	-	9,807	-	-	-	2,333	-	50,942	-
M R B Gatenby	-	29,277	-	-	-	832	-	-	-	30,109
P M Ranson	-	34,404	-	-	-	-	-	-	-	34,404
A L Smith	74,003	56,134	-	-	-	1,611	-	-	74,003	57,745
R D Wright	65,389	155,606	-	5,720	147,353	1,767	6,114	14,372	218,856	177,465
D Cook	37,474	25,910	-	-	657	318	-	-	38,131	26,228
N Clifford	33,997	-	-	-	562	-	-	-	34,559	-
	839,645	857,665	261,056	31,742	521,322	16,863	35,000	41,915	1,657,023	948,185

£	Total Remuneration		Share based payments		Total	
	2015	2014	2015	2014	2015	2014
A R Booley	627,723	198,732	24,713	35,013	652,436	233,745
P J Butterfield	284,593	187,479	25,272	55,092	309,865	242,571
T Casdagli	-	-	-	-	-	-
J Dawson	328,216	236,023	-	-	328,216	236,023
A T Franklin	50,942	-	5,435	-	56,377	-
M R B Gatenby	-	30,109	-	-	-	30,109
P M Ranson	-	34,404	-	-	-	34,404
A L Smith	74,003	57,745	-	-	74,003	57,745
R D Wright	218,856	177,465	13,968	35,013	232,824	212,478
D Cook	38,131	26,228	-	-	38,131	26,228
N Clifford	34,559	-	-	-	34,559	-
	1,657,023	948,185	69,388	125,118	1,726,411	1,073,303

Directors' Service Contracts

All Executive Directors are employed under service contracts. The services of all Executive Directors may be terminated by the provision of a maximum of 12 months' notice by the Company.

On 23 November 2015, it was announced that Tony Booley would leave the Company. As part of Mr Booley's settlement agreement a payment of £362,000 has been accrued in relation to payment in lieu of notice and loss of office that is expected to be paid in 2016.

Loss of Office Payments

Richard Wright resigned from the Board on 29 May 2015. Until that date he received his base salary and benefits. As part of Mr Wright's settlement agreement a payment of £146,100 in lieu of notice was made.

Directors' Share Options

Details of options for the Directors who served during the year are as follows:

Number	2014		Granted		2015		Exercise price (pence)	Date from which exercisable	Expiry date
	Not subject to performance conditions	Subject to performance conditions	Not subject to performance conditions	Subject to performance conditions	Not subject to performance conditions	Subject to performance conditions			
A R Booley	110,000	-	-	-	110,000	-	7.75	13/04/12	12/04/19
	116,500	-	-	-	116,500	-	34.25	29/04/13	28/04/20
	130,000	-	-	-	130,000	-	34.12	28/04/14	27/04/21
	140,000	-	-	-	140,000	-	29.25	19/10/15	18/10/22
	144,200	-	-	-	144,200	-	37.25	06/06/16	05/06/23
	-	400,000	-	-	-	400,000	35.75	23/10/18	22/10/23
	144,200	-	-	-	144,200	-	33.75	11/04/17	10/04/24
	-	-	149,653	-	149,653	-	43.75	27/05/18	26/05/25
P J Butterfield	1,000,000	-	-	-	1,000,000	-	33.25	26/03/13	25/03/20
	115,000	-	-	-	115,000	-	34.25	29/04/13	28/04/20
	1,130,000	-	-	-	1,130,000	-	34.12	28/04/14	27/04/21
	140,000	-	-	-	140,000	-	29.25	19/10/15	18/10/22
	144,200	-	-	-	144,200	-	37.25	06/06/16	05/06/23
	-	400,000	-	-	-	400,000	35.75	23/10/18	22/10/23
	144,200	-	-	-	144,200	-	33.75	11/04/17	10/04/24
	-	-	166,625	-	166,625	-	43.75	27/05/18	26/05/25
A T Franklin	-	-	2,000,000	-	2,000,000	-	46.75	04/12/18	03/12/25

No Director exercised any options during the year except Richard Wright who exercised 248,650 shares under the share option scheme. A further 828,400 share options were forfeited by Mr Wright.

The market price of ordinary shares at 31 December 2015 was 43.00 pence and the range during the period was from 33.75 pence to 61.13 pence.

Nominations Committee

The Nominations Committee met five times during the year. Nigel Clifford attended the 4 meetings following his appointment. Thomas Casdagli and David Cook attended 4 meetings. Other members attended all the meetings.

The Committee focused heavily on Board succession with the key outcome of the appointment on 28 September 2015 of Andrew Franklin as Chief Financial Officer. The Committee appointed Boyden Executive Search to compile a short list of candidates for this vacancy. Boyden has no other connection with the Company.

The Committee acknowledges that diversity is a benefit to the Company and bears this in mind when recruiting any role. By this approach, the Company seeks to recruit the best individual for the role, but has not implemented a policy of positive discrimination by forms of measurable diversity objectives.

Audit Committee

The Audit Committee met three times during the year. All members attended all the meetings.

The external auditors attend the meetings to discuss the planning and conclusions of their audits and reviews and meet with the members of the Committee without any members of the Executive present after each meeting.

The Audit Committee is able to call for information from management and consults with the external auditors directly if required.

The Audit Committee operates within specific terms of reference which include:

- considering the appointment of external auditors
- reviewing the relationship with external auditors
- reviewing the financial reporting and internal control procedures
- reviewing the management of financial matters and focusing upon the independence and objectivity of the external auditors
- reviewing the consistency of accounting policies both on a year to year basis and across the Group

As a result of the increased size of the Group following the acquisition of assets and businesses from Sinclair IS Pharma, a newly-formed Risk Review Committee will report to the Audit Committee and to the Senior Leadership Team.

Other Matters

Principal activities

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

Directors

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

	Beneficial interest Number	Non-beneficial interest Number	Ordinary shares	At start of year or subsequent appointment Number
			At end of year Number	
Anthony Booley	2,055,723	-	2,055,723	4,310,723
Peter Butterfield	-	-	-	-
Thomas Casdagli	78,518	55,483,382	55,561,900	24,061,900
John Dawson	39,576,402	20,000,000	59,576,402	59,576,402
Nigel Clifford	180,663	-	180,663	-
David Cook	-	-	-	-
Andrew Franklin	-	-	-	-
Andrew Smith	275,000	-	275,000	200,000

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements and the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Disabled employees

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee information and consultation

The Group continues to involve its staff in the future development of the business. Information is provided to employees through the Group website, intranet site and by regular monthly briefing meetings.

The Group operates a Group Personal Pension Plan and a Stakeholder Pension Plan which is available to all employees.

Going concern

As explained in the Strategic Report, the current rate of cash generation by the Group comfortably exceeds the capital and debt servicing needs of the business (though there cannot, of course, be absolute certainty that the rate of cash generation will be maintained). The Board remains confident that all the bank covenants will continue to be met. The Group has a £5m Working Capital Facility which is largely undrawn and which the Board believes should comfortably satisfy the Group's working capital needs for at least the next 12 months.

After making enquiries, the Directors have formed a judgement that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Political donations

There were no political donations made during the period.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the next year will be proposed at the annual general meeting in accordance with section 489 of the Companies Act 2006.

Annual General Meeting

The 2016 Annual General Meeting of the Company will be held on 25 May 2016, the business of which is set out in the Notice of Meeting.

On behalf of the Board



Sarah Robinson
Company Secretary
6 April 2016

Independent Auditor's report to the members of Alliance Pharma plc

We have audited the financial statements of Alliance Pharma plc for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, and the consolidated and company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

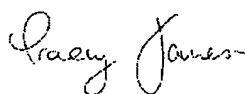
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Tracey D James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
6 April 2016

Consolidated Income Statement

	Note	Year ended 31 December 2015			Year ended 31 December 2014		
		Underlying £000s	Non- Underlying (note 5) £000s	Total £000s	Underlying £000s	Non- Underlying (note 5) £000s	Total £000s
Revenue	3	48,344	-	48,344	43,536	-	43,536
Cost of sales		(19,614)	-	(19,614)	(18,493)	-	(18,493)
Gross profit		28,730	-	28,730	25,043	-	25,043
Operating expenses							
Administration and marketing expenses		(15,634)	(1,846)	(17,480)	(12,510)	-	(12,510)
Amortisation of intangible assets		(199)	-	(199)	(488)	-	(488)
Share-based employee remuneration	7	(615)	-	(615)	(571)	-	(571)
Share of joint venture profits		194	-	194	319	-	319
		(16,254)	(1,846)	(18,100)	(13,250)	-	(13,250)
Operating profit/(loss) excluding exceptional item		12,476	(1,846)	10,630	11,793	-	11,793
Exceptional item	5	-	6,332	6,332	-	(622)	(622)
Operating profit		12,476	4,486	16,962	11,793	(622)	11,171
Finance costs							
Interest payable and similar charges	6	(1,221)	(750)	(1,971)	(1,090)	-	(1,090)
Interest income	6	139	-	139	48	-	48
Other finance income	6	52	-	52	28	-	28
		(1,030)	(750)	(1,780)	(1,014)	-	(1,014)
Profit on ordinary activities before taxation	4	11,446	3,736	15,182	10,779	(622)	10,157
Taxation	8	(1,375)	(1,115)	(2,490)	(1,896)	124	(1,772)
Profit for the year attributable to equity shareholders		10,071	2,621	12,692	8,883	(498)	8,385
Earnings per share							
Basic (pence)	10			4.65			3.17
Diluted (pence)	10			4.55			3.16

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

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

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Profit for the period	12,692	8,385
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign exchange revaluations	32	7
Interest rate swaps – cash flow hedge	9	(572)
Deferred tax on interest rate swaps	(4)	119
Share of Joint Venture other comprehensive loss	-	(8)
Total comprehensive income for the period	12,729	7,931

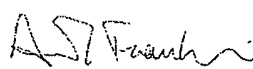
Consolidated Balance Sheet

	Note	31 December 2015 £000s	31 December 2014 £000s
Assets			
Non-current assets			
Intangible assets	11	259,945	88,875
Property, plant and equipment	12	1,013	396
Joint Venture investment	33	1,465	1,271
Joint Venture receivable	33	1,462	1,462
Deferred tax asset	23	418	194
Other non-current assets		122	-
		264,425	92,198
Current assets			
Inventories	14	12,910	5,914
Trade and other receivables	15	11,630	8,322
Cash and cash equivalents	16	3,229	1,434
		27,769	15,670
Total assets		292,194	107,868
Equity			
Ordinary share capital	25	4,682	2,641
Share premium account		108,308	29,388
Share option reserve		2,610	1,995
Reverse takeover reserve		(329)	(329)
Other reserve		(98)	(103)
Translation reserve		32	-
Retained earnings		47,237	37,188
Total equity		162,442	70,780
Liabilities			
Non-current liabilities			
Long term financial liabilities	19	58,968	19,235
Other liabilities	20	1,496	-
Deferred tax liability	23	37,413	6,309
Derivative financial instruments	22	120	129
		97,997	25,673
Current liabilities			
Cash and cash equivalents	16	31	414
Financial liabilities	19	15,776	2,895
Corporation tax		2,075	959
Trade and other payables	18	13,873	6,920
Provisions for other liabilities	24	-	227
		31,755	11,415
Total liabilities		129,752	37,088
Total equity and liabilities		292,194	107,868

The financial statements were approved by the Board of Directors on 6 April 2016.



