Allergy Therapeutics®
Transforming Allergy Treatment

Allergy Therapeutics plc

Annual Report & Accounts 2013

www.allergytherapeutics.com
www.pollinex.com

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Who We Are

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

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 developing and acquiring new products and/or entering into further licensing agreements
- Exploiting the potential for growth in the United States (US) market by registering and launching the Pollinex Quattro franchise in the US market.

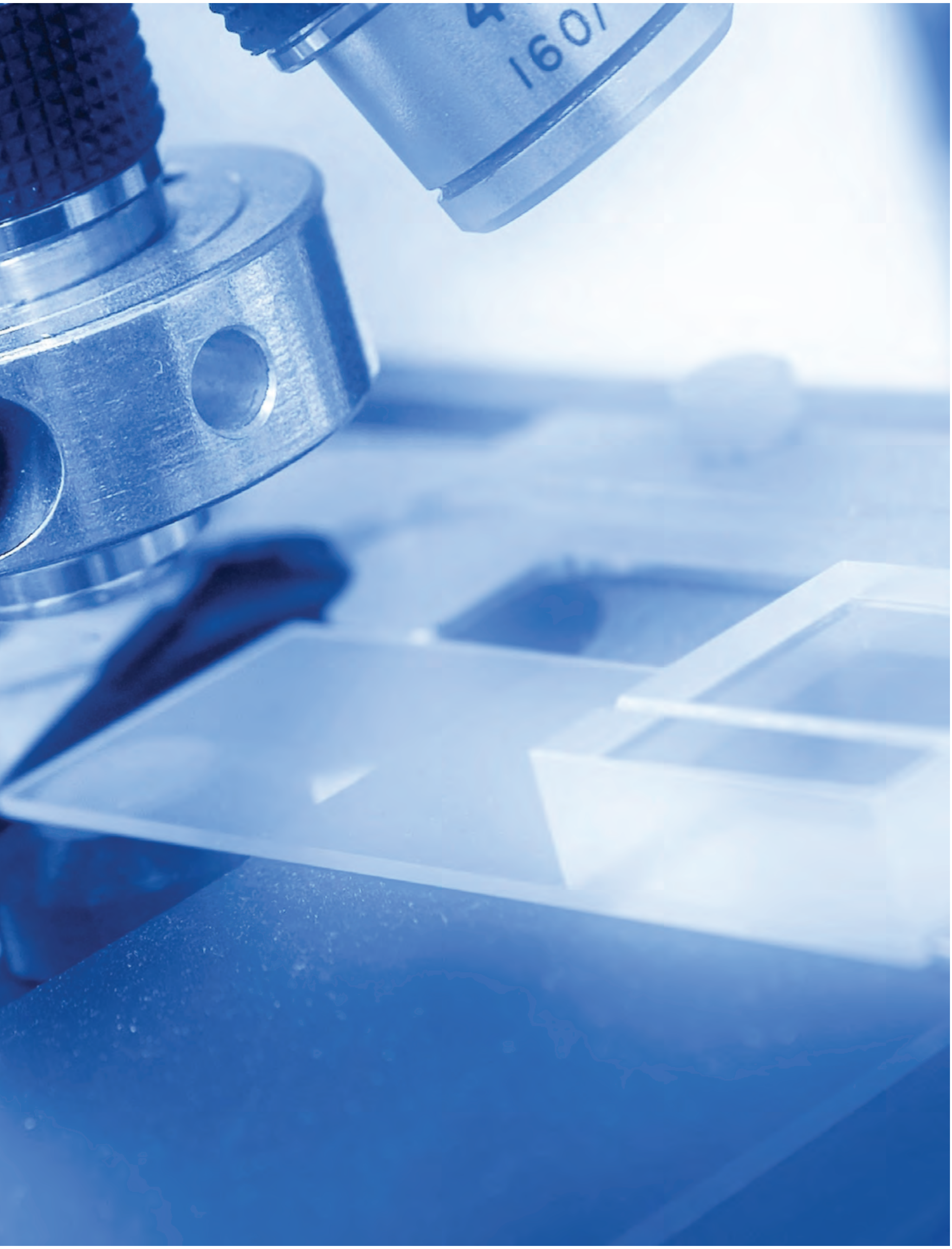
In addition, the Company will continue to develop improved allergy vaccines with novel adjuvants, improved dosing regimens in order to improve patient compliance and new delivery formulations to augment the Group's portfolio of patent-protected, registered pharmaceutical products.

Highlights

- Improved market share in Germany and other European markets
- At constant currency* gross revenue (excludes rebate and sales discount) increased 1% to £44.5 million (2012: £44.2 million)
  - Revenue £39.3 million (2012: £41.3 million) impacted principally by foreign exchange movements
  - Revenue outside of Germany increased 4% at constant currency to £16.6 million (2012: £15.9 million)
  - Decline in gross revenues (before rebate) in Germany of 2% at constant currency to £27.3 million (2012 £27.9 million)
- Launch of probiotic product range in a number of European countries
- Net profit after tax £0.5 million (2012 £0.8 million)
- FDA clinical hold lifted in August 2012 on Company's grass pollen allergy vaccine (Grass MATA MPL/ Pollinex® Quattro Grass 0.5ml)
- Pollinex® Ragweed distribution agreement signed with Paladin Labs in December 2012, replacing the existing distributor in Canada
- US Patent approved for sublingual administration of MPL adjuvant and vaccine antigens

* *Constant currency uses prior year weighted average exchange rates to translate current year foreign currency denominated revenue to give a year on year comparison excluding the effects of foreign exchange movements. See table in the Financial Review for an analysis of revenue.*

Chairman’s Statement



Chairman's Statement

Chairman's Statement

During the year Allergy Therapeutics has focused on diversifying the Group's product portfolio whilst evaluating potential partnering opportunities to commercialise our Pollinex® Quattro product in the US.

At the beginning of the financial year we were pleased to report that the clinical hold on the Group's development program for Pollinex® Quattro in the United States had been formally lifted by the US FDA (Food and Drug Administration). The Group is focussed on securing a suitable partner with whom it intends to complete late stage clinical development, submit a BLA (Biologics License Application) to the FDA, and launch Pollinex® Quattro in the important US market. The Group has continued to work with the FDA to support the protocol for the Pollinex Grass 304 study and will update the market in due course with any developments.

In the absence of a registered subcutaneous vaccine in the US for grass-related allergic rhinitis, commercialisation of Pollinex® Quattro could revolutionise treatment in the US by providing effective, fast-acting treatment to allergy sufferers. Pollinex® Quattro involves four pre-seasonal allergy vaccine injections administered over a month, making it an attractive alternative to the prolonged course of weekly to monthly injections over three years that is currently available with the allergen extract vaccines used in the US.

Outside of the US, the Group anticipates regulatory news in Germany, where it submitted a Marketing Authorisation Application (MAA) for Pollinex® Quattro Grass 0.5 ml to the Paul Ehrlich Institute (PEI). PEI has not disclosed when an update on the review process can be expected owing to the significant increase in its workload as a result of the introduction of Therapeutic Allergen Regulation (TAV).

I am pleased to report that the Group has made good progress with its strategy to diversify the business, enter new markets and expand its product portfolio, resulting in reduced reliance on the historically important German market. The Group is progressing the registration process for products in Italy and Portugal and continues to invest prudently in promising R&D programmes. In addition, the Group has introduced three probiotics products – Kallergen-Th, ATI-Prob and Pollagen, which have been well received in Italy and are expected to be launched in other markets later this year. The Group also launched Acarovac Plus in Spain, a modified-allergen product developed for the treatment of perennial mite allergy.

Although certain market conditions in Europe remain challenging, the Group is pleased to report an operating profit of £0.7 million (2012: £1.1 million), the fourth year in succession an operating profit has been reported, coupled with continued investment in increasing the Group's markets and research and development. Encouragingly, the Group's sales in Germany have shown signs of improvement over the last 6 months in addition to increasing its market share and the Group as a whole is confident of its prospects, based on expected news and its strategy to expand the business into new and existing markets.

Peter Jensen
Chairman
13 September 2013

4/0
160/0
40/0
160/0

CEO’s Review

Chief Executive Officer's Review

The lifting of the FDA's clinical hold on the Group's Pollinex® Quattro vaccine in the US at the beginning of the financial year was a major achievement for the Group. Elsewhere in the business the Group continued to focus on expanding into new markets and to diversify its product portfolio.

Allergy Therapeutics has continued to grow its revenues in markets outside Germany, the Group's largest market, as part of its broader strategy to reduce its reliance on revenues from this territory. The Group reported revenue in Germany of £23.6 million, accounting for 60% of the Group's revenue compared with 73% reported in 2009. During the last six months of the year, the Group's sales in Germany have shown signs of improvement, outperforming the market by 13 points in volume during the period. The European Commission has recently opened an investigation into whether the exemption from the increase in rebates in Germany constitutes state aid. If it is eventually concluded that the exemptions constitute state aid, then all unlawful aid may have to be repaid.

In other markets, sales in Italy and Austria increased by 3% and 8% respectively at constant currency. UK sales were down owing to the termination of the Anapen distribution agreement as announced in December 2012, but before Anapen sales were positive. Sales in the Spanish market have shown signs of recovery due to improvements implemented by management, after a decline over a number of years, resulting in a turnaround of the subsidiary.

In December 2012 the Group signed a new distribution agreement for Pollinex® Ragweed, replacing the existing distributor with Paladin Labs, one of Canada's leading specialty pharmaceutical companies with extensive experience marketing in-licensed products. I am pleased to report this is going well with sales increasing by 8% against the previous year.

Although we are beginning to see an improvement in certain markets, sales across the Group's principal geographical markets continue to reflect the impact of challenging market conditions, governmental austerity measures and the weakening average Euro against sterling. As a consequence the Group's operating profit for the year was £0.7 million (2012: £1.1 million).

