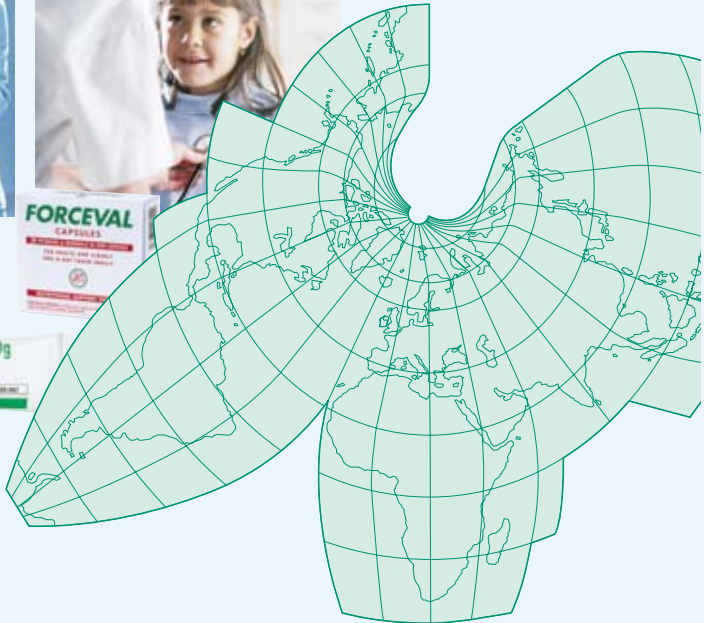


> Alliance Pharma plc
Interim Report
For the six months ended 31 August 2005



Alliance Pharma is an AIM listed, emerging, speciality pharmaceutical company. The Company possesses a broad-based, profitable portfolio of 30 niche prescription brands, which has produced solid growth performance. Of two successful acquisitions in 2004, *Periostat*[®] for periodontitis has especially good growth potential and the Company is seeking to expand its dental portfolio. There are two late stage clinical development projects in progress: *Isprelor*[™], misoprostol for the induction of labour and *Posidorm*[™], melatonin for sleep disorders bringing the prospect of transformational growth.

Contents

01	Progress on all fronts
02	Chairman's Statement
04	Consolidated Interim Income Statement
05	Consolidated Balance Sheet
06	Consolidated Interim Statement of Cash Flows
07	Consolidated Interim Statement of Changes in Equity
08	Notes to the Interim Report
12	Independent Review Report to Alliance Pharma plc
13	Appendix – International Financial Reporting Standards (IFRS)

Progress on all fronts

Financial Highlights

- > Sales up 35.5% to £7.5m
- > Profit after tax, on an IFRS basis, was £385k
- > Gross margin improvement to 53.6%
- > Operating cash flow remains strong at £1.8m
- > Basic earnings per share of 0.26p
- > Financial year changing to 31 December – commencing December 2005

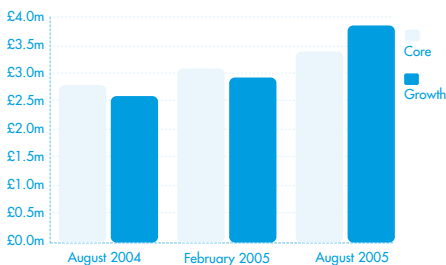
Operational Highlights

- > Phase III clinical trials on *Isprelor*TM (induction of labour)
 - trials expected to complete the middle of 2006
- > Phase III trials on *Posidorm*TM (melatonin for sleeping disorders)
 - on track for introduction in 2007
- > Selective acquisition of reputable prescription brands under discussion

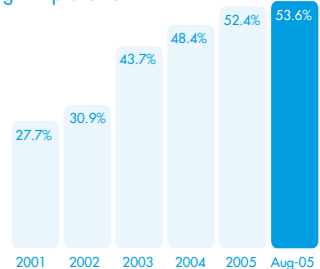
“Our interim results for the six months to August 2005 represent another period of good, on-target, performance from the current business with solid progress also being made on the development projects. Significant progress has also been made in building and strengthening the managerial team... We look forward to the next half year with continued optimism.”

Michael R. B. Gatenby, Chairman

Segmental Analysis – Turnover



Gross Margin Improvement



Chairman's Statement



Our Interim Results for the six months to August 2005 represent another period of good, on-target, performance from the current business with solid progress also being made on the development projects. Significant progress has also been made in building and strengthening the managerial team.

