Allergy Therapeutics plc

Annual Report & Accounts 2014

www.allergytherapeutics.com

www.pollinex.com

Allergy Therapeutics®
Transforming Allergy Treatment

Contents

Allergy Therapeutics PLC

Allergy Therapeutics is an AIM listed speciality pharmaceutical company.

Allergy Therapeutics is European-based and 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.

Strategic Report

2014 Highlights

- 13% increase in gross revenue (excluding rebate and discounts) to £46.8m (2013: £41.5m)
- 7% increase in gross revenue (excluding rebate and discounts) at constant currency* to £44.3m (2013: £41.5m)
- 7% increase in revenue to £42.0m (2013: £39.3m)
- Gross profit increased 10% to £30.0m (2013: £27.3m)
- Increased investment in clinical studies to £1.5m (2013: £0.3m)
- Operating profit increased 71% to £1.2m (2013: £0.7m)
- Cash balance improved to £2.0m (2013: £1.3m)
- Competitive position in our key European markets strengthened with average market share increasing by 9%
- European roll out of probiotic products
- Appointment of Professor Tim Higenbottam as Research and Development Director
- Canadian Health Authority approved the submission of the Clinical Trial Application (CTA) for environmental challenge chamber study

* 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 on page 30.

Chairman's Statement


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Chairman's Statement

I am pleased to report that this is the fifth consecutive year the Company has reported an operating profit, with a 71% increase to £1.2 million (2013: £0.7 million). Furthermore, the Company's gross revenue increased by 13%, excluding the impact of rebates and discounts, to £46.8 million (2013: £41.5 million) in markets that have shown improvement over the year, but remain challenging (see revenue table on page 30). The Company's competitive position in European markets continued to strengthen with market share increasing by 9% with consistent improvements across our key European market.

In addition to the strong financial results, this year has seen the Company maintaining its positive momentum across all its activities. Professor Tim Higenbottam has joined the Company as Research and Development Director and is strengthening our team of pharmaceutical experts to enable the Company to continue to meet the challenges of modern medicine development. The Research and Development expenditure increased during the year to support the completion of the Phase II clinical study for the Pollinex Quattro® Birch under the TAV regulatory framework in Germany. Regulatory progress in the US is still on going and the positive changes seen in the US immunotherapy market confirm our confidence to continue to explore a range of options to exploit this commercial opportunity.

We have successfully launched Acarovac, a modified-allergen product developed for the treatment of perennial mite allergy in Spain and added Syngut to our probiotic range of products. Our scientific development department published an important paper detailing the results of short course immunotherapy efficacy, using Tyrosine plus MPL, in reducing ragweed pollen allergy in The Journal of Allergy and Clinical Immunology. The manufacturing, clinical and pharmacovigilance departments successfully passed three stringent health authority inspections in the UK, Austria and Germany, respectively, which clearly demonstrates that the Company works to high regulatory standards.

I would like to thank all our employees for their important contribution to a successful year that continues to demonstrate the Company's potential based on sound financial and business activity continuing to deliver shareholder value.

Peter Jensen
Chairman
19 September 2014


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Current Market Overview

Current Market Overview

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

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 Group are Canada, the Czech and Slovak Republics, South Korea and more recently, Greece and the Baltics.

Germany is the Group's main market, generating approximately 61% of the Group's revenue in the 12 months ending 30 June 2014. The percentage of revenue derived from each country is detailed below:

Germany (61%)

Germany is the largest allergy immunotherapy market in Europe, with annual sales of over €320 million. In recent years, the market has been affected by the austerity measures introduced by the German government in 2010 and by the new regulatory environment for allergen therapies. Germany remains a key focus for the Group and we continue to strengthen the Group's approach to marketing its products which has been instrumental to an increase in our market share.

Italy (11%)

The total Italian allergy immunotherapy market is estimated to be worth €50 million in sales per year. The market is falling because 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 believe that there remains a significant opportunity to continue to grow our business in this important market.

Austria (6%)

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

Switzerland (5%)

The allergy vaccine market in Switzerland is well established, and is worth approximately €14 million per annum. Further alignment to EU regulations for specific immunotherapy (SIT) products and diagnostics has the potential to generate new opportunities.

Spain (5%)

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 continues to be a large valuable market, with approximately 150,000 patients a year estimated to receive immunotherapy. Injectable immunotherapy products of modified allergen remain the treatment of choice for Spanish physicians in this treatment category.

United Kingdom (3%)

The UK is an important market due to its potential for future growth for the Group. Whilst currently, there is limited use of allergy vaccines in the UK, there is potential for this to change and the Group has focused on marketing to the medical community to promote greater awareness of more suitable treatment options. Pollinex is the only pollen SCIT (subcutaneous immunotherapy) product currently registered in the UK.

The Netherlands (3%)

The total market size in The Netherlands is around €30 million a year. Insurance companies decided in January 2014 that they will reimburse only registered products. This new policy will take effect from January 2015 and is going to impact approximately 50% of the products currently in the market. This does not impact our products as we already have Pollinex registrations in this market. Allergy Therapeutics is the only allergy company showing growth in the Dutch market with year on year growth in revenue of 21%.

Emerging Markets

In 2012, we set up a new marketing operation in Argentina and launched our first products in Argentina, Venezuela, Colombia and Chile. Sales have been slow to date due to regulatory hurdles in these Latin American markets. However, this region is still seen as having promising potential.

Recent Developments in US Market

Over the last financial year a significant new potential market opportunity has arisen in the US for allergy vaccine products. In December 2013 and January 2014, the Food and Drug Administration (FDA) held two Allergenic Products Advisory Committee (APAC) review meetings where three new sublingual immunotherapy (SLIT) products were recommended for licence approval in the US. All three products were subsequently licensed in 2014. These are the first allergy vaccine products to be formally approved by the FDA in the US, opening the door for subcutaneous immunotherapy (SCIT) products (e.g. AT's Pollinex Quattro product) to be licensed. SCIT products offer a number of advantages over the recently licensed SLIT products and are more aligned to current allergist immunotherapy practice in the US. Allergy affects 15-40% of the US population (i.e. circa 50m), so the total market size for allergy vaccine products is potentially large. We continue to review and make progress towards registration for our products in this important market, the detail of which is covered within the Chief Executive Officer's Review on pages 18-19.

For the purposes of the segmental reporting analysis, Central Europe represents the markets of Germany, Austria, Netherlands and Switzerland, and Southern Europe represents Spain Italy and Portugal. The Other segment represents revenues through distributors and agents in other worldwide markets including Canada, Czech and Slovak Republics, South Korea and Latin America.

Revenue by Country

Germany – 61%
Italy – 11%
Switzerland – 5%
Austria – 6%
Spain – 5%
Czech Republic & Slovakia – 3%
Canada – 1%
The Netherlands – 3%
UK & Export market – 3%
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 our revenue arises from sales of allergy vaccines. We sell both injectable and sublingual formats. The most commonly prescribed are those for the treatment of pollen-related allergies, particularly for allergies to grasses, weeds and trees. Our vaccines trade under various brand names depending on the market, e.g. Pollinex Quattro, Polligoid, TA Gräser Top. Our extensive range of well characterised diagnostics include 94 diagnostics in Germany with marketing authorisations and specialised allergens for other markets like Blomia tropicalis for Latin America.

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 in a controlled fashion, 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.

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 containing MPL have been evaluated in various indications such as cervical cancer and malaria at GlaxoSmithKline. Two vaccines with an adjuvant system containing MPL - Fendrix, a hepatitis B vaccine and Cervarix, a HPV vaccine to protect against cervical cancer - 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 simple escalation of dosage making treatment more convenient for patients and doctors. The treatment can be taken by the patient in their own homes and is raspberry flavoured for improved patient compliance.

Wasp and Bee treatment is provided by our freeze dried Venomil product which can be used following a 'Rush' dosing regimen.

Probiotics

In June 2012, we launched three new Probiotic products (Kallergen-Th, ATI Prob and Pollagen) across Spain, Portugal and Italy. Since then we have included Austria and Germany. 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. We have completed clinical evaluation to demonstrate excellent patient tolerability and serological analyses consistent with a favourable shift in Th1/Th2 balance compared with an unmodified version of the product.

Penicillin Diagnostics

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. DAP is supplied to Italy, UK and The Netherlands.


ACAROVAC
Plus


Tyrosin TU
t.o.p.
Allergy Therapeutics
Bencard Allergie


POLLINEX
Allergy Therapeutics
Bencard Allergie
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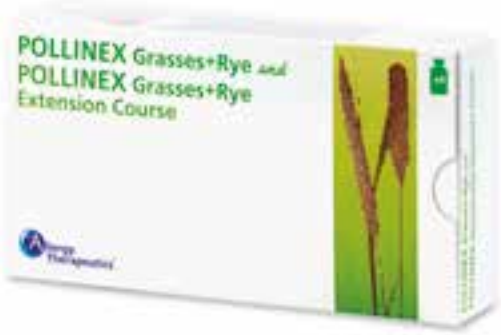
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CEO's Review

Chief Executive Officer's Review

The core business of the Company, being mainly concentrated in the European Community, continued to show improvement in market penetration and revenue during the year resulting in an increase of 13% (7% at a constant currency basis*), excluding the impact of rebates and discounts, to £46.8 million (2013: £41.5 million). This increase in sales strengthens the Company's ability to build its market share, which increased by 9% in the territories in which we operate. The Company continues to be one of the top performers in its market segment in Europe. Bencard Allergy, our German subsidiary, is now continually outperforming the market with an increase of 11% in gross sales at constant currency to £28.0 million (2013: £25.3 million). Sales in the rest of central Europe showed strong growth with an increase of 7% at constant currency in the year. Southern Europe, despite a declining market, grew by 10% at constant currency. In contrast, Latin America is still experiencing regulatory hurdles and sales were minimal during the year.

This is the fifth year of reporting an operating profit which grew to £1.2 million (2013: £0.7 million) in spite of a significant investment in clinical studies during the year.

Overall, it has been a busy year with continued positive momentum. In the early part of the year we launched a new allergoid vaccine for mites in Spain, Acarovac, which has been well received. The registration of dossiers continues to be very active. The clinical trials the Company has undertaken recently have been completed and there has been continued progress on the other side of the Atlantic with the FDA and the Canadian Health authorities.

The Company's team of pharmaceutical experts has been strengthened during the year with the recruitment of a new Director of Research and Development, an International Medical Director, a pharmacovigilance expert, an additional qualified person and a new regulatory manager. These appointments over the year greatly strengthen the Company's ability to meet the challenges of modern medicine development.

The positive recommendations of the Food and Drug Administration (FDA) for several sublingual vaccines have resulted in three products being rolled out to the market. This change to the market reinforces our confidence in the North American opportunity. Our discussions over the year with the FDA and the Canadian Health authorities have been positive. We are planning a G304 phase III study involving two clinical sites, one in the USA and one in Canada, involving 600 patients, who will use multiple environmental exposure chambers allowing for a controlled allergen exposure to study the response to the MATA MPL, Grass MATA and a placebo.
The Phase II clinical study for Pollinex Quattro Birch under the Therapieallergene-Verordnung (TAV) regulatory framework to compare the difference between four individual regimes has been completed. The study was conducted in Germany, Austria and Poland and met its primary end point, demonstrating a dose response and remarkable freedom from side effects. The Company is now using the results of the study to plan its remaining studies under the TAV ordinance.

