Allergy Therapeutics plc

Annual Report
& Accounts
2015

www.allergytherapeutics.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

2015 Highlights

- 11% increase in revenue at constant currency* to £46.6m (2014: £42.0m)
- 3% increase in revenue to £43.2m (2014: £42.0m)
- Gross profit increased 4% to £31.1m (2014: £30.0m)
- Operating profit increased 50% to £1.8m before impact of revaluation of US dollar cash deposits (2014: £1.2m)
- Operating profit of £0.7m (2014: £1.2m)
- Net cash generated by operations increased to £2.5m (2014: £2.3m)
- £20m fund raising (net of expenses) in March 2015 to fund US clinical study programme
- Acquisition of Alerpharma S.A. in early June strengthens Spanish business
- Positive results from Acarovac Plus clinical study demonstrates excellent patient tolerability
- Continued successful rollout of European probiotic products

* 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 24.

Chairman's Statement

Chairman's Statement

This year we have made more significant progress towards becoming a global provider of allergy solutions and the Company is now delivering on all three aspects of its growth strategy:

We are resuming the clinical development programme for Pollinex Quattro Grass in the US, having invested US$100 million to date. As previously disclosed, the programme relaunch follows in-depth discussions with the US Food and Drug Administration (FDA) regarding our clinical trial protocols and route to registration for the product. We plan to submit a Biological Licence Application (BLA) to the FDA for Pollinex Quattro Grass for regulatory approval in 2018, with the anticipated registration of the product in 2019. The US allergy immunotherapy market is estimated to be worth $2 billion in 2008.

Importantly, our US development plans are fully funded following our successful placing to raise £20 million net in March. This is a significant milestone for Allergy Therapeutics and introduces new, important institutional investors to the Company.

Pollinex Quattro Grass has the potential to be the first seasonal subcutaneous immunotherapy (SCIT) allergy treatment to receive regulatory approval in the US, as well as becoming the Company's first product to be approved for the US market. Apart from a proven ability to provide a cure versus symptom relief, the short course of treatment is shown to be superior to alternatives on the market in terms of patient acceptance and compliance, which are key issues in this area and will, we believe, translate into good uptake for the product. We are excited by the transformational opportunity that Pollinex Quattro Grass represents for the Company, as we continue to work hard to address the unmet needs of the US allergy market through our innovative solutions for allergy sufferers.

Inorganic growth is a key focus; in June we announced the acquisition of Alerpharma, a privately owned company based in Spain, spun-out from a leading Spanish biopharmaceutical company, Zeltia S.A. The acquisition provides Allergy Therapeutics with the opportunity to increase our product range, cross-sell products and strengthen our competitive position in Spain, our second largest market. Alerpharma also brings a newly-built state-of-the-art 2,200 sq. m manufacturing facility in the Alcalá de Henares technological park near Madrid. The initial stage of the integration process is progressing well and is expected to be completed by January 2016.

The multiple paid for Alerpharma, at approximately one times the previous year's sales, provides us with an opportunity to create value for our shareholders. We will continue to seek synergistic consolidation opportunities in the specific immunotherapy (SIT) market or allergy related areas, such as respiratory, dermatology, allergy immunomodulation or diagnostics.

Our established revenue model in Europe is progressing well. We have demonstrated organic double digit growth in a flat market, significantly outperforming our competition and becoming, once again, the best performer in relation to its competitors in specific immunotherapy in Europe. This progress is consistent with our ambition to strengthen our European position and build a solid platform for global expansion. Revenues achieved during the year are detailed on the Financial Review on page 24 of the Annual Report.

During the first half of our fiscal year, and as a result of the takeover of CFR Pharmaceuticals by Abbott Laboratories Inc. ("Abbott"), Alejandro Weinstein stepped down from the Board of Allergy Therapeutics and was succeeded by Jean-Yves Pavée, Senior Vice President of Developed Markets for Abbott's Established Products division. Alejandro joined the Board in 2009 and I would like to take this opportunity to thank him for his contribution, valuable guidance and support. We are pleased to welcome Jean-Yves to our Board.

In conclusion, I would like to express my appreciation to all Allergy Therapeutics employees for their commitment, dedication and hard work during the year and we look forward to making further significant progress in executing our growth strategy in the coming years.

Peter Jensen
Chairman
18 September 2015

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 63% of the Group's revenue in the 12 months ending 30 June 2015. The percentage of revenue derived from each country is detailed below:

Germany (63%)

Germany is the single 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. In spite of this, the group outperformed market trends and Germany remains a key focus for the Group as we continue to strengthen our approach to marketing which has been instrumental to an increase in our market share.

Italy (10%)

The total Italian allergy immunotherapy market is estimated to be worth €40 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, compounded by the withdrawal of reimbursement in certain regions. 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 with a strong increase in market share.

Switzerland (5%)

The allergy vaccine market in Switzerland is well established, and is worth approximately €13 million per annum. Further alignment to EU regulations for specific immunotherapy (SIT) products and diagnostics has the potential to generate new opportunities.

Spain (6%)

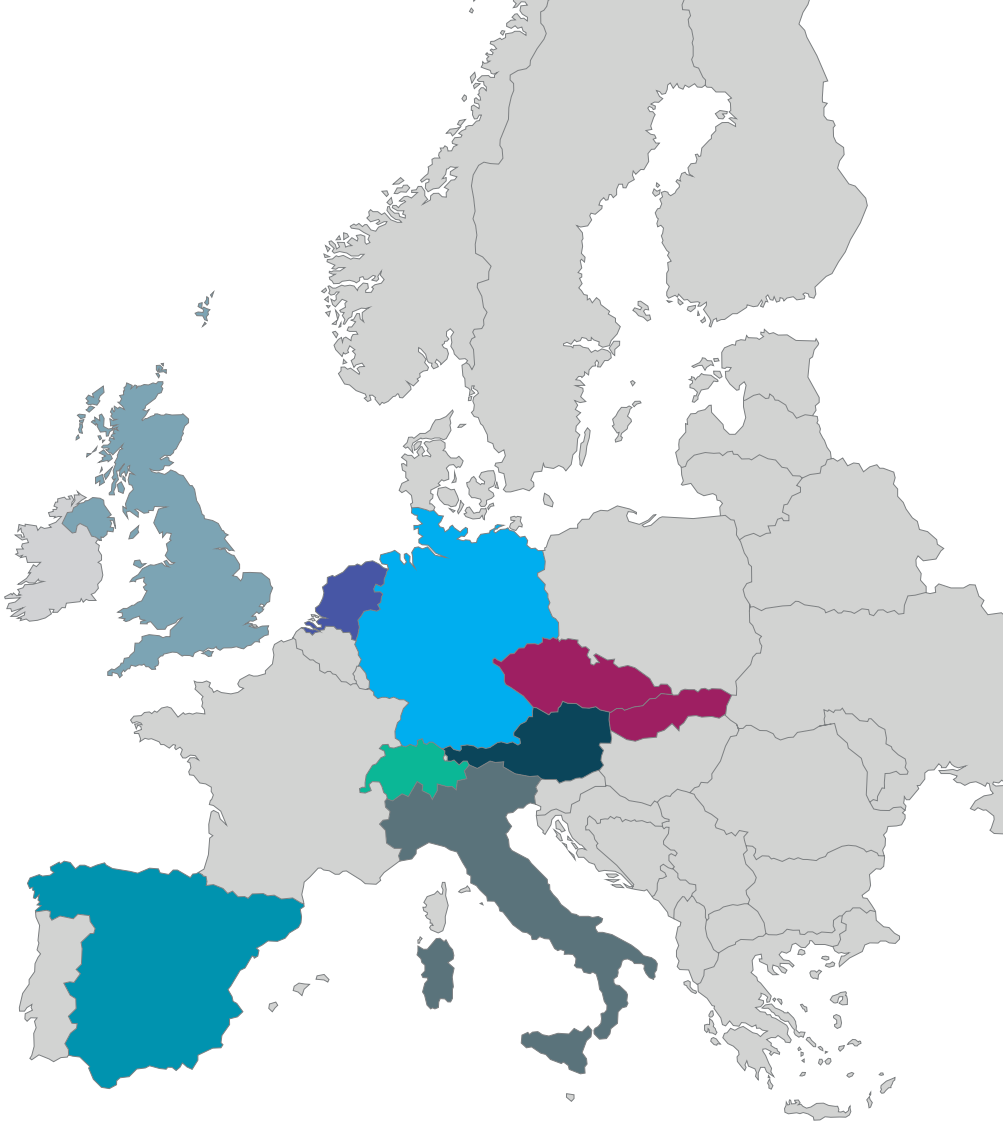
Total market sales in Spain are estimated to be €70 million per annum, with low single-digit growth during the past year. Growth in this market has been impacted by the country's economic slowdown; however, it continues to be a large valuable market, with approximately 150,000 patients a year estimated to receive immunotherapy. Injectable immunotherapy products of modified allergen remain the treatment of choice for Spanish physicians in this treatment category.

Dr. Albert Roger, Director of the Allergy Unit at Hospital Universitari Germans Trias i Pujol, Barcelona, Spain presented positive Acarovac Plus clinical study results for the treatment of house dust mite allergy at the Company's Adjuvants in Allergy conference in July. Acarovac Plus is well positioned for significant growth potential in this market.

The acquisition of Alerpharma S.A., which includes a newly-built state-of-the-art 2,200 sq m manufacturing facility in the Alcala de Henares Technological Park, Madrid, and a broad product range, including a specialised franchise on an olive vaccine, one of the most important allergens in southern Europe, strengthens the Company's presence in this market.

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 subcutaneous immunotherapy (SCIT) product currently registered in the UK.



Revenue by Country

Germany – 63%

Italy – 10%

Austria – 6%

Spain – 6%

Switzerland – 5%

The Netherlands – 3%

UK & Export market – 3%

Czech Republic & Slovakia – 2%

Canada – 1%

South Korea – 1%

The Netherlands (3%)

The total market size in The Netherlands is around €19 million a year. In January 2014, insurance companies decided to only reimburse registered products. This new policy took effect in January 2015 and has impacted approximately 50% of the products currently in the market but does not impact our products as we already have Pollinex registrations in this market. Therefore, Allergy Therapeutics is the only allergy company showing growth in the Dutch market with year-on-year growth in revenue of 29% in local currency.

After the year end, in July 2015, the Company hosted its Eighth Annual Adjuvants in Allergy Conference in Amsterdam. The conference is part of the Company's on-going training programme for medical professionals. It is a highly scientific open forum to discuss allergy topics with expert key opinion leaders and allergists from around the world.

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, with the company putting on hold any further development whilst the regulatory framework is simplified, although this region is still seen as having promising potential.

Recent Developments in US Market

In December 2013 and January 2014, the US 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, opening the door for subcutaneous immunotherapy (SCIT) products (e.g. Allergy Therapeutics' Pollinex Quattro products) to be licensed. SCIT products offer a number of advantages over the recently licensed SLIT products and are more aligned to the 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 very large. We have submitted four studies to the FDA to support the clinical development of Grass MATA MPL, with two of these due to begin in the US in September 2015, the detail of which is covered within the R&D Director's Review on page 21.

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.

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 microcrystalline tyrosine (MCT) 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

Probiotics act as immunomodulators of the allergic response. In June 2012, we launched three new Probiotic products (Kallergen-Th, ATI Prob and Pollagen) across Spain and Italy. Since then we have included Austria and Germany. In 2013 we launched a further new probiotic product, Syngut, specifically designed for food intolerance. The products contain specific combinations of Lactobacilli and Bifidobacteria.

Acarovac Plus

Acarovac Plus was launched in Spain in March 2013 and is a novel MCT-adsorbed, modified-allergen product developed for treatment of perennial mite allergy. The product has been standardised to meet a dose regime consistent with "one vial" 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.