Sales were £7.5m having grown by 35.5%, compared to the same period last year, 5.8% being like-for-like and 29.7% arising from the acquisitions of Periostat and Forceval in November 2004.

Profit after tax, on an IFRS basis, was £385k corresponding to £206k for the same period last year, representing an increase of 86.7%. This was after P&L costs for the pre-marketing activities on the development projects of £301k. Development costs, per se, of £724k were capitalised, bringing the total expenditure on development projects to £1,025k in the period.

IFRS adjustments amounted to (£113k), the most significant of which was (£115k) for the change in the fair value of interest rate swaps which provide us with interest rate stability until 2008. This revaluation is a non-cash item which could move around from period to period.

Excluding the IFRS adjustments, profit after tax was £498k. Looking forward to the full year results, we expect minor phasing differences on expenses, particularly on the development projects, to reduce slightly the pro-rata accumulation of profit compared to the first six months, but nevertheless the full year result is expected to be within the range of market forecasts.

We have taken the decision to change our financial year end to 31 December commencing in December 2005 in order to align ourselves with most companies in our sector. This means that the period to December 2005 will contain 10 months trading. Trading to the end of October was on plan and therefore we expect the result in December to be proportionate to our expectation for the full 12 month period.

Regarding segmental analysis, sales for our Growth Brands grew from £2.9m (at August 2004) to £3.6m and the Growth Brands Result grew from £1.5m to £2.0m. Nu-Seals and Symmetrel continue to perform well. Since the acquisition of Periostat in November 2004, great progress has been made on its integration. In April 2004 a Head of the Dental Business Unit took office; in May a co-promotion deal was signed with Oraldent; and by August the OralDent sales team had been expanded in

“

Sales were £7.5m having grown by 35.5%, compared to the same period last year, 5.8% being like for like and 29.7% arising from the acquisitions of Periostat and forceval in November 2004.

”

number and trained on the technical aspects of Periostat enabling promotion of Periostat to commence. As yet, it is thus too soon to see the impact.

In the Core Brands segment which does not receive promotional support, sales grew from £2.7m to £4.0m, principally due to acquisition of Forceval in November 2004. It was however affected by the one-off 7% price decrease imposed on sales to the UK NHS in January 2005 as part of the industry-wide renegotiation of the PPRS (Pharmaceutical Price Regulation Scheme) for the period 2005–2011. Whilst this has been a bitter pill to swallow, it does provide price stability for the period up to 2011. Growth due to acquisitions was 27.4%. The Core Brands result grew from £0.75m to £1.2m.

Our Phase III clinical trials on *Isprelor*TM, our intra-vaginal misoprostol for induction of labour, opened in January with the expectation that they would be finished this year. Site set-ups were prolonged and patient recruitment has been slower than planned. To compensate for this, the number of sites is currently being expanded and the trials are now expected to complete around the middle of 2006, with the introduction being delayed into 2007. Nevertheless interest in the product is keen and an Alliance sponsored symposium on the use of misoprostol in obstetrics at the 6th International Scientific Meeting of the Royal College of Obstetricians and Gynaecologists in Cairo in September was very well attended and provoked much positive contribution during discussion.

Our Phase III trials on PosidormTM, our medical development of melatonin for sleeping disorders, commenced in July and progress is going well with the project remaining on track for an introduction in 2007. Posidorm is a very substantial market opportunity for the Company as it addresses a market currently estimated at £0.5b but which is expected to treble in the next decade. Out-licensing discussions on Posidorm are ongoing.

Selective acquisition of reputable prescription brands remains an essential part of our strategy for building the business base and we have several projects under discussion.

Separately, we have just divested for the sum of £0.5m the rights to Uniflu, an OTC cold and flu preparation, to G R Lane Health Products Ltd for the UK and various other territories. This product had been acquired along with Forceval in a package of assets from the administrators of Unigreg Ltd in November 2004. Uniflu, which has undeveloped potential in the UK, was non-core to Alliance although, via overseas distributors, we retain our international sales of around £400k and we are pleased with the sum achieved.

Michael R. B. Gatenby

Chairman

3 November 2005

“

We have taken the decision to change our financial year end to December commencing in December 2005 in order to align ourselves with most companies in our sector.

