Allergy Therapeutics plc

Annual Report
& Accounts
2016

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 specialty 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

2016 Highlights

Key Achievements

- 19% increase in revenue at constant currency to £51.5m (2015: £43.2m)*
- 12% increase in revenue to £48.5m (2015: £43.2m)
- Increased market share in our main European markets to 12% (2015: 10%)
- Core business excluding R&D shows 11% increase in Operating Profit to £4.3m (2015: £3.8m)
- Ramp up on R&D investment with £16.2m (2015: £3.1m) spent reflecting investment in PQ registration and pipeline
- Achieved primary endpoint for PQ Birch Phase II Study in Europe and dose selected which will be used in Phase III starting in 2017
- Inconclusive results of Phase II dosing study in the US for Pollinex Quattro Grass
- Successfully raised £11.5m (gross) to fund new product development and organic and inorganic growth opportunities
- Acarovac Plus™ one-year study showed statistically significant improvement for patients
- Acquisition of Virus Like Particle technology licence for the development of a potential new injectable vaccine immunotherapy treatment for allergy sufferers with peanut as lead project
- Strong cash balance of £23.4m at year end (2015: £21.2m)

* 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 26.

Chairman's Statement

Chairman's Statement

This year has continued the Group's progress towards becoming a global provider of allergy solutions through organic growth and strengthening our product proposition in Europe as well as further research and development for the US market.

The core European business has continued to grow strongly in a flat market, taking market share from our competitors in the markets where we compete, validating our strong combination of high quality, patient-friendly products and a knowledgeable and dedicated sales and marketing team.

In the area of research and development the Group has had an overall positive but mixed year with a successful Phase II dose ranging study for Pollinex Quattro Birch in Germany opening the way for a Phase III trial for the product in Europe which is expected to start in early 2017. The one-year follow-up study on Acarovac Plus concluded with patients reporting statistically significant improvements in satisfaction scores for effectiveness and convenience.

As announced in June, the Phase II Pollinex Quattro Grass dose range finding study in the US did not give conclusive evidence of an optimal dose regime. The study experimented with environmental exposure chambers which, unlike those commonly used in the US, were mobile in order to optimise the patient recruitment. The Company will perform another dose finding study but with the design amended to use the method that produced the successful Pollinex Quattro Birch dosing study in Europe, subject to regulatory approval. This has, put simply, caused a delay to our potential US market entry, yet Pollinex Quattro Grass could still become the first licensed seasonal subcutaneous immunotherapy (SCIT) allergy vaccine authorised for marketing in the US, and we have the funding in place to carry out the current, planned Phase III trial. The US market has the potential to be worth $2 billion p.a.[1] for immunotherapy treatments such as the grass vaccine, and we remain focussed on delivering a high quality treatment option into the market.

During the year the Group also raised £11.5m (£11.0m net of costs) with the placing of 41 million ordinary shares to invest in new product development, strengthen the balance sheet and support accretive acquisitions to accelerate growth.

The global allergy treatment market has seen some turmoil with recent events affecting the competitive market environment in Europe and the US, which are likely to lead to mid- to long-term benefits for Allergy Therapeutics in terms of potential market share in the US.

The referendum vote in the UK to leave the EU has, during the period, had a short term beneficial financial effect for the business in terms of the weak currency performance of the sterling against the euro but, as noted in the risks section, the mid and long term impact will depend on the final agreement between the UK and the rest of the EU on such matters as trade and pharmaceutical regulation.

In June, we welcomed Nick Wykeman to the Group as Finance Director following his prior roles at ICI PLC and Skyepharma PLC. As announced in March, Ian Postlethwaite stepped down as Finance Director after 14 years of service at Allergy Therapeutics and I would like to take this opportunity to thank Ian for his significant contribution to the Group.

In conclusion, I would like to thank all Allergy Therapeutics employees for their commitment, dedication and hard work during the year and we look forward to continued progress in executing our clear strategy.

Peter Jensen
Chairman
23 September 2016

[1] Piper Jaffray Update on the AR market, Sept. 2008. Datamonitor

Chief Executive Officer's Review

Chief Executive Officer's Review

The current allergy immunotherapy market is estimated to be $2.1bn with the potential to reach $3bn[2] with changes in the US market, and it is expected to grow at about 11% per annum until 2020 (Visiongain 2014). Allergy Therapeutics is one of the very few companies that is well positioned to lead this market and become a global player, with its strong position in its current main European markets of 12% and the opportunity of a share of the estimated potential US market of $2bn[2]. In the developed world the way of life has had a significant influence in the way our immune system responds to different challenges and impacts the occurrence of a wide variety of allergies. Nowadays, it is estimated that 20% to 30%[3] of the population suffer from allergic rhinitis, not to mention the significant increase in other areas such as food allergies. For patients with moderate to severe symptoms who cannot control these using symptomatic products, we provide high-quality, patient-friendly, aluminium-free treatment technologies for airborne allergies that make a difference to patients and their lives.

This year, we have made significant progress towards our long term strategic plans. We are developing the Group in three key areas:

Developing our Group in Europe, our domestic market

This year we have had a record market share gain in our competitive markets, evolving from 10% last year to 12%. In a market that can be considered broadly flat, this means that we have outperformed the market by 20 points. The market share gains have come across all our key markets reaching a growth, year on year, of 19% in constant currency (12% after the impact of exchange rate fluctuations). In absolute terms, the main contributors to this growth have been the German, Austrian and UK markets as well as the Spanish market, where we have successfully completed the integration of Alerpharma which we acquired in 2015.

This impressive penetration is due to two key factors which are: 1) excellent products, offering our patients convenient solutions through our unique concept of short and ultra-short course, aluminium free treatments and 2) excellently trained, committed and motivated sales teams implementing the right, professional, and ethical commercial strategies.

We want to accelerate market penetration by leveraging these two factors and so have been improving our commercial infrastructure. We aim to be market leaders in the SCIT allergy segment by 2020.

In May, we announced positive top-line results from the Group's European PQBirch 204 Phase II study, a multi-centre, double-blind, placebo-controlled study designed to explore the safety and response of different cumulative doses of Birch Modified Allergen Tyrosine adsorbed and MPL® (POLLINEX® Quattro Birch) for birch pollen induced seasonal allergic rhinitis. The study randomised 371 patients into six cumulative dosing regimens plus a placebo, evaluating the change in total symptom score (TSS) following a conjunctival provocation test (CPT) with the aim of identifying a recommended dose for Phase III development.

The results summary of the PQBirch 204 Phase II study programme was as follows:

- The primary endpoint, to demonstrate a statistically significant ($p<0.01$) dose-response for the 5000 standardised units (SU) to 27300 SU, was met. This enables prediction of the dose to enter Phase III development
- The study demonstrated a statistically significant ($p<0.01$) dose-response for the 5000 standardised units (SU) to 27300SU dose range studied
- The dose-response closely followed and extended the findings of the previous dose-response study (PQBirch203), which studied doses from 600SU to 13600SU
- PQBirch continues to be well-tolerated and no safety concerns were reported in any treatment arm. There was no significant relationship between any adverse drug reaction exhibited and the respective dosage of allergoid
- Overall, adherence to the dosing regimens was approximately 94% with no relevant differences between treatment arms

The Group has reviewed the Phase II data and selected a dose which will be used in the Phase III PQ Birch field study which is expected to start in 2017 and will be performed in Europe.

[2] Piper Jaffray Update on the AR market, Sept. 2008. Datamonitor. Current $3bn potential includes all medical costs.

[3] Jacobs, 2011

In June, we announced findings from the exploratory US Phase II dose-ranging study (G204) for the US Grass MATA MPL clinical development programme. The results did not determine a recommended dose for the Phase III trial. A further dose range finding study will be implemented prior to proceeding into the planned pivotal Phase III study.

Based on the successful dose response data identified in the Phase II G203 study for the same US Grass MATA MPL programme, the G204 trial was designed to explore higher dose regimens using the novel technology of the mEEC (mobile environmental exposure chamber) and optimise the recommended dose before starting the pivotal Phase III trial (G306) to be performed in the US.

In contrast to the G203 study, the dose range finding data with the mEEC did not allow the Group to recommend an optimised dose regime to take into Phase III studies for the US. Consequently, and subject to regulatory approval, we will undertake a further dose-ranging study, reconfiguring the study design by employing the same successful and less expensive European dose-finding trial design with a fixed conjunctival provocation test (CPT) which provided robust results for the optimisation of the Group's marketed subcutaneous birch pollen product, Pollinex® Quattro Birch (PQBirch). As previously disclosed, it is anticipated that the cost of this additional study can readily be met from the Company's available funds. The next dose range finding study is planned to start in 2017. Allergy Therapeutics will await the outcome of discussions with the FDA, scheduled later in 2016, before progressing into a new Phase II trial.

As an R&D company, we understand that inconclusive results are, occasionally, part of the process which allow us to better understand our products; what works well and not so well and, therefore, make the right decisions before entering into a final Phase III trial.

Advancing our new product pipeline to boost our addressable market.

In November 2015, we successfully completed an oversubscribed equity issue to reinforce our pipeline and provide the Company with more flexibility to pursue commercial opportunities, whether organic or acquisitive. As a result of this fundraising, we have put in place several important projects:

Acarovac Quattro

The Company is developing a state-of-the-art product in the perennial segment of the market utilising our highly successful Pollinex Quattro technological platform for house dust mite, the most important allergen in this segment. The Directors believe this product will be best-in-class, using the short course concept based on Allergoid + MCT + the adjuvant MPL. In a market testing initiative, we launched Acarovac Plus™ in Spain two years ago as a named patient product based on Allergoid + MCT but without the adjuvant. The product is developing well and we recently announced the publication of a one-year follow-up study of patients using Acarovac Plus™ in the peer review journal Immunotherapy. Patients reported statistically significant improvements in satisfaction scores after one year in relation to overall effectiveness and convenience of the treatment.

Polyvac Peanut

Food allergy is a significant and strategically important new area for the Group with peanut allergy treatments alone being an $8 billion[4] p.a. addressable market globally. The Group has been working on proof of concept studies using the acquired Virus Like Particles (VLP) technology licence in the development of Polyvac Peanut, a new injectable vaccine immunotherapy treatment for allergy sufferers. The proof of concept work is progressing well.

Growth Acceleration

The Group is keen to increase significantly its market share to a level where it can invest significant amounts on R&D over the long term while continuing to improve its margins. The current portfolio is predominantly subcutaneous and the Group aims to be the leader in this segment of the market by 2020, reaching a market share of about 20%. The return on the investment in sales and marketing can be seen in the very strong growth and gain in market share.

[4] The Journal of Allergy and Clinical Immunology 2016. 1% of US population. EACCI Food Allergy and Anaphylaxis Guidelines Group 2016 0.2% of Western European Population. Management estimate of annual treatment of USD2,000

The Company's science department has been focused on supporting our clinical programs and also developing technologies that make a difference. Examples of this are the Allergomics project, MCT, Adjuvant Systems, seven published papers and 20 posters to improve understanding of immunotherapy.