The probiotic range was increased during the year with the addition of Syngut, a probiotic specifically designed for food intolerance launched in September 2013 in Italy and Spain and rolled out to Austria, Germany and Portugal earlier this year.
The Company currently holds licences in a number of European countries for diagnostic tests, with 96 tests registered in Germany and sees opportunities to increase the number of markets it globally supplies.

This has been a prolific year for our scientific development department, with three peer reviewed scientific papers published, and 12 posters accepted at the EAACI congress in Denmark in early June. One published paper highlighted the advantages of L-Tyrosine as an alternative naturally occurring biodegradable alternative to aluminium[1]. The other papers focused on Probiotics[2] and Acarovac plus[3].

Outlook

The European allergy market continues to face a number of challenges, but with the continued momentum across the Company's activities, the outlook is positive and we expect to continue to improve our market share into the next year whilst also showing continued momentum in the other areas that I have reported upon. The Company expects to continue to consolidate its position in the European markets as well as progressing its clinical development program within the TAV framework in Germany.

Finally, we are very excited by the opportunity in the US market, and in making the transformational opportunity happen by developing an agreed roadmap to registering MATA MPL Grass in the US and we continue to explore a range of options to exploit this commercial opportunity.

Manuel Llobet
CEO
19 September 2014

* 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 on page 30.

1. Aluminium in allergen-specific subcutaneous immunotherapy- a German perspective. Kramer MF, Heath MD. Vaccine. 2014 Jul 16;32(33):4140-8.

2. Probiotics in the treatment of chronic rhinoconjunctivitis and chronic rhinosinusitis. Kramer MF, Heath MD. J Allergy (Cairo). 2014;2014:983635.

3. A novel and well tolerated mite allergoid subcutaneous immunotherapy: evidence of clinical and immunologic efficacy. Roger, A; Depreux, M; Jurgens, Y; Heath, MD; Garcia, G and Skinner MA. Immunity, Inflammation and Disease, Volume 2, Issue 2, pages 92–98, August 2014.

Key Performance Indicators

Key Performance Indicators

Strategic objective

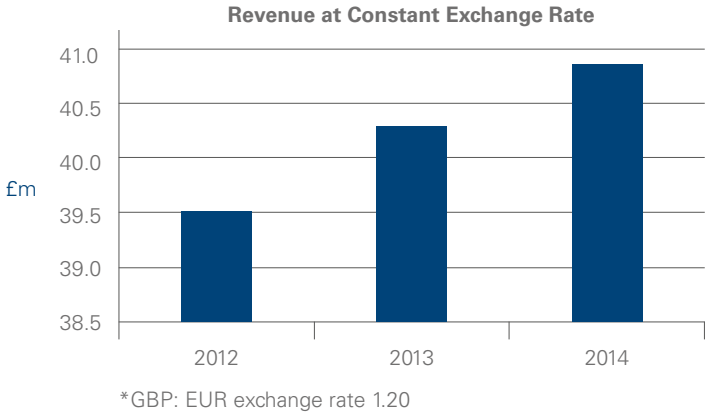
Maximise revenue

KPI

Revenue at constant exchange rate

Definition

Total revenue measured at a constant foreign exchange rate



*GBP: EUR exchange rate 1.20

Strategic objective

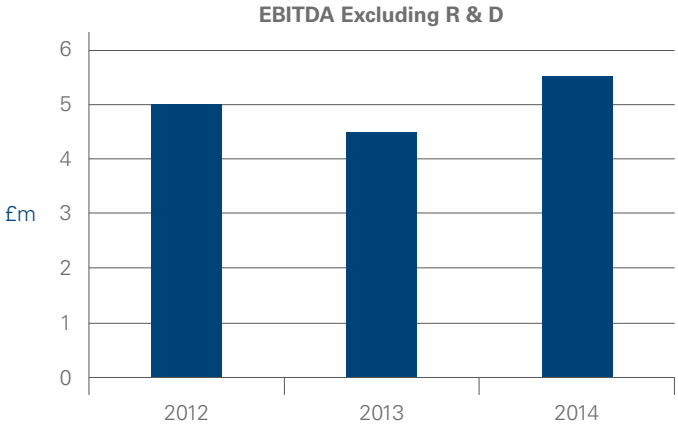
Maximise funds available from operational activities for investment in R&D and other value adding projects

KPI

EBITDA excluding R&D

Definition

Profit before interest, tax, depreciation, amortisation and research and development expenditure



Strategic objective

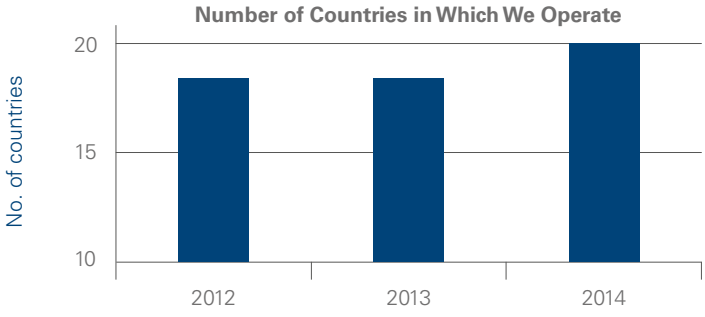
Maximise the number of countries into which we sell our products

KPI

Number of countries in which we operate

Definition

Countries in which we have a distributor, agent or direct sales force



Research and Development Report

Research and Development Report

This year development activities have been focussed on our highly popular European Pollinex Quattro Vaccines and the MATA MPL Grass Vaccine for the US. These vaccines offer the patient both an ultra-short course of subcutaneous injections (4 in 3 weeks) and reduction in use of symptomatic therapy.

European Clinical Development of Subcutaneous Immunotherapies (SCIT)

In September, the Pollinex Quattro Birch dose ranging study was started using a conjunctival provocation test (CPT) to determine a dose response for four different doses of vaccine including our current commercial dose. The study design had been approved by the Paul Ehrlich Institute (PEI), the agency responsible for authorising biological products in Germany.

The Phase II clinical study for the Pollinex Quattro Birch under the Therapieallergene-Verordnung (TAV) regulatory framework to compare the difference between four individual regimes has been completed (The TAV is the process by which immunotherapy, currently supplied as named patient prescription medication, will be licenced). The study was conducted in Germany, Austria and Poland with 35 patients per treatment arm and met its primary end point, demonstrating a dose response and remarkable freedom from side effects. The group is now using the results of the study to plan its remaining studies under the TAV ordinance.

The US Clinical Development of SCIT

In June 2014, a submission to the FDA's Center for Biologics Evaluation and Research (CBER) was made to support the MATA MPL 0.5ml vaccine for Grass allergy. This product has the same allergen constituents and strength as Pollinex Quattro.

Plans are being made for a trial involving patients with Grass allergy who will be recruited out of season and will be studied for their sensitivity to grass pollen before and after treatment. The proposal is to study over 600 patients in three separate locations in US and Canada. The study protocol has been submitted to the CBER along with the statistical analysis plan.

Financial Review

Financial Review

The following section should be read in conjunction with the financial statements and related notes on pages 64 to 115.

Overview

The results for the twelve months to 30 June 2014 demonstrate not just continuing profitability, but an improvement in performance despite difficult market conditions and an increased investment in clinical studies, with an operating profit of £1.2 million (2013: £0.7 million). Operating profit includes a credit of £0.7 million relating to the fair valuation of forward currency exchange contracts (2013: charge £0.8 million) and a credit of £0.5 million in relation to changes in inventory standard costs. However, during the year investment in clinical studies increased to £1.5 million (2013: £0.3 million); operating profit before this investment has increased to £2.7 million from £1.0 million for 2013.

Revenue

Despite weak allergy vaccine markets in Europe, revenue at constant currency*, excluding the impact of rebates and discounts, was 7% better at £44.3 million (2013: £41.5 million). This can be seen in the table below:

	2014 Germany £m	**2014 Other £m**	**2014 Total £m**	2013 Germany £m	2013 Other £m	2013 Total £m
Revenue	**25.8**	**16.2**	**42.0**	23.6	15.7	39.3
Add rebates and discounts	**3.8**	**1.0**	**4.8**	1.7	0.5	2.2
Gross revenue	**29.6**	**17.2**	**46.8**	25.3	16.2	41.5
Adjustment to retranslate at prior year foreign exchange rate	**(1.6)**	**(0.9)**	**(2.5)**			
Gross revenue at constant currency	**28.0**	**16.3**	**44.3**	25.3	16.2	41.5

Revenue	**25.8**	**16.2**	**42.0**	23.6	15.7	39.3
Adjustment to retranslate at prior year foreign exchange rate	**(1.5)**	**(0.7)**	**(2.2)**			
Revenue at constant currency	**24.3**	**15.5**	**39.8**	23.6	15.7	39.3

* 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.

With a stronger EUR:GBP average exchange rate during the year compared to the prior year, revenue increased by 7% to £42.0 million (2013: £39.3 million). The average EUR:GBP exchange rate in the year was 1.17 compared to 1.24 in the previous year; the stronger Euro positively impacted revenue by £2.2 million. The Group has continued to grow its revenue in markets outside Germany, and to reduce its reliance on the German market, with 61% of revenue in Germany this year compared to 73% in 2009. The key flagship product Pollinex Quattro, which accounts for 51% of sales, grew very well in the year at a constant currency growth rate of 11.3%. In addition to the sale of allergy vaccines, the Group has continued to look to increase its revenue from other products. Total sales from other products contributed £0.7 million for the year ended 30 June 2014 (2013: £0.7 million); the prior year included £0.2 million sales of Anapen until the product was withdrawn from the market during 2013.

Revenue in Germany grew well in the year with gross revenue (before rebates and discounts) at constant currency increasing to £28.0 million (2013: £25.3 million); an increase of 11%. During the year, the Group was subject to the full rebate charge in Germany, whereas for the first half of the prior financial year, the group benefited from an exemption to the increased rate.

The European Commission investigation into whether the exemption from the increase in rebates in Germany constitutes state aid is on-going. If it is eventually concluded that the exemptions constitute state aid, then all unlawful aid may have to be repaid (please refer to Note 29). The full rebate charge in H1 was 16% of sales, reducing to 6% in January 2014, before finally being agreed at a new on-going level of 7% in April 2014.

In Spain and Italy, sales at constant currency increased by 10%, which was a strong result given the weak market during the year. Similarly, Austria showed strong growth in sales of 21% in the year at constant currency. Sales in the Latin American market were lower than planned for the year owing to a number of registration delays.