”

Consolidated Interim Income Statement

For the six months ended 31 August 2005

	Note	6 months to 31 Aug 2005 £	6 months to 31 Aug 2004 £	12 months to 28 Feb 2005 £
Sales revenue	4	7,545,724	5,568,333	11,826,292
Cost of sales		(3,501,628)	(2,658,048)	(5,624,857)
Gross profit		4,044,096	2,910,285	6,201,435
Operating expenses				
Other operating expenses		(2,629,096)	(1,801,822)	(3,832,893)
		(2,629,096)	(1,801,822)	(3,832,893)
Operating profit				
Pre exceptional items		1,415,000	1,108,463	2,368,542
Exceptional items		–	(109,504)	(109,504)
Operating profit before finance costs		1,415,000	998,959	2,259,038
Finance costs				
Interest paid		(906,300)	(717,880)	(1,661,487)
Other finance costs		(20,806)	(76,689)	(191,715)
Change in fair value of derivative financial instruments		(115,263)	–	–
		(1,042,369)	(794,569)	(1,853,202)
Profit for the period before taxation		372,631	204,390	405,836
Taxation		12,497	1,864	–
Profit for the financial period	5	385,128	206,254	405,836
Earnings per share				
Basic (pence)	6	0.26	0.19	0.33
Diluted (pence)	6	0.46	0.46	0.81

Consolidated Balance Sheet

At 31 August 2005

	At 31 Aug 2005 £	At 31 Aug 2004 £	At 28 Feb 2005 £
Assets			
Non-current assets			
Goodwill	1,128,973	1,128,740	1,128,973
Other intangible fixed assets	27,692,227	17,033,810	26,966,042
Property, plant and equipment	299,048	201,352	306,573
Deferred tax assets	12,497	1,864	–
	29,132,745	18,365,766	28,401,588
Current assets			
Inventories	2,351,889	1,847,401	2,469,363
Trade and other receivables	3,377,500	1,752,514	2,149,613
Cash and cash equivalents	267,853	3,679,696	1,367,271
	5,997,242	7,279,611	5,986,247
Total assets	35,129,987	25,645,377	34,387,835
Equity			
Ordinary Share capital	1,473,559	1,107,939	1,473,559
Share premium	9,030,959	5,221,761	9,030,959
Fair value of share options	22,610	2,119	12,423
Reserves	(329,349)	(329,349)	(329,349)
Retained earnings	(2,978,159)	(3,562,869)	(3,363,286)
Total equity	7,219,620	2,439,601	6,824,306
Liabilities			
Non-current			
Long-term financial liabilities	12,789,901	10,375,627	14,293,913
Convertible debt	7,153,229	7,111,617	7,132,423
Other liabilities	163,889	200,000	177,778
	20,107,019	17,687,244	21,604,114
Current			
Financial liabilities	3,016,827	1,925,101	2,551,721
Derivative financial instruments	115,263	–	–
Trade and other payables and provisions	4,671,258	3,593,431	3,407,694
	7,803,348	5,518,532	5,959,415
Total liabilities	27,910,367	23,205,776	27,563,529
Total equity and liabilities	35,129,987	25,645,377	34,387,835

Consolidated Interim Statement of Cash Flows

For the six months ended 31 August 2005

	6 months to 31 Aug 2005 £	6 months to 31 Aug 2004 £	12 months to 28 Feb 2005 £
Operating activities			
Result for the year before tax and finance costs	1,415,000	998,959	2,259,038
Depreciation of property, plant and equipment	65,526	43,691	115,229
Change in inventories	117,474	(107,885)	(729,847)
Change in trade and other receivables	(1,227,887)	238,702	(165,521)
Change in trade and other payables	1,443,781	(233,611)	93,882
Tax paid	(1,420)	–	(12,747)
Share options charges	10,187	2,119	12,423
Cash flows from operating activities	1,822,661	941,975	1,572,457
Investing activities			
Interest received	51,621	101,703	161,726
Interest paid and similar charges	(956,719)	(543,341)	(1,820,209)
Other finance charges paid	(1,202)	(1,607)	(3,004)
Payment of deferred consideration	(13,889)	–	(128,399)
Purchase of subsidiary undertaking	–	(112,401)	–
Finance issue costs paid	–	(53,549)	–
Development costs capitalised	(724,630)	–	(858,499)
Purchase of tangible assets	(58,001)	(69,190)	(245,948)
Purchase of other intangible assets	(1,555)	(170,572)	(9,248,913)
Net cash used in investing activities	(1,704,375)	(848,957)	(12,143,246)
Financing activities			
Net proceeds from the issue of shares	–	–	4,181,941
Receipt from borrowings	–	–	6,875,000
Repayment of borrowings	(1,115,514)	(978,526)	(3,763,859)
Finance lease payments	(10,378)	(13,992)	(26,031)
Net cash used in financing activities	(1,125,892)	(992,518)	7,267,051
Net movement in cash and cash equivalents	(1,007,606)	(899,500)	(3,303,738)
Cash and cash equivalents at 1 March 2005	1,275,459	4,579,197	4,579,197
Cash and cash equivalents at 31 August 2005	267,853	3,679,697	1,275,459

