



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

Preliminary results for the year ended 31 December 2009

Alliance Pharma plc (AIM: APH), the speciality pharmaceutical company, is pleased to announce its preliminary results for the year ended 31 December 2009.

Financial Highlights

- Sales up 44% to £31.2m (2008: £21.8m)
- Operating profit* up 77% to £11.3m (2008: £6.4m)
- Pre-tax profit* three-fold increase to £8.6m (2008: £2.4m)
- Adjusted basic EPS three-fold increase to 3.55p (2007: 1.17p)
- Cash generated from operations doubled to £10.6m (2008: £5.2m)
- Dividends commenced
 - Final dividend proposed of 0.23p per share
 - Full year dividend 0.30p per share

* before exceptional items

Operational Highlights

- Acquisition of Buccastem[®] and Timodine[®] in August 2009
- Acquisition of 18 products from Cambridge Laboratories in February 2010
- Four-fold increase in sales from Deltacortril[®] to £8.5m (2008: £2.1m) on improved production volumes
- Sales of Nu-Seals[®] up 24% to £5.8m (2008: £4.7m)
- Dermatology like for like sales growth of 18% to £5.1m (2008: £4.3m)

Commenting on the results, Michael Gatenby, Alliance's Chairman, said: "2009 was a landmark year for Alliance, with major increases in turnover, profitability and cash generation, and the commencement of dividend payments. We look forward to more strong results in 2010, particularly following the Cambridge Laboratories acquisition last month."

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Business Review

In our interim results statement we said that 2009 promised to be a landmark year for Alliance. That promise was amply fulfilled in the second half – not only because we completed another year of record sales and profits but because we completed our transition to the new business model that we mapped out in 2007.

The development side of the business is now in abeyance; we made no investment of any substance in development last year, and have no further plans to do so. The benefit of concentrating on the trading side is evident in the year's results. And as a trading business we have now reached a critical mass of human, product and financial resources that enables us to invest confidently in adding further established products.

Over the past year we have been taking advantage of our strengthened position to do just that. In August 2009 we acquired two important products from Reckitt Benckiser, Buccastem[®] and Timodine[®], which complement our existing portfolio. And in February 2010 we completed our largest acquisition yet, Cambridge Laboratories, which brought with it 18 additional products and more than £10m a year of additional sales.

Having wound-down work on our development portfolio, we see no purpose in retaining any carrying value for this work on our balance sheet. We have therefore written off the remaining value attributed to Isprelor[®], which has resulted in a non-cash impairment charge of £2.8m against the year's reported profit.

The business is now trading very profitably and generating considerable cash with the result that, despite taking on additional term loans to finance the August 2009 acquisition, we have still finished 2009 with less debt than at the start of the year, and hence our interest burden was reduced.

Financial performance

Sales grew some 44% (41% at constant currency) to £31.2m (2008: £21.8m). The increase was led by Deltacortril[®] / enteric coated prednisolone, regaining market share as we fully restored production levels. Other strong growth came from Nu-Seals[®] in Ireland, benefiting from a combination of volume growth and favourable exchange rate movements, and the dermatology portfolio, benefiting from increased marketing investment. The two new products acquired in August 2009 contributed £1.0m of sales, slightly ahead of our expectations.

Pre-tax profit grew more than threefold to £8.6m, before the £2.8m impairment charge for Isprelor[®]. After this exceptional item, the reported pre-tax profit was £5.7m – still more than double the previous year's figure of £2.4m.

Average gross margin continued to improve, due largely to changes in the sales mix favouring higher-margin products. In recent years the average margin has risen from around 50% to 58%. Operating costs remain well controlled although sales, general and administration (SG&A) costs rose from £4.8m in 2008 to £6.9m in 2009 as we increased our investment in promoting the dermatology portfolio and strengthened some of the central functions to support future growth. Despite this extra investment, pre-exceptional operating profit as a percentage of sales improved from 29% in 2008 to 36% in 2009.