Measures implemented over the last two years to improve our competitive position in Europe are beginning to show positive results. Market data, which is available for the 12 months to June 2013 showed a positive performance against the market across our main European markets. Germany was seven points above the market when measured by volume; by value improvements above the market were recorded as follows: Austria 12, Italy 15 and the Netherlands 17 points.

The partnering process for Pollinex® Quattro in the US, although it has not entirely completed, has not generated a suitable partner to date for the company and as a consequence work is underway to explore alternatives to develop the US opportunity; an update will be provided on developments in due course. In Europe, a response to the MAA for Pollinex® Quattro Grass 0.5ml submitted to the PEI is still awaited. The PEI has not disclosed when an update on the review can be expected.

During the year the Group has made good progress on its strategy to diversify its portfolio, expand into new geographical markets and identify new in-licensing opportunities. To this end the Group introduced three new probiotics products during the year: Kallergen-Th, ATI Prob and Pollagen, each targeting different forms of allergic disease. The Group also made progress with another product, Acarovac Plus, which has been launched in Spain. Acarovac Plus is a novel tyrosine-adsorbed, modified-allergen product developed for treatment of perennial mite allergy.

Research and Development costs during the financial year have increased to £2.5 million (2012: £2.1 million) to reflect the Group's focus on diversifying the business. Registrations have been undertaken in Peru and Venezuela for mite allergy products. Under the Therapeutic Allergen Regulation in Germany, progress has been made with the Pollinex Quattro Birch dose ranging study: clinical trial and ethics applications have been submitted in Germany, Austria and Poland and the dosing of patients starts in September 2013. The registration of various allergy vaccines in Portugal will be concluded in September 2013.

Outlook

The lifting of the clinical hold by the FDA in August 2012 has allowed the Group to resume its Pollinex® Quattro development programme in the US, where the search for a suitable development and commercialisation partner continues. In Europe we are also moving forward, implementing efficiencies and strengthening our position by winning market share and diversifying our revenue base. With these developments alongside expected news from PEI, we remain confident of the future prospects of the Company.

Manuel Llobet
Chief Executive Officer
13 September 2013

Our Markets

Our Markets

We have a particular focus 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. 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 is the Group's main market generating approximately 60% of the Group's revenue in the 12 months ending 30 June 2013, followed by Italy (11%), Switzerland (5%), Austria (5%), Spain (4%), Czech Republic and Slovakia (4% combined), Canada (4%), The Netherlands (3%) and the UK (2%).

Germany

Germany is the largest allergy immunotherapy market in the world by value, with annual sales of over €320 million. Since 2010 the market has been affected by the austerity measures the German 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 the Company's approach to marketing the products.

Italy

The total Italian allergy immunotherapy market is estimated to be worth €50 million in sales per year; although patients have been impacted by adverse economic conditions affecting their ability to pay for vaccines. The Italian immunotherapy market is dominated by sublingual products. However, despite these challenges, we continue to support our local organisation, and 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; however, 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 is an important market due to its potential for future growth for the Group and the fact that it is an area of scientific development. Whilst there is limited use of allergy vaccines in the UK, this has the potential to change and the Company has been focused on marketing to the medical community, promoting greater awareness of current and more suitable treatment options.

Austria

Austria is an established market with total market sales of approximately €18 million per year and our own operation is performing well and growing faster than the market.

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. Allergy Therapeutics is the only company showing growth in the market.

Switzerland

The allergy vaccine market in Switzerland is well established, and is worth approximately €12 million per annum. The acquisition (in the year ended 30 June 2011) of Teomed AG, the Swiss subsidiary, is providing an opportunity to improve earnings, and provides an established infrastructure from which to launch Pollinex Quattro in the future.

Emerging Markets

In 2012 we launched our products in Argentina, Venezuela, Colombia and Chile, and set up a new marketing operation in Argentina. Regulatory hurdles have caused slow sales in these Latin American markets this year; however 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 and Slovak Republics, South Korea and Latin America.

Revenue by Country

Germany – 60%
Italy – 11%
Switzerland – 5%
Austria – 5%
Spain – 4%
Czech Republic & Slovakia – 4%
Canada – 4%
The Netherlands – 3%
UK & Export market – 2%
South Korea – 1%

Other – 1%

Our Products

Our Products

The Group sells a wide range of aluminium free allergy vaccines and diagnostics. The majority of sales are allergy vaccines and we sell both injectable vaccines and sublingual vaccines. Our vaccines and diagnostics trade under various 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.

Short course injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one key product, Pollinex Quattro, which is our largest product range, 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.

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.

Probiotics

Since June 2012, we have launched three new Probiotic products (Kallergen-Th, ATI Prob and Pollagen) across Spain, Italy and Portugal. The products contain specific combinations of *Lactobacilli* and *Bifidobacteria.*

Acarovac Plus

Acarovac Plus was launched in Spain in March 2013 and is a novel tyrosine-adsorbed, modified-allergen product developed for treatment of perennial mite allergy. The product has been standardised to meet a dose regime consistent with "one bottle" convenience. Clinical evaluation and immunogenicity studies demonstrate excellent patient tolerability and serological analyses consistent with a favourable shift in Th1/Th2 balance compared with an unmodified version of the product.

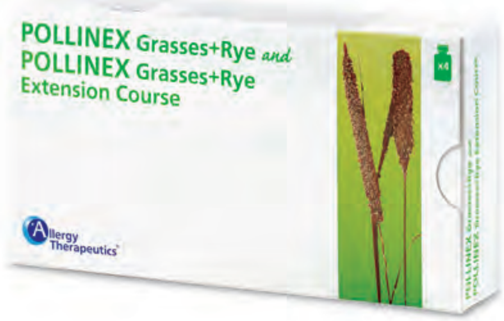
Licensed Products

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.

ACAROVAC Plus
3000 SU/ml
Suspensión para inyección
Este envase contiene un vial con 6 ml de extracto alergénico.
x1

Tyrosin TU t.o.p.
Zur Grundbehandlung
Treatment Course
Allergy Therapeutics
Bencard Allergie
Tyrosin TU t.o.p.

POLLINEX Quattro
1,0 ml
x4
4
Allergy Therapeutics
Bencard Allergie


POLLINEX Grasses+Rye and
POLLINEX Grasses+Rye
Extension Course
x4
Allergy Therapeutics

Solución sublingual. Solo para uso sublingual.
Oromucosal solution. For sublingual use only.
ORALVAC Compact
Allergy Therapeutics Ibérica
Allergy Therapeutics
ORALVAC Compact

POLLINEX Trees and
POLLINEX Trees
Extension Course
x4
Allergy Therapeutics
POLLINEX Trees and
POLLINEX Trees Extension Course

Research & Development

Research & Development

This has been an important year for the Group during which several key strategic development goals were achieved.

Following the submission of a Complete Response the FDA lifted the clinical hold on Pollinex® Quattro Grass IND on 3 August 2012. The Group has gained approval from the FDA to progress its grass clinical development programme in the US in an Environmental Exposure Chamber (EEC) and discussions with Health Canada (BGTD) are now planned to enable the pivotal chamber study to be performed.

In June 2011 the Group received feedback from the PEI's review of the Group's 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. The Group 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 Group is awaiting feedback.

As previously announced, the Therapeutic Allergen Regulation (introduced by the PEI, the Regulatory Authority for biological products in Germany) has changed the regulatory landscape. The Group submitted Marketing Authorisation Applications (MAAs) for our key products in December 2010. The Group has yet to receive feedback from the PEI, however, additional clinical information will be required on some of these products over the next few years to 2017, and the Group has therefore begun preparations for clinical trials.

Over the last year the Group 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

Financial Review

The following section should be read in conjunction with the financial statements and related notes on pages 36 to 100.

Overview

The results for the twelve months to 30 June 2013 demonstrate continuing profitability, despite difficult market conditions, with a Group operating profit of £0.7 million (2012: £1.1 million); the Group has now generated an operating profit for the fourth year in a row.

Revenue

Despite weak allergy vaccine markets in Europe, revenue at constant currency, excluding the impact of rebates and discounts, was marginally better at £44.5 million (2012: £44.2 million). This can be seen in the table below:

	2013 Germany £m	**2013 Other £m**	**2013 Total £m**	2012 Germany £m	2012 Other £m	2012 Total £m
Revenue	**23.6**	**15.7**	**39.3**	25.4	15.9	41.3
Add rebates and discounts	**1.7**	**0.5**	**2.2**	2.5	0.4	2.9
Gross revenue	**25.3**	**16.2**	**41.5**	27.9	16.3	44.2
Adjustment to retranslate at prior year foreign exchange rate	**2.0**	**1.0**	**3.0**	-	-	-
Gross revenue at constant currency	**27.3**	**17.2**	**44.5**	27.9	16.3	44.2
Revenue	**23.6**	**15.7**	**39.3**	25.4	15.9	41.3
Adjustment to retranslate at prior year foreign exchange rate	**1.9**	**0.9**	**2.8**	-	-	-
Revenue at constant currency	**25.5**	**16.6**	**42.1**	25.4	15.9	41.3

The Group recognised revenue of £1.0 million (out of a total receipt of £1.25 million) in relation to signing a new distributor for Canada.

With a weaker EUR:GBP average exchange rate during the year compared to the prior year, revenue decreased by 5% to £39.3 million (2012: £41.3 million). The average EUR:GBP exchange rate in the period was 1.24 compared to 1.15 in the previous period; the weakening Euro adversely impacted revenue by £2.8 million. The Group has continued to grow its revenue in markets outside Germany, and to reduce its reliance on the German market, with 60% of revenue originating in the territory compared with 73% in 2009. In addition to the sale of allergy vaccines, the Group has continued to look to increase its revenue from in-licensed products; although revenue was impacted in the year by the loss of Anapen sales due to the termination of the agreement with Lincoln, the supplier of Anapen, following issues with the device. Total sales from in-licensed products contributed £0.7 million this year (2012: £1.5 million). However, the key product is still Pollinex® Quattro, which accounts for 49% of sales.