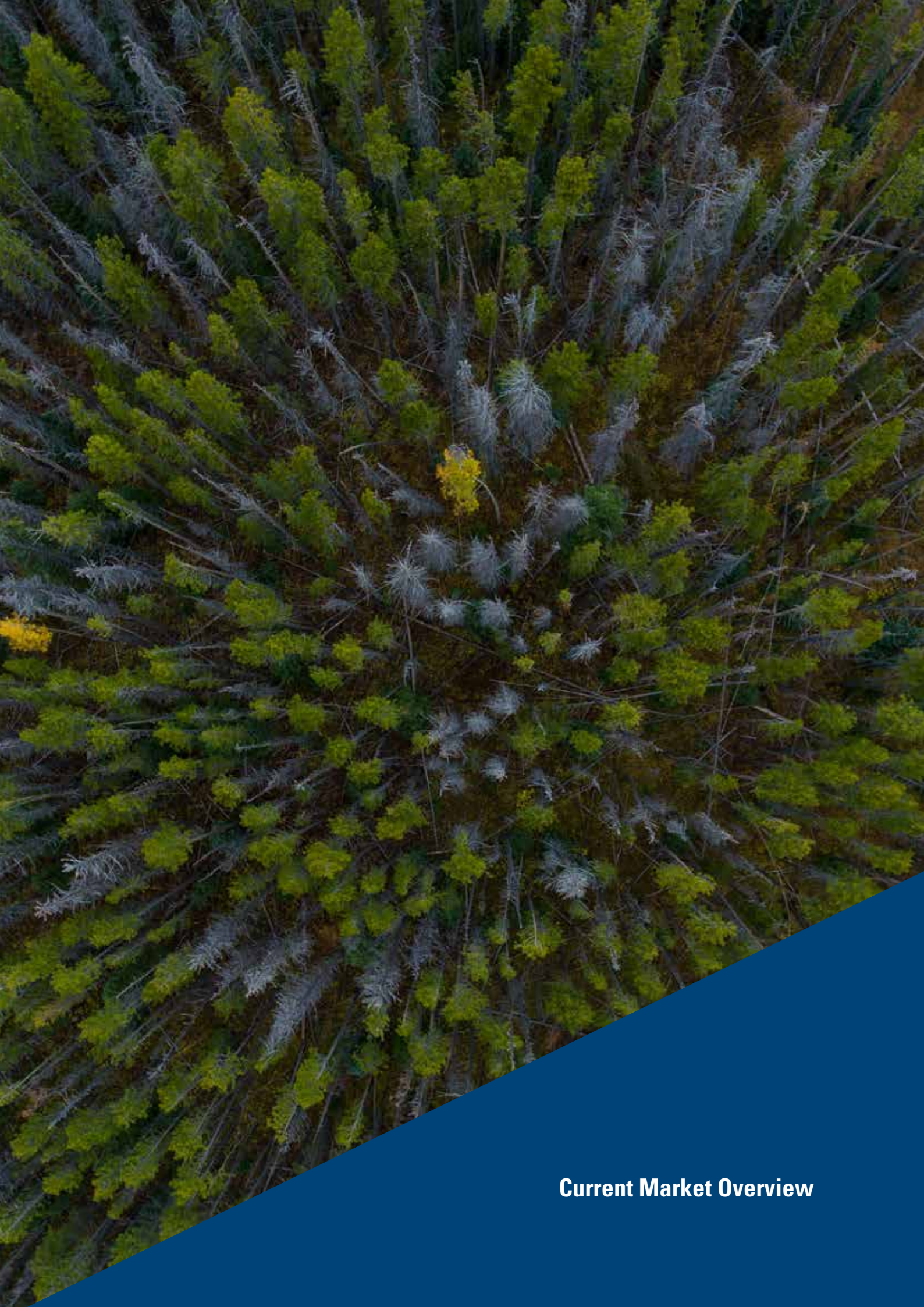
The supply operations team has done a fantastic job providing unparalleled level of care, with more than 99% of our orders completed on time and supporting the Group with outstanding customer service from beginning to end. This is a clear indication of the team's priorities which are putting patients first and total commitment with the highest quality standards.

Outlook

The Group's management team expects revenue for 2017 to show continued growth rates subject to a stable euro/ sterling exchange rate, with the investment in sales driving increased market share. The cost of goods is likely to increase roughly in line with revenue. Overheads are likely to increase significantly, reflecting the investment in organic growth. Research and development costs for the year are expected to be substantially less in aggregate than 2016, with only the much smaller tolerability and dosing trial for the US market, subject to regulatory approval, and with Europe experiencing a similar level of investment.

The allergy immunotherapy sector continues to undergo significant change and within this context our established and innovative product base continues to gain traction. We have taken a significant step forward in our strategy to become a global leading player in the SCIT market, which would have been impossible without the effort, dedication and commitment of our whole team. We look forward to the future with confidence in continued growth given our strong and expanded European presence, future product development pipeline and geographic expansion opportunities.

Manuel Llobet
CEO
23 September 2016



Current Market Overview

Current Market Overview

The Group continues to maintain a strong presence in Europe with established operations in significant markets including Germany, Italy, Spain, Austria, Switzerland, The Netherlands and the United Kingdom.

In markets where the Group does not have a direct sales presence, products are often sold through distribution 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 59% of the Group's revenue in the 12 months ending 30 June 2016.

The total allergic rhinitis market is estimated to be $12 billion (Visiongain 2014). Allergy immunotherapy is the fastest growing segment in the allergic rhinitis market and is expected to grow 11% yearly to 2020 compared with just 3% for the total allergy rhinitis market. (Visiongain 2014).

Germany

Germany is the single largest allergy immunotherapy market in Europe, worth over €380 million in gross sales (Insight Health, MAT June 2016). The market is expected to remain roughly flat for the next two years with only small growth predicted (around 1% annually). The market is increasingly influenced by the German TAV (Therapy Allergy Ordinance) which we consider to be an opportunity for Allergy Therapeutics to demonstrate the high standard and efficacy of its products, specifically Pollinex Quattro. The Group outperformed the market by 16% (MAT June 2016 – Insight Health) with the highest growth of the five main competitors in the German market. Germany remains a key focus for the Group as it is the largest market in Europe.

Italy

The total Italian allergy immunotherapy market is estimated to be worth €30 million in sales per year (Databank, 2016). The market contracted around 18% in the past year due to patients being 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, the Group's management team believe that there remains a significant opportunity to continue to grow the business in this important market, driven by the launch two years ago of a line of synbiotic products as immunomodulators of the allergic response. The synbiotic market in Italy is one of the most important in Europe.

Austria

The size of the market in Austria is approximately €21 million (industry data collected by notary, MAT June 2016) growing at around 3% in the last year. The market is becoming increasingly competitive with new companies and products entering the space. Growth of around 2- 3% is expected over the next few years, with the right strategies in place paving the way to continue current success which led to growth of close to 25% in the past year.

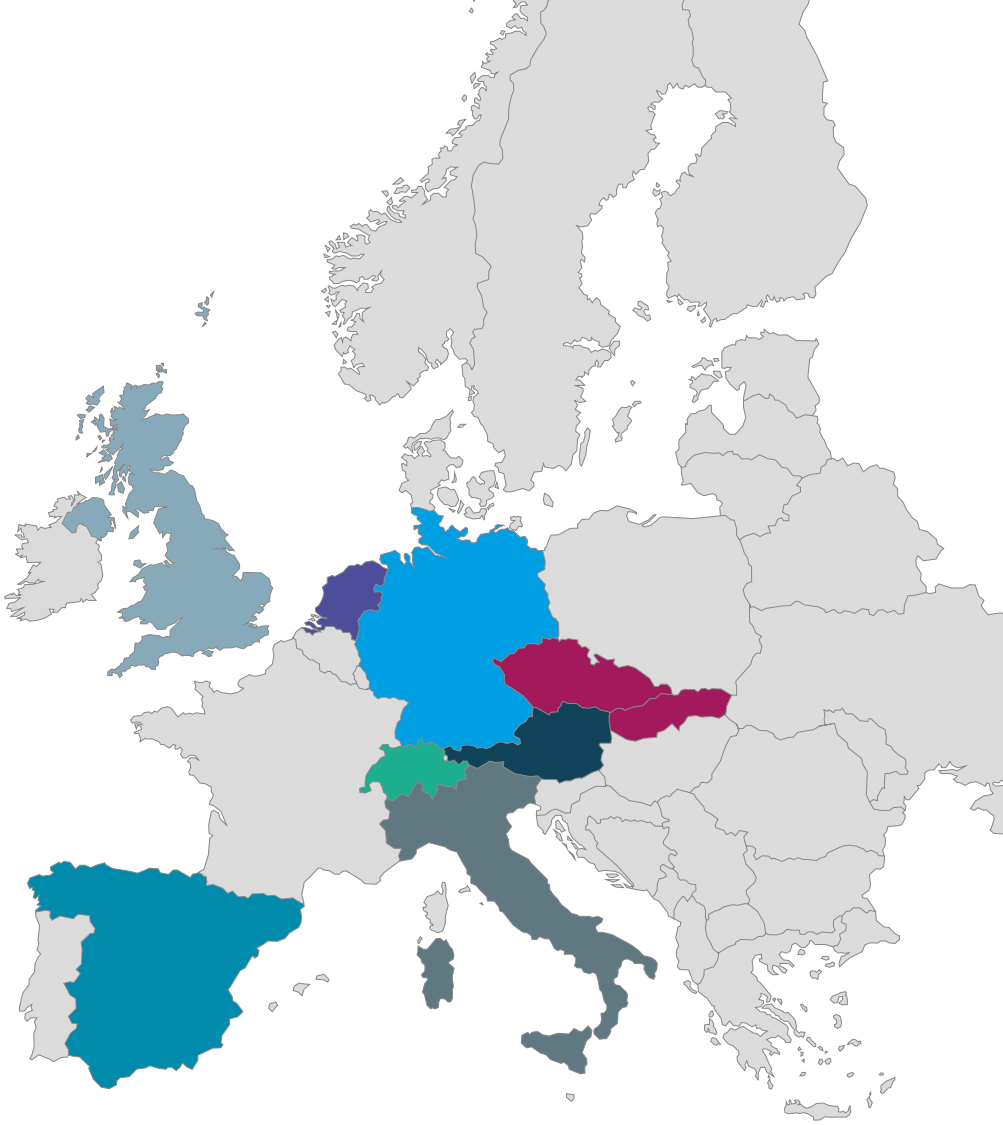
Switzerland

The allergy vaccine market in Switzerland has grown by 10% to nearly €15 million this year (industry data collected by notary, MAT June 2016). This growth was mostly driven by a supply issue of one of our competitors. Continued alignment to EU regulations for specific immunotherapy (SIT) products and diagnostics has the potential to generate new opportunities especially for the Group due to our aluminium-free product portfolio and sensitivity in the Swiss market towards aluminium-free preparations.

Spain

Total market sales in Spain are an estimated €75 million per annum (AIMFA, 2016), with continuous low single-digit growth over the past two years. Growth in this market is driven primarily by the allergoid immunotherapy segment which will allow the Group to be in a leading position and achieve growth in the coming years. Spain 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.

Alerpharma S.A., which was purchased last year by the Group, has maintained a broad product range under Group ownership, including a specialised franchise for an olive vaccine, one of the most important allergens in southern Europe. Management has fully integrated the acquisition and it is operating now as a strong business with the potential to lead the Spanish market.



Major Markets

Germany

Italy

Austria

Spain

Switzerland

The Netherlands

UK & Export market

Czech Republic & Slovakia

Canada

South Korea

United Kingdom

The UK is an important market due to its potential for future growth for the Group. The management team believes that the market size is currently £4m per annum. 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. This strong position in the UK should allow the Group to profit from this potential growth. Pollinex is the only subcutaneous pollen immunotherapy product currently registered in the UK.

The Netherlands

The total market size in The Netherlands was around €12m last year (IMS MAT June 2016). The market has been declining since January 2014, when insurance companies decided to reimburse only registered products. That policy, which impacted approximately 50% of the product in the market, has resulted in a reduced market size. ALK and Allergy Therapeutics are the main companies operating in the Dutch market. The rest of the companies have been reduced to a marginal role in this market. The Group remains, for the second year, the only allergy company showing growth in the Dutch market with year-on-year growth in revenue of 24% in local currency.

Developments into New Markets

This year has seen efforts by the Group to secure product registration in several new non-EU markets including Serbia, Belarus and Macedonia. Growth in non-EU markets is seen as an important step to help the Group's double digit growth target, expanding into new markets. The Group will continue its efforts in the following years to expand its footprint in emerging markets, especially through continuing registering in non-EU Eastern European countries and South East Asian ones through licensing deals.

Recent Developments in US Market

Three sublingual immunotherapy (SLIT) products were recommended for licence approval in the US in 2014. These are the first allergy vaccine medicinal products to receive market authorisation from the FDA. Allergy Therapeutics' further exploration of the opportunities for SCIT product Pollinex Quattro in the US has begun with the Grass MATA MPL which has a fully developed dossier and planned route to market. Following this, the Group has plans to develop and trial the tree and ragweed products.