Finance costs fell, with total finance charges down from £3.9m to £2.7m. This was mainly due to falling interest rates and exchange rate factors, as 10% of our debt is denominated in euros. But it also reflected our continuing ability to pay down debt despite a short-term increase in borrowing to help fund the August product acquisitions. Net bank debt fell from £25.2m to £21.7m over the year and the bank debt:EBITDA ratio improved sharply from 4.0 times to 1.9 times.

Dividend

Our decision to begin modest dividend payments at the half-year reflected confidence that the strategy we have been pursuing since 2007 is delivering sustainable performance improvement and that our product portfolio can generate the cash flows required to support debt repayments as well as continued growth and investment. In general we intend to pay around one third of the annual dividend at the interim stage and two thirds as a final dividend, but in light of the company's strong performance in the second half we are recommending a final dividend of 0.23p per share, making a total dividend for the year of 0.30p per share. At this level the dividend is still very well covered at over 10 times adjusted earnings, allowing good scope for future increases. The final dividend will be paid, subject to shareholder approval, on 15 July 2010 to shareholders on the register at 18 June 2010.

Strategy

We are continuing on the path we set in 2007, building a profitable trading business by acquiring and licensing established prescription products. These are generally in niche areas, facing limited competition and requiring little or no promotion to maintain sales.

A small number of our brands, primarily in the dermatology portfolio, do benefit from promotion. In 2007 we cut our marketing investment in these products sharply, while still benefitting in 2008 from the time lag before this cutback began to affect sales. The short-term cost saving was invaluable, but it was important to resume promotional spending in time to maintain sales momentum. Our strong growth in profitability since 2007 has enabled us to do this, and in 2009 we raised spending on dermatology promotion to around its historic level. We also broadened the coverage of this promotion from the core Hydromol[®] brand to the whole dermatology portfolio. This investment was rewarded with 18% sales growth across the portfolio, before the inclusion of Timodine[®], and we believe similar levels of growth are possible over the next few years with the promotional support we can now provide.

The oncology portfolio acquired with Cambridge Laboratories has also benefitted from promotion and grown at an average rate of 18% per annum during the past three years, and we intend to continue with that promotional effort.

The other 15 products acquired from Cambridge Laboratories fit our existing portfolio of established products that do not require promotional support.

The two brands we acquired in August 2009 also complement our existing portfolio. Buccastem[®] is a treatment for nausea and vomiting with a novel delivery system; Timodine[®] is a triple action, anti-inflammatory, antifungal and antibacterial skin cream that we have now integrated into our Dermatology business. We have acquired the worldwide rights and there is scope to grow both brands internationally. Production of Buccastem[®] remains with the existing contract manufacturer, and Reckitt Benckiser agreed to produce Timodine[®] for at least two years while we transfer production to a third-party supplier.

The Buccastem[®] and Timodine[®] acquisition was funded by a combination of debt and an oversubscribed share placing – an encouraging vote of confidence from lender and investors alike. We used the same approach in February 2010 for our Cambridge Laboratories acquisition, where the share placing was again oversubscribed. We were delighted to welcome several new blue-chip institutions to our share register through these two share placings.

Trading

Our sales growth during the year was driven by good performances from both promoted and non-promoted brands.

Sales of Deltacortril[®] / enteric coated prednisolone, used to treat a wide range of inflammatory and auto-immune conditions, increased four-fold to £8.5m (2008: £2.1m) as it recovered market share. We are pleased that it regained its position so quickly once we overcame the production shortfalls that had been constraining sales. However, its capacity for further growth is now likely to be limited; and the potential increase in competition raises the possibility of some market share erosion over the next couple of years.

Nu-Seals[®], our enteric-coated low-dose aspirin, continues to grow well in the Republic of Ireland – supported by an ageing population and growing use of aspirin in those with a previous history of cardio-vascular disease. Volume growth of 11% combined with exchange rate gains to give overall sales value growth of 24% to £5.8m (2008: £4.7m).