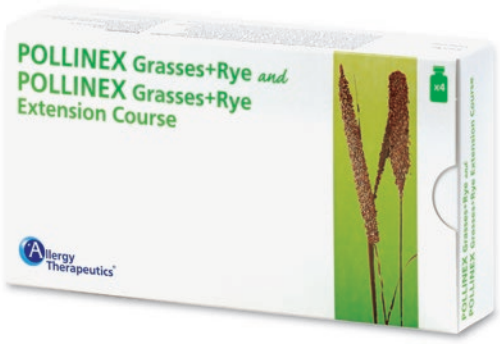
Penicillin Diagnostics

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.

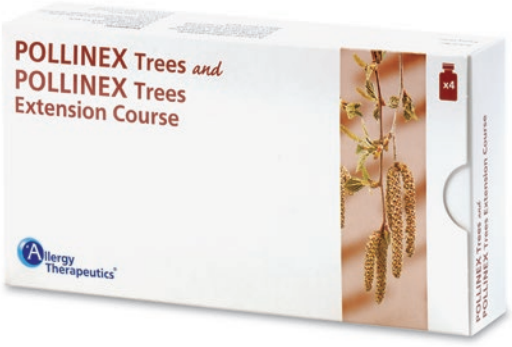

ACAROVAC
Plus
3000 SU/ml
Suspensión para inyección
Este envase contiene un vial con 6 ml de extracto alergénico.
x1


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


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


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


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

CEO's Review

Chief Executive Officer's Review

Specific allergy immunotherapy is expected to become a global market of approximately $2-3 billion by 2020, with very few companies well placed to take advantage of this market opportunity. I am confident that with our highly competent team, coupled with our ultra-short, aluminium free allergy vaccines, we are well positioned to be one of these companies.

At a commercial level, we have once again been the best performing company in our competitive European markets, with an evolution index of 107 (where every unit above 100 represents 1% growth above the market's growth) and sales growth of 11% in constant currency. This strong organic growth and market penetration highlights our focus on ensuring three important building blocks for the business:

a) We have the right products with our range of short course and ultra-short course, aluminium free allergy vaccines, which are patient-friendly, save time and are, therefore, highly convenient. Our products are becoming increasingly accepted in all our key markets and represent a potential, early indicator of the fast penetration that our products could have in the US allergy market.
b) We have the right sales teams in place. The team consistently delivers at or above management's expectations and receives on-going training to be the best scientific partner for our doctors.
c) We have the right marketing strategies and our messages are well understood by our base of prescribers.

With Pollinex Quattro we have developed an efficient solution to address the seasonal allergy market, with grass, tree and ragweed being the most predominant allergens. Now that this franchise is in late stage clinical development and has proven to be commercially successful (in Europe on a named patient basis), our Product Development team is working to expand our product portfolio by developing an ultra-short franchise in the perennial allergy market, where house dust mite is one of the most important allergens.

We are currently developing Acarovac Quattro, a potential breakthrough ultra-short course treatment for house dust mite allergy, using a similar technological platform to Pollinex Quattro (allergoid + microcrystalline tyrosine (MCT) + monophosphoryl lipid A (MPL)) to replicate the success of our Pollinex Quattro product range.

Last year, we launched Acarovac Plus, a short course allergy product to treat house dust mite allergy, in Spain, which became our fastest growing product in that country this year. This rapid commercial acceptance, along with the positive results in symptom reduction scores of more than 50% (as announced in July), increases our confidence in the market penetration prospects for Acarovac Quattro.

The activity within our strengthened R&D department has been exceptional. The scientific team has been running our clinical programmes in Europe and planning the resumption of our clinical activities in the US. Our team has also been working on new and improved products and has designed a comprehensive programme of clinical trials to continue the development of our innovative product portfolio.

Another significant project has been the work done with MCT which is a depot/adjuvant system used in our products with the potential to be used in other vaccines. Depot adjuvants are used in vaccines to act as a carrier for the antigen, enabling presentation to the immune system over an extended period of time, therefore maximising the immune response before the body clears the antigen. MCT is a patented depot adjuvant formulation of the biodegradable amino acid tyrosine that combines the optimal drug stability profile of our short course vaccine delivery with extensive safety data consistent with its natural origin. MCT has been designed to provide defined particle size and structure along with a strong antigen binding capacity to enhance its use as a powerful immune system potentiator.

We have invested in our Medical Department which continues to provide support for our entire product range in all commercial markets but has also been handling the new body of regulation in the pharmacovigilance area, while our back office departments – Supply Operations, Quality Control, Quality Assurance – have ensured the Company has remained compliant and maintained high standards of reliability.

Summary and outlook

Immunotherapy is expected to be the fastest growing segment in the allergic rhinitis treatment market, estimated at $12 billion by 2016 (Visiongain). It is expected that over the next seven years, the immunotherapy market will more than double its size, growing at a compound annual growth rate of around 11%. The key driver of this growth will be the development of the US registered products market, where three oral vaccines were launched last year. Now that we have resumed our clinical programme in the US, we have the potential to be the first seasonal SCIT allergy vaccine to reach the US market, which is predominantly a SCIT market. This puts Allergy Therapeutics in a privileged position to become a global leading provider of allergy solutions, as shown by Pollinex Quattro Grass.

Growth in the European allergy market is expected to be relatively flat in the coming year but with the continued momentum across the Company's activities, the outlook is very positive and we expect to continue to increase our market share into the next year delivering improved top line growth. The Company will continue its plan to consolidate its position in the European markets as well as progressing its clinical development programme within the Therapieallergene-Verordnung (TAV) framework in Germany. Finally, we are very excited by the opportunity in the US market. We have made good progress in appointing a contract research organisation (CRO) and during the next year plan to advance rapidly to the Phase III challenge chamber study for MATA MPL Grass, keeping us on our time-line of submitting a BLA during 2018. This would be a transformational opportunity for the company.

We are a thriving company with a healthy product pipeline with an on-going mission to improve the lives of millions of allergy sufferers worldwide.

Manuel Llobet
CEO
18 September 2015

[1] Roger, A., Depreux, N., Jurgens Y., Heath M, Garcia G., Skinner M, A novel and well tolerated mite allergoid subcutaneous immunotherapy: Evidence of clinical and immunologic efficacy. Immunity, Inflammation and Disease, 2014; 2 (2); 92-98

Key Performance Indicators

Key Performance Indicators

Strategic objective

Maximise revenue

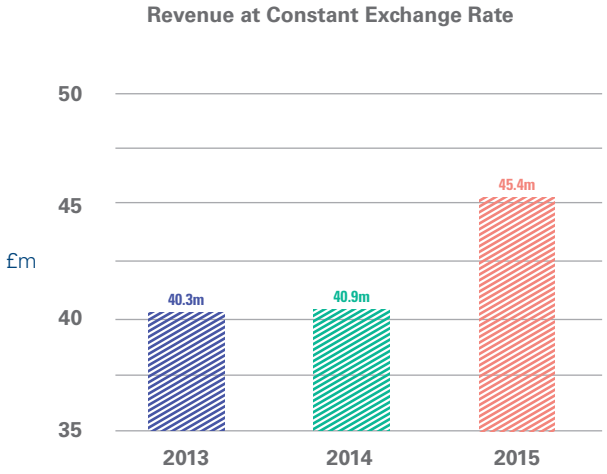
KPI

Revenue at constant exchange rate

(Total revenue measured at a constant budgeted foreign exchange rate)

Analysis

Revenue at budgeted exchange rate has grown satisfactorily compared to the two prior years



*GBP: EUR exchange rate 1.20

Strategic objective

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

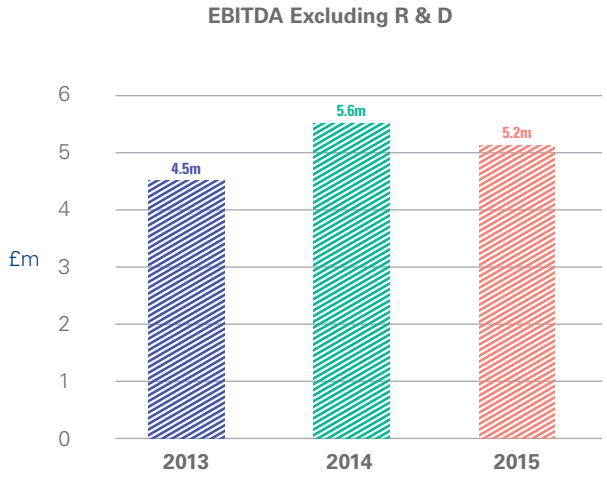
KPI

EBITDA excluding R&D

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

Analysis

EBITDA has been impacted in the current year by a £1.1m charge on the revaluation of US$ denominated cash deposits. Excluding this charge, the group would have reported an EBITDA excluding R&D of £6.3m



Strategic objective

Maximise the number of countries into which we sell our products

KPI

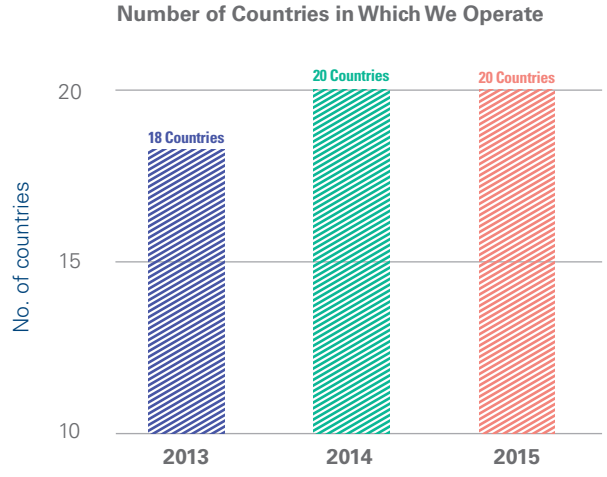
Number of countries into which we operate

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

Analysis

No new markets were entered in the current year.

The group continues to look for suitable markets into which it can expand



Research and Development Report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Clinical studies

The US Clinical Development of Subcutaneous Immunotherapies (SCIT)

In 2014, protocols detailing four studies were submitted to the FDA to progress the Grass MATA MPL[2] clinical development programme. Over the course of 2015 we have followed the requirements of the FDA's Center for Biologics Evaluation and Research (CBER) to progress the product to Biological Licence Application (BLA) submission by 2018.

September 2015 marked the beginning of a new phase of clinical evaluation for Grass MATA MPL following an Investigational New Drug (IND) application filed in July 2015. Our studies involve the use of two mobile Environmental Exposure Chambers (mEEC®) located in New Jersey and Cincinnati.

Results for the first two studies are planned to be available for a Phase III study to begin in September 2016.

European Clinical Development of Subcutaneous Immunotherapies (SCIT)

Clinical evaluation of Pollinex Quattro products toward licensure is being undertaken as part of the Therapieallergene-Verordnung (TAV) regulatory framework. In 2015, this included a Pollinex Quattro Birch dose ranging study following Clinical Trial Approval (CTA) granted by the Paul Ehrlich Institute (PEI) and AGES (Agentur Gesundheit Ernährungssicherheit).

The study uses a Conjunctival Provocation Test (CPT) to determine optimal response for four different doses of vaccine. This includes our current commercial dose previously verified as efficacious in a prior dose finding study.

Acarovac Plus – Next Generation Products for Dust Mite Immunotherapy

Acarovac Plus is being developed as one of the Company's new generation of products to address the perennial allergy market with innovative and short-course therapies. The novel, single vial, modified mite allergoid has undergone further clinical development showing positive results. The results build on the 2014 publication in Immunity, Inflammation and Disease[3] and have been submitted for publication in the above Journal[4].

Further to the efficacy noted for Acarovac Plus, Allergy Therapeutics is developing Acarovac Quattro, an ultra-short course therapy utilising the adjuvant monophosphoryl lipid A (MPL), which is used in the Company's successful Pollinex Quattro product range.

Scientific Developments

2015 has seen a number of Allergy Therapeutics' key studies published in high-profile scientific journals.