During the past few months, some of our peers delivered negative news from their commercial and development portfolios. These recent market developments could prove beneficial to the Group in the mid to long term and the Directors believe market awareness has become heightened about the importance of Allergy Therapeutics' position in the allergy immunotherapy marketplace and its points of differentiation.

SCIT products offer a number of advantages over SLIT products and are more aligned to the current allergist immunotherapy practice in the US. Allergic Rhinitis (AR) affects around 25% of the North American population (c.85 million (Datamonitor, Epidemiology, March 2011)), so the total market size for allergy vaccine products is potentially very large. The moderate to severe allergy market segment where the Group operates, management estimates to be about 3-5% of the AR market. The Group completed a Phase I study evaluating tolerability which demonstrated safety of two new doses and supported the further testing of efficacy in the G204 study.

The outcome of the Phase II dose-ranging study (G204) trial did not reveal a recommended dose for the Phase III trial that was planned for later this year. Our goal to be the first allergy immunotherapy company to launch a subcutaneous grass product in the US remains unchanged. To achieve this, a further dose range finding study will now be run before the planned Phase III study in 2018. The cost of the trial is not expected to be material given that it will use, subject to agreement, the conjunctival provocation method rather than mobile chambers.

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, Poland and South Korea as well as recently in Greece and the Baltic countries.

Our Products

Our Products

The Group sells a wide range of aluminium-free allergy vaccines and diagnostics. The majority of revenue arises from sales of allergy vaccines. The Group sells both injectable and sublingual (oral) 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 and TA Gräser Top. Our extensive range of well-characterised diagnostics includes 82 diagnostics in Germany with marketing authorisations and specialised allergens for other markets.

According to the current opinion of expert immunologists, immunoglobulin E (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) adsorbed allergoids, an improved extract allergen that has been modified in order to lower its allergenicity while maintaining most of 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 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.

Synbiotics

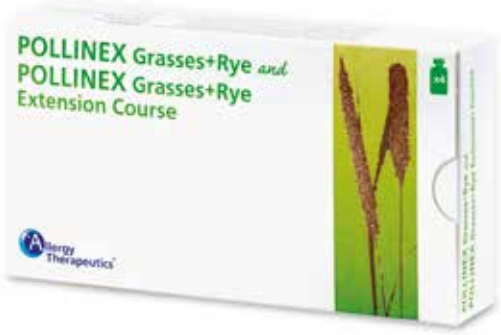
Synbiotics are special formulations of prebiotics and probiotics. Synbiotics act as bio-immunomodulators of the immunologic response. In June 2012, the Group launched three new synbiotic products (Kallergen-Th, ATI-Prob and Pollagen) across Spain and Italy. Since then, Austria and Germany have also been added. In 2013, the Group launched a further new synbiotic product, Syngut, specifically designed for food and lactose intolerance. The products contain specific combinations of Lactobacilli and Bifidobacteria. Between 2015 and 2016 two further products were launched in line with the WAO guidelines for atopic dermatitis prevention: our first synbiotic in drops, Kallergen Baby for the prevention of atopic dermatitis in children from 0 to 3 years old and Kallergen Mamy for pregnant women with high risk of atopic disease. In 2016, the Group began its first NIS study for lactose intolerance with 50 patients at S. Martino Hospital, Genova, Italy.

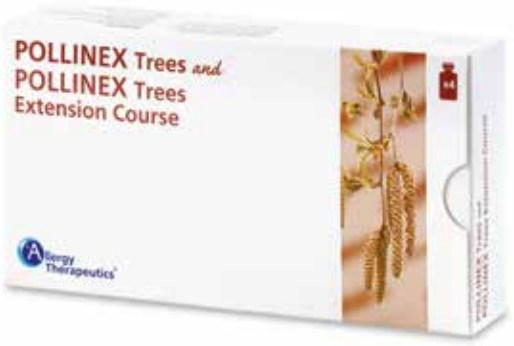
Acarovac Plus

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. Clinical evaluation has been completed demonstrating excellent patient tolerability and serological analyses consistent with a favourable shift in Th1/Th2 balance compared with an unmodified version of the product and have recently published a one-year follow-up study with Dr. Albert Roger, Director of the Allergy Unit at Hospital Universitari Germans Trias i Pujol, Barcelona, Spain.

Penicillin Diagnostics

DAP is a product for exclusive use in the diagnosis of type I, or immediate hypersensitivity to benzyl penicillin and related antibiotics (beta lactams) by means of cutaneous tests (prick and intradermal). Allergic reactions to beta lactams are the most common cause of severe adverse drug reactions and there is an increasing prevalence in the population. DAP is supplied to Italy, the UK and The Netherlands.





Key Performance Indicators

Key Performance Indicators

Strategic objective

Maximise revenue

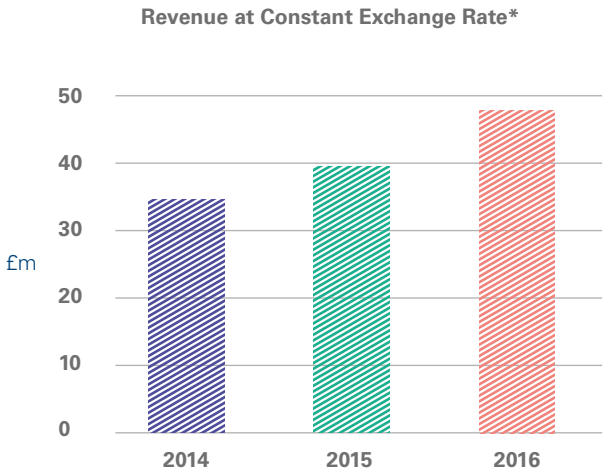
KPI

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



Strategic objective

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

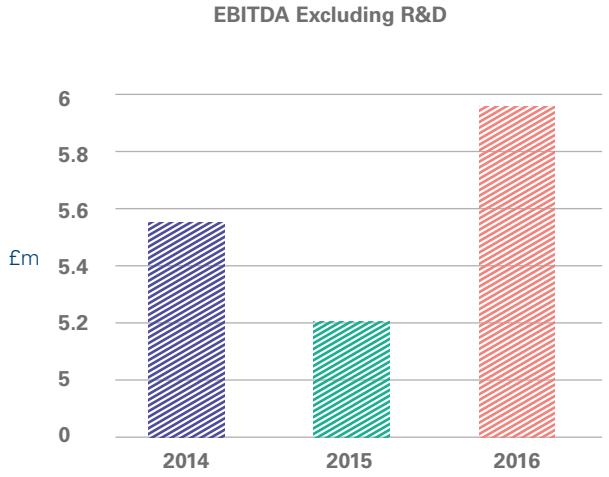
KPI

EBITDA excluding R&D

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

Analysis

EBITDA excluding R&D has recovered to a level above that recorded in 2014, helped in part by exchange gains on USD deposits of £2.4m (2015: loss of £1.1m)



Strategic objective

Maximise the number of countries into which we sell our products

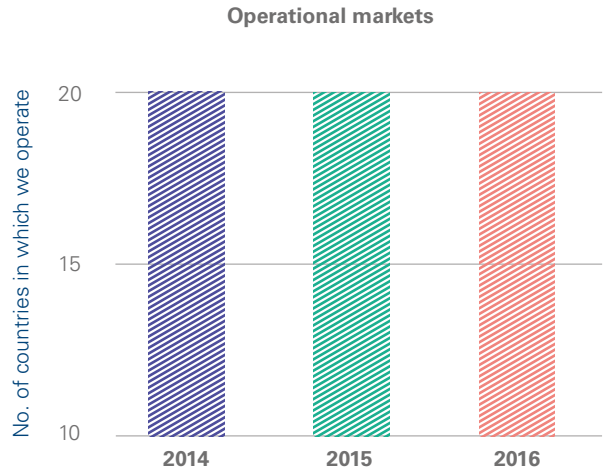
KPI

Number of countries into which we operate

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

Analysis

The group is not currently actively operating in the LATAM market however new European markets have been introduced.



* 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.

Research and Development Report

Clinical studies

The US Clinical Development of Subcutaneous Immunotherapies (SCIT)

Over the course of 2015, the Group has followed the requirements of the FDA's Center for Biologics Evaluation and Research (CBER) to advance the product to Biological Licence Application (BLA) submission by 2020.

In September 2015, the Group successfully undertook a safety study (G102) of two new higher doses of the Grass MATA MPL, which enabled the start of the Phase II dose exploration study (G204) in November 2015. The G204 was a pioneering study using for the first time two mobile environmental exposure chambers (mEECs) to challenge grass allergic people with a constant high level of pollen, recording their symptoms on a hand held computer. This study was completed on time with 258 randomised patients. No serious drug-related adverse events or severe systemic events occurred. The expected swellings at the injection sites were seen which increased with the increasing dose. A similar dose effect was seen for the changes in IgE. However, no dose effect was seen with the primary outcome variable.

The Group is taking advantage of the chance to carry out another dose selection study (G205) using the successful conjunctival provocation test (CPT). It will be performed, subject to approval, in Europe, starting in 2017 with a planned end of Phase II meeting with the FDA in 2018. Results for these two studies are planned to be available to enable, subject to approval and successful outcomes, a Phase III study (G306) to start to randomise patients in 2018.

European Clinical Development of Subcutaneous Immunotherapies (SCIT)

Clinical evaluation of Pollinex Quattro (PQ) products toward licensure is being undertaken as part of the German TAV (Therapieallergene-Verordnung) regulatory framework. The dose selection study (PQBirch 204) was started in September 2015 and completed successfully in April 2016. There were no serious adverse events and no severe systemic adverse events. The dose selection study showed a good dose response curve allowing discussions to proceed with the German regulatory authorities to seek permission to move into the Phase III field study PQBirch 301.

Acarovac Plus and Acarovac MPL – 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 with MCT has undergone further clinical development and showed positive results. The results build on the 2014 publication in Immunity, Inflammation and Disease[5] and have now been published[6]. A series of tolerability studies have been initiated this year in which MPL has been added to Acarovac and new dose regimens are being tested. The adjuvant monophosphoryl lipid A (MPL) is used in the Company's successful PQ product range.

Polyvac

The peanut VLP adjuvanted specific immunotherapy Polyvac is being developed according to plan. Research is at a development phase but important milestones have been achieved this year. A review of E. coli expression system and plasmids for use indicate they appear consistent with those expression systems used in licensure of existing EU and US recombinant products. Allergens for use in formulation have been identified and small-scale production and VLP association studies are encouraging.

Synbiotics

Research is underway exploring two of the current products, Kallergen Th and SynGut™. The Kallergen study is progressing using a double blind, parallel group, randomised study to determine the clinical efficacy and safety of Kallergen Th oral synbiotic compared with placebo in patients with atopic dermatitis. The SynGut™ study due to start this year is an observational study which will evaluate the efficacy and tolerability of SynGut™ oral synbiotic in patients with lactose intolerance.

[5] 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

[6] 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.

Scientific Developments

MCT vs Alum ADME research

A new study considering the elimination kinetics of aluminium in a small preclinical model, based upon a typical long-course allergen-specific subcutaneous immunotherapy dose, has been published in the Journal of Bioanalysis.This key milestone publication presents a quantitative assessment of the impact of aluminium exposure and its propensity to accumulate in the body, highlighting 49% retention of aluminium observed at dose sites 180 days after administration. Extrapolation of the data to humans predicted retention of aluminium for up to 37 years, highlighted the need for further research and understanding of the impact of aluminium localisation kinetics after long-course subcutaneous exposure.

Bencard Adjuvant Systems

The Group is working on adjuvant systems such as MCT as a depot and to enhance immunogenicity of different vaccines. Studies have been run with leading UK institutions such as Porton Down and The University of Oxford to test these adjuvant systems in vaccines such as flu and malaria. The Group was granted a UK patent for the process in 2015 and has also applied for a similar European patent.