The 15 products in our dermatology portfolio – excluding newly acquired Timodine[®] – increased sales by 18% overall to £5.1m (2008: £4.3m), responding to increased promotion. Sales growth for the lead brand, Hydromol[®], had begun to slow in the first half due to the delayed impact of marketing cutbacks in 2007 and 2008, but was stronger in the second half as the increase in promotion took effect. In 2009 we launched a new product, Hydromol[®] Intensive, for more severe dry skin conditions. This kind of range extension will be part of our strategy going forward: the costs and regulatory requirements are limited and the risks are correspondingly low.

Forceval[®] performed well in the UK, with sales up 15% to £2.3m (2008: £2.0m), and continued to grow in China. Pavacol-D[®] also performed well in its first full year with us: we were able to raise the price shortly after acquiring it, without blunting demand, and achieved sales of more than £0.5m.

Pharmaceutical Price Regulation Scheme (PPRS)

The UK's new PPRS, which sets the framework for drug pricing to the National Health Service, came into force at the start of 2009. Its effect on our sales and profitability has been small compared to our growth, as we anticipated in our interim report, and it gives us relative certainty on pricing over the remainder of its five-year duration.

People

Following the wind-down of our development activity, Medical Director Dr Mark Tomlinson left the business in July 2009. We thank him for his contribution to the Company.

During 2009 we strengthened our Sales and Marketing management team. Lesley Jarvis, who was previously with Teva, joined us to head up our Established Products business and Anna Britton joined from Stiefel Laboratories to lead the Dermatology business. In the autumn we welcomed Javier Boza from Sinclair Pharma as our new Head of International Business; he will continue our international work, including finding new markets for our current products.

In February 2010 we were pleased to welcome Peter Butterfield to the Board following the acquisition of Cambridge Laboratories, where he had been the UK Commercial Manager. Peter will head up the reorganised Cambridge Laboratories business within Alliance. In addition to the oncology field sales team from Cambridge Laboratories, we have also retained David Hope, who heads up the Oncology business, and Alyson Laybourne as Product Manager in Established Products. These appointments ensure that we have good continuity of skills and knowledge.

We would like to thank all the former Cambridge Laboratories staff for their help with the integration of the business into Alliance and for the professional approach they adopted during this difficult time for them.

Charitable donations

As mentioned in last year's Annual Report, we are donating £20,000 worth of products a year to International Health Partners, a charity that makes packs of commonly needed drugs for distribution to doctors in the world's neediest areas. In January 2010 we gave an additional £15,000 worth of Deltacortril[®] for relief work in Haiti following the earthquake there.

Outlook

We are pleased to report that the integration of the Cambridge Laboratories business is progressing well, with the transfer of functions to our Chippenham office largely complete.

Sales in the first two months of 2010 have been slightly ahead of our expectations. In the remainder of the year we are well placed to maintain strong growth, particularly driven by the Cambridge Laboratories acquisition, the full year effect of the Buccastem[®] and Timodine[®] acquisition last year, and organic growth from the dermatology portfolio. We remain wary of potentially increased competition for Deltacortril[®], but overall we are confident that Alliance is set for another strong performance this year.

Financial Review

Overall

2009 was another record year for Alliance, with sales advancing for the ninth successive year and pre-tax profits more than doubling. In addition net debt reduced by £3.5m despite taking on around £4m of additional debt to part-fund the Buccastem[®] and Timodine[®] acquisition mid-year.

Turnover

Alliance sales grew by £9.4m or 44% in 2009 to £31.2m (2008: £21.8m). In the past five years, the compound annual average growth rate has been 21%, of which 9% has been organic growth.

Deltacortril[®] was the main driver of growth, with sales quadrupling from £2.1m to £8.5m as production capacity expanded to meet demand. Sales in the second half alone were £5.9m, but this run rate is unlikely to be sustained if the market becomes more competitive.