Consolidated Interim Statement of Changes in Equity

At 31 August 2005

	Equity attributable to equity holders of Alliance Pharma plc					
	Share capital £	Share premium £	Shares to be issued £	Reserves £	Retained earnings £	Total equity £
Balance						
1 March 2004	1,107,939	5,214,638	–	(329,349)	(3,769,123)	2,224,105
Costs of share issue reclaimed	–	7,123	–	–	–	7,123
Employee benefits	–	–	2,119	–	–	2,119
Profit for the period	–	–	–	–	206,254	206,254
Balance						
31 August 2004	1,107,939	5,221,761	2,119	(329,349)	(3,562,869)	2,439,601
Balance						
1 September 2004	1,107,939	5,221,761	2,119	(329,349)	(3,562,869)	2,439,601
Issue of shares	365,620	–	–	–	–	365,620
Premium on shares issued	–	3,809,198	–	–	–	3,809,198
Employee benefits	–	–	10,304	–	–	10,304
Profit for the period	–	–	–	–	199,582	199,582
Balance						
28 February 2005	1,473,559	9,030,959	12,423	(329,349)	(3,363,287)	6,824,305
Balance						
1 March 2005	1,473,559	9,030,959	12,423	(329,349)	(3,363,287)	6,824,305
Employee benefits	–	–	10,187	–	–	10,187
Profit for the period	–	–	–	–	385,128	385,128
Balance						
31 August 2005	1,473,559	9,030,959	22,610	(329,349)	(2,978,159)	7,219,620

Notes to the Interim Report

For the six months ended 31 August 2005

1. Nature of operations

Alliance Pharma plc and its subsidiaries ('Alliance' or 'The Group') principal activities comprise the development, marketing and distribution of pharmaceutical products. The principal activity of the Company is to act as a holding company.

2. General information

The information for the year ended 28 February 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, prepared under UK GAAP, has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified.

The interim financial report for the six month period ended 31 August 2005 (including comparatives for the six months ended 31 August 2004) were approved by the board of directors on 3 November 2005.

3. Accounting policies

The interim financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and the requirements of International Financial Reporting Standard 1 Firsttime adoption of International Financial Reporting Standards relevant to interim reports.

The same accounting policies and methods of computation are followed in the interim financial report as published by the Company in the 'additional unaudited information' contained within its February 2005 Annual Report, which is available on the Company's website on www.alliancepharma.co.uk, the relevant extracts of which are attached as an appendix to this report.

4. Segmental information

The business is split between those brands which are invested in for growth, core brands which have no promotional investment and development projects which are non-revenue-generating.

	Growth brands £	Core brands £	Development projects £	Central and unallocated £	Total Group £
For the half year ended					
31 August 2005					
Segment revenue	3,586,822	3,958,904	–	–	7,545,725
Segment result	2,019,031	1,202,794	(301,009)	(1,505,817)	1,415,000
For the half year ended					
31 August 2004					
Segment revenue	2,882,919	2,685,414	–	–	5,568,333
Segment result	1,515,295	753,131	–	(1,159,963)	1,108,463
For the year ended					
28 February 2005					
Segment revenue	6,072,302	5,753,990	–	–	11,826,292
Segment result	3,454,484	1,421,245	(51,103)	(2,456,084)	2,368,542

Notes to the Interim Report continued

For the six months ended 31 August 2005

5. Transition to International Financial Reporting Standards

The transition from UK GAAP to IFRS has been made in accordance with IFRS 1 (First Time Adoption of International Financial Reporting Standards).