Of significant note was a featured article in the World Allergy Journal[5] aimed at better understanding the molecular fingerprint of the leading causes of allergy. In addition, Bell *et al* infers mechanisms of adjuvant interactions with active products, which support the synergistic effects of Micro Crystalline Tyrosine (MCT) and MPL. Through collaborative studies with field experts in influenza and malaria the application of MCT use in infectious disease therapy has been investigated and initial findings published shortly to be published[7,8]. Other research papers in preparation include assessment of the metabolic fate of depot adjuvants[9] and development of our probiotics platform.

Allergomics – we know what's in our products

The term allergomics has been created to indicate the standardisation and characterisation of the allergens within more than 100 diagnostic extracts. This initiative has enabled a level of compliance required for diagnostic supply, which some of our competitors have not followed, that could result in increased market share. This work includes an assessment of allergens at the molecular level and has resulted in the first of several related publications being approved[5].

Micro Crystalline Tyrosine (MCT) – a natural biodegradable depot adjuvant

MCT is a unique patented formulation[6] for use as a depot immunomodulator in allergy and non-allergy therapeutic applications. The MCT particles are formulated to create defined particle morphology and size for binding allergens, antigens, polysaccharides and lipids. The urgent and unmet need for new vaccine adjuvants for infectious diseases has led to research with renowned scientists and field experts within organisations including; Public Health England (PHE), The Jenner Institute, Oxford University and the University of Zurich.

Within the last 12 months, proof of concept immunogenicity studies have been completed supporting MCT use as a depot immunomodulator in each application[7,8]. Additional, comparative investigations of MCT and aluminium adjuvant metabolism revealed that the aluminium-containing adjuvant was localised at the dose site, providing insight into the dissociation and distribution of aluminium hydroxide particulates after subcutaneous administration in the rat model and providing lessons learned for optimisation of depot immunomodulators in future[9].

Synergies with MCT and MPL in our Pollinex Quattro franchise

A key study was accepted for publication in The Journal of Inorganic Biochemistry[10], which provides insight into the role of MCT for use in existing and future therapeutic development. The study determines molecular mechanisms of adjuvant adsorption that underpin the quality and efficacy of products including the current Pollinex Quattro technology platform. The report goes on to highlight the potential of MCT as an alternative 'delivery' adjuvant in infectious disease models.

Probiotics

The beneficial effects of our probiotic range have been further investigated in 2015, with the portfolio tailored towards indications within the broader remit in prevention management of allergic disease. In collaboration with Winclove Probiotics B.V., we describe the data used to support the design of a new probiotic formulation (Syngut™) for supplementation in people suffering from food intolerance. [11]

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[2]Grass MATA MPL is the working name used for the Pollinex Quattro Grass product formulation for use in the U.S

[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

[4]An observational, post-authorisation follow-up study of the safety, tolerability, satisfaction and effectiveness of Acarovac Plus: a modified, mite-allergoid subcutaneous immunotherapy, Roger A., Depreux N., Jurgens Y., Heath MD., Garcia, G., & Skinner, MA.

[5]Molecular, proteomic and immunological parameters of allergens provide inclusion criteria for new candidates within established grass and tree homologous groups, Heath MD, Collis J, Batten TN, Hutchings JW, Swan NJ and Skinner MA. WAO. 2015. (8:21)

[6]Patent "PROCESS FOR PREPARING VACCINE COMPOSITION." Publication No. WO/2012/143732; Skinner MA, Packer DT, Hewings SJ, Poland R

[7]Testing microcrystalline tyrosine (MCT) as adjuvant for vaccine against malaria (P. vivax), G. Cabral de Miranda, A. El-Turabi, M. A. Skinner, S. Hewings, A. C. Gnomes, E. Montoya Diaz, A. Reyes Sandoval, M. F. Bachmann, ECI 2015, Vienna

[8]Testing microcrystalline tyrosine (MCT) as adjuvant for vaccine against Influenza, B. Hallis, P. Luton, S. Hewings, Bullimore, M. Heath and Skinner MA

[9]Localisation kinetics of aluminium Hydroxide after subcutaneous injection in a Rat model, Heath, MD., Hewings, SJ., Kramer, MF., Skinner, MA, Submitted to Journal of Bioanalysis

[10]The Adsorption of Allergoids and 3-O-desacyl-4'-monophosphoryl lipid A (MPL®) to Microcrystalline Tyrosine (MCT) in Formulations for use in Allergy Immunotherapy, Bell AJ., Heath MD., Hewings SJ. and Skinner MA. Journal of Inorganic Biochemistry – Online ahead of print.

[11]In vitro evidence for efficacy in food intolerance for the multispecies probiotic formulation Ecologic® Tolerance (Syngut™). Besseling- van der Vaart*, MD. Heath, F. Guagnini and MF. Kramer. Paper in preparation.

Financial Review

Financial Review

The following section should be read in conjunction with the financial statements and related notes on pages 50 to 103.

Overview

The results for the twelve months to 30 June 2015 demonstrate continuing profitability despite difficult market conditions and continued investment in clinical studies, with an operating profit of £0.7 million (2014: £1.2 million). Operating profit includes a non-cash charge of £1.1m for the revaluation at the balance sheet date of US dollar cash deposits held for the US clinical studies. Operating profit before this charge was £1.8m (2014: £1.2m), a 51% improvement. During the year investment in clinical studies was maintained at £1.3 million (2014: £1.5 million). The acquisition of the Alerpharma group for €3.8m plus deferred consideration, expected to be around €0.2m, took place in June 2015 (note 29). The Alerpharma group added revenue of £0.2m and no profit, for the period consolidated.

Revenue

Despite weak allergy vaccine markets in Europe, revenue at constant currency* was 11% better at £46.6 million (2014: £42.0 million). This can be seen in the table below:

	2015 Germany £m	**2015 Other £m**	**2015 Total £m**	2014 Germany £m	2014 Other £m	2014 Total £m
Revenue	**27.1**	**16.1**	**43.2**	25.8	16.2	42.0
Add rebates	**2.9**	**-**	**2.9**	3.8	-	3.8
Gross revenue	**30.0**	**16.1**	**46.1**	29.6	16.2	45.8
Adjustment to retranslate at prior year foreign exchange rate	**2.5**	**1.1**	**3.6**			
Gross revenue at constant currency*	**32.5**	**17.2**	**49.7**	29.6	16.2	45.8

Revenue	**27.1**	**16.1**	**43.2**	25.8	16.2	42.0
Adjustment to retranslate at prior year foreign exchange rate	**2.2**	**1.2**	**3.4**			
Revenue at constant currency*	**29.4**	**17.2**	**46.6**	25.8	16.2	42.0

* 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.

Despite a weaker EUR: GBP weighted average exchange rate during the year compared to the prior year, revenue increased by 3% to £43.2 million (2014: £42.0 million). The weighted average EUR: GBP exchange rate in the year was 1.27 compared to 1.17 in the previous year; the weaker Euro negatively impacted revenue by £3.4 million. The Group has continued to grow its revenue in markets outside Germany in order to reduce its reliance on the German market, but, with the company's strong performance in Germany this year, revenue from Germany grew from 61% of the total reported revenue to 63%, although it is still significantly lower than that reported in 2009 of 73%. The key flagship product Pollinex Quattro, which accounts for 49% of total sales, grew very well in the year at a constant currency growth rate of 7.5%. In addition to the sale of allergy vaccines, the Group has continued to look to increase its revenue from other products, which includes probiotic sales. Total sales from other products contributed £3.2 million for the year ended 30 June 2015 (2014: £3.0 million).

Revenue in Germany grew well in the year with revenue at constant currency increasing to £29.4 million (2014: £25.8 million); an increase of 14%. During the year, the Group was subject to the full rebate charge in Germany. In the prior year, the rebate charge in H1 was 16% of sales, reducing to 6% in January 2014, before finally being set at a new on-going level of 7% in April 2014.

On 23 February 2015, the Company received notification that The Federal Office for Economics and Export ("BAFA") had made a decision to reverse their preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4 million (£1.1 million) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be re-instated. Therefore, as at 30 June 2015, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

In Spain (excluding the newly acquired Alerpharma S.A.) and Italy, sales at constant currency increased by 8%, which is a strong result given the weak market during the year. Similarly, Austria showed strong growth in sales of 10% in the year at constant currency.

Gross Profit

Despite the increased sales, tight management of manufacturing helped minimise increases in cost of sales to £12.2 million (2014: £12.0 million). This, together with the revenue increase of £1.3 million, increased the gross margin percentage by 30 basis points to 71.8%, leading to a gross profit of £31.1 million (2014: £30.0 million).

Operating Expenses

Total overheads are £1.5 million higher against the prior year at £30.4 million (2014: £28.9 million). Distribution costs, which are mainly European sales and marketing costs, were positively impacted by a weaker Euro, decreasing by £0.8 million to £17.1 million (2014: £17.9 million). However, administration expenses increased to £10.2 million (2014: £8.0 million), an increase of £2.2 million on the prior year. The major driver behind this increase was foreign exchange; the company booking a non-cash loss of £1.1m on its US dollar cash deposits due to the weakening dollar netted with a small gain on the fair valuation of Euro assets of £0.4 million (2014: £0.7 million). The remainder of the increase was due to increased support costs on the Company's IT systems to comply with new German banking requirements, acquisition fees relating to the Alerpharma purchase and staff employment costs. Further work relating to the dose ranging study for Pollinex Quattro Birch continued during the year as well as the commencement of the US study programme, and these were the main factors behind the year's R&D costs of £3.1 million (2014: £3.0 million).

Tax

The current year tax charge is predominately made up of the reversal of the brought forward deferred tax asset, on the assumption that in future years the Company will be loss making as a result of increased investments in the US clinical program, and provisions for tax in the Italian and German subsidiaries. The tax charge in the prior year relates mainly to the Italian subsidiary.

Balance Sheet

Property, plant and equipment increased by £1.8 million to £8.8 million as a result of the acquisition of Alerpharma. Excluding this, the depreciation charge for the period equalled new equipment purchases. Goodwill increased to £3.0 million with the acquisition of Alerpharma (2014: £2.5 million), whilst other intangible assets have risen by £0.7 million, again mainly as a result of the Alerpharma purchase.

Total current assets excluding cash have increased by £0.4 million to £12.6 million (2014: £12.2 million). This is mainly due to an increase in fair value of derivative financial instruments.

Retirement benefit obligations, which relate solely to the German pension scheme, increased to £6.8 million (2014: £6.4 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, increasing slightly, with a reported inflow of £2.5 million (2014: £2.3 million).

Financing

In March 2015, 94,117,650 new ordinary shares of 0.1 pence each ("Ordinary Shares") were placed with institutional and other investors raising proceeds of £20.8 million before expenses; £20.0 million to the Company after expenses. The net proceeds of the placing will be used to fund the clinical development of Pollinex Quattro Grass through to a BLA to obtain FDA regulatory approval in the US. Pollinex Quattro Grass could become the first licensed seasonal SCIT allergy vaccine authorised for marketing in the US, where the value of the market is estimated at $2 billion.

At the same time, the convertible loan notes which were issued by the Company on 30 March 2012, to CFR International SpA, were converted into 41,674,938 new Ordinary Shares (the "Conversion Shares") at 9.7 pence per Ordinary Share.
The Group had no debt on its balance sheet at the close of the financial year other than the loans acquired as a result of the Alerpharma acquisition (£1.7 million). The annual overdraft had been fully repaid in November 2014 and has been renewed for a further 12 months to cover the seasonal funding requirements over the summer of 2015.

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

Ian Postlethwaite
Finance Director
18 September 2015

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:

Commercial 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 commercially successful.

The key opportunities for the Group are developing and commercialising Pollinex Grass in the US, the PEI market authorisation for Pollinex Quattro Grass in Germany and to continue to increase our market share across Europe.

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 63% (2014: 61%) 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 continues 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 internal control system is designed to manage rather than eliminate risk, but.it can only provide reasonable and not absolute assurance against material misstatement or loss. Internal controls are designed for 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 half-yearly forecasts using variance analysis.

The Strategic Report, as set out on pages 2 to 29 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

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

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

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 non-executive Deputy Chairman of Shoreham Port, and Chairman of the Remuneration Committee.

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

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.