John Dawson
Director



Andrew Franklin
Director

The accompanying accounting policies and notes form an integral part of these financial statements. Company number 04241478.

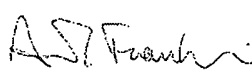
Company Balance Sheet

	Note	31 December 2015 £000s	31 December 2014 £000s
Assets			
Non-current assets			
Investment in subsidiaries	13	138,569	51,936
		138,569	51,936
Current assets			
Trade and other receivables	15	26	25
Cash and cash equivalents	16	-	12
		26	37
Total assets		138,595	51,973
Equity			
Ordinary share capital	25	4,682	2,641
Share premium account		108,308	29,388
Share option reserve		2,610	1,995
Retained earnings		22,394	17,766
Total equity		137,994	51,790
Liabilities			
Current liabilities			
Trade and other payables	18	571	183
Cash and cash equivalents	16	30	-
		601	183
Total liabilities		601	183
Total equity and liabilities		138,595	51,973

The financial statements were approved by the Board of Directors on 6 April 2016.



John Dawson
Director



Andrew Franklin
Director

The accompanying accounting policies and notes form an integral part of these financial statements. Company number 04241478.

Consolidated Statement of Changes in Equity

	Ordinary share capital £000s	Share premium account £000s	Share option reserve £000s	Reverse, takeover, reserve £000s	Other reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2014	2,641	29,380	1,424	(329)	350	-	31,202	64,668
Issue of shares	-	8	-	-	-	-	-	8
Dividend paid	-	-	-	-	-	-	(2,398)	(2,398)
Share options charge	-	-	571	-	-	-	-	571
Transactions with owners	-	8	571	-	-	-	(2,398)	(1,819)
Profit for the period	-	-	-	-	-	-	8,385	8,385
Other comprehensive income								
Interest rate swaps – cash flow hedge	-	-	-	-	(572)	-	-	(572)
Deferred tax on interest rate swap	-	-	-	-	119	-	-	119
Foreign exchange translation differences	-	-	-	-	-	-	(1)	(1)
Total comprehensive income for the period	-	-	-	-	(453)	-	8,384	7,931
Balance 31 December 2014	2,641	29,388	1,995	(329)	(103)	-	37,188	70,780
Balance 1 January 2015	2,641	29,388	1,995	(329)	(103)	-	37,188	70,780
Issue of shares	2,041	-	-	-	-	-	-	2,041
Share premium	-	78,920	-	-	-	-	-	78,920
Dividend paid	-	-	-	-	-	-	(2,643)	(2,643)
Share options charge	-	-	615	-	-	-	-	615
Transactions with owners	2,041	78,920	615	-	-	-	(2,643)	78,933
Profit for the period	-	-	-	-	-	-	12,692	12,692
Other comprehensive income								
Interest rate swaps – cash flow hedge	-	-	-	-	9	-	-	9
Deferred tax on interest rate swap	-	-	-	-	(4)	-	-	(4)
Foreign exchange translation differences	-	-	-	-	-	32	-	32
Total comprehensive income for the period	-	-	-	-	5	32	12,692	12,729
Balance 31 December 2015	4,682	108,308	2,610	(329)	(98)	32	47,237	162,442

The balance on the share premium account may not be legally distributed under section 831 of the Companies Act 2006.

Company Statement of Changes in Equity

	Ordinary share capital £000s	Share premium account £000s	Share option reserve £000s	Retained earnings £000s	Total equity £000s
Balance 1 January 2014	2,641	29,380	1,424	13,527	46,972
Issue of shares	-	8	-	-	8
Dividend paid	-	-	-	(2,398)	(2,398)
Share options charge	-	-	571	-	571
Transactions with owners	-	8	571	(2,398)	(1,819)
Profit for the period and total comprehensive income	-	-	-	6,637	6,637
Balance 31 December 2014	2,641	29,388	1,995	17,766	51,790
Balance 1 January 2015	2,641	29,388	1,995	17,766	51,790
Issue of shares	2,041	-	-	-	2,041
Share premium	-	78,920	-	-	78,920
Dividend paid	-	-	-	(2,643)	(2,643)
Share options charge	-	-	615	-	615
Transactions with owners	2,041	78,920	615	(2,643)	78,933
Profit for the period and total comprehensive income	-	-	-	7,271	7,271
Balance 31 December 2015	4,682	108,308	2,610	22,394	137,994

The balance on the share premium account may not be legally distributed under section 831 of the Companies Act 2006.

The profit for the year dealt with in the financial statements of the Parent Company was £7,271,000 (2014: £6,637,000).

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Parent Company.

Consolidated and Company Cash Flow Statements

	Note	Group		Company	
		Year ended	Year ended	Year ended	Year ended
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		£000s	£000s	£000s	£000s
Cash flows from operating activities					
Cash generated from operations	27	9,836	13,451	476	50
Tax paid		(1,860)	(2,028)	-	-
Cash flows received from operating activities		7,976	11,423	476	50
Investing activities					
Interest received		139	48	2,097	1,757
Dividend received		-	72	5,700	5,400
Investment in subsidiary		-	-	(86,632)	(4,817)
Development costs capitalised	11	(7)	(58)	-	-
Purchase of property, plant and equipment	12	(647)	(111)	-	-
Purchase of other intangible assets		(133,629)	(2,817)	-	-
Net assets acquired on acquisition		(221)	-	-	-
Investment in Joint Venture		-	(499)	-	-
Net cash (used in) / received from investing activities		(134,365)	(3,365)	(78,835)	2,340
Financing activities					
Interest paid and similar charges		(1,163)	(986)	-	-
Loan issue costs		(1,174)	-	-	-
Loan to Joint Venture		-	(503)	-	-
Proceeds from issue of shares		83,500	-	83,500	-
Costs incurred on issue of shares		(2,661)	-	(2,661)	-
Proceeds from exercise of share options		121	8	121	8
Dividend paid		(2,643)	(2,398)	(2,643)	(2,398)
Receipt from borrowings		80,500	2,750	-	-
Repayment of borrowings		(28,000)	(4,500)	-	-
Net cash received from / (used in) financing activities		128,480	(5,629)	78,317	(2,390)
Net movement in cash and cash equivalents		2,091	2,429	(42)	-
Cash and cash equivalents at the beginning of the period		1,020	(1,438)	12	12
Exchange gains on cash and cash equivalents		87	29	-	-
Cash and cash equivalents at the end of the period	16	3,198	1,020	(30)	12

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

Notes to the Financial Statements

for year ended 31 December 2015

1. General information

Alliance Pharma plc ('the Company') and its subsidiaries (together 'the Group') acquire, market and distribute pharmaceutical and other medical products. The Company is a public limited company incorporated and domiciled in England. The address of its registered office is Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB.

The Company is listed on the AIM stock exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 6 April 2016.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, with the exception of derivatives which are included at fair value. A summary of the more important Group and Company accounting policies are set out below. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions in these statements, particularly in relation to determining the useful economic life of assets, that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

2.2 Consolidation

The consolidated balance sheet includes the assets and liabilities of the Company and its subsidiaries which are made up to 31 December 2015. Entities over which the Group has the ability to exercise control are accounted for as subsidiaries. Interests acquired in entities are consolidated from the effective date of acquisition and interests sold are consolidated up to the date of disposal. Balances between Group companies are eliminated; no profit is taken on sales between Group companies. Goodwill arising on the acquisition of interests in subsidiaries, representing the excess of consideration transferred over the Group's share of the fair values of identifiable assets, liabilities and contingent liabilities acquired, is capitalised as a separate item.

An entity is treated as a Joint Venture where the Group holds a long-term interest and shares control under a contractual agreement. Following IFRS 11 the Group now accounts for its investment in Joint Ventures using the equity method in accordance with IAS 28. See note 33 for details of Joint Ventures. The consolidated income statement includes the Group's share of the Joint Ventures' profit.

2.3 Judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Critical judgements, estimates and assumptions that are applied in the preparation of the consolidated financial statements include:

Depreciation and amortisation

The Group exercises judgement to determine useful lives and residual values of intangibles, computer equipment, and fixtures, fittings and equipment. The assets are depreciated down to their residual values over their estimated useful lives.

Impairment

The value in use calculation uses cash flow projections based on financial forecasts for the next two years approved by management and extrapolated for a 15 year period or the useful economic life, whichever is the shorter. In each case it is assumed there will be no growth beyond 2017 and the cash flows of each acquisition are discounted at a rate of 10%, which approximates to the Group's weighted average cost of capital (see note 11).

Provisions

Provisions have been made for slow moving and obsolete stock. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Consolidation of Joint Ventures

The Group owns 60% of the issued share capital of Unigreg Limited. The Group considered the existence of substantive participating rights held by the minority shareholder which provide that shareholder with a veto right over the significant financial and operating

2. Summary of significant accounting policies continued

policies of Unigreg Ltd and determined that, as a result of these rights, the Group does not have control over the financial and operating policies of Unigreg Ltd, despite the Group's 60% ownership interests. Consequently the Company is accounted for as a Joint Venture.

The Group owns 20% of the issued share capital of Synthasia International Company Limited ('Synthasia'). The Group considered the existence of substantive participating rights held by both the Group and another shareholder which provide both parties with a veto right over the significant financial and operating policies of Synthasia and determined that, as a result of these rights, Synthasia is accounted for as a Joint Venture.

In accordance with IFRS 11, the Group's investments made to date in joint arrangements are characterised as Joint Ventures in which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligation for underlying liabilities.

Segmental reporting

All business areas are responsible for developing, marketing and distributing a range of pharmaceutical and other medical products. As permitted by IFRS 8, since these business areas are deemed to have similar economic characteristics and are similar, if not the same, in all of the following:

- business areas derive their revenue from the supply of pharmaceutical products;
- the production and distribution process is the same across all business areas;
- business areas supply to similar customers i.e. pharmaceutical distributors or pharmacies; and
- all business areas are subject to a similar regulatory environment.

The business areas have been aggregated into a single reportable segment, namely pharmaceuticals.

Intangibles

Where there are national governmental pricing controls in place, the Group has the ability to increase pricing of certain products and reduce pricing of others. When this occurs, the intangible assets associated to each product are grouped for impairment testing purposes.

Unigreg Ltd, has applied to China's State Food and Drug Administration ('SFDA') to vary the licence for importing Forceval into China. There is uncertainty about whether or when this variation will be approved. There is a risk that for a period of time Unigreg will be unable to import further product into China. There are a number of measures to mitigate this risk. The Board's view is that these mitigation measures are likely to be sufficient to ensure the continuation of the business in the long term, and that the intangible asset relating to Forceval in China is unlikely to be impaired.

