Allergy Therapeutics plc

Annual Report & Accounts 2012

www.allergytherapeutics.com
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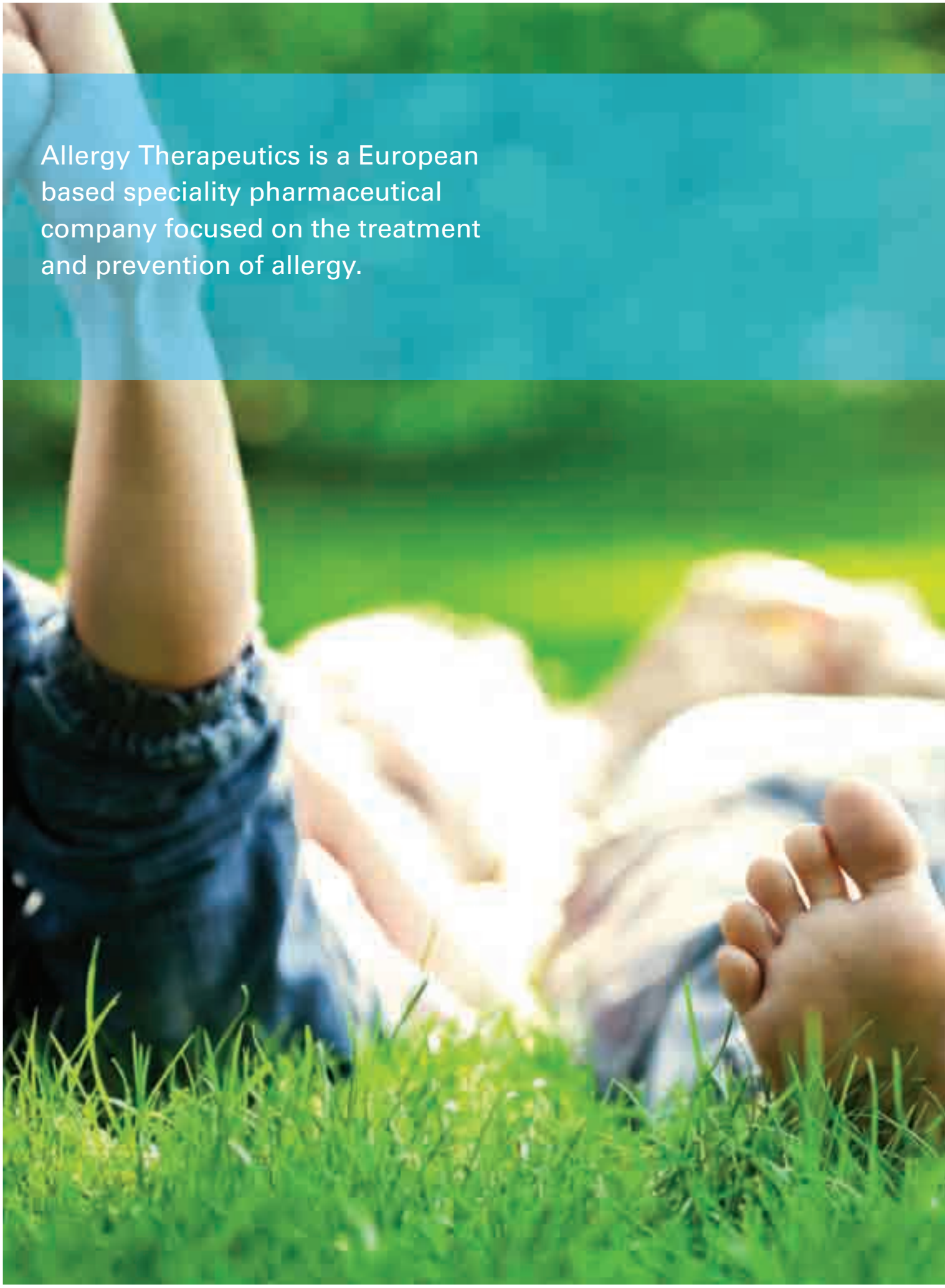
Allergy Therapeutics®
Transforming Allergy Treatment

Allergy Therapeutics is a European based speciality pharmaceutical company focused on the treatment and prevention of allergy.



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Who we are

Allergy Therapeutics is a European-based speciality pharmaceutical company focused on the treatment and prevention of allergy.

Mission statement

To create a sustainable, fast-growing and profitable global speciality pharmaceutical business with a substantial franchise in the allergy sector by developing innovative, patented, registered therapies for both the treatment and prevention of allergy-related conditions.

Strategy

The Company's strategy is based on the principles of growth, diversification and careful cost management.

Specifically, it is the Directors' intention to focus on the following strategies:

- Accelerating organic growth by building and leveraging the current infrastructure to accelerate penetration of products in current markets and enter into new emerging markets
- Strengthen the Company's existing product portfolio by acquiring new products and/or entering into further licensing agreements
- Having deleveraged the balance sheet to maximise the Company's opportunities in non-European markets by strengthening the Company's negotiation position with potential partners

In addition, the Company will continue to develop improved allergy vaccines with novel adjuvants, improved dosing regimens in order to improve patient compliance and new delivery formulations to augment the portfolio of patent-protected, registered pharmaceutical products.

Highlights - at a glance

- US Clinical hold lifted on Pollinex® Quattro Grass 0.5ml (Pollinex Quattro) and approval to progress with a Phase III efficacy study, to be conducted in an Environmental Exposure Chamber ("EEC")
- Gross Revenue (before rebate) £43.8 million (2011: £43.0 million) 2.0% higher
- Pollinex Quattro sales grew by 2.8% to £21.4 million (2011: £20.9 million) at constant currency
- Gross sales increased 9.3% in non-German markets at constant currency
- Operating profit higher at £1.1 million (2011: £0.1 million)
- Profit after interest and tax higher at £0.8 million (2011: £2.7 million loss)
- Submitted complete response to the Paul Ehrlich Institute ("PEI") for Pollinex® Quattro Complete Grass in Germany
- Successful Placing and Subscription of New Ordinary Shares, issue of Convertible Loan Notes and an Offer to Qualifying Participants of New Ordinary Shares raising £13.3 million gross
- Substantial reduction in net debt to £0.6 million (2011: £14.1 million)

Chairman's statement

"The lifting of the clinical hold by the US Food & Drug Administration (FDA) on the 3rd August 2012 for our Pollinex Quattro Grass product was a significant event and milestone for the Company."

Chairman's statement

"The Group's strategy of product diversification and geographical expansion, reducing the Group's reliance on the German market, is clearly reflected in this year's results."

Peter Jensen
Chairman
14 September 2012

I am pleased to write my second statement as Chairman of Allergy Therapeutics and comment upon a year that has been important in the continued development of the Group. I would like to thank the Directors, the Executive Team and employees for their contribution to the continued success of the Group for the year.

The lifting of the clinical hold by the US Food & Drug Administration (FDA) on the 3rd August 2012 for our Pollinex Quattro® Grass product was a significant event and milestone for the Company. This decision allows the Group to commence a pivotal clinical trial programme for Pollinex Quattro Grass, a major step towards registering the product in the United States. If successful, this implies that Pollinex Quattro Grass will be the first registered subcutaneous vaccine to reach the US market. In order for us to exploit this opportunity, we are in the process of identifying a suitable development and commercialisation partner in the United States.

The successful fundraising that took place in April this year raised £13.3m through a combination of equity (£9.3m) and convertible debt (£4.0m) with CFR International acting as the cornerstone investor. The resolutions were approved by shareholders at the General Meeting on 19 April. The fundraising has provided greater financial flexibility to the Group, allowing it to repay existing bank debt, agree a new overdraft facility and allows the Executive Team to concentrate on the Group's continued and future growth.

The financial results for the year show consistent sales and a better profit after tax position of £0.8m (2011: loss of £2.7m). This improvement has arisen as a result of favourable foreign exchange movements and effective cost control measures introduced during the year. In addition, the Group's strategy of product diversification and geographical expansion, reducing the Group's reliance on the German market, is clearly reflected in this year's results.

I am pleased to welcome Dr Thomas Lander, who joined the Board as a Non-Executive Director in May 2012. He brings extensive knowledge of drug development and European regulatory experience, having held senior executive roles with major pharma and biotech companies, including positions in German and Swiss pharmaceutical companies. I would also like to thank, on behalf of all the stakeholders, Ignace Goethals and Virinder Nohria for their contribution to the development of the Group over a number of years. They both stepped down from the Board on 30 June 2012.

Despite challenging market conditions, prospects for the Group remain positive, particularly given the lifting of the clinical hold in the US and the anticipated reply from the Paul Ehrlich Institute before the end of the calendar year, both of which bode well for the Group to continue to grow the business and deliver shareholder value.

Peter Jensen
Chairman
14 September 2012

CEO's review

"The lifting of the FDA clinical hold for Pollinex® Quattro Grass in the United States enables the Group to move forward in this important and currently poorly served market. Diversification into other geographies and product in-licensing opportunities continue to be explored in line with the Group's strategy for growth."

CEO's review

"The Pollinex Quattro allergy vaccines, which are already commercialised in a number of European countries under a named patient basis, require only four injections per year and have the potential to transform allergy treatment in the US."

Manuel Llobet
Chief Executive Officer
14 September 2012

The most recent significant achievement was the lifting of the FDA's clinical hold on the Company's grass pollen allergy vaccine Pollinex Quattro Grass announced on 3rd August 2012. We now have approval to progress with a Phase III efficacy study, to be conducted in an Environmental Exposure Chamber ("EEC"). The Company is focused on securing a partner to help fund the remainder of the development programme and commercialise Pollinex Quattro in the US.

This 'four shot' product is based on the adjuvant MPL®, the Company's innovative toll-like receptor four (TLR4) agonist which acts to stimulate and re-direct the immune response in decreasing allergenicity and increasing immunogenicity. The Pollinex Quattro allergy vaccines, which are already commercialised in a number of European countries under a named patient basis, require only four injections per year and have the potential to transform allergy treatment in the US, providing a convenient, safe, and effective vaccination for allergic rhinitis sufferers. Pollinex Quattro has the potential to greatly benefit allergy sufferers in the US in the absence of registered products by being the first subcutaneous immunotherapy vaccine to reach that market.

Looking at the financial results, I am pleased to report that the profit after tax for the year was £0.8m, which compares favourably with the loss reported in the corresponding period last year (2011: loss £2.7m). Several factors contributed to a return to profit, including good cost management as we focus on protecting net margins.

The Company performed well in the UK, Austria, Ireland and Italy but in some parts of Europe sales were hampered by government austerity measures. Overall sales of Pollinex Quattro increased 2.8% to £21.4m (2011: £20.9m) at constant currency.

The Group believes that the UK market presents an opportunity for further growth. To this end we have expanded the UK sales team to increase sales going forward. Despite the Italian market for vaccines decreasing by around 10%, the Company has in fact grown sales thanks to an outstanding team effort. One of the highlights has been the Company's annual adjuvant congress held in early July this year, where the values of adjuvants in immunotherapy were reviewed. The Austrian market continues to have opportunities for allergy vaccines, in particular where vaccines offer an improved rate of patient compliance, as seen with Pollinex Quattro. The success in Ireland during the year has been generated by the introduction of Anapen®, an epinephrine auto-injector. Following the voluntary recall by Lincoln Medical, the producer of Anapen, in May 2012, the Company is working with Lincoln towards re-establishing normal supply.

The Group has continued to decrease its reliance on Germany, the Group's largest market which has been impacted by general austerity measures and the withdrawal of de-notified products. This has contributed to a shrinking market that is only now showing signs of stabilising. The weaker market and the increase in the rebate payable to sick funds, operated by German insurance companies have impacted sales. In spite of this, the Company has improved its competitive position in the number of units sold against the prior year with a strong improvement in sales of the registered TA range. The outlook for Germany remains cautious given the on-going uncertainty in the Eurozone.

Sales in Spain have also been affected by austerity measures introduced to counteract the impact of a weaker economy and broader Eurozone related pressures.

During the period the Group shipped initial supplies of vaccines to Colombia, Chile, Argentina and most recently, Venezuela. The regulatory requirements in these markets are complex and although significant progress has been made, it has been slower than originally anticipated. The Group is undertaking an educational programme with physicians and continues to develop these markets.

The Group continues to identify potential new markets and in-licensing product opportunities. The Group's in-licensed products in some markets include DAP, a diagnostic product for people who are allergic to penicillin, which is licensed by Diater Laboratories S.A and Anapen, an emergency device that can inject adrenaline for the treatment of anaphylaxis licensed from Lincoln Medical.

As reported previously, a complete response was submitted by the Group in November 2011, addressing the questions raised by Paul Ehrlich Institute(PEI) in Germany concerning the Marketing Authorisation Application (MAA) for the Pollinex Quattro Complete grass formulation. The Company addressed all the questions raised by the PEI in their report and expects a decision on the new presentation of Pollinex Quattro during 2012. The new presentation differs from the existing marketed version of Pollinex Quattro due to its lower injection volume of 0.5ml; compared to a 1.0ml injection volume for the earlier version. Subject to approval of Pollinex Quattro Complete, the Company will pursue further registrations through the mutual recognition procedure (MRP) in other European countries.

At the end of November 2010 the Group submitted 10 marketing authorisation applications to the PEI. These marketing authorisation applications have been made in response to the introduction of the Therapeutic Allergen Regulation (TAV), which has changed the regulatory landscape in Germany. To date many products have been available in Germany on a 'named patient' basis. However, as a result of the TAV, all immunotherapy products containing common allergens (grass, trees, house dust mites and insect venoms) will require marketing authorisations by 2017. Since 2008, The Group has reviewed its product portfolio and has submitted marketing authorisation applications for its top 10 products in the Pollinex Quattro, Tyrosin TU t.o.p. and Oralvac Compact ranges.

The PEI has given the Company timelines for a transition period ending in 2017 by which time approval of these applications must have been obtained. The Company currently intends to meet the requirements associated with those applications which are likely to result in the Group incurring R&D spend of up to £5m per annum.

There have also been changes in the reimbursement regime in Germany. As announced in the Company's annual results last year , there has been a price freeze in Germany on reimbursed products from the prices in the market on 1 August 2009. The rebate paid to sick-funds increased from August 2010 from the previous level of 6% to 16% and although the Company has received an exemption from this rebate rise until mid-2011 and preliminary exemption extension until the end of 2011, it is currently uncertain as to whether the Company will continue to receive such an exemption, however it continues to discuss this with the authorities.

Outlook

Despite the uncertain economic times in the Group's main markets, the outlook for revenue growth in Europe is expected to see low-mid single digit growth.

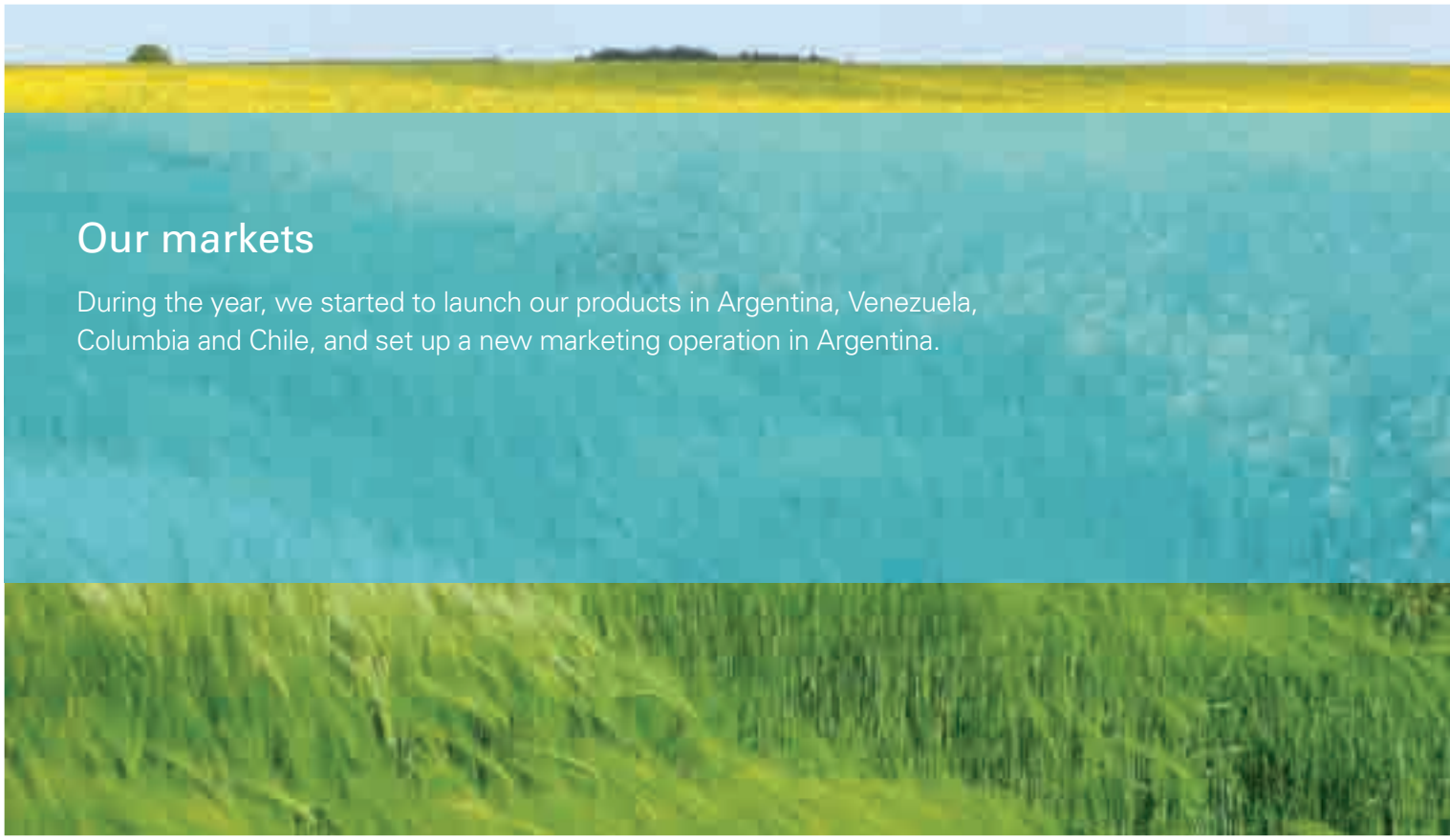
The lifting of the FDA clinical hold for Pollinex Quattro Grass in the United States enables the Group to move forward in this important and currently poorly served market. Diversification into other geographies and product in-licensing opportunities continue to be explored in line with the Group's strategy for growth.

With opportunities to expand and grow the business in new, growing and established markets, we are confident of the future prospects of the Group to deliver shareholder value in the medium to long term.

Manuel Llobet
Chief Executive Officer
14 September 2012

Our markets

We have a particularly strong presence in Europe with our own established operations in important markets including Germany, Italy, Spain, Austria and the United Kingdom.



Our markets

During the year, we started to launch our products in Argentina, Venezuela, Columbia and Chile, and set up a new marketing operation in Argentina.

We have a particularly strong presence in Europe with our own established operations in important markets including Germany, Italy, Spain, Austria and the United Kingdom. Our newer operations in Switzerland and the Netherlands are developing as anticipated. Currently, the only major European market in which we are not yet present is France.