Gross Profit

Despite the increased sales, tight management of manufacturing overheads plus the benefit of changing the method of allocating overheads to intermediate products (generating a gain through cost of goods of £0.5 million), helped maintain cost of sales at the prior year's level of £12.0 million (2013: £12.0 million). This, together with the revenue increase of £2.7 million increased the gross profit percentage by 1.9% points, to 71.5%, leading to a gross margin of £30.0 million (2013: £27.3 million). For a full explanation of the change to standard costs refer to page 82 (sources of estimation uncertainty (e)).

Operating Expenses

Total overheads are £2.2 million higher against the prior year at £28.9 million (2013: £26.7 million). Investments in supporting the sales and marketing infrastructure and the stronger Euro increased distribution costs, which are mainly European sales and marketing costs, to £17.9 million (2013: £16.3 million). Administration expenses include a credit relating to the fair valuation of foreign exchange hedges, generating an asset at the year end of £0.3 million. At the prior year end the fair valuation generated a liability; together these created a gain in the year of £0.7 million (2013: loss £0.8 million). The dose ranging study for Pollinex Quattro Birch continued during the year and was the main factor behind the increase in R&D costs to £3.0 million (2013: £2.5 million).

Tax

The tax charge in the year relates mainly to the Italian subsidiary. The recognition of a deferred tax asset in the prior year generated the tax credit of £0.1 million. This credit 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 £7.3 million to £7.0 million as the depreciation charge for the period is higher than new equipment purchases. In the prior year a review of the expected useful lives of all assets was conducted, resulting in an extension of some asset lives, generating a reduction in the charge to the income statement of £0.5 million in that period compared to the preceding year. Goodwill has reduced to £2.5 million (2013: £2.6 million) as a result of small foreign exchange rate movements, whilst other intangible assets have fallen by £0.1 million as a result of amortisation.

Total current assets excluding cash have decreased by £1.0 million to £12.2 million (2013: £13.2 million). This is mainly due to a decrease in debtors as a result of the collection of rebate refunds in Germany, improved cash collection in Italy and the collection of the second milestone payment from the appointment of a new distributor in the prior year in Canada.

Retirement benefit obligations, which relate solely to the German pension scheme, increased to £6.4 million (2013: £6.2 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 £2.3 million (2013: £3.0 million).

Financing

The Group had no debt on its balance sheet at the close of the financial year other than the convertible loan liability of £49,000. The annual overdraft had been fully repaid in November 2013 and has been renewed for a further 12 months to cover the seasonal funding requirements over the summer of 2014.

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
19 September 2014

Principal Risks and Uncertainties

Principal Risks and Uncertainties

The Board has overall responsibility for the Group's system of risk management.

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:

Commercially successful products risk

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 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 61% (2013: 60%) 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.

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

Clinical and regulatory risk

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.

Internal controls

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.

The Strategic Report, as set out on pages 2 to 35 has been approved by the Board
On behalf of the Board

Ian Postlethwaite
Company Secretary

Board of Directors

Board of Directors

Peter Jensen

Non-Executive Chairman (63)

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 1992 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, Newmarket Racecourses Limited, Glenmorangie plc, Genetix Group plc and Celsis International plc.

In addition to his role at Allergy Therapeutics, Peter is currently Chairman of Nottingham Racecourse Limited, 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 (50)

Manuel 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 (51)

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. At AFS he raised £379 million of funding for the business through a syndicated bank line, the issuance of commercial paper and a securitisation of finance assets. He is a Fellow of the Chartered Association of Certified Accountants and is a non-executive director and Chairman of the Audit Committee of Shoreham Trust Port.

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 (61)

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 (56)

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 (62)

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.

Corporate Governance

Corporate Governance

The Board

The Board is led by the Chairman, who is non-executive, and comprises the Chief Executive Officer, the Finance Director, and three other Non-Executive Directors. Biographical details of all Board members are shown on pages 38 to 40. 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.

Directors		Date of Appointment	Attendance at meetings 2013-14
Peter Jensen	Chairman	October 2010	14/14
Alejandro Weinstein	Non-Executive Director	July 2009	1/14
Stephen Smith	Non-Executive Director and Senior Independent Director	September 2004	14/14
Thomas Lander	Non-Executive Director	May 2012	13/14
Manuel Llobet	Chief Executive Officer	July 2009	14/14
Ian Postlethwaite	Finance Director	July 2004	14/14

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

We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Group and best practice. The Group is subject to the city code on Takeover and Mergers.

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. The Committee held two meetings during the past financial year. The Nominations Committee's principal purpose is to consider the composition and size of the Board and its Committees as well as Board refreshment and board and senior management 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 54 to 56.

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. The Chief Executive Officer and Finance Director had a number of meetings with shareholders and analysts during the financial year.

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.

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.

Report of the Directors

Report of the Directors

The Strategic Report

The strategic report is on pages 2 to 35. The Directors consider that the Annual Report and Accounts, taken as a whole are fair, balanced and understandable. In reaching this conclusion the Board discussed the Strategic Report at their September 2014 Board meeting. The Board meets at least 11 times a year and the Directors are sufficiently well informed to be able to make such a judgement.

Key Performance Indicators

Key performance indicators are outlined in the Strategic Report on page 22.

Corporate Governance

Details of the Company's Corporate Governance can be found on pages 38 to 45.

Risk Management

The Group's exposure to Risk is set out on page 34 and 35, (principal risks and uncertainties and Note: 24 Financial Risk Management).

Results & Dividend

The profit for the year after taxation was £0.7 million (2013: £0.6 million). The results for the year are set out on page 65 and are dealt with in more detail in the Financial Review.

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 (2013: nil).

Directors

The current Directors of the Company and their biographical details are given on pages 38 to 40. The details of the Directors service contracts and their interests in the share capital of the Company at 30 June 2014 are disclosed in the Director's Remuneration Report on pages 54 to 56. All the directors have served for the whole of the financial year.

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.

Substantial shareholders

At 10 September 2014 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	108,997,784	27%
Invesco Perpetual	15,016,209	3%

Annual General Meeting

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

Employees

The Group employed 345 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.

Employment policies

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.

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.

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 £3m (2013: £2.5m) on research and development. Further details on the Group's research and development are included in the Strategic Report Review on pages 2 to 35.

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 Strategic Report on pages 2 to 35. 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 30 to 31.

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

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

Market value of land and buildings

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

Strategic report

The strategic report on pages 2 to 35 contains information on future developments and post balance sheet events.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Director's 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company 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 and group for that period. In preparing these financial statements, the directors are required to:

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

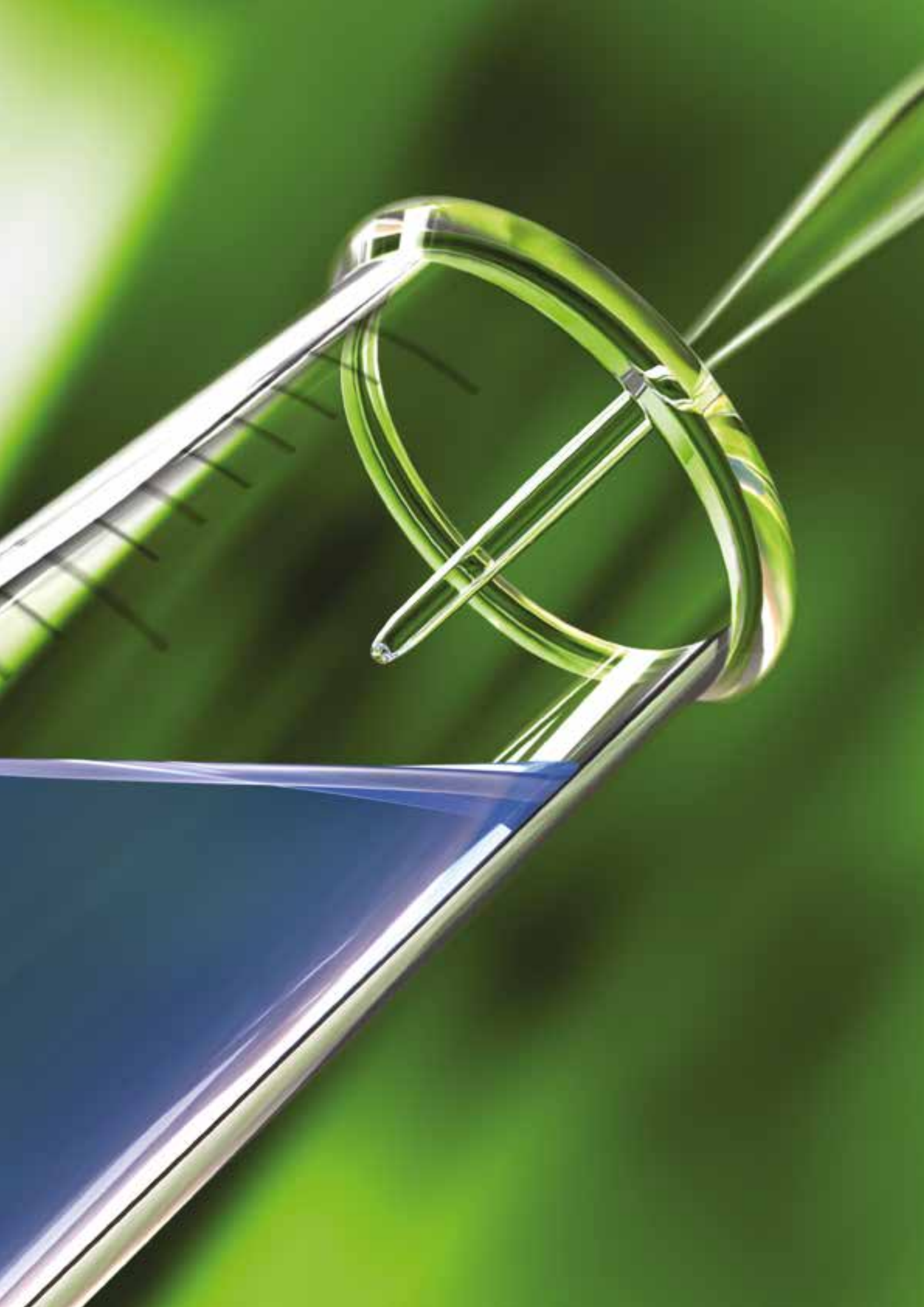
Auditor

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 19 September 2014

Ian Postlethwaite

Company Secretary



Directors' Remuneration Report

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 2013-2014
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 2014 provisional shares were awarded to directors and senior management under the Allergy Therapeutics plc 2013 Long Term Incentive Plan. 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 (share price and profitability) rather than solely on share price performance compared to a group of other companies. The distribution of shares under the 2013 Plan is conditional on the Group's performance over the 3-year Plan cycle for each award. The number of provisional shares awarded to Executive Directors under the Plans is shown in the Directors' LTIP and share options table.

(v) Bonus

The Group operates a performance-related cash bonus scheme for executive directors based upon individual performance and achievement of personal and corporate objectives. Annual bonus payments are capped under service contracts at 60% for Manuel Llobet and 30% for Ian Postlethwaite. The bonuses are 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 in respect of all executive directors.