A generic substitution and reference pricing regime is in the process of being implemented in the Republic of Ireland by the Health Products Regulatory Authority ('HPRA'). In 2014 the HPRA proposed that Nu-Seals be included on a list of interchangeable medicines. The Company has made representations to the HPRA explaining why Nu-Seals should not be included on this list. The Board's view is that it is more likely than not that Nu-Seals will not be included on the list of interchangeable medicines and therefore the intangible is unlikely to be impaired.

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 35). In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future sales (see Note 21).

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the Group and represents amounts invoiced to third parties in relation to the Group's sole principle activity, namely the distribution of pharmaceutical products. Revenue is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer; for UK customers normally this is when the goods are accepted at the customer's specified delivery address, and for international customers this is normally on dispatch.

2.5 Foreign currency transactions

The consolidated financial statements are presented in Sterling, which is the presentational currency of the Group and the functional currency of the Parent Company. Foreign currency transactions by Group companies are booked at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into local currency at the rate of exchange ruling at the balance sheet date. Differences on exchange resulting from the translation of overseas assets and liabilities are recognised directly in equity. Gains and losses arising on currency borrowings used to hedge the foreign currency exposure on the net assets of the foreign operations are accounted for directly in equity, to the extent that hedge accounting criteria are met and are included in the consolidated statement of comprehensive income and expense.

Notes to the Financial Statements continued

for year ended 31 December 2015

2. Summary of significant accounting policies continued

2.6 Property, plant and equipment

Computer equipment, fixtures, fittings and equipment are stated at the cost of purchase less any provisions for depreciation and impairment. The rates generally applicable are:

Computer equipment	20% - 33.3% per annum, straight line
Fixtures, fittings and equipment	20% - 25% per annum, straight line

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

2.7 Leases

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership are treated as finance leases, as if the asset had been purchased outright. The assets are included within computer equipment, fixtures, fittings and equipment and the capital element of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the lease rental is included in the income statement. All other leases are considered operating leases and the annual rentals are included in the income statement on a straight line basis over the lease term.

2.8 Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each acquisition, considered to be a cash-generating unit, to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount an impairment loss is recognised. Any impairment is recognised immediately in the Group Income Statement and is not subsequently reversed.

2.9 Intangible assets

Acquired intangible assets

Intangible assets are stated at the lower of cost less provision for amortisation and impairment or the recoverable amount (explained further in note 11). Technical know-how and trademarks are deemed to have an indefinite useful life and are tested for impairment annually. Distribution licences are amortised over the current life of the licence on a straight line basis and are tested for impairment annually. If the licence period can be extended, the useful life of the intangible asset shall include the renewal period only if there is evidence to support renewal by the entity without disproportionate cost. In determining the useful economic life of distribution rights each acquisition has been reviewed separately and consideration given to the period over which the Group expects to derive economic benefit.

Internally-generated intangible assets - Research and development expenditure

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

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

Development costs are reviewed at least annually for impairment by assessing the recoverable amount of each cash-generating unit, to which the development costs relate. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount an impairment loss is recognised. Any impairment is recognised immediately in the Group Income Statement. Any reversal of a previously recorded impairment loss in a subsequent period would also be recognised immediately in the Group Income Statement.

Development costs not meeting the recognition criteria are expensed as incurred.

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill and development costs, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2. Summary of significant accounting policies continued

2.10 Inventories

Inventories are included at the lower of cost less any provision for impairment or net realisable value. Cost is determined on a first-in-first-out basis using the weighted average cost.

2.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit reported in the income statement because the former excludes items of income or expense that are either taxable or deductible in other years or that are never taxable or deductible, and it includes tax reliefs that are not included in the income statement. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full on temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided using the rates of tax that are expected to apply in the period when the liability is settled or the asset is realised, based on rates that have been substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted. The Group jointly controls the sharing of profits in the Joint Venture and as such no deferred tax has been recognised on temporary differences.

2.12 Derivative financial instruments and hedging activities

Derivative financial instruments are used to manage exposure to market risk from treasury operations. The principal financial instrument used by the Group is interest rate swaps. The Group does not hold or issue derivative financial instruments for trading or speculative purposes. Derivative financial instruments are recognised in the balance sheet at fair value and then re-measured at subsequent reporting dates. The fair value is calculated by reference to market interest rates and supported by counterparty confirmation.

The interest rate swaps are designated as cash flow hedges.

The effective portion of changes in the fair value of derivative financial instruments that are designated as cash flow hedges is recognised in other comprehensive income, while the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Changes in the fair value of derivative financial instruments that are not designated as cash flow hedges are recognised in the income statement as they arise.

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments designated as hedges of the net investment in foreign operations, are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign investment is disposed of.

2.13 Debt instruments

Debt instruments are initially stated at their fair value net of issue costs, and subsequently measured at amortised cost using the effective interest rate method.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.15 Financial assets – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.16 and 2.17).

2.16 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables.

Notes to the Financial Statements continued

for year ended 31 December 2015

2. Summary of significant accounting policies continued

2.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, available with no penalty, with original maturities of three months or less, bank overdrafts and working capital facilities.

2.19 Employee benefits - share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Group Income Statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Equity

Equity comprises the following:

"Share capital" represents the nominal value of equity shares.

"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

"Share option reserve" represents equity-settled share-based employee remuneration until such share options are exercised.

"Reverse takeover reserve" represents the difference between the fair value and nominal value of shares issued on a reverse takeover.

"Other reserves" represents the fair value of derivative financial instruments at the balance sheet date that are designated as cash flow hedges net of deferred tax, less amounts reclassified through other comprehensive income.

"Translation reserve" represents gains and losses arising on the net assets of overseas operations into Sterling.

"Retained earnings" represents retained profit.

2.21 Investments

Investments in subsidiaries included in the Company's balance sheet are stated at cost less any provision for impairment.

2.22 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Where material, the provisions have been discounted to their present value.

2.23 Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

2.24 Non-underlying items

Non-underlying items are those significant items which the Directors consider are not related to the normal trading activities of the Group and are therefore separately disclosed to enable full understanding of the Group's financial performance (see note 5). One-off items relating to acquisitions e.g. acquisition costs and the costs of restructuring post-acquisition are shown as non-underlying. Exceptional items including settlements and impairments of intangible assets are also shown as non-underlying items.

2.25 New standards not yet applied

A number of new EU adopted standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these financial statements. The following list is not comprehensive but includes the most significant to these financial statements:

- IFRS 9 'Financial Instruments' (2014), representing the completion of the IASB project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

2. Summary of significant accounting policies continued

- IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.
- IFRS 16 'Leases' replaces IAS 17 'Leases'. The new standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts, excluding certain short-term leases and leases of low-value assets. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2019.

The Group are currently assessing the impact of the new standards on the financial position or consolidated results of the Group. The Group continually reviews amendments to the standards made under the IASB's annual improvements project.

3. Segmental reporting

Operating segments

An operating segment is defined as a component of the entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker ('CODM') to make decisions about the resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

For the year ended 31 December 2015 the Executive Team has been identified as the CODM.

Our management information system produces reports for the Executive Team grouping financial performance under the following business areas:

- Hydromol
- Secondary Care
- Community and Consumer Products
- Established Products
- International

All business areas are responsible for developing, marketing and distributing a range of pharmaceutical and other medical products. As permitted by IFRS 8, since these business areas are deemed to have similar economic characteristics and are similar, if not the same, in all of the following:

- business areas derive their revenue from the supply of pharmaceutical products;
- the production and distribution process is the same across all business areas;
- business areas supply to similar customers i.e. pharmaceutical distributors or pharmacies; and
- all business areas are subject to a similar regulatory environment.

The business areas have been aggregated into a single reportable segment, namely pharmaceuticals. Each month the CODM is presented with financial information prepared in accordance with IFRS as adopted in the EU and the accounting policies set out in note 2 to these financial statements. As such the financial information provided to the CODM regarding the operating segment has already been disclosed in the financial statements.

Geographical information

The following revenue information is based on the geographical location of the customer:

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
United Kingdom	39,444	36,166
Ireland	3,240	3,116
Rest of the World	5,660	4,254
Statutory revenue	48,344	43,536
China Joint Ventures	1,325	1,941
Total revenue	49,669	45,477

Non-current assets are located within the United Kingdom, France, Italy and the United States of America.

Notes to the Financial Statements continued

for year ended 31 December 2015

3. Segmental reporting continued

Major customers

During the year there were 2 (year ended 31 December 2014: 2) customers who separately comprised 10% or more of revenue.

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Major customer 1	13,470	15,133
Major customer 2	10,420	10,577
	23,890	25,710

4. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	63	8
Fees payable by the Group to the Company's auditor for other services:		
- The audit of the accounts of any associate of the Company	50	44
- Audit-related assurance services	9	1
- All other taxation advisory services	67	-
- All services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	356	32
Amortisation of intangible assets	199	488
Impairment of intangible assets	-	622
Share options charge	615	571
Depreciation of plant, property and equipment	239	307
Operating lease rentals	100	97
Research and development	12	-
Profit on foreign exchange transactions	(52)	(28)

5. Non-underlying and exceptional items

The non-underlying and exceptional items relate to the following:

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
a) Acquisition costs	1,846	-
b) Exceptional item	(6,332)	-
c) Notional interest	477	-
d) Charge in respect of loan settlement	273	-
e) Impairment of intangible fixed assets	-	622
	(3,736)	622

- a) The acquisition costs related to the acquisition of the Healthcare Products Business from Sinclair IS Pharma plc in December 2015 and amounted to £1.8m. The main costs included legal and professional fees of £1.2m and staffing costs of £0.5m.
- b) The exceptional item related to £6.7m compensation received from Sanofi Pasteur, net of £0.4m associated costs, for the suspension of ImmuCyst production.
- c) Notional interest related to the unwinding of the discount on the deferred consideration payable for the acquisition of the share capital of MacuVision Europe Limited.

5. Non-underlying and exceptional items continued

- d) The charge in respect of the loan settlement related to the release of £0.3m prepaid loan issue costs on the £18m loan repaid on 17 December 2015.
- e) The impairment of intangible fixed assets related to the write down of Pavacol-D Syrup, originally purchased for £0.6m, to Enil, to reflect the uncertainty in being able to bring this product back into supply.

6. Finance costs

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Interest payable and similar charges		
On loans and overdrafts	(1,116)	(968)
Amortised finance issue costs	(378)	(104)
Notional interest	(477)	(18)
	(1,971)	(1,090)
Interest income	139	48
Other finance income		
Foreign exchange movements on cash balances	52	28
	52	28
Finance costs – net	(1,780)	(1,014)

Notional interest relates to the unwinding of the deferred consideration on the MacuVision acquisition. The notional interest in 2014 was the discount applied to provisions (see note 24).

7. Directors and employees

Employee benefit expenses for the Group during the period were as follows:

	Note	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Wages and salaries		6,604	4,541
Social security costs		819	556
Other pension costs	30	362	327
Share-based employee remuneration	26	615	571
		8,400	5,995

The average number of employees of the Group during the period was:

	Year ended 31 December 2015	Year ended 31 December 2014
Management and administration	86	74

Notes to the Financial Statements continued

for year ended 31 December 2015

7. Directors and employees continued

Remuneration in respect of Directors (including pension) was as follows:

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Emoluments	1,657	948
	1,657	948

Gain on share options recognised by Directors during the year was £13,968 (2014: Enil).