Nu-Seals[®] sales grew by £1.1m to £5.8m through a combination of underlying volume growth of 11% (despite no promotional spend) and a favourable euro exchange rate.

Combined sales of the dermatology portfolio grew by 18% on a like for like basis to £5.1m (2008: £4.3m). In addition Buccastem[®] and Timodine[®] contributed £1.0m sales in the period from August 2009.

Like-for-like sales of the non-promoted products (excluding Deltacortril[®]) have continued to grow at an average rate of around 3% per annum over the past few years.

Profit and other Key Performance Indicators

The average gross margin improved from 51.2% in 2008 to 58.0% in 2009, mainly as a result of favourable changes in the sales mix.

The improved sales and profitability have enabled us to start increasing the promotional investment behind the dermatology portfolio, and to strengthen the support functions to prepare the business for further growth. As a result, total operating expenses before exceptional items increased from £4.8m in 2008 to £6.9m in 2009.

The operating profit before exceptional items improved 77% to £11.3m (2008: £6.4m).

The Group has previously reported that it is restricting investment in development projects to very modest levels and therefore does not propose to continue with clinical trials of Isprelor[®] without third-party support. No such support has yet been agreed and so with no income currently expected to be generated from the product, the Board has decided to write-off the £2.8m of capitalised development costs in respect of Isprelor[®]. This has been reported as an exceptional, non-cash item.

Financing costs

Net financing costs for 2009 were £2.7m (2008: £3.9m). Interest payable reduced by £0.4m as a result of lower interest rates and lower debt. A strengthening in the euro against sterling during the year led to a £0.1m credit from re-translating euro-denominated debt, compared with a £0.7m charge in 2008.

Taxation

In 2009 most of the profits were relieved against prior year tax losses and allowances on the intangible assets. A small proportion of the profits, mainly the income from the joint venture in China, could not be relieved this way, resulting in corporation tax payable in respect of 2009 of £0.2m (2008: £0.2m).

There was a non-cash deferred tax charge of £1.5m in 2009 mainly as a result of the utilisation of brought forward losses and in respect of the relief obtained on the intangible assets. The latter is 4% per annum of the qualifying amount of intangible assets. The effective tax rate in the Income Statement is 28.4%.

As at 31 December 2009 the Group still had unrelieved tax losses of around £5m gross.

Earnings per share (EPS) and share capital

Adjusted basic EPS for 2009, excluding the impact of the Isprelor[®] write-down, was 3.55p, a three-fold increase on the previous year of 1.17p. Basic EPS, after the Isprelor[®] write-down, was 2.37p, up 53% on the 1.55p for 2008.

During 2009 the number of shares in issue increased from 162.0m to 193.3m, mainly as a result of the placing to part-fund the August 2009 acquisition and in February 2010 a further 28.8m shares were issued in the placing to part-fund the Cambridge Laboratories acquisition. In March 2010 a further 3.3m shares were issued on the conversion of £0.7m nominal of the convertible loan stock. If there were no further changes to the share capital, the weighted average number of shares in issue in 2010 would be approximately 221m.

Cash flow

Cash flow from operations more than doubled from £5.2m to £10.6m, reflecting the substantial improvement in profitability.

The total cost of the Buccastem[®] and Timodine[®] acquisition in August 2009 was £7.7m. This was funded through a mixture of equity and debt. A total of 31.2m shares were placed at 12.5p per share, generating net proceeds of £3.7m. A new £2.0m term loan was also put in place, and the remaining £2.0m of acquisition cost was funded from the working capital facility, the limit of which was increased from £3m to £5m.

Scheduled debt repayments during the year were £2.5m (2008: £1.9m). In addition there was an improvement of £2.9m in the net short term cash position, the working capital facility usage having been eliminated during the year and the Group finishing the year with net positive cash of £0.4m.