Service Contracts

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

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

The service contracts for the Chief Executive Officer and Finance Director were reviewed during January 2014 with the assistance of board remuneration advisers. The Committee concluded that the Finance Director's level of remuneration was in line with market levels. The Committee determined that the Chief Executive Officer's remuneration was not in line with the market and his salary should be increased to £250,000 from £207,093 per annum and his maximum bonus be increased from 40% to 60% of salary.

The remuneration of the Chairman and the Non-Executive Directors was also reviewed in June 2014 with external advice, as the fee had not been reviewed since 2009. As a result of the review the Chairman's annual remuneration was increased by £10,000 to £75,000 and the Non-Executive Directors by £2,000 to £38,000 each.

The review also resulted in an annual fee of £4,500 being awarded to the Chairman of the Audit Committee for this additional responsibility as commonly occurs amongst regulated companies.

A Special Resolution is being proposed at the forthcoming Annual General Meeting to amend the Articles of Association of the Company to increase the quantum of the annual fees available to Non-Executive Directors which has remained at £200,000 since 2004. The proposal is to increase the quantum to £250,000.

Directors' remuneration (audited information)

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

							Year ended 30 June 2013	
	Basic Salary	**Bonus for the year**	**Taxable benefits**	**Fees**	**Total**	**Pension**	Total	Pension
	£	**£**	**£**	**£**	**£**	**£**	£	£
Manuel Llobet	**227,038**	**64,000**	**10,909**	**-**	**301,947**	**34,026**	228,875	29,872
Ian Postlethwaite	**161,832**	**31,000**	**10,625**	**-**	**203,457**	**16,183**	151,279	44,821
Peter Jensen	**65,833**	**-**	**-**	**-**	**65,833**	**-**	65,000	-
Thomas Lander	**36,167**	**-**	**-**	**-**	**36,167**	**-**	36,000	-
Stephen Smith[1]	**14,067**	**-**	**-**	**22,475**	**36,542**	**-**	46,000	-
Alejandro Weinstein	**36,167**	**-**	**-**	**-**	**36,167**	**-**	36,000	-
Totals	**541,104**	**95,000**	**21,534**	**22,475**	**680,113**	**50,209**	563,154	74,693

1. Mr Smith's fees payments are split between SRS Business Enterprises Limited and himself

Directors' LTIPs and share options

	LTIPs held at 1 July 2013	LTIPs granted in the year	LTIP share distributions in the year	LTIPs lapsed in the year	LTIPs held at 30 June 2014	Subscription price (pence)	Exercise date from	Expiry date
Executive Directors								
Manuel Llobet	3,065,000	845,000	-	(720,000)	3,190,000	-	-	-
Ian Postlethwaite	163,500[1]	-	-	-	163,500[1]	18.5	18/10/2009	18/10/2019
	1,532, 500	422,500	-	(360,000)	1,595,000			
Non-Executive Directors								
Stephen Smith	150,000[1]	-	-	(150,000)[1]	-	45.0	26/02/2004	26/02/2014
Totals	4,911,000	1,267,500	-	(1,230,000)	4,948,500			

1. Share options

At 30 June 2014 the London Stock Exchange mid-market value of shares was 15 pence per share. The range of mid-market values during the period from 1 July 2013 to 30 June 2014 was 6.75 pence to 30.75 pence per share.

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	3,065,000	3,125,000	3,190,000
Ian Postlethwaite	1,360,000	1,532,500	1,360,000	1,595,000
Peter Jensen	120,000	-	120,000	-
Thomas Lander	-	-	-	-
Stephen Smith	776,513	150,000	776,513	-
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

Stephen Smith

Chairman, Remuneration Committee

Nominations Committee Report

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 twice during the past financial year. Its principal purpose is to consider and review proposals for the composition and size of the Board, its Committees and Senior Executives as well as refreshment and succession planning.

Members	Member since	Attendance at meetings 2013-14
Peter Jensen	October 2010	2/2
Stephen Smith	September 2009	2/2
Alejandro Weinstein	September 2009	0/2

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.

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 as defined in the UK Corporate Governance Code which is not binding on an AIM listed company against the practicalities for an AIM Company. The Group draws upon best practice available, including those aspects of the UK Corporate Governance Code it is considered to be relevant to the Group and best practice.

Last year the Committee undertook a review of the Independence of the Board. The review considered all the Non-Executive Directors and in particular Mr Stephen Smith's position. The review noted that his term of office being over 9 years is contrary to the UK Corporate Governance Code and his contribution in the capacity as Chairman of the Audit Committee, and his experience, integrity and strength of character continues to make a major contribution to the Board. Mr Stephen Smith now no longer holds any share options, which lapsed in February 2014. He 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 (including the Chairman) being independent and two Executive Directors.

Peter Jensen
Chairman, Nominations Committee

Financial Statements

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 2014 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 page 50, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/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 2014 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 Strategic Report and 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 matters where the Companies Act 2006 requires us 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 2014.

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

Gatwick
19 September 2014

Consolidated Income Statement for the year ended 30 June 2014

	Note	**Year to 30 June 2014 £'000**	**Year to 30 June 2014 £'000**	Year to 30 June 2013 As restated £'000	Year to 30 June 2013 As restated £'000
Revenue	3		**41,955**		39,279
Cost of sales			**(11,951)**		(11,953)
Gross profit			**30,004**		27,326
Distribution costs			**(17,922)**		(16,278)
Administration expenses – other		**(7,986)**		(7,845)	
Research and development costs		**(2,963)**		(2,535)	
Administration expenses			**(10,949)**		(10,380)
Other income	8		**76**		-
Operating profit			**1,209**		668
Finance income	10		**170**		110
Finance expense	9		**(295)**		(249)
Profit before tax	5		**1,084**		529
Income tax	11		**(343)**		104
Profit for the period			**741**		633
Earnings per share	13				
Basic (pence per share)			**0.16p**		0.14p
Diluted (pence per share)			**0.16p**		0.13p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2014

	Note	Year to 30 June 2014 £'000	Year to 30 June 2013 As restated £'000
Profit for the period		**741**	633
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	26	**(271)**	(871)
Revaluation gains - freehold land & buildings		**-**	17
Remeasurement of investments – retirement benefit assets	17	**(10)**	(108)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(191)**	77
Total comprehensive profit/(loss)		**269**	(252)

Consolidated Balance Sheet

	Note	30 June 2014 £'000	30 June 2013 As restated £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**7,030**	7,337
Intangible assets – goodwill	14	**2,480**	2,560
Intangible assets – other	15	**1,291**	1,350
Investments – retirement benefit asset	17	**3,212**	3,059
Deferred taxation asset	12	**174**	200
Total non-current assets		**14,187**	14,506
Current assets			
Trade and other receivables	19	**5,368**	7,185
Inventories	18	**6,469**	6,014
Cash and cash in hand	20	**2,029**	1,257
Derivative financial instruments	24	**345**	2
Total current assets		**14,211**	14,458
Total assets		**28,398**	28,964
Liabilities			
Current liabilities			
Trade and other payables	21	**(6,425)**	(7,006)
Current borrowings	22	**(49)**	(288)
Derivative financial instruments	24	**-**	(326)
Total current liabilities		**(6,474)**	(7,620)
Net current assets		**7,737**	6,838
Non current liabilities			
Retirement benefit obligations	26	**(6,418)**	(6,214)
Deferred taxation liability	12	**(136)**	(159)
Non current provisions	23	**(222)**	(300)
Other non current liabilities	21	**(73)**	
Total non current liabilities		**(6,849)**	(6,673)
Total liabilities		**(13,323)**	(14,293)
Net assets		**15,075**	14,671
Equity			
Capital and reserves			
Issued share capital	27	**420**	420
Share premium		**67,716**	67,716
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – EBT		**67**	67
Reserve – share based payments		**465**	679
Reserve – convertible loan notes		**3,652**	3,652
Revaluation reserve		**1,178**	1,178
Foreign exchange reserve		**(21)**	170
Retained earnings		**(98,530)**	(99,339)
Total equity		**15,075**	14,671

These financial statements were approved by the Board of Directors on 19 September 2014 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
	£'000	£'000	£'000	£'000
At 30 June 2012	417	67,571	40,128	67
Exchange differences on translation of foreign operations	-	-	-	-
Remeasurement of net defined benefit liability	-	-	-	-
Valuation gain taken to equity (Land and Buildings)	-	-	-	-
Remeasurement of investments – retirement benefit assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Profit for the period after tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners				
Share based payments	-	-	-	-
Shares issued	3	145	-	-
Transfer of lapsed options to retained earnings	-	-	-	-
At 30 June 2013	**420**	**67,716**	**40,128**	**67**
Exchange differences on translation of foreign operations	-	-	-	-
Remeasurement of net defined benefit liability	-	-	-	-
Remeasurement of investments – retirement benefit assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Profit for the period after tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners				
Distribution to shareholder-Convertible loan note	-	-	-	-
Share based payments	-	-	-	-
Shares issued	-	-	-	-
Transfer of lapsed options to retained earnings	-	-	-	-
At 30 June 2014	**420**	**67,716**	**40,128**	**67**

Reserve - share based payment	Reserve – convertible loan note	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
		As restated		As restated	As restated
£'000	£'000	£'000	£'000	£'000	£'000
1,496	3,652	1,161	93	(99,993)	14,592
-	-	-	77	-	77
-	-	-	-	(871)	(871)
-	-	17	-	-	17
-	-	-	-	(108)	(108)
-	-	17	77	(979)	(885)
-	-	-	-	633	633
-	-	17	77	(346)	(252)
183	-	-	-	-	183
-	-	-	-	-	148
(1,000)	-	-	-	1,000	-
679	**3,652**	**1,178**	**170**	**(99,339)**	**14,671**
-	-	-	(191)	-	(191)
-	-	-	-	(271)	(271)
-	-	-	-	(10)	(10)
-	-	-	(191)	(281)	(472)
-	-	-	-	741	741
-	-	-	(191)	460	269
-	-	-	-	(49)	(49)
184	-	-	-	-	184
-	-	-	-	-	-
(398)	-	-	-	398	-
465	**3,652**	**1,178**	**(21)**	**(98,530)**	**15,075**

Consolidated Cash Flow Statement

	Note	Year to 30 June 2014 £'000	Year to 30 June 2013 As restated £'000
Cash flows from operating activities			
Profit before tax		**1,084**	529
Adjustments for:			
Finance income	10	**(170)**	(110)
Finance expense	9	**295**	249
Non cash movements on defined benefit pension plan		**160**	79
Depreciation and amortisation	15,16	**1,287**	1,342
Charge for share based payments		**184**	183
Derivative financial instruments		**(669)**	787
Disposal of intangible assets and property, plant and equipment		**1**	607
Decrease/(increase) in trade and other receivables		**1,689**	(2,164)
(Increase)/decrease in inventories		**(625)**	767
(Decrease)/increase in trade and other payables		**(911)**	746
Net cash generated by operations		**2,325**	3,015
Interest paid		**(102)**	(211)
Income tax		**(50)**	(372)
Net cash generated by operating activities		**2,173**	2,432
Cash flows from investing activities			
Interest received		**71**	19
Investments		**(281)**	(355)
Payments for intangible assets		**(22)**	(157)
Payments for property plant and equipment		**(898)**	(664)
Net cash used in investing activities		**(1,130)**	(1,157)
Cash flows from financing activities			
Proceeds from issue of equity shares and convertible loan notes		**-**	148
Net cash generated by financing activities		**-**	148
Net increase in cash and cash equivalents		**1,043**	1,423
Effects of exchange rates on cash and cash equivalents		**(78)**	50
Cash and cash equivalents at the start of the period		**1,064**	(409)
Cash and cash equivalents at the end of the period		**2,029**	1,064
Cash at bank and in hand		**2,029**	1,257
Bank overdraft		**-**	(193)
Cash and cash equivalents at the end of the period		**2,029**	1,064

Notes to the Financial Statements

1. BASIS OF PREPARATION

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

Allergy Therapeutics plc is the Group's 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 2014 (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 19 September 2014.