In markets where we do not have a direct presence, we often make our products available through partners. The most important distributor markets for the Company are Canada, the Czech and Slovak Republics and South Korea. Germany, the world's largest immunotherapy market, is the Company's main market generating approximately 62% of the Company's net sales in the 12 months ending 30 June 2012, followed by Italy (11%), Switzerland (6%), Austria (5%), Spain (4%) Czech Republic and Slovakia (4% combined), UK and Eire (4% combined) and The Netherlands (3%). For the year ended 30 June 2012 sales and market share have increased in Austria and Italy with substantial growth in the UK and The Netherlands following new product launches.

Germany

The most important market for the Group, Germany, is also the single largest immunotherapy market in the world by value, with annual sales of over €300 million. In spite of the market stabilising in volume this year it is still affected by the austerity measures the government put into place in 2010 and by the new regulatory environment for allergen therapies. Germany remains a key focus for the Group and improvements continue to be made in a number of key business areas to strengthen its approach to marketing the products.

Italy

The total Italian immunotherapy market is estimated to be worth €55 million in sales per year; although growth is somewhat limited due to negative economic conditions impacting patients and their ability to pay for vaccines. Moreover, the Italian immunotherapy market is dominated by sublingual products. However, despite these challenges, with a stronger organisation in place, we believe there remains a significant opportunity to continue to grow our business in this important market.

Spain

Total market sales in Spain are estimated to be €60 million per annum, with low-single digit growth during the past year. Growth in this market has been impacted by the country's economic slowdown. It still remains a large market in terms of volume, with approximately 150,000 patients a year estimated to receive immunotherapy. Injectable immunotherapy products continue to be the treatment of choice for Spanish physicians in this treatment category.

United Kingdom

The UK, our home market, is an important, if challenging, marketplace and a potential area of future growth for the Group. Whilst there is limited use of allergy vaccines in the UK, this is changing and the Company has been focussed on expanding the market within the medical community, promoting greater awareness of current and more suitable treatment options.

The Netherlands

The total market size in The Netherlands is around €40 million a year. Like other European countries, new regulations require that only registered products can be sold. This should be to our advantage as we already have registrations in this market for our Pollinex products.

Austria

Austria is an established market with total market sales of about €18 million per year and our own operation is performing well, with double-digit growth.

Switzerland

The allergy vaccine market in Switzerland is sophisticated and well established, and is worth approximately €12 million per annum. The acquisition of Teomed AG, the Swiss subsidiary, continues to provide a great opportunity to improve earnings and provides an established infrastructure from which to launch Pollinex Quattro in the future.

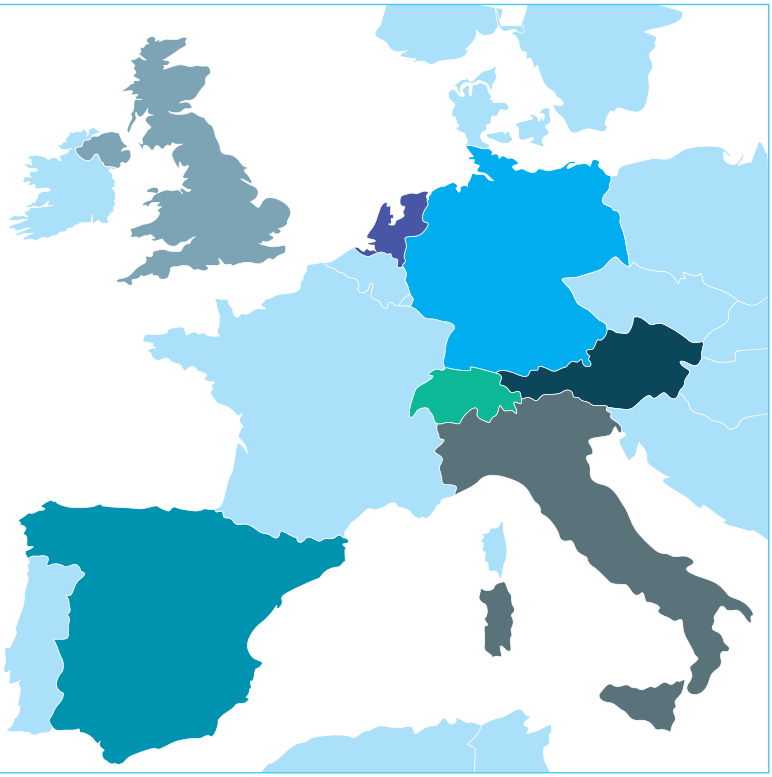
Emerging Markets

During the year, we started to launch our products in Argentina, Venezuela, Colombia and Chile, and set up a new marketing operation in Argentina. Despite slow sales in these Latin American Markets this year, it is still seen as a promising potential market.

For the purposes of the segmental reporting analysis, Central Europe represents the markets of Germany, Austria, Netherlands and Switzerland and Southern Europe represents Spain and Italy. The Other segment represents the distributor and licensee revenues through other worldwide markets including Canada, Czech Republic, Slovakia, South Korea and Latin America.

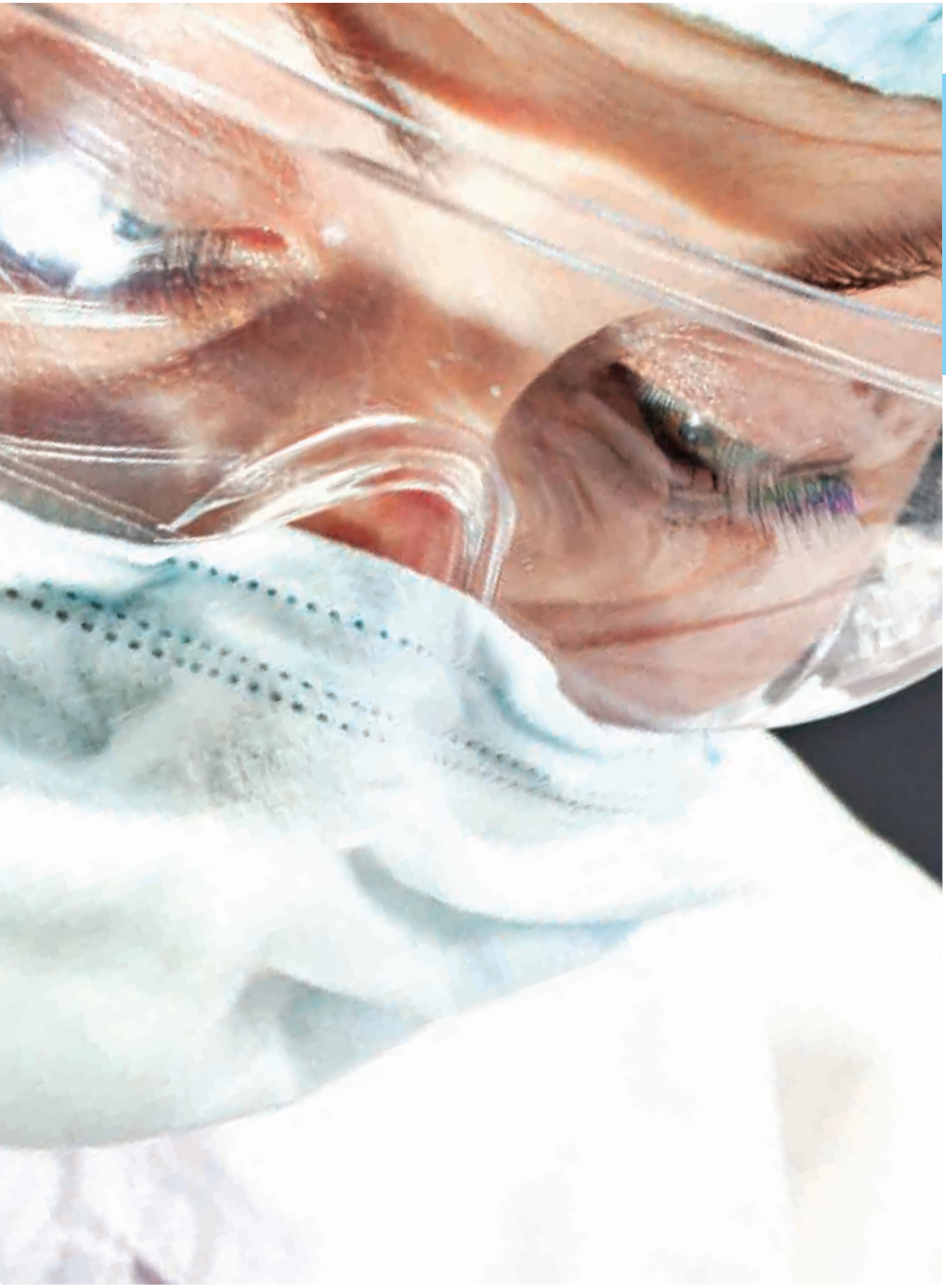
Revenue by Country

Germany – 62%
Italy – 11%
UK & Export Market – 9%
Spain – 4%
Austria – 5%
The Netherlands – 3%
Switzerland – 6%



Our products & USA opportunity

Injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one key product, Pollinex Quattro, which is our largest and fastest growing product.



Our products & USA opportunity

Pollinex Quattro, launched in 1999, heralded a transformation in immunotherapy by introducing allergy vaccination with only four injections per course.

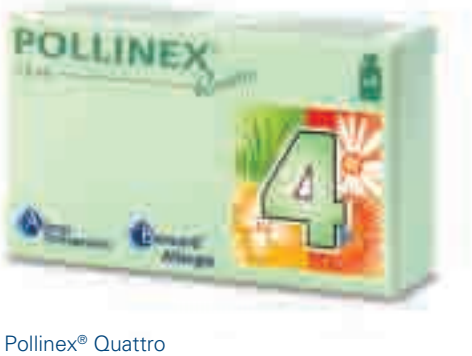
The Group sells a wide range of allergy vaccines and diagnostics. The main sales of the Group are in allergy vaccines and we sell both injectable vaccines and sublingual vaccines. Our vaccines and diagnostics trade under certain brand names, however under each brand name is a product that is produced in many different forms depending upon the specific allergy needs of the patient as determined by the doctor. The majority of our sales are for the treatment of pollen related allergies, particularly for allergies to grasses and trees.

According to the current opinion of expert immunologists, IgE mediated allergies (type one allergies) are due to deregulation of the T helper lymphocyte (TH) cell. Whereas healthy people develop tolerance to allergens, allergy sufferers have a TH2-dominated immune response with increased IgE and corresponding clinical symptoms. This deregulation of the immune system can be counteracted efficiently using specific immunotherapy (SIT). By administering high doses of allergen, the balance between TH1 and TH2 response to the allergen can be restored. Since SIT was first carried out successfully by Leonard Noon in 1911, it has become established as the only therapy addressing the cause of type one allergies.

Injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one key product, Pollinex Quattro, which is our largest and fastest growing product, as well as various other longer course products. These other products trade under different names in different markets and include Pollinex, TA Mix top and Venomil.

Pollinex Quattro, launched in 1999, heralded a transformation in immunotherapy by introducing allergy vaccination with only four injections per course. The short treatment period is due to the use of L tyrosine absorbed allergoids, an improved extract allergen that has been modified in order to lower its allergenicity while keeping its immunogenicity and the innovative adjuvant, monophosphoryl-lipid A (MPL). An adjuvant is a substance which improves the immune response to an antigen or allergen. MPL is derived from a lipopolysaccharide (LPS) which is obtained from the cell wall of Salmonella Minnesota R595 using a process of extraction, purification and detoxification.

As a vaccine adjuvant, MPL has been used for many years. Vaccines with systems containing MPL have been evaluated in various indications such as cervical cancer and malaria at GlaxoSmithKline. Two vaccines with an adjuvant system containing MPL, a hepatitis B vaccine and an HPV vaccine to protect against cervical cancer - Fendrix and Cervarix respectively - have received broad approval in Europe, the US, Japan and Canada. These modern, successful vaccines are already widely used.



Pollinex® Quattro

The majority of our sales are for the treatment of pollen related allergies, particularly for allergies to grasses and trees.

Oralvac® *Compact* (sublingual)

Tyrosin TU *t.o.p*

Pollinex® Grasses + Rye

Pollinex® Trees

The adjuvant effect of MPL in specific immunotherapy (SIT) has been documented in numerous studies and is seen in its essential role of promoting the switch from a TH2-directed immune response (with IgE induction) to a TH1-directed immune response.

Our sublingual product is Oralvac Compact. Its dosing schedule allows for a more rapid and simpler escalation of dosage making treatment more convenient for patients and doctors.

Licensed Products

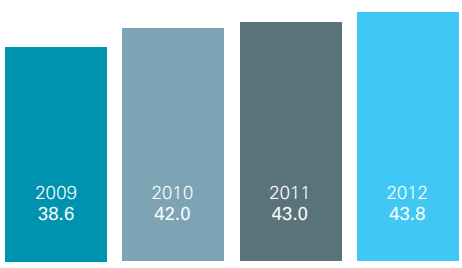
DAP is a product for exclusive use in the diagnosis of type I or immediate hypersensitivity to benzylpenicillin and related antibiotics (betalactams) by means of cutaneous tests (prick and intradermal). Allergic reactions to betalactams are the most common cause of severe adverse drug reactions and there is an increasing prevalence in the population (up to 10% of the German population reports an allergy to penicillin). DAP was launched in Italy in May 2011 and in the UK in July 2011.

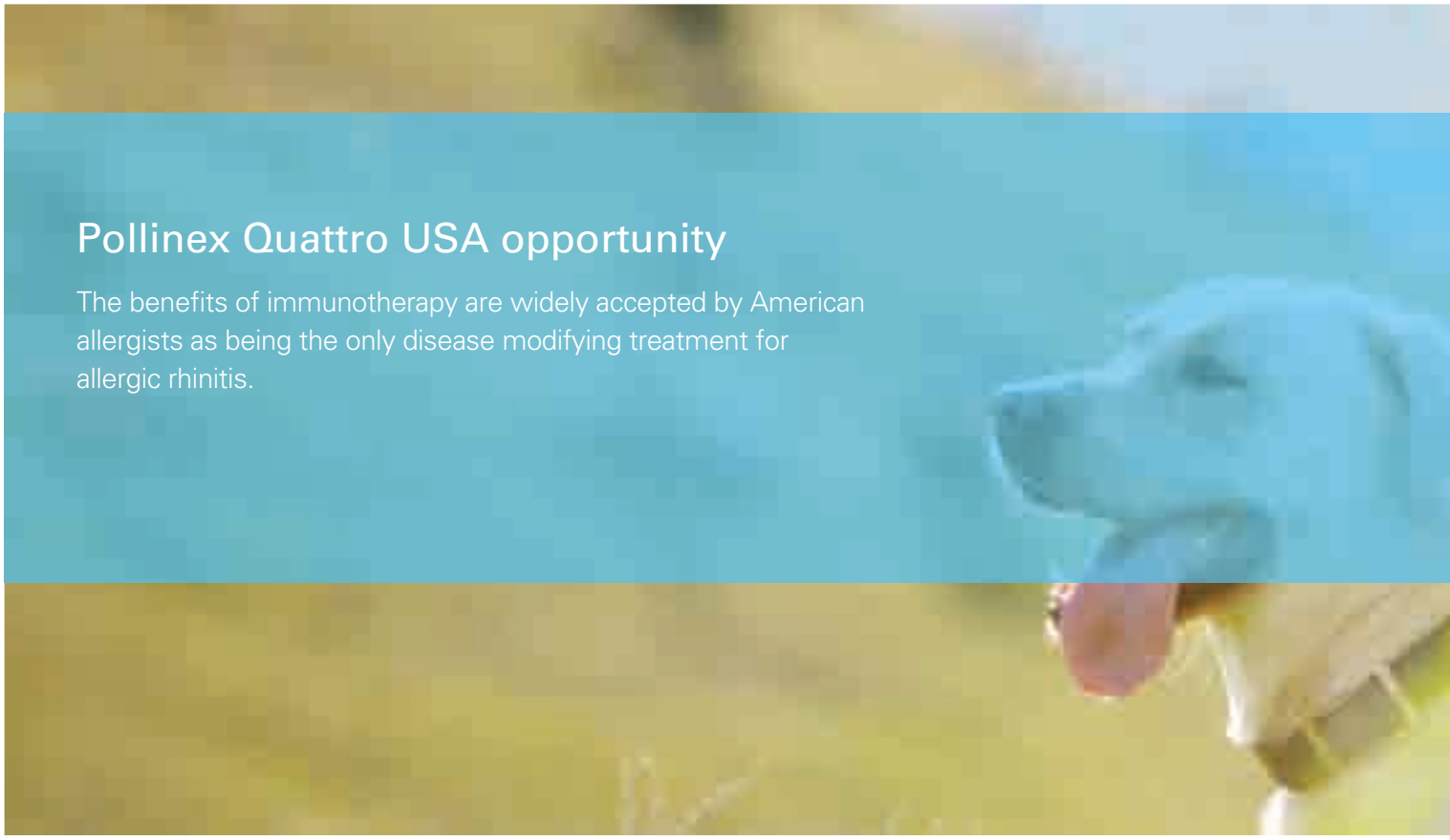
Anapen is an innovative auto-injector containing 150 mcg, 300 mcg or 500 mcg of epinephrine (adrenaline) for the emergency (self) treatment of anaphylaxis. Anaphylaxis is a severe, life-threatening systemic allergic reaction. Adrenaline (epinephrine) is a hormone which combats the effects of anaphylaxis by maintaining blood pressure, increasing the heart rate, constricting blood vessels and dilating airways. The product has been launched in The Netherlands, UK and Republic of Ireland.

On 23 May 2012 the Company made an announcement regarding Anapen that it had been notified by Lincoln Medical Limited, the producer of Anapen (adrenaline for injection), that they are undertaking a voluntary drug recall for all unexpired units of Anapen in the UK, as a precautionary measure. Lincoln also informed the Company that the UK MHRA had received no reports of defects or adverse events. Lincoln Medical is contractually required to reimburse the reasonable costs incurred by the Company in assisting in the recall. The recall will impact the Company's expected sales for the financial year ending June 2013. The Company is working with Lincoln towards re-establishing normal supply.

How We're Doing

Gross Sales £m





Pollinex Quattro USA opportunity

The benefits of immunotherapy are widely accepted by American allergists as being the only disease modifying treatment for allergic rhinitis.

With the FDA Clinical hold now lifted on the Company's clinical development programme for Pollinex Quattro Grass, Allergy Therapeutics can now focus on strategic partnering opportunities with the aim of revolutionising treatment of allergy sufferers in the United States.

The market opportunity in the United States is considerable. The overall cost of treating allergic rhinitis was US$11.2 billion in 2005[1] with an estimated 30-40[2] million people suffering with the condition, with a further 25 million children and adults being diagnosed with hay fever within the last 12 months (according to the American College of Allergy, Asthma and Immunology) and between 2-4 million are receiving immunotherapy, which could lead into a market for registered immunotherapy vaccines of about US$2 billion.