Bencard Atlas on Allergomics by Allergy Therapeutics

Immunotherapy products to treat allergic rhinitis are complex medicines that contain multiple allergens in order to desensitise patients to a target allergen. The R&D teams within Allergy Therapeutics are experts in developing advanced scientific techniques to standardise and characterise these complex mixtures. Building upon this research, 2016 saw the release of the inaugural "Bencard Atlas on Allergomics by Allergy Therapeutics". This atlas contains not only detailed epidemiological data on various allergens such as location, seasonality and incidence rate, but also detailed allergomic analysis of products produced by Allergy Therapeutics, illustrating the major and minor allergens present that assist in desensitising patients. Following a successful launch at EAACI 2016 in Vienna, collaborations with key thought leaders in allergy are planned for an update to the atlas with a view to it becoming the "reference guide" in allergy.

Published Work during the period

1 A novel microcrystalline tyrosine adsorbed, mite-allergoid subcutaneous immunotherapy: 1-year follow-up report.
Roger A, Depreux N, Jurgens Y, Serra AT, Heath MD, Garcia G and Skinner MA.
Immunotherapy (Epub ahead of print) DOI: 10.2217/imt-2016-0068.

2 Analysis of aluminium in rat following administration of allergen immunotherapy using either aluminium or microcrystalline-tyrosine-based adjuvants.
McDougall SA, Heath MD, Kramer MF and Skinner MA.
Bioanalysis. 2016 Mar; 8(6):547-56.

3 Molecular, proteomic and immunological parameters of allergens provide inclusion criteria for new candidates within established grass and tree homologous groups.
Heath MD, Collis JC, Batten TN, Hutchings JW, Swan NJ, Skinner MA.
World Allergy Organ J. 2015 8:21

4 Induction of Bronchial Tolerance after 1 cycle of Monophosphoryl-A-Adjuvanted Specific Immunotherapy in Children with Grass Pollen Allergies.
Rosewich M, Girod K, Zielen S, Schubert R and Schulze J
Allergy Asthma Immunol Res. 2016 8: 257-263

5 In vitro evidence for efficacy in food intolerance for the multispecies probiotic formulation Ecologic® Tolerance (Syngut™).
Besseling - van der Vaart, I, Heath, M, Guagnini, F, Kramer, M.
Beneficial Microbes 2015 13:1-8

6 The grass pollen season 2014 in Vienna: A pilot study combining phenology, aerobiology and symptom data.
Kmenta,M., Bastl,K., Kramer,M.F., Hewings,S.J., Mwange,J., Zetter,R., Berger,U.
Sci Total Environ. 2016 Jun 14 [Epub ahead of print]

7 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 152 (2015) 147-153

Financial Review

Financial Review

The following section should be read in conjunction with the financial statements and related Notes on pages 52 to 107.

Overview

The results for the twelve months to 30 June 2016 demonstrate continuing profitability of the core business before R&D expense, with an operating profit excluding R&D of £4.3 million (2015: £3.8 million). Including R&D expense of £16.2 million (2015: £3.1 million), the Group reported an operating loss of £12.0 million (2015: profit £0.7 million). The operating loss includes a non-cash charge of £2.0 million in relation to the fair valuation of forward exchange contracts and a non-cash credit of £2.4 million for the revaluation at the balance sheet date of US dollar cash deposits. The increased investment in clinical studies was due to the commencement of trials related to the US programme and the European Birch Dosing Study. The Alerpharma group acquired in June 2015 added revenue of £1.7 million (2015: £0.2 million) and a loss after tax of £0.6 million (2015: £nil). The Alerpharma loss included charges relating to the restructuring of the Spanish operations. The net loss after tax for the period was £13.1m (2015: profit of £0.1m)

Revenue

Despite a weaker weighted average euro exchange rate against sterling during the year compared to the prior year, revenue increased by 12% to £48.5 million (2015: £43.2 million). The weighted average euro exchange rate in the year was €1.36=£1 compared to €1.27 in the previous year; the weaker euro negatively impacted revenue by £3.0 million. Although the vaccine markets in Europe did not grow significantly, revenue at constant currency* was 19% higher at £51.5 million (2015: £43.2 million) as shown in the table below:

The Group has continued to grow its revenue in markets outside Germany in order to diversify the reliance on any one market. Revenue from Germany was 59% (2015: 63%) of total reported revenue. The key flagship product Pollinex Quattro, which accounts for 45% of total sales, grew strongly in the year at a double digit constant currency growth rate. In addition to the sale of allergy vaccines, the Group has continued to look to increase its revenue from other products, including synbiotics. Total sales from other products contributed £3.6 million for the year ended 30 June 2016 (2015: £3.2 million).

Revenue in Germany grew well in the year with revenue at constant currency increasing to £30.5 million (2015: £27.1 million); an increase of 13%.

All the main European markets exhibited double digit sales growth at constant currency with Spain (excluding Alerpharma) showing 35%; The Netherlands 22%; Austria 25%, Italy 17% and Germany 13%.

	2016 Germany	**2016 Other**	**2016 Total**	2015 Germany	2015 Other	2015 Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**28.5**	**20.0**	**48.5**	27.1	16.1	43.2
Add rebates	**3.9**	**-**	**3.9**	2.9	-	2.9
Gross revenue	**32.4**	**20.0**	**52.4**	30.0	16.1	46.1
Adjustment to retranslate at prior year foreign exchange rate	**2.4**	**0.9**	**3.3**			
Gross revenue at constant currency*	**34.8**	**20.9**	**55.7**	30.0	16.1	46.1
Revenue	**28.5**	**20.0**	**48.5**	27.1	16.1	43.2
Adjustment to retranslate at prior year foreign exchange rate	**2.1**	**0.9**	**3.0**			
Revenue at constant currency*	**30.6**	**20.9**	**51.5**	27.1	16.1	43.2

**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.*

Gross Profit

With the increased sales, cost of sales rose to £14.1 million (2015: £12.2 million). The gross margin was 71% (2015: 72%), leading to a gross profit of £34.4 million (2015: £31.1 million). At constant currency, the gross margin would have risen to 73%.

Operating Expenses

Total overheads are £16.1 million higher against the prior year at £46.5 million (2015: £30.4 million) due to R&D expenditure which increased by £13.1m to £16.2 million (2015: £3.1 million) mainly in relation to the US Grass and European PQBirch dose studies undertaken during the year.

Sales, marketing and distribution costs which were mainly continental European, increased by £3.1 million to £20.2 million (2015: £17.1 million) as the Group invested in improving its marketing and sales infrastructure. Administration expenses fell slightly to £10.1 million (2015: £10.2 million), The major driver behind this decrease was foreign exchange; the Company booking a non-cash gain of £2.4m on its US dollar cash deposits due to the weakening pound. (2015: £1.1 million loss). There was also a loss on the re-valuation of euro assets of £2 million (2015: £0.4 million gain). 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. Following the year end, $10.6m of the cash balance was converted to sterling to reduce income statement volatility.

Tax

The current year tax charge is predominately made up of provisions for tax in the Italian and German subsidiaries. The tax charge in the prior year relates mainly to the reversal of brought forward deferred tax assets.

Balance Sheet

Property, plant and equipment increased by £0.9 million to £9.7 million as a result of exchange rate fluctuations and investment in new manufacturing plant. Goodwill increased to £3.3 million due solely to the stronger euro exchange rate at the balance sheet date (2015: £3.0 million), whilst other intangible assets have risen by £0.1 million, with an increase due to foreign exchange changes mostly offsetting the amortisation charge for the year.

Total current assets, excluding cash, have increased by £1.6 million to £14.2 million (2015: £12.6 million). The fair value of derivative financial instruments changed from an asset of £0.8 million in 2015 to a liability of £1.2m in 2016 as the euro strengthened following the EU referendum vote shortly before the year end. Inventory increased by £1.0 million as the Group prepares for increased sales of its products in the coming year. Trade debtors have increased (mainly in Germany and Italy) reflecting the increased sales in those regions. Cash and cash at hand increased to £23.4m from £21.2m in 2015.

Retirement benefit obligations, which relate solely to the German pension scheme, increased to £10.2 million (2015: £6.8 million). The increase in the liability was mainly driven by a fall in the discount rate and the euro/sterling exchange rate.

Net cash used in operations amounted to £11.8 million (2015: £3.1 million cash generated) due primarily to the significant investment in the year in the R&D programme.

Financing

In November 2015, 41,005,500 new ordinary shares of 0.1 pence each ("Ordinary Shares") were placed with institutional and other investors raising proceeds of £11.5 million before expenses (£11.0 million net) to be used to fund various projects and opportunities. The Group's debt on its balance sheet relates to Spain and consists of the loans acquired as a result of the Alerpharma acquisition (£1.7 million) and a new loan facility (£1.7 million) arranged to fund development of products in the Spanish market. The overdraft facility was unused at 30 June 2016 but has been renewed for a further 12 months to cover seasonal funding requirements.

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.

Other matters

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 at that time) 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 2016, no provision has been recognised for the repayment of the rebate refund of €1.4 million (£1.2 million). This position will be kept under review.

Nicolas Wykeman

Finance Director

23 September 2016

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.

In order to mitigate this risk, the Group is developing and commercialising Pollinex Grass in the US, seeking the PEI market authorisation for Pollinex Quattro Grass in Germany and continuing to increase market share across Europe as well as developing new markets to spread risk.

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 59% (2015: 63%) of Group sales are made in Germany and therefore Group results are particularly 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.

European Union Referendum risks

The referendum in the UK to leave the EU could pose a significant risk for the Group. In the short term the referendum outcome has and may continue to impact exchange rates and investor confidence. The medium term risk impact is not clear given the uncertain nature of the future arrangements between the UK and the rest of the EU. Significant potential areas of risk are regulatory, fiscal and financial. The Group mitigation in relation to currencies is noted under Financial Risks. In relation to other aspects of this risk, the Group has considered at a high level the potential effects. The Group does have in place a high-level contingency plan but will only carry out detailed evaluation and planning once future arrangements become clearer.

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. The Group maintains good relations with the small number of specialised suppliers for its raw materials for its products.

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 31 has been approved by the Board
On behalf of the Board

Nicolas Wykeman
Director

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.

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.

Manuel 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.

Nicolas Wykeman

Finance Director

Nicolas joined Allergy Therapeutics on 9th June 2016 as Finance Director. Nicolas was most recently at Skyepharma PLC until August 2015 where he was the Group Financial Controller for six years. Prior to that, he had also worked at Quest International (a part of ICI PLC) as the Group Financial Controller (Special Projects), following six years at Deloitte & Touche.

Nicolas has a BSc (Hons) in Economics and is a qualified accountant, being a member of the Institute of Chartered Accountants of England and Wales

As Finance Director, Nick is responsible for Group financial reporting and control, tax, finance systems and internal audit.

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 six years as Group Treasurer of The Rank Organisation and three 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.

Jean-Yves sits on the Nomination Committee

Corporate Governance

Corporate Governance

The Board

The Board is led by the Chairman, who is non-executive, and comprises the Chief Executive Officer, the Finance Director, and three other Non-Executive Directors. Biographical details of all Board members are shown on pages 34 to 36. The roles of Chairman and Chief Executive Officer are separate. 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 2015-16
Peter Jensen	Chairman	October 2010	16/16
Stephen Smith	Non-Executive Director and Senior Independent Director	September 2004	16/16
Thomas Lander	Non-Executive Director	May 2012	16/16
Jean-Yves Pavée	Non- Executive Director	November 2014	11/16
Manuel Llobet	Chief Executive Officer	July 2009	16/16
Nicolas Wykeman	Finance Director	June 2016	1/2*

*Appointed 9 June 2016

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

The Group does not comply with UK Corporate Governance Code but 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 Group is subject to the city code on Takeover and Mergers and the Market Abuse Regulations.

In March 2016 the Board undertook a Board Evaluation exercise conducted by an external consultant, which is not a requirement under the AIM rules. The exercise reinforced the effectiveness of the Board, its composition and the Directors' skill base. The exercise suggested a number of operational improvements to assist in its operation including the appointment of a standalone Company Secretary and Non-Executive Director succession planning. The Board is continuing to review the recommendations.

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 audit committee held two meetings during the year, attended by both members.

The Remuneration Committee comprised Stephen Smith (Chairman) and Thomas Lander. The Remuneration Committee reviews the compensation policy and strategy for the Group as a whole and the scale and structure of the Executive Directors' remuneration packages including the terms of their service contracts. No Director takes part in the discussion of his own remuneration. This Committee is also responsible for the grant of shares under the Group's Long Term Incentive Plan.