Germany experienced various austerity measures and gross sales at constant currency in Germany fell slightly to £27.3 million (2012: £27.9 million). During the period the Group was subject to a preliminary exemption from the full rebate charge in Germany for the first half of the financial year, although for the second half the full rebate was charged. The Group also benefited from an exemption to the increase in the German rebate for the period January 2012 to June 2012. The European Commission has recently opened an investigation into whether the exemption from the increase in rebates in Germany constitutes state aid. If it is eventually concluded that the exemptions constitute state aid, then all unlawful aid may have to be repaid (please refer to Note 28).

Italy's sales at constant currency increased by 3%, which was a strong result given the weak market during the year. Similarly, Austria showed strong growth in sales of 8% in the year. By contrast the Group's sales in Spain and the Czech and Slovak Republics 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

Tight discipline on costs in all areas helped drive manufacturing overheads lower against the prior year by £0.4 million. This lower cost base combined with lower costs attributable to Anapen sales helped reduce the cost of goods to £12.0 million (2012: £13.7 million). Consequently, the gross profit percentage improved by 2.7% points, to 69.6%, leading to a gross margin of £27.3 million (2012: £27.6 million).

Operating Expenses

Total overheads are slightly higher against the prior year at £26.7 million (2012: £26.5 million). The weaker Euro helped reduce distribution costs, which are mainly European sales and marketing costs, to £16.3 million (2012: £17.9 million). Administration expenses include a cost of the fair valuation of foreign exchange hedges, generating a liability at the year end of £0.3 million. At the prior year end the fair valuation generated an asset; together these created a loss in the year of £0.8 million (2012: gain £1.3 million). The initiation of the dose ranging study for Pollinex Quattro Birch started during the year and was the main factor behind the increase in R&D costs to £2.5 million (2012: £2.1 million).

The Euro denominated loan was repaid in April 2012, which means there is no retranslation difference on the loan in this period (2012: £1.0 million credit). The finance expense reflects the absence of the loan, with the expense in the period being the interest on the overdraft and German pension fund finance cost. The overdraft was repaid at 31 December 2012 but drawn against at the year- end as expected due to the seasonality of the Group's business.

Tax

The tax credit of £0.1 million during the year relates mainly to the recognition of a deferred tax asset in respect of accumulated UK trading losses generated by the Group's investment in R&D in previous years. This asset has been recognised following several years of taxable profits and expected future profits. An R&D tax credit was recognised during the prior year. In both years these credits offset tax charges in some of the overseas subsidiaries.

Balance Sheet

With the major capital investment programme now complete and a lower maintenance level of spend now required, property, plant and equipment has fallen from £7.6 million to £7.3 million as the depreciation charge for the period is higher than new equipment purchases. Goodwill remains broadly similar at £2.6 million, whilst other intangible assets have fallen by £0.8 million mainly due to the cancellation of the agreement with Lincoln Medical Limited for the Anapen device.

Total current assets excluding cash have increased by £1.1 million to £13.2 million (2012: £12.1 million) primarily due to an increase in debtors related to the preliminary exemption to the rebate increase in Germany.

Retirement benefit obligations, which relate solely to the German pension scheme, increased to £6.2 million (2012: £4.7 million). The increase in the liability was driven by a fall in German bond yields at the year end compared to the previous year.

Net cash generated by operations remained positive, with a reported inflow of £3.0 million (2012: £2.9 million).

Financing

The fundraising that took place in April 2012 raised £12.6 million through a combination of convertible debt (£4.0 million) and equity (£9.3 million) with CFR Pharmaceuticals acting as the cornerstone investor. The funds raised have enabled the Group to reduce its financing costs by repaying the bank loan facility and replacing it with a seasonal overdraft facility.

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
13 September 2013

Board of Directors

Board of Directors

Peter Jensen

Non-Executive Chairman (62)

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 clear company strategy, 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 SmithKline-Beecham 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 (49)

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 (50)

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 (60)

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 (55)

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 (61)

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 GlaxoWellcome (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 pharmaceutical and biotech companies.

Thomas sits on the Remuneration Committee.

Directors’ Report

Director’s Report

The Directors present their annual report and the audited financial statements for the 12 months ended 30 June 2013. 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 £0.5 million (2012: £0.8 million). The results for the year are set out on page 51 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 pages 4 to 6, the Chief Executive Officer’s Review on pages 8 to 11 and the Financial Review on pages 24 to 28 and are incorporated in this report by reference.

Review of the Group’s business and Key Performance Indicators

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

Revenue in the year was £39.3 million compared to £41.3 million in the previous year, a reduction of less than 5%, impacted primarily by foreign exchange.

The operating profit was £0.7 million (2012: £1.1 million), the decrease being a consequence of the fall in revenue (although this was limited by effective cost control measures).

Net cash generated by operations for the year was an inflow of £3.0 million (2012: £2.9 million).

Staff turnover, including redundancies and temporary staff, in the UK during the year was 19.1% (2012: 20.3%), compared to an average UK staff turnover rate of 12.5% (2012: 12.4%), (data supplied by the Chartered Institute of Personnel and Development). Excluding redundancies and temporary staff, the turnover rate was 12.4% (2012: 9.7%).

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.

Two key opportunities for the Group are developing and commercialising Pollinex Grass in the US and the PEI market authorisation for Pollinex Quattro Grass 0.5ml in Germany.

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 60% (2012:64%) 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 in order to ensure that adequate funding is available.

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 strictly monitors new industry regulations and engages with key Regulatory Authorities to inform the Group's strategic direction and identify factors likely to affect the future development, performance and position of the Group's business.

Financial risk management objectives and policies

Note 23 in the Notes to the Financial Statements gives details of the Group's objectives and policies for risk management of financial instruments.

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 in conjunction with the development of new products.

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

Allergy remains a market with largely unmet medical needs in many countries. The allergy "epidemic" continues to grow and it is increasingly recognised that, for many people, hay-fever is far from a trivial matter. There are currently few competitors in the niche market in which the Group operates.

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 employed 376 people at the year-end 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.

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.

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.

Directors and Directors' interests

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

		Date of appointment
Manuel Llobet	Chief Executive Officer	1 July 2009
Ian Postlethwaite	Finance Director	1 July 2004
Peter Jensen	Non-Executive Chairman	1 October 2010
Thomas Lander	Non-Executive Director	2 May 2012
Stephen Smith	Non-Executive Director	8 September 2004
Alejandro Weinstein	Non-Executive Director	1 July 2009

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

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
Manuel Llobet[1]	3,125,000	2,190,000	3,125,000	3,065,000
Ian Postlethwaite	493,000	2,983,500	1,360,000	1,696,000
Peter Jensen	120,000	-	120,000	-
Thomas Lander	-	-	-	-
Stephen Smith	776,513	150,000	776,513	150,000
Alejandro Weinstein[2]	201,986,132	-	201,986,132	-

[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 2013, 409,866,831 shares were allotted and fully paid. Details of movements in the Company's share capital during the period are shown in Note 26 to the financial statements.

Details of employee share schemes are set out in Note 27 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 2013 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
CFR International SPA & Associated Holdings	201,986,132	49%
Southern Fox Investments	92,603,671	23%
Invesco Perpetual	14,548,209	4%

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	Attendance at meetings 2012-13
Manuel Llobet	July 2009	15/15
Ian Postlethwaite	July 2004	15/15
Peter Jensen	October 2010	15/15
Thomas Lander	May 2012	15/15
Stephen Smith	September 2004	15/15
Alejandro Weinstein	July 2009	7/15

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 32 to 34. 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 Peter Jensen. 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 Auditor, reviewing the reports from the Auditor relating to the financial statements and monitoring the internal control function.

The Remuneration Committee comprised Stephen Smith (Chairman), and Thomas Lander. 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 the grant of shares under the Group's Long Term Incentive Plan.

The Nomination Committee comprised Peter Jensen (Chairman), Stephen Smith and Alejandro Weinstein during the year. 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 46 to 48.

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 shareholders 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 available 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. In accordance with International Financial Reporting Standards (IFRS), during the year the Group expensed to the income statement £2.5m (2012: £2.1m) on research and development. Further details on the Group's research and development are included in the Chief Executive's Review on pages 8 to 11.

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 4 to 6, the Chief Executive Officer's Review on pages 8 to 11 and the Financial Review on pages 24 to 28. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Director's Financial Review on pages 24 to 28.

In addition, Note 23 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. Whilst the Company had no trade creditors, the number of trade creditor days for the Group at 30 June 2013 was 55 days (2012: 42 days).

Dividend

Given the amount invested in research and development 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.

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 to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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.

The Directors confirm that in so far as each Director is aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor 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.

The Directors confirm that in so far as each Director is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor 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 13 September 2013

Ian Postlethwaite
Company Secretary

Directors’ Remuneration Report

The Remuneration Committee

The Remuneration Committee comprised Stephen Smith (Chairman) and Thomas Lander during the 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 2012-2013
Stephen Smith	November 2004	4/4
Thomas Lander	May 2012	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 a 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 2013 provisional shares were awarded to directors and senior management under the Allergy Therapeutics plc 2005 Long Term Incentive Plan and the 2013 Long Term Incentive Plan. The major shareholders were consulted on the new plan which was approved by the Board on 20 March 2013. The new plan is aligned with the Group’s performance rather than on the performance compared to a group of other companies. The distribution of shares under the Plans 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) 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.

(vi) 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.