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.

In preparing the consolidated accounts the Group has adopted the following new IFRS and IAS interpretations.

IFRS 10 Consolidated Financial Statements (effective 1 January 2014 – adopted early)

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 2014 – adopted early)

This IFRS looks at the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, the Group's 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'.

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair valued.

Amendments to 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.

The revised version of IAS 19 'Employee Benefits' (IAS19R) (as of 1 January 2013) makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. IAS 19R:

- eliminates the 'corridor method' and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income
- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest cost based on the net defined benefit asset or liability
- enhances disclosures, including more information about the characteristics of defined benefit plans and related risks

IAS 19R has been applied retrospectively in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented. There was no adjustment to total equity.

The effects on the income statement and the statement of comprehensive income for the current year and the prior year are:

	12 months to 30 June 2014	12 months to 30 June 2013
	£000	£000
Increase in finance income	**99**	91
Decrease in finance expense	**15**	6
Increase in Profit	**114**	97
Other comprehensive income:		
Remeasurement of investments – retirement benefit assets	**(99)**	(91)
Increase in loss on remeasurement of net defined benefit liability	**(15)**	(6)
Decrease in other comprehensive income	**(114)**	(97)
Change in total comprehensive income	**-**	-
Change in earnings per share (basic and diluted)	**+2p**	+2p

Following the adoption of IAS 19R remeasurement of investments related to the retirement benefit plan that had previously been passed through the revaluation reserve have been reclassified to retained earnings. As at 1st of July 2012 the revaluation reserve was reduced by £136,000 from £1,297,000 to £1,161,000 with a corresponding credit to retained earnings.

The application of IAS 19R did not have an effect on the statement of cash flows for the year ended 30 June 2014 and the prior year.

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.

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 2014 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 15 Revenue from Contracts with Customers (issued in May 2014 and effective 1 January 2017)

IFRS 15 supersedes current revenue recognition guidance including IAS 18, Revenue, and specifies how and when entities recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

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 30 June 2014, and for the fifth year in succession, the Group has reported an operating profit and an operating cash inflow. Operating profit in the period was £1.2 million (2013: £0.7 million); net cash from operations was £2.3 million (2013: £3.0 million).

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2015 and 30 June 2016. 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 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.

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 2014. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

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.

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.

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/distribution agreements	15 years / period of contract
Computer software	7 years

These periods were selected to reflect the 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

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.

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.

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 income statement. 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.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

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.

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. Services are fair valued and pro-rated to agree to the total fee receivable. Where there is an on-going responsibility to provide services, the balance relating to those services is recognised in future periods as the service is performed.

A small proportion of the Group's overseas sales are made through distributors and agents.

Arrangements for sales through distributors

For all distributor arrangements, the distributor 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 distributor has full discretion over the setting of the final selling price to the end customer and 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 distributor at the point of delivery and therefore revenue is recognised at this point in accordance with IAS 18.

Where the Group sells to distributors at initially low margin and there is further consideration receivable by the group, this deferred consideration forms part of the fair valuation of consideration receivable by the Group for goods supplied. In these instances the deferred consideration is accrued at a discounted value at the point of delivery.

Arrangements for sales through agents

For all agreements with agents, the agent places orders with the Group, and goods are then shipped to them. The Group however, holds title to these products until they are sold on to a third party. The selling price to the end user is set by the relevant Government body and the agent receives a fixed percentage of this selling price. The agent notifies the Group monthly on stock levels and this is reconciled to a statement which generates an invoice for payment by the agent. 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 agent has sold the product to a third party and therefore revenue on these sales is recognised only at this point by the Group in accordance with IAS 18 appendix 2 (c).

Statutory Rebates

In Germany, Pharmaceutical companies are required to pay a manufacturer's rebate to the government as a contribution to the cost of medicines paid for by the State and private health funds. This is similar to a sales tax and the rebate is therefore treated as a deduction from revenue in accordance with IAS18.8.

Rebates have been in the region of 6% (inclusive of VAT). However, in 2010 the German government increased the rate to 16%. In certain circumstances, companies could apply for an exemption from the rebate increase, for limited periods at a time. If the application for the exemption is successful, a preliminary exemption is normally granted to be converted to a final exemption at a later date when audited financial statements are available.

Allergy Therapeutics plc has been successful in obtaining preliminary exemptions up to 30 June 2012, which have been subsequently confirmed as final.

Revenue is recognised initially net of the 16% rebate, as at that stage it is not considered probable that any refund of the rebate will be received. When the preliminary exemption is granted, it is considered probable, based on our past experience, that the rebate refund will be received. Therefore, as it is probable that the economic benefits will flow to Allergy Therapeutics Plc, in accordance with IAS 18.14(d), revenue is adjusted at that time.

Expenditure recognition

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

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 prior 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 16.

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 and work in progress 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.

As part of the continuous refinement of standard costs, in July 2013 a new cost set was applied in which an increased proportion of manufacturing cost was absorbed by intermediate processes (rather than finishing processes) as this more accurately reflects the conversion cost of inventory. This resulted in an increased value of inventory at 30 June 2014 of £486,000. If this allocation method had been used in the prior year, inventory would have increased by approximately £500,000.

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

Research & Development investment credits

Investment credits are directly related to the Group's qualifying research and development expenditure and have a monetary value that is independent of the Group's tax liability. Such investment credits are dealt with in other income in the income statement.

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 either administration expenses or finance expenses in the income statement.

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. 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. Interest expense or income is calculated on the net defined benefit liability (asset) by applying the discount rate to the net defined benefit liability (asset). Past service cost is recognised in the income statement in the period when the plan is amended.

Remeasurements are recognised in the balance sheet immediately with a charge or credit to other comprehensive income in the periods in which they occur. 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. Interest income is recognised though the income statement. They are held at fair value with any gains or losses on remeasurement 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 comprising 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 disclosed in Note 28 (Share Based Payments) on page 105.

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, £3.0m (2013: £2.5m)
b) The Directors assume that the convertible loan note will be repayable in September 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) Where the Group sells to distributors at initially low margin and there is further consideration receivable by the group, this deferred consideration forms part of the fair valuation of consideration receivable by the Group for goods supplied. In these instances the deferred consideration is accrued at a discounted value at the point of delivery.

The directors considered the following points in applying this accounting treatment:

Although a significant portion of the sales price is received upon a further sale to an end customer, substantially all the risks and rewards of ownership are passed to the distributor when the goods are shipped, and the distributor is acting as principal (not merely as agent) when arranging to resell the goods. The directors have reached this conclusion because;

i. The group does not have any continued managerial involvement in the distributor's onward sale of goods;
ii. The distributor does not have the right to return any goods.

More information on the reasoning behind the treatment of sales to distributors can be found in the 'Sale of goods' accounting policy description.

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 73) and note 16).

b) Estimates of future profitability are required for the decision whether or not to carry forward a deferred tax asset. (Note 12).

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. During the year £0.6m has been collected with £0.5m remaining to be collected. While the Group is confident that the exemption will be confirmed, there is a possibility that this will not happen.

e) Inventory 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. As part of the continuous refinement of standard costs, in July 2013 a new cost set was applied in which an increased proportion of manufacturing cost was absorbed by intermediate processes (rather than finishing processes) as this more accurately reflects the conversion cost of inventory. This resulted in an increased value of inventory at 30 June 2014 of £0.5m. If this allocation method had been used in the prior year, inventory would have increased by approximately £0.5m.

f) In relation to the accrued additional revenue due from distributors referred to in the Judgements section (point (c) above); there is some uncertainty that the additional revenue will crystallise as it is dependent on a further sale by the distributor. The directors consider that the additional consideration can be measured reliably because it is based on a fixed list price, and our past experience indicates that the distributor will sell the vaccines.
The directors have assessed that the deferred consideration of £0.2m is recoverable and will crystallise in future periods and has been carried forward in prepayments and accrued income (2013: £0.1m).

3. REVENUE

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

	2014	2013
	£'000	£'000
Sale of goods	**41,871**	38,295
Rendering of services	**84**	984
	41,955	39,279

Rendering of services relates to the supply of services to a new distributor in the prior year 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 Rest of World.

Revenue by segment

	Revenue from External Customers	**Inter Segment Revenue**	**Total Segment Revenue**	Revenue from External Customers	Inter Segment Revenue	Total Segment Revenue
	2014	**2014**	**2014**	2013	2013	2013
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central Europe						
Germany	**25,782**		**25,782**	23,613		23,613
Other	**5,902**		**5,902**	5,143		5,143
	31,684		**31,684**	28,756		28,756
Southern Europe	**6,718**		**6,718**	5,774		5,774
UK	**927**	**34,890**	**35,817**	881	32,081	32,962
Rest of World	**2,626**		**2,626**	3,868		3,868
	41,955	**34,890**	**76,845**	39,279	32,081	71,360

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.

Rest of World revenues include sales through distributors and agents in several markets including Czech and Slovak Republics, Canada and South Korea. These include rendering of services revenues (note 3). 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 2014 budget.

	Revenue from External Customers	Revenue from External Customers
	2014	2013
	£'000	£'000
Central Europe		
Germany	**25,198**	24,442
Other	**5,545**	5,157
	30,743	29,599
Southern Europe	**6,565**	5,977
UK	**927**	881
Other	**2,626**	3,866
	40,861	40,323

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

Depreciation and amortisation by segment

	2014	2013
	£'000	£'000
Central Europe	154	199
Southern Europe	105	86
UK	1,028	1,057
	1,287	1,342

EBITDA by segment

	2014	2013
Allocated EBITDA	£'000	£'000
Central Europe	(810)	(791)
Southern Europe	(236)	(323)
UK	3,542	3,124
Allocated EBITDA	2,496	2,010
Depreciation and amortisation	(1,287)	(1,342)
Operating profit	1,209	668
Finance income	170	110
Finance expense	(295)	(249)
Profit before tax	1,084	529

Total assets by segment

	2014	2013
	£'000	£'000
Central Europe	8,489	9,306
Southern Europe	3,608	4,117
UK	37,626	37,038
	49,723	50,461
Inter-segment assets	(2,572)	(3,126)
Inter-segment investments	(18,753)	(18,371)
Total assets per Balance Sheet	28,398	28,964

Included within Central Europe are non-current assets to the value of £2,480,000 (2013: £2,560,000) relating to Goodwill and within Southern Europe assets to the value of £1,085,000 (2013: £1,207,000) relating to freehold land and buildings.