The Nomination Committee comprised Peter Jensen (Chairman), Stephen Smith and Jean-Yves Pavée. 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 46 to 48.

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 2016. 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 31. 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 2016 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 38 to 39.

Risk Management

The Group's exposure to Risk is set out on page 30 to 31 (Principal Risks and Uncertainties) and in note 24 (Financial Risk Management).

Results & Dividend

The loss for the year after taxation was £13.1 million (2015: £0.1 million profit). The results for the year are set out on page 53 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 (2015: nil).

Directors

The current Directors of the Company and their biographical details are given on pages 34 to 36. The details of the Directors service contracts and their interests in the share capital of the Company at 30 June 2016 are disclosed in the Director's Remuneration Report on pages 46 to 48. All the Directors served for the whole of the financial year with the exception of Nicolas Wykeman who was appointed on 9 June 2016 and Ian Postlethwaite who resigned on 10 June 2016.

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 2016 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	40.84%
Southern Fox Investments	127,283,783	21.60%
Odey Asset Management	43,747,523	7.43%
Invesco Perpetual Asset Management	34,110,209	5.79%
Blackrock Investment Management	19,000,000	3.22%

During the period between 30 June 2016 and 23 September 2016, 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 440 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 £16.2 million (2015 £3.1 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 31.

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 31. 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 26 to 28. 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 renewed overdraft 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.

Strategic report

The strategic report on pages 2 to 31 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 Directors' 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) including FRS101 "Reduced Disclosure Framework". 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 23 September 2016

Nicolas Wykeman

Director

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 2015-2016
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

During the year two awards under the Long Term Incentive Plans vested and were converted into low cost share options. The share options granted to individual Executive Directors to date which were outstanding at 30 June 2016 are disclosed later in this report and comprise grants made in prior years under previous approved and unapproved option schemes. No directors exercised options during the year.

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

There were no awards to Directors and senior management during the year ended 30 June 2016 under the Allergy Therapeutics plc 2013 Long Term Incentive Plan.

Major shareholders were consulted on the plan which was approved by the Board on 20 March 2013. The 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.

During the year two Long Term Incentive Plans were vested and converted into low cost share options.

(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 Nicolas Wykeman. 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
Nicolas Wykeman	9 June 2016	6 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 financial year are set out below.

	Basic Salary	Bonus for the year	Taxable benefits	Fees	Total	Pension[6]	Year ended 30 June 2015 Total	Pension[6]
	£	£	£	£	£	£	£	£
Manuel Llobet	**264,550**	**93,334**	**10,200**	**-**	**368,084**	**39,878**	374,427	38,655
Nicolas Wykeman[1]	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Peter Jensen	**75,000**	**-**	**-**	**-**	**75,000**	**-**	75,000	-
Thomas Lander	**38,000**	**-**	**-**	**-**	**38,000**	**-**	39,323	-
Stephen Smith[2]	**14,800**	**-**	**-**	**27,700**	**42,500**	**-**	42,500	-
Jean-Yves Pavée[3]	**-**	**-**	**-**	**37,667**	**37,667**	**-**	25,333	-
Ian Postlethwaite[4]	**165,679**	**27,654**	**10,389**	**-**	**203,722**	**16,213**	205,904	24,903
Alejandro Weinstein[5]	**-**	**-**	**-**	**-**	**-**	**-**	9,500	-
Totals	**558,029**	**120,988**	**20,589**	**65,367**	**764,973**	**56,091**	771,987	63,558

[1] Nicolas Wykeman was appointed on 9 June 2016

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

[3] Fees payable to Abbott Laboratories Inc.

[4] Ian Postlethwaite resigned as a Director on 10 June 2016

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

[6] Pension contributions are in respect of a defined contribution scheme

LTIPs and share options for directors who held office during the financial year

	Share Options/ LTIPs held at 1 July 2015	LTIPs vested in the year (converted to share options)	Share Options /LTIP's lapsed in the year	Share Options/ LTIPs held at 30 June 2016	Subscription price (pence)	Exercise date from	Expiry date
Executive Directors							
Manuel Llobet	4,035,000	(1,529,024)	(815,976)	1,690,000	-	-	-
		624,024*	-	624,024*	0.001	25/11/2015	25/11/2018
		905,000*	-	905,000*	0.001	10/3/2016	10/3/2018
Ian Postlethwaite	163,500*	-	-	163,500*	18.25	18/10/2009	10/06/2017
	2,017,500	(764,512)	(1,252,988)	-	-	-	-
		312,012*	-	312,012*	0.001	10/3/2016	10/06/2017
		452,500*	-	452,500*	0.001	10/3/2016	10/06/2017
Totals	6,216,000	-	(2,068,964)	4,147,036			

*Share options

At 30 June 2016 the London Stock Exchange mid-market value of shares was 18.5 pence per share. The range of mid-market values during the period from 1 July 2015 to 30 June 2016 was 23.5pence to 18.5 pence per share.

The Directors that held office during 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	4,035,000	3,175,000	3,219,024
Nicolas Wykeman	-	-	-	-
Peter Jensen	120,000	-	120,000	-
Thomas Lander	-	-	-	-
Jean-Yves Pavée	-	-	-	-
Stephen Smith	776,513	-	776,513	-
Ian Postlethwaite[3]	1,360,000	2,181,000	1,360,000	928,012[2]

[1] Includes shares held by Wild Indigo

[2] Share Options

[3] Resigned 10 June 2016

Stephen Smith

Chairman, Remuneration Committee

23 September 2016

Nominations Committee Report

Nominations Committee Report

The Nominations Committee during the year comprised Peter Jensen (Chairman), Stephen Smith and Jean-Yves Pavée. The Nominations Committee held two meetings 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 2015-2016
Peter Jensen	October 2010	2/2
Stephen Smith	September 2009	2/2
Jean–Yves Pavée	April 2016	2/2

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

The Group considers the independence of Non-Executive Directors of paramount importance, being a cornerstone of good corporate governance; as a result, the Committee periodically reviews the independence of its Non-Executive Directors. Its review is based on independence as defined in the UK Corporate Governance Code which is not binding on an AIM listed company against the practicalities for an AIM Company. The Group draws upon best practice available, including those aspects of the UK Corporate Governance Code it is considered to be relevant to the Group and best practice.

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
23 September 2016

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 2016 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 Statement of Directors' Responsibilities set out on page 44, 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 2016 and of its loss 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 2016.

Jonathan Maile
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Gatwick
23 September 2016

Consolidated Income Statement for the year ended 30 June 2016

	Note	Year to 30 June 2016 £'000	Year to 30 June 2016 £'000	Year to 30 June 2015 £'000	Year to 30 June 2015 £'000
Revenue	3		**48,509**		43,230
Cost of sales			**(14,070)**		(12,179)
Gross profit			**34,439**		31,051
Sales, marketing and distribution costs			**(20,223)**		(17,060)
Administration expenses – other		**(10,094)**		(10,218)	
Research and development costs		**(16,223)**		(3,121)	
Administration expenses			**(26,317)**		(13,339)
Other income	8		**150**		73
Operating (loss)/profit			**(11,951)**		725
Finance income	10		**180**		147
Finance expense	9		**(293)**		(218)
(Loss)/ Profit before tax	5		**(12,064)**		654
Income tax	11		**(1,008)**		(546)
(Loss)/ Profit for the period			**(13,072)**		108
(Loss)/ Earnings per share	13				
Basic (pence per share)			**(2.29p)**		0.02p
Diluted (pence per share)			**(2.29p)**		0.02p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

	Note	**Year to 30 June 2016 £'000**	Year to 30 June 2015 £'000
(Loss)/Profit for the period		**(13,072)**	108
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	26	**(1,688)**	(932)
Remeasurement of investments – retirement benefit assets	17	**(16)**	8
Deferred tax– freehold land and buildings	12	**(43)**	-
Revaluation gains – freehold land and buildings	16	**119**	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(744)**	(119)
Total comprehensive loss		**(15,444)**	(935)

Consolidated Balance Sheet

	Note	30 June 2016 £'000	30 June 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**9,667**	8,750
Intangible assets – goodwill	14	**3,271**	2,980
Intangible assets – other	15	**2,084**	2,020
Investments – retirement benefit asset	17	**4,045**	3,160
Total non-current assets		**19,067**	16,910
Current assets			
Inventories	18	**7,692**	6,747
Trade and other receivables	19	**6,514**	5,060
Cash and cash equivalents	20	**23,406**	21,199
Derivative financial instruments	24	**-**	783
Total current assets		**37,612**	33,789
Total assets		**56,679**	50,699
Liabilities			
Current liabilities			
Trade and other payables	21	**(11,045)**	(7,169)
Current borrowings	22	**(295)**	(251)
Derivative financial instruments	24	**(1,180)**	-
Total current liabilities		**(12,520)**	(7,420)
Net current assets		**25,092**	26,369
Non-current liabilities			
Retirement benefit obligations	26	**(10,174)**	(6,755)
Deferred taxation liability	12	**(334)**	(298)
Non-current provisions	23	**(257)**	(211)
Other non-current liabilities	21	**-**	(113)
Long term borrowings	22	**(3,070)**	(1,433)
Total non-current liabilities		**(13,835)**	(8,810)
Total liabilities		**(26,355)**	(16,230)
Net assets		**30,324**	34,469
Equity			
Capital and reserves			
Issued share capital	27	**599**	556
Share premium		**102,392**	91,463
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – EBT		**-**	67
Reserve – share based payments		**741**	591
Revaluation reserve		**1,254**	1,178
Foreign exchange reserve		**(884)**	(140)
Retained earnings		**(113,906)**	(99,374)
Total equity		**30,324**	34,469

These financial statements were approved by the Board of Directors and authorised for issue on 23 September 2016 and signed on its behalf by

Manuel Llobet
Chief Executive Officer

Nicolas Wykeman
Finance Director

Registered number: 05141592

Consolidated Statement of Changes in Equity

	Issued Capital	Share premium	Merger reserve - shares issued by subsidiary	Reserve - shares held in EBT
	£'000	£'000	£'000	£'000
At 30 June 2014	420	67,716	40,128	67
Exchange differences on translation of foreign operations	-	-	-	-
Remeasurement of net defined benefit liability	-	-	-	-
Remeasurement of investments – retirement benefit assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Profit for the period after tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with shareholders -Convertible loan note	-	-	-	-
Conversion of loan note to equity	42	3,832	-	-
Share based payments	-	-	-	-
Shares issued	94	20,909	-	-
Share issue costs	-	(994)	-	-
Transfer of lapsed options to retained earnings	-	-	-	-
At 30 June 2015	**556**	**91,463**	**40,128**	**67**
Exchange differences on translation of foreign operations	-	-	-	-
Remeasurement of net defined benefit liability	-	-	-	-
Deferred tax (Land and buildings)	-	-	-	-
Valuation gain taken to equity (Land and Buildings)	-	-	-	-
Remeasurement of investments – retirement benefit assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Loss for the period after tax	-	-	-	-
Total comprehensive income	-	-	-	-
Share based payments	-	-	-	-
Shares issued	43	11,441	-	-
Share issue costs	-	(512)	-	-
Transfer of lapsed options to retained earnings	-	-	-	-
Transfer of EBT reserve to retained earnings	-	-	-	(67)
At 30 June 2016	**599**	**102,392**	**40,128**	**-**

Reserve - share based payment	Reserve – convertible loan note	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
£'000	£'000	£'000	£'000	£'000	£'000
465	3,652	1,178	(21)	(98,530)	15,075
-	-	-	(119)	-	(119)
-	-	-	-	(932)	(932)
-	-	-	-	8	8
-	-	-	(119)	(924)	(1,043)
-	-	-	-	108	108
-	-	-	(119)	(816)	(935)
-	-	-	-	(86)	(86)
-	(3,652)	-	-	(222)	-
406	-	-	-	-	406
-	-	-	-	-	21,003
-	-	-	-	-	(994)
(280)	-	-	-	280	-
591	**-**	**1,178**	**(140)**	**(99,374)**	**34,469**
-	-	-	(744)	-	(744)
-	-	-	-	(1,688)	(1,688)
-	-	(43)	-	-	(43)
-	-	119	-	-	119
-	-	-	-	(16)	(16)
-	-	76	(744)	(1,704)	(2,372)
-	-	-	-	(13,072)	(13,072)
-	-	76	(744)	(14,776)	(15,444)
327	-	-	-	-	327
-	-	-	-	-	11,484
-	-	-	-	-	(512)
(177)	-	-	-	177	-
-	-	-	-	67	-
741	**-**	**1,254**	**(884)**	**(113,906)**	**30,324**