Thomas Lander, M.D.

Non-Executive Director

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.

Jean-Yves Pavée

Non-Executive Director

Jean-Yves joined the Board in November 2014. He is the nominated director of CFR Pharmaceuticals following its acquisition by Abbott Laboratories Inc. and the Senior Vice President, Developed Markets, for Abbott's Established Products Division. He was appointed to his current role at Abbott in July 2013. Previously, he served as Divisional Vice President, EMEA East and Division Vice President, Pharmaceuticals, Europe South. He joined Abbott in 1992.

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 32 to 34. The roles of Chairman and Chief Executive Officer are separate. The Directors feel that given the current size of the Group, the roles of Company Secretary and Finance Director are not deemed necessary to be separated. All Directors have direct access to the services and advice of the Company Secretary and to external independent professional advice at the expense of the Group.

Directors at year end		Date of Appointment	Attendance at meetings 2014-15
Peter Jensen	Chairman	October 2010	14/14
Stephen Smith	Non-Executive Director and Senior Independent Director	September 2004	14/14
Thomas Lander	Non-Executive Director	May 2012	13/14
Jean-Yves Pavée	Non-Executive Director	November 2014	2/9*
Manuel Llobet	Chief Executive Officer	July 2009	14/14
Ian Postlethwaite	Finance Director	July 2004	14/14

*Attendance is limited owing to his being appointed on 18 November 2014 and for personal reasons

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

We are not required to and do not fully 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) and Stephen Smith. The Committee held one meeting 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 44 to 46.

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 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 Directors present their Annual Report and the audited financial statements for the 12 months ended 30 June 2015. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

The Strategic Report

The strategic report is on pages 2 to 29. 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 2015 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 18.

Corporate Governance

Details of the Company's Corporate Governance can be found on pages 36 to 37.

Risk Management

The Group's exposure to Risk is set out on page 28 to 29 (principal risks and uncertainties) and in note 24 (Financial Risk Management).

Results & Dividend

The profit for the year after taxation was £0.1 million (2014: £0.7 million). The results for the year are set out on page 51 and are dealt with in more detail in the Financial Review.

Given the amount invested in research and development in the prior years the parent company has negative distributable reserves and is unable to declare a dividend (2014: nil).

Directors

The current Directors of the Company and their biographical details are given on pages 32 to 34. The details of the Directors service contracts and their interests in the share capital of the Company at 30 June 2015 are disclosed in the Director's Remuneration Report on pages 44 to 46. All the Directors served for the whole of the financial year with the exception of Jean-Yves Pavée who was appointed on 18 November 2014 and Alejandro Weinstein who resigned on 8 October 2014.

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

On 30 June 2015 the Company has been notified of the following voting rights

Shareholder	Number of Ordinary shares	% of voting rights and issued share capital
CFR International SPA & Associated Holding	240,584,571	44.0%
Southern Fox Investments	125,183,783	22.9%
Invesco Perpetual	30,685,209	5.6%
Odey Asset Management	28,968,205	5.3%

During the period between 30 June 2015 and 18 September 2015, the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Act.

Annual General Meeting

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

Employees

The Group employed 373 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 £3.1 million (2014: £3.0 million) on research and development. Further details on the Group's research and development are included in the Strategic Report Review on pages 2 to 29.

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 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Director's Financial Review on pages 24 to 26.

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 29 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 have 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 18 September 2015

Ian Postlethwaite

Company Secretary

Directors' Remuneration Report

Directors' Remuneration Report

Unaudited information

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 2014-2015
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 2015 provisional shares were awarded to directors and senior management under the Allergy Therapeutics plc 2013 Long Term Incentive Plan, subject to performance criteria being met. 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 which was the test applied in the 2005 LTIP Plan. 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 of Current Directors

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
Jean-Yves Pavée	18 November 2014	3 months

Directors' remuneration (audited information)

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

	Year ended 30 June 2014							
	Basic Salary	**Bonus for the year**	**Taxable benefits**	**Fees**	**Total**	**Pension**	Total	Pension
	£	**£**	**£**	**£**	**£**	**£**	£	£
Manuel Llobet	**257,500**	**106,613**	**10,314**	**-**	**374,427**	**38,655**	301,947	34,026
Ian Postlethwaite	**167,910**	**27,384**	**10,610**	**-**	**205,904**	**24,903**	203,457	16,183
Peter Jensen	**75,000**	**-**	**-**	**-**	**75,000**	**-**	65,833	-
Thomas Lander	**38,000**	**-**	**-**	**1,323**	**39,323**	**-**	36,167	-
Stephen Smith[1]	**14,800**	**-**	**-**	**27,700**	**42,500**		36,542	-
Jean-Yves Pavée[2]	**-**	**-**	**-**	**25,333**	**25,333**	**-**	-	-
Alejandro Weinstein[3]	**9,500**	**-**	**-**	**-**	**9,500**	**-**	36,167	-
Totals	**562,710**	**133,997**	**20,924**	**54,356**	**771,987**	**63,558**	680,113	50,209

[1] Stephen Smith's fee payments are split between SRS Business Enterprises Limited and himself.

[2] Fees payable to Abbott Laboratories Inc.

[3] Alejandro Weinstein resigned as a Director on 18 October 2014

Directors' LTIPs and share options

	LTIPs held at 1 July 2014	LTIPs granted in the year	LTIP's vested in the year	LTIPs lapsed in the year	LTIPs held at 30 June 2015	Subscription price (pence)	Exercise date from	Expiry date
Executive Directors								
Manuel Llobet	3,190,000	845,000	-	-	4,035,000	-	-	-
Ian Postlethwaite	163,500[1]	-		-	163,500[1]	18.5	18/10/2009	18/10/2019
	1,595,000	422,500	-	-	2,017,500	-	-	-
Totals	4,948,500	1,267,500	-	-	6,216,000			

[1]Share options

At 30 June 2015 the London Stock Exchange mid-market value of shares was 21.87 pence per share. The range of mid-market values during the period from 1 July 2014 to 30 June 2015 was 14.87 pence to 21.87 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	3,190,000	3,125,000	4,035,000
Ian Postlethwaite	1,360,000	1,758,500	1,360,000	2,181,000
Peter Jensen	120,000	-	120,000	-
Thomas Lander	-	-	-	-
Jean-Yves Pavée	-	-	-	-
Stephen Smith	776,513	-	776,513	-

[1] Includes shares held by Wild Indigo.

Stephen Smith
Chairman, Remuneration Committee
18 September 2015

Nominations Committee Report

Nominations Committee Report

The Nominations Committee during the year comprised Peter Jensen (Chairman), Stephen Smith and Alejandro Weinstein (resigned 18 October 2014). The Nominations Committee was established in September 2009 and held one meeting in 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 2014-15
Peter Jensen	October 2010	1/1
Stephen Smith	September 2009	1/1

When proposing appointments of directors, the Committee considers the skills, knowledge and experience that a candidate possesses compared to the skill sets and experience of the Board as it currently stands.

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.

The Board having reviewed of the independence of the Board last year continue to regard Mr Stephen Smith as an independent Non- Executive Director. During the review it was noted that his term of office was over 9 years, contrary to the UK Corporate Governance Code. 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 2014. Mr Thomas Lander is 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
18 September 2015

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 2015 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 42, 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/auditscopeukprivate.

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 2015 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 2015.

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

Gatwick
18 September 2015

Consolidated Income Statement for the year ended 30 June 2015

	Note	Year to 30 June 2015 £'000	Year to 30 June 2015 £'000	Year to 30 June 2014 £'000	Year to 30 June 2014 £'000
Revenue	3		**43,230**		41,955
Cost of sales			**(12,179)**		(11,951)
Gross profit			**31,051**		30,004
Sales, marketing and distribution costs			**(17,060)**		(17,922)
Administration expenses – other		**(10,218)**		(7,986)	
Research and development costs		**(3,121)**		(2,963)	
Administration expenses			**(13,339)**		(10,949)
Other income	8		**73**		76
Operating profit			**725**		1,209
Finance income	10		**147**		170
Finance expense	9		**(218)**		(295)
Profit before tax	5		**654**		1,084
Income tax	11		**(546)**		(343)
Profit for the period			**108**		741
Earnings per share	13				
Basic (pence per share)			**0.02p**		0.16p
Diluted (pence per share)			**0.02p**		0.16p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2015

	Note	Year to 30 June 2015 £'000	Year to 30 June 2014 £'000
Profit for the period		**108**	741
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	26	**(932)**	(271)
Remeasurement of investments – retirement benefit assets	17	**8**	(10)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(119)**	(191)
Total comprehensive (loss)/profit		**(935)**	269

Consolidated Balance Sheet

	Note	30 June 2015 £'000	30 June 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**8,750**	7,030
Intangible assets – goodwill	14	**2,980**	2,480
Intangible assets – other	15	**2,020**	1,291
Investments – retirement benefit asset	17	**3,160**	3,212
Deferred taxation asset	12	**-**	174
Total non-current assets		**16,910**	14,187
Current assets			
Trade and other receivables	19	**5,060**	5,368
Inventories	18	**6,747**	6,469
Cash and cash in hand	20	**21,199**	2,029
Derivative financial instruments	24	**783**	345
Total current assets		**33,789**	14,211
Total assets		**50,699**	28,398
Liabilities			
Current liabilities			
Trade and other payables	21	**(7,169)**	(6,425)
Current borrowings	22	**(251)**	(49)
Total current liabilities		**(7,420)**	(6,474)
Net current assets		**26,369**	7,737
Non-current liabilities			
Retirement benefit obligations	26	**(6,755)**	(6,418)
Deferred taxation liability	12	**(298)**	(136)
Non-current provisions	23	**(211)**	(222)
Other non-current liabilities	21	**(113)**	(73)
Long term borrowings	22	**(1,433)**	-
Total non-current liabilities		**(8,810)**	(6,849)
Total liabilities		**(16,230)**	(13,323)
Net assets		**34,469**	15,075
Equity			
Capital and reserves			
Issued share capital	27	**556**	420
Share premium		**91,463**	67,716
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – EBT		**67**	67
Reserve – share based payments		**591**	465
Reserve – convertible loan notes		**-**	3,652
Revaluation reserve		**1,178**	1,178
Foreign exchange reserve		**(140)**	(21)
Retained earnings		**(99,374)**	(98,530)
Total equity		**34,469**	15,075

These financial statements were approved by the Board of Directors on 18 September 2015 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 05141592

Consolidated Statement of Changes in Equity

	Issued Capital	Share premium	Merger reserve – shares issued by subsidiary	Reserve - shares held in EBT	Reserve - share based payment	Reserve – convertible loan note	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2013	420	67,716	40,128	67	679	3,652	1,178	170	(99,339)	14,671
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(191)	-	(191)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	(271)	(271)
Remeasurement of investments – retirement benefit assets	-	-	-	-	-	-	-	-	(10)	(10)
Total other comprehensive income	-	-	-	-	-	-	-	(191)	(281)	(472)
Profit for the period after tax	-	-	-	-	-	-	-	-	741	741
Total comprehensive income	-	-	-	-	-	-	-	(191)	460	269
Transactions with shareholders - convertible loan note	-	-	-	-	-	-	-	-	(49)	(49)
Share based payments	-	-	-	-	184	-	-	-	-	184
Shares issued	-	-	-	-	-	-	-	-	-	-
Transfer of lapsed options to retained earnings	-	-	-	-	(398)	-	-	-	398	-
At 30 June 2014	**420**	**67,716**	**40,128**	**67**	**465**	**3,652**	**1,178**	**(21)**	**(98,530)**	**15,075**
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(119)	-	(119)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	(932)	(932)
Remeasurement of investments – retirement benefit assets	-	-	-	-	-	-	-	-	8	8
Total other comprehensive income	-	-	-	-	-	-	-	(119)	(924)	(1,043)
Profit for the period after tax	-	-	-	-	-	-	-	-	108	108
Total comprehensive income	-	-	-	-	-	-	-	(119)	(816)	(935)
Transactions with shareholders - convertible loan note	-	-	-	-	-	-	-	-	(86)	(86)
Conversion of loan note to equity	42	3,832	-	-	-	(3,652)	-	-	(222)	-
Share based payments	-	-	-	-	406	-	-	-	-	406
Shares issued	94	19,915	-	-	-	-	-	-	-	20,009
Transfer of lapsed options to retained earnings	-	-	-	-	(280)	-	-	-	280	-
At 30 June 2015	**556**	**91,463**	**40,128**	**67**	**591**	**-**	**1,178**	**(140)**	**(99,374)**	**34,469**