Total liabilities by segment

	2014	2013
	£'000	£'000
Central Europe	(9,932)	(10,070)
Southern Europe	(1,861)	(2,518)
UK	(4,101)	(4,831)
	(15,894)	(17,419)
Inter-segment liabilities	2,571	3,126
Total liabilities per Balance Sheet	(13,323)	(14,293)

5. PROFIT BEFORE TAX

	2014	2013
Profit for the period has been arrived at after charging:	£'000	£'000
Foreign exchange gain/(loss)	66	350
Depreciation and amortisation:		
Depreciation of property plant and equipment (note 16)	1,006	968
Amortisation of intangible assets (note 15)	281	374
Research and development	2,963	2,535
Land and buildings held under operating leases	726	422
Other operating leases	584	521
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	22	22
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	74	69
Tax services	10	20
Other services pursuant to legislation	9	23
Share based payment expense (note 28)	184	183

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2014	2013
	£'000	£'000
Salaries and short-term employee benefits	680	597
Social security costs	69	66
Post employment benefits – defined contribution plans	50	75
	799	738
Over accrual of bonuses	-	(35)
Share based payment	48	29
	847	732

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 54 to 56 and forms part of the financial statements.

7. EMPLOYEES (including directors)

	2014	2013
	£'000	£'000
Wages and salaries	15,497	14,292
Social security costs	2,264	2,110
Share based payments	184	158
Pension costs – defined benefit plans	262	243
Pension costs – defined contribution plans	237	267
	18,444	17,070

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

	2014	2013
R & D, marketing and administration	116	113
Sales	93	91
Production	138	147
	347	351

8. OTHER INCOME

	2014	2013
	£'000	£'000
Net monetary value of above the line R&D tax credit	76	-

9. FINANCE EXPENSE

	2014	2013 As restated
	£'000	£'000
Interest on borrowing facility	39	167
Change in fair value of derivative financial instrument	(13)	(149)
Net interest expenses on defined benefit liability	206	187
Other interest and charges	63	44
	295	249

10. FINANCE INCOME

	2014	2013 As restated
	£'000	£'000
Bank interest	5	19
Interest on investment assets	99	91
Other finance income	66	-
	170	110

Other finance income relates to the unwinding of the discount on accrued revenue.

11. INCOME TAX EXPENSE

	2014	2013
	£'000	£'000
Current Tax:		
Prior period tax	110	(57)
Overseas tax	219	166
	329	109
Deferred tax – current year	14	(213)
Tax charge/ (credit) for the period	343	(104)

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

	2014	2013
		As restated
	£'000	£'000
Profit for the period before tax	**1,084**	529
Profit for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 22.50%, 2013: 23.75%).	**244**	126
Effects of:		
Disallowable adjustments	**200**	392
Movements in unrecognised deferred tax	**(268)**	(276)
Allowances for R&D expenditure	**-**	(48)
Adjustment of taxes for prior periods	**110**	(57)
Adjustment for different tax rates	**27**	(14)
Relief for shares acquired by employees and Directors	**-**	(27)
Gross up of R&D expenditure credit	**4**	-
	317	96
Deferred tax - deferred tax release	**-**	(200)
- change in tax rate	**26**	-
Tax charge/(credit) for the period	**343**	(104)

The income tax credit for 2013 is re-stated so as to include movements in unrecognised deferred tax and adjustments for the implementation of IAS19 (revised).

12. DEFERRED TAX

Recognised deferred tax liability

	2014	**2014**	**2014**	**2014**	2013	2013	2013	2013
	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	**671**	**(471)**	**(159)**	**41**	-	-	(165)	(165)
Amount credited to the income statement	**(71)**	**45**	**12**	**(14)**	671	(471)	13	213
Exchange differences	**-**	**-**	**11**	**11**	-	-	(7)	(7)
At 30 June	**600**	**(426)**	**(136)**	**38**	671	(471)	(159)	(41)

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:

	2014	2013
	£'000	£'000
Deferred tax assets	**174**	200
Deferred tax liabilities	**(136)**	(159)
	38	41

Unrecognised deferred tax

	2014	2014	2013	2013
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	£'000	**£'000**	£'000	£'000
Non Current Assets				
Property, plant & equipment	**51**	**-**	**-**	**-**
R&D expenditure credit	**22**	**-**	-	-
Current Assets				
Stock	**418**	**-**	402	-
Derivative financial instruments				
Current Liabilities	**69**	**-**	**-**	**-**
Derivative financial instruments	**-**	**-**	72	-
Non Current Liabilities				
Pension and other employee obligations	**1,057**	**-**	1,040	-
Derivative financial instruments	**-**	**-**	3	-
Share options	**72**	**-**	131	-
Unused tax losses	**12,778**	**-**	15,023	-
Total	**14,467**	**-**	16,671	-

As at 30 June 2014 the Group had approximately £66m of unutilised tax losses (2013: approximately £69m) available for offset against future profits. A deferred tax asset has been recognised in respect of £3.0m (2013 £2.9m) 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 21% to 20% with effect from 1 April 2015. The recognised and unrecognised deferred tax assets have been calculated at 20%, being the rate enacted at 30 June 2014.

13. EARNINGS PER SHARE

	2014	2013 As restated
	£'000	£'000
Profit after tax attributable to equity shareholders	741	633

	Shares '000	Shares '000
Issued ordinary shares at start of the period	409,867	406,913
Ordinary shares issued in the period	-	2,954
Issued ordinary shares at end of the period	409,867	409,867
Ordinary shares to be issued on conversion of loan note (Note 27)	41,675	41,675
Ordinary shares used in EPS calculation	451,542	451,542
Weighted average number of shares for the period	451,542	453,017
Potentially dilutive share options under Group's share option scheme	19,965	18,635
Weighted average number of shares for diluted earnings per share	471,507	471,652
Basic earnings per share (pence)	0.16p	0.14p
Diluted earnings per share (pence)	0.16p	0.13p

Earnings per share for 2013 is re-stated so as to include ordinary shares to be issued on conversion of the convertible loan note (Note 27) and adjustments for the implementation of IAS19 (revised).

14. GOODWILL

	2014	2013
	£'000	£'000
At 1 July	2,560	2,489
Exchange difference	(80)	71
At 30 June	2,480	2,560

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

	2014	2013
	£'000	£'000
Germany	2,480	2,560

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 12.7% discount rate (2013: 12.7%) 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.

15. INTANGIBLE ASSETS

	Manufacturing know-how	Non-competing know-how	Distribution agreements (Switzerland)	Other intangibles	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 July 2012	1,000	3,467	960	1,773	1,884	9,084
Additions	-	-	-	-	157	157
Asset reclassification	-	-	-	-	11	11
Disposals	-	-	-	(684)	-	(684)
Foreign exchange	-	183	36	20	42	281
At 30 June 2013	1,000	3,650	996	1,109	2,094	8,849
Additions	-	-	-	16	256	272
Disposals	-	-	-	(229)	(81)	(310)
Foreign exchange	-	(200)	(52)	(18)	(43)	(313)
At 30 June 2014	**1,000**	**3,450**	**944**	**878**	**2,226**	**8,498**
Amortisation						
At 1 July 2012	933	3,467	128	994	1,455	6,977
Disposals	-	-		(84)	-	(84)
Charge for the year	67	-	66	107	134	374
Foreign exchange	-	183	5	10	34	232
At 30 June 2013	1,000	3,650	199	1027	1,623	7,499
Disposals	-	-	-	(229)	(81)	(310)
Charge for the year	-	-	68	46	167	281
Foreign exchange	-	(200)	(10)	(17)	(36)	(263)
At 30 June 2014	**1,000**	**3,450**	**257**	**827**	**1,673**	**7,207**
Net book value						
At 1 July 2012	67	-	832	779	429	2,107
At 30 June 2013	-	-	797	82	471	1,350
At 30 June 2014	**-**	**-**	**687**	**51**	**553**	**1,291**

The class of Intangible Assets "Distribution agreements" arose from the acquisition of the Swiss Subsidiary, Teomed AG on 1 July 2010.

These distribution agreements represent the present value of the future cashflows expected to arise from the agreements and are amortised over a period of fifteen years.

Other intangibles relate to trademarks and licences.

16. 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 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
Additions	365	238	6	203	-	812
Foreign exchange	(12)	(45)	-	(42)	(77)	(176)
Disposals	(51)	(97)	(4)	(70)	-	(222)
At 30 June 2014	**8,301**	**5,085**	**38**	**3,100**	**1,130**	**17,654**
Depreciation						
At 1 July 2012	3,780	3,215	34	1,887	97	9,013
Charge for the year	425	224	2	275	42	968
Revaluation	-	-	-	-	(145)	(145)
Foreign exchange	7	31	-	25	6	69
Disposals	-	(2)	-	-	-	(2)
At 30 June 2013	4,212	3,468	36	2,187	-	9,903
Charge for the year	430	228	-	303	45	1,006
Foreign exchange	(9)	(32)	-	(22)	-	(63)
Disposals	(51)	(97)	(4)	(70)	-	(222)
At 30 June 2014	**4,582**	**3,567**	**32**	**2,398**	**45**	**10,624**
Net book value						
At 1 July 2012	3,866	1,567	2	959	1,161	7,555
At 30 June 2013	3,787	1,521	-	822	1,207	7,337
At 30 June 2014	**3,719**	**1,518**	**6**	**702**	**1,085**	**7,030**

* Assets reclassified to intangibles.

Note 22 provides details of the assets secured against the Group's bank borrowings.

Freehold land and buildings relates to the Group's office and warehouse building in Milan, Italy which was revalued in July 2009 by independent valuers. This property is carried at fair value and is classified as level 3 in the hierarchy of financial assets.
The reconciliation of the carrying amounts of non-financial assets classified within level 3 is as follows:

	£'000
Balance at 1 July 2013	**1,207**
Loss recognised in profit or loss	
– depreciation of buildings	**(45)**
Loss recognised in other comprehensive income	
– exchange differences on translating foreign operations	**(77)**
Balance at 30 June 2014	**1,085**

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 carrying value of the asset at the point the subsidiary was first consolidated). 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 prior 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 prior year by £480,000 against the preceding year.

17. INVESTMENTS

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

	2014	2013
	£'000	£'000
At 1 July	**3,059**	2,569
Additions	**281**	355
Finance income	**99**	91
Remeasurement of investment	**(10)**	(108)
(Loss) /Gain on foreign exchange	**(217)**	152
	3,212	3,059

18. INVENTORIES

	2014	2013
	£'000	£'000
Raw materials and consumables	**1,854**	1,895
Work in progress	**3,144**	2,273
Finished goods	**1,471**	1,846
	6,469	6,014

In July 2013 a new cost set was applied in which an increased proportion of manufacturing cost was absorbed by intermediate processes (rather than finishing processes) as this more accurately reflects the conversion cost of inventory. This resulted in an increased value of inventory at 30 June 2014 of £0.5m. If this allocation method had been used in the prior year, inventory would have increased by approximately £0.5m.