Consolidated Cash Flow Statement

	Note	Year to 30 June 2016 £'000	Year to 30 June 2015 As restated £'000
Cash flows from operating activities			
(Loss)/Profit before tax		**(12,064)**	654
Adjustments for:			
Finance income	10	**(180)**	(147)
Finance expense	9	**293**	218
Non cash movements on defined benefit pension plan		**295**	290
Depreciation and amortisation	15,16	**1,666**	1,293
Charge for share based payments		**327**	406
Movement in fair valuation of derivative financial instruments		**1,963**	(438)
Foreign exchange revaluation on US dollar cash deposits		**(2,394)**	1,118
(Increase) in trade and other receivables		**(368)**	(448)
(Increase) in inventories		**(585)**	(424)
(Decrease) / increase in trade and other payables		**(497)**	1,079
Net cash (used)/ generated by operations		**(11,544)**	3,601
Bank loan fees and interest paid		**(388)**	(304)
Income tax		**93**	(174)
Net cash (used)/ generated by operating activities		**(11,839)**	3,123
Cash flows from investing activities			
Interest received		**-**	65
Investments		**(260)**	(275)
Acquisition of Alerpharma Group		**-**	(2,653)
Cash acquired on acquisition of Alerpharma Group		**-**	1,301
Payments for intangible assets		**-**	(13)
Payments for property plant and equipment		**(1,232)**	(1,091)
Net cash used in investing activities		**(1,492)**	(2,666)
Cash flows from financing activities			
Proceeds from issue of equity shares (net of issue costs)		**10,967**	20,079
Repayment of borrowings		**(86)**	-
Proceeds from borrowings		**1,658**	-
Net cash generated by financing activities		**12,539**	20,079
Net (decrease)/ increase in cash and cash equivalents		**(792)**	20,536
Effects of exchange rates on cash and cash equivalents		**2,999**	(1,366)
Cash and cash equivalents at the start of the period		**21,199**	2,029
Cash and cash equivalents at the end of the period		**23,406**	21,199
Cash at bank and in hand		**23,406**	21,199
Bank overdraft		**-**	-
Cash and cash equivalents at the end of the period		**23,406**	21,199

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') and with those parts of the Companies Act 2006 that are relevant to the Group preparing its accounts in accordance with EU adopted IFRS.

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 comparative figures for the 12 months ended 30 June 2015 in the cash flow statement have been restated to properly reflect the treatment of the foreign exchange differences on the Group's US dollar cash deposits. Whilst the net cash generated by operations has increased by £1.1m to £3.6m, there is no overall change in the total net movement on cash and cash equivalents for the year (£19.2m). The effects of exchange rates on cash and cash equivalents has decreased by £1.1m to £1.4m.

The consolidated financial statements for the year ended 30 June 2016 (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 23 September 2016.

New standards adopted

With effect from 1 July 2015, the Company has prepared its individual company financial statements in accordance with Financial Reporting Standard (FRS) 101 – Reduced disclosure framework. The application of FRS 101 has not had a significant impact on the Company. There is no impact on the Group consolidated financial statements which will continue to be prepared under International Financial Reporting Standards (IFRS).

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 2016 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 IAS 39 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.

IFRS 16 Leases (effective 1 January 2019)

IFRS 16 removes the current distinction between an operating and finance lease, introducing consistent requirements for all leases similar to the current finance lease accounting.

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

Operating loss in the period was £12.0 million (2015: profit £0.7 million); net cash outflow from operations was £11.5 million (2015: inflow £3.6 million). The primary cause of the operating loss and cash outflow is the increased R&D expenditure which has been funded from the 2015 share placing which raised £20.0 million for the US R&D programme. Excluding R&D the Group would have reported an operating profit of £4.3 million (2015: £3.8 million). The Directors do not consider the current operating loss to be a cause for concern.

The Group has prepared detailed budgets, including cash flow projections, for the period to 30 September 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 2016. 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 asset and be identifiable. 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 the consolidated income statement in the expense category consistent with the function of the intangible asset in either administration costs or marketing and distribution costs.

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 consolidated 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 Consolidated 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 which approximates to actual rates. Exchange differences are charged or credited to other comprehensive income (OCI) and recognised in the currency translation reserve in equity. OCI includes those items which would be reclassified to profit or loss and those items which would not be reclassified to profit or loss.

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 Consolidated Income statement upon utilisation of the service or at the date of their origin.

Property, plant and equipment (PPE)

The Group policy is that all freehold properties will be subject to a full revaluation with sufficient regularity so that the carrying amount and the fair value are not materially different.

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 consolidated 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 consolidated 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 cost of sales when arriving at operating profit in the consolidated 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. The 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 consolidated 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 at bank and in hand, 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 with maturities of three months or less from inception 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 consolidated 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 reporting period 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 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 consolidated 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.

Derivative financial instruments

The Group uses 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 consolidated 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 of the parent company 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 asset/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 and laws 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.

Other employee benefits

Short term

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.

Long term

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. The provision is undiscounted as it is not possible to accurately estimate when this liability might fall due, and the value would not be materially different if it were discounted.

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 consolidated 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 96.

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 (EBT)

The financial statements include the assets and liabilities of a trust set up for the benefit of the Group's employees. The EBT has acquired shares in the Company and these are deducted from total equity on the balance sheet at the cost of acquisition less proceeds on disposal.

The balance in the EBT reserve brought forward from the prior year relates to the historic purchase and disposal of Company shares. No transactions have passed through the EBT since 2009. There are no shares currently held by the EBT. The remaining balance on the reserve was transferred to retained earnings at the reporting date.

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. Costs expensed in the year amounted to £16.2 million (2015: £3.1 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 with sufficient regularity so that the carrying amount and the fair value are not materially different. The Italian freehold property was revalued in June 2016 by independent valuers (see Note 16). The Italian freehold property was revalued to fair value at the reporting date based on this valuation. The freehold property in Spain was revalued in June 2015 (see Note 16). The Directors do not consider an impairment provision to be required in respect of the freehold property in Spain.

d) The Group had been awarded a provisional exemption to the increased statutory rebate charge in Germany for the period July to December 2012 by BAFA. 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 from the German authorities was subsequently collected. In February 2015, the provisional exemption was withdrawn by BAFA. 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 (£1.2 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 65) 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 (2015: £0.1m).

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 69, 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:

	2016	2015
	£'000	£'000
Sale of goods	**48,468**	43,205
Rendering of services	**41**	25
	48,509	43,230

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 and Rest of World.

For all material regions that have been aggregated, management consider that they share similar economic characteristics. They are also similar in respect of the products sold; types of customer; distribution channels; and regulatory environments.

Revenue by segment

	Revenue from External Customers	Inter Segment Revenue	Total Segment Revenue	Revenue from External Customers	Inter Segment Revenue	Total Segment Revenue
	2016	**2016**	**2016**	2015	2015	2015
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central Europe						
Germany	**28,484**		**28,484**	27,137		27,137
Other	**6,688**		**6,688**	5,997		5,997
	35,172		**35,172**	33,134		33,134
Southern Europe						
Italy	**4,741**		**4,741**	4,593		4,593
Spain	**4,590**		**4,590**	2,295		2,295
Other	**229**		**229**	-		-
	9,560		**9,560**	6,888		6,888
UK	**1,856**	**17,862**	**19,718**	1,054	22,900	23,954
Rest of World	**1,921**		**1,921**	2,154		2,154
	48,509	**17,862**	**66,371**	43,230	22,900	66,130

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 € 1.40: £1.00 which was the rate used in the 2016 budget.

	Revenue from External Customers	Revenue from External Customers
	2016	2015
	£'000	£'000
Central Europe		
Germany	**27,699**	28,719
Other	**6,439**	6,193
	34,138	34,912
Southern Europe	**9,302**	7,290
UK	**1,851**	1,053
Other	**1,921**	2,158
	47,212	45,413

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

Depreciation and amortisation by segment

	2016	2015
	£'000	£'000
Central Europe	167	139
Southern Europe	404	143
UK	1,095	1,011
	1,666	1,293

EBITDA by segment

	2016	2015
Allocated EBITDA	£'000	£'000
Central Europe	407	(452)
Southern Europe	(325)	(93)
UK	(10,367)	2,563
Allocated EBITDA	(10,285)	2,018
Depreciation and amortisation	(1,666)	(1,293)
Operating (loss)/ profit	(11,951)	725
Finance income	180	147
Finance expense	(293)	(218)
Profit before tax	(12,064)	654

Total assets by segment

	2016	2015
	£'000	£'000
Central Europe	12,119	8,692
Southern Europe	7,627	5,450
UK	59,585	58,809
	79,331	72,951
Inter-segment assets	(2,432)	(2,691)
Inter-segment investments	(20,220)	(19,561)
Total assets per Balance Sheet	56,679	50,699

Included within Central Europe are non-current assets to the value of £2,523,000 (2015: £2,343,000) relating to Goodwill and within Southern Europe assets to the value of £2,942,000 (2015: £2,521,000) relating to freehold land and buildings. There were no material additions (excluding foreign exchange differences) to non-current assets in any country except the UK where non-current asset additions totalled £1,433,000.

Total liabilities by segment

	2016	2015
	£'000	£'000
Central Europe	(14,956)	(9,779)
Southern Europe	(6,658)	(4,164)
UK	(7,119)	(4,874)
	(28,733)	(18,817)
Inter-segment liabilities	2,378	2,587
Total liabilities per Balance Sheet	(26,355)	(16,230)

5. (LOSS)/PROFIT BEFORE TAX

	2016	2015
Profit for the period has been arrived at after charging/ (crediting):	£'000	£'000
Loss/ (gain) on fair valuation of foreign exchange forward contracts	1,963	(438)
(Gain) on foreign exchange forward contracts matured in the year	(519)	(618)
(Gain)/ loss on revaluation of US dollar denominated cash deposits	(2,394)	1,118
Other foreign exchange (gain)/loss	(749)	919
Acquisition costs of new subsidiary (Note 29)	84	205
Depreciation and amortisation:		
Depreciation of property plant and equipment (Note 16)	1,426	1,053
Amortisation of intangible assets (Note 15)	240	240
Research and development	16,223	3,121
Land and buildings held under operating leases	695	701
Other operating leases	606	537
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	42	22
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	90	78
Audit related assurance	10	12
Tax compliance services	17	-
Tax advisory services	15	4
Share based payment expense (Note 28)	327	406

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2016	2015
	£'000	£'000
Salaries and short-term employee benefits	765	772
Social security costs	87	87
Post-employment benefits – defined contribution plans	56	64
	908	923
Under accrual of bonuses	26	-
Share based payment	59	88
	993	1,011

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 47 and forms part of the financial statements.