Consolidated Cash Flow Statement

	Note	Year to 30 June 2015 £'000	Year to 30 June 2014 £'000
Cash flows from operating activities			
Profit before tax		**654**	1,084
Adjustments for:			
Finance income	10	**(147)**	(170)
Finance expense	9	**218**	295
Non cash movements on defined benefit pension plan		**290**	160
Depreciation and amortisation	15,16	**1,293**	1,287
Charge for share based payments		**406**	184
Movement in fair valuation of derivative financial instruments		**(438)**	(669)
Disposal of intangible assets and property, plant and equipment		**-**	1
(Increase)/ decrease in trade and other receivables		**(448)**	1,689
(Increase) in inventories		**(424)**	(625)
Increase/ (decrease) in trade and other payables		**1,079**	(911)
Net cash generated by operations		**2,483**	2,325
Interest paid		**(304)**	(102)
Income tax		**(174)**	(50)
Net cash generated by operating activities		**2,005**	2,173
Cash flows from investing activities			
Interest received		**65**	71
Investments		**(275)**	(281)
Acquisition of Alerpharma Group		**(2,653)**	-
Cash acquired on acquisition of Alerpharma Group		**1,301**	-
Payments for intangible assets		**(13)**	(22)
Payments for property plant and equipment		**(1,091)**	(898)
Net cash used in investing activities		**(2,666)**	(1,130)
Cash flows from financing activities			
Proceeds from issue of equity shares (net of issue costs)		**20,079**	-
Net cash generated by financing activities		**20,079**	-
Net increase in cash and cash equivalents		**19,418**	1,043
Effects of exchange rates on cash and cash equivalents		**(248)**	(78)
Cash and cash equivalents at the start of the period		**2,029**	1,064
Cash and cash equivalents at the end of the period		**21,199**	2,029

Cash at bank and in hand		**21,199**	2,029
Bank overdraft		**-**	-
Cash and cash equivalents at the end of the period		**21,199**	2,029

Notes to the Financial Statements

1. BASIS OF PREPARATION

Allergy Therapeutics is a specialty pharmaceutical company focused on allergy vaccination.

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 2015 (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 18 September 2015.

New standards adopted

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2015 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 2018)

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 2018)

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 2015, and for the sixth year in succession, the Group has reported an operating profit and an operating cash inflow. Operating profit in the period was £0.7 million (2014: £1.2 million); net cash from operations was £2.5 million (2014: £2.3 million).

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2016 and 30 June 2017. 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 2015. 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 applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

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. Intangible assets are amortised over their useful economic life as follows

Trade names	15 years
Customer relationships	5 years
Know-how and patents	10 years
Distribution agreements	15 years/ period of contract

Externally acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over their useful economic life as below and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets is reviewed at least at each financial year end.

Computer software	7 years
Other intangibles	15 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in income statement in the expense category consistent with the function of the intangible asset.

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 the income statement in the period in which it is incurred.

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

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

Manufacturing know-how	15 years
Non-competing know-how	4 years
Other intangibles	15 years

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

The cost of amortising intangible assets is included within administration expenses 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 a weighted 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 weighted 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.

Part 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 18.16.

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 full 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.

As of April 2014, the Rebate has been set at 7%.

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 the income statement, in which case it is first credited to the income statement 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 the income statement.

Other plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Provision for depreciation of all PPE 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 machinery	5 – 15 years

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 PPE 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.

Depreciation charges are included in either administration expenses or manufacturing overhead expenses 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 or intangible assets 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.

Net realisable value is calculated based on the selling price 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

A finance lease exists where the economic ownership of a leased asset is transferred to the lessee because the lessee bears substantially all the risks and rewards of ownership of the leased asset. All other leases are operating 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 trade and other receivables are denominated as loans and receivables and these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Financial derivatives are designated at FVTPL (fair value through profit and loss) upon initial recognition.

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 the income statement. 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 borrowings, trade and other payables, contingent liabilities 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 expense" 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. Contingent consideration on business combinations is recognised initially at their fair value and subsequently measured at FVTPL.

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

Convertible loan notes

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

Derivative financial instruments

The Group uses interest rate swaps, Euro forward contracts and Euro exchange swaps to manage the exposure to changes in interest and translation rates and these are classified as derivative financial instruments. All derivative financial instruments are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. Any change in the fair value of the instruments is recognised in either administration expenses (Foreign exchange contracts) or finance expenses (note 9) 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 that have been enacted or substantially enacted by the end of the reporting period. 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) or equity, in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity, respectively.

Defined contribution pension scheme

Payments to defined contribution schemes are charged as an expense to the income statement as they fall due in the expense category consistent with the function of the employee to which they relate.

Defined benefit pension scheme

Plan assets are measured at fair values. Defined benefit obligations 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, within trade and other payables, 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 through 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 91.

All share based compensation is ultimately recognised as an expense in the consolidated income statement with a corresponding credit to the share based payments reserve. 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 vested than estimated, however the expensed value of these lapsed shares is transferred from the share based payment reserve to retained earnings.

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 costs, £3.1 million (2014: £3.0 million)

b) 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.

c) Land and buildings are carried at valuation and are re-valued every 2-3 years. The last revaluation of the Italian freehold property took place in June 2013 (see note 16). The directors do not consider the current carrying value to be materially different to the fair value, based on their experience of the local market and enquiries of local valuers. Therefore no impairment provision for this asset is required. The next external valuation will take place in the year to 30 June 2016. The Freehold property in Spain was revalued in June 2015 (see note 16). The directors do not consider an impairment provision to be required.

d) The Group had been awarded a provisional exemption to the increased rebate charge in Germany for the period July to December 2012. Revenue of £1.1 million (equivalent of €1.4 million) was recognised in the year ended 30 June 2013 in relation to this exemption and the refund was subsequently collected. In February 2015, the provisional exemption was withdrawn. The group has lodged an appeal and, following legal advice, believe that the exemption will be re-instated. While the Group is confident that the exemption will be confirmed, there is a possibility that this will not happen. If the exemption is not confirmed then the Group will ultimately have to repay €1.4 million (£1.0 million) with a corresponding impact on net income and net assets.

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 62) 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) 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.

e) In relation to the accrued additional revenue due from distributors referred to in the Judgements section (point (b) 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 accrued consideration of £0.1 million is recoverable and will crystallise in future periods and has been carried forward in prepayments and accrued income (2014: £0.2m).

f) The Group operates equity-settled share based compensation plans for remuneration of its employees comprising Long Term Incentive Plan (LTIP) schemes. As explained on page 66, employee services received in exchange for the grant of any share based compensation are measured at their fair values and expensed over the vesting period. The fair value of this compensation is dependent on whether the provisional share awards will ultimately vest, which in turn is dependent on future events which are uncertain. The directors use their judgment and experience of previous awards to estimate the probability that the awards will vest, which impacts the fair valuation of the compensation.

3. REVENUE

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

	2015	2014
	£'000	£'000
Sale of goods	**43,205**	41,871
Rendering of services	**25**	84
	43,230	41,955

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

4. SEGMENTAL REPORTING

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

The CODM reviews information based on geographical market sectors and assesses performance at an EBITDA (operating profit before interest, tax, depreciation and amortisation) and operating profit level. Management have identified that the reportable segments are Central Europe (which includes the following operating segments; Germany, Austria, Switzerland and the Netherlands), Southern Europe (Italy and Spain), the UK (including Latin America) and 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
	2015	**2015**	**2015**	2014	2014	2014
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central Europe						
Germany	**27,137**		**27,137**	25,782		25,782
Other	**5,997**		**5,997**	5,902		5,902
	33,134		**33,134**	31,684		31,684
Southern Europe	**6,888**		**6,888**	6,718		6,718
UK	**1,054**	**22,900**	**23,954**	927	34,890	35,817
Rest of World	**2,154**		**2,154**	2,626		2,626
	43,230	**22,900**	**66,130**	41,955	34,890	76,845

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 budgeted constant currency basis, to provide relevant year on year comparisons.

The following revenue table is based on a budget currency rate of € 1.20: £1.00 which was the rate used in the 2015 budget.

	Revenue from External Customers	Revenue from External Customers
	2015	2014
	£'000	£'000
Central Europe		
Germany	**28,719**	25,198
Other	**6,193**	5,545
	34,911	30,743
Southern Europe	**7,290**	6,565
UK	**1,054**	927
Other	**2,158**	2,626
	45,413	40,861

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

Depreciation and amortisation by segment

	2015	2014
	£'000	£'000
Central Europe	**139**	154
Southern Europe	**143**	105
UK	**1,011**	1,028
	1,293	1,287

EBITDA by segment

	2015	2014
Allocated EBITDA	**£'000**	£'000
Central Europe	**(452)**	(810)
Southern Europe	**(93)**	(236)
UK	**2,562**	3,542
Allocated EBITDA	**2,017**	2,496
Depreciation and amortisation	**(1,293)**	(1,287)
Operating profit	**724**	1,209
Finance income	**147**	170
Finance expense	**(218)**	(295)
Profit before tax	**653**	1,084

Total assets by segment

	2015	2014
	£'000	£'000
Central Europe	8,692	8,489
Southern Europe	5,450	3,608
UK	58,809	37,626
	72,951	49,723
Inter-segment assets	(2,691)	(2,572)
Inter-segment investments	(19,561)	(18,753)
Total assets per Balance Sheet	50,699	28,398

Included within Central Europe are non-current assets to the value of £2,980,000 (2014: £2,480,000) relating to Goodwill and within Southern Europe assets to the value of £1,608,000 (2014: £1,085,000) relating to freehold land and buildings.

Total liabilities by segment

	2015	2014
	£'000	£'000
Central Europe	(9,779)	(9,932)
Southern Europe	(4,164)	(1,861)
UK	(4,874)	(4,101)
	(18,817)	(15,894)
Inter-segment liabilities	2,587	2,571
Total liabilities per Balance Sheet	(16,230)	(13,323)

5. PROFIT BEFORE TAX

	2015	2014
Profit for the period has been arrived at after charging/ (crediting):	**£'000**	£'000
(Gain) on fair valuation of foreign exchange forward contracts	**(438)**	(656)
(Gain)/ loss on foreign exchange forward contracts matured in the year	**(618)**	42
Loss on revaluation of US dollar denominated cash deposits	**1,118**	-
Other foreign exchange loss/(gain)	**919**	(548)
Acquisition costs of new subsidiary (note 29)	**205**	-
Depreciation and amortisation:		
Depreciation of property plant and equipment (note 16)	**1,053**	1,006
Amortisation of intangible assets (note 15)	**240**	281
Research and development	**3,121**	2,963
Land and buildings held under operating leases	**701**	726
Other operating leases	**537**	584
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	**78**	74
Tax services	**4**	10
Other services	**12**	9
Share based payment expense (note 28)	**406**	184

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2015	2014
	£'000	£'000
Salaries and short-term employee benefits	**772**	680
Social security costs	**87**	69
Post-employment benefits – defined contribution plans	**64**	50
	923	799
Share based payment	**88**	48
	1,011	847

Key management personnel are considered to be the Directors and full details of their remuneration are set out in the information included in the Director's Remuneration table on page 45 and forms part of the financial statements.