For additional disclosures please refer to the Directors' Remuneration section included in the Directors' Report.

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

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Emoluments for qualifying services	628	226

During the period contributions were paid to defined contribution schemes for four Directors (year ended 31 December 2014: four).

Key management of the Group are the Executive Team. Benefit expenses in respect of the key management was as follows:

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Short-term employee benefits	1,566	852
Share-based payments	69	125
Post-employment benefits	35	42
	1,670	1,019

Average number of members of the CODM (the Executive Team) for the year ended 31 December 2015 was four (year ended 31 December 2014: four).

8. Taxation

Analysis of charge in period.

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
United Kingdom corporation tax at 20.25% (2014: 21.5%)		
In respect of current period	2,977	1,870
Adjustment in respect of prior periods	-	(38)
	2,977	1,832
Deferred tax (see note 23)		
Origination and reversal of temporary differences	(398)	(60)
Adjustment in respect of prior periods	(89)	-
Taxation	2,490	1,772

8. Taxation continued

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

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Profit on ordinary activities before tax	15,182	10,157
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20.25% (2014: 21.5%)	3,074	2,183
Effect of:		
Non-deductible expenses	429	182
Attributable to Joint Venture	(39)	(69)
Adjustment in respect of prior period	(89)	(38)
Impact of reduction in UK tax rate on deferred tax liability	(827)	(300)
Differing tax rates on overseas earnings	54	-
Share options	(175)	-
Other differences	63	(186)
Total taxation	2,490	1,772

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes were substantively enacted at the balance sheet date the effects are included in these financial statements (2014: 20%).

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016, reducing the main rate to 17% from 1 April 2020. As the change was not substantively enacted at the balance sheet date the effect is not included in these financial statements. The overall effect of this change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £1,083,168 and decrease the tax expense for the period by £403,168. £680,000 of the movement relates to deferred tax recognised on business combination and would have no impact to the tax expense.

9. Dividends

	Pence/share	Year ended 31 December 2015 £000s	Pence/share	Year ended 31 December 2014 £000s
Amounts recognised as distributions to owners in the year:				
Interim dividend for the prior financial year	0.333	880	0.303	800
Final dividend for the prior financial year	0.667	1,763	0.605	1,598
	1.000	2,643	0.908	2,398
Interim dividend for the current financial year	0.366	1,714	0.333	880

The proposed final dividend of 0.734 pence per share for the current financial year was approved by the Board of Directors on 31 March 2016 and is subject to the approval of shareholders at the Annual General Meeting. The proposed dividend has not been included as a liability as at 31 December 2015 in accordance with IAS 10 Events After the Balance Sheet Date. The interim dividend for the current financial year was paid on 14 January 2016. Subject to shareholder approval, the final dividend will be paid on 13 July 2016 to shareholders who are on the register of members on 17 June 2016.

Notes to the Financial Statements continued

for year ended 31 December 2015

10. Earnings per share ('EPS')

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

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

	Year ended 31 December 2015	Year ended 31 December 2014
For basic EPS calculation	272,729,247	264,148,367
Employee share options	6,322,550	1,454,986
For diluted EPS calculation	279,051,797	265,603,353

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

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Earnings for basic EPS	12,692	8,385
Non-underlying: exceptional items	(6,332)	622
Other non-underlying items	2,596	-
Tax effect of non-underlying items	1,115	(124)
For adjusted EPS	10,071	8,883

The resulting EPS measures are:

	Year ended 31 December 2015 Pence	Year ended 31 December 2014 Pence
Basic EPS	4.65	3.17
Diluted EPS	4.55	3.16
Adjusted basic EPS	3.69	3.36
Adjusted diluted EPS	3.61	3.34

11. Intangible assets

The Group	Goodwill £000s	Technical know-how, trademarks and distribution rights £000s	Development costs £000s	Total £000s
Cost				
At 1 January 2015	3,593	88,504	431	92,528
Additions	-	16,925	7	16,932
Additions due to acquisition	22,442	130,565	-	153,007
Exchange adjustments	-	1,330	-	1,330
At 31 December 2015	26,035	237,324	438	263,797
Amortisation and impairment				
At 1 January 2015	-	3,653	-	3,653
Amortisation for the year	-	199	-	199
At 31 December 2015	-	3,852	-	3,852
Net book amount				
At 31 December 2015	26,035	233,472	438	259,945
At 1 January 2015	3,593	84,851	431	88,875

Goodwill

During the year ended 29 February 2004 goodwill of £1.1m arose on the acquisition of Dermapharm Ltd.

During the year ended 31 December 2010, the Group completed the purchase of the trade and certain assets of Cambridge Laboratories (Ireland) Limited and Cambridge Laboratories Limited. The goodwill of £0.6m that arose on acquisition reflects Alliance's entry into the oncology market with an established brand name and sales force.

Goodwill of £1.9m arose on acquisition of Opus Group Holdings Limited in the year ended 31 December 2012.

Goodwill on consolidation of £20.7m arose on the acquisition of certain assets and businesses from Sinclair IS Pharma plc (see note 35). The fair values set out above are provisional figures which will be finalised in the 2016 financial statements following management's final review of key reconciliations and judgemental areas relating to acquired inventory and creditor balances.

Additional goodwill of £1.7m arose on the acquisition of the share capital of MacuVision Europe Limited (see note 35).

Technical know-how, trademarks and distribution rights

Acquired technical know-how, trademarks and distribution rights when purchased are assessed to ensure they meet a set of criteria including an established and stable sales history. The products are generally in niche areas where there is limited foreseeable prospect of erosion of sales and they require little or no promotion to maintain sales.

The following acquisition activities took place in the year:

- On 2 February 2015, the Group completed the acquisition of MacuVision Europe Limited ('MacuVision') for initial consideration of £5.5 million plus the net asset value of MacuVision at completion (£0.5m) and deferred contingent consideration of up to £6.0 million (estimated at £3.2m). MacuVision sells MacuShield, an eye care treatment designed to be taken by sufferers of dry age-related macular degeneration and other eye conditions. The fair value of the intangible asset acquired was £8.8m included within technical know-how, trademarks and distribution rights.
- On 29 January 2015, the Group entered a Licence and Supply Agreement for the product Diclectin with Duchesnay Inc. The consideration recognised in relation to this is £1.5m. Diclectin is a product to treat nausea and vomiting of pregnancy and is anticipated to launch in 2017.
- On 16 September 2015 the Company acquired the rights to five Nutraceutical brands from Sinopharm Nutraceuticals (Shanghai) Co Ltd for an estimated total consideration of RMB 13.7m (£1.4m). Rujiali (Calcium), Lefuzhi (DHA capsules), Aiweidi (Vitamin D drops), Manlun Junshe and Changmin (probiotic powder drink) are marketed in China. The consideration was payable in four instalments including a final instalment payable based on 2016 sales.

Notes to the Financial Statements continued

for year ended 31 December 2015

11. Intangible assets continued

- On 17 December 2015 Alliance Pharmaceuticals Limited completed the acquisition of certain assets and businesses from Sinclair IS Pharma plc. The acquisition included 27 products including four key growth brands (Kelo-cote, Flammacerium, Aloclair, and Atopiclair). The acquisition is effected as the purchase of the collection of companies forming the SPH Group and the acquisition of the Product Aloclair not owned by those Companies and their related businesses. The SPH Group is a collection of four companies: Advanced Bio-Technologies Inc. (incorporated in Florida, USA), Sinclair Pharma S.r.l. (incorporated in Italy), Sinclair Pharma France SAS (incorporated in France) and Maelor Laboratories Limited (incorporated in England and Wales). The total consideration for the acquisition was £127.5 million, plus £5.3 million for inventory, satisfied partly in cash, funded by way of new loans, and partly by the issue and allotment of additional shares. The fair value of the intangible assets acquired was £135.8m.

Impairment

As explained in notes 2.8 and 2.9 all intangible assets are stated at the lower of cost less provision for amortisation and impairment or the recoverable amount.

Goodwill (allocated across cash-generating units that are expected to benefit from it), indefinite life assets and development costs are tested for impairment annually, or more frequently if there are indications that amounts might be impaired. The impairment test involves determining the recoverable amount of the relevant asset or cash-generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use.

The value in use calculation considers each asset or cash generating unit on a case by case basis and uses cash flow projections based on financial forecasts for the next two years, which are based on historic sales trends and management's sales growth assumptions. These forecasts are approved by management and extrapolated for a 15 year period or the useful economic life, whichever is the shorter.

The key assumptions on which cash flow projections are made are:

- There will be no growth beyond 2017;
- Cash flows are discounted at an appropriate rate. The discount rates consider market information and specific circumstances of each asset or cash-generating unit. A rate of 10%, which approximates to the Group's weighted average cost of capital, is considered appropriate for all assets; and
- The CODM considers 15 years to be a sufficient period to represent the indefinite useful economic lives of the products.

The value in use calculations for assets and cash-generating units, when tested with assumptions beyond a reasonable range, did not result in the recoverable amounts falling below their carrying value.

Development projects are reviewed as to the likelihood of their completion and valued using a discounted cash flow, using appropriate risk factors, to assess whether the project is impaired.

A generic substitution and reference pricing regime is in the process of being implemented in the Republic of Ireland by the Health Products Regulatory Authority ('HPRA'). In 2014 the HPRA proposed that Nu-Seals be included on a list of interchangeable medicines. The Company has made representations to the HPRA explaining why Nu-Seals should not be included on this list. The Board's view is that it is more likely than not that Nu-Seals will not be included on the list of interchangeable medicines and the related intangible asset of £9.1m is not impaired. The recoverable amount, based on value in use, is estimated at £11.6m. The key assumptions in arriving at the value in use are that the Nu-Seals' volumes will fall by around 30% and that pricing will not change. The intangible asset could be impaired if volumes fell by more than 50%, or if pricing fell by more than 22%. If Nu-Seals were to be included on the list of interchangeable medicines, pricing may fall by 58%.