Addressing unmet needs

Currently allergy sufferers receiving immunotherapy in the US are treated with long course injection regimes, typically up to 40 injections a year, with native allergens mixed by the allergists themselves which can result in poor patient compliance and low efficacy. The cost of such a large number of injections (possibly up to 100 injections over a 3-5 year treatment course) may be a prohibitive factor. Patient compliance can be affected by these issues and it has been noted by experts that a faster route to a maintenance dose would see improvements in patients adhering to treatment.[3]

Pollinex Quattro would offer a patient-friendly ultra-short treatment option with just 4 injections. Each injection contains standardised, purified and modified allergen extracts (allergoids) and Monophosphoryl Lipid A (MPL) to improve the therapy The Company has pioneered the concept of slow-release depot formulations for allergy vaccines, improving safety profiles and enhancing efficacy. Pollinex Quattro would significantly improve treatment options for the American market by providing a short course, standardised product.

A post marketing study in Germany involving a total of 1,075 patients of which most were followed for one year but others for two or three years has shown that patients receive significant improvements in their symptoms with 84% of patients experiencing benefit after 1 year's treatment and 95% after three years with Pollinex Quattro.[4]

The benefits of immunotherapy are widely accepted by American allergists as being the only disease modifying treatment for allergic rhinitis.[5]

Transforming Treatment

The original G301 Pivotal Phase III study was the largest controlled allergy vaccine study ever conducted. The study met its primary efficacy endpoint and demonstrated that Pollinex Quattro has statistically significant clinical benefits over placebo. In the prospectively defined patient population who fully recorded key outcomes, Pollinex Quattro showed an improvement of 24.3% over placebo (p = 0.0031). A total of 92% of patients completed the study, again showing high patient compliance with a short injection regime.

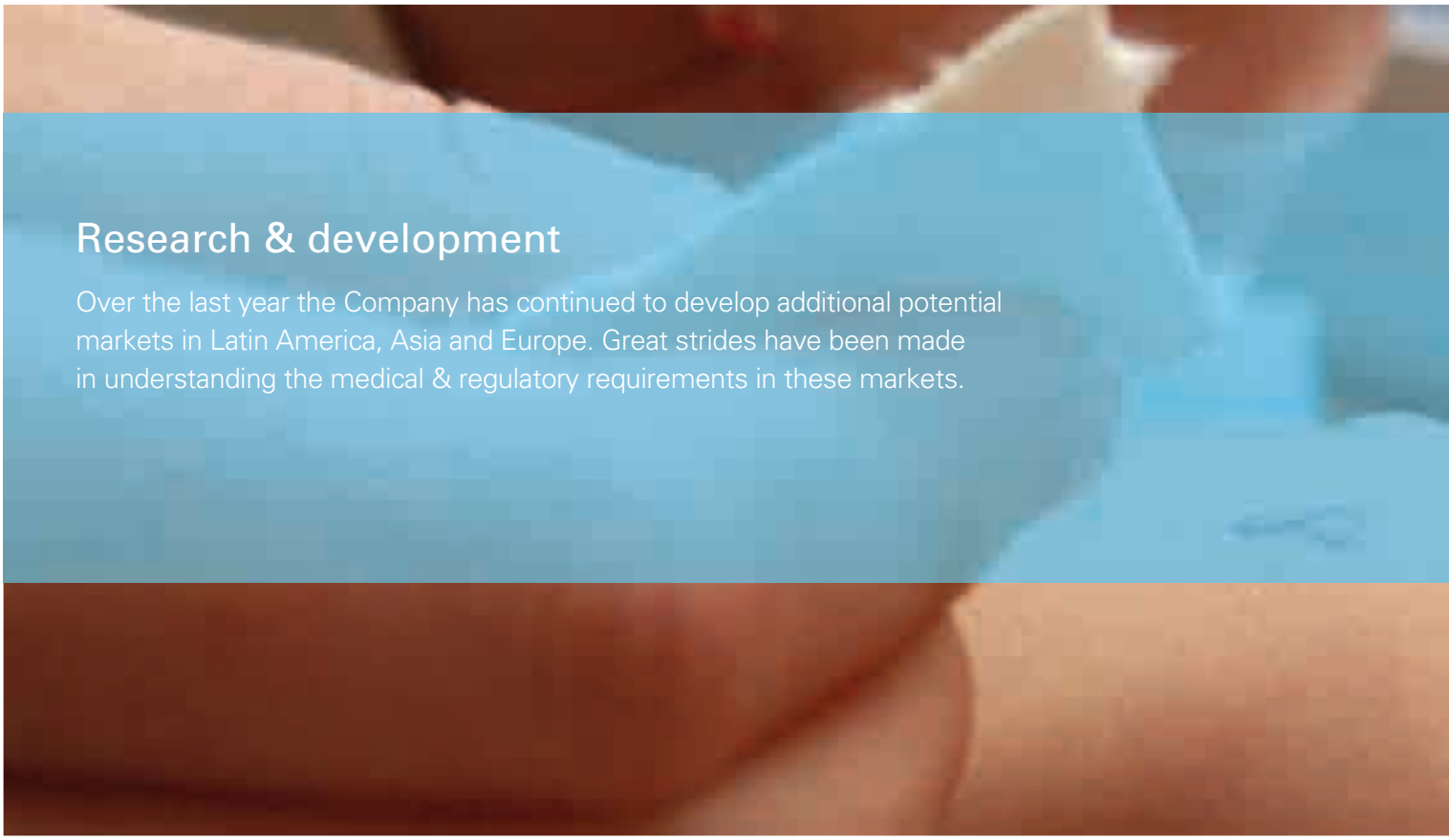
Building on the success of the 1,000 patient G301 trial and the extensive clinical experience of the Pollinex range with over 3.8 million courses administered in Europe, the Company now has the opportunity to further demonstrate Pollinex Quattro's true potential for the American market with an Environmental Exposure Chamber ("EEC") trial.

Pollinex Quattro holds the promise of truly transforming allergy treatment.

1. http://www.aaaai.org/about-the-aaaai/newsroom/allergy-statistics.aspx;Soni A.Allergic Rhintis: Trends in use and expenditures, 2000 - 2005. Statistical brief # 204, Agency for Healthcare Research Quality, 2008
2. Allergies in AmericaTM : A Landmark Survey of Nasal Allergy Sufferers and Providers conducted in 2006.
3. BioMedical Insights – Assessment of the American market
4. Zielen S, et al. Poster P243, ACAAI Annual Meeting 2007, Dallas, Texas, USA
5. Cox and Jacobson. Ann Allergy Asthma Immunol. 2009;103: 451-460

Research & development

In the US a highly significant milestone was achieved for the business in the form of the lifting of the clinical hold on the Company's Pollinex® Quattro Grass programme.



Research & development

Over the last year the Company has continued to develop additional potential markets in Latin America, Asia and Europe. Great strides have been made in understanding the medical & regulatory requirements in these markets.

This has been a year of great importance for the Company with several key strategic development goals achieved in the regulatory arena.

In the US a highly significant milestone was achieved for the business in the form of the lifting of the clinical hold on the Company's Pollinex® Quattro Grass programme. In July 2007 the FDA placed a clinical hold on the Company's US clinical development programme due to an adverse event in a Phase III trial. In August 2012 the FDA lifted the clinical hold on the Pollinex® Quattro Grass IND following the submission of a Complete Response. Having reached agreement with the FDA to use a pollen chamber this now enables the Company to progress with its grass clinical development programme in the US. The Company is now actively seeking a partner for further development and commercialisation of the product in the US. The Company is preparing for due diligence, including detailed programme plans for discussion with potential partners.

In June 2011 the Company received the PEI's review of the Grass MATA MPL 0.5ml application for the MAA, which was submitted in March 2009. The PEI raised a number of questions on the MAA and requested further clarification on several points. Allergy Therapeutics prepared comprehensive responses which it believes have addressed the points that were raised. The responses were submitted to the PEI in November 2011 and the Company is awaiting feedback.

A Marketing Authorisation Application (MAA) for the Grass MATA MPL (0.5ml) product in Switzerland was submitted in April 2011 and the questions from Swissmedic were received in April 2012. Comprehensive and detailed responses to the questions have been prepared and will be submitted in October 2012.

As mentioned in previous annual reports, the Therapeutic Allergen Regulation (introduced by the Paul-Ehrlich Institute (PEI), the Regulatory Authority for biological products in Germany) has changed the regulatory landscape. The Company submitted Marketing Authorisation Applications (MAAs) for our key products in December 2010. This has begun to focus the portfolio on registered finished products. Although there has been no feedback from the PEI since, additional clinical information will be required on some of these products over the next few years to 2017 and the Company have therefore begun preparations for clinical trials.

Over the last year the Company has continued to develop additional potential markets in Latin America, Asia and Europe. Great strides have been made in understanding the medical & regulatory requirements in these markets and to adapt the portfolio accordingly to supply the appropriate products and supporting information.

Financial review

"The results for the twelve months to 30 June 2012 show a Group operating profit for the third year running of £1.1m (2011: £0.1m)."

Financial review

"Spending on capital maintenance items was lower than the previous year with the significant investment required in prior years now completed."

Ian Postlethwaite
Finance Director
14 September 2012

The following section should be read in conjunction with the financial statements and related notes on pages 40 to 95.

Overview of the business model

We are a specialist fully integrated pharmaceutical company, focused on the allergy vaccine sector. We concentrate on specialist products used by allergists, dermatologists, paediatricians and Ear Nose and Throat (ENT) doctors who treat people for Allergic Rhinitis.

The results for the twelve months to 30 June 2012 show a Group operating profit for the third year running of £1.1m (2011: £0.1m). The improvement in the performance is mainly due to controlling overhead expenditure and favourable foreign exchange movements.

Revenue

The Group has continued to grow its revenues in markets outside Germany and therefore the reliance of the Group on Germany has continued to decrease, with 62% of revenue originating in the territory compared with last year's 66%. In addition to the sale of allergy vaccines the Group has also continued to increase its revenue from in-licensed products, contributing £1.5m this year (2011: £0.4m). However, the key product is still Pollinex® Quattro, which now accounts for 50% of sales.

Gross sales for the financial year for the Group overall were £43.8m (2011: £43.0m), before the statutory sales rebate in Germany of £2.5m (2011: £1.4m). Gross sales were helped by a stronger Euro to GBP exchange rate over the year.

The influence of the public spending restraints in Germany saw the net sales fall slightly to £41.3m (2011: £41.6m). Net sales in the UK and Ireland benefited from the inclusion of Anapen this year, increasing during the financial year to £1.5m (2011: £0.7m). Italy's net sales increased to £4.4m (2011: £3.9m), which was a strong result given the market fell by 10% during the year. Austria showed strong growth in net sales to £1.9m. (2011: £1.3m). By contrast the Group's sales in Spain declined marginally during the year. Sales in the Latin American market were disappointing for the year owing to a number of registration delays.

Gross Profit

Manufacturing overheads decreased against the prior year by £0.3m. However, there was a slight increase in the cost of goods due to movements in stock against the prior year. Gross profit decreased by 2.5% to £27.6m (2011: £28.3m) generating a gross margin of 67% (2011: 68%).

Operating Expenses

Despite challenging market conditions, the Group maintained its expenditure on sales and marketing. Lower regulatory costs associated with the TAV project in Germany plus foreign exchange gains from hedges helped lower administration costs. Moreover the Income Statement benefited from the fair valuation of exchange hedges, creating an asset at the year end, and the release of the prior year fair valuation liability; together contributing to a gain of £1.3m (2011: loss £0.8m).

Tax

The receipt of an R&D tax credit in the UK of £0.6m, relating to previous financial years' R&D helped offset tax charges from some of the subsidiaries, resulting in a net credit to the income statement of £0.2m.

Balance Sheet

Spending on capital maintenance items was lower than the previous year with the significant investment required in prior years now completed. Intangible assets increased after the capitalisation of a milestone payment to Lincoln Medical for the rights to Anapen in the UK and Republic of Ireland. Total current assets fell to £13.0m (2011:£14.9m) mainly due to a German debtor in last year's accounts relating to a rebate repayment. Due to the equity fundraising, net assets for the year increased to £14.6m compared to £2.1m last year. As a result of favourable working capital movements and reduced overheads, the Group generated net cash from operations of £2.9m (2011: outflow £1.7m).

Financing

The successful fundraising that took place in April this year raised £13.3m through a combination of convertible debt (£4.0m) and equity (£9.3m) with CFR International acting as the cornerstone investor. The additional liquidity has enabled the Group to reduce its financing costs by repaying the bank loan facility and replacing it with a seasonal overdraft facility. The Group utilised the new facility for the first time in June 2012.

The Directors believe that the Group will have adequate facilities for the future and accordingly they continue to adopt the going concern basis in preparing the full year results.

Ian Postlethwaite
Finance Director
14 September 2012

Meet the Board

Peter Jensen
Non-Executive Chairman (61)

Appointed to the Board in October 2010 and appointed Non-Executive Chairman on 1 January 2011.

As Non-Executive Chairman, Peter is responsible for leadership of the Board by ensuring Board effectiveness, good corporate governance and effective communication with shareholders.

Peter held a number of senior roles in his 21 years with SmithKline-Beecham. Between 1994 and 1998 he was Chairman of Consumer Healthcare Europe and between 1998 and 2001 he held the position of President of Worldwide Supply Operations, based in Philadelphia.

Since leaving the Group at the time of the merger with Glaxo, Peter has held a number of non-executive director and chairman roles for various public and private companies. These include Domino Printing Sciences plc, Glenmorangie plc, Genetix Group plc, Celsis International plc and Victoria plc.

In addition to his role at Allergy Therapeutics, Peter is currently Chairman of Nottingham Racecourse, Screendragon Limited, The Home of Horseracing Trust Limited and The British Sporting Art Trust and is a director of The Osborne Studio Gallery Limited.

Peter chairs the Nomination Committee and is also a member of the Audit Committee.

Manuel Llobet
Chief Executive Officer (48)

Manuel Llobet joined the Group in July 2009 following the successful refinancing in which Azure Ventures limited was the main investor.

Prior to this appointment, Manuel was the Principal Consultant for Biohealth LLC and CEO of International Operations of the Weinstein family's group of companies. Manuel was responsible for international development of the Weinstein family's group of pharmaceutical companies in 20 countries.

Mr Llobet has over ten years' experience working in the pharmaceutical industry, primarily in South America, and has served as Executive Director of Corporación Drokasa where he was responsible for a US$25 million AAA-rated bond issue to finance the group's expansion plans; CEO of Laboratorios Andrómaco, where he led the Group to an IPO on the Santiago Stock Exchange; and Business Development Manager for Laboratorio Chile. Manuel participated in the Executive Program at the Graduate Business School of Stanford University and has an MBA from IESE, Universidad de Navarra in Barcelona. Manuel also has degrees in Industrial Business Management and Chemical Engineering from Universitat Ramon Llull in Barcelona.

As Chief Executive Officer, Manuel is responsible for the executive management of Group operations, investor relations, and implementation of the Board's collective decisions overseeing all operational aspects of the Group and directing the long-term strategy.

Ian Postlethwaite
Finance Director (49)

Ian Postlethwaite joined Allergy Therapeutics in April 2002 as Finance Director. Prior to this he worked for Ellerman Investments (1997 - 2002), a UK private equity house, undertaking the roles of Chief Executive Officer with AFS, one of the largest independent finance houses in the UK, and Finance Director with a number of successful start-up technology companies. Previously he held senior finance positions with Ericsson, from 1994 - 1997, and Philips Electronics from 1989-1994. He is a Fellow of the Chartered Association of Certified Accountants and is a non-executive director of Shoreham Port Trust.

As Finance Director, Ian is responsible for Group financial reporting and control, tax, finance systems and internal audit. Ian is also the Company Secretary, a position he has held since 2004.

Stephen Smith
Non-Executive Director (59)

Stephen Smith is a Chartered Management Accountant, Fellow of the Association of Corporate Treasurers and Member of the Institute for Turnaround. Since 1995, he has operated as an independent executive, Non-Executive Director and interim manager (CRO/CEO/COO/FD) on an international basis. Up to 1995 Stephen held various senior financial positions in UK based international public companies including 6 years as Group Treasurer of The Rank Organisation and 3 years as Group Finance Director of a quoted hotel company.

Stephen chairs the Audit and Remuneration Committees, is a member of the Nomination Committee which he chaired until 1 January 2011 and is the Senior Non-Executive Director.

Alejandro Weinstein Jr
Non-Executive Director (54)

Alejandro Weinstein Jr. is CEO of CFR Pharmaceuticals, Chile. CFR Pharmaceuticals was listed on the Santiago Stock Exchange in 2010, with a presence currently in 17 countries concentrated in South America. He is responsible for the entire Weinstein family group of pharmaceutical companies, whose origins can be traced back to 1922.

Alejandro has been active in developing and managing several businesses and start-ups in the pharmaceutical industry and the healthcare sector, including Genomika Foundation, a stem cell research organisation; Biomedical Research Consortium, a joint venture between a biotech R&D Company and a university; Vidacel and Banco de Vida, public and private stem cell banks in Chile; and several other joint ventures with local and foreign R&D companies. Alejandro has a BA, is a Certified Public Accountant and participated in the Owner/President Management Program (OPM) at Harvard Business School.

Alejandro sits on the Nomination Committee.

Thomas Lander, M.D.
Non-Executive Director (59)

Dr. Thomas Lander, M.D. is board certified in internal medicine and diabetology and, moreover, has a strong scientific background in oncology and immunology with a special emphasis on immunotherapy. He trained at the Technical University and the Institute for Immunology, Munich, Germany. He has spent more than 25 years in senior executive positions in R&D with the pharmaceutical industry including Boehringer Ingelheim, Novo Nordisk, Bristol-Myers-Squibb and Glaxo Wellcome (GlaxoSmithKline) before joining Merck KGaA (Merck Serono) as Executive Vice President, Global Clinical R&D and Chief Medical Officer in 2003.

In 2006 he made a move to the biotech industry as managing director of CureVac GmbH, Tuebingen. Since 2009, Dr. Lander has been working as a strategic consultant and also a non-executive director for several European pharmaceuticals.

Thomas sits on the Remuneration Committee.

Directors' report

The Directors present their annual report and the audited financial statements for the 12 months ended 30 June 2012. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

Directors' report

The Directors present their annual report and the audited financial statements for the 12 months ended 30 June 2012. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

Principal activities

The Group is engaged in the development, manufacture, marketing and sale of a range of pharmaceutical vaccine products designed for the immunological treatment of the allergic condition and also licenses in related products. Vaccinations take the form of allergen-specific, named-patient-specific and standard products in injectable and sublingual presentations. The business is headquartered in Worthing, West Sussex, where development and manufacturing is based, with sales and marketing subsidiaries in Germany, Austria, Italy, Spain, The Netherlands, Switzerland and Argentina and representative offices in Poland and the Slovak Republic.

Results

The profit for the year after taxation was £0.8m (2011: loss £2.7m). The results for the year are set out on page 34 and are dealt with in more detail in the Financial review.

Business review

The purpose of this business review is to inform members of the Group and help them to assess the Group's performance during the year, through financial and non-financial activities, outlining the trends and factors which are likely to influence future developments. A review of development and performance of the Group, including important events, progress during the year, the financial performance during the year and likely future developments, can be found in the Chairman's statement on page 8, the Chief Executive Officer's review on pages 12 to 17 and the Financial review on pages 32 to 35 and are incorporated in this report by reference.

Fair review of the Group's business and Key Performance Indicators

The management consider the Key Performance Indicators (KPI's) of the business to be revenue, operating profit, EBITDA, net cash generated and staff turnover.

Revenue in the year was £41.3m compared to £41.6m in the previous year, a reduction of less than 1%.