IFRS 1 permits those companies adopting IFRS for the first time to take some exemptions from the full requirements of IFRS. Alliance Pharma plc has taken the following exemptions:

- > business combinations prior to the transition date (1 March 2004) have not been restated onto an IFRS basis.
- > The comparative information presented in the Group's first full set of IFRS financial statements need not comply with IAS 32 and IAS 39. Therefore the group has:
 - (a) applied UK GAAP in the comparative information to financial instruments within the scope of IAS 32 and IAS 39.
 - (b) the main adjustments that would make the opening balance sheet comply with IAS 32 and IAS 39 are:
 - 1) that the interest rate swaps are considered a derivative financial instrument, under IAS 39, 'financial instruments; recognition and measurement', and would be originally recognised in the balance sheet at cost and then re-measured at subsequent reporting dates to fair value. Changes in the fair value of derivatives financial instruments are recorded in the income statement. Under UK GAAP these financial instruments are recorded at cost. The fair value of the interest rate swap at 1 March 2005, the beginning of the period in which IAS 32 and IAS 39 has been applied, was £3,000. This amount is not considered material to make any adjustment for a change in accounting policy as required by IAS 8; and
 - 2) under UK GAAP the convertible loan stock is accounted for within creditors falling due within one year and creditors falling due after one year. In accordance with IAS 32, financial instruments; disclosure and presentation, the convertible loan stock is considered a compound financial instrument. The components of the financial instrument would have been separated and the liability recorded within creditors and equity element within shareholders' funds.

The fair value of the equity element of all loan stock currently in issue was nil at the date of issue.

5. Transition to International Financial Reporting Standards *continued*

The reconciliation of the Group's equity previously reported under UK GAAP to its equity under IFRSs may be summarised as follows:

	As at 31 Aug 2005 £**	As at 31 Aug 2004 £	As at 28 Feb 2005 £	As at 28 Feb 2004 £
Equity				
Equity under UK GAAP previously reported	7,322,386	1,839,990	6,824,306	2,224,106
Amortisation*	–	597,747	–	–
Revised equity under UK GAAP	7,322,386	2,437,737	6,824,306	2,224,106
Interest rate swaps – fair value adjustment	(115,263)	–	–	–
Employee benefits reserve	22,610	2,119	12,423	–
Deferred tax adjustment	12,497	1,864	–	–
Employee benefits expense	(22,610)	(2,119)	(12,423)	–
Equity under IFRS	7,219,620	2,439,601	6,824,306	2,224,106

Profit and loss previously reported under UK GAAP can be reconciled to IFRS as follows:

	6 months to 31 Aug 2005 £**	6 months to 31 Aug 2004 £	12 months to 28 Feb 2005 £
Income statement			
(Loss)/profit for period under UK GAAP previously reported	498,081	(391,238)	418,259
Amortisation	–	597,747	–
Revised (loss)/profit for period under UK GAAP	498,081	206,509	418,259
Interest-rate swaps – fair value adjustment	(115,263)	–	–
Employee benefits expense	(10,187)	(2,119)	(12,423)
Deferred tax movement	12,497	1,864	–
Profit for period under IFRS	385,128	206,254	405,836

* Amortisation of goodwill and intangible assets previously reported in the 31 August 2004 interim financial report has been reversed to reflect a change in accounting estimate that was applied in the annual report for the full year to 28 February 2005.

** Reconciliations included above relating to the period ending 31 August 2005 have been given for information purposes only and do not relate to previously reported numbers.

Notes to the Interim Report continued

For the six months ended 31 August 2005

6. Earnings per share

The basic earnings per share is based on equity profits of £385,128 (31 August 2004: £206,254; 28 February 2005: £405,836) and 147,355,891 (31 August 2004: 110,793,903; 28 February 2005: 123,815,891) ordinary shares of 1p each, being the weighted average number of shares in issue in the period.

An adjusted earnings per share has been disclosed in order to show performance undistorted by exceptional items and one-off finance charges. The adjusted earnings per share is based on equity earnings of £385,128 (31 August 2004: £315,758; 28 February 2005: £633,067).