7. EMPLOYEES (including directors)

	2015	2014
	£'000	£'000
Wages and salaries	**16,116**	15,497
Social security costs	**2,407**	2,264
Share based payments	**406**	184
Pension costs – defined benefit plans	**220**	262
Pension costs – defined contribution plans	**329**	237
	19,478	18,444

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

	2015	2014
R & D, marketing and administration	**126**	116
Sales	**96**	93
Production	**139**	138
	361	347

8. OTHER INCOME

	2015	2014
	£'000	£'000
Net monetary value of above the line R&D tax credit	**73**	76

9. FINANCE EXPENSE

	2015	2014
	£'000	£'000
Interest on borrowing facility	**27**	39
Change in fair value of derivative financial instrument	**-**	(13)
Net interest expenses on defined benefit liability	**191**	206
Other interest and charges	**-**	63
	218	295

10. FINANCE INCOME

	2015	2014
	£'000	£'000
Bank interest	**22**	5
Interest on investment assets	**82**	99
Other finance income	**43**	66
	147	170

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

11. INCOME TAX EXPENSE

	2015	2014
	£'000	£'000
Current Tax:		
Prior period tax	**248**	110
Overseas tax	**137**	219
	385	329
Deferred tax		
– current year	**(13)**	14
– reduction in carrying amount of deferred tax asset	**174**	-
Tax charge for the period	**546**	343

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:

	2015	2014
	£'000	£'000
Profit for the period before tax	**654**	1,084
Profit for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 20.75%).	**136**	244
Effects of:		
Disallowable adjustments	**104**	200
Movements in unrecognised deferred tax	**(154)**	(268)
Adjustment of taxes for prior periods	**248**	110
Adjustment for different tax rates	**34**	27
Gross up of R&D expenditure credit	**4**	4
	372	317
Deferred tax - reduction in carrying amount of deferred tax asset	**174**	-
- change in tax rate	**-**	26
Tax charge for the period	**546**	343

12. DEFERRED TAX

Recognised deferred tax liability

	Tax value of carried forward losses	Tax value of accelerated capital allowances	Acquisition of Teomed AG	Tax value of Alerpharma SA losses	Acquisition of Alerpharma SA	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2014	**600**	**(426)**	**(136)**	**-**	**-**	**38**
Amount credited to the income statement	**(145)**	**(29)**	**13**	**-**	**-**	**(161)**
Recognised on acquisition	**-**	**-**	**-**	**207**	**(375)**	**(168)**
Exchange differences	**-**	**-**	**(7)**	**-**	**-**	**(7)**
At 30 June 2015	**455**	**(455)**	**(130)**	**207**	**(375)**	**(298)**

	Tax value of carried forward losses	Tax value of accelerated capital allowances	Acquisition of Teomed AG	Total
	£'000	£'000	£'000	£'000
At 1 July 2013	671	(471)	(159)	41
Amount credited to the income statement	(71)	45	12	(14)
Exchange differences	-	-	11	11
At 30 June 2014	600	(426)	(136)	38

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. Deferred tax assets, in respect of losses, are recognised up to the value of the fixed asset liability as the nature of the asset & liability is such that they unwind at the same time.

During the year a deferred tax liability of £207,000 arose in respect of Alerpharma SA related to the other intangible assets acquired (note 15) and £168,000 in respect of land and buildings. This is partially offset by a deferred tax asset of £207,000 relating to the tax value of its carried forward losses.

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

	2015	2014
	£'000	£'000
Deferred tax assets	**662**	600
Deferred tax liabilities	**(960)**	(562)
	(298)	38

Unrecognised deferred tax

	2015	2014
	Deferred tax assets	Deferred tax assets
	£'000	£'000
Non Current Assets		
Property, plant & equipment	**59**	51
R&D expenditure credit	**42**	22
Current Assets		
Stock	**345**	418
Derivative financial instruments	**157**	69
Non Current Liabilities		
Pension and other employee obligations	**1,185**	1,057
Share options	**145**	72
Unused tax losses	**12,701**	12,778
Total	**14,634**	14,467

As at 30 June 2015 the Group had approximately £67m of unutilised tax losses (2014: approximately £66m) available for offset against future profits. No net deferred tax asset has been recognised in respect of unutilised tax losses. 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 2015.

13. EARNINGS PER SHARE

	2015	2014
	£'000	£'000
Profit after tax attributable to equity shareholders	**108**	741

	Shares	Shares
	'000	'000
Issued ordinary shares at start of the period	**409,867**	409,867
Ordinary shares issued in the period	**135,981**	-
Issued ordinary shares at end of the period	**545,848**	409,867
Ordinary shares to be issued on conversion of loan note (Note 27)	**-**	41,675
Ordinary shares	**545,848**	451,542
Weighted average number of shares for the period	**475,197**	451,542
Potentially dilutive share options	**23,045**	19,965
Weighted average number of shares for diluted earnings per share	**498,242**	471,507
Basic earnings per share (pence)	**0.02p**	0.16p
Diluted earnings per share (pence)	**0.02p**	0.16p

14. GOODWILL

	2015	2014
	£'000	£'000
At 1 July	**2,480**	2,560
Addition	**637**	-
Exchange difference	**(137)**	(80)
At 30 June	**2,980**	2,480

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

	2015	2014
	£'000	£'000
Germany	**2,343**	2,480
Spain	**637**	-
Total	**2,980**	2,480

Apart from the considerations described in determining the value in use of the CGU described below, 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.

Germany

The recoverable amount for the Germany 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 (2014: 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.

Spain

The addition to goodwill arose on the acquisition of Alerpharma Group SA in June 2015. The recoverable amount for the Spain CGU above was determined based on a value-in-use calculation, covering a detailed ten-year forecast of future cash flows using budgeted projections assuming a 17% discount rate which the Group has estimated to be the weighted average cost of capital adjusted for risks specific to the CGU.

Management's key assumptions include sales growth (at an average of 0% for the ten 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.

15. INTANGIBLE ASSETS

	Manufacturing and non-competing know-how	Distribution agreements (Switzerland)	Trade names (Spain)	Customer relationships (Spain)	Know-how and patents (Spain)	Other intangibles	Computer software	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 July 2013	4,650	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	4,450	944	-	-	-	878	2,226	8,498
Additions	-	-	-	-	-	55	92	147
Acquired assets	18	-	372	237	220	8	-	855
Disposals	-	-	-	-	-	(55)	-	(55)
Foreign exchange	(348)	32	-	-	-	(4)	(66)	(386)
At 30 June 2015	**4,120**	**976**	**372**	**237**	**220**	**882**	**2.252**	**9,059**
Amortisation								
At 1 July 2013	4,650	199	-	-	-	1,027	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	4,450	257	-	-	-	827	1,673	7,207
Disposals	-	-	-	-	-	(4)	-	(4)
Charge for the year	-	56	-	-	-	32	152	240
Foreign exchange	(348)	9	-	-	-	(5)	(60)	(404)
At 30 June 2015	**4,102**	**322**	**-**	**-**	**-**	**850**	**1,765**	**7,039**
Net book value								
At 1 July 2013	-	797	-	-	-	82	471	1,350
At 30 June 2014	-	687	-	-	-	51	553	1,291
At 30 June 2015	**18**	**654**	**372**	**237**	**220**	**32**	**487**	**2,020**

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 cash flows expected to arise from the agreements and are amortised over a period of fifteen years.

Trade names, customer relationships, know-how and patent (Spain) assets were recognised at fair value upon the acquisition of Alerpharma S.A.

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 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
Additions	476	171	18	369	-	1,034
Acquired assets	256	18	-	8	1,607	1,889
Foreign exchange	(16)	(70)	-	(69)	(134)	(289)
Disposals	(5)	1	(20)	4	-	(20)
At 30 June 2015	**9,012**	**5,205**	**36**	**3,412**	**2,603**	**20,268**
Depreciation						
At 1 July 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
Charge for the year	459	236	3	312	42	1,053
Foreign exchange	(9)	(61)	-	(64)	(5)	(139)
Disposals	-	-	(20)	-	-	(20)
At 30 June 2015	**5,032**	**3,743**	**15**	**2,646**	**82**	**11,518**
Net book value						
At 1 July 2013	3,787	1,521	-	822	1,207	7,337
At 30 June 2014	3,719	1,518	6	702	1,085	7,030
At 30 June 2015	**3,980**	**1,462**	**21**	**766**	**2,521**	**8,750**

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 and the Alerpharma manufacturing and office facility in Madrid, Spain. The building in Italy was revalued in April 2013 by independent valuers. This property is carried at fair value and is classified as level 3 in the hierarchy of financial assets.

The Madrid premises were acquired on the acquisition of Alerpharma in June 2015 with a fair valuation of £1,607,000. The valuation was carried out by independent valuers and the fair valuation is classified as level 3 in the hierarchy of financial assets. The valuation

was performed using the depreciated cost replacement method (adjusted for reduction in value due to age). The age reduction applied related to a percentage discount to allow for the fact that the valuation reflected the current age of the building. The unobservable input relates to the percentage applied for this reduction in value. If the age reduction discount were to increase by 10% then the valuation of the building would reduce by £155,000. The net book value at acquisition was £937,000.

The reconciliation of the carrying amounts of land and buildings non-financial assets classified within level 3 is as follows:

	Spain	Italy	**Total**
	£'000	£'000	**£'000**
Balance at 1 July 2014	-	1,085	**1,085**
Loss recognised in income statement			
– depreciation of buildings	-	(42)	**(42)**
Loss recognised in other comprehensive income			
– exchange differences on translating foreign operations	-	(129)	**(129)**
Fair value on acquisition of new subsidiary	1,607	-	**1,607**
Balance at 30 June 2015	**1,607**	**914**	**2,521**

The Italian 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. A valuation of the Land and Buildings was carried out in April 2013 by independent valuers using the market method. The value of the property was calculated taking into account the sale prices achieved by other properties similar to the one in question as regards size, location, type, use quality, construction features etc. Land and buildings were revalued to fair value at 30 June 2013 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. Management do not consider that the fair value as at 30 June 2015 is significantly different to the carrying value, based on the latest valuation, knowledge of the local market and enquiries of local experts.

If the cost basis was used, the carrying amounts of the Italian 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.

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 a right to reimbursement and does not meet the definition of a qualifying insurance policy under IAS19.8. It is valued at fair value by the pension scheme administrators (SLPM) each year. SLPM value the insurance policies according to contractual arrangements (equivalent to cash surrender values). This is classified as level 2 in the fair value hierarchy.

	2015	2014
	£'000	£'000
At 1 July	**3,212**	3,059
Additions	**275**	281
Finance income	**82**	99
Remeasurement of investment	**8**	(10)
(Loss) on foreign exchange	**(417)**	(217)
	3,160	3,212

18. INVENTORIES

	2015	2014
	£'000	£'000
Raw materials and consumables	1,675	1,854
Work in progress	2,937	3,144
Finished goods	2,135	1,471
	6,747	6,469

The value of inventories measured at fair value less cost to sell was £334,000 (2014: £162,000).

19. TRADE AND OTHER RECEIVABLES

	2015	2014
	£'000	£'000
Trade receivables	3,087	2,756
Other receivables	860	1,261
VAT	140	158
Prepayments and accrued revenue	973	1,193
	5,060	5,368

Accrued revenue (£143,000) relates to deferred consideration receivable from customers (2014: £212,000)

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, £47,000 of trade receivables was found to be impaired and none 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

	2015	2014
	£'000	£'000
Balance brought forward	194	109
Foreign exchange adjustments	(25)	(11)
Charge for the year	47	113
Utilised	-	(17)
Balance carried forward	216	194

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:

	2015	2014
Trade receivables	£'000	£'000
Not more than 3 months	568	626
More than 3 months but not more than 6 months	589	161
More than 6 months but not more than 1 year	184	44
More than one year	83	74
	1,424	905

20. CASH AND CASH IN HAND

	2015	2014
	£'000	£'000
Cash at bank and in hand	21,199	2,029

21. TRADE AND OTHER PAYABLES

Due within one year	2015	2014
	£'000	£'000
Trade payables	2,819	2,464
Social security and other taxes	513	591
Other creditors	332	290
Accrued expenses and deferred income	3,505	3,080
	7,169	6,425

Due after one year	2015	2014
	£'000	£'000
Trade payables	-	73
Deferred consideration	113	-
	113	73

Total trade and other payables	7,282	6,498

The deferred consideration due after one year relates to an amount payable for the acquisition of the Alerpharma group. The deferred consideration is contingent on the future financial performance of the Alerpharma Group. It is not possible to calculate exactly how much will be payable but the group does not expect it to exceed £460,000. The actual amount provided is the Group's best estimation of the amount payable, discounted at the weighted average cost of capital of the Spanish CGU (17%).