The cost of inventories recognised as an expense in cost of sales during the year was £11.0m (2013: £11.0m) including write-downs in the year amounting to £0.9m (2013: £1.2m).

The value of inventories measured at fair value less cost to sell was £162,000 (2013: £77,000).

19. TRADE AND OTHER RECEIVABLES

	2014	2013
	£'000	£'000
Trade receivables	**2,756**	3,129
Other receivables	**1,261**	2,158
VAT	**158**	117
Prepayments and accrued revenue	**1,193**	1,781
	5,368	7,185

Accrued revenue (£212,000) relates to deferred consideration receivable from customers (2013: £117,000)

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, £113,000 of trade receivables was found to be impaired and £17,000 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	2014	2013
	£'000	£'000
Balance brought forward	**109**	54
Foreign exchange adjustments	**(11)**	8
Charge for the year	**113**	152
Utilised	**(17)**	(105)
Balance carried forward	**194**	109

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

The financial assets which were overdue but not provided for were:	**2014**	2013
Trade receivables	**£'000**	£'000
Not more than 3 months	**626**	640
More than 3 months but not more than 6 months	**161**	456
More than 6 months but not more than 1 year	**44**	200
More than one year	**74**	99
	905	1,395

20. CASH AND CASH IN HAND

	2014	2013
	£'000	£'000
Cash at bank and in hand	**2,029**	1,257

21. TRADE AND OTHER PAYABLES

Due within one year	**2014**	2013
	£'000	£'000
Trade payables	**2,464**	3,050
Social security and other taxes	**591**	536
Other creditors	**290**	717
Accrued expenses and deferred income	**3,080**	2,703
	6,425	7,006
Due after more than one year		
Other creditors	**73**	-
Total trade and other payables	**6,498**	7,006

22. BORROWINGS

	2014	2013
	£'000	£'000
Due within one year		
Convertible loan note	**49**	95
Overdraft	**-**	193
	49	288

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 £4.5 million. Interest on the overdraft is at the bank's base rate plus a fixed margin of 2.75%. 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 overdraft facility is due for renewal in May 2015.

The Convertible loan notes were issued in April 2012 (Note 27). The liability relates to the interest payable over the next year.

23. 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 accrued into this reserve for each employee. When the employee leaves the company the accrued amount is paid as a deferred salary payment.

	2014	2013
	£'000	£'000
At 1 July	**300**	274
Additions	**28**	26
Utilisation	**(89)**	(19)
Foreign exchange movement	**(17)**	19
	222	300

24. FINANCIAL INSTRUMENTS

Risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern whilst maximising the return to 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.

	2014	2013
	£'000	£'000
Capital	**15,075**	14,671
Total equity	**15,075**	14,671
Borrowings	**49**	288
Overall financing	**15,124**	14,959
Capital-to-overall financing ratio	**1.00**	0.98

There is no requirement by external parties to comply with any capital ratios.

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	**2014**	2013
	£'000	£'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	**6,203**	6,661
Fair value through profit and loss – held for trading	**345**	2
	6,548	6,663
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(2,660)**	(3,918)
Fair value through profit and loss – held for trading	**-**	(326)
Non current		
At amortised cost (including borrowings and payables)	**(295)**	(300)
	(2,955)	(4,544)

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 of these instruments is calculated by reference to observable 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 closed out in September 2013. Within the fair value hierarchy, this financial derivative is classified as level 2.

Euro forward contracts (including Euro exchange swaps)

The Group has Euro forward contracts with its bank that are arranged for the sale of €11,824,000 to purchase GBP at an average blended rate of 1.2030 for dates from August 2014 until February 2015. Within the fair value hierarchy, this financial derivative is classified as level 2.

Analysis of derivative financial instruments	2014	2013
	£'000	£'000
Credit/(Charge) to the Income Statement		
Euro forward contacts - held for trading	**656**	(787)
Euro forward contracts - matured in the period	**(42)**	517
	614	(270)
Interest rate swap - held for trading	**13**	149
Interest rate swap – charges in the period	**(13)**	(167)
	-	(18)

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	2014	2013
	£'000	£'000
Current assets		
Derivative financial instruments		
- Euro forward contracts - held for trading	**345**	2
	345	2
Current liabilities		
Derivative financial instruments		
- Euro forward contracts - held for trading	**-**	313
- Interest rate swap – held for trading	**-**	13
	-	326

The net profit at fair value of financial instruments through the income statement is £669,000 (2013 loss: £637,000).

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:

	2014	2013
	£'000	£'000
Sterling	**129**	(178)
Euro	**1,793**	863
US dollars	**11**	6
Canadian dollars	**3**	259
Swiss franc	**93**	113
Argentinean peso	**-**	1
	2,029	1,064

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

	2014			2013		
	Sterling	**Euro**	**Other**	Sterling	Euro	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Current						
Financial assets	**466**	**5,275**	**807**	480	5,202	981
Financial liabilities	**(1,494)**	**(755)**	**(411)**	(2,202)	(1,437)	(605)
Short term exposure	**(1,028)**	**4,520**	**396**	(1,722)	3,765	376
Non- current						
Financial liabilities	**(73)**	**(222)**	**-**	-	(300)	-
Long term exposure	**(73)**	**(222)**	**-**	-	(300)	-

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.

	2014	2013
	£'000	£'000
If Sterling had strengthened against the Euro by	**10%**	10%
Effect on net results for the year	**1,882**	2,051
Effect on other comprehensive income	**(270)**	(430)
	1,612	1,621

If Sterling had weakened against the Euro by	**10%**	10%
Effect on net results for the year	**(2,152)**	(2,509)
Effect on other comprehensive income	**328**	525
	(1,824)	(1,984)

Interest rate risk

The Group finances its operations through operating cashflow, equity fundraising and overdraft facilities. Interest is charged at a floating rate on the overdraft facility. The overdraft facility is tailored in a way to give flexibility to the Group. This flexibility provides the Group with a higher level of the facility in the low sales season and allows it to pay down the facility 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 not feasible to illustrate the results were the interest rates to fall by 1%.

The sensitivities 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.

	2014	**2014**	2013	2013
	£'000	**£'000**	£'000	£'000
	+ 1%	**- 1%**	+ 1%	- 1%
Movement in net results for the year	**3**	**n/a**	34	n/a
Equity	**-**	**n/a**	-	n/a
	3	**n/a**	34	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 carrying value of the debtor.

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 22) is due for renewal in May 2015. As at 30 June 2014 the Group's contractual maturities are summarised as follows:

Current liabilities	**2014**	**2014**	2013	2013
	£'000	**£'000**	£'000	£'000
	Within 6 months	**6 to 12 months**	Within 6 months	6 to 12 months
Borrowing facility - principal	**-**	**-**	193	-
Convertible loan note - interest and other charges	**49**	**-**	-	95
Trade payables	**2,611**	**-**	3,630	-
Other short term liabilities	**3,763**	**-**	3,376	-
	6,423	**-**	7,199	95
Derivatives	**-**	**-**	292	34
	6,423	**-**	7,491	129

Non-current liabilities	**2014**	**2014**	2013	2013
	£'000	**£'000**	£'000	£'000
	1 to 5 years	**Later than 5 years**	1 to 5 years	Later than 5 years
Other long term liabilities	**295**	**-**	300	-
	295	**-**	300	-

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

25. OPERATING LEASE COMMITMENTS

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

	Land & Buildings		**Other**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Within one year	**745**	701	**339**	367	**1,084**	1,068
Two to five years	**2,013**	2,187	**307**	427	**2,320**	2,614
Over five years	**1,203**	1,655	**-**	-	**1,203**	1,655
	3,961	4,543	**646**	794	**4,607**	5,337

Of the operating lease commitments for the land and buildings of £3,961,000 (2013: £4,543,000), £3,254,000 relates to the UK premises (2013: £3,758,000). The production facility accounts for £2,868,000 (2013: £3,307,000) of this commitment and expires in December 2023. Premises in Spain account for £145,000 (2013: £187,000) expiring in 2020 and in Germany for £276,000 (2013: £491,000) expiring in December 2015.

Of the other commitments, £492,000 (2013: £588,000) relates to leased vehicles all expiring within 5 years.

26. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution scheme

The Group operates a defined contribution pension scheme for certain employees in the UK. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against the profits represents the contributions payable under the scheme in respect of the accounting period totalling £ 237,000 (2013: £267,000).

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 2014. The major assumptions used were as follows:

	2014	2013
	% 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	**3.35**	4.0
Discount rate at the end of the year	**3.05**	3.35
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	**19.4**	19.2
Female, 65 years of age at the balance sheet date	**23.4**	23.3
Male, 45 years of age at the balance sheet date	**39.1**	38.9
Female, 45 years of age at the balance sheet date	**44.2**	44.0

The assets in the scheme and the expected rates of return were as follows:

	2014	2013
	£'000	£'000
Fair value of plan assets	**1,335**	1,414
Present value of scheme liabilities	**(7,753)**	(7,628)
Deficit in the scheme	**(6,418)**	(6,214)
Experience gains on plan assets	**8**	12
Experience gains/(losses) on plan liabilities	**88**	(191)

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 £6,418,000 (2013: £6,214,000). The basis used to determine the net interest cost is based on the net defined benefit asset or liability and the discount rate as determined by Swiss Life Pensions Management GmbH using the projected unit credit method. The actual return on plan assets for the year is £54,000 (2013: £60,000). The pension charge generates an unrecognised deferred tax asset of £1,057,000 (2013:£1,040,000), 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. See note 17 for further details of these investment assets.