Funding and risk management

Overall, net bank debt reduced by £3.5m to £21.7m in December 2009, despite the extra £4.0m used to part-fund the August 2009 acquisition.

Following the year end, in February 2010 the Group completed the Cambridge Laboratories acquisition for consideration of between £14.3m and £16.4m. Again a mixture of debt and equity was used to fund this, and some of the consideration was deferred. £7.5m was raised by placing 28.8m shares at 26p per share and a £4.0m term loan was put in place. The working capital facility was also further increased from £5m to £6m.

Following the Cambridge Laboratories acquisition, the scheduled loan repayments for 2010 total £3.8m, which the Directors believe will be comfortably covered by the level of cash generation.

The Board remains confident that all the bank covenants will continue to be met. With the bank debt:EBITDA ratio sharply improved to 1.9 times at December 2009 from 4.0 times a year earlier, there is substantial headroom against the covenant limit.

At the year end the Group had £7.5m (2008: £7.5m) of convertible loan stock in issue. As noted above, in March 2010 £0.7m of the loan stock converted into shares, leaving £6.8m outstanding. The loan stock pays a fixed 8% coupon and can be converted at any time up to 30 November 2013 at 21p per share.

The Group uses interest rate swaps to reduce the risk arising from changes in interest rates and the Convertible Unsecured Loan Stock is at a fixed coupon. A new 3-year swap was put in place in May 2009 to

lock in the favourable rates. At December 2009 around 74% of the net bank debt was subject to fixed interest rates.

Around 10% of the Group's debt is denominated in euros as a hedge against the currency risk on revenue from the Republic of Ireland and mainland Europe.

Consolidated Income Statement

		Year ended 31 December 2009	Year ended 31 December 2008
	Note	£ 000s	£ 000s
Revenue		31,237	21,757
Cost of sales		(13,127)	(10,612)
Gross profit		18,110	11,145
Operating expenses			
Administration and marketing expense		(6,828)	(4,740)
Share-based employee remuneration		(25)	(36)
		(6,853)	(4,776)
Operating profit before exceptional items			
Exceptional items	5	(2,829)	-
Operating profit		8,428	6,369
Finance costs			
Interest paid	2	(2,834)	(3,245)
Interest income	2	2	21
Other finance costs	2	144	(704)
Change in fair value of derivative financial instruments	2	-	(17)
	2	(2,688)	(3,945)
Profit on ordinary activities before taxation			
Taxation	3	(1,633)	87
Profit for the year attributable to equity shareholders			
		4,107	2,511
Earnings per share			
Basic (pence)	4	2.37	1.55
Diluted (pence)	4	2.14	1.49
Adjusted Basic (pence)	4	3.55	1.17
Adjusted Diluted (pence)	4	3.10	1.17

Consolidated Statement of Comprehensive Income

	Year to 31 December 2009 £ 000s	Year to 31 December 2008 £ 000s
Profit for the period	4,107	2,511
Interest rate swaps – cash flow hedge	30	(835)
Deferred tax on interest rate swap	(8)	387
Other comprehensive income for the period, net of tax	4,129	2,063
Total comprehensive income for the period	4,129	2,063