Service contracts

Executive Directors	Date of contract	Date of Amendment	Notice period
Manuel Llobet	11 June 2009	21 June 2012	12 months
Ian Postlethwaite	7 May 2002	-	12 months

Non-Executive Directors	Date of contract	Date of Amendment	Notice period
Peter Jensen	1 October 2010	30 June 2012	6 months
Thomas Lander	2 May 2012	25 June 2013	3 months
Stephen Smith	5 October 2004	1 April 2012	3 months
Alejandro Weinstein	1 July 2009	-	3 months

Thomas Lander's Deed of Appointment was altered on 25 June 2013 to add a clause regarding fees payable for additional work in exceptional circumstances above his contractual two days per month.

Directors' remuneration (audited information)

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

							Year ended 30 June 2012	
	Basic Salary	**Bonus for the year**	**Taxable benefits**	**Fees**	**Total**	**Pension**	Total	Pension
	£	**£**	**£**	**£**	**£**	**£**	£	£
Manuel Llobet	**199,109**	**18,857**	**10,909**	**-**	**228,875**	**29,872**	253,546	27,690
Ian Postlethwaite[2]	**156,734**	**(16,080)**	**10,625**	**-**	**151,279**	**44,821**	202,484	15,254
Peter Jensen	**65,000**	**-**	**-**	**-**	**65,000**	**-**	65,000	-
Thomas Lander	**36,000**	**-**	**-**	**-**	**36,000**	**-**	6,000	-
Stephen Smith[1]	**-**	**-**	**-**	**46,000**	**46,000**	**-**	36,000	-
Alejandro Weinstein	**36,000**	**-**	**-**	**-**	**36,000**	**-**	36,000	-
Totals	**492,843**	**2,777**	**21,534**	**46,000**	**563,154**	**74,693**	599,030	42,944

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

[2] Mr Postlethwaite received an extra pension contribution in lieu of his accrued bonus from the prior year.

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	Options held at 30 June 2013	Subscription price (pence)	Exercise date from	Expiry date
Executive Directors								
Manuel Llobet	2,190,000[1]	1,625,000[1]	-	(750,000)	3,065,000	-	-	-
Ian Postlethwaite	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
	1,320,000[1]	812,500[1]	-	(600,000)	1,532,500	-	-	-
Non-Executive Directors								
Stephen Smith	150,000	-	-	-	150,000	45.0	26/02/2004	26/02/2014
Totals	5,323,500	2,437,500	(1,500,000)	(1,350,000)	4,911,000			

[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 2013 was £112,500 (2012: £nil).

At 30 June 2013 the London Stock Exchange market value of shares was 9.88p per share. The range of values during the period from 1 July 2012 to 30 June 2013 was 7.5p to 13.75p per share.

Stephen Smith
Chairman, Remuneration Committee

Nominations Committee Report

The Nominations Committee during the year comprised Peter Jensen (Chairman), Stephen Smith 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 2012-13
Peter Jensen	October 2010	1/1
Stephen Smith	September 2009	1/1
Alejandro Weinstein	September 2009	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 independence defined in the UK Corporate Governance Code against the practicalities for an AIM Company. The Group follows the UK Corporate Governance Code wherever practical to do so, but the code is not binding on AIM listed companies.

The review considered all the Non-Executive Directors and in particular Mr Stephen Smith's position; his independence was discussed regarding his share options granted in 2004, as detailed on page 48, and his term of office, this being slightly over 9 years at the Company's forthcoming Annual General Meeting in November, both being contrary to the UK Corporate Governance Code. 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 these to impede his independence and accordingly recommended this to the Board who endorsed his continued appointment. Mr Stephen Smith is therefore regarded as an independent Non-Executive Director, with Mr Thomas Lander as the other independent Non-Executive Director.

The Board now consists of four Non-Executive Directors, with three being independent and two Executive Directors.

Peter Jensen
Chairman, Nominations Committee

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 2013 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 44 to 45, 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 2013 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 matter 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 2013.

Christian Heeger
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
13 September 2013

Consolidated Income Statement

for the year ended 30 June 2013	Note	Year to 30 June 2013 £'000	Year to 30 June 2013 £'000	Year to 30 June 2012 £'000	Year to 30 June 2012 £'000
Revenue	3		**39,279**		41,280
Cost of sales			**(11,953)**		(13,670)
Gross profit			**27,326**		27,610
Distribution costs			**(16,278)**		(17,881)
Administration expenses – other		**(7,845)**		(6,542)	
Research and development costs		**(2,535)**		(2,095)	
Administration expenses			**(10,380)**		(8,637)
Operating profit			**668**		1,092
Finance income	9		**19**		5
Finance expense	8		**(255)**		(457)
Profit before tax	5		**432**		640
Income tax	10		**104**		183
Profit for the period			**536**		823
Profit/ Earnings per share	12				
Basic (pence per share)			**0.13p**		0.25p
Diluted (pence per share)			**0.13p**		0.24p

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013	Note	Year to 30 June 2013 £'000	Year to 30 June 2012 £'000
Profit for the period		**536**	823
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	25	**(865)**	(734)
Revaluation gains - freehold land & buildings		**17**	-
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**77**	(431)
Revaluation (losses)/gains on investments – retirement benefit assets		**(17)**	50
Total comprehensive loss		**(252)**	(292)

Consolidated Balance Sheet

	Note	30 June 2013 £'000	30 June 2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	**7,337**	7,555
Intangible assets – goodwill	13	**2,560**	2,489
Intangible assets – other	14	**1,350**	2,107
Investments – retirement benefit asset	16	**3,059**	2,569
Deferred taxation asset	11	**200**	-
Total non-current assets		**14,506**	14,720
Current assets			
Trade and other receivables	18	**7,185**	4,997
Inventories	17	**6,014**	6,651
Cash and cash in hand	19	**1,257**	903
Derivative financial instruments	23	**2**	483
Total current assets		**14,458**	13,034
Total assets		**28,964**	27,754
Liabilities			
Current liabilities			
Trade and other payables	20	**(7,006)**	(6,312)
Current borrowings	21	**(288)**	(1,426)
Derivative financial instruments	23	**(326)**	(9)
Total current liabilities		**(7,620)**	(7,747)
Net current assets		**6,838**	5,287
Non current liabilities			
Retirement benefit obligations	25	**(6,214)**	(4,717)
Non current borrowings	21	**-**	(97)
Derivative financial instruments	23	**-**	(162)
Deferred taxation liability	11	**(159)**	(165)
Non current provisions	22	**(300)**	(274)
Total non current liabilities		**(6,673)**	(5,415)
Total liabilities		**(14,293)**	(13,162)
Net assets		**14,671**	14,592
Equity			
Capital and reserves			
Issued share capital	26	**420**	417
Share premium		**67,716**	67,571
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – shares held by EBT		**67**	67
Reserve – share based payments		**679**	1,496
Reserve – convertible loan notes		**3,652**	3,652
Revaluation reserve		**1,297**	1,297
Foreign exchange reserve		**170**	93
Retained earnings		**(99,458)**	(100,129)
Total equity		**14,671**	14,592

These financial statements were approved by the Board of Directors on 13 September 2013 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 subsidiary	Reserve – shares held in EBT	Reserve – share based payment	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 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 (Investments)							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)
Transactions with owners										
Share based payments					131					131
Shares issued	96	8,866				3,652				12,614
Transfer of lapsed options to retained earnings					(33)				33	-
Transfer of depreciation on revalued property							(40)		40	-
At 30 June 2012	**417**	**67,571**	**40,128**	**67**	**1,496**	**3,652**	**1,297**	**93**	**(100,129)**	**14,592**
Exchange differences on translation of foreign operations								77		77
Actuarial loss									(865)	(865)
Valuation gain taken to equity (Land and Buildings)							17			17
Valuation loss taken to equity (Investments)							(17)			(17)
Total other comprehensive income							-	77	(865)	(788)
Profit for the period after tax									536	536
Total comprehensive income							-	77	(329)	(252)
Transactions with owners										
Share based payments					183					183
Shares issued	3	145								148
Transfer of lapsed options to retained earnings					(1,000)				1,000	-
At 30 June 2013	**420**	**67,716**	**40,128**	**67**	**679**	**3,652**	**1,297**	**170**	**(99,458)**	**14,671**

Consolidated Cash Flow Statement

	Note	Year to 30 June 2013 £'000	Year to 30 June 2012 £'000
Cash flows from operating activities			
Profit before tax		**432**	640
Adjustments for:			
Finance income	9	**(19)**	(5)
Finance expense	8	**255**	1,456
Revaluation loss on loan	8	**-**	(999)
Non cash movements on defined benefit pension plan		**79**	164
Depreciation and amortisation	14, 15	**1,342**	1,892
Charge for share based payments		**183**	131
Derivative financial instruments		**787**	(1,280)
Disposal of intangible assets and property, plant and equipment		**607**	8
(Increase)/decrease in trade and other receivables		**(2,164)**	1,287
Decrease in inventories		**767**	272
Increase/(decrease) in trade and other payables		**746**	(642)
Net cash generated by operations		**3,015**	2,924
Interest paid		**(211)**	(51)
Income tax (paid)/ refunded		**(372)**	7
Net cash generated by operating activities		**2,432**	2,880
Cash flows from investing activities			
Interest received		**19**	5
Investments		**(355)**	(311)
Payments for intangible assets		**(157)**	(829)
Payments for property plant and equipment		**(664)**	(432)
Net cash used in investing activities		**(1,157)**	(1,567)
Cash flows from financing activities			
Proceeds from issue of equity shares and convertible loan notes		**148**	12,614
Repayment of borrowings		**-**	(22,623)
Proceeds from borrowings		**-**	7,680
Bank loan fees and interest paid		**-**	(406)
Net cash generated by/(used in) financing activities		**148**	(2,735)
Net increase/(decrease) in cash and cash equivalents		**1,423**	(1,422)
Effects of exchange rates on cash and cash equivalents		**50**	(35)
Cash and cash equivalents at the start of the period		**(409)**	1,048
Cash and cash equivalents at the end of the period		**1,064**	(409)
Cash at bank and in hand		**1,257**	903
Bank overdraft		**(193)**	(1,312)
Cash and cash equivalents at the end of the period		**1,064**	(409)

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 2013 (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 13 September 2013.