The operating profit was £1.1m (2011: £0.1m), the increase being a consequence of effective cost control measures and exchange gains during the year.

EBITDA for the year was £3.0m (2011: £1.8m) including a gain in the current year from the fair valuation of foreign exchange hedge contracts of £0.5m (2011: loss £0.8m).

Net cash generated by operations for the year was an inflow of £2.9m (2011: outflow £1.7m).

Staff turnover, including redundancies and temporary staff, in the UK during the year was 20.3% (2011: 24.1%), compared to an average UK staff turnover rate of 12.4% (2011: 12.4%), (data supplied by the Chartered Institute of Personnel and Development). Excluding redundancies and temporary staff, the turnover rate was 9.7% (2011: 9.2%).

A more detailed review of development and performance of the Group, including important events, progress during the year, the financial performance during the year and likely future developments, can be found in the Chairman's statement on page 8, the Chief Executive Officer's review on pages 12 to 17 and the Financial review on pages 32 to 35 and are incorporated in this report by reference.

Description of the principal risks and uncertainties facing the Group

In common with many pharmaceutical companies the Group faces a number of risks and uncertainties. Internal controls are in place to help identify, manage and mitigate these risks. The main risks have been identified as follows:

Risk that the Group is unable to provide effective commercially successful products

Continued development of viable new products and their successful registration and marketing is key to the success of the Group and is a costly and lengthy process. Rationale for new product development may indicate potential; however following significant investment there is no guarantee that a product will be successful. Board approval is sought for all development projects and business cases.

A key challenge facing the Group with respect to the recent lifting of the clinical hold for Pollinex Quattro Grass in the US is securing a partner to help develop and commercialise it in the US.

Product liability risk

Despite extensive product testing prior to market launch, products may produce unanticipated adverse side effects that may hinder their marketability. The Group may be insufficiently covered for any potential litigation which in some cases can potentially be open-ended. The Group's manufacturing facilities and those of some of its suppliers are subject to regulatory requirements and there is a risk that such facilities may not comply with such requirements. The Group maintains product liability insurance and ensures systems and processes relating to the manufacture of its products are compliant and regularly reviewed. It has a pharmacovigilance team in place to monitor and address any safety issues arising.

Intellectual property risk

Group patents may be challenged at any time and any unsuccessful defence may cause the Group to lose protection for its products and subsequently affect further development and sales. The Group is reliant on some intellectual property owned by external stakeholders that, if lost, could hinder the

commercialisation of some of it products. The Group has internal and external patent experts. Internal controls are in place to avoid disclosure of patentable material and to protect existing patents. Arrangements are also in place to notify the Group of any infringements of our intellectual property which it would defend robustly.

Economic risks

A high level of risk is attached to the research, development and commercialisation of innovative drugs. The Group ensures that business cases are scrutinised before Board approval and that any increases in costs are justified. Key suppliers may be unable to execute contractual requirements that hamper product development and/or the route to markets, but the Group maintains appropriate measures to protect its supply chains. The Group may be unable to attract partners or licensees on favourable terms or recruit the right staff to help develop and market its products. Approximately 62% of Group sales are made in Germany and therefore Group results are sensitive to German legislation and government policies, and performance of the German market. To mitigate this risk, the Group intends to expand its revenue outside Germany.

Pharmaceutical products are subject to far greater controls on price in certain markets than other products in the marketplace. Some governments intervene directly in setting price levels and rebates paid into public sick funds, especially with an increasing aged population in developed countries. The Group cannot accurately predict when, where and how such controls and restrictions may be altered, either to its benefit or detriment, but it does conduct regular reviews of pricing and reimbursement levels and assessments of healthcare reforms on pricing.

Financial risks

Adequate funding may not be available to the Group, either through reserves or external partners for the advancement of clinical trials, manufacturing and marketing. Failure to obtain further funding may lead to postponement or cancellation of programmes. The Board actively reviews the financial requirements of the Group on a regular basis.

A majority of the Group's sales are denominated in Euros whilst the manufacturing and most corporate administration costs are in the UK and therefore the Group is exposed to volatility in exchange rate fluctuations. The Group monitors exchange rates regularly and implements hedges to mitigate such risks.

Clinical and regulatory

The Group operates in a highly regulated environment for the testing, manufacture and supply of its products. Compliance with clinical and regulatory requirements within the EU affects not only the cost of product development and resource use, but also the time required to comply. Increased regulation may require products to be amended to comply with regulations and/or products have to be withdrawn, reducing revenues and/or increasing costs. Regulatory authorities such as the FDA are increasingly focussed on the benefit/risk of pharmaceutical products and safety data making it more onerous to obtain regulatory approval. Compliance systems are in place to ensure all clinical, manufacturing and marketing activities comply with regulations in the EU and other territories. Standard operating procedures are maintained to ensure compliance with good manufacturing practice. The Group maintains constant awareness of new regulations and engages with key Regulatory Authorities whenever possible to contribute to trends in regulatory thinking.

Financial risk management objectives and policies

Note 24 in the Notes to the Financial statements gives details of the Group's objectives and policies for risk management of financial instruments.

Development and performance of the Group's business during the financial year

For a full review of development and performance of the Group during the financial year, please refer to the Chief Executive Officer's review on pages 12 to 17 and the Financial review on pages 32 to 35.

Position of the Group's business at the end of the year

The implementation of commercial and marketing initiatives across all territories has helped to maintain and strengthen the Group. Infrastructure setup in Latin America will provide for growth opportunities beyond the current European focus.

Main trends and factors likely to affect the future development, performance and position of the Group's business

Allergy remains a fast growing market with largely unmet market needs in many countries. The allergy "epidemic" continues to grow and it is increasingly recognised that for many people suffering from hay-fever, it is far from being a trivial matter. There are currently few competitors in the niche market in which the Group operates. The Board is confident of achieving registration within Europe for Pollinex Quattro Grass and expects further expansion of product sales in the Emerging Markets.

Environmental matters

The Board is committed to minimising the Group's impact on the environment and ensuring compliance with environmental legislation. The Board considers that its activities have a low environmental impact. The Group strives to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations. Disposal of hazardous waste is handled by specialist agencies.

Employees

The Group currently employs over 365 people in Europe and Latin America and is committed to achieving equality of opportunity in all employment practices. A thorough review of all employees is performed annually to identify and promote areas that require development and growth; feedback is encouraged and sought. Staff are motivated by performance related incentives, which help to attract and retain the right

people, and are encouraged to achieve business targets through market-rate pay, discretionary performance based bonuses and long term incentive programmes. The Board is committed to retaining staff as a high priority for the Group and implementing well balanced, challenging incentives makes this possible. Training and development appropriate to individual and business needs is offered and remuneration for professional development is considered on a case by case basis.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and email updates. Family friendly employment policies conform to statutory requirements and flexible working practices are adopted where viable.

The Group implements equality of opportunity in all of its employment practices, policies and procedures. Employees are highly valued and their rights and dignity are respected. The Group practices equal treatment of all. staff and potential staff irrespective of their race, creed, colour, sexual orientation, nationality, ethnic origin, religion, disability, age, gender or marital status. The equal opportunities section of the Staff Handbook covers all permanent and temporary employees, job applicants, agency staff, consultants and contractors.

A full review of the Group's activities, important events affecting the Group and its development programme is contained in the Chief Executive Officer's review on pages 12 to 17 and the Financial review on pages 32 to 35, both of which form part of this report.

Corporate social responsibility

The Directors recognise the increasing importance of corporate social responsibility and endeavour to take into account the interests of the Group's stakeholders, including its investors, employees, customers, suppliers and business partners when operating its business. The Group is committed to empowering responsible employees who display sound judgement and awareness of the consequences of corporate decisions and actions, and who act in an ethical and moral way.

Directors and Directors' interests

The Directors who held office during the period were as follows:

	Date of appointment	Date of resignation
Peter Jensen Non-Executive Chairman	1 October 2010	-
Alejandro Weinstein Non-Executive Director	1 July 2009	-
Stephen Smith Non-Executive Director	8 September 2004	-
Thomas Lander Non-Executive Director	2 May 2012	-
Manuel Llobet Chief Executive Officer	1 July 2009	-
Ian Postlethwaite Finance Director	1 July 2004	-
Ignace Goethals Non-Executive Director	8 September 2004	30 June 2012
Virinder Nohria Non-Executive Director	1 November 2005	30 June 2012

The dates of appointment above refer to appointment as Directors of Allergy Therapeutics plc.

Mr Lander was appointed a Non-Executive Director on 2 May 2012. Mr Goethals and Mr Nohria resigned as directors on 30 June 2012.

The changes to Mr Smith's, Mr Llobet's and Mr Jensen's service contracts are detailed on page 49 of the Remuneration Committee report.

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company:

	At beginning of year:		At end of year:	
Name	Ordinary Shares	Options & LTIPs	Ordinary Shares	Options & LTIPs
Peter Jensen	100,000	-	120,000	-
Alejandro Weinstein[2]	140,568,287	-	201,986,132	-
Stephen Smith	756,513	150,000	776,513	150,000
Thomas Lander	-	-	-	-
Manuel Llobet[1]	3,125,000	1,470,000	3,125,000	2,190,000
Ian Postlethwaite	493,000	3,023,500	493,000	2,983,500

[1] Has an interest in shares pursuant to his interests in Wild Indigo.

[2] Has an interest in shares pursuant to his interests in Yissum Holding Limited, Azure Ventures & CFR International.

Directors' indemnity

The Directors and officers of the Company are insured against any claims arising against them for any wrongful act in their capacity as a Director, officer or employee of the Group, subject to the terms and conditions of the policy.

Structure of the Company's capital

The Company's share capital which is traded on the AIM market of the London Stock Exchange comprises a single class of ordinary shares of 0.1 pence each, which each carry one voting right and all rank equally with each other. At 30 June 2012 406,912,981 shares were allotted and fully paid. Details of movements in the Company's share capital during the period are shown in Note 27 to the financial statements.

Details of employee share schemes are set out in Note 28 to the financial statements. Participants in employee share schemes have no voting or other rights in respect of the shares subject to their awards until the options are exercised or conditional shares fully vest, at which time the shares rank pari-passu in all respects with shares already in issue.

Substantial shareholders

At 10 September 2012 the Company had been notified of the following major interests, each representing 3% or more of the existing issued ordinary share capital:

Shareholder	Ordinary shares	% held
Yissum Holdings Limited	137,491,788	33.79
CFR International SPA	61,417,845	15.09
Southern Fox Investments	60,892,162	14.96
Fidelity Investments	12,917,776	3.17

Changes to interest in own shares

Neither the Company nor any Employee Benefit Trust holds any shares in the Company.

The Board

Members	Director since	Meeting attendance 2011-12
Peter Jensen	October 2010	15 / 15
Stephen Smith	September 2004	15 / 15
Manuel Llobet	July 2009	15 / 15
Ian Postlethwaite	July 2004	15 / 15
Alejandro Weinstein	July 2009	7 / 15
Thomas Lander	May 2012	3 / 3

The Board is led by the Chairman, who is non-executive, and comprises the Chief Executive Officer, the Finance Director, and three other Non-Executive Directors. Biographical details of all Board members are shown on pages 38 and 39. The roles of Chairman and Chief Executive Officer are separate. The Directors feel that given the current size of the Group, the roles of Company Secretary and Finance Director are not deemed necessary to be separated. All Directors have direct access to the services and advice of the Company Secretary and to external independent professional advice at the expense of the Group.

The Board has a formal schedule of matters specifically reserved to it for decision at Board meetings. This covers strategy and management, financial reporting and controls, internal controls, major contracts, external communications with investors, executive committee appointments and

remuneration, appropriate delegation of authority, corporate governance matters and appropriate policies for key areas including health and safety, corporate social responsibility and the environment.

The Board delegates certain other responsibilities to committees, details of which are set out below.

Board Committees

The Group has an Audit Committee, a Remuneration Committee and a Nominations Committee, all with written terms of reference including formally delegated duties and responsibilities. The Chairman of each committee reports directly to the Board.

The Audit Committee comprised Stephen Smith (Chairman) and Ignace Goethals with Peter Jensen joining in May 2012. Ignace Geothals stepped down on 30 June 2012. The Audit Committee meets at least twice each year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored, meeting with the auditors, reviewing the reports from the Auditors relating to the financial statements and monitoring the internal control function.

The Remuneration Committee comprised Stephen Smith (Chairman), Ignace Goethals and Virinder Nohria with Thomas Lander joining in May 2012. Ignace Goethals and Virinder Nohria stepped down on 30 June 2012. The Remuneration Committee reviews the compensation policy and strategy for the Group as a whole and the scale and structure of the executive Directors' remuneration packages including the terms of their service contracts. No Director takes part in the discussion of his own remuneration. This committee is also responsible for grant of shares under the Group's Long Term Share Incentive Plan.

The Nomination Committee comprised Peter Jensen (Chairman), Ignace Goethals, Stephen Smith and Alejandro Weinstein during the year. Ignace Goethals stepped down on 30 June 2012. The Committee held one meeting during the past financial year. The Nominations Committee's principal purpose is to consider and proffer proposals for the composition and size of the Board and its Committees as well as Board refreshment and succession planning.

Full details of Directors' remuneration and a statement of the Group's remuneration policy are set out in the Directors' remuneration report on pages 49 to 51.

Internal control

The Board has ultimate responsibility for the system of internal control maintained by the Group. The system is designed to manage rather than eliminate risk. It can provide only reasonable and not absolute assurance against material misstatement or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk. The Group has an internal audit function, reporting directly to the Audit Committee, which carries out periodic reviews of the Group's subsidiaries. The Group also has a budgeting and reporting system in place, with results compared to annual budgets and quarterly forecasts using variance analysis.

Shareholder relations

The Group maintains a policy of open dialogue with all shareholders to ensure that the objectives of the Group are understood. The Chief Executive Officer and the Finance Director make regular presentations to stakeholders and discuss any areas of concern and meet regularly with analysts and major shareholders to provide information about the Group. Press releases, general information on the Group, shareholder presentations and investor information are to be accessed via the Group's website, www.allergytherapeutics.com.

Annual General Meeting

The notice convening and giving details of the Annual General Meeting of the Group accompanies this report.

Engagement of auditor for the supply of non-audit services

It is the Group's policy that it will only engage the Group's auditor to supply other professional services to the Group and its subsidiary undertakings if it is satisfied that all the usual conditions of engagement and benchmarks are met. Any agreement to purchase services costing more than £10,000 per engagement must have the prior approval of the Audit Committee.

In determining the policy, the Audit Committee has taken into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that the external auditor audits its own work, the external auditor makes management decisions for the Group, a mutuality of interest is created or the external auditor is put in the role of advocate for the Group.

Research and development

The Group will continue its policy of investment in research and development, with the focus being in Germany where major allergy vaccines if not already registered require further clinical evidence by 2017. In accordance with International Financial Reporting Standards (IFRS), during the year the Group expensed to the income statement £2.1m (2011: £1.7m) on research and development. Further details on the Group's research and development are included in the Chief Executive's review on pages 12 to 17.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 8 to 11, the Chief Executive Officer's review on pages 12 to 17 and the Financial review on pages 32 to 35. The financial position

of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Director's Finance review on pages 32 to 35.

In addition, Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to foreign currency risk, interest rate risk and liquidity risk.

After making appropriate enquiries, which included a review of the annual budget, considering the cash flow requirements for the foreseeable future, noting the new bank facility, and the effects of sales and foreign exchange sensitivities on the Group's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

Market value of land and buildings

All freehold properties are stated at market value. The Group's policy is that a full revaluation is carried out every five years with an interim valuation carried out in the third year after each full valuation. In the intervening years the directors review the carrying values of the freehold land and buildings to ensure that there have been no material variations.

Creditors' payment policy and practice

The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and generally seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. During the last quarter of the year terms with some trade creditors were temporarily renegotiated, although less so than in the previous year. Shortly after the year end normal terms were resumed. Whilst the Company had no trade creditors, the number of trade creditor days for the Group at 30 June 2012 was 42 days (2011: 62 days).

Dividend

Given the Research and Development costs in the prior years the Group has negative distributable reserves and is unable to declare a dividend.

Charitable and political contributions

The Group made no political or charitable contributions during the year.

Employment policies

Equal opportunities

The Group is committed to providing equal opportunities in employment irrespective of background, age, sexual orientation, religion, gender, nationality, marital status or disability. Our aim is to attract the best people in the industry and we believe in maximising every employee's potential. The Group does not tolerate any harassment or discrimination.

Disabled people

The Group, in considering applications for employment from disabled people, seeks to ensure that fair consideration is given to the abilities and aptitudes of the applicant while having regard to the requirements of the job for which he or she has applied. Employees who become unable to carry out the requirements of the job for which they have been employed are given individual consideration and, depending on the nature, severity and duration of the disability may be considered for alternative work.

Communication

The Group has an open communication policy with its employees. Regular communication on the strategy, plans and performance of the Group is undertaken and reinforced by site meetings of staff as well as briefings by Directors and line management. In the UK, employees have access to Group information on the intranet. Information about the Group is also available on the internet at www.allergytherapeutics.com.

Health & Safety

The Group is committed to providing a safe environment for its employees and others who are engaged in or may be impacted by the Group's operations and considers health & safety a priority. Policies relating to Health & Safety are set out on the Group's Intranet and Staff Handbook. Procedures are monitored and improvements identified through periodic audits and safety inspections. The Group's Health and Safety Committee meets regularly to discuss issues and promote good practice with Health & Safety Officers promoting and monitoring safe working conditions. The Directors review the Health & Safety report at the monthly board meetings.

Statement of Directors' responsibilities – Group Financial statements

The Directors are responsible for preparing the Annual 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 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 Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Group will continue in business.

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Group's auditors are 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' responsibilities – Company Financial statements

The Directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditors are 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.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as Auditor in accordance with section 489 of the Companies Act 2006. A resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

By order of the Board on 14 September 2012

Ian Postlethwaite
Company Secretary
14 September 2012

Directors' remuneration report

The Remuneration Committee

The Remuneration Committee comprised Stephen Smith (Chairman), Ignace Goethals and Dr Virinder Nohria during the financial year. The Committee held four meetings during the past financial year. The principal purpose of the Committee is to determine and agree the directors' salary increases, annual bonuses, scope of pension arrangements and any changes in benefits. In addition, the Committee also agrees the share-related compensation for the directors and other executive management and other executive compensation matters.

Members	Member since	Attendance at meetings 2011-12
Stephen Smith	November 2004	4/4
Ignace Goethals	November 2004	4/4
Virinder Nohria	November 2005	4/4

Remuneration policy

The Committee's policy is to set remuneration packages for Executive Directors that are competitive with the market, allowing the Group to attract, motivate and retain executives of the highest calibre. Remuneration packages are designed to reward executives for performance via annual bonus payments and awards of share-related compensation, which together constitute a potentially significant proportion of the total remuneration opportunity.

The remuneration of Executive Directors comprises the following elements:

(i) Basic salary

Basic salary is reviewed annually as at 1 October, taking into account personal performance, and benchmarked against the Comparator Group.

(ii) Taxable benefits

Taxable benefits represent the provision of a car allowance and private medical insurance.