7. EMPLOYEES (including Directors)

	2016	2015
	£'000	£'000
Wages and salaries	18,560	16,116
Social security costs	2,980	2,407
Share based payments	327	406
Pension costs – defined benefit plans	251	220
Pension costs – defined contribution plans	341	329
	22,459	19,478

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

	2016	2015
R & D, marketing and administration	150	126
Sales	119	96
Production	158	139
	427	361

8. OTHER INCOME

	2016	2015
	£'000	£'000
Net monetary value of above the line R&D tax credit	150	73

9. FINANCE EXPENSE

	2016	2015
	£'000	£'000
Interest on borrowing facility	57	27
Net interest expenses on defined benefit liability	171	191
Other interest and charges	65	-
	293	218

10. FINANCE INCOME

	2016	2015
	£'000	£'000
Bank interest	90	22
Interest on investment assets	50	82
Other finance income	40	43
	180	147

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

11. INCOME TAX EXPENSE

	2016	2015
	£'000	£'000
Current Tax:		
Prior period overseas tax	574	248
Overseas tax	489	137
	1,063	385
Deferred tax		
– current year	(55)	(13)
– reduction in carrying amount of deferred tax asset	-	174
Tax charge for the period	1,008	546

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:

	2016	2015
	£'000	£'000
(Loss) / Profit for the period before tax	(12,064)	654
(Loss) / Profit for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 20.0%).(2015: average 20.75%)	(2,413)	136
Effects of:		
Disallowable adjustments	370	104
Movements in unrecognised deferred tax	2,499	(154)
Adjustment of taxes for prior periods	574	248
Adjustment for different tax rates	41	34
Relief for shares acquired by employees & Directors	(71)	-
Gross up of R&D expenditure credit	8	4
	1,008	372
Deferred tax - reduction in carrying amount of deferred tax asset	-	174
Tax charge for the period	1,008	546

12. DEFERRED TAX

Recognised deferred tax liability

	Tax value of carried forward losses	Tax value of accelerated capital allowances	Acquisition of Teomed AG	Italy Freehold property	Tax value of Alerpharma SA losses	Acquisition of Alerpharma SA	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2015	**455**	**(455)**	**(130)**	**-**	**207**	**(375)**	**(298)**
Amount (charged) / credited to the income statement	**(52)**	**52**	**15**	**-**	**-**	**45**	**60**
Transfer from revaluation reserve	**-**	**-**	**-**	**(43)**	**-**	**-**	**(43)**
Exchange differences	**-**	**-**	**(24)**	**-**	**36**	**(65)**	**(53)**
At 30 June 2016	**403**	**(403)**	**(139)**	**(43)**	**243**	**(395)**	**(334)**

	Tax value of carried forward losses	Tax value of accelerated capital allowances	Acquisition of Teomed AG	Italy Freehold property	Tax value of Alerpharma SA losses	Acquisition of Alerpharma SA	Total
	£'000	£'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)

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 prior 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 was partially offset by a deferred tax asset of £207,000 relating to the tax value of its carried forward losses.

The deferred tax liability in respect of the Italian freehold property relates to the revaluation of this property.

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

	2016	2015
	£'000	£'000
Deferred tax assets	**646**	662
Deferred tax liabilities	**(980)**	(960)
	(334)	(298)

Unrecognised deferred tax

	2016	2015
	Deferred tax assets	Deferred tax assets
	£'000	£'000
Non Current Assets		
Property, plant and equipment	**61**	59
R&D expenditure credit	**74**	42
Current Assets		
Stock	**202**	345
Derivative financial instruments	**-**	157
Current Liabilities		
Derivative financial instruments	**212**	-
Non Current Liabilities		
Pension and other employee obligations	**2,021**	1,185
Share options	**122**	145
Unused tax losses	**13,778**	12,701
Total	**16,470**	14,634

As at 30 June 2016 the Group had approximately £76m of unutilised tax losses (2015: approximately £67m) 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 20% to 19% with effect from 1 April 2017 & to 18% from 1 April 2020. The recognised and unrecognised deferred tax assets have been calculated at 18%, being the rate enacted at 30 June 2016 and expected to apply when the asset is realised or the liability is settled.

The draft finance bill announced a further reduction to the rate to 17% from 1 April 2020. The estimated impact of the potential further reduction in the tax rate from 1 April 2020 on the unrecognised net deferred tax assets & liabilities is a net reduction in the asset of £0.9m.

13. EARNINGS PER SHARE

	2016	2015
	£'000	£'000
(Loss)/ Profit after tax attributable to equity shareholders	**(13,072)**	108

	Shares '000	Shares '000
Issued ordinary shares at start of the period	**545,848**	409,867
Ordinary shares issued in the period	**43,311**	135,981
Issued ordinary shares at end of the period	**589,159**	545,848
Weighted average number of ordinary shares for the period	**570,344**	475,197
Potentially dilutive share options	**-**	23,045
Weighted average number of ordinary shares for diluted earnings per share	**570,344**	498,242
Basic earnings per ordinary share/(loss) (pence)	**(2.29p)**	0.02p
Diluted earnings per ordinary share/(loss) (pence)	**(2.29p)**	0.02p

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

	2016	2015
	Number Of Shares	Number Of Shares
Weighted average number of ordinary shares in issue	**570,344**	475,197
Potentially dilutive share options	**18,885**	23,045
Weighted average number of diluted ordinary shares	**589,229**	498,242

14. GOODWILL

	2016	2015
	£'000	£'000
At 1 July	**2,980**	2,480
Addition	**-**	637
Exchange difference	**291**	(137)
At 30 June	**3,271**	2,980

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

	2016	2015
	£'000	£'000
Germany	**2,523**	2,343
Spain	**748**	637
Total	**3,271**	2,980

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 reasonably possible changes that would necessitate changes in its key estimates. There are no reasonably 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 17.4% discount rate (2015: 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 (2015: 17%) 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 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 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
Additions	-	-	-	-	-	-	126	126
Disposals	-	-	-	-	-	-	-	-
Foreign exchange	458	118	-	-	-	154	92	822
At 30 June 2016	**4,578**	**1,094**	**372**	**237**	**220**	**1,036**	**2,470**	**10,007**
Amortisation								
At 1 July 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
Disposals	-	-	-	-	-	-	-	-
Charge for the year	-	34	20	39	18	28	101	240
Foreign exchange	455	39	-	-	-	61	89	644
At 30 June 2016	**4,557**	**395**	**20**	**39**	**18**	**939**	**1,955**	**7,923**
Net book value								
At 1 July 2014	-	687	-	-	-	51	553	1,291
At 30 June 2015	18	654	372	237	220	32	487	2,020
At 30 June 2016	**21**	**699**	**352**	**198**	**202**	**97**	**515**	**2,084**

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 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
Revaluation	-	-	-	-	(27)	(27)
Additions	722	562	-	433	-	1,717
Foreign exchange	61	98	-	105	447	711
Disposals	(3)	(2)	-	-	-	(5)
At 30 June 2016	**9,792**	**5,863**	**36**	**3,950**	**3,023**	**22,664**
Depreciation						
At 1 July 2014	4,582	3,567	32	2,398	45	10,624
Charge for the year	459	237	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
Charge for the year	549	264	7	476	131	1,427
Revaluation	-	-	-	-	(146)	(146)
Foreign exchange	15	83	-	91	14	203
Disposals	(3)	(2)	-	-	-	(5)
At 30 June 2016	**5,593**	**4,088**	**22**	**3,213**	**81**	**12,997**
Net book value						
At 1 July 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
At 30 June 2016	**4,199**	**1,775**	**14**	**737**	**2,942**	**9,667**

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 June 2016 by independent valuers based on an open market valuation. This property is carried at fair value and is classified as level 3 in the fair value hierarchy.

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 fair value hierarchy. 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 2015	1,607	914	**2,521**
Loss recognised in income statement			
– depreciation of buildings	(81)	(50)	**(131)**
Loss recognised in other comprehensive income			
– exchange differences on translating foreign operations	272	161	**433**
Gain recognised in other comprehensive income – revaluation of Italy freehold land and buildings	-	119	**119**
Balance at 30 June 2016	**1,798**	**1,144**	**2,942**

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 Italian land and buildings was carried out in June 2016 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. The valuers used an equivalent value of €1,600 (£1,327) per m^2. This compares to a range of prices from €1,400 per m^2 to €2,100 per m^2 observed by the valuers. Land and buildings were revalued to fair value at 30 June 2016 based on this valuation. Management do not consider that the fair value as at 30 June 2016 for the Spain land and buildings 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.

	2016	2015
	£'000	£'000
At 1 July	**3,160**	3,212
Additions	**260**	275
Finance income	**50**	82
Remeasurement of investment	**(16)**	8
Profit/(loss) on foreign exchange	**591**	(417)
	4,045	3,160

18. INVENTORIES

	2016	2015
	£'000	£'000
Raw materials and consumables	**1,604**	1,675
Work in progress	**3,142**	2,937
Finished goods	**2,946**	2,135
	7,692	6,747

The value of inventories measured at fair value less cost to sell was £425,000 (2015: £334,000).
The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a charge of £91,000 which was expensed to the consolidated income statement.

19. TRADE AND OTHER RECEIVABLES

	2016	2015
	£'000	£'000
Trade receivables	**4,678**	3,087
Other receivables	**428**	860
VAT	**352**	140
Prepayments and accrued revenue	**1,056**	973
	6,514	5,060

Accrued revenue of £59,000 relates to deferred consideration receivable from customers (2015: £143,000)

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, £151,000 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	2016	2015
	£'000	£'000
Balance brought forward	216	194
Foreign exchange adjustments	54	(25)
Charge for the year	151	47
Balance carried forward	421	216

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:	2016	2015
Trade receivables	£'000	£'000
Not more than 3 months	1,764	568
More than 3 months but not more than 6 months	215	589
More than 6 months but not more than 1 year	102	184
More than one year	133	83
	2,214	1,424

20. CASH AND CASH IN HAND

	2016	2015
	£'000	£'000
Cash at bank and in hand	23,406	21,199

21. TRADE AND OTHER PAYABLES

Due within one year	2016	2015
	£'000	£'000
Trade payables	3,110	2,819
Social security and other taxes	1,428	513
Other creditors	139	332
Accrued expenses and deferred income	6,368	3,505
	11,045	7,169

Due after one year	2016	2015
	£'000	£'000
Deferred consideration	-	113
	-	113
Total trade and other payables	11,045	7,282

The deferred consideration due after one year related to an amount payable for the acquisition of the Alerpharma group. This was settled within the current year.

22. BORROWINGS

Due within one year	2016 £'000	2015 £'000
Bank Loans	**295**	251
	295	251

Due in more than one year	2016 £'000	2015 £'000
Bank Loans	**3,070**	1,433
	3,070	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 2017. The overdraft was unused at 30 June 2016 (2015: Nil).

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%	121	442	-
Bank Inter (2)	1 month Euribor + 5.0%	39	154	182
Santander (1)	12 month Euribor + 2.5%	111	460	28
Tecnoalcala	Interest Free	24	97	48
Santander (2)	Fixed rate of 2.5%	-	1,054	605
		295	**2,207**	**863**

During the year, Allergy Therapeutics Iberica SL took out a new loan with Santander for €2m at a fixed rate of 2.5% for a term of 7 years with a 2-year capital repayment delay. A warranty with regard to this new loan was provided by Allergy Therapeutics plc.

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.

	2016 Total £'000	2015 Total £'000
At 1 July	**211**	222
Additions	**27**	25
Utilisation	**(19)**	(9)
Foreign exchange movement	**38**	(27)
At 30 June	**257**	211

The provision is undiscounted as it is not possible to accurately estimate when this liability might fall due, and the value would not be materially different if it were discounted.

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.

	2016	2015
	£'000	£'000
Capital	**30,324**	34,469
Total equity	**30,324**	34,469
Borrowings	**3,365**	1,684
Overall financing	**33,689**	36,153
Capital-to-overall financing ratio	**0.90**	0.95

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	**2016**	2015
	£'000	£'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	**28,922**	25,429
Fair value through profit and loss – held for trading	**-**	783
	28,922	26,212
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(11,340)**	(3,915)
Fair value through profit and loss – held for trading	**(1,180)**	-
	(12,520)	(3,915)
Non current		
At amortised cost (including borrowings and payables)	**(3,327)**	(1,757)
	(15,847)	(5,672)

Derivative financial instruments

The Group uses derivative financial instruments to mitigate the effects of exchange rate exposure through the use of forward exchange contracts.

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 €19,714,000 to purchase GBP at an average blended rate of 1.2849 for dates from July 2016 until May 2017.

Analysis of Derivative Financial Instruments	2016	2015
	£'000	£'000
Credit/(Charge) to administration expenses in the Consolidated Income Statement		
Euro forward contracts	(1,963)	438
Euro forward contracts - matured in the period	519	618
	(1,444)	1,056

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	2016	2015
	£'000	£'000
Current Assets		
Derivative financial instruments		
- Euro forward contracts	-	783
	-	783
Current liabilities		
Derivative financial instruments	(1,180)	-
- Euro forward contracts	(1,180)	-

The net loss at fair value of financial instruments held at the balance sheet date that has been recorded through the consolidated income statement is £1,963,000 (2015 gain: £438,000).