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.

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.

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 2013 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.

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 2013, and for the fourth year in succession, the Group has reported an operating profit and an operating cash inflow. Operating profit in the period was £0.7 million (2012: £1.1 million); operating cash inflow was £3.0 million (2012: £2.9 million).

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2014 and 30 June 2015. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing overdraft 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 2013. 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 acquisition 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. Each 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 where this is not materially different.

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 where this is not materially different, 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.

Revenue 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 through 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).

Where the Group sells to licensees at low margin and the royalty payment receivable actually represents the Group's normal margin on the product sale, the "royalty" is considered to be deferred consideration and forms part of the fair valuation of consideration receivable by the Group for goods supplied. In these instances the expected royalty is accrued at a discounted value at the point of delivery.

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).

Where the Group provides services to new distributors, which mainly include marketing and customer information, in exchange for an up-front lump sum fee, revenue is recognised in line with these services being delivered. These services are fair valued and pro-rated to agree to the total fee receivable. Where there is an on-going responsibility to provide services in the future, the balance relating to those services is recognised in future periods as the service is performed.

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 unless this reverses a revaluation decrease on some asset previously recognised in profit and loss, in which case it is first credited to profit and loss to that extent. 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:

Freehold buildings	33 years
Computer equipment	3 – 7 years
Motor vehicles	4 years
Fixtures and fittings	5 – 15 years
Plant and equipment	5 – 15 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.

During the year the asset lives of 'Fixtures and fittings' and 'Plant and equipment' were extended up to a maximum of 15 years (previous maximum useful life was 10 years). The effect of this change is described in Note 15.

Depreciation charges are included when arriving at operating profit 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, trade and other receivables and derivative financial 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 derivative financial instruments.

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, Canadian Dollar forward contracts, 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 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" represents 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 neither 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. In accordance with IAS19 these 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 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 LTIP schemes and the conditions applying to each scheme are fully disclosed in Note 27 (Share Based Payments) on pages 89 to 91.

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 less proceeds on disposal.

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, £2.5m (2012: £2.1m)

b) 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.

c) As part of setting up a new distributor in a particular territory, the Group received a payment of £1.25m in exchange for services rendered. These services have been fair valued and the total fee apportioned across the services in proportion to these valuations. Of this value £0.47m has been matched to a related payable and recognised in full; £0.51m valuation has been supported by an independent valuer; and the remaining £0.27m has been apportioned by management. Of the £1.25m, £0.27m is judged to relate to services to be performed in future periods and has been carried forward in deferred revenue.

Sources of estimation uncertainty

a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved. There is inherent uncertainty in the useful lives of assets, which means that they are constantly reviewed by management (Accounting policies note (page 59) and Note 15).

b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset. A deferred tax asset of £0.2m has been recognised in this period (Note 11).

c) 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.

d) The Group has been awarded a provisional exemption to the increased rebate charge in Germany for the period July to December 2012. Revenue of £1.1m has been accrued in relation to this exemption. While the Group is confident that the exemption will be confirmed, there is a possibility that this will not happen.

3. Revenue

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

	2013	2012
	£'000	£'000
Sale of goods	**38,467**	40,317
Royalties	**-**	963
Rendering of services	**812**	-
	39,279	41,280

As noted in the accounting policy for revenue recognition for sale of goods, royalties that are deemed to part of the fair valuation of supply of goods are included in sale of goods.

Rendering of services relates to the supply of services to a new distributor to assist them in setting up operations in their territory.

4. Segmental Reporting

The Group's operating segments are reported based on the financial information provided to the Executive Directors, who are defined as the Chief Operating Decision-Maker (CODM), to enable them 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 (including Latin America) 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
	2013	**2013**	**2013**	2012	2012	2012
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central Europe						
Germany	**23,613**		**23,613**	25,407		25,407
Other	**5,143**		**5,143**	5,617		5,617
	28,756		**28,756**	31,024		31,024
Southern Europe	**5,774**		**5,774**	6,180		6,180
UK	**881**	**32,081**	**32,962**	1,509	33,861	35,370
Other	**3,868**		**3,868**	2,567		2,567
	39,279	**32,081**	**71,360**	41,280	33,861	75,141

Revenues from external customers in all segments are derived principally 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 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 2013 budget.

	Revenue from External Customers 2013	Revenue from External Customers 2012
	£'000	£'000
Central Europe		
Germany	**24,442**	24,331
Other	**5,157**	5,180
	29,599	29,511
Southern Europe	**5,977**	5,814
UK	**881**	1,509
Other	**3,866**	2,686
	40,323	39,520

The Group has no customers which individually account for more than 10% of the Group's revenue.

Depreciation and amortisation by segment

	2013	2012
	£'000	£'000
Central Europe	**199**	119
Southern Europe	**86**	89
UK	**1,057**	1,684
	1,342	1,892

EBITDA by segment

Allocated EBITDA	2013 £'000	2012 £'000
Central Europe	(791)	(1,029)
Southern Europe	(323)	372
UK	3,124	3,641
Allocated EBITDA	2,010	2,984
Depreciation and amortisation	(1,342)	(1,892)
Operating profit	668	1,092
Finance income	19	5
Finance expense	(255)	(457)
Profit before tax	432	640

Total assets by segment	2013 £'000	2012 £'000
Central Europe	9,306	8,386
Southern Europe	4,117	3,963
UK	37,038	35,220
	50,461	47,569
Inter-segment assets	(3,126)	(1,958)
Inter-segment investments	(18,371)	(17,857)
Total assets per Balance Sheet	28,964	27,754

Included within Central Europe are non-current assets to the value of £2,560,000 relating to Goodwill and within Southern Europe assets to the value of £1,207,000 relating to freehold land and buildings.

Total liabilities by segment

	2013	2012
	£'000	£'000
Central Europe	**(10,070)**	(8,227)
Southern Europe	**(2,518)**	(2,150)
UK	**(4,831)**	(4,743)
	(17,419)	(15,120)
Inter-segment liabilities	**3,126**	1,958
Total liabilities per Balance Sheet	**(14,293)**	(13,162)

5. Profit Before Tax

	2013	2012
Profit for the period has been arrived at after charging:	**£'000**	£'000
Foreign exchange loss	**350**	808
Depreciation and amortisation:		
Depreciation of property plant and equipment (note 15)	**968**	1,506
Amortisation of intangible assets (note 14)	**374**	386
Research and development	**2,535**	2,095
Land and buildings held under operating leases	**422**	439
Other operating leases	**521**	533
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**22**	21
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**69**	67
Tax services	**20**	9
Other services pursuant to legislation	**23**	99
Share based payment expense (note 27)	**183**	131

6. Remuneration of Key Management Personnel

	2013 £'000	2012 £'000
Salaries and short-term employee benefits	**597**	677
Social security costs	**66**	70
Post employment benefits – defined contribution plans	**75**	43
	738	790
Under/ (Over) accrual of bonuses	**(35)**	(6)
Share based payment	**29**	58
	732	842

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 46 to 48 and forms part of the financial statements.

7. Employees (including Directors)

	2013 £'000	2012 £'000
Wages and salaries	**14,292**	15,423
Social security costs	**2,110**	2,366
Share based payments	**158**	131
Pension costs – defined benefit plans	**243**	240
Pension costs – defined contribution plans	**267**	234
	17,070	18,394

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

	2013	2012
R & D, marketing and administration	**113**	120
Sales	**91**	87
Production	**147**	151
	351	358

8. Finance Expense

	2013 £'000	2012 £'000
Interest on borrowing facility	**167**	1,368
Change in fair value of derivative financial instrument	**(149)**	(214)
Employee defined benefit scheme interest expense	**193**	212
Other interest and charges	**44**	90
	255	1,456
Retranslation profit on Euro denominated borrowing facilities	**-**	(999)
	255	457

The retranslation profit represents the translation difference on the Group's Euro based borrowing facility caused by the movement of the Euro against Sterling throughout the previous year. The borrowing facility was repaid in April 2012.

9. Finance Income

	2013 £'000	2012 £'000
Bank interest	**19**	5

10. Income Tax Expense

	2013 £'000	2012 £'000
Current Tax:		
Prior period tax	**(57)**	(440)
Overseas tax	**166**	270
	109	(170)
Deferred tax – current year	**(213)**	(13)
Tax credit for the period	**(104)**	(183)

The tax credit 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:

	2013	2012
	£'000	£'000
Profit for the period before tax	**432**	640
Profit for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 23.75%, 2012: 25.5%).	**103**	163
Effects of:		
Disallowable adjustments	**429**	125
Capital allowances in excess of depreciation	**(34)**	74
Other temporary differences on property plant and equipment, adjustments and movements	**20**	14
Tax losses utilised	**(479)**	(263)
Allowances for R&D expenditure	**(48)**	(46)
Tax losses not utilised	**216**	312
Adjustment of taxes for prior periods	**(57)**	213
Adjustment for different tax rates	**(14)**	(108)
R&D tax credit received in the period	**-**	(654)
Relief for shares acquired by employees and Directors	**(27)**	-
	109	(170)
Deferred tax release	**(213)**	(13)
Tax credit for the period	**(104)**	(183)

11. Deferred Tax

Recognised deferred tax liability

	2013	**2013**	**2013**	**2013**	2012	2012	2012	2012
	Tax value of carried forward losses	**Tax value of accelerated capital allowances**	**Acquisition of Teomed AG**	**Total**	Tax value of carried forward losses	Tax value of accelerated capital allowances	Acquisition of Teomed AG	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
At 1 July	**-**	**-**	**(165)**	**(165)**	-	-	(201)	(201)
Amount credited to the income statement	**671**	**(471)**	**13**	**213**	-	-	13	13
Exchange differences	**-**	**-**	**(7)**	**(7)**	-	-	23	23
At 30 June	**671**	**(471)**	**(159)**	**(41)**	-	-	(165)	(165)

Deferred tax is provided under the balance sheet liability method using the local tax rate for the overseas difference. Deferred tax assets and deferred tax liabilities are offset where the Group has a legally enforceable right to do so and when the deferred tax assets and liabilities relate to tax levied by the same tax authority and where there is an intention to settle the balances on a net basis.