(iii) Share options

No share options were granted in the year. The share options granted to individual Executive Directors to date are disclosed later in this report and comprise grants made in prior years under previous approved and unapproved option schemes. Share options previously granted by Allergy Therapeutics (Holdings) Limited were surrendered on 5 October 2004 for share options in Allergy Therapeutics plc, on substantially the same terms.

(iv) Long Term Incentive Plan

During the year ended 30 June 2012 provisional shares were awarded to directors and senior management under the Allergy Therapeutics plc 2005 Long Term Incentive Plan. Distribution of shares under the Plan is conditional on the Group's performance over the 3-year Plan Cycle. The number of provisional shares awarded to Executive Directors under the Plan is shown in the Directors' share option table.

(v) SAYE Plan

During the year ended 30 June 2012 no offer was made to employees or executives under the SAYE scheme.

(vi) Bonus

In the case of the executive team, the Group operates a performance-related cash bonus based upon individual performance and achievement of personal and corporate objectives. Annual bonus payments are capped under service contracts at 40% for Manuel Llobet and 30% for other Executive Directors. The bonus is determined and agreed by the Remuneration Committee in September each year for the preceding financial year.

(vii) Pension arrangements

The UK Company operates a defined-contribution Personal Pension scheme and currently makes pension contributions equal to 10% of salary for Executive Directors, with the exception of Manuel Llobet for whom the Group contributes 15% of salary (subject to HMRC cap).

Service contracts

Executive Directors	Date of contract	Notice period
Manuel Llobet	21 June 2012	12 months
Ian Postlethwaite	7 May 2002	12 months

Manuel Llobet's service contract dated 1 July 2009 was amended on 21 June 2012 to reflect the changes in his notice period to twelve months from the Company.

Non-Executive Directors	Date of contract	Notice period
Peter Jensen	30 June 2012	6 months
Alejandro Weinstein	1 July 2009	3 months
Stephen Smith	1 April 2012	3 months
Thomas Lander	2 May 2012	3 months
Ignace Goethals	8 September 2004	3 months
Virinder Nohria	1 November 2005	3 months

Stephen Smith's service contract dated 5 October 2004 was changed for administration purposes only. Peter Jensen's service contract dated 1 October 2010 was amended on 30 June 2012 to reflect a change in his notice period from 3 to 6 months and to reflect an additional level of remuneration for work beyond his contractual four days per month when required.

Directors' remuneration (audited information)

Details of remuneration of those who served as directors during the year are set out below.

Year ended 30 June 2011

	Basic salary £	Bonus for the year £	Taxable benefits £	Fees £	Total £	Pension £	Total £	Pension £
Manuel Llobet	**195,188**	**47,188**	**11,170**	**-**	**253,546**	**27,690**	271,531	19,999
Ian Postlethwaite	**152,542**	**39,160**	**10,782**	**-**	**202,484**	**15,254**	189,961	14,809
Peter Jensen	**65,000**	**-**	**-**	**-**	**65,000**	**-**	41,500	-
Stephen Smith[1]	**-**	**-**	**-**	**36,000**	**36,000**	**-**	36,000	-
Alejandro Weinstein	**36,000**	**-**	**-**	**-**	**36,000**	**-**	36,000	-
Ignace Goethals	**36,000**	**-**	**-**	**-**	**36,000**	**-**	36,000	-
Virinder Nohria	**36,000**	**-**	**-**	**-**	**36,000**	**-**	36,000	-
Thomas Lander	**6,000**	**-**	**-**	**-**	**6,000**	**-**	-	-
Totals	**526,730**	**86,348**	**21,952**	**36,000**	**671,030**	**42,944**	646,992	34,808

[1] Mr Smith's fees are paid to SRS Business Enterprises Limited.

The audited information detailed above is summarised in Note 6 to the accounts.

Directors' share options and LTIPs

	Options held at 1 July 2012	Options granted in the year	Options exercised in the year	Options lapsed in the year	Directorship resigned in the year	Options held at 30 June 2012	Subscription price (pence)	Exercise date from	Expiry date
Executive Directors									
Manuel Llobet	1,470,000[1]	720,000[1]	-	-	-	2,190,000	-	-	-
Ian Postlethwaite	400,000	-	-	400,000		-	30.0	03/06/2002	03/06/2012
	1,500,000	-	-	-		1,500,000	5.0	17/12/2002	17/12/2012
	163,500	-	-	-		163,500	18.5	18/10/2009	18/10/2019
	960,000[1]	360,000[1]	-	-		1,320,000	-	-	-
Non-Executive Directors									
Stephen Smith	150,000	-	-	-	-	150,000	45.0	26/02/2005	26/02/2014
Ignace Goethals	150,000	-	-	-	150,000	-	45.0	26/02/2005	26/02/2014
Virinder Nohria	100,000	-	-	-	100,000	-	45.0	15/12/2003	15/12/2013
Totals	**4,893,500**	**1,080,000**	**-**	**400,000**	**250,000**	**5,323,500**			

[1] Long Term Incentive Plan

The aggregate amount of gains made by Directors upon the exercise of share options in the year ended 30 June 2012 was £nil (2011: £nil)

At 30 June 2012 the London Stock Exchange market value of shares was 7.75 p per share. The range of values during the period from 1 July 2011 to 30 June 2012 was 14p to 7.75p per share.

Stephen Smith
Chairman, Remuneration Committee
14 September 2012

Nominations committee report

The Nominations Committee during the year comprised Peter Jensen (Chairman), Stephen Smith, Ignace Goethals and Alejandro Weinstein. The Nominations Committee was established in September 2009 and held once during the past financial year. Its principal purpose is to consider and proffer proposals for the composition and size of the Board and its Committees as well as Board refreshment and succession planning.

Members	Member since	Attendance at meetings 2011-12
Stephen Smith	September 2009	1/1
Ignace Goethals	September 2009	1/1
Alejandro Weinstein	September 2009	1/1
Peter Jensen	October 2010	1/1

When proposing appointments of directors, the Committee considers the skills, knowledge and experience that a candidate possesses compared to the skill sets and experience of the Board as it currently stands. Selection of candidates also takes into consideration the breadth of knowledge that the Board has and that it may require to provide a well-balanced environment which encourages scrutiny and appropriate challenge of the Executive management.

The Group considers the independence of non-executive directors of paramount importance being a cornerstone of good corporate governance; as a result the Committee periodically reviews the independence of its non-executive directors. Its review is based on the seven principles of independence contained in the Combined Code against the practicalities for an AIM Company.

The review considered all the Non-Executive Directors and in particular Mr Stephen Smith's position was discussed regarding his share options granted in 2005, as detailed on page 51, being contrary to one of the seven principles. The Committee judged that his contribution in the capacity as Chairman of the Audit Committee, and his experience, integrity and strength of character outweigh any potential conflict of interest that might arise from his share options to impede his independence. Mr Stephen Smith is therefore regarded as an independent Non-Executive Director, with Mr Thomas Lander as the other independent Non-Executive Director.

The Committee's principal focus during the year ended 30 June 2012 was to review the skill sets and size of the Board required by the Group for its future strategy. As part of this process Ignace Goethals and Virinder Nohria resigned on 30 June 2012, and Thomas Lander was appointed on 2 May 2012. The Board now consists of four non-executive directors with two being independent.

Peter Jensen
Chairman, Nominations Committee
14 September 2012

Independent auditor's report to the members of Allergy Therapeutics plc (Group)

We have audited the Group financial statements of Allergy Therapeutics plc for the year ended 30 June 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement 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.

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 set out on pages 47 to 48, the Directors are responsible for the preparation of the group 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 group 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Other matter

We have reported separately on the parent company financial statements of Allergy Therapeutics plc for the year ended 30 June 2012.

Christian Heeger
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
14 September 2012

Consolidated income statement

Consolidated income statement for the year ended 30 June 2012

	Note	Year to 30 June 2012 £'000	Year to 30 June 2012 £'000	Year to 30 June 2011 £'000	Year to 30 June 2011 £'000
Revenue	3		**41,280**		41,552
Cost of sales			**(13,670)**		(13,221)
Gross profit			**27,610**		28,331
Distribution costs			**(17,881)**		(17,524)
Administration expenses – other		**(6,542)**		(9,232)	
Research and development costs		**(2,095)**		(1,670)	
Administration expenses			**(8,637)**		(10,902)
Other income	8		**-**		210
Operating profit			**1,092**		115
Finance income	10		**5**		2
Finance expense	9		**(457)**		(2,430)
Profit /(Loss) before tax	5		**640**		(2,313)
Income tax	11		**183**		(349)
Profit/(Loss) for the period			**823**		(2,662)
Earnings /(Loss) per share	13				
Basic (pence per share)			**0.25p**		(0.86p)
Diluted (pence per share)			**0.24p**		(0.86p)

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 30 June 2012

	Note	Year to 30 June 2012 £'000	Year to 30 June 2011 £'000
Profit/(Loss) for the period		**823**	(2,662)
Actuarial (loss)/gain on defined benefit pension scheme	26	**(734)**	235
Exchange differences on translation of foreign operations		**(431)**	586
Revaluation gains/(losses)		**50**	(54)
Total comprehensive income		**(292)**	(1,895)

Consolidated balance sheet

Consolidated balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**7,555**	8,809
Intangible assets – Goodwill	14	**2,489**	2,624
Intangible assets – Other	15	**2,107**	1,781
Investments – Retirement benefit asset	17	**2,569**	2,493
Total non-current assets		**14,720**	15,707
Current assets			
Trade and other receivables	19	**4,997**	6,779
Inventories	18	**6,651**	7,087
Cash and cash in hand	20	**903**	1,048
Financial derivative instruments		**483**	-
Total current assets		**13,034**	14,914
Total assets		**27,754**	30,621
Liabilities			
Current liabilities			
Trade and other payables	21	**(6,312)**	(7,549)
Current borrowings	22	**(1,426)**	(2,793)
Derivative financial instruments	24	**(9)**	(805)
Total current liabilities		**(7,747)**	(11,147)
Net current assets		**5,287**	3,767
Non current liabilities			
Retirement benefit obligation	26	**(4,717)**	(4,114)
Non current borrowings	22	**(97)**	(12,361)
Derivative financial instruments	24	**(162)**	(376)
Deferred taxation	12	**(165)**	(201)
Non current provisions	23	**(274)**	(283)
Total non current liabilities		**(5,415)**	(17,335)
Total liabilities		**(13,162)**	(28,482)
Net assets		**14,592**	2,139
Equity			
Capital and reserves			
Issued capital	27	**417**	321
Share premium		**67,571**	58,705
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – shares held by EBT		**67**	67
Reserve – share based payments		**1,496**	1,398
Reserve – convertible loan notes		**3,652**	-
Revaluation reserve		**1,297**	1,287
Foreign exchange reserve		**93**	524
Retained earnings		**(100,129)**	(100,291)
Total equity		**14,592**	2,139

These financial statements were approved by the Board of Directors on 14 September 2012 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 05141592

Consolidated statement of changes in equity

	Issued capital	Share premium	Merger reserve-shares issued by subsidary	Reserve-shares held in EBT	Reserve-share based payments	Reserve-convertible loan note	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2010	**321**	**58,704**	**40,128**	**67**	**1,323**	**-**	**1,381**	**(62)**	**(97,976)**	**3,886**
Exchange differences on translation of foreign operations								586		586
Actuarial gains									235	235
Valuation losses taken to equity							(54)			(54)
Total other comprehensive income	-	-	-	-	-	-	(54)	586	235	767
Loss for the period after tax									(2,662)	(2,662)
Total comprehensive income	-	-	-	-	-	-	(54)	586	(2,427)	(1,895)
Share based payments					147					147
Shares issued		1								1
Transfer of depreciation on revalued property							(40)		40	-
Transfer of lapsed options to retained earnings					(72)				72	-
At 30 June 2011	**321**	**58,705**	**40,128**	**67**	**1,398**	**-**	**1,287**	**524**	**(100,291)**	**2,139**
Exchange differences on translation of foreign operations								(431)		(431)
Actuarial (loss)									(734)	(734)
Valuation gains taken to equity							50			50
Total other comprehensive income	-	-	-	-	-	-	50	(431)	(734)	(1,115)
Profit for the period after tax									823	823
Total comprehensive income	-	-	-	-	-	-	50	(431)	89	(292)
Share based payments					131					131
Shares issued	96	8,866				3,652				12,614
Transfer of depreciation on revalued property							(40)		40	-
Transfer of lapsed options to retained earnings					(33)				33	-
At 30 June 2012	**417**	**67,571**	**40,128**	**67**	**1,496**	**3,652**	**1,297**	**93**	**(100,129)**	**14,592**

Consolidated cash f ow statement

	Note	Year to 30 June 2012 £'000	Year to 30 June 2011 £'000
Cash f ows from operating activities			
Profit/ (Loss) before tax		**640**	(2,313)
Adjustments for:			
Finance income	10	**(5)**	(2)
Finance expense	9	**1,456**	1,085
Revaluation loss on loan	9	**(999)**	1,345
Non cash movements on defined benefit pension plan		**164**	181
Depreciation and amortisation	15, 16	**1,892**	1,698
Gain on bargain purchase		**-**	(186)
Charge for share based payments		**131**	147
Financial derivative instruments		**(1,280)**	805
Disposal of property, plant and equipment		**8**	8
Decrease/(Increase) in trade and other receivables		**1,287**	(2,728)
Decrease in inventories		**272**	73
Increase in trade and other payables		**(642)**	(1,788)
Net cash generated by/ (used in) operations		**2,924**	(1,675)
Interest paid		**(51)**	(3)
Income tax refunded/ (paid)		**7**	(349)
Net cash generated by/ (used in) operating activities		**2,880**	(2,027)
Cash f ows from investing activities			
Interest received		**5**	3
Investments		**(311)**	(313)
Acquisitions		**-**	(740)
Payments for intangible assets		**(829)**	(87)
Payments for property plant and equipment		**(432)**	(1,150)
Net cash used in investing activities		**(1,567)**	(2,287)
Cash f ows from financing activities			
Proceeds from issue of equity shares and convertible loan notes		**12,614**	1
Repayment of borrowings		**(22,623)**	(7,016)
Proceeds from borrowings		**7,680**	9,024
Bank loan fees and interest paid		**(406)**	(1,245)
Net cash (used in)/ generated by financing activities		**(2,735)**	764
Net (decrease) in cash and cash equivalents		**(1,422)**	(3,550)
Effects of exchange rates on cash and cash equivalents		**(35)**	78
Cash and cash equivalents at the start of the period		**1,048**	4,520
Cash and cash equivalents at the end of the period		**(409)**	1,048
Cash at bank and in hand		**903**	1,048
Bank Overdraft		**(1,312)**	-
Cash and cash equivalents at the end of the period		**(409)**	1,048

Notes to the financial statements

1. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in issue as adopted by the European Union ('EU').

Allergy Therapeutics plc is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in England. The address of Allergy Therapeutics plc's registered office and its principal place of business is Dominion Way, Worthing, West Sussex and its shares are listed on the Alternative Investment Market (AIM).

The consolidated financial statements for the year ended 30 June 2012 (including comparatives) have been prepared under the historical cost convention except for land and buildings and derivative financial instruments which have been measured at fair value. They were approved and authorised for issue by the Board of Directors on 14 September 2012.

New standards adopted

There are no IFRS or IAS interpretations that are effective for the first time in this financial period that have had a material impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2012 financial statements

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. Not all of these have yet been adopted by the EU. The Group has not adopted any of these pronouncements early. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows:

IFRS 9 Financial Instruments (effective 1 January 2015)

This IFRS replaces IAS39 and addresses the usefulness for users of financial statements by simplifying the classification and measurement requirements for financial instruments. Management are currently assessing the detailed impact on the Group's financial statements.

IFRS 10 Consolidated Financial statements (effective 1 January 2013)

This IFRS establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

This IFRS looks at the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'.

IAS 19 (Revised June 2011) Employee Benefits (effective 1 January 2013)

IAS 19 reviews the treatment of employee benefits with a view to recognising the cost in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

IAS 27 (Revised) Separate Financial statements (effective 1 January 2013)

IAS 27 is concerned with the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Amendments to IAS 1 Presentation of Other Comprehensive Income (effective 1 July 2012)

This IAS amendment revises the way the statement of other comprehensive income should be presented requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not.

Management anticipate that the above pronouncements will be adopted in the Group's financial statements in line with the effective dates stated above. Management are currently assessing their detailed impact on the Group's financial statements.

Other new standards and Interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Going concern

For the year ended 2012 and for the third year in succession, the Group has reported an operating profit and an operating cash inflow of £2.9m (2011: £2.0m outflow).

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2013 and 30 June 2014. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Company's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements.

In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries drawn up to 30 June 2012. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of over one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

The Group uses the purchase method of accounting for the acquisition of a subsidiary. The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the conditions for recognition under IFRS 3 Revised Business Combinations, are recognised at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated except for unrealised losses if they show evidence of impairment.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used in the Group.

Goodwill

Goodwill arising from business combinations is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities and contingent liabilities acquired. It is initially recognised as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Intangible assets

Acquired as part of a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- the intention to complete the intangible asset and use or sell it.
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, research and development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Amortisation of all intangible assets is calculated on a straight line basis over the useful economic life using the following annual rates:

Manufacturing know-how	15 years
Non-competing know-how	4 years
Other intangibles	15 years/ period of contract
Computer software	7 years

These periods were selected to reflect the various assets' useful economic lives to the Group.

The cost of amortising intangible assets is included within administration costs in the consolidated income statement.

Segmental reporting

In identifying its operating segments, management follow the Group's revenue lines which represent the main geographical markets within which the Group operates. These operating segments are managed separately as each requires different local expertise, regulatory knowledge and a specialised marketing approach. A market based operating segment is engaged in production, marketing and selling within a particular economic environment that is different from that in segments operating in other economic environments. All inter-segment transfers are carried out at arm's length prices.

The Group's operating segments are market based and are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker (CODM) who has been identified as the Executive Directors. The CODM is responsible for allocating resources and assessing the performance of the operating segments.

Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's presentational currency is Sterling, which is also the functional currency of the Group's parent.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at reporting period end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss. Non-monetary items are carried at historical cost or translated using the exchange rate at the date of the transaction or an average rate as an approximation.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet with all resulting exchange differences being recognised in other comprehensive income and accumulated in a separate component of equity.
- Income and expenses for each income statement item are translated at exchange rates at the date of the transaction or using an average rate as an approximation with resulting exchange differences recognised in other comprehensive income and accumulated in a separate component of equity.

The Group has taken advantage of the exemption in IFRS 1 which allows all foreign exchange differences on consolidation to be set at zero at transition and the foreign exchange reserve therefore only shows post transition foreign exchange differences.

Income recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, net of statutory rebates paid in Germany and excluding value added tax. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the customer has physically received the goods.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is again when the customer has physically received the goods.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

A small proportion of the Group's overseas sales are made though licensees and distributors.

For all licensee arrangements, the licensee is invoiced at the time of delivery and title to the product passes upon full and

final settlement of the invoice to which the delivery relates. The licensee has full discretion over the setting of the final selling price to the end customer and pays a fixed percentage of the final selling price back to the Group as 'royalties' as and when those sales are made. The licensee is responsible for all customer returns of product.

It is considered that the significant risks and rewards of ownership of the product are transferred to the licensee at the point of delivery and therefore revenue is recognised at this point in accordance with IAS 18. Royalties are recognised on an accruals basis as the licensee books the sale to the end customer in accordance with IAS 18 paragraph 30 (b).