11. Intangible assets continued

The Group	Goodwill £000s	Technical know how, trademarks and distribution rights £000s	Development costs £000s	Total £000s
Cost				
At 1 January 2014	3,593	85,687	373	89,653
Additions	-	2,817	58	2,875
At 31 December 2014	3,593	88,504	431	92,528
Amortisation and impairment				
At 1 January 2014	-	2,543	-	2,543
Amortisation for the year	-	488	-	488
Impairment for the year	-	622	-	622
At 31 December 2014	-	3,653	-	3,653
Net book amount				
At 31 December 2014	3,593	84,851	431	88,875
At 1 January 2014	3,593	83,145	373	87,111

12. Property, plant and equipment

The Group	Computer equipment £000s	Fixtures, fittings and equipment £000s	Plant & machinery £000s	Motor vehicles £000s	Total £000s
Cost					
At 1 January 2015	584	995	-	-	1,579
Additions	414	223	-	-	637
Additions due to acquisition	-	102	109	8	219
At 31 December 2015	998	1,320	109	8	2,435
Depreciation					
At 1 January 2015	322	861	-	-	1,183
Provided in the year	116	120	-	3	239
At 31 December 2015	438	981	-	3	1,422
Net book amount					
At 31 December 2015	560	339	109	5	1,013
At 1 January 2015	262	134	-	-	396

Notes to the Financial Statements continued

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12. Property, plant and equipment continued

The Group	Computer equipment £000s	Fixtures, fittings and equipment £000s	Plant & machinery £000s	Motor vehicles £000s	Total £000s
Cost					
At 1 January 2014	479	989	-	-	1,468
Additions	105	6	-	-	111
At 31 December 2014	584	995	-	-	1,579
Depreciation					
At 1 January 2014	211	665	-	-	876
Provided in the year	111	196	-	-	307
At 31 December 2014	322	861	-	-	1,183
Net book amount					
At 31 December 2014	262	134	-	-	396
At 1 January 2014	268	324	-	-	592

13. Investments

The Company	Investment in subsidiary undertakings £000s
Cost	
At 1 January 2015	51,936
Additions	86,633
At 31 December 2015	138,569
At 1 January 2014	47,119
Additions	4,817
At 31 December 2014	51,936

The additions in the year relate to the increased investment the Company has made in Alliance Pharmaceuticals Limited and Alliance Pharmaceuticals SAS to support the acquisition of new business and product licences.

13. Investments continued

The subsidiary and associated undertakings where the Group held 20% or more of the equity share capital at 31 December 2015 are shown below:

Company	Country of registration or incorporation	Shares held Class	% owned	Nature of business
Alliance Pharmaceuticals Limited	United Kingdom	Ordinary	100	Pharmaceutical sales
Dermapharm Limited	United Kingdom	Ordinary	100	Dormant
Alliance Health Limited	United Kingdom	Ordinary	100	Dormant
Alliance Consumer Health Limited	United Kingdom	Ordinary	100	Dormant
Alliance Generics Limited	United Kingdom	Ordinary	100	Dormant
Alliance Healthcare Limited	United Kingdom	Ordinary	100	Dormant
Caraderm Limited	Northern Ireland	Ordinary	100	Dormant
Unigreg Limited	British Virgin Islands	Ordinary	60	Pharmaceutical sales
Unigreg Worldwide Limited	United Kingdom	Ordinary	60	Dormant
Opus Group Holdings Limited	United Kingdom	Ordinary	100	Dormant
Opus Healthcare Limited	United Kingdom	Ordinary	100	Dormant
Opus Healthcare Limited	Republic of Ireland	Ordinary	100	Non-trading
Alliance Pharmaceuticals GmbH	Germany	Ordinary	100	Non-trading
Alliance Pharmaceuticals SAS	France	Ordinary	100	Non-trading
Synthasia International Company Limited	Hong Kong	Ordinary	20	Pharmaceutical sales
Synthasia Shanghai Co. Limited	China	Ordinary	20	Pharmaceutical sales
Alliance Pharmaceuticals (Asia) Limited	Hong Kong	Ordinary	100	Pharmaceutical sales
Alliance Pharmaceuticals Shanghai Limited	China	Ordinary	100	Pharmaceutical sales
MacuVision Europe Limited	United Kingdom	Ordinary	100	Pharmaceutical sales
Maelor Laboratories Limited	United Kingdom	Ordinary	100	Pharmaceutical sales
Sinclair Pharma S.r.l.	Italy	Ordinary	100	Pharmaceutical sales
Advanced Bio-Technologies Inc.	USA	Ordinary	100	Pharmaceutical sales
Sinclair Pharma France SAS	France	Ordinary	100	Pharmaceutical sales

All subsidiary undertakings prepare accounts to 31 December, except Opus Healthcare Limited (Republic of Ireland) which prepares accounts to 28 February, Unigreg Worldwide Limited which prepares accounts to 31 May and Sinclair Pharma S.r.l. which prepares accounts to 30 June. Alliance Pharmaceuticals Limited, Alliance Pharmaceuticals GmbH, Alliance Pharmaceuticals SAS and Alliance Pharmaceutical (Asia) Limited are the only investments held directly by Alliance Pharma plc. All other investments are held by Alliance Pharmaceuticals Limited with the exception of Opus subsidiaries which are held by Opus Group Holdings Limited, Unigreg Worldwide Limited which is held by Unigreg Limited, Synthasia Shanghai Co. Ltd which is held by Synthasia International Company Ltd, Alliance Pharmaceuticals Shanghai Limited which is held by Alliance Pharmaceuticals (Asia) Limited, and Sinclair Pharma France SAS which is held by Alliance Pharmaceuticals SAS.

14. Inventories

	31 December 2015 €000s	31 December 2014 €000s
The Group		
Finished goods and materials	13,376	6,742
Inventory provision	(466)	(828)
	12,910	5,914

Inventory costs expensed through the income statement during the year were £15,693,000 (2014: £15,964,000). During the year £264,665 (2014: £61,774) was recognised as an expense relating to the write-down of stock to net realisable value.

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for year ended 31 December 2015

15. Trade and other receivables

	Group		Company	
	31 December 2015 £000s	31 December 2014 £000s	31 December 2015 £000s	31 December 2014 £000s
Trade receivables	8,783	6,645	-	-
Other receivables	1062	669	16	17
Prepayments and accrued income	525	453	10	8
Amounts owed by Joint Venture	1,260	555	-	-
	11,630	8,322	26	25

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

	31 December 2015 £000s	31 December 2014 £000s
Not past due	5,965	4,105
Due 30-31 December	1,403	1,415
Past due 3 days to 91 days	1,228	964
Past 91 days	187	161
	8,783	6,645

For the year ended 31 December 2015 £578,000 was received by 8 January 2016. For the year ended 31 December 2014 £1,545,000 was received by 9 January 2015.

Trade and other receivables are stated net of estimated allowances for doubtful debts. As at 31 December 2015, trade and other receivables of Enil (for the year ended 31 December 2014: Enil) were past due and impaired.

Our policy requires customers to pay us in accordance with agreed payment terms. Depending on the geographical location, our settlement terms are generally due within 30 or 60 days from the end of the month of sale and do not bear any effective interest rate.

16. Cash and cash equivalents

	Group		Company	
	31 December 2015 £000s	31 December 2014 £000s	31 December 2015 £000s	31 December 2014 £000s
Cash at bank and in hand	3,229	1,434	-	12
Working capital facility	(31)	(414)	(30)	-
	3,198	1,020	(30)	12

17. Major non-cash transactions

Principal non-cash transactions include finance issue costs amortised and written off in the income statement during the year of £378,000 (2014: £104,000) and an exchange movement of £52,000 (2014: £28,000) (see note 6). Interest rate swaps designated as cash flow hedges resulted in a £9,000 gain (2014: £572,000 loss) to other comprehensive income. Amortisation of intangible assets resulted in a total charge of £199,000 (2014: £488,000, impairment £622,000) being recognised in the income statement. During the year the discount on the deferred consideration was recognised as a notional interest charge through the income statement for the amount of £477,000 (2014: Enil) (see note 6). A notional interest charge, representing the unwinding of the discounted value of the onerous contract provision of £18,000, was recognised in the income statement in 2014. Nothing was recognised during the year.

18. Trade and other payables - current

	Group		Company	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	£000s	£000s	£000s	£000s
Trade payables	1,153	1,693	-	-
Other taxes and social security costs	905	969	-	-
Accruals and deferred income	5,663	4,065	571	183
Other payables	728	193	-	-
Deferred consideration for acquisitions	5,026	-	-	-
Amounts due to Joint Ventures	398	-	-	-
	13,873	6,920	571	183

Deferred consideration of £2.8m (year ended 31 December 2014: £nil) relates to the acquisition of MacuVision Europe Limited which took place on 2 February 2015 and is payable in April 2016 (see note 35). Deferred consideration of £0.4m (year ended 31 December 2014: £nil) relates to the acquisition of the rights to five Nutraceutical brands from Sinopharm Nutraceuticals (Shanghai) Co Ltd which took place on 16 September 2015 and is payable during 2016. Deferred consideration of £1.8m (year ended 31 December 2014: £nil) relates to the acquisition of certain assets and businesses from Sinclair IS Pharma plc which took place on 17 December 2015. This is payable during 2016 (see note 35).

19. Financial liabilities - borrowings

	Group		Company	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	£000s	£000s	£000s	£000s
Current				
Bank loans due within one year or on demand:				
Secured	16,000	3,000	-	-
Finance issue costs	(224)	(105)	-	-
	15,776	2,895	-	-

	Group		Company	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	£000s	£000s	£000s	£000s
Non-current				
Bank loans:				
Secured	59,918	19,500	-	-
Finance issue costs	(950)	(265)	-	-
	58,968	19,235	-	-

The Group has a total committed bank facility of £100m (31 December 2014: £46.3m) maturing in November 2020 of which £65m is drawn as term loan and £35m is available to draw down through a Revolving Credit Facility ('RCF'). The RCF is repayable within one to three months and therefore included within current liabilities.

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

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20. Other non-current liabilities

	Group		Company	
	31 December 2015 £000s	31 December 2014 £000s	31 December 2015 £000s	31 December 2014 £000s
Deferred consideration for acquisitions	1,383	-	-	-
Other non-current liabilities	113	-	-	-
	1,496	-	-	-

Deferred consideration of £0.9m (year ended 31 December 2014: £nil) relates to the acquisition of MacuVision Europe Limited which took place on 2 February 2015 and is payable in April 2017 (see note 35). Deferred consideration of £0.5m (year ended 31 December 2014: £nil) relates to the Licence and Supply Agreement for the product Diclectin with Duchesnay Inc. and is payable in May 2017.

21. Financial instruments

The Group uses financial instruments comprising borrowings, some cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

In addition to Sterling, the Group also has bank facilities denominated in Euros and US Dollars. The purpose of these facilities is to manage the currency risk arising from the Group's operations.

Liquidity Risk

The Group seeks to manage financial risk by ensuring at all times there is sufficient liquidity to meet its financial liabilities as they fall due and to invest any surplus cash safely and profitably. The Group finances its operations through a mixture of debt and equity. The Group's main source of debt is provided by a £100m committed Credit Facility maturing in November 2020 (year ended 31 December 2014: £46.3m). This is made up of amortising Term Debt of £65m (year ended 31 December 2014: £20m) and a Revolving Credit Facility ('RCF') of £35m (year ended 31 December 2014: £25m). In order to manage currency risk the Group has borrowed part of the Term Loans in Euros and US Dollars as follows: EUR 18m (£13.2m) (year ended 31 December 2014: £nil) and USD 36m (£24.3m) (year ended 31 December 2014: £nil); the remainder is denominated in Sterling. At year end the Group had also drawn down £10m of the RCF (year ended 31 December 2014: £1.3m). The Group also has access to an uncommitted overdraft facility of £4.5m.

The Group balance sheet also includes financial assets in the form of cash at bank and in hand totalling £3,229,000 (31 December 2014: £1,434,000). Of this £2,431,000 was held in Sterling, £759,000 in Euro and the balance in other currencies.