The following is the analysis of the deferred tax balances after offset for financial reporting purposes:

	2013	2012
	£'000	£'000
Deferred tax assets	**200**	-
Deferred tax liabilities	**(159)**	(165)
	41	(165)

Unrecognised deferred tax

	2013	**2013**	2012	2012
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	£'000	**£'000**	£'000	£'000
Non Current Assets				
Property, plant and equipment	**-**	**-**	-	(504)
Derivative financial instruments	**-**	**-**	-	(116)
Current Assets				
Stock	**402**	**-**	-	-
Current Liabilities				
Derivative financial instruments	**72**	**-**	2	-
Non Current Liabilities				
Pension and other employee obligations	**1,040**	**-**	708	-
Derivative financial instruments	**3**	**-**	39	-
Share options	**131**	**-**	91	-
Unused tax losses	**15,023**	**-**	16,523	-
	16,671	**-**	17,363	(620)
Offset	**-**	**-**	(620)	620
Total	**16,671**	**-**	16,743	-

As at 30 June 2013 the Group had approximately £69m of unutilised tax losses (2012: approximately £69m) available for offset against future profits. A deferred tax asset has been recognised in respect of £2.9m (2012 £nil) of such losses, the recovery of which is supported by the expected level of future profits of the Group. Substantially all the tax losses have no fixed expiry date.

The main UK corporation tax rate is to change from 23% to 21% with effect from 1 April 2014. The recognised and unrecognised deferred tax assets have been calculated at 23%, being the rate enacted at 30 June 2013. The estimated impact of the reduction in the tax rate to the net deferred tax asset is a reduction of £17,000 and on the unrecognised net deferred tax asset and liabilities is a net reduction in the asset of £1.3m.

12. Earnings Per Share

	2013	2012
	£'000	£'000
Profit after tax attributable to equity shareholders	**536**	823
	Shares	Shares
	'000	'000
Issued ordinary shares at start of the period	**406,913**	310,772
Ordinary shares issued in the period	**2,954**	96,141
Issued ordinary shares at end of the period	**409,867**	406,913
Weighted average number of shares in issue for the period	**408,388**	326,795
Potentially dilutive share options under Group's share option scheme	**18,635**	13,256
Weighted average number of shares for diluted earnings per share	**427,023**	340,051
Basic earnings per share (pence)	**0.13p**	0.25p
Diluted earnings per share (pence)	**0.13p**	0.24p

13. Goodwill

	2013 £'000	2012 £'000
At 1 July	**2,489**	2,624
Exchange difference	**71**	(135)
At 30 June	**2,560**	2,489

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

	2013 £'000	2012 £'000
Germany	**2,560**	2,489

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 12% 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. There are no reasonable possible changes in the assumptions that could lead to an impairment being recorded.

14. Intangible Assets

	Manufacturing know-how	Non-competing know-how	Other intangibles	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 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
Additions	-	-	-	157	157
Asset reclassification	-	-	-	11	11
Disposals	-	-	(684)		(684)
Foreign exchange	-	183	56	42	281
At 30 June 2013	**1,000**	**3,650**	**2,105**	**2,094**	**8,849**
Amortisation					
At 1 July 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**
Disposals	-	-	(84)	-	(84)
Charge for the year	67		173	134	374
Foreign exchange	-	183	15	34	232
At 30 June 2013	**1,000**	**3,650**	**1,226**	**1,623**	**7,499**
Net book value					
At 1 July 2011	133	-	1,166	482	1,781
At 30 June 2012	67	-	1,611	429	2,107
At 30 June 2013	**-**	**-**	**879**	**471**	**1,350**

15. Property, Plant and Equipment

	Plant & machinery	Fixtures & fittings	Motor vehicles	Computer equipment	Freehold land & buildings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 July 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
Revaluation	-	-	-	-	(128)	(128)
Additions	343	177	-	144	-	664
Asset reclassification*	-	-	-	(11)	-	(11)
Foreign exchange	10	38	-	32	77	157
Disposals	-	(8)	-	(2)	-	(10)
At 30 June 2013	**7,999**	**4,989**	**36**	**3,009**	**1,207**	**17,240**
Depreciation						
At 1 July 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
Charge for the year	425	224	2	275	42	968
Revaluation	-	-	-	-	(145)	(145)
Asset reclassification*	-	-	-	-	-	-
Foreign exchange	7	31	-	25	6	69
Disposals	-	(2)	-	-	-	(2)
At 30 June 2013	**4,212**	**3,468**	**36**	**2,187**	**-**	**9,903**
Net book value						
At 1 July 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
At 30 June 2013	**3,787**	**1,521**	**-**	**822**	**1,207**	**7,337**

* Assets reclassified to intangibles.

Note 21 provides details of the assets secured against the Group's bank borrowings.

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.

An interim valuation of the Land and Buildings was carried out in April 2013 by independent valuers. Land and buildings were revalued to fair value at the reporting date based on this valuation as management determined that the effect of changes in market prices between the date of valuation 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 £1,298,000 before tax (of which £476,000 writes back the accumulated depreciation) which is not available for distribution to the shareholders of the Group.

During the year, following a review of the useful lives of all assets within the classes 'Plant and machinery' and 'Fixtures and fittings', certain asset lives were extended by varying amounts, up to a maximum total useful life of 15 years. This had the effect of reducing the depreciation charge for the current year by £480,000.

16. 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 25). It is valued at fair value (market price) by the Group's actuaries each year.

	2013	2012
	£'000	£'000
At 1 July	**2,569**	2,493
Additions	**355**	311
(Loss)/Profit on the investment	**(17)**	50
Gain/(Loss) on foreign exchange	**152**	(285)
	3,059	2,569

17. Inventories

	2013	2012
	£'000	£'000
Raw materials and consumables	**1,895**	2,018
Work in progress	**2,273**	2,823
Finished goods	**1,846**	1,810
	6,014	6,651

The cost of inventories recognised as an expense in cost of sales during the year was £11.0m (2012: £12.6m) including write-downs in the year amounting to £1.2m (2012: £1.3m).

The value of inventories measured at fair value less cost to sell was £77,000 (2012: £75,000).

18. Trade and Other Receivables

	2013 **£'000**	2012 £'000
Trade receivables	**3,129**	3,107
Other receivables	**2,158**	542
VAT	**117**	112
Prepayments	**1,781**	1,236
	7,185	4,997

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, £152,000 of trade receivables was found to be impaired and £105,000 of the provision utilised. The impaired trade receivables are mostly due from private customers in the Italian market who are experiencing financial difficulties.

Bad and doubtful debt provision	**2013** **£'000**	2012 £'000
Balance b/f	**54**	79
Foreign exchange adjustments	**8**	(15)
Charge for the year	**152**	(10)
Utilised	**(105)**	-
Balance c/f	**109**	54

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:	**2013** **£'000**	2012 £'000
Trade receivables		
Not more than 3 months	**640**	551
More than 3 months but not more than 6 months	**456**	465
More than 6 months but not more than 1 year	**200**	112
More than one year	**99**	158
	1,395	1,286

19. Cash and Cash in Hand

	2013 £'000	2012 £'000
Cash at bank and in hand	**1,257**	903

20. Trade and Other Payables

	2013 £'000	2012 £'000
Trade payables	**3,050**	2,553
Social security and other taxes	**536**	682
Other creditors	**717**	136
Accrued expenses and deferred income	**2,703**	2,941
	7,006	6,312

21. Borrowings

	2013 £'000	2012 £'000
Due within one year		
Convertible loan note	**95**	114
Overdraft	**193**	1,312
	288	1,426
Due after more than one year		
Convertible loan note	**-**	97
	-	97

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 £6 million. The interest on the overdraft is at the bank's base rate plus a fixed margin of 3.35%. The facility is secured in favour of The Royal Bank of Scotland Plc by means of debentures granted by the Company and its principal subsidiaries and share pledge agreements relating to Bencard Allergie GmbH, Allergy Therapeutics Italia SRL and Allergy Therapeutics Iberica SL.

The Convertible loan notes were issued in April 2012 (Note 26). The liability relates to the interest payable over the next year.

22. Provisions

The provision refers to a leaving indemnity reserve in Allergy Therapeutics Italia srl. 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.

	2013	2012
	£'000	£'000
At 1 July	**274**	283
Additions	**26**	42
Utilisation	**(19)**	(20)
Foreign exchange movement	**19**	(31)
At 30 June	**300**	274

23. 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 shareholders through the effective management of liquid resources raised through share issues and loan arrangements. Capital management objectives are met through regular reviews of cash flows, debtor/creditor balances, budgets and forecasts.

	2013	2012
	£'000	£'000
Total equity	**14,671**	14,592
Cash and cash equivalents	**(1,257)**	(903)
Capital	**13,414**	13,689
Total equity	**14,671**	14,592
Borrowings	**288**	1,523
Overall financing	**14,959**	16,115
Capital-to-overall financing ratio	**0.90**	0.85

The Directors are satisfied with the ratio above.