Consolidated Balance Sheet

		31 December 2009	31 December 2009	31 December 2008	31 December 2008
	Note	£ 000s	£ 000s	£ 000s	£ 000s
Assets					
Non-current assets					
Intangible assets					
- Product licences	6	44,935		37,237	
- Development costs	6	-		2,713	
Property, plant and equipment		132		161	
Deferred tax		-		70	
			45,067		40,181
Current assets					
Inventories		2,972		2,265	
Trade and other receivables	7	7,657		6,382	
Cash and cash equivalents		1,104		4	
			11,733		8,651
Total assets			56,800		48,832
Equity					
Ordinary share capital		1,933		1,621	
Share premium account		14,674		11,275	
Share option reserve		116		91	
Reverse takeover reserve		(329)		(329)	
Other reserve		(972)		(994)	
Retained earnings		1,208		(2,899)	
Total equity			16,630		8,765
Liabilities					
Non-current liabilities					
Long term financial liabilities		19,009		20,487	
Convertible debt		7,333		7,292	
Other liabilities		80		100	
Derivative financial instruments		851		1,012	
Deferred tax liability		1,450		34	
			28,723		28,925
Current liabilities					
Cash and cash equivalents		683		2,451	
Financial liabilities		3,114		2,295	
Corporation tax		77		178	
Trade and other payables	8	7,073		5,849	
Derivative financial instruments		500		369	
			11,447		11,142
Total liabilities			40,170		40,067
Total equity and liabilities			56,800		48,832

Consolidated Statement of Changes in Equity

	Share capital £ 000s	Share premium £ 000s	Shares to be issued £ 000s	Reserves £ 000s	Other Reserve £ 000s	Retained earnings £ 000s	Total equity £ 000s
Balance 1 January 2008	1,621	11,275	55	(329)	(546)	(5,410)	6,666
Employee benefits	-	-	36	-	-	-	36
Transactions with owners	-	-	36	-	-	-	36
Profit for the period	-	-	-	-	-	2,511	2,511
Other comprehensive income							
Interest rate swaps – cash flow hedge	-	-	-	-	(835)	-	(835)
Deferred tax on interest rate swap	-	-	-	-	387	-	387
Total comprehensive income for the period	-	-	-	-	(448)	-	(448)
Balance 31 December 2008	1,621	11,275	91	(329)	(994)	(2,899)	8,765
Balance 1 January 2009	1,621	11,275	91	(329)	(994)	(2,899)	8,765
Issue of shares	312	3,399	-	-	-	-	3,711
Employee benefits	-	-	25	-	-	-	25
Transactions with owners	312	3,399	25	-	-	-	3,736
Profit for the period	-	-	-	-	-	4,107	4,107
Other comprehensive income							
Interest rate swaps – cash flow hedge	-	-	-	-	30	-	30
Deferred tax on interest rate swap	-	-	-	-	(8)	-	(8)
Total comprehensive income for the period	-	-	-	-	22	-	22
Balance 31 December 2009	1,933	14,674	116	(329)	(972)	1,208	16,630

Consolidated Cash Flow Statements

		Year ended 31 December 2009	Year ended 31 December 2008
	Note	£ 000s	£ 000s
Cash flows from operating activities			
Cash generated from operations	9	10,648	5,211
Tax (paid)/refund		(259)	441
Cash flows from operating activities		10,389	5,652
Investing activities			
Interest received		2	21
Payment of deferred consideration		(20)	(420)
Development costs capitalised		(116)	(98)
Purchase of property, plant and equipment		(95)	(38)
Proceeds from sale of intangible asset		-	45
Purchase of other intangible assets		(7,698)	(636)
Net cash used in investing activities		(7,927)	(1,126)
Financing activities			
Interest paid and similar charges		(2,695)	(3,036)
Proceeds from issue of shares		3,711	-
Loan issue costs		(60)	-
Receipt from borrowings		2,000	400
Repayment of borrowings		(2,532)	(1,947)
Net cash received from/(used in) financing activities		424	(4,583)
Net movement in cash and cash equivalents		2,886	(57)
Cash and cash equivalents at the beginning of the period		(2,447)	(2,390)
Exchange losses on cash and cash equivalents		(18)	-
Cash and cash equivalents at the end of the period		421	(2,447)

1. Basis of preparation

The financial information set out in the announcement does not constitute the group's statutory accounts for the years ended 31 December 2009 or 31 December 2008. The financial information for the year ended 31 December 2008 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies as published on the group's website on 23 April 2009. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s.237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2009 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement. They have not yet been delivered to the Registrar of Companies nor have the auditors reported on them.