Interest rate risk

The Group's debt is provided on a floating interest rate basis. The Group uses interest rate swaps to fix the rates paid on a portion of its debt in order to mitigate against the risks of increasing interest rates. These swaps are re-measured to fair value at each period end. The valuations are indicative values based on mid-market levels as at the close of business on the balance sheet date.

The Group has in place interest rate swaps with a nominal value of £20m (year ended 31 December 2014: £20m) to convert the floating interest rate charge to a fixed rate interest charge maturing in April 2018.

Subsequent to year end the Group implemented the following interest rate swaps:

- Euro interest rate swap: Nominal value EUR 18m, start date of 31 March 2016 amortising to maturity in November 2020.
- Sterling interest rate swap: Nominal value of £16m, start date of 11 April 2018 amortising to maturity in November 2020.

21. Financial instruments continued

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

	Fixed £000s	Floating £000s	Total £000s
At 31 December 2015			
Bank loans – Sterling denominated	-	38,359	38,359
Bank loans – Euro denominated	-	13,235	13,235
Bank loans – US Dollar denominated	-	24,324	24,324
Interest rate hedges – Sterling denominated	20,000	(20,000)	-
Sterling subtotal	20,000	55,918	75,918
Working capital facility	-	-	-
Total financial liabilities	20,000	55,918	75,918
Unamortised issue costs	-	(1,174)	(1,174)
Net book value of financial liabilities	20,000	54,744	74,744

At 31 December 2014			
Bank loans – Sterling denominated	-	22,500	22,500
Interest rate hedges – Sterling denominated	20,000	(20,000)	-
Sterling subtotal	20,000	2,500	22,500
Working capital facility	-	414	414
Total financial liabilities	20,000	2,914	22,914
Unamortised issue costs	-	(370)	(370)
Net book value of financial liabilities	20,000	2,544	22,544

	Fixed rate financial liabilities	
	Weighted average fixed rate %	Weighted average period for which rate is fixed
At 31 December 2015		
Sterling	2.94	2.27 years
At 31 December 2014		
Sterling	3.19	3.27 years

The Sterling floating rate borrowings bear interest at a rate based on LIBOR. The Euro floating rate borrowings bear interest at a rate based on EURIBOR. The US Dollar floating rate borrowings bear interest at a benchmark rate (US Dollar LIBOR).

A 0.5% increase in LIBOR would reduce pre-tax profits by approximately £213,000 in 2016. A 0.5% decrease would have the opposite effect.

Notes to the Financial Statements continued

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21. Financial instruments continued

Currency risk

Approximately 30% of the Group's sales are invoiced in Euros. The Group also has a level of Euro expense that naturally nets off a high portion of the Euro sales. Approximately 10% of the Group's sales are invoiced in US Dollar, a portion of which will be used to service the US Dollar denominated debt. The majority of other Group sales, and all but a small proportion of other Group expenses, are denominated in Sterling.

A 5% weakening of Sterling against the Euro would result in a £47,000 decrease in predicted pre-tax profits, while a 5% strengthening of Sterling would have the approximate opposite effect. A 5% weakening of Sterling against the US Dollar would result in a £439,000 increase in predicted pre-tax profits, while a 5% strengthening of Sterling would have the approximate opposite effect.

Net investment hedges

The Group uses currency denominated borrowings to hedge the exposure of a portion of its net investment in overseas operations against changes in value due to changes in foreign exchange rates. The net investment hedge was tested for effectiveness during the year and found to be highly effective. The ineffective element is immaterial. At 31 December 2015 the fair value of the hedge was US Dollar 36.0m (£24.3m).

Fair value measurement

Effective from 1 January 2013, the Group adopted the amendments to IFRS13 for financial instruments that are measured in the Group balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Lloyds Bank perform valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-base information. Valuation processes and fair value changes are discussed among the Audit Committee and the finance team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Interest rate swaps (Level 2)

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

The following table presents the Group's financial liabilities that are measured at fair value at 31 December 2015:

Liabilities	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Derivative financial instruments:				
Interest rate swaps	-	120	-	120
	-	120	-	120

21. Financial instruments continued

The following table presents the Group's financial liabilities that are measured at fair value at 31 December 2014:

Liabilities	Level 1 €000s	Level 2 €000s	Level 3 €000s	Total €000s
Derivative financial instruments:				
Interest rate swaps	-	129	-	129
	-	129	-	129

The maturity profile of the Group's bank loans (capital only) at the year end is as follows:

	At 31 December 2015 €000s	At 31 December 2014 €000s
Due within:		
One year	16,000	3,000
More than one year, not more than two years	8,000	3,000
More than two years, not more than three years	8,000	3,000
More than three years	43,918	13,500
	75,918	22,500

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

	31 December 2015				Total €000s
	In one year, or less €000s	In more than one year, but not more than two €000s	In more than two years, but not more than five €000s	In more than five years €000s	
Trade and other payables	13,873	1,496	-	-	15,369
Working capital facility	31	-	-	-	31
Bank loans	17,946	9,658	55,310	-	82,914
	31,850	11,154	55,310	-	98,314

	31 December 2014				Total €000s
	In one year, or less €000s	In more than one year, but not more than two €000s	In more than two years, but not more than five €000s	In more than five years €000s	
Trade and other payables	6,920	-	-	-	6,920
Working capital facility	414	-	-	-	414
Bank loans	3,642	3,548	16,950	-	24,140
Onerous contracts	227	-	-	-	227
	11,203	3,548	16,950	-	31,701

Notes to the Financial Statements continued

for year ended 31 December 2015

21. Financial instruments continued

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

	31 December 2015		31 December 2014	
	Trade payables and other £000s	Bank borrowings and other loans £000s	Trade payables and other £000s	Bank borrowings and other loans £000s
In one year, or less	571	31	183	-
	571	31	183	-

The Group had £25.0m (31 December 2014: £23.8m) undrawn committed borrowing facilities available and £4.5m of undrawn uncommitted facility available at 31 December 2015.

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

	Loans and receivables £000s	Non-financial assets £000s	Total £000s
As at 31 December 2015			
Financial assets			
Cash and cash equivalents	3,229	-	3,229
Trade and other receivables	10,705	925	11,630
Other non-current assets	122	-	122
	14,056	925	14,981

	Held for trading £000s	Other financial liabilities £000s	Liabilities not within scope of IAS39 £000s	Total £000s
As at 31 December 2015				
Financial liabilities				
Working capital facility	-	31	-	31
Long term financial liabilities (exc. issue costs)	-	59,918	-	59,918
Financial liabilities (exc. issue costs)	-	16,000	-	16,000
Trade and other payables	-	12,968	905	13,873
Other liabilities	-	1,496	-	1,496
Corporation tax	-	-	2,075	2,075
	-	90,413	2,980	93,393

	Loans and receivables £000s	Non-financial assets £000s	Total £000s
As at 31 December 2014			
Financial assets			
Cash and cash equivalents	1,434	-	1,434
Trade and other receivables	7,869	453	8,322
	9,303	453	9,756

21. Financial instruments continued

	Held for trading €000s	Other financial liabilities €000s	Liabilities not within scope of IAS39 €000s	Total €000s
As at 31 December 2014				
Financial liabilities				
Working capital facility	-	414	-	414
Long term financial liabilities (exc. issue costs)	-	19,500	-	19,500
Financial liabilities (exc. issue costs)	-	3,000	-	3,000
Trade and other payables	-	5,951	969	6,920
Corporation tax	-	-	959	959
Onerous contracts – current	-	-	227	227
	-	28,865	2,155	31,020

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

	Loans and receivables €000s	Non-financial assets €000s	Total €000s
As at 31 December 2015			
Financial assets			
Trade and other receivables	-	26	26
	-	26	26

	Other financial liabilities €000s	Liabilities not within scope of IAS39 €000s	Total €000s
As at 31 December 2015			
Financial liabilities			
Working capital facility	30	-	30
Trade and other payables	-	571	571
	30	571	601

	Loans and receivables €000s	Non-financial assets €000s	Total €000s
As at 31 December 2014			
Financial assets			
Cash and cash equivalents	12	-	12
Trade and other receivables	-	25	25
	12	25	37

	Other financial liabilities €000s	Liabilities not within scope of IAS39 €000s	Total €000s
As at 31 December 2014			
Financial liabilities			
Trade and other payables	1	182	183
	1	182	183

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21. Financial instruments continued

Contingent consideration (Level 3)

The fair value of contingent consideration related to the acquisition of MacuVision Europe Limited (see note 35) is estimated using a present value technique. The £3,674,000 fair value is calculated using the discount rate adjustment technique, taking the most likely cash flows and discounting at a risk adjusted rate of 10% (see note 11).

An increase of 5% in estimated cash flows would result in an increase to the fair value of £250,000. A decrease would have the opposite effect.

Level 3 fair value measurements:

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Note	31 December 2015 Liabilities £000s	31 December 2014 Liabilities £000s
Balance at 1 January 2015		-	-
Acquired through business combination	35	3,197	-
Amount recognised in profit or loss under finance costs		477	-
Balance at 31 December 2015		3,674	-

22. Derivative financial instruments

	31 December 2015 Liabilities £000s	31 December 2014 Liabilities £000s
The Group		
Interest rate swap – cash flow hedge	120	129
Non-current portion	120	129

The cash flow hedges were tested for effectiveness during the year and were found to be highly effective. The ineffective element was immaterial. The hedge and interest on the bank debt are settled on a quarterly basis on the same date and measured against the same benchmark, namely 3 month Sterling LIBOR. The amount recognised through the income statement in respect of interest rate swaps during the year was a charge of £133,000 (year ended 31 December 2014: £140,000).

23. Deferred tax provision

	31 December 2015 £000s	31 December 2014 £000s
The Group		
Accelerated capital allowances on tangible assets	(51)	6
Temporary differences trading	7	-
Accelerated allowances on intangible assets	(4,726)	(4,699)
Initial recognition of intangible assets from business combination	(32,636)	(1,610)
Interest rate hedge	21	26
Share based payments	390	162
	(36,995)	(6,115)
Deferred tax asset	418	194
Deferred tax provision	(37,413)	(6,309)

23. Deferred tax provision continued

Reconciliation of deferred tax movements:

	31 December 2014 £000s	Recognised in other comprehensive income £000s	Recognised in the income statement £000s	Recognised on business combination £000s	31 December 2015 £000s
The Group					
Non-current assets					
Intangible assets	(4,699)	-	(27)	-	(4,726)
Initial recognition of intangible from business combination	(1,610)	-	162	(31,188)	(32,636)
Property, plant and equipment	6	-	(57)	-	(51)
Non-current liabilities					
Derivative financial instruments	26	(5)	-	-	21
Equity					
Share option reserve	162	-	228	-	390
Temporary differences					
Trading	-	-	7	-	7
	(6,115)	(5)	313	(31,188)	(36,995)
Recognised as:					
Deferred tax asset	194				418
Deferred tax liability	(6,309)				(37,413)

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes were substantively enacted at the balance sheet date the effects are included in these financial statements (2014: 20%).