22. BORROWINGS

Due within one year	2015	2014
	£'000	£'000
Convertible loan note	-	49
Bank Loans	251	-
	251	49

Due in more than one year	2015	2014
	£'000	£'000
Bank Loans	1,433	-
	1,433	-

There is an overdraft facility provided by The Royal Bank of Scotland Plc which has a variable limit during the year up to a maximum of £7 million. Interest on the overdraft is at the bank's base rate plus a fixed margin of 2.50%. 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 2016.

The Convertible loan notes were issued in April 2012 (Note 27) and converted into equity in March 2015. The convertible loan note liability in 2014 related to the interest payable over the next year.

As part of the acquisition of Alerpharma SA, the group acquired loans totalling €2,386,000 (£1,684,000). The loans are secured by way of a charge on land and buildings owned by Alerpharma Group SA.

		Capital Repayments Due		
	Interest rate	**<1 Year**	**1-5 Years**	**>5 Years**
		£'000	**£'000**	**£'000**
Bank Inter (1)	3 month Euribor + 0.55%	103	411	63
Bank Inter (2)	1 month Euribor + 5.0%	33	131	182
Santander	12 month Euribor + 2.5%	95	380	122
Tecnoalcala	Interest Free	20	82	62
		251	**1,004**	**429**

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.

	2015	2014
	£'000	£'000
At 1 July	**222**	300
Additions	**25**	28
Utilisation	**(9)**	(89)
Foreign exchange movement	**(27)**	(17)
	211	**222**

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.

	2015	2014
	£'000	£'000
Capital	34,469	15,075
Total equity	34,469	15,075
Borrowings	1,684	49
Overall financing	36,153	15,124
Capital-to-overall financing ratio	0.95	1.00

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	2015	2014
	£'000	£'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	25,429	6,203
Fair value through profit and loss – held for trading	783	345
	26,212	6,548
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	(3,915)	(2,660)
Non current		
At amortised cost (including borrowings and payables)	(1,757)	(295)
	(5,672)	(2,955)

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 (spot rate versus forward rates for matching maturity dates) and supported by counterparty confirmation. 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 €16,976,000 to purchase GBP at an average blended rate of 1.3195 for dates from July 2015 until May 2016.

Analysis of derivative financial Instruments	2015	2014
	£'000	£'000
Credit/(Charge) to administration expenses in the Income Statement		
Euro forward contacts - held for trading	438	656
Euro forward contracts - matured in the period	618	(42)
	1,056	614
Credit/(Charge) to finance expense in the Income Statement		
Interest rate swap - held for trading	-	13
Interest rate swap – charges in the period	-	(13)
	-	-

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	2015	2014
	£'000	£'000
Current assets		
Derivative financial instruments		
- Euro forward contracts - held for trading	783	345
	783	345

The net profit at fair value of financial instruments through the income statement is £438,000 (2014 gain: £669,000).

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 has commenced its clinical programme in the US and hence holds funds in US Dollars to settle future costs

The Group carries bank balances in the following currencies:

	2015	2014
	£'000	£'000
Sterling	148	129
Euro	2,286	1,793
US dollars	18,617	11
Canadian dollars	1	3
Swiss franc	147	93
Argentinean peso	-	-
	21,199	2,029

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

	2015			2014		
	Sterling	**Euro**	**Other**	Sterling	Euro	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Current						
Financial assets	**965**	**5,837**	**18,973**	466	5,275	807
Financial liabilities	**(1,800)**	**(1,042)**	**(426)**	(1,494)	(755)	(411)
Short term exposure	**(835)**	**4,795**	**18,547**	(1,028)	4,520	396
Non- current						
Financial liabilities	**-**	**(1,757)**	**-**	(73)	(222)	-
Long term exposure	**-**	**(1,757)**	**-**	(73)	(222)	-

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 2014, a 10% movement was also used.

	2015	2014
	£'000	£'000
If Sterling had strengthened against the Euro by	**10%**	10%
Effect on net results for the year	**(256)**	1,882
Effect on other comprehensive income	**(181)**	(270)
Effect on equity	**(437)**	1,612
If Sterling had weakened against the Euro by	**10%**	10%
Effect on net results for the year	**313**	(2,152)
Effect on other comprehensive income	**221**	328
Effect on equity	**534**	(1,824)

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.

	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
	+ 1%	- 1%	+ 1%	- 1%
Movement in net results for the year	(6)	n/a	3	n/a
Equity	-	n/a	-	n/a
	(6)	n/a	3	n/a

Credit risk

Credit risk refers to the risk that 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. Credit risk on assets derived from Financial derivatives are also considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the asset recognised.

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 2016. As at 30 June 2015 the Group's contractual maturities are summarised as follows:

Current liabilities	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
	Within 6 months	6 to 12 months	Within 6 months	6 to 12 months
Borrowing facility	135	135	-	-
Convertible loan note - interest and other charges	-	-	49	-
Trade payables	3,017	-	2,611	-
Other short term liabilities	4,152	-	3,763	-
	7,304	135	6,423	-
Derivatives	-	-	-	-
	7,304	135	6,423	-

Non-current liabilities	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
	1 to 5 years	Later than 5 years	1 to 5 years	Later than 5 years
Borrowing facility	1,079	520	-	-
Other long term liabilities	324	-	295	-
	1,403	520	295	-

25. OPERATING LEASE COMMITMENTS

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

	Land & buildings		Other		Total	
	2015	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Within one year	**636**	745	**319**	339	**955**	1,084
Two to five years	**1,793**	2,013	**314**	307	**2,107**	2,320
Over five years	**840**	1,203	**-**	-	**840**	1,203
	3,269	3,961	**633**	646	**3,902**	4,607

Of the operating lease commitments for the land and buildings of £3,270,000 (2014: £3,961,000), £2,376,000 relates to the UK premises (2014: £3,254,000). The production facility accounts for £2,118,000 (2014: £2,868,000) of this commitment and expires in December 2023. Premises in Spain account for £103,000 (2014: £145,000) expiring in 2020 and in Germany for £81,000 (2014: £276,000) expiring in December 2015.

Of the other commitments, £400,000 (2014: £492,000) 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 £329,000 (2014: £237,000).

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 2015. The major assumptions used were as follows:

	2015	2014
	% 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	**3.05**	3.35
Discount rate at the end of the year	**2.45**	3.05
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**	19.4
Female, 65 years of age at the balance sheet date	**23.6**	23.4
Male, 45 years of age at the balance sheet date	**39.2**	39.1
Female, 45 years of age at the balance sheet date	**44.3**	44.2

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

	2015	2014
	£'000	£'000
Fair value of plan assets	1,045	1,335
Present value of scheme liabilities	(7,800)	(7,753)
Deficit in the scheme	(6,755)	(6,418)

Experience (losses)/ gains on plan assets	(147)	8
Experience gains on plan liabilities	60	88

The plan assets consist of long-term insurance policies held to cover the German pension obligation. The value of the plan assets is deducted from the value of the pension liability to give a net liability of £6,755,000 (2014: £6,418,000). 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 loss on plan assets for the year is £108,000 (2014: £54,000 return on plan assets). The pension charge generates an unrecognised deferred tax asset of £1,185,000 (2014:£1,057,000), however this is unrecognised in the Group accounts as there is uncertainty over the recoverability. The insurance contracts that form the plan assets are valued at fair value (market price) by the pension scheme administrators (SLPM) each year. SLPM value the insurance policies according to contractual arrangements (equivalent to cash surrender values). This is classified as level 2 in the fair value hierarchy.

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.

	2015	2014
	£'000	£'000
Amounts charged to operating profit		
Current service costs	220	262
Amounts included in other finance expenses		
Interest income on plan assets	(39)	(46)
Interest on pension scheme liabilities	230	252
Net charge	191	206
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	(147)	8
Experience gains arising on scheme liabilities	60	88
Changes in assumptions underlying the present value of scheme liabilities	(845)	(367)
Total amount relating to year	(932)	(271)
Opening cumulative losses	(2,781)	(2,510)
Remeasurement of net defined liability	(3,713)	(2,781)
Net movement recognised	(3,713)	(2,781)

Movement in assets during the year	2015	2014
	£'000	£'000
Balance as at 1 July	**1,335**	1,414
Foreign currency differences	**(142)**	(97)
Interest income on plan assets	**39**	46
Remeasurement of net defined liability	**(147)**	8
Contributions from employer	**18**	19
Assets transferred to finance benefits paid	**(58)**	(55)
Balance as at 30 June	**1,045**	1,335

Movement in liabilities in the year	2015	2014
	£'000	£'000
Balance as at 1 July	**(7,753)**	(7,628)
Foreign currency differences	**1,027**	522
Current service costs	**(220)**	(262)
Interest cost	**(230)**	(252)
Remeasurement of net defined liability	**(785)**	(271)
Benefits paid by employer	**103**	83
Benefits paid from assets	**58**	55
Balance as at 30 June	**(7,800)**	(7,753)

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 2015:

Changes in the significant actuarial assumptions

	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Discount rate	**Increase to 3.45%**	**Decrease to 1.45%**	Increase to 4.05%	Decrease to 2.05%
Increase/ (decrease) in the defined benefit liability	**(1,008)**	**1,159**	(1,000)	1,150
Salary Growth rate	**Increase to 4.00%**	**Decrease to 2.00%**	Increase to 4.00%	Decrease to 2.00%
Increase/ (decrease) in the defined benefit liability	**395**	**(362)**	346	(317)
Average life expectancies of males	**Increase of one year**	**Decrease of one year**	Increase of one year	Decrease of one year
Increase/ (decrease) in the defined benefit liability	**249**	**(246)**	221	(218)
Average life expectancies of females	**Increase of one year**	**Decrease of one year**	Increase of one year	Decrease of one year
Increase/ (decrease) in the defined benefit liability	**281**	**(282)**	255	(256)

27. ISSUED SHARE CAPITAL

	2015 Shares	2015 £'000	2014 Shares	2014 £'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**	409,866,831	410
Issued during the year:				
Share options exercised	**188,500**	**-**	-	-
Conversion of convertible loan	**41,674,938**	**42**	-	-
Share placing	**94,117,650**	**94**	-	-
At 30 June	**545,847,919**	**546**	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	**555,696,252**	**556**	419,715,164	420

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

Share options were exercised in the year with proceeds of £34,000 (2014: Nil).

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.

Before the conversion date of the loan, CFR and Allergy Therapeutics plc mutually agreed to amend the agreement to defer the repayment date until 31 March 2015. The only substantive effect of this amendment was the agreement to pay further interest of £135,000 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 (2015: £86,000, 2014: £49,000).

On 31 March 2015 the convertible loan was repaid and on the same date 41,674,938 shares at a fixed price of 9.7p per share were issued to the note holder in accordance with the loan agreement.

On 31 March 2015 94,117,650 new ordinary shares of 0.1 pence each were placed with institutional and other investors at a fixed price of 22.1p per share, raising £20 million net for the purpose of investing in a number of US clinical studies.

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 share price performance. An award shall vest at 100% if at the end of the plan cycle the share price has increased by 25% has been satisfied. If the share price increase is less than 10% then no shares will vest. If the share price increase 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 years ended 30 June 2014 and 2015, the performance criteria are based on a combination of share price performance 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 current year LTIP grants were provisionally awarded, subject to performance criteria being met, under the 2013 Plan in October 2014.