	6 months to 31 Aug 2005 £	6 months to 31 Aug 2004 £	12 months to 28 Feb 2005 £
Reconciliation of diluted earnings			
Equity earnings	385,128	206,254	405,836
Interest saved on convertible loan stock	300,000	300,000	600,000
Diluted earnings	685,128	506,254	1,005,836
Reconciliation of adjusted earnings			
Equity earnings	385,128	206,254	405,836
Aborted acquisition costs	–	109,504	109,504
Other finance costs	–	–	117,727
Adjusted earnings	385,128	315,758	633,067
Reconciliation of adjusted diluted earnings			
Equity earnings	385,128	206,254	405,836
Adjustments to diluted earnings	300,000	300,000	600,000
Adjustments to adjusted earnings	–	109,504	227,231
Adjusted diluted earnings	685,128	615,758	1,233,067
Reconciliation of ordinary shares			
Basic number of ordinary shares	147,355,891	110,793,903	123,815,981
Conversion of convertible debt	340,630	338,648	339,639
Exercise of options	–	–	204,686
Diluted number of ordinary shares	147,696,521	111,132,551	124,360,306
Earnings per share			
Basic (pence)	0.26	0.19	0.33
Adjusted (pence)	0.26	0.28	0.51
Diluted (pence)	0.46	0.46	0.81
Adjusted diluted (pence)	0.46	0.55	0.99

Independent Review Report to Alliance Pharma plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 August 2005 which comprises the consolidated interim income statement, the consolidated balance sheet, the consolidated interim statement of cash flows, the consolidated interim statement of changes in equity and notes 1 to 6. We have read the other information contained in the interim report which comprises only the chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the Company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 'Review of Interim Financial Information'. Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a review 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 review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. This interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and the requirements of IFRS 1 'First-time Adoption of International Financial Reporting Standards' relevant to interim reports.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2005.

Grant Thornton UK LLP
Chartered Accountants
Bristol
3 November 2005

Appendix

International Financial Reporting Standards ('IFRS')

Alliance Pharma plc has adopted the following principal accounting policies in adopting IFRS:

Consolidation

The consolidated balance sheets include the assets and liabilities of the Company and its subsidiaries and are made up to 28 February 2005. 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. Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent it is considered recoverable.

Goodwill arising on the acquisition of interests in subsidiaries, representing the excess of purchase consideration over the Group's share of the fair values of identifiable assets, liabilities and contingent liabilities acquired, is capitalised as a separate item.

Foreign currency transactions

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. Exchange differences are booked to the income statement.

Research and development

Research expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met and amortised over the period during which the Group is expected to benefit.

Computer equipment, fixtures, fittings and equipment, and motor vehicles

Computer equipment, fixtures, fittings and equipment, and motor vehicles are stated at the cost of purchase less any provisions for depreciation and impairment. Financing costs are not capitalised.

The rates generally applicable are:

Computer equipment	33.3% per annum, straight line
Fixtures, fittings and equipment	16.67%–25% per annum, straight line
Motor vehicles	25% per annum, straight line.

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 motor vehicles 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.

Goodwill

Goodwill is stated at cost less impairments. Goodwill is tested for impairment annually.

Intangible fixed assets

Intangible assets are stated at cost less provision for impairment. Technical know-how, trademarks and distribution rights acquired or acquired as part of a business combination are deemed to have an indefinite useful life and are tested for impairment annually.

Inventories

Inventories are included at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases on assets and liabilities and their carrying amounts in the financial statements. 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 have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

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 Alliance Pharma plc is interest rate swaps. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are originally recognised in the balance sheet at cost and then remeasured at subsequent reporting dates to fair value. Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement. Changes in the fair value of derivatives designated as cash flow hedges are recognised in equity. Amounts deferred in equity are transferred to the income statement in line with the hedged forecast transaction.

Changes in fair value of any derivative instrument that does not qualify for hedge accounting is recognised immediately in the income statement.

Debt instruments

Unhedged debt instruments are stated at the amount of net proceeds, adjusted to amortise the issue costs of the debt over its term.

Notes



Alliance Pharma plc

Avonbridge House
Bath Road
Chippenham
Wiltshire
SN15 2BB

T 01249 466966

F 01249 466977

W www.alliancepharma.co.uk

E info@alliancepharma.co.uk