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	2013 £'000	2012 £'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	**6,661**	4,664
Fair value through profit and loss – held for trading	**2**	483
Non financial current assets	**1,781**	1,236
	8,444	6,383
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(3,918)**	(4,293)
Fair value through profit and loss – held for trading	**(326)**	(9)
Non financial current liabilities	**(3,376)**	(3,445)
Non current		
At amortised cost (including borrowings and payables)	**(300)**	(372)
Fair value through profit and loss – held for trading	**-**	(162)
Non financial non current liabilities	**(159)**	(165)
	(8,079)	(8,446)

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

These were arranged to convert 60% of the Company's loan borrowings from floating to fixed rates. The loan was fully repaid in April 2012 and the swaps will come to an end in September 2013. Within the fair value hierarchy, this financial derivative is classified as level 2.

Canadian Dollar forward contracts

The Group has Canadian Dollar forward contracts with its bank that are arranged for the purchase of CAD 150,000 to sell GBP at a rate of 1.60 in July 2013. 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 €14,396,000 to purchase GBP at an average blended rate of 1.1967 at future dates from August 2013 to April 2014. Within the fair value hierarchy, this financial derivative is classified as level 2.

Analysis of derivative financial instruments	**2013**	2012
	£'000	£'000
(Charge) / Credit to the Income Statement		
Euro exchange swap - held for trading	**10**	(3)
Euro exchange swap – matured in the period	**11**	1
Euro forward contacts - held for trading	**(797)**	1,282
Euro forward contracts - matured in the period	**506**	51
	(270)	1,331
Interest rate swap - held for trading	**149**	214
Interest rate swap – charges in the period	**(167)**	(278)
	(18)	(64)

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

Derivative financial instruments	**2013**	2012
	£'000	£'000
Current Assets		
Derivative financial instruments		
- Euro forward contracts - held for trading	**-**	483
- Euro exchange swap - held for trading	**2**	-
	2	483
Current liabilities		
Derivative financial instruments		
- Euro exchange swap - held for trading	**-**	9
- Euro forward contracts - held for trading	**313**	-
- Interest rate swap – held for trading	**13**	-
	326	9
Non current liabilities		
Derivative financial instruments		
- Interest rate swap – held for trading	**-**	162
	-	162

The net loss at fair value of financial instruments through the profit and loss is £637,000 (2012 gain: £1,493,000).

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:

	2013	2012
	£'000	£'000
Sterling	**(178)**	(1,263)
Euro	**863**	716
US dollars	**6**	33
Canadian dollars	**259**	-
Swiss franc	**113**	80
Polish zloty	**-**	-
Argentinean peso	**1**	25
	1,064	(409)

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

			2013			2012
	Sterling	**Euro**	**Other**	Sterling	Euro	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Financial assets	**480**	**5,202**	**981**	344	3,935	867
Financial liabilities	**(2,202)**	**(1,437)**	**(605)**	(2,709)	(1,305)	(288)
Short term exposure	**(1,722)**	**3,765**	**376**	(2,365)	2,630	579
Financial assets	**-**	**-**	**-**	-	-	-
Financial liabilities	**-**	**(300)**	**-**	(97)	(437)	-
Long term exposure	**-**	**(300)**	**-**	(97)	(437)	-

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 2013, a 10% movement was also used.

	2013	2012
	£'000	£'000
If Sterling had strengthened against the Euro by	**10%**	10%
Net results for the year	**2,051**	1,674
Other comprehensive income	**(430)**	(419)
	1,621	1,255
If Sterling had weakened against the Euro by	**10%**	10%
Net results for the year	**(2,509)**	(1,796)
Other comprehensive income	**525**	512
	(1,984)	(1,284)

Interest rate risk

The Group finances its operations through equity fundraising and overdraft facilities. Interest is charged at a floating rate on the overdraft facility. The overdraft facility is tailored in such a way as to give 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.

	2013	**2013**	2012	2012
	£'000	**£'000**	£'000	£'000
	+ 1%	**- 1%**	+ 1%	- 1%
Movement in net results for the year	**34**	**n/a**	(43)	n/a
Equity	**-**	**n/a**	-	n/a
	34	**n/a**	(43)	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 funds from the issue of equity shares to ensure the Group remains able to meet its commitments as they fall due. The Group's bank facility (Note 21) is due for renewal in May 2014. As at 30 June 2013 the Group's contractual maturities are summarised as follows:

Current liabilities	**2013**	**2013**	2012	2012
	£'000 Within 6 months	**£'000 6 to 12 months**	£'000 Within 6 months	£'000 6 to 12 months
Borrowing facility - principal	**193**	**-**	1,312	-
Borrowing facility - interest and other charges	**-**	**-**	2	-
Convertible loan note - interest and other charges	**-**	**95**	-	114
Trade payables	**3,630**	**-**	2,867	-
Other short term liabilities	**3,376**	**-**	3,445	-
	7,199	**95**	7,626	114
Derivatives	**292**	**34**	9	-
	7,491	**129**	7,635	114

Non-current liabilities	**2013**	**2013**	2012	2012
	£'000 1 to 5 years	**£'000 Later than 5 years**	£'000 1 to 5 years	£'000 Later than 5 years
Borrowing facility - principal	**-**	**-**	-	-
Borrowing facility - interest and other charges	**-**	**-**	-	-
Convertible loan note - interest and other charges	**-**	**-**	97	-
Other long term liabilities	**300**	**-**	275	-
	300	**-**	372	-
Derivatives	**-**	**-**	162	-
	300	-	534	-

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

24. Operating Lease Commitments

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

	Land & buildings		Other		Total	
	2013	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Within one year	**701**	454	**367**	400	**1,068**	854
Two to five years	**2,187**	1,354	**427**	587	**2,614**	1,941
Over five years	**1,655**	411	**-**	-	**1,655**	411
	4,543	2,219	**794**	987	**5,337**	3,206

Of the operating lease commitments for the land and buildings of £4,543,000 (2012: £2,219,000), £3,758,000 relates to the UK premises (2012: £1,114,000). The production facility accounts for £3,307,000 (2012: £599,000) of this commitment and expires in December 2023. Premises in Spain account for £187,000 (2012: £207,000) expiring in 2020 and in Germany for £491,000 (2012: £648,000) expiring in December 2015.

Of the other commitments, £588,000 (2012: £782,000) relates to leased vehicles all expiring within 5 years.

25. 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 £267,000 (2012: £234,000).

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 2013. The major assumptions used were as follows:

	2013	2012
	% pa	% pa
Retail price inflation	**1.5**	1.5
Salary increase rate	**3.0**	3.0
Rate of pension increase	**1.5**	1.5
Discount rate at the beginning of the year	**4.0**	5.0
Discount rate at the end of the year	**3.35**	4.0
Expected return on assets	**3.35**	3.5
Increase of social security contribution ceiling	**3.0**	3.0

Average life expectancies	**Years**	Years
Male, 65 years of age at the balance sheet date	**19.2**	18.6
Female, 65 years of age at the balance sheet date	**23.3**	22.7
Male, 45 years of age at the balance sheet date	**38.9**	38.8
Female, 45 years of age at the balance sheet date	**44.0**	43.9

The assets in the scheme and the expected rates of return were as follows:	**2013**	2012
	£'000	£'000
Fair value of plan assets	**1,414**	1,196
Present value of scheme liabilities	**(7,628)**	(5,913)
Deficit in the scheme	**(6,214)**	(4,717)
Experience gains/(losses) on plan assets	**18**	(4)
Experience losses on plan liabilities	**(191)**	(88)

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 £6,214,000 (2012: £4,717,000). 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 £60,000 (2012: £44,000). The pension charge generates an unrecognised deferred tax asset of £1,040,000 (2012: £708,000), 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 16 for further details of these investment assets.

	2013 £'000	2012 £'000
Amounts charged to operating profit		
Current service costs	**243**	240
Amounts included in other finance expenses		
Expected return on pension scheme assets	**(42)**	(48)
Interest on pension scheme liabilities	**235**	259
Net charge	**193**	211
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	**18**	(4)
Experience losses arising on scheme liabilities	**(191)**	(88)
Changes in assumptions underlying the present value of scheme liabilities	**(692)**	(642)
Total amount relating to year	**(865)**	(734)
Opening cumulative losses	**(1,645)**	(911)
Actuarial loss recognised	**(2,510)**	(1,645)
Net movement recognised	**(2,510)**	(1,645)

Movement in assets during the year	2013 £'000	2012 £'000
Balance as at 1 July	**1,196**	1,275
Foreign currency differences	**97**	(136)
Expected return	**42**	48
Actuarial gain/ (losses)	**18**	(4)
Contributions from employer	**121**	57
Assets transferred to finance benefits paid	**(60)**	(44)
Balance as at 30 June	**1,414**	1,196

Movement in liabilities in the year	**2013**	2012
	£'000	£'000
Balance as at 1 July	**(5,913)**	(5,389)
Foreign currency differences	**(455)**	644
Current service costs	**(243)**	(240)
Interest cost	**(235)**	(259)
Actuarial losses	**(885)**	(730)
Benefits paid by employer	**43**	17
Benefits paid from assets	**60**	44
Balance as at 30 June	**(7,628)**	(5,913)

The expected contributions over the forthcoming year are £57,000.