2. Finance costs

	Year ended 31 December 2009 £ 000s	Year ended 31 December 2008 £ 000s
Interest payable and similar charges		
On loans and overdrafts	(2,695)	(3,088)
Amortised finance issue costs	(139)	(157)
	(2,834)	(3,245)
Interest income	2	21
Other finance charges		
Foreign exchange movement on long-term euro denominated debt	144	(704)
	144	(704)
Change in fair value of derivative financial instruments	-	(17)
Finance costs – net	(2,688)	(3,945)

3. Taxation

Analysis of charge/(credit) in period.

	Year ended 31 December 2009 £ 000s	Year ended 31 December 2008 £ 000s
United Kingdom corporation tax at 28% (2008: 28%)		
In respect of current period	155	178
Adjustment in respect of prior periods	-	(616)
	155	(438)
Deferred tax		
Origination and reversal of temporary differences	1,478	351
Taxation	1,633	(87)

4. Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the 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 2009	Year ended 31 December 2008
For basic EPS calculation	173,177,417	162,061,773
Employee share options	3,021,741	-
Conversion of Convertible Unsecured Loan Stock (CULS)	35,714,286	35,714,286
For diluted EPS calculation	211,913,444	197,776,059

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 2009	Year ended 31 December 2008
	£ 000s	£ 000s
Earnings for basic EPS	4,107	2,511
Exceptional items	2,829	-
Tax effect of exceptional items	(792)	-
Research and development tax credit	-	(616)
For adjusted EPS	6,144	1,895
Earnings for basic EPS	4,107	2,511
Interest saving on conversion of CULS	600	600
Tax effect of interest saving on conversion of CULS	(168)	(168)
Earnings for diluted EPS	4,539	2,943
Earnings for adjusted EPS	6,144	1,895
Interest saving on conversion of CULS	600	600
Tax effect of interest saving on conversion of CULS	(168)	(168)
Earnings for diluted adjusted EPS	6,576	2,327

The resulting EPS measures are:

	Year ended 31 December 2009	Year ended 31 December 2008
	Pence	Pence
Basic EPS	2.37	1.55
Diluted EPS	2.14	1.49
Adjusted basic EPS	3.55	1.17
Adjusted diluted EPS	3.10	1.17

5. Exceptional items

	Year ended 31 December 2009	Year ended 31 December 2008
	£ 000s	£ 000s
Isprelor [®] impairment charge	2,829	-
	2,829	-

The capitalised development costs in respect of Isprelor[®] have been written off as the Group does not intend to pursue pan-European registration without third party funding, and no such funding has yet been agreed. No income is expected to be generated in the foreseeable future.

6. Intangible assets

The Group	Goodwill on consolidation £ 000s	Other £ 000s	Subtotal of product licences £ 000s	Development costs £ 000s	Total £ 000s
Cost					
At 1 January 2009	1,144	36,093	37,237	6,207	43,444
Additions	-	7,698	7,698	116	7,814
At 31 December 2009	1,144	43,791	44,935	6,323	51,258
Amortisation and impairment					
At 1 January 2009	-	-	-	3,494	3,494
Impairment for the year	-	-	-	2,829	2,829
At 31 December 2009	-	-	-	6,323	6,323
Net book amount					
At 31 December 2009	1,144	43,791	44,935	-	44,935
At 1 January 2009	1,144	36,093	37,237	2,713	39,950

The Group	Goodwill on consolidation £ 000s	Other £ 000s	Subtotal of product licences £ 000s	Development costs £ 000s	Total £ 000s
Cost					
At 1 January 2008	1,144	35,457	36,601	6,053	42,654
Additions	-	636	636	154	790
At 31 December 2008	1,144	36,093	37,237	6,207	43,444
Amortisation and impairment					
At 1 January 2008	-	-	-	3,494	3,494
At 31 December 2008	-	-	-	3,494	3,494
Net book amount					
At 31 December 2008	1,144	36,093	37,237	2,713	39,950
At 1 January 2008	1,144	35,457	36,601	2,559	39,160