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016, reducing the main rate to 17% from 1 April 2020. As the change was not substantively enacted at the balance sheet date the effect is not included in these financial statements. The overall effect of this change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £1,083,168 and decrease the tax expense for the period by £403,168. £680,000 of the movement relates to deferred tax recognised on business combination and would have no impact to the tax expense.

	1 January 2014 £000s	Recognised in other comprehensive income £000s	Recognised in the income statement £000s	Recognised on business combination £000s	31 December 2014 £000s
The Group					
Non-current assets					
Intangible assets	(4,493)	-	(206)	-	(4,699)
Initial recognition of intangible from business combination	(1,690)	-	80	-	(1,610)
Property, plant and equipment	(18)	-	24	-	6
Non-current liabilities					
Derivative financial instruments	(93)	119	-	-	26
Equity					
Share option reserve	-	-	162	-	162
	(6,294)	119	60	-	(6,115)
Recognised as:					
Deferred tax asset	-				194
Deferred tax liability	(6,294)				(6,309)

Notes to the Financial Statements continued

for year ended 31 December 2015

24. Provisions for other liabilities

	31 December 2015 £000s	31 December 2014 £000s
The Group		
At start of year	227	389
Amount utilised in year	(227)	(180)
Unwinding of discount	-	18
At year end	-	227

Leases and associated costs for offices in Newcastle, acquired as part of the Cambridge Laboratories acquisition, had subsequently been treated as onerous contracts. As at 31 December 2015 an amount of £nil (year ended 31 December 2014: £227,000) discounted at a rate of 10%, representing payments due until the end of each contract, has been recognised. The Newcastle property lease ran until 2015 and has now ended.

25. Share capital

	Allotted, called and fully paid No. of shares	Allotted, called and fully paid £000s
At 1 January 2014 - ordinary shares of 1p each	264,080,873	2,641
Issued during the year	67,492	-
At 31 December 2014 - ordinary shares of 1p each	264,148,365	2,641
Issued during the year	204,030,792	2,041
At 31 December 2015 - ordinary shares of 1p each	468,179,157	4,682

Between 1 January 2015 and 31 December 2015, 372,245 shares were issued on the exercise of employee share options (2014: 67,492).

Potential issues of ordinary shares

Under the Group's share option scheme for employees and Directors, options have been granted to subscribe for shares in the Company at prices ranging from 7.75p to 46.75p. Options are exercisable three years after date of grant, but in certain instances this can be extended to five years. Options outstanding are as follows:

Year of grant	Exercise price pence	Exercise from	31 December 2015 Number	31 December 2014 Number
2005	19.00	2008	-	9,000
2006	18.75	2009	27,250	27,250
2007	9.25	2010	19,250	19,250
2008	8.5	2011	629,750	629,750
2009	7.75	2012	679,760	694,060
2010	33.25 and 34.25	2013	2,168,125	2,318,325
2011	34.12 and 31.00	2014	3,696,831	3,860,081
2012	29.25	2015	2,861,251	3,063,514
2013	37.25 and 35.75	2016	4,812,138	5,033,176
2013	35.75	2018	3,300,000	3,700,000
2014	33.75	2017	2,408,268	2,699,056
2015	43.75 and 46.75	2018	5,840,271	-
			26,442,894	22,053,462

25. Share capital continued

Managing Capital

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

The capital structure of the Group consists of net bank debt and Shareholders' equity. At 31 December 2015, net bank debt was £71.5 million, whilst Shareholders' equity was £162.4 million.

The business is profitable and cash generative. The main financial covenants applying to bank debt are that leverage (the ratio of net bank debt to EBITDA) should not exceed 3.25 times, interest cover (the ratio of EBITDA to finance charges) should be no less than 4.0 times, and operating cash flows must exceed debt service cash flows. The Group comfortably complied with these covenants in 2015 and 2014.

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

26. Share-based payments

Under the Group's share option scheme for employees and Directors, options to subscribe for shares in the Parent Company are granted normally once each year. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years from date of grant. Generally, options granted become exercisable on the third anniversary of the date of grant, but in certain instances this can be extended to five years. Exercise of an option is normally subject to continued employment. All share-based employee remuneration is settled in equity. Options are valued using the Black-Scholes option-pricing model. There are generally no performance conditions attached to the options, but 4m of the options granted on 23 October 2013 are subject to performance criteria and have the extension to five years before they can be exercised. The assumptions used in the calculation are as follows:

Grant date	Share price at issue	Exercise price	Number of options granted	Number of options remaining at 31 December 2015	Expected volatility	Risk free rate
04/05/06	18.75p	18.75p	901,190	27,250	14.9%	4.30%
02/05/07	9.25p	9.25p	1,402,425	19,250	20.4%	4.62%
23/04/08	8.50p	8.50p	5,419,950	629,750	18.6%	4.90%
14/04/09	7.75p	7.75p	2,307,860	679,760	25.5%	4.08%
26/03/10	33.25p	33.25p	1,300,000	1,300,000	43.5%	3.90%
29/04/10	34.25p	34.25p	1,502,778	868,125	45.7%	3.90%
28/04/11	34.12p	34.12p	3,981,916	3,396,831	43.9%	4.10%
21/09/11	31.00p	31.00p	300,000	300,000	53.2%	4.10%
19/10/12	29.25p	29.25p	3,494,826	2,861,251	49.7%	1.70%
06/06/13	37.25p	37.25p	3,370,703	2,912,138	49.8%	2.40%
23/10/13	35.75p	35.75p	5,900,000	5,200,000	49.5%	2.60%
11/04/14	33.75p	33.75p	2,726,556	2,408,268	49.0%	2.70%
27/05/15	43.75p	43.75p	3,840,271	3,840,271	47.6%	2.00%
04/12/15	46.75p	46.75p	2,000,000	2,000,000	45.3%	2.00%

In each case, it is assumed the majority of options will be exercised at the earliest opportunity and that on average they are exercised after four years. The expected volatility is based on historical volatility from 23 December 2003. The risk free rate of return is based on UK government bonds of a term consistent with the assumed option life.

Notes to the Financial Statements continued

for year ended 31 December 2015

26. Share based payments continued

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

	Number	2015 Weighted average exercise price Pence	Number	2014 Weighted average exercise price Pence
Outstanding at start of year	22,053,462	32.56	20,428,286	32.43
Granted	5,840,271	44.78	2,726,556	33.75
Exercised	(372,245)	32.58	(67,492)	13.69
Forfeited	(1,078,594)	34.98	(1,033,888)	34.36
Outstanding at end of year	26,442,894	35.18	22,053,462	32.56
Exercisable at end of year	10,082,217	35.18	7,557,716	29.17

Share options were exercised throughout the financial year. Share options were exercised between 7.75 and 37.25 pence per share.

27. Cash generated from operations

	Group		Company	
	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Result for the period before tax	15,182	10,157	1,571	1,237
Interest payable and similar charges	1,971	1,098	-	-
Interest income	(139)	(48)	(2,097)	(1,757)
Other finance costs	(52)	(28)	-	-
Depreciation of property, plant and equipment	239	307	-	-
Amortisation/impairment of intangibles	199	1,110	-	-
Change in inventories	(6,996)	(446)	-	-
Change in investments	(194)	(312)	-	-
Change in trade and other receivables	(3,308)	2,823	(1)	25
Change in trade and other payables	2,319	(1,781)	388	(26)
Share based employee remuneration	615	571	615	571
Cash generated from operations	9,836	13,451	476	50

28. Capital commitments

Neither the Group nor Company had any capital commitments at 31 December 2015 or at 31 December 2014.

29. Contingent liabilities

Neither the Group nor Company had any contingent liabilities at 31 December 2015 or at 31 December 2014.

30. Pensions

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

	31 December 2015 £000s	31 December 2014 £000s
The Group		
Contributions payable by the group for the year	362	327

The Group also operates a stakeholder pension plan which is available to all employees.

31. Leasing commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2015 Land and buildings £000s	31 December 2014 Land and buildings £000s
No later than one year	148	327
Later than one year and no later than five years	415	389
Later than five years	-	123
	563	839

32. Related party transactions

During the year the Company received funds of £300,000 (year ended 31 December 2014: £270,000) from its subsidiary Alliance Pharmaceuticals Limited. Net payments of £54,000 (year ended 31 December 2014: £91,000) were made by Alliance Pharmaceuticals Limited on behalf of Alliance Pharma plc. VAT amounts reclaimed on behalf of Alliance Pharma plc by Alliance Pharmaceuticals Limited were £69,000 (year ended 31 December 2014: £nil). During the year the Company re-invested £64,010,000 (year ended 31 December 2014: £2,850,000) in Alliance Pharmaceuticals Limited. Interest of £2,064,000 (year ended 31 December 2014: £1,757,000) was charged to Alliance Pharmaceuticals Limited on the total outstanding debt. During the year an amount of £615,000 (year end 31 December 2014: £571,000) was charged to Alliance Pharmaceuticals Limited by the Company for the employee share-based payment. The amount owed by Alliance Pharmaceuticals Limited at the year-end is £113,962,000 (31 December 2014: £47,557,000). During the year the Company re-invested £20,194,000 (year ended 31 December 2014: £nil) in Alliance Pharmaceuticals SAS. Interest of £33,000 (year ended 31 December 2014: £nil) was charged to Alliance Pharmaceuticals SAS on the total outstanding debt. The amount owed by Alliance Pharmaceuticals SAS at the year-end is £20,228,000 (31 December 2014: £nil).

Dividends declared by Alliance Pharmaceuticals Limited due to the Company are £5,700,000 for the year ended 31 December 2015 (for the year ended 31 December 2014: £5,400,000). During the year dividends of £5,700,000 were paid by Alliance Pharmaceuticals Limited to the Company.

During the year the Group made payments on behalf of Unigreg of £719,000 (year ended 31 December 2014: £374,000). Interest receivable from Unigreg was £48,000 (year ended 31 December 2014: £48,000).

Notes to the Financial Statements continued

for year ended 31 December 2015

33. Joint Ventures

Name	Principal Activity	Country of Incorporation	% Owned
Unigreg Limited	Distribution of pharmaceutical products to China	British Virgin Islands	60
Synthasia International Company Ltd	Distribution of infant milk formula products in China	Hong Kong	20

In accordance with IFRS 11 Joint Arrangements the Group has determined that Unigreg Limited and Synthasia International Company Limited are Joint Ventures. A Joint Venturer shall recognise its interest in a Joint Venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

Movement in investments in Joint Ventures in the year:

	£000s
At 1 January 2015	1,271
Share of post-tax profits of Joint Ventures	194
At 31 December 2015	1,465

The carrying value of Joint Ventures is split as follows:

	31 December 2015 £000s	31 December 2014 £000s
Unigreg Limited	1,003	791
Synthasia International Company Limited	462	480
Total	1,465	1,271

Amounts owing from Joint Ventures are as follows:

	31 December 2015 £000s	31 December 2014 £000s
Unigreg Limited	1,462	1,462
Total	1,462	1,462

The Group's principal Joint Venture is Unigreg Limited.