History of retirement benefit obligation

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	**1,414**	1,196	1,275	1,076	1,104
Present value of scheme liabilities	**(7,628)**	(5,913)	(5,389)	(4,649)	(3,925)
Scheme deficit	**(6,214)**	(4,717)	(4,114)	(3,573)	(2,821)

History of experience gains and losses

	2013	**2013**	2012	2012	2011	2011	2010	2010	2009	2009
	%	**£'000**	%	£'000	%	£'000	%	£'000	%	£'000
Scheme assets										
Difference between the expected and actual return	**(1.4)**	**18**	(0.3)	(4)	(0.5)	(6)	(0.7)	(9)	(0.9)	(10)
Scheme liabilities										
Experience gains and (losses)	**(2.7)**	**(191)**	(1.4)	(88)	4.7	254	(2.1)	(108)	-	1
Changes in assumptions underlying present value		**(692)**		(642)		-		(495)		-
Total amount recognised	**(12.0)**	**(865)**	(11.5)	(734)	4.6	248	(12.1)	(612)	(0.2)	(9)

26. Issued Share Capital

	2013 Shares	2013 £'000	2012 Shares	2012 £'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	**406,912,981**	**407**	310,771,614	311
Issued during the year	**2,953,850**	**3**	96,141,367	96
At 30 June	**409,866,831**	**410**	406,912,981	407
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	**419,715,164**	**420**	416,761,314	417

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

Share options were exercised in the year with proceeds of £148,000.

Convertible Loan Notes to the value of £4,042,000 were 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.

27. Share Based Payments

The Group has a Long Term Incentive Plan ('LTIP') under which Executive Directors and senior employees may receive an annual provisional award of performing vesting shares.

The Group has two plans: the initial 2005 Plan and the 2013 Plan. The 2013 LTIP was adopted by the Board on 20 March 2013, the board having consulted major shareholders. Awards were made under the initial 2005 plan and the new plan during the year.

Under the 2005 plan 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.

For the 2013 plan implemented during the year, performance criteria for each award under the plan will be set by the remuneration committee. The 2013 award is based on the annual compound shareholder growth calculated as a percentage of a formula, the TSR Growth. An award shall vest to a 100% if at the end of a plan cycle the maximum annual compound growth has been satisfied being 25% of TSR Growth. If the TSR Growth is less than 10% only 25% shares shall be awarded. If the TSR Growth is between 100% and 25% an award based on a straight line basis will be vested. Performance criteria for subsequent awards under this plan may vary. Each plan cycle will comprise a period of three years. An award will be 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 two new LTIP grants were provisionally awarded. The first of these grants was awarded under the initial 2005 Plan. The latest grant, in May 2013, was awarded under the 2013 Plan.

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

		2013 WAEP		2012 WAEP
	Number	**Price (£)**	Number	Price (£)
Outstanding at the beginning of the year	**2,468,490**	**0.16**	4,650,730	0.16
Granted during the year	**2,050,000**	**0.07**	-	-
Exercised during the year	**(2,953,850)**	**0.05**	-	-
Forfeited during the year	**(412,057)**	**0.33**	(2,182,240)	0.17
Cancelled during the year	**-**	**-**	-	
Outstanding at the year end	**1,152,583**	**0.23**	2,468,490	0.16
Exercisable at the year end	**1,152,583**	**0.23**	2,362,304	0.16

Options exercised during the year had a weighted average share price at the date of exercise of 12p (2012: None).

The share options outstanding at the end of the year detailed above have a weighted average remaining contractual life of 4.3 years (2012: 1.6 years) and have the following range of exercise prices:

	30 June 2013	30 June 2012
Exercise price (p)	**Number**	Number
0.1-5	**-**	1,614,700
6-45	**1,124,017**	825,224
46-120	**28,566**	28,566
	1,152,583	2,468,490

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

	30 June 2013	30 June 2012
	Number	Number
Outstanding at the beginning of the year	**10,787,000**	7,944,000
Awarded during the year	**10,802,500**	4,725,000
Forfeited during the year	**(4,107,000)**	(1,882,000)
Cancelled during the year	**-**	-
Outstanding at the year end	**17,482,500**	10,787,000

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**
10/05/13	3	10/05/16	3	0.0000	0.101	36.8	0.042	6,367,500
20/12/12	3	20/12/15	3	0.0000	0.118	36.8	0.049	4,230,000
14/12/11	3	14/12/14	3	0.0000	0.106	41.5	0.044	3,825,000
07/12/10	3	07/12/13	3	0.0000	0.091	41.5	0.038	3,060,000
20/07/09	3	20/07/12	3	0.0000	0.148	41.5	0.061	-

The share-based payment charge assumes an employee attrition rate of 5% per annum. In addition to the above employee related awards, the Group also awarded options for 650,000 shares with an exercise price of £0.124 as payment to a third party advisor.

The Group recognised total expenses of £183,000 (2012: £131,000) related to equity-settled share based payment transactions during the year.

28. 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 2013 was €107,426; £91,833 (2012: €107,426; £86,508).

A cross-guarantee exists between Allergy Therapeutics (Holdings) Ltd, Allergy Therapeutics (UK) Ltd, Bencard Allergie GmbH, Allergy Therapeutics Italia srl. and Allergy Therapeutics Iberica SL. inwhich the liabilities of each entity to the Royal Bank of Scotland Plc are guaranteed by all the others.

The European Commission has recently opened an investigation into whether the exemption of pharmaceutical manufacturers from the increase in rebates in Germany constitutes state aid. If it is eventually concluded that the exemptions constitute state aid, then all unlawful aid may have to be repaid. On the balance of probabilities, the Group does not consider that it will have to repay any rebate exemptions. However, should a repayment be required, then the maximum amount to be repaid would be approximately £5 million. Included in other receivables is an amount of £1.4 million in respect of exempted rebates which the Group continues to collect.

29. 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 2013	30 June 2012
	£'000	£'000
Capital commitments	**459**	148

Included in the above is £22,000 for ongoing factory refurbishments in the UK (2012: £nil); £156,000 for new plant and machinery (2012: £142,000) and £281,000 for IT equipment and systems upgrades (2012: £6,000).

30. 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 46 to 48.

At 30 June 2013, 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**		**Amounts owed by/(to) related parties**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Laboratorios Synthesis S.A.S.	**13**	29	**(33)**	4
Gynopharm de Venezuela C.A.	**28**	6	**(4)**	6
Laboratorio Internacional Argentino S.A.	**9**	24	**3**	27
Total	**50**	59	**(34)**	37

Laboratorios Synthesis S.A.S., Gynopharm de Venezuela C.A. and Laboratorio Internacional Argentino S.A. are wholly-owned subsidiaries of CFR Pharmaceuticals SA. CFR Pharmaceuticals SA 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.

Independant 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 2013 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 45, 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 2013;
- 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 2013.

Christian Heeger
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
13 September 2013

Company Balance Sheet

	Note	30 June 2013 £'000	30 June 2012 £'000
Fixed assets			
Investments	3	**1,300**	1,276
Current assets			
Debtors: amounts falling due within one year	4	**305**	332
Creditors: amounts falling due within one year	5	**(134)**	(114)
Net current assets		**171**	218
Total assets less current liabilities		**1,471**	1,494
Creditors: amounts falling due after one year	6	**-**	(97)
Net assets		**1,471**	1,397
Capital and reserves			
Called up share capital	7	**420**	417
Share premium account	8	**67,716**	67,571
Other reserves – Convertible loan note	8	**3,652**	3,652
Other reserves – shares held by EBT	8	**67**	67
Other reserves – share based payments	8	**679**	1,496
Profit and loss account	8	**(71,063)**	(71,806)
Total equity		**1,471**	1,397

These financial statements were approved by the Board of Directors on 13 September 2013 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. Acounting 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 fourth 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 2014 and 30 June 2015. 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 in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 £257,000 loss (2012: £13.5 million loss).

3. Investments

	Shares in subsidiary undertaking
	£'000
Cost	
Investment brought forward	**1,276**
Additions	**184**
Diminution in value	**(160)**
Investment carried forward	**1,300**

At 30 June 2013 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.

4. Debtors

	30 June 2013	30 June 2012
	£'000	£'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**298**	318
Prepayments	**7**	14
	305	332

The amount owed by subsidiary undertakings is stated net of provisions of £71,139,000 (2012: £70,740,000).

5. Creditors – amounts falling due within one year

	30 June 2013	30 June 2012
	£'000	£'000
Convertible loan note interest	**95**	114
Accruals	**38**	-
Taxation and social security	**1**	-
	134	114

6. Creditors – amounts falling due after one year

	30 June 2013	30 June 2012
	£'000	£'000
Convertible loan note interest	**-**	97

7. Called up share capital

Full details of the Company's share capital are set out in Note 26 of the consolidated financial statements.

8. Reserves

	Profit and loss account
	£'000
At 30 June 2012	(71,806)
Loss for the year	(257)
Lapsed share based payments transferred to retained losses	1,000
At 30 June 2013	**(71,063)**

	Share premium account
	£'000
At 30 June 2012	67,571
Shares issued in the year	145
Share issue costs in the year	-
At 30 June 2013	**67,716**

	Other reserve – share based payments
	£'000
At 30 June 2012	1,496
Provision in year for share based payments	183
Lapsed share based payments transferred from retained losses	(1,000)
At 30 June 2013	**679**

	Other reserve – EBT
	£'000
At 30 June 2012 and 2013	67

	Other reserve – Convertible Loan Note
	£'000
At 30 June 2012 and 2013	**3,652**

9. Share Based Payments

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

10. Directors' emoluments

Full details of the Company's directors' emoluments are set out in the Directors' Remuneration Report on pages 46 to 48.

11. Reconciliation of movement in shareholders' funds

	Year to 30 June 2013	Year to 30 June 2012
	£'000	£'000
Loss for the financial year	**(257)**	(13,523)
Issue of shares from EBT	**-**	-
Share based payments	**183**	131
Shares Issued	**148**	8,962
Convertible loan note issued	**-**	3,652
Net addition/(reduction) to shareholders' funds	**74**	(778)
Opening shareholders' funds	**1,397**	2,175
Closing shareholders' funds	**1,471**	1,397

12. Contingent Liabilities

Full details of the Company's contingent liabilities are set out in Note 28 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 30 to the consolidated financial statements.

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Transforming Allergy Treatment

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