For all distributor agreements, the distributor places orders with the Group, at which point goods are shipped to them. The Group however, holds title to these products until they are sold on to a third party with the distributor effectively acting as an agent. The selling price to the end user is set by the relevant Government body and the distributor receives a fixed percentage of this selling price. The distributor notifies the Group monthly on stock levels and this is reconciled to a statement which generates an invoice for payment by the distributor. The Group is responsible for any customer returns of product.

It is considered that the significant risks and rewards of ownership of the product are not transferred from the Group until the distributor has sold the product to a third party and therefore revenue on these sales is recognised at this point by the Group in accordance with IAS 18 appendix 2 (c).

Expenditure recognition

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

Property, plant and equipment

The Group policy is that all freehold properties will be subject to a full revaluation at least every five years with an interim valuation carried out in accordance with IAS 16 in the third year after each valuation.

Revaluations are performed by independent qualified and experienced valuers who have adequate local knowledge in the country in which the property is situated. In the intervening years between independent revaluations, the directors review the carrying values of the freehold land and buildings and adjustments are made if the carrying values differ significantly from their respective fair values. Increases in the carrying value from revaluations are recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset. The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to profit or loss.

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Provision for depreciation of all tangible assets of the Group (except land) is made over their estimated useful lives, on a straight line basis principally using the following annual rates:

Buildings	33 years
Computer equipment	3 – 7 years
Motor vehicles	4 years
Fixtures and fittings	5 – 10 years
Plant and equipment	5 – 10 years

Asset residual values and useful lives are reviewed annually and amended as necessary. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell or value in use.

Assets under course of construction are capitalised but not depreciated. Once the asset is ready for use, it is transferred to the relevant heading and depreciated accordingly.

Depreciation is included within operating expenses in the income statement.

Impairment

The Group's goodwill, other intangible assets, freehold land and buildings and plant & equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash generating units that include goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash generating units 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, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories

Inventory is carried at the lower of cost or net realisable value. The costs of raw materials, consumables, work in progress and finished goods are measured by means of weighted average cost using standard costing techniques. Cost of finished goods comprises direct production costs such as raw materials, consumables, utilities and labour, and production overheads such as employee costs, depreciation, maintenance and indirect factory costs. Standard costs are reviewed regularly in order to ensure relevant measures of utilisation, production lead time and appropriate levels of manufacturing expense are reflected in the standards.

Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell.

Leases

Operating lease rentals are charged to the income statement over the term of the lease. There are no finance leases.

Financial assets

Financial assets consist of cash, other receivables and financial derivative instruments. Financial assets are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Cash and cash equivalents comprise cash on hand, demand deposits and overdrafts, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument and loans and receivables are initially recognised at fair value, including transaction costs, with the exception of 'fair value through profit and loss' and subsequently at amortised cost, with any changes going through profit or loss. Where securities are designated as 'fair value through profit and loss' gains and losses arising from changes in fair value are included in net profit or loss for the period.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Group's financial liabilities include bank loans, trade and other payables and derivatives.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the income statement.

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

Borrowings comprise secured bank borrowings, and are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Convertible loan notes

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue the fair value of the liability component is estimated using a discount rate for an equivalent liability without the conversion feature. The difference between the proceeds of issue of the convertible loan note and the fair value assigned to liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Derivative financial instruments

The Group uses interest rate swaps, Euro forward contracts and Euro exchange swaps to manage the exposure to changes in interest and translation rates and these are classified as derivative financial instruments. All derivative financial instruments are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. Any change in the fair value of the instruments is recognised in the profit and loss.

Equity

Equity comprises the following:

- "Issued capital" represents the nominal value of equity shares that have been issued.

- "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.
- "Merger reserve" represents the excess over nominal value of the fair value of consideration received for equity shares issued on acquisition of subsidiaries, net of expenses of the share issue.
- "Reserve - Shares held in EBT" represent the shares acquired by a trust set up for the benefit of the Group's employees. These shares are deducted from shareholders funds at the cost that the shares were acquired. The net proceeds received from the issue of these shares through the exercise of options are also recognised through this reserve.
- "Reserve - share based payments" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Reserve - convertible loan notes" represents the equity component of consideration received for convertible loan notes, net of expenses.
- "Revaluation reserve" represents the revaluations of investment assets and land and buildings.
- "Foreign Exchange reserve" represents the foreign currency translation differences that have occurred since the transition date. Exchange differences prior to this date are included within retained earnings.
- "Retained earnings" represents retained profits and losses.

Equity is any contract which evidences a residual interest in the assets of the Group after deducting all its liabilities.

Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income (such as the revaluation of land and buildings) in which case the related deferred tax is also charged or credited directly to other comprehensive income.

Defined Benefit Pension Scheme

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately in other comprehensive income. The net surplus or deficit is presented with other net assets on the balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged against administrative expenses in the income statement. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs.

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Investments

Investments relate to long-term insurance policies that cannot be directly deducted from the German pension obligation. These are recognised as a separate asset, rather than as a deduction in determining the defined benefit liability. They are held at fair value with any gains or losses on valuation charged or credited to other comprehensive income.

Provisions

Provisions are recognised when the present obligations arising from legal or constructive obligations resulting from past events, will probably lead to an outflow of economic resources from the Group which can be estimated reliably.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Share based employee compensation

The Group operates equity-settled share based compensation plans for remuneration of its employees including Save As You Earn (SAYE) and Long Term Incentive Plan (LTIP) schemes.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the share option or shares awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets). The fair value of LTIP shares, which have market conditions attached, includes an adjustment based on the probability of the shares vesting at the end of the vesting period.

Details of the SAYE and LTIP schemes and the conditions applying to each scheme are fully disclosed in Note 28 (Share Based Payments) on page 87 to 88.

All share based compensation is ultimately recognised as an expense in the consolidated income statement with a corresponding credit to the share based payments reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Employee Benefit Trust

The financial statements include the assets and liabilities of a trust set up for the benefit of the Group's employees. The employee benefit trust has acquired shares in the Company and these are deducted from the shareholders' funds on the balance sheet at the cost of acquisition.

Use of accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Judgements in applying accounting policies

a) Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will be made only where there is evidence that an economic benefit will accrue to the Group. To date no development costs have been capitalised and all costs have been expensed in the Income statement as research and development expenditure, £2.1m (2011: £1.7m).
b) Land and buildings were not revalued to fair value at the reporting date as management determined that the effect of the changes in market prices between the dates of revaluation and the reporting dates were immaterial.
c) The Directors assume that the loan note will be repayable in April 2014 rather than any earlier date nominated by the note holder. Repayment of the principal has been treated as not substantive as the repayment of principal and reinvestment in equity are viewed as occurring at the same time in contemplation of one another.

Sources of estimation uncertainty

a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.
b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.
c) Estimates are required as to asset carrying values and impairment charges.
d) Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which the goodwill has been allocated. This value in use calculation requires an estimation of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

3. Revenue

An analysis of revenue by category is set out in the table below:

	2012	2011
	£'000	£'000
Sale of goods	**40,317**	40,445
Royalties	**963**	1,107
	41,280	41,552

There were no milestone payments in either the current or previous year.

4. Segmental reporting

The Group's operating segments are being reported based on the financial information provided to the Executive Directors, who are defined as the Chief Operating Decision-Maker (CODM), to enable it to allocate resources and make strategic decisions.

The CODM reviews information based on geographical market sectors and assesses performance at an EBITDA (operating profit before interest, tax, depreciation and amortisation) and operating profit level. Management have identified that the reportable segments are Central Europe (which includes the following operating segments; Germany, Austria, Switzerland and the Netherlands), Southern Europe (Italy and Spain), the UK and Other.

Revenue by Segment

	Revenue from External Customers	**Inter Segment Revenue**	**Total Segment Revenue**	Revenue from External Customers	Inter Segment Revenue	Total Segment Revenue
	2012	**2012**	**2012**	2011	2011	2011
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central Europe						
Germany	**25,407**		**25,407**	27,390		27,390
Other	**5,617**		**5,617**	4,816		4,816
	31,024		**31,024**	32,206		32,206
Southern Europe	**6,180**		**6,180**	5,931		5,931
UK	**1,509**	**33,861**	**35,370**	700	34,925	35,625
Other	**2,567**		**2,567**	2,715		2,715
	41,280	**33,861**	**75,141**	41,552	34,925	76,477

Revenues from external customers in all segments are derived from the sale of a range of pharmaceutical products designed for the immunological treatment of the allergic condition.

Other revenues include licensee and distributor sales and royalties through several world-wide markets including Czech and Slovak Republics, Canada and South Korea.

Inter-segment revenues represent sales of product from the UK to the operating subsidiaries. The price is set on an arms-length basis which is eliminated on consolidation.

The CODM also reviews revenue by segment on a constant currency basis to provide relevant year on year comparisons.

The following revenue table is based on a constant currency rate of 1.20: £1.00 which was the rate used in the 2012 budget.

	Revenue from External Customers	Revenue from External Customers
	2012	2011
	£'000	£'000
Central Europe		
Germany	**24,331**	26,783
Other	**5,180**	4,855
	29,511	31,638
Southern Europe	**5,814**	5,689
UK	**1,509**	700
Other	**2,686**	2,638
	39,520	40,665

Depreciation and Amortisation by Segment	**2012**	2011
	£'000	£'000
Central Europe	**119**	74
Southern Europe	**89**	93
UK	**1,684**	1,531
	1,892	1,698

EBITDA by Segment

Allocated EBITDA	2012 £'000	2011 £'000
Central Europe	**(1,029)**	363
Southern Europe	**372**	(189)
UK	**3,641**	1,639
Allocated EBITDA	**2,984**	1,813
Depreciation and amortisation	**(1,892)**	(1,698)
Operating profit	**1,092**	115
Finance income	**5**	2
Finance expense	**(457)**	(2,430)
Profit/(Loss) before tax	**640**	(2,313)

Total assets by Segment	2012 £'000	2011 £'000
Central Europe	**8,386**	9,849
Southern Europe	**3,963**	3,823
UK	**35,220**	33,436
	47,569	47,108
Inter-Segment Assets	**(1,958)**	(1,835)
Inter-Segment Investments	**(17,857)**	(14,652)
Total Assets per Balance Sheet	**27,754**	30,621

Total liabilities by Segment	2012 £'000	2011 £'000
Central Europe	**(8,227)**	(7,836)
Southern Europe	**(2,150)**	(1,646)
UK	**(4,743)**	(20,835)
	(15,120)	(30,317)
Inter-Segment Liabilities	**1,958**	1,835
Total Liabilities per Balance Sheet	**(13,162)**	(28,482)

5. Profit/ (Loss) before tax

Profit/ (Loss) for the period has been arrived at after charging:	2012 £'000	2011 £'000
Foreign exchange loss	**808**	2,180
Depreciation and amortisation:		
Depreciation of property plant and equipment (note 16)	**1,506**	1,355
Amortisation of intangible assets (note 15)	**386**	343
Research and development	**2,095**	1,670
Employee benefits expense:		
Employee costs (note 7)	**18,394**	17,459
Land and buildings held under operating leases	**439**	446
Other operating leases	**533**	503
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**21**	21
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**67**	54
Tax services	**9**	3
Other services pursuant to legislation	**99**	17
Share based payment expense (note 28)	**131**	147

6. Remuneration of key management personnel

	2012 £'000	2011 £'000
Salaries and short-term employee benefits	**677**	1,044
Social security costs	**70**	98
Severance payments	**-**	31
Post employment benefits – defined benefit plans	**-**	22
Post employment benefits – defined contribution plans	**43**	50
	790	1,245
Over accrual of bonuses	**(6)**	-
Share based payment	**58**	46
	842	1,291

Key management personnel are considered to be the Directors and full details of their remuneration are set out in the audited information included in the Director's Remuneration Report on pages 49 to 51 and forms part of the financial statements.

7. Employees

	2012 £'000	2011 £'000
Wages and salaries	**15,423**	14,684
Social security costs	**2,366**	2,158
Share based payments	**131**	147
Pension costs – defined benefit plans	**240**	261
Pension costs – defined contribution plans	**234**	209
	18,394	17,459

The average number of employees during the period (including executive directors) was made up as follows:

	2012	2011
R & D, marketing and administration	**120**	125
Sales	**87**	83
Production	**151**	165
	358	373

8. Other income

	2012 £'000	2011 £'000
Gain on bargain purchase	-	186
Contribution from third party	-	24
	-	210

The gain on bargain purchase in the prior year relates to the acquisition of Teomed AG on 1 July 2010 and is primarily due to the fair valuation of the distribution agreements acquired exceeding the cash paid.

The contribution from the third party in the prior year relates to the construction of a manufacturing facility which commenced in the year ended 30 June 2010.

9. Finance expense

	2012 £'000	2011 £'000
Interest on borrowing facility	**1,368**	1,342
Change in fair value of financial derivative instrument	**(214)**	(454)
Employee defined benefit scheme interest expense	**212**	196
Other interest and charges	**90**	1
	1,456	1,085
Retranslation (profit)/loss on Euro denominated borrowing facilities	**(999)**	1,345
	457	2,430

The retranslation (profit)/ loss represents the translation difference on the Group's Euro based borrowing facility caused by the movement of the Euro against Sterling throughout the year.

10. Finance income

	2012 £'000	2011 £'000
Bank interest	**5**	2

11. Income tax expense

	2012 £'000	2011 £'000
Current Tax:		
Prior period tax	**(440)**	(66)
Overseas tax	**270**	429
	(170)	363
Deferred tax – current year	**(13)**	(14)
Tax (credit)/charge for the period	**(183)**	349

The tax (credit)/ charge assessed for the period is higher than the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The differences are explained below:

	2012 £'000	2011 £'000
Profit/(Loss) for the period before tax	**640**	(2,313)
Profit/ (Loss) for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 25.5%).	**163**	(636)
Effects of:		
Disallowable adjustments	**125**	589
Depreciation in excess of capital allowances	**74**	(2)
Other temporary differences on property plant and equipment, adjustments and movements	**14**	23
Tax losses utilised	**(263)**	(24)
Allowances for R&D expenditure	**(46)**	(138)
Tax losses not utilised	**312**	650
Adjustment of taxes for prior periods	**213**	-
Adjustment for different tax rates	**(108)**	(33)
R&D tax credit received in the period	**(654)**	(66)
	(170)	363
Deferred tax release	**(13)**	(14)
Tax (credit)/charge for the period	**(183)**	349

12. Deferred tax

Recognised deferred tax liability

	2012 £'000	2011 £'000
At 1 July	**201**	-
Acquisition of Teomed AG	**-**	177
Released in the period	**(13)**	(14)
Exchange differences	**(23)**	38
At 30 June	**165**	201

Deferred tax is provided under the balance sheet liability method using the local tax rate for the overseas difference.

Unrecognised deferred tax

	2012 Deferred tax assets £'000	2012 Deferred tax liabilities £'000	2011 Deferred tax assets £'000	2011 Deferred tax liabilities £'000
Non Current Assets				
Property, plant and equipment	**-**	**(504)**	-	(632)
Derivative financial instruments	**-**	**(116)**	-	-
Current Liabilities				
Derivative financial instruments	**2**	**-**	209	-
Non Current Liabilities				
Pension and other employee obligations	**708**	**-**	535	-
Derivative financial instruments	**39**	**-**	98	-
Share options	**91**	**-**	119	-
Unused tax losses	**16,523**	**-**	17,783	-
	17,363	**(620)**	18,744	(632)
Offset	**(620)**	**620**	(632)	632
Total	**16,743**	**-**	18,112	-

The main UK corporation tax rate is to change from 24% to 23% with effect from 1 April 2013. The unrecognised deferred tax assets have been calculated at 24%, being the rate enacted at 30 June 2012. The estimated impact of the reduction in the tax rate to the net deferred tax asset and liabilities is a net reduction in the asset of £0.7m.

No deferred tax has been recognised in respect of these temporary differences.

13. Earnings /(Loss) per share

	2012 £'000	2011 £'000
Profit/(Loss) after tax attributable to equity shareholders	**823**	(2,662)
	Shares '000	Shares '000
Issued ordinary shares at start of the period	**310,772**	310,757
Ordinary shares issued in the period	**96,141**	15
Issued ordinary shares at end of the period	**406,913**	310,772
Weighted average number of shares in issue for the period	**326,795**	310,759
Potentially dilutive share options under Group's share option scheme	**13,256**	12,595
Weighted average number of shares for diluted earnings per share	**340,051**	323,354
Basic earnings/(loss) per share (pence)	**0.25p**	(0.86p)
Diluted earnings/(loss) per share (pence)	**0.24p**	(0.86p)

The diluted loss per share in the previous year does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

14. Goodwill

	2012 £'000	2011 £'000
At 1 July	**2,624**	2,496
Exchange difference	**(135)**	128
At 30 June	**2,489**	2,624

For the purposes of impairment testing of goodwill, the directors recognise the Group's Cash Generating Units ("CGU") to be the following:

	2012 £'000	2011 £'000
Germany	**2,489**	2,624

The recoverable amount for the CGU above was determined based on a value-in-use calculation, covering a detailed three-year forecast of future cash flows using budgeted projections assuming a 6% discount rate which the Group has estimated to be the weighted average cost of capital adjusted for risks specific to the CGU.

Management's key assumptions include sales growth (at an average of 4% for the three year period), which has been determined based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market.

Apart from the considerations described in determining the value in use of the CGU described above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

15. Intangible assets

	Manufacturing know-how £'000	Non-competing know-how £'000	Other intangibles £'000	Computer software £'000	Total £'000
Cost					
At 1 July 2010	1,000	3,484	997	1,637	7,118
Additions	-	-	55	128	183
Acquired assets	-	-	884	-	884
Foreign exchange	-	326	217	59	602
At 30 June 2011	1,000	3,810	2,153	1,824	8,787
Additions	-	-	727	97	824
Asset reclassification	-	-	-	28	28
Foreign exchange	-	(343)	(147)	(65)	(555)
At 30 June 2012	**1,000**	**3,467**	**2,733**	**1,884**	**9,084**
Amortisation					
At 1 July 2010	800	3,484	835	1,139	6,258
Charge for the year	67	-	125	151	343
Foreign exchange	-	326	27	52	405
At 30 June 2011	867	3,810	987	1,342	7,006
Asset reclassification	-	-	-	25	25
Charge for the year	66	-	172	148	386
Foreign exchange	-	(343)	(37)	(60)	(440)
At 30 June 2012	**933**	**3,467**	**1,122**	**1,455**	**6,977**
Net book value					
At 1 July 2010	200	-	162	498	860
At 30 June 2011	133	-	1,166	482	1,781
At 30 June 2012	**67**	**-**	**1,611**	**429**	**2,107**

Acquired assets includes £600,000 for the exclusive distribution rights for Anapen in the UK and Republic of Ireland. Net book value at 30 June 2012 is £554,000 and is to be amortised over the initial period of the contract to October 2016 pro rata by sales forecast.

The acquired assets in the previous year relate to the fair valuation of existing distribution agreements acquired during the purchase of 100% of the share capital of Teomed AG, a Swiss company that specialises in the field of allergy. These intangible assets represent the potential future discounted cashflows lost to the group should these existing agreements be terminated.

16. Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Freehold land & buildings £'000	Total £'000
Cost or valuation							
At 1 July 2010	5,143	3,654	36	2,046	3,053	1,265	15,197
Additions	297	636	-	129	-	-	1,062
Acquired assets	10	4	-	1	-	-	15
Asset reclassification	2,068	408	-	577	(3,053)	-	-
Foreign exchange	14	61	-	58	-	138	271
Disposals	(29)	(18)	-	-	-	-	(47)
At 30 June 2011	7,503	4,745	36	2,811	-	1,403	16,498
Additions	200	109	-	118	-	-	427
Asset reclassification	(16)	-	-	(12)	-	-	(28)
Foreign exchange	(20)	(70)	-	(64)	-	(145)	(299)
Disposals	(21)	(2)	-	(7)	-	-	(30)
At 30 June 2012	**7,646**	**4,782**	**36**	**2,846**	**-**	**1,258**	**16,568**
Depreciation							
At 1 July 2010	2,670	2,159	22	1,386	-	22	6,259
Charge for the year	518	512	7	275	-	43	1,355
Foreign exchange	10	50	-	52	-	2	114
Disposals	(28)	(11)	-	-	-	-	(39)
At 30 June 2011	3,170	2,710	29	1,713	-	67	7,689
Charge for the year	633	566	5	265	-	37	1,506
Asset reclassification	-	-	-	(25)	-	-	(25)
Foreign exchange	(9)	(59)	-	(60)	-	(7)	(135)
Disposals	(14)	(2)	-	(6)	-	-	(22)
At 30 June 2012	**3,780**	**3,215**	**34**	**1,887**	**-**	**97**	**9,013**
Net book value							
At 1 July 2010	2,473	1,495	14	660	3,053	1,243	8,938
At 30 June 2011	4,333	2,035	7	1,098	-	1,336	8,809
At 30 June 2012	**3,866**	**1,567**	**2**	**959**	**-**	**1,161**	**7,555**

Note 22 provides details of the assets secured against the Group's bank borrowings.
There are no assets under construction as at 30 June 2012.

The Group's land and buildings were revalued in July 2009 by independent valuers. The land and buildings were previously valued using the cost model and had a carrying value of £1. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings.

The land and buildings were not revalued to fair value at the reporting date as management determined that the effect of changes in market prices between the date of revaluation and reporting dates were immaterial.

If the cost basis was used, the carrying amounts of the revalued land and buildings would be £1. The revalued amounts include a revaluation surplus of £1,281,000 before tax (of which £331,000 writes back the accumulated depreciation) which is not available for distribution to the shareholders of the Group.

17. Investments

The Group carries an insurance policy which is designed to contribute towards the obligation in respect of the defined benefit pension scheme (see note 26). It is valued at fair value (market price) by the Group's actuaries each year.

	2012 £'000	2011 £'000
At 1 July	**2,493**	2,017
Additions	**311**	296
Profit/(Loss) on the investment	**50**	(54)
(Loss)/Gain on foreign exchange	**(285)**	234
	2,569	2,493

18. Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	**2,018**	2,196
Work in progress	**2,823**	3,134
Finished goods	**1,810**	1,757
	6,651	7,087

The cost of inventories recognised as an expense in cost of sales during the year was £13.7m (2011: £13.2m) including write-downs in the year amounting to £1.3m (2011: £1.1m).

The value of inventories measured at fair value less cost to sell was £75,000 (2011: £252,000).

19. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**3,107**	2,842
Other receivables	**542**	2,774
VAT	**112**	130
Prepayments	**1,236**	1,033
	4,997	6,779

All amounts due as shown above are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All trade and other receivables have been reviewed for indicators of impairment. During the year, none of the provision was utilised whilst £54,000 of trade receivables were found to be impaired.

Bad and doubtful debt provision	2012 £'000	2011 £'000
Balance b/f	**79**	484
Foreign exchange adjustments	**(15)**	27
Charge for the year	**(10)**	39
Utilised	**-**	(471)
Balance c/f	**54**	79

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The age of financial assets past due but not impaired is as follows:

The financial assets which were overdue but not provided for were:	2012 £'000	2011 £'000
Trade receivables		
Not more than 3 months	**551**	515
More than 3 months but not more than 6 months	**465**	269
More than 6 months but not more than 1 year	**112**	76
More than one year	**158**	3
	1,286	863

20. Cash and cash in hand

	2012 £'000	2011 £'000
Cash at bank and in hand	**903**	1,048

21. Trade and other payables

	2012 £'000	2011 £'000
Trade payables	**2,553**	3,821
Social security and other taxes	**682**	765
Other creditors	**136**	146
Accrued expenses and deferred income	**2,941**	2,817
	6,312	7,549

22. Borrowings

	2012 £'000	2011 £'000
Due within one year		
Loans	-	2,793
Convertible loan note	114	-
Overdraft	1,312	-
	1,426	2,793
Due after more than one year		
Loans	-	12,361
Convertible loan note	97	-
	97	12,361

The loans in the previous year were repaid in full during the year. All outstanding fees and interest relating to the facility and previously held on the balance sheet have been charged to the profit and loss account.

The overdraft facility is provided by The Royal Bank of Scotland Plc and has a variable limit during the year up to a maximum of £7 million. The interest on the overdraft is at the bank's base rate plus the bank's fixed margin. The facility is secured in favour of The Royal Bank of Scotland Plc by means of debentures granted by the Company and it's principal subsidiaries and share pledge agreements relating to Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L.

The Convertible loan notes were issued in April 2012 (Note 27). The liability relates to the interest payable over the two year term, half of which is due one year from the date of issue.

23. Provisions

The provision refers to a leaving indemnity reserve in Allergy Therapeutics Italia s.r.l. Under Italian law, alongside each monthly salary payment an amount is paid into this reserve for each employee. When the employee leaves the company the accrued amount is paid to him in the form of a deferred salary payment.

	2012 £'000	2011 £'000
At 1 July	283	246
Additions	42	43
Utilisation	(20)	(33)
Foreign exchange movement	(31)	27
At 30 June	274	283

24. Financial instruments

Risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the effective management of liquid resources raised through share issues and facility loan arrangements. Capital management objectives are met through regular reviews of cash flows, debtor/creditor balances, budgets and forecasts.

	2012	2011
	£'000	£'000
Total equity	**14,592**	2,139
Cash and cash equivalents	**(903)**	(1,048)
Capital	**13,689**	1,091
Total equity	**14,592**	2,139
Borrowings	**1,523**	15,154
Overall financing	**16,115**	17,293
Capital-to-overall financing ratio	**0.85**	0.06

The Directors are satisfied with the ratio above following the equity fundraising during the year.

The IAS 39 categories of financial assets and liabilities included in the balance sheet and the headings under which they are shown are as follows:

Categories of financial instrument

	2012	2011
	£'000	£'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	**4,663**	6,794
Fair value through profit and loss – Held for trading	**483**	-
Non financial current assets	**1,236**	1,033
	6,382	7,827
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(4,293)**	(6,760)
Fair value through profit and loss – Held for trading	**(9)**	(805)
Non financial current liabilities	**(3,445)**	(3,582)
Non current		
At amortised cost (including borrowings and payables)	**(372)**	(12,644)
Fair value through profit and loss – Held for trading	**(162)**	(376)
Non financial non current liabilities	**(165)**	(201)
	(8,446)	(24,368)

Derivative financial instruments

The Group uses derivative financial instruments to mitigate the effects of exchange rate exposure through the use of forward exchange contracts and interest rate volatility through the use of interest rate swap arrangements. The fair value is calculated by reference to market rates and supported by counterparty confirmation.

Interest rate swap

Although management consider the interest rate swaps as an effective hedging tool they are not formally designated as such. They were arranged to convert 60% of the Company's loan borrowings from floating to fixed rates. Within the fair value hierarchy, this financial derivative is classified as level 2.

Euro forward contracts

The Group has Euro forward contracts with its bank that are arranged for the sale of €12,108,000 to purchase GBP at an average blended rate of 1.177 at future dates from July 2012 to February 2013. Within the fair value hierarchy, this financial derivative is classified as level 2.

Euro exchange swap

The Group has utilised Euro exchange swaps for the sale of €1,186,000 to purchase GBP at a blended rate of 1.248, maturing in September 2012. Within the fair value hierarchy, this financial derivative is classified as level 2.

Analysis of Derivative Financial Instruments	**2012**	2011
	£'000	£'000
(Charge) / Credit to the Income Statement		
Euro exchange swap - held for trading	**(3)**	(6)
Euro exchange swap - matured in the period	**1**	-
Euro forward contacts - held for trading	**1,282**	(799)
Euro forward contracts - matured in the period	**51**	(293)
	1,331	(1,098)
Interest rate swap - held for trading	**214**	454
Interest rate swap - charges in the period	**(278)**	(474)
	(64)	(20)

Forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as such.

Derivative Financial Instruments	**2012**	2011
	£'000	£'000
Current Assets		
Derivative financial instruments		
- Euro forward contracts - held for trading	**483**	-
	483	-
Current liabilities		
Derivative financial instruments		
- Euro exchange swap - held for trading	**9**	6
- Euro forward contracts - held for trading	**-**	799
	9	805
Non current liabilities		
Derivative financial instruments		
- Interest rate swap – held for trading	**162**	376
	162	376

The net gain at fair value of financial instruments through the profit and loss is £1,493,000 (2011: £351,000 loss).

Foreign currency risk

The Group conducts most of its day to day financial activities in either the Euro, which is the functional currency of the active subsidiaries in Germany, Italy, Spain, Austria and The Netherlands, Sterling which is the functional currency of the UK parent entity, Swiss Francs which is the functional currency of the Swiss subsidiary or Argentinean Pesos which is the functional currency of the Argentine subsidiary. Some costs are denominated in US dollars and some income is denominated in Canadian dollars.

The Group carries bank balances in the following currencies:

	2012 £'000	2011 £'000
Sterling	**(1,263)**	56
Euro	**706**	882
US dollars	**33**	47
Canadian dollars	**-**	5
Swiss franc	**80**	40
Slovak krona	**10**	17
Polish zloty	**-**	1
Argentinean peso	**25**	-
	(409)	1,048

Foreign currency denominated financial assets and liabilities, translated into Sterling at closing rates, are as follows:

	2012 Sterling £'000	**2012 Euro £'000**	**2012 Other £'000**	2011 Sterling £'000	2011 Euro £'000	2011 Other £'000
Financial assets	**344**	**3,935**	**867**	304	5,657	833
Financial liabilities	**(2,709)**	**(1,305)**	**(288)**	(1,606)	(5,208)	(751)
Short term exposure	**(2,365)**	**2,630**	**579**	(1,302)	449	82
Financial assets	**-**	**-**	**-**	-	-	-
Financial liabilities	**(97)**	**(437)**	**-**	-	(13,021)	-
Long term exposure	**(97)**	**(437)**	**-**	-	(13,021)	-

The following table illustrates the sensitivity of the net result for the year and the equity of the Group with regard to its financial assets and liabilities and the Euro to Sterling exchange rate. Foreign exchange movements over the last two years have been considered and an average taken, and on this basis a 10% movement is considered to be a reasonable benchmark. For 2011, a 10% movement was also used.

	2012 £'000	2011 £'000
If Sterling had strengthened against the Euro by	**10%**	10%
Net results for the year	**1,674**	157
Other comprehensive income	**(419)**	(628)
	1,255	(471)
If Sterling had weakened against the Euro by	**10%**	10%
Net results for the year	**(1,796)**	(337)
Other comprehensive income	**512**	767
	(1,284)	430

Interest rate risk

The Group finances its operations through equity fundraising and bank loan and overdraft facilities. Interest is charged at a floating rate on the borrowing facility. The loan was repaid in April 2012. The overdraft facility is tailored in such a way as to give greater flexibility to the Group. This allows the Group to utilise a higher proportion of the facility in the low sales season and pay down the debt in the high sales season. The following table illustrates the sensitivity of the net result for the year and equity to possible changes in interest rates of + 1% with effect from the beginning of the year on the remaining element of borrowings. Due to the current low interest rates it is unfeasible to illustrate the results were the interest rates to fall by 1%. The changes are considered to be reasonable given the current market conditions and the calculations are based on the financial instruments held at each balance sheet date, all other variables being held constant.

	2012 £'000	2012 £'000	2011 £'000	2011 £'000
	+ 1%	**- 1%**	+ 1%	- 1%
Net results for the year	**(43)**	**n/a**	(32)	n/a
Equity	**-**	**n/a**	-	n/a
	(43)	**n/a**	(32)	n/a

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is regularly monitored. The maximum exposure to credit risk is the value of the outstanding amount.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Liquidity risk

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, and to provide adequate funding for its day to day operations. Management has access to funding through a bank facility and continues to have the option to raise funding from the issue of equity shares to ensure the Group remains able to meet its commitments as they fall due. As at 30 June 2012 the Group's contractual maturities are summarised as follows:

Current liabilities	**2012**	**2012**	2011	2011
	£'000	**£'000**	£'000	£'000
	Within 6 months	**6 to 12 months**	Within 6 months	6 to 12 months
Borrowing facility - principal	**1,312**	-	1,396	1,397
Borrowing facility - interest and other charges	**2**	**-**	658	451
Convertible loan note - interest and other charges	**-**	**114**	-	-
Trade payables	**2,867**	**-**	3,821	-
Other short term liabilities	**3,445**	**-**	3,728	-
	7,626	**114**	9,603	1,848
Derivatives	**9**	**-**	684	121
	7,635	**114**	10,287	1,969

Non-current liabilities	**2012**	**2012**	2011	2011
	£'000	**£'000**	£'000	£'000
	1 to 5 years	**Later than 5 years**	1 to 5 years	Later than 5 years
Borrowing facility - principal	**-**	**-**	12,361	-
Borrowing facility - interest and other charges	**-**	**-**	1,387	-
Convertible loan note - interest and other charges	**97**	**-**	-	-
Other long term liabilities	**275**	**-**	283	-
	372	**-**	14,031	-
Derivatives	**162**	**-**	376	-
	534	**-**	14,407	-

There is no material difference between the fair values and the carrying values of these financial instruments.

25. Operating lease commitments

The following payments are due to be made on operating lease commitments:

	Land & buildings 2012 £'000	Land & buildings 2011 £'000	Other 2012 £'000	Other 2011 £'000	Total 2012 £'000	Total 2011 £'000
Within one year	**454**	**485**	**400**	457	854	942
Two to five years	**1,354**	**1,628**	**587**	745	1,941	2,373
Over five years	**411**	**621**	**-**	-	411	621
	2,219	**2,734**	**987**	1,202	3,206	3,936

Of the operating lease commitments for the land and buildings of £2,219,000 (2011: £2,734,000), £1,114,000 relates to the UK based premises. The production facility accounts for £599,000 (2011: £692,000) of this commitment and expires in December 2018. Premises in Spain account for £207,000 (2011: £255,000) expiring in 2020 and in Germany for £648,000 (2011: £1,035,000) expiring in December 2015. Of the other commitments, £782,000 (2011: £893,000) relates to leased vehicles all expiring within 5 years.

26. Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution pension scheme for certain employees in the UK. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against the profits represents the contributions payable under the scheme in respect of the accounting period totalling £234,000 (2011: £209,000).

Defined benefit scheme

The Group operates a partly funded non-contributory defined benefit pension scheme for certain employees in Germany. The actuarial valuation was carried out by Swiss Life Pensions Management GmbH at 30 June 2012. The major assumptions used were as follows:

	2012 % pa	2011 % pa
Retail price inflation	**1.5**	1.5
Salary increase rate	**3.0**	4.0
Rate of pension increase	**1.5**	1.5
Discount rate at the beginning of the year	**5.0**	5.0
Discount rate at the end of the year	**4.0**	5.0
Expected return on assets	**3.5**	3.8
Increase of social security contribution ceiling	**3.0**	3.7
Average life expectancies	**Years**	Years
Male, 65 years of age at the balance sheet date	**18.6**	18.5
Female, 65 years of age at the balance sheet date	**22.7**	22.6
Male, 45 years of age at the balance sheet date	**38.8**	38.7
Female, 45 years of age at the balance sheet date	**43.9**	43.8

The assets in the scheme and the expected rates of return were as follows:	2012 £'000	2011 £'000
Fair value of plan assets	**1,196**	1,275
Present value of scheme liabilities	**(5,913)**	(5,389)
Deficit in the scheme	**(4,717)**	(4,114)
Experience losses on plan assets	**(4)**	(6)
Experience (losses)/gains on plan liabilities	**(88)**	241

The plan assets consist of long-term insurance policies held to cover the German pension obligation. The value of the plan assets is deducted from the value of the pension liability to give a net liability of £4,717,000 (2011: £4,114,000). The basis used to determine the overall expected rate of return is the expected market return as determined by Swiss Life Pensions Management GmbH using the projected unit credit method. The actual return on plan assets for the year is £44,000 (2011: £41,000). The pension charge generates an unrecognised deferred tax asset of £708,000 (2011: £535,000), however this is unrecognised in the Group accounts as there is uncertainty over the recoverability.

Long term insurance policies that do not qualify as plan assets are recognised as separate investment assets at fair value and represent a re-imbursement right as defined by IAS 19. Management have assumed that there will be no expected return on these assets as was the case in the previous year. See note 17 for further details of these investment assets.

	2012	2011
	£'000	£'000
Amounts charged to operating profit		
Current service costs	**240**	279
Amounts included in other finance expenses		
Expected return on pension scheme assets	**(48)**	(47)
Interest on pension scheme liabilities	**259**	243
Net charge	**211**	196
Amounts recognised in the other comprehensive income		
Actual return less expected return on pension scheme assets	**(4)**	(6)
Experience (losses)/ gains arising on scheme liabilities	**(88)**	241
Changes in assumptions underlying the present value of scheme liabilities	**(642)**	-
Total amount relating to year	**(734)**	235
Opening cumulative losses	**(911)**	(1,146)
Actuarial loss recognised	**(1,645)**	(911)
Net movement recognised	**(1,645)**	(911)

Movement in assets during the year	**2012**	2011
	£'000	£'000
Balance as at 1 July	**1,275**	1,076
Foreign currency differences	**(136)**	120
Expected return	**48**	47
Actuarial losses	**(4)**	(6)
Contributions from employer	**57**	80
Assets transferred to finance benefits paid	**(44)**	(42)
Balance as at 30 June	**1,196**	1,275

Movement in liabilities in the year	**2012**	2011
	£'000	£'000
Balance as at 1 July	**(5,389)**	(4,648)
Foreign currency differences	**644**	(520)
Service cost	**(240)**	(279)
Interest cost	**(259)**	(243)
Actuarial gains / (losses)	**(88)**	241
Benefits paid by employer	**17**	18
Benefits paid from assets	**44**	42
Changes in assumptions	**(642)**	-
Balance as at 30 June	**(5,913)**	(5,389)

History of retirement benefit obligation

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of plan assets	**1,196**	1,275	1,076	1,104	932
Present value of scheme liabilities	**(5,913)**	(5,389)	(4,649)	(3,925)	(3,256)
Scheme deficit	**(4,717)**	(4,114)	(3,573)	(2,821)	(2,324)

History of experience gains and losses

	2012 %	**2012 £'000**	2011 %	2011 £'000	2010 %	2010 £'000	2009 %	2009 £'000	2008 %	2008 £'000
Scheme assets Difference between the expected and actual return	**(0.3)**	**(4)**	(0.5)	(6)	(0.7)	(9)	(0.9)	(10)	2.6	23
Scheme liabilities Experience gains and (losses)	**(1.4)**	**(88)**	4.7	254	(2.1)	(108)	-	1	6.7	201
Changes in assumptions underlying present value	**(642)**		-		(495)		-		352	
Total amount recognised	**(11.5)**	**(734)**	4.6	248	(12.1)	(612)	(0.2)	(9)	17.7	576

27. Issued share capital

	2012 Shares	2012 £'000	2011 Shares	2011 £'000
Authorised share capital				
Ordinary shares of 0.10p each				
1 July and 30 June	**790,151,667**	**790**	790,151,667	790
Deferred shares of 0.10p each				
1 July and 30 June	**9,848,333**	**10**	9,848,333	10
Issued and fully paid				
Ordinary shares of 0.10p				
At 1 July	**310,771,614**	**311**	310,756,614	311
Issued during the year	**96,141,367**	**96**	15,000	-
At 30 June	**406,912,981**	**407**	310,771,614	311
Issued and fully paid				
Deferred shares of 0.10p				
At 1 July	**9,848,333**	**10**	9,848,333	10
Issued during the year	**-**		-	-
At 30 June	**9,848,333**	**10**	9,848,333	10
Issued share capital	**416,761,314**	**417**	320,619,947	321

The deferred shares have no voting rights, dividend rights or value attached to them.