	2014	2013 As restated
	£'000	£'000
Amounts charged to operating profit		
Current service costs	**262**	243
Amounts included in other finance expenses		
Interest income on plan assets	**(46)**	(48)
Interest on pension scheme liabilities	**252**	235
Net charge	**206**	187
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	**8**	12
Experience gains/ (losses) arising on scheme liabilities	**88**	(191)
Changes in assumptions underlying the present value of scheme liabilities	**(367)**	(692)
Total amount relating to year	**(271)**	(871)
Opening cumulative losses	**(2,510)**	(1,645)
Remeasurement of net defined liability	**(2,781)**	(2,516)
Net movement recognised	**(2,781)**	(2,516)

Movement in assets during the year

	2014	2013
	£'000	£'000
Balance as at 1 July	**1,414**	1,196
Foreign currency differences	**(97)**	97
Interest income on plan assets	**46**	48
Remeasurement of net defined liability	**8**	12
Contributions from employer	**19**	121
Assets transferred to finance benefits paid	**(55)**	(60)
Balance as at 30 June	**1,335**	1,414

Movement in liabilities in the year

	2014	2013
	£'000	£'000
Balance as at 1 July	(7,628)	(5,913)
Foreign currency differences	522	(455)
Current service costs	(262)	(243)
Interest cost	(252)	(235)
Remeasurement of net defined liability	(271)	(885)
Benefits paid by employer	83	43
Benefits paid from assets	55	60
Balance as at 30 June	(7,753)	(7,628)

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

The significant actuarial assumptions for the determination of the defined benefit IAS 19.173(b) obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 30 June 2014:

Changes in the significant actuarial assumptions	£'000	£'000
Discount rate	Increase to 4.05%	Decrease to 2.05%
Increase/ (decrease) in the defined benefit liability	(1,000)	1,150
Salary growth rate	Increase to 4.00%	Decrease to 2.00%
Increase/ (decrease) in the defined benefit liability	346	(317)
Average life expectancies of males	Increase of one year	Decrease of one year
Increase/ (decrease) in the defined benefit liability	221	(218)
Average life expectancies of females	Increase of one year	Decrease of one year
Increase/ (decrease) in the defined benefit liability	255	(256)

27. ISSUED SHARE CAPITAL

	2014 Shares	2014 £'000	2013 Shares	2013 £'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	**409,866,831**	**410**	406,912,981	407
Issued during the year	**-**	**-**	2,953,850	3
At 30 June	**409,866,831**	**410**	409,866,831	410
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**	419,715,164	420

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

No share options were exercised in the year (2013: Share options exercised with proceeds of £148,000).

In April 2012, Allergy Therapeutics plc issued a convertible loan note to a major investor, CFR Pharmaceuticals SA (CFR). The loan agreement stated that the loan of £4,042,469 would be repaid on 20 April 2014 or an earlier date advised by the note holder (with at least 15 business days' notice). On the repayment date, the loan had to be repaid and on the same date the note holder had to purchase 41,674,938 shares at a fixed price of 9.7p per share. Interest is payable at a rate of 3% per annum during the term of the notes.

The Directors concluded that the repayment of the principal and the mandatory investment were linked such that in substance this represents the conversion of the loan into a fixed number of shares, and hence the loan note was split into a liability and an equity component. The liability component of £222,000 represented the present value of the interest payments on the loan, with the balance of £3,820,000 treated as equity.

In April 2014, CFR and Allergy Therapeutics plc mutually agreed to amend the agreement to defer the repayment date until 30 September 2014. The only substantive effect of this amendment was the agreement to pay further interest of £49,000 over the remaining period of the loan. This is effectively a loss on the remeasurement of the debt. As this was incurred with an equity shareholder, it was treated as a transaction with owners and dealt with directly in the statement of changes in equity; with Allergy Therapeutics plc recognising a corresponding further liability of £49,000 within current liabilities.

28. 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 performance vesting shares.

The Group has two plans: the initial 2005 Plan and the 2013 Plan. The 2013 LTIP plan was adopted by the Board on 20 March 2013, the Board having consulted major shareholders. Awards were made under the new 2013 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, performance criteria for each award are set by the remuneration committee. The 2013 award is based on the total shareholder return ("TSR"). An award shall vest at 100% if at the end of the plan cycle the maximum TSR of 25% has been satisfied. If the TSR is less than 10% only 25% shares shall be distributed. If the TSR is between 10% and 25% share distributions will be on a straight line basis between 25% and 100% of the initial award. 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.

For awards under the 2013 Plan during the year, the performance criteria are based on a combination of TSR and adjusted earnings growth.

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 Plans 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 prior year two LTIP grants were provisionally awarded. The first of these grants was awarded under the 2005 Plan and the second under the 2013 Plan which was awarded in May 2013. The latest grant, in May 2014, 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):

	2014 WAEP		2013 WAEP	
	Number	**Price (£)**	Number	Price (£)
Outstanding at the beginning of the year	**1,152,583**	**0.23**	2,468,490	0.16
Granted during the year	**-**	**-**	2,050,000	0.07
Exercised during the year	**-**	**-**	(2,953,850)	0.05
Forfeited during the year	**(271,478)**	**0.44**	(412,057)	0.33
Outstanding at the year end	**881,105**	**0.17**	1,152,583	0.23
Exercisable at the year end	**881,105**	**0.17**	1,152,583	0.23

No options were exercised during the year (2013: weighted average share price at the date of exercise was 12p).

The share options outstanding at the end of the year detailed above have a weighted average remaining contractual life of 3.3 years (2013: 4.3 years) and have the following range of exercise prices:

	30 June 2014	30 June 2013
Exercise price (p)	**Number**	Number
6-45	**852,539**	1,124,017
46-120	**28,566**	28,566
	881,105	1,152,583

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

	2014	2013
	Number	Number
Outstanding at the beginning of the year	**17,482,500**	10,787,000
Awarded during the year	**6,337,500**	10,802,500
Forfeited during the year	**(4,707,500)**	(4,107,000)
Outstanding at the year end	**19,112,500**	17,482,500

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	Plan cycle (yrs)	End of plan cycle	Expected life (yrs)	Exercise price (£)	Share price at grant (£)	Probability of meeting performance tests (%)	Fair value (£)	Number outstanding
19/05/14	3	25/03/17*	3	0.0000	0.205	31.7	0.075	6,337,500
10/05/13	3	25/03/16*	3	0.0000	0.101	33.5	0.042	5,755,000
20/12/12	3	30/06/15	3	0.0000	0.118	34.9	0.049	3,780,000
14/12/11	3	30/06/14	3	0.0000	0.106	41.5	0.044	3,240,000

*Estimated release date of interim results.

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

In addition to the above employee related awards, in the prior year the Group also awarded options for 650,000 shares with an exercise price of £0.124 as payment to a third party advisor which are still outstanding at 30 June 2014.

The Group recognised total expenses of £184,000 (2013: £183,000) related to equity-settled share based payment transactions during the year.

29. CONTINGENT LIABILITIES

Allergy Therapeutics (UK) Ltd, a subsidiary of Allergy Therapeutics plc, has guaranteed the deposits required for leases on cars and rented office space of Bencard Allergie GmbH. The amount as at 30 June 2014 was €107,426; £85,996 (2013: €107,426; £91,833).

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. in which the liabilities of each entity to the Royal Bank of Scotland Plc are guaranteed by all the others.

The European Commission is carrying out 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 £0.5 million (2013: £1.5 million) in respect of exempted rebates which the Group continues to collect.

30. CAPITAL COMMITMENTS

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

	30 June 2014	30 June 2013
	£'000	£'000
Capital commitments	**221**	459

Included in the above is £56,000 for ongoing factory refurbishments in the UK (2013: £22,000); £65,000 for new plant and machinery (2013: £156,000) and £100,000 for IT equipment and systems upgrades (2013: £281,000).

31. RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROL

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 54 to 56.

At 30 June 2014, 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
Pharma Contract Manufacturing Solutions 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
Bencard Allergy Therapeutics Unipessoal LDA	Portugal	Sale 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	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Laboratorios Synthesis S.A.S.	**11**	13	**(67)**	(33)
Gynopharm de Venezuela C.A.	**-**	28	**(60)**	(4)
Laboratorio Internacional Argentino S.A.	**43**	9	**17**	3
Total	**54**	50	**(110)**	(34)

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. As at 30 June 2014, and 30 June 2013, the Directors consider the controlling party in Allergy Therapeutics plc to be CFR Pharmaceuticals SA. The Group's results are not consolidated by CFR Pharmaceuticals SA.

Sales of goods to related parties were made on normal commercial terms.

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

Independent Auditors 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 2014 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 50, 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 Financial Reporting Council'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 2014;
- 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 Strategic Report and 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 2014.

Christian Heeger
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
19 September 2014

Company Balance Sheet

	Note	30 June 2014 £'000	30 June 2013 £'000
Fixed assets			
Investments	3	**1,270**	1,300
Current assets			
Debtors: amounts falling due within one year	4	**323**	305
Creditors: amounts falling due within one year	5	**(78)**	(134)
Net current assets		**245**	171
Total assets less current liabilities		**1,515**	1,471
Net assets		**1,515**	1,471
Capital and reserves			
Called up share capital	6	**420**	420
Share premium account	7	**67,716**	67,716
Other reserves – Convertible loan note	7	**3,652**	3,652
Other reserves – EBT	7	**67**	67
Other reserves – share based payments	7	**465**	679
Profit and loss account	7	**(70,805)**	(71,063)
Total equity		**1,515**	1,471

These financial statements were approved by the Board of Directors on 19 September 2014 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 05141592

Notes to Company Balance Sheet

1. ACCOUNTING POLICIES

Basis of preparation

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

Going Concern

For the fifth 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 2015 and 30 June 2016. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing overdraft. 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 an average exchange rate for the period. 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 income statement 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, 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.

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

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 income statement in these financial statements. The Company's loss for the period was £91,000 (2013: £257,000 loss).

3. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward	1,300
Additions	184
Diminution in value	(214)
Investment carried forward	**1,270**

The additions relate to share based payments in respect of the Company's shares to employees of its subsidiaries.

At 30 June 2014 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
Pharma Contract Manufacturing Solutions 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
Bencard Allergy Therapeutics Unipessoal LDA	Portugal	Sale 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 2014	30 June 2013
	£'000	£'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**316**	298
Prepayments	**7**	7
	323	305

The amount owed by subsidiary undertakings is stated net of provisions of £70,239,037 (2013: £71,139,000).

5. Creditors – amounts falling due within one year

	30 June 2014	30 June 2013
	£'000	£'000
Convertible loan note interest	49	95
Accruals	25	38
Taxation and social security	4	1
	78	134

6. Called up share capital

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

7. Reserves

	Share premium account
	£'000
At 30 June 2013 and 2014	67,716

	Other reserve – Convertible Loan Note
	£'000
At 30 June 2013 and 2014	3,652

	Other reserve – EBT
	£'000
At 30 June 2013 and 2014	67

	Other reserve – share based payments
	£'000
At 30 June 2013	679
Provision in year for share based payments	184
Lapsed share based payments transferred from retained losses	(398)
At 30 June 2014	465

	Profit and loss account
	£'000
At 30 June 2013	(71,063)
Loss for the year	(91)
Lapsed share based payments transferred to retained losses	398
Distribution to shareholder – convertible loan note	(49)
At 30 June 2014	**(70,805)**

8. Share based payments

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

9. Directors' emoluments

Full details of the Company's directors' emoluments are set out in the Directors' Remuneration Report on pages 54 to 56.

10. Reconciliation of movement in shareholders' funds

	Year to 30 June 2014	Year to 30 June 2013
	£'000	£'000
Loss for the financial year	**(91)**	(257)
Share based payments	**184**	183
Shares Issued	**-**	148
Distribution to shareholder – convertible loan note	**(49)**	-
Net addition to shareholders' funds	**44**	74
Opening shareholders' funds	**1,471**	1,397
Closing shareholders' funds	**1,515**	1,471

11. Contingent Liabilities

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

12. 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 other related party transactions can be found in Note 31 to the consolidated financial statements

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