The share of the assets, liabilities, revenue and profits of the Group's principal Joint Venture, Unigreg Limited, which are included in the Group's financial statements, are as follows:

	31 December 2015 £000s	31 December 2014 £000s
Intangible fixed assets	1,950	1,950
Current assets	836	397
Current liabilities	(321)	(94)
Non-current liabilities	(1,462)	(1,462)
Net assets	1,003	791

33. Joint Ventures continued

	Year ended 31 December 2015 £000s	Year ended 31 December 2014 £000s
Income	914	1,622
Cost of sales	(517)	(875)
Administration and marketing expenses	(116)	(369)
Finance charges	(69)	(48)
Profit on ordinary activities before taxation	212	330

Unigreg Ltd, has applied to China's State Food and Drug Administration ('SFDA') to vary the licence for importing Forceval into China. There is uncertainty about whether or when this variation will be approved. There is a risk that for a period of time Unigreg will be unable to import further product into China. There are a number of measures to mitigate this risk. The Board's view is that these mitigation measures are likely to be sufficient to ensure the continuation of the business in the long term, and that the intangible asset relating to Forceval in China is unlikely to be impaired. The carrying value of the related intangible asset is £1.95m.

The share of losses of the Group's individually immaterial Joint Ventures which are included in the Group's financial statements, are as follows:

	31 December 2015 £000s	31 December 2014 £000s
Loss from continuing operations	(18)	(11)
Other comprehensive loss	-	(8)
Total comprehensive loss	(18)	(19)

34. Ultimate controlling party

There is no single ultimate controlling party.

Notes to the Financial Statements continued

for year ended 31 December 2015

35. Acquisitions

1) MacuVision Europe Limited

On 2 February 2015, the Group acquired 100% of the share capital of MacuVision Europe Limited ('MacuVision'). Included in the acquisition was MacuShield, an eye care treatment designed to be taken by sufferers of dry age-related macular degeneration and other eye conditions.

The total consideration for the acquisition was between £6.0m and £12.0m. The consideration for the acquisition comprised a base consideration of £6.0m with an initial payment of £5.5m on 2 February 2015, and a further cash payment of £0.5m in April 2015 in respect of the net asset value of MacuVision.

Further contingent consideration of up to £6.0m is dependent on the sales of MacuShield during the two 12 month earnings periods following acquisition, and is payable in April 2016 and April 2017.

The fair values of the assets acquired, as at 2 February 2015, are as follows:

	Book value of assets and liabilities acquired £000s	Fair value adjustments £000s	Fair value of assets and liabilities acquired £000s
Intangible fixed assets	27	8,737	8,764
Property, plant and equipment	27	(17)	10
Current assets (excluding cash and cash equivalents)	1,683	-	1,683
Cash and cash equivalents	78	-	78
Current liabilities	(1,260)	-	(1,260)
Non-current liabilities	(31)	-	(31)
Net assets	524	8,720	9,244
Deferred tax liability	-	(1,748)	(1,748)
Goodwill	-	1,748	1,748
Fair value of net assets acquired	524	8,720	9,244
Cash paid			6,047
Cash payable (being £3,563,000 measured at fair value)			3,197
Total consideration			9,244

The goodwill that arose on acquisition reflects the opportunity to grow by exploiting new routes to market via the Alliance distribution network and sales force. None of the goodwill recognised is expected to be deductible for income tax purposes.

All expenses incurred in the acquisition of MacuVision of £169,000 were recognised within Administration and Marketing expenses.

The amounts included in the consolidated statement of comprehensive income since 2 February 2015 included revenue of £3.5m and gross profits of £2.2m. Had the transaction occurred on the first day of the financial year, then estimated contribution to Group revenues would have been £3.9m and gross profits of £2.4m.

As at 31 December 2015 the fair value of the contingent consideration was £3.7m compared to an unwound amount of £3.5m, resulting in a fair value charge to the P&L of £0.2m. This was as a result of forecast sales for the second earnings period exceeding the original estimate at the time of acquisition.

35. Acquisitions continued

2) Healthcare Products Business from Sinclair IS Pharma plc

On 17 December 2015 the Company completed the acquisition of certain assets and businesses from Sinclair IS Pharma plc. The acquisition included 27 products including four key growth brands (Kelo-cote, Flammacerium, Aloclair, and Atopiclair).

The acquisition is effected as the purchase of the collection of companies and the acquisition of the product Aloclair not owned by those companies and their related businesses. The acquisition delivers Alliance a product portfolio operating in fast growing markets underpinned by geographic expansion and new product introductions. Additionally, the Healthcare Products Business ('HPB') offers Alliance the opportunity to internationalise and transform Alliance into a global leader in specialty pharmaceuticals. Similar to the product mix of Alliance's existing products, the product mix of the HPB is a mix of established products and growth products and follows a buy and build investment strategy.

The Group acquired 100% of the share capital of Advanced Bio-Technologies Inc. (incorporated in Florida, USA), Sinclair Pharma S.r.l. (incorporated in Italy), Sinclair Pharma France SAS (incorporated in France) and Maelor Laboratories Limited (incorporated in England and Wales).

The total consideration for the acquisition was £127.5m, plus £5.3m for inventory. Total consideration of £131.0m was satisfied on completion, being £126.3m plus the estimated stock value of £4.7m. A further £1.2m was paid in January 2016 and the remaining £0.6m is payable on determination of the final stock value. These amounts were satisfied wholly in cash, funded partly by way of new loans, and partly by the issue and allotment of additional shares.

The provisional fair values of the assets acquired, as at 17 December 2015, are as follows:

	Book value of assets and liabilities acquired £000s	Fair value adjustments £000s	Fair value of assets and liabilities acquired £000s
Intangible fixed assets	7,416	128,384	135,800
Property, plant and equipment	209	-	209
Other non-current assets	255	(133)	122
Current assets (excluding cash and cash equivalents)	5,659	(404)	5,255
Cash and cash equivalents	-	-	-
Current liabilities	(53)	53	-
Non-current liabilities	(109)	-	(109)
Net assets	13,377	127,900	141,277
Deferred tax liability	-	(29,200)	(29,200)
Goodwill	-	20,694	20,694
Fair value of net assets acquired	13,377	119,394	132,771
Cash paid			131,000
Cash payable			1,771
Total consideration			132,771

The fair values set out above are provisional figures which will be finalised in the 2016 financial statements following management's final review of key reconciliations and judgemental areas including intangible fixed assets and acquired inventory balances.

The fair value of intangible assets recognised on business combination comprise the following product related intangibles: Aloclair, Atopiclair, Flamma franchise, Kelo-cote, Kelo-stretch, Other Dermatology Products and Other Specialist Hospital Products.

The goodwill that arose on acquisition reflects the opportunity to grow through the international expansion of the combined business. None of the goodwill recognised is expected to be deductible for income tax purposes.

All expenses incurred in the acquisition of the Healthcare business from Sinclair of £1.8m were recognised as non-underlying costs within Administration and Marketing expenses.

The amounts included in the consolidated statement of comprehensive income since 17 December 2015 included revenue of £0.8m and gross profits of £0.5m. Had the transaction occurred on the first day of the financial year, then estimated contribution to Group revenues would have been £39.4m and gross profits of £23.3m.

Supplementary Information

Shareholder Information

Shareholder enquiries

The Company's share register is maintained on our behalf by Capita Asset Services, who are responsible for updating the register, including details of changes to shareholders' addresses and purchases and sales of the Company's shares. If you have any questions about your shareholding in the Company or need to notify any changes to your personal details you should write to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or telephone 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 9:00am to 5:30pm Monday to Friday).

Financial Calendar

Annual General Meeting	25 May 2016
Final dividend record date	17 June 2016
Payment of final dividend	13 July 2016
Interim results announcement	September 2016
Year End	31 December 2016
Preliminary announcement	March 2017

Shareholder Analysis

Below is an analysis of the share register by size of holding as at 1 March 2016:

Size of shareholding	Proportion of shareholders	Number of shares held	Proportion of shares
1-5,000	27%	453,450	0.10%
5,001-10,000	16%	890,615	0.19%
10,001-50,000	34%	5,388,392	1.15%
50,001-100,000	7%	3,468,083	0.74%
100,001-500,000	7%	12,513,115	2.67%
500,001-1,000,000	2%	14,294,400	3.05%
1,000,001-5,000,000	4%	78,884,509	16.85%
5,000,001-10,000,000	1%	37,617,487	8.03%
10,000,001-50,000,000	2%	314,794,214	67.22%
	100%	468,304,265	100%

As at 1 March 2016 the Company has 736 registered shareholders.

Five Year Summary

	Year ended 31 December 2011* £m	Year ended 31 December 2012* £m	Year ended 31 December 2013* £m	Year ended 31 December 2014 £m	Year ended 31 December 2015 £m
Revenue	44.1	42.4	45.3	43.5	48.3
Operating profit before exceptional items	12.3	12.3	13.3	11.8	10.6
Exceptional operating items	-	-	-	0.6	(6.3)
Operating profit after exceptional items	12.3	12.3	13.3	11.2	17.0
Profit before tax before exceptional items	10.7	10.8	12.0	10.8	8.9
Profit before tax after exceptional items	10.7	10.8	12.0	10.2	15.2
Intangible assets	64.2	77.9	87.1	88.9	259.9
Tangible assets	0.8	0.6	0.6	0.4	1.0
Current assets	14.6	19.5	16.8	15.7	27.8
Current liabilities	13.6	21.9	14.9	11.4	31.8
Equity	44.1	51.8	64.7	70.8	162.4
Average shares in issue (millions)	238.6	240.9	250.8	264.1	272.7
Shares in issue at period end (millions)	240.1	243.0	264.1	264.1	468.2
Earnings per share - basic (p)	3.62	3.61	3.82	3.17	4.65
Earnings per share - adjusted basic (p)	3.62	3.61	3.82	3.36	3.69

*Restated for impact of IFRS 11

Advisors

AUDITOR

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

BANKERS

Lloyds Bank Corporate Markets
The Atrium
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Royal Bank of Scotland
3rd Floor
3 Temple Back East
Bristol
BS1 6DZ

Silicon Valley Bank
Alphabeta
14-18 Finsbury Square
London
EC2A 1BR

CORPORATE ADVISOR

Numis Securities Ltd
10 Paternoster Square
London
EC4M 7LT

FINANCIAL PR

Buchanan Communications
107 Cheapside
London
EC2V 6DN

REGISTRAR

Capita Asset Services
PXS 1
34 Beckenham Road
Beckenham
Kent
BR3 4ZF

REGISTERED OFFICE

Avonbridge House
Bath Road
Chippenham
Wiltshire
SN15 2BB

COMPANY NUMBER

04241478

Cautionary statement regarding forward-looking statements

This Annual Report has been prepared for the members of the Company and no one else. The Company, its Directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing Alliance. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

The Report of the Directors in this Annual Report has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

In particular, Directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

TRADEMARKS

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Breathing life into medicines

Alliance Pharma plc
Avonbridge House
Bath Road
Chippenham
Wiltshire
SN15 2BB
United Kingdom

T: +44 (0)1249 466966
F: +44 (0)1249 466977
E: ir@alliancepharma.co.uk

www.alliancepharma.co.uk