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):

	2015 WAEP		2014 WAEP	
	Number	**Price (£)**	Number	Price (£)
Outstanding at the beginning of the year	**881,105**	**0.17**	1,152,583	0.23
Exercised during the year	**(188,500)**	**-**	-	-
Forfeited during the year	**159,934**	**0.49**	(271,478)	0.44
Outstanding at the year end	**852,539**	**0.14**	881,105	0.17
Exercisable at the year end	**852,539**	**0.14**	881,105	0.17

In a prior year the Group had erroneously treated 188,500 options as forfeited. This has been corrected in the current year.

188,500 options were exercised during the year. The weighted average share price at the date of exercise was 22.3p (2014: None exercised).

The share options outstanding at the end of the year detailed above have a weighted average remaining contractual life of 2.3 years (2014: 3.3 years) and have the following range of exercise prices:

	30 June 2015	30 June 2014
Exercise price (p)	**Number**	Number
6-45	**852,539**	852,539
46-120	**-**	28,566
	852,539	881,105

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

	2015	2014
	Number	Number
Outstanding at the beginning of the year	**19,112,500**	17,482,500
Awarded during the year	**6,955,000**	6,337,500
Forfeited during the year	**(3,875,000)**	(4,707,500)
Outstanding at the year end	**22,192,500**	19,112,500

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, which is based on historical experience:

Date of grant	Plan cycle (yrs)	End of plan cycle	Expected life (yrs)	Exercise price (£)	Share price at grant (£)	Probability of meeting performance tests (%)	Probability of awards vesting - allowing for expected leavers (%)	Fair value (£)	Number outstanding
01/10/2014	3	30/06/17	3	0.0000	0.192	36.75	33.1	0.070	6,825,000
19/05/2014	3	25/03/17*	3	0.0000	0.205	36.75	33.5	0.075	6,207,500
10/05/2013	3	25/03/16*	3	0.0000	0.101	36.75	35.4	0.037	5,515,000
20/12/2012	3	30/06/15	3	0.0000	0.118	36.75	36.8	0.043	3,645,000

*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, the Group also previously 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 2015.

The Group recognised total expenses of £406,000 (2014: £184,000) related to equity-settled share based payment transactions during the year.

29. ACQUISITIONS

As part of its strategy to strengthen its sales base outside Germany, on 5 June 2015, Allergy Therapeutics plc acquired 100% of the issued share capital of Alerpharma SA via a subsidiary. Alerpharma S.A. wholly owns the Spanish-based allergy immunotherapy company Instituto de Immunologia y Alergia, S.A.U. ("Inmunal"). Inmunal is Alerpharma's principal operating subsidiary, and is highly regarded with well-established product lines in immunotherapy vaccines, bacteriological vaccines and diagnostics and was established in 1989.

The initial consideration for the acquisition of €3.8 million was paid to the vendor in cash at completion, funded from the Company's operational cash flows. The total consideration includes a potential earn-out payment based on certain 2016 sales performance criteria, payable to the vendor in 2017. It is not possible to calculate exactly how much will be payable but the group do not expect it to exceed €650,000. The Group's best estimation of the amount payable, is €205,000.

The allocation of the purchase price to the assets and liabilities of Alerpharma S.A at the acquisition date was as follows:

	Pre-acquisition carrying amount	Adjustment to fair value	Recognised at acquisition date
	£'000	£'000	£'000
Property, plant and equipment	1,219	670	1,889
Intangible assets	26	830	856
Total non-current assets	1,245	1,500	2,745
Trade and other receivables	81	-	81
Inventories	122	-	122
Cash and cash equivalents	1,301	-	1,301
Total Assets	2,749	1,500	4,249
Trade and other payables	(1,952)	-	(1,952)
Net deferred taxation asset/ (liability)	387	(555)	(168)
Net identifiable assets and liabilities	1,184	945	2,129
Goodwill			637
Cost of acquisition			**2,766**

The cost of acquisition above includes the cash paid £2,653,000 (€3,758,000) plus the discounted future contingent consideration of £113,000 (€160,000).

The contingent consideration will be determined by the future sales performance of the Alerpharma group and has been classified as level 3 in the fair valuation hierarchy. The estimated cash outflow before discounting is £145,000 (€205,000) and reflects management's estimates of Alerpharma's sales performance in the 12 months to December 2016. The discount rate used is 17% based on the Company's weighted average cost of capital related to the Spanish CGU. The effects on the fair value of risk and uncertainty in the future cash flow are dealt with by adjusting the estimated cashflow rather than adjusting the discount rate. If Alerpharma's sales performance were to be 10% better than expected then the discounted liability would increase by £276,000 (€391,000). If Alerpharma's sales performance were to be 5% or more below expectation then the discounted liability would reduce to Nil.

Legal and professional fees associated with the acquisition amounted to £205,000 and were expensed in the year ended 30 June 2015. These were shown under administration costs within the consolidated income statement.

In relation to trade debtors that existed at the acquisition date, there are no balances which are not expected to be collected.

The acquisition gave rise to goodwill due to the value derived from intangible assets in perpetuity, beyond their recognised useful lives; the value of the assembled workforce; and the synergies that can be realised now that Alerpharma is part of an enlarged global group.

The intangible assets, which are recognised at fair value, comprise the following:

i) Trade names

The Company's marketing-related intangible asset was valued by means of the royalty savings (relief-from-royalty) method of the income approach. Under this premise, it is assumed that a company, without a similar asset, would license the right to use the marketing-related intangible asset and pay a royalty related to turnover achieved.

ii) Customer relationships

The Customer related intangible asset was valued using the replacement cost method. At the valuation date, the Company had existing relationships with a number of doctors in the medical industry. The valuation captures the effort that would be required to replace such relationships.

iii) Know-how and patents

The technology related intangible asset was valued using the royalty savings (relief-from-royalty) method. Under this premise, it is assumed that a company, without a similar asset, would license the right to use the technology-based intangible assets and pay a royalty related to turnover achieved.

The acquisition of Alerpharma S.A took place on 5 June 2015 and as a consequence traded for three weeks as a member of the Group. It contributed £0.2 million in revenue and £0.0 million of the Group's operating profit.

30. CONTINGENT LIABILITIES

Allergy Therapeutics (UK) Ltd, a subsidiary of Allergy Therapeutics plc, has given a guarantee in lieu of deposits for leases on cars and rented office space of Bencard Allergie GmbH. The amount as at 30 June 2015 was €107,426; £75,839 (2014: €107,426; £85,996).

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 has concluded its investigation into whether the exemption of pharmaceutical manufacturers from the increase in rebates in Germany constitutes state aid. The European Commission has determined that the exemptions do not constitute state aid, and consequently there is no contingent liability to disclose.

On 23 February 2015, the Company received notification that The Federal Office for Economics and Export ("BAFA") had made a decision to reverse their preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4m (£1.1m) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be re-instated. Therefore, as at 30 June 2015, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

31. 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 2015	30 June 2014
	£'000	£'000
Capital commitments	**635**	221

Included in the above is £57,000 for on-going factory refurbishments in the UK (2014: £56,000); £406,000 for new plant and machinery (2014: £65,000) and £172,000 for IT equipment and systems upgrades (2014: £100,000).

32. 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 table on page 45.

At 30 June 2015, 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	Dormant	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
Alerpharma S.A	Spain	Sale of pharmaceutical products	100	Ordinary
Instituto de Immunologia y Alergia, S.A.U. ("Inmunal")	Spain	Sale of pharmaceutical products	100	Ordinary
Immunal Unipessoal, Lda.	Portugal	Sale of pharmaceutical products	100	Ordinary
Dimedpharma S.L	Spain	Sale of pharmaceutical products	100	Ordinary
Applied Molecular Development S.A.	Spain	Sale of pharmaceutical products	100	Ordinary
Allergenome S.L.	Spain	Research and development	93.7	Ordinary

Allergenome is a very small company with insignificant net assets therefore no disclosures have been made regarding non-controlling interests regarding this company, on the grounds that the information is not material.

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	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Laboratorios Synthesis S.A.S.	**1**	11	**(73)**	(67)
Gynopharm de Venezuela C.A.	**-**	-	**(60)**	(60)
Laboratorio Internacional Argentino S.A.	**41**	43	**5**	17
Total	**42**	54	**(128)**	(110)

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. There is no overall ultimate controlling party.

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.

There were no transactions between the parent company and Allergenome S.L.

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 2015 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 42, 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/auditscopeukprivate.

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 2015;
- 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 2015.

Christian Heeger
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
18 September 2015

Company Balance Sheet

	Note	30 June 2015 £'000	30 June 2014 £'000
Fixed assets			
Investments	3	**1,923**	1,270
Current assets			
Debtors: amounts falling due within one year	4	**322**	323
Creditors: amounts falling due within one year	5	**(204)**	(78)
Net current assets		**118**	245
Total assets less current liabilities		**2,041**	1,515
Net assets		**2,041**	1,515
Capital and reserves			
Called up share capital	6	**556**	420
Share premium account	7	**91,463**	67,716
Other reserves – Convertible loan note	7	**-**	3,652
Other reserves – EBT	7	**67**	67
Other reserves – share based payments	7	**591**	465
Profit and loss account	7	**(90,636)**	(70,805)
Total equity	10	**2,041**	1,515

These financial statements were approved by the Board of Directors on 18 September 2015 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 sixth 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 2016 and 30 June 2017. 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 employees of the Company and its subsidiaries.

The Employee Benefit Trust has historically 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. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are vested than estimated, however the expensed value of these lapsed shares is transferred from the share based payment reserve to the profit and loss reserve.

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 £19.8m loss (2014: £91,000 loss).

3. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward	1,270
Additions	406
Diminution in value - reversal	247
Investment carried forward	**1,923**

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

At 30 June 2015 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	Dormant	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
Alerpharma S.A	Spain	Sale of pharmaceutical products	100	Ordinary
Instituto de Immunologia y Alergia, S.A.U. ("Inmunal")	Spain	Sale of pharmaceutical products	100	Ordinary
Immunal Unipessoal, Lda.	Portugal	Sale of pharmaceutical products	100	Ordinary
Dimedpharma S.L	Spain	Sale of pharmaceutical products	100	Ordinary
Applied Molecular Development S.A.	Spain	Sale of pharmaceutical products	100	Ordinary
Allergenome S.L.	Spain	Research and development	93.7	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 2015 £'000	30 June 2014 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**278**	316
Prepayments	**44**	7
	322	323

The amount owed by subsidiary undertakings is stated net of provisions of £89,689,092 (2014: £70,239,037).

5. Creditors – amounts falling due within one year

	30 June 2015	30 June 2014
	£'000	£'000
Convertible loan note interest	-	49
Accruals	204	25
Taxation and social security	-	4
	204	78

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 2014	67,716
Shares issued in the year	24,741
Share issue costs in the year	(994)
At 30 June 2015	**91,463**

Details of the Company's shares issued in the year are set out in Note 27 of the consolidated financial statements.

	Other reserve – Convertible Loan Note
	£'000
At 30 June 2014	3,652
Convertible loan note exercised into equity	(3,652)
At 30 June 2015	**-**

	Other reserve – EBT
	£'000
At 30 June 2014 and 2015	**67**

	Other reserve – share based payments
	£'000
At 30 June 2014	465
Provision in year for share based payments	406
Lapsed share based payments transferred from retained losses	(280)
At 30 June 2015	**591**

	Profit and loss account
	£'000
At 30 June 2014	(70,805)
Loss for the year	(19,803)
Lapsed share based payments transferred to retained losses	280
Transaction with shareholders – convertible loan note	(308)
At 30 June 2015	**(90,636)**

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 44 to 46.

10. Reconciliation of movement in shareholders' funds

	Year to 30 June 2015	Year to 30 June 2014
	£'000	£'000
Loss for the financial year	**(19,803)**	(91)
Share based payments	**406**	184
Shares Issued	**20,231**	-
Transaction with shareholders – convertible loan note	**(308)**	(49)
Net addition to shareholders' funds	**526**	44
Opening shareholders' funds	**1,515**	1,471
Closing shareholders' funds	**2,041**	1,515

11. Contingent Liabilities

Full details of the Company's contingent liabilities are set out in Note 30 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 32 to the consolidated financial statements.

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