7. Trade and other receivables

	31 December 2009 £ 000s	31 December 2008 £ 000s
Trade receivables	7,226	5,868
Other receivables	41	258
Prepayments and accrued income	276	186
Amounts owed by joint venture	114	70
	7,657	6,382

8. Trade and other payables - current

	31 December 2009 £ 000s	31 December 2008 £ 000s
Trade payables	1,690	2,553
Other taxes and social security costs	1,180	653
Accruals and deferred income	4,045	2,223
Other payables	158	420
	7,073	5,849

9. Cash generated from operations

	Year ended 31 December 2009	Year ended 31 December 2008
	£ 000s	£ 000s
Result for the period before tax	5,740	2,424
Interest paid	2,695	3,088
Interest income	(2)	(21)
Other finance costs	(5)	861
Change in fair value of derivative financial instruments	-	17
Depreciation of property, plant and equipment	124	131
Change in inventories	(707)	(384)
Profit on disposal of intangible assets	-	(45)
Change in trade and other receivables	(1,275)	(1,768)
Change in trade and other payables	1,224	872
Write-off intangible assets	2,829	-
Share options charges	25	36
Cash flows from operating activities	10,648	5,211

10. Post balance sheet events

On 22 February 2010, the Group completed the purchase of the trade and certain assets of Cambridge Laboratories (Ireland) Limited and Cambridge Laboratories Limited (the "Vendors"). Included in the acquisition are 18 prescription products across a range of therapeutic areas, including:

- ImmuCyst[®], an immunotherapy for non-muscle-invasive bladder cancer;
- gelclair[®], an oral gel for the management of oral mucositis caused by chemotherapy and radiotherapy;
- procarbazine, a treatment of Hodgkin's Lymphoma as part of chemotherapy treatment;
- Xenazine[®], used in the treatment of chorea associated with Huntington's Disease, and other indications; and
- a liquid formulation of Vitamin E, the only one licensed in the UK.

Further details are set out in the business review.

The total consideration for the acquisition was between £14.3m and £16.4m. The consideration for the acquisition comprised a base consideration of £14.3m with an initial payment of £10.2m on 22 February 2010 and three further cash payments of £0.4m in March 2010 and £1.1m each in June and October 2010. The timing of the transfer of one of the products was dependent on a related supply contract being executed. A deferred payment of £1.5m was made on 18 March 2010 following execution of this supply contract.

Further deferred consideration of between £1.6m and £2.1m is contingent on the licence for ImmuCyst[®] being extended beyond 31 March 2012, with the actual amount payable dependent on the sales of ImmuCyst[®] during 2010 and 2011.

The base consideration has been satisfied by the way of a £7.5m vendor placing with the remainder in cash. 28,846,154 new ordinary shares of 1 pence each were placed at a price of 26.0 pence per share. The cash element was funded by an additional £4m term loan and an increase in the existing working capital facility to £6m.

The portfolio of products acquired includes a toxicology product that is purchased by the UK government for a stockpile, which is replaced on a 2-3 year cycle. The Vendors have been awarded the contract, worth £5.6m, for the current stockpile replacement, which is taking place between October 2009 and January 2011, and of which £4.5m remained to be fulfilled at acquisition. In the year ended 31 December 2009 (based on the Vendors' unaudited management accounts for that period), total sales excluding the toxicology product, were £10.6m and the pro forma gross margin was £4.9m.

The provisional fair values of the assets acquired are as follows:

	£m
Intangible assets: Product licences	15.6
Goodwill	0.6
Fair value of net assets acquired	16.2
Cash paid/payable	8.7
Ordinary shares issued	7.5
Total Consideration	16.2

The goodwill reflects Alliance's entry into the oncology market with an established brand name and sales force.