On 20 April 2012 96,141,367 ordinary shares of 0.1p each were issued pursuant to an Offer, Placing and Subscription at a price of 9.7p per ordinary share and were admitted to trading on AIM having been approved by shareholders of the Company at a General Meeting on 19 April 2012.

Convertible Loan Notes to the value of £4,042,000 were also issued on 20 April 2012 following approval by shareholders. Interest is payable at a rate of 3% per annum during the term of the notes. On redemption, the Convertible Loan Notes will be converted into 41,674,938 ordinary shares at a price of 9.7p per share.

28. Share based payments

The Group has a Savings Related Share Option Plan ('SAYE') for the benefit of all employees and Executive directors with 12 months continuous service. No options have been granted since 2008 under this scheme. (The 2007 SAYE carried a 15% discount while the 2008 SAYE carried a 10% discount to the average market share price on the date of grant). The vesting period is three years and options are settled in equity once exercised. If the options remain unexercised after a period of six months from the end of the vesting period, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Group has a Long Term Incentive Plan ('LTIP') under which Executive directors and senior employees may receive annual provisional awards of performance vesting shares. The number of shares that vest depends on the Group's performance during the Plan cycle in terms of total shareholder return (TSR) compared to the TSR performance of the companies in the Plan's peer group. If the Group's position in the peer group at the end of the Plan cycle is at or above the 75th percentile, 100% of the shares provisionally awarded may vest; between the 75th and 50th percentile the percentage of shares that may vest will be calculated on a straight-line basis between 100% and 33.33%; below the 50th percentile no shares will vest. Each Plan cycle will comprise not less than three consecutive financial years. Awards are forfeited if the employee leaves the Group before the shares vest.

Share options were granted to employees and Directors under earlier schemes. The vesting periods are usually from one to three years. The vesting of some options is dependent on the Group's TSR performance as for the LTIP detailed above. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

During the year a new grant under the LTIP was provisionally awarded. This scheme falls under the initial 2005 award and therefore, all calculations and assumptions have been performed under the same conditions as the previous LTIPs.

For the following outstanding share options disclosure, LTIP awards, with a nil exercise price have been disclosed separately to avoid distorting the weighted average exercise price (WAEP):

	2012 WAEP Number	**2012 WAEP Price (£)**	2011 WAEP Number	2011 WAEP Price (£)
Outstanding at the beginning of the year	**4,650,730**	**0.16**	5,768,713	0.19
Granted during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	(15,000)	0.05
Forfeited during the year	**(2,182,240)**	**0.17**	(1,102,983)	0.29
Cancelled during the year	-	-	-	-
Outstanding at the year end	**2,468,490**	**0.16**	4,650,730	0.16
Exercisable at the year end	**2,362,304**	**0.16**	4,650,730	0.16

Included in the above numbers outstanding at 30 June 2012 are 1,850,256 (2011: 3,752,306) share options granted before 7 November 2002 or vested before 1 July 2006 which have been excluded from the share-based payments charge in accordance with the IFRS 1 'First-time Adoption of International Financial Reporting Standards' transitional provisions.

No options were exercised during the year (2011: weighted average share price at date of exercise was 14p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 1.6 years (2011: 2.3 years) and have the following range of exercise prices:

Exercise price (p)	**30 June 2012 Number**	30 June 2011 Number
0.1-5	**1,614,700**	3,025,000
6-45	**825,224**	1,498,986
46-120	**28,566**	126,744
	2,468,490	4,650,730

Outstanding shares provisionally awarded under the Long Term Incentive Plan, with a nil exercise price, are as follows:

	30 June 2012 Number	30 June 2011 Number
Outstanding at the beginning of the year	**7,944,000**	6,669,124
Awarded during the year	**4,725,000**	4,320,000
Forfeited during the year	**(1,882,000)**	(2,397,447)
Cancelled during the year	**-**	(647,677)
Outstanding at the year end	**10,787,000**	7,944,000

The fair value of the Long Term Incentive Plan shares has been arrived at using the share price at the date of grant and applying a vesting probability for the market performance conditions. The assumptions made to value shares awarded were as follows:

Date of grant	Vesting period (yrs)	Date of vesting	Expected life (yrs)	Exercise price (£)	Share price at grant (£)	Vesting probability (%)	Fair value (£)	Number outstanding
14/12/11	3	14/12/14	3	0.0000	0.106	41.5	0.044	4,251,000
07/12/10	3	07/12/13	3	0.0000	0.091	41.5	0.038	3,150,000
20/07/09	3	20/07/12	3	0.0000	0.148	41.5	0.061	3,386,000
21/12/07	3	27/12/10	3	0.0000	0.385	41.5	0.160	-
09/10/06	3	09/10/09	3	0.0000	1.000	41.5	0.415	-
14/12/05	3	14/12/08	3	0.0000	0.695	41.5	0.288	-

The share-based payment charge assumes an employee attrition rate of 5% per annum.

The Group recognised total expenses of £131,000 (2011: £147,000) related to equity-settled share based payment transactions during the year.

29. Contingent liabilities

Allergy Therapeutics (UK) Ltd, a subsidiary of Allergy Therapeutics plc, has guaranteed the deposits required for leases on cars and rented office space of Bencard Allergie GmbH. The amount as at 30 June 2012 was €107,426; £86,508 (2011: €107,426; £96,493).

A cross-guarantee exists between Allergy Therapeutics (Holdings) Ltd, Allergy Therapeutics (UK) Ltd, Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L. in which the liabilities of each entity to the Royal Bank of Scotland Plc are guaranteed by all the others.

30. Capital commitments

The Group's capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	30 June 2012 £'000	30 June 2011 £'000
Capital commitments	**148**	237

Included in the above is £nil for ongoing factory refurbishments in the UK (2011: £154,000); £142,000 for new plant and machinery (2011: £28,000) and £6,000 for IT equipment and systems upgrades (2011: £55,000).

31. Related party transactions

Allergy Therapeutics plc's related parties include its subsidiary companies and its key management. Key management personnel are the Company's Directors, and as such full disclosure of their remuneration can be found in the Directors' Remuneration report on pages 25 and 27.

During the period the Group added a new subsidiary, Allergy Therapeutics Argentina SA, which is 95% owned by Allergy Therapeutics (Holdings) Ltd and 5% owned by Allergy Therapeutics (UK) Ltd.

At 30 June 2012, the Company's subsidiary undertakings were:

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage of shares held	Class of shares held
Allergy Therapeutics (Holdings) Ltd	UK	Holding Company	100	Ordinary and deferred
Allergy Therapeutics (UK) Ltd	UK	Manufacture and sale of pharmaceutical products	100	Ordinary
Bencard Allergie GmbH	Germany	Sale of pharmaceutical products	100	Ordinary
Bencard Allergie (Austria) GmbH	Austria	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Italia s.r.l.	Italy	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Iberica S.L.	Spain	Sale of pharmaceutical products	100	Ordinary
Teomed A.G.	Switzerland	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Netherlands BV	Netherlands	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Argentina S.A.	Argentina	Marketing of pharmaceutical products	100	Ordinary

During the year, group companies entered into the following transactions with related parties that are not members of the Group:

Related Party	**Sales of goods**	Sales of goods	**Amounts owed by related parties**	Amounts owed by related parties
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Laboratorios Synthesis S.A.S.	**29**	-	**4**	-
Gynopharm de Venezuela C.A.	**6**	-	**6**	-
Laboratorio Internacional Argentino S.A.	**24**	-	**27**	-
Total	**59**	-	**37**	-

Laboratorios Synthesis S.A.S., Gynopharm de Venezuela C.A. and Laboratorio Internacional Argentino S.A. are wholly owned subsidiaries of the CFR Group. CFR is a major investor in Allergy Therapeutics plc.

Sales of goods to related parties were made at the Group's usual list prices on the Group's normal trading terms.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Independent auditor's report to the members of Allergy Therapeutics plc (Company)

We have audited the parent company financial statements of Allergy Therapeutics plc for the year ended 30 June 2012 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 set out on page 48, the directors are responsible for the preparation of the parent company 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 parent company 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company 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.

Other matter

We have reported separately on the group financial statements of Allergy Therapeutics plc for the year ended 30 June 2012.

Christian Heeger
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
14 September 2012

Company balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Investments	3	**1,276**	1,444
Current assets			
Debtors: amounts falling due within one year	4	**332**	731
Creditors: amounts falling due within one year	5	**(114)**	-
Net current assets		**218**	731
Total assets less current liabilities		**1,494**	2,175
Creditors: amounts falling due after one year	6	**(97)**	-
Net assets		**1,397**	2,175
Capital and reserves			
Called up share capital	7	**417**	321
Share premium account	8	**67,571**	58,705
Other reserves – Convertible loan note		**3,652**	-
Other reserves – shares held by EBT	8	**67**	67
Other reserves – share based payments	8	**1,496**	1,398
Profit and loss account	8	**(71,805)**	(58,316)
Total equity		**1,397**	2,175

These financial statements were approved by the Board of Directors on 14 September 2012 and were signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 05141592

Notes to Company balance sheet

1. Accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Going concern

For the third year running, the Group has reported an operating profit, however for the financial years ended 2007 to 2009 primarily as a consequence of its investment in research and development activities, it reported losses. These losses have been funded by equity issues, debt facilities and cash generated by the operating business.

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2013 and 30 June 2014. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Group's funding plans, the Directors continue to believe that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

Investments

Investments in shares in subsidiary undertakings are included at cost less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the preceding month-end. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences, in the following year, between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

Employee Benefit Trust (EBT)

The financial statements include the assets and liabilities of a trust, set up for the benefit of the Company's employees. The Employee Benefit Trust has acquired shares in the Company and these are deducted from shareholders funds on the balance sheet within 'Other reserves' initially at the cost that the shares were acquired. The net proceeds received from the issue of these shares through the exercise of options are recognised through this reserve. There are no shares remaining in the EBT.

Share based payments

The Company has adopted the amendment to FRS 20 (Group cash-settled share based payment transactions). The Company has equity-settled share based payments but no cash-settled share based payments. All share based payment awards granted after 7 November 2002 which had not vested prior to 1 July 2006 are recognised in the financial statements of the subsidiary which receives the goods or service from the supplier (including employees), however the share based payment reserve remains in the Company's financial statements. Share based payments made in respect of the Company's shares to employees of its subsidiaries are reported as an increase in investment.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

If vesting periods or non-market based vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

If market based vesting conditions apply, the expense is allocated over the relevant period, usually the period over which performance is measured. Vesting assumptions and resulting expenses are fixed at the date of grant, regardless of whether market conditions are actually met. Any adjustment for options which lapse prior to vesting is recognised in the current period.

2. Loss for the financial period

The Company has taken advantage of s.408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the period was £13.5m loss (2011: £122,000 loss).

3. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward	**1,444**
Additions	**130**
Intercompany provision	**(298)**
Investment carried forward	**1,276**

At 30 June 2012 the Company's subsidiary undertakings were:

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage of shares held	Class of shares held
Allergy Therapeutics (Holdings) Ltd	UK	Holding Company	100	Ordinary and deferred
Allergy Therapeutics (UK) Ltd	UK	Manufacture and sale of pharmaceutical products	100	Ordinary
Bencard Allergie GmbH	Germany	Sale of pharmaceutical products	100	Ordinary
Bencard Allergie (Austria) GmbH	Austria	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Italia s.r.l.	Italy	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Iberica S.L.	Spain	Sale of pharmaceutical products	100	Ordinary
Teomed A.G.	Switzerland	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Netherlands BV	Netherlands	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Argentina S.A.	Argentina	Marketing of pharmaceutical products	100	Ordinary

Allergy Therapeutics (Holdings) Ltd is fully owned by Allergy Therapeutics plc. All other subsidiary undertakings except Bencard Allergie (Austria) GmbH and Allergy Therapeutics S.A. are fully owned by Allergy Therapeutics (Holdings) Ltd. Bencard Allergie (Austria) GmbH is fully owned by Bencard Allergie GmbH.

As part of its ongoing strategy to enter the Emerging Markets, in August 2011 the Group set up its own 100% owned subsidiary in Argentina; Allergy Therapeutics S.A. is 95% owned by Allergy Therapeutics (Holdings) Ltd and 5% owned by Allergy Therapeutics (UK) Ltd.

4. Debtors

	30 June 2012 £'000	30 June 2011 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**318**	722
Prepayments	**14**	9
	332	731

The amount owed by subsidiary undertakings is stated net of provisions of £70,740,000 (2011: £57,849,000).

5. Creditors – amounts falling due within one year

	30 June 2012 £'000	30 June 2011 £'000
Convertible loan note interest	**114**	-

6. Creditors – amounts falling due after one year

	30 June 2012 £'000	30 June 2011 £'000
Convertible loan note interest	**97**	-

7. Called up share capital

Full details of the Company's share capital are set out in Note 27 of the consolidated financial statements.

8. Reserves

	Profit and loss account £'000
At 30 June 2011	(58,316)
Loss for the year	(13,522)
Lapsed share based payments transferred to retained losses	33
At 30 June 2012	**(71,805)**

	Share premium account £'000
At 30 June 2011	58,705
Shares issued in the year	9,229
Share issue costs in the year	(363)
At 30 June 2012	**67,571**

	Other reserve – share based payments £'000
At 30 June 2011	1,398
Provision in year for share based payments	131
Lapsed share based payments transferred from retained losses	(33)
At 30 June 2012	**1,496**

	Other reserve – EBT £'000
At 30 June 2011	67
Sale of shares by EBT	-
At 30 June 2012	**67**

	Other reserve – Convertible Loan Note £'000
Convertible loan note issued in the year	3,652
At 30 June 2012	**3,652**

9. Share based payments

Full details of the Company's share based payments are set out in note 28 of the consolidated financial statements.

10. Directors' emoluments

Full details of the Company's directors' emoluments are set out in the Directors' remuneration report in the Director's Report.

11. Reconciliation of movement in shareholders' funds

	Year to 30 June 2012 £'000	Year to 30 June 2011 £'000
(Loss)/ Profit for the financial year	**(13,523)**	122
Issue of shares from EBT	**-**	-
Share based payments	**131**	148
Shares Issued	**8,962**	1
Convertible loan note issued	**3,652**	-
Net (reduction)/ addition to shareholders' funds	**(778)**	271
Opening shareholders' funds	**2,175**	1,904
Closing shareholders' funds	**1,397**	2,175

12. Contingent liabilities

Full details of the Company's contingent liabilities are set out in note 29 of the consolidated financial statements.

13. Related party transactions

In accordance with FRS 8 on Related Party transactions, details of transactions with the Company's subsidiaries are not disclosed as they are included in the consolidated financial statements. The consolidated financial statements include the results of the Company. Details of the related party transactions can be found in note 31 to the consolidated financial statements.

Shareholder information

Registered Office
Dominion Way
Worthing
West Sussex
BN14 8SA

Advisers
Nominated Adviser and Broker
Nomura Code Securities
1 Carey Lane
London
EC2V 8AE

Auditor
Grant Thornton UK LLP
The Explorer Building
Fleming Way
Manor Royal
Crawley West Sussex
RH10 9GT

Lawyers
Reed Smith
The Broadgate Tower
20 Primrose Street
London
EC2A 2RS

Covington and Burling LLP
265 Strand
London
WC2R 1BH

Actuary
Swiss Life Pensions Management GmbH
Swiss Life Gruppe
Berliner Strasse 85
80805 Munchen
Germany

Registrars
Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers
The Royal Bank of Scotland Plc
South East Corporate Centre
Turnpike House
123 High Street
Crawley West Sussex
RH10 1DQ

Public Relations Advisers
FTI Consulting
Holborn Gate
26 Southampton Buildings
London
WC2A 1PB

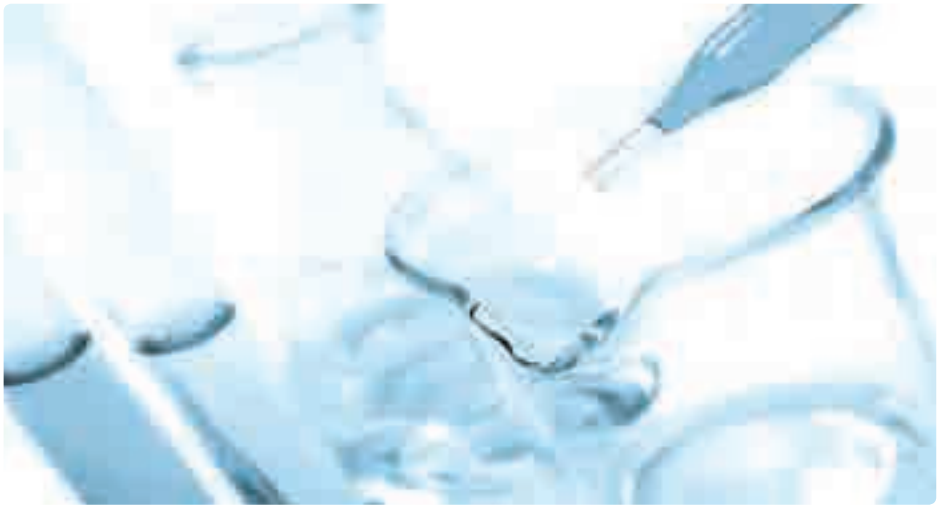
Patent Attorneys
D Young & Co
120 Holborn
London
EC1N 2DY

Trademark Attorneys
Hoffman Eitle
Sardinia House
Sardinia Street
52 Lincoln's Inn Fields
London
WC2A 3LZ

Arabellastrasse 4
D-81925 München
Germany

Notes:

Allergy Therapeutics has a long-term commitment to research and in particular development of innovative therapies for both the treatment and prevention of allergy-related conditions.



Allergy Therapeutics plc

(Registered Company Number 05141592)

Dominion Way
Worthing
West Sussex
BN14 8SA
Tel: +44 (0)1903 844720
Fax: +44 (0)1903 844726

www.allergytherapeutics.com
www.pollinex.com

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