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) and Swiss francs (which is the functional currency of the Swiss 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. Subsequent to the year end, an amount of US$ 10.6m was converted to sterling.

The Group carries bank balances in the following currencies:

	2016	2015
	£'000	£'000
Sterling	8,423	148
Euro	3,496	2,286
US dollars	11,233	18,617
Canadian dollars	9	1
Swiss franc	245	147
	23,406	21,199

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

	2016			2015		
	Sterling	**Euro**	**Other**	Sterling	Euro	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Current						
Financial assets	**9,637**	**7,558**	**11,727**	965	5,837	18,973
Financial liabilities	**(5,351)**	**(6,966)**	**(203)**	(1,800)	(1,042)	(426)
Short term exposure	**4,286**	**592**	**11,523**	(835)	4,795	18,547
Non- current						
Financial liabilities	**-**	**(3,327)**	**-**	-	(1,757)	-
Long term exposure	**-**	**(3,327)**	**-**	-	(1,757)	-

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 2015, a 10% movement was also used.

	2016	2015
	£'000	£'000
If sterling had strengthened against the euro by	**10%**	10%
Effect on net results for the year	**635**	(256)
Effect on other comprehensive income	**(470)**	(181)
Effect on equity	**165**	(437)
If sterling had weakened against the euro by	**10%**	10%
Effect on net results for the year	**(776)**	313
Effect on other comprehensive income	**686**	221
Effect on equity	**(90)**	534

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.

	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
	+ 1%	- 1%	+ 1%	- 1%
Movement in net results for the year	(9)	n/a	(6)	n/a
Equity	-	n/a	-	n/a
	(9)	n/a	(6)	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.

The credit quality of financial assets that are not past due or impaired are regularly reviewed by Management.

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 2017. As at 30 June 2016 the Group's contractual maturities (undiscounted and including interest) are summarised as follows:

Current liabilities	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
	Within 6 months	6 to 12 months	Within 6 months	6 to 12 months
Borrowing facility	159	159	135	135
Trade payables	3,110	-	3,017	-
Other short term liabilities	7,716	-	4,152	-
	10,985	159	7,304	135
Derivatives	817	363	-	-
	11,802	522	7,304	135

Non-current liabilities	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
	1 to 5 years	Later than 5 years	1 to 5 years	Later than 5 years
Borrowing facility	2,422	916	1,079	520
Other long term liabilities	236	-	324	-
	2,658	916	1,403	520

25. OPERATING LEASE COMMITMENTS

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

	Land & buildings		Other		Total	
	2016	2015	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Within one year	**740**	636	**462**	319	**1,202**	955
Two to five years	**2,139**	1,793	**1,080**	314	**3,219**	2,107
Over five years	**868**	840	**99**	-	**967**	840
	3,747	3,269	**1,641**	633	**5,388**	3,902

Of the operating lease commitments for the land and buildings of £3,747,000 (2015: £3,270,000), £2,910,000 relates to the UK premises (2015: £2,376,000). The production facility accounts for £2,583,000 (2015: £2,118,000) of this commitment and expires in December 2023. Premises in Spain account for £132,000 (2015: £103,000) expiring in 2020 and in Germany for £316,000 (2015: £81,000) expiring in June 2017.

Of the other commitments, £1,150,000 (2015: £400,000) relates to leased vehicles all expiring within 5 years and £99,000 relates to leased vehicles all expiring over 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 £341,000 (2015: £329,000).

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 2016. The major assumptions used were as follows:

	2016	2015
	% pa	% pa
Retail price inflation	**1.5**	1.5
Salary increase rate	**3.5**	3.0
Rate of pension increase	**1.5**	1.5
Discount rate at the beginning of the year	**2.45**	3.05
Discount rate at the end of the year	**1.45**	2.45
Increase of social security contribution ceiling	**3.5**	3.0
Average life expectancies	**Years**	Years
Male, 65 years of age at the balance sheet date	**19.6**	19.4
Female, 65 years of age at the balance sheet date	**23.7**	23.6
Male, 45 years of age at the balance sheet date	**39.4**	39.2
Female, 45 years of age at the balance sheet date	**44.4**	44.3

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

	2016	2015
	£'000	£'000
Fair value of plan assets	**1,248**	1,045
Present value of scheme liabilities	**(11,422)**	(7,800)
Deficit in the scheme	**(10,174)**	(6,755)

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 £10.2m (2015: £6.8m). 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 gain on plan assets for the year is £38,000 (2015: loss £108,000). The pension charge generates an unrecognised deferred tax asset of £2,021,000 (2015: £1,185,000), 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.

	2016	2015
	£'000	£'000
Amounts charged to operating profit		
Current service costs	**251**	220
Amounts included in other finance expenses		
Interest income on plan assets	**(26)**	(39)
Interest on pension scheme liabilities	**197**	230
Net charge	**171**	191
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	**11**	(147)
Experience gains arising on scheme liabilities	**110**	60
Changes in assumptions underlying the present value of scheme liabilities	**(1,809)**	(845)
Total amount relating to year	**(1,688)**	(932)
Opening cumulative losses	**(3,713)**	(2,781)
Remeasurement of net defined liability	**(5,401)**	(3,713)
Cumulative net movement recognised	**(5,401)**	(3,713)

Movement in assets during the year

	2016	2015
	£'000	£'000
Balance as at 1 July	1,045	1,335
Foreign currency differences	185	(142)
Interest income on plan assets	26	39
Remeasurement of net defined liability	11	(147)
Contributions from employer	17	18
Assets transferred to finance benefits paid	(36)	(58)
Balance as at 30 June	1,248	1,045

Movement in liabilities in the year

	2016	2015
	£'000	£'000
Balance as at 1 July	(7,800)	(7,753)
Foreign currency differences	(1,621)	1,027
Current service costs	(251)	(220)
Interest cost	(197)	(230)
Remeasurement of net defined liability	(1,699)	(785)
Benefits paid by employer	110	103
Benefits paid from assets	36	58
Balance as at 30 June	(11,422)	(7,800)

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 2016:

Changes in the significant actuarial assumptions	**2016**	**2016**	2015	2015
	£'000	**£'000**	£'000	£'000
Discount rate	**Increase to 2.45%**	**Decrease to 0.45%**	Increase to 3.45%	Decrease to 1.45%
(Decrease)/ increase in the defined benefit liability	**(2,020)**	**2,484**	(1,008)	1,159
Salary Growth rate	**Increase to 4.50%**	**Decrease to 2.50%**	Increase to 4.00%	Decrease to 2.00%
Increase/ (decrease) in the defined benefit liability	**564**	**(517)**	395	(362)
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	**441**	**(433)**	249	(246)
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	**478**	**(475)**	281	(282)

27. ISSUED SHARE CAPITAL

	2016	**2016**	2015	2015
	Shares	**£'000**	Shares	£'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	**545,847,919**	**546**	409,866,831	410
Issued during the year:				
Share options exercised	**2,305,089**	**2**	188,500	-
Conversion of convertible loan	**-**	**-**	41,674,938	42
Share placing	**41,005,500**	**41**	94,117,650	94
At 30 June	**589,158,508**	**589**	545,847,919	546

Issued and fully paid	2016 Shares	2016 £'000	2015 Shares	2015 £'000
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	**599,006,841**	**599**	555,696,252	556

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

Share options were exercised in the year with proceeds of £2,000 (2015: £34,000).

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

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

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.

On 17 November 2015, 41,005,500 new ordinary shares of 0.1 pence each were placed with institutional and other investors at a fixed price of 28p per share, raising £11 million net for the purpose of investing in new product development.

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.

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 no LTIP grants were awarded.

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

	2016 WAEP		2015 WAEP	
	Number	**Price (£)**	Number	Price (£)
Outstanding at the beginning of the year	**852,539**	**0.14**	881,105	0.17
Exercised during the year	**-**	**-**	(188,500)	-
Lapsed during the year	**-**	**-**	159,934	0.49
Outstanding at the year end	**852,539**	**0.14**	852,539	0.14
Exercisable at the year end	**852,539**	**0.14**	852,539	0.14

None of the above share options were exercised during the year. The weighted average share price at the date of exercise for the previous year was 22.3p.

The share options outstanding at the end of the year detailed above have a weighted average remaining contractual life of 1.3 years (2015: 2.3 years) and have the following range of exercise prices:

	30 June 2016	30 June 2015
Exercise price (p)	**Number**	Number
6-45	**852,239**	852,539

The movement in nil cost options during the year was as follows:-

	2016	2015
	Number	Number
Outstanding at the beginning of the year	**-**	-
Converted in the year from LTIPs	**8,475,120**	-
Exercised during the year	**(2,305,082)**	-
Outstanding at the year end	**6,170,038**	-
Exercisable at the year end	**6,170,038**	-

For nil cost options exercised during the year, the weighted average share price at the date of exercise was £0.25 (2015: No options exercised)

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

	2016	2015
	Number	Number
Outstanding at the beginning of the year	**22,192,500**	19,112,500
Awarded during the year	**-**	6,955,000
Converted to options	**(8,475,120)**	-
Forfeited during the year	**(1,854,880)**	(3,875,000)
Outstanding at the year end	**11,862,500**	22,192,500

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	6,207,500
19/05/2014	3	25/03/17*	3	0.0000	0.205	36.75	33.5	0.075	5,655,000

*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 2016.

The Group recognised total expenses of £327,000 (2015: £406,000) related to equity-settled share based payment transactions during the year.

29. ACQUISITIONS

In the prior year, 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 owned the Spanish-based allergy immunotherapy company Instituto de Immunologia y Alergia, S.A.U. ("Inmunal"). Inmunal was 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.

Legal and professional fees associated with the acquisition recognised during the year amounted to £84,000 (2015: £205,000). These were shown under administration costs within the consolidated income statement.

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 2016 was €107,426; £89,099 (2015: €107,426; £75,839).

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.

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 at that time, now £1.2m) 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 2016, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

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. Subsequent to this announcement, the Group has been advised that an appeal has been lodged at the EU Court against this decision. If successful, and the exemptions are determined to be illegal state aid, then the exemption refunds may have to be repaid. The maximum sum to be repaid would be approximately £5m (including the £1.2m referred to above); however, the Group considers this to be an unlikely outcome and consequently has not recognised any provision as a result.

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 2016	30 June 2015
	£'000	£'000
Capital commitments	**227**	635

Included in the above is £78,000 for on-going factory refurbishments in the UK (2015: £57,000); £106,000 for new plant and machinery (2015: £406,000) and £43,000 for IT equipment and systems upgrades (2015: £172,000).

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 47.

At 30 June 2016, the Company's subsidiary undertakings were:

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

Allergenome S.L. 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, the non-controlling interest in Allergenome S.L. was purchased for a nominal sum. Alerpharma S.A. was successfully merged with the Spanish subsidiary, Allergy Therapeutics Iberica S.L during the year.

During the year, Allergy Therapeutics Iberica SL took out a new loan with Santander for €2m at a fixed rate of 2.5% for a term of 7 years with a 2-year capital repayment delay. A warranty with regard to this new loan was provided by Allergy Therapeutics Plc.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**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Laboratorios Synthesis S.A.S.	**-**	1	**(73)**	(73)
Gynopharm de Venezuela C.A.	**-**	-	**(60)**	(60)
Laboratorio Internacional Argentino S.A.	**-**	41	**-**	5
Total	**-**	42	**(133)**	(128)

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 Auditor's Report to the Members of Allergy Therapeutics plc (Company)

We have audited the parent company financial statements of Allergy Therapeutics Plc for the year ended 30 June 2016 which comprise the Company Balance Sheet, Statement of Changes in Equity 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) including FRS 101 "Reduced Disclosure Framework".

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 Statement of Directors' Responsibilities set out on page 44, 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 2016;
- 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 2016.

Jonathan Maile
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Gatwick
23 September 2016

Company Balance Sheet

	Note	30 June 2016 £'000	30 June 2015 £'000
Fixed assets			
Investments	3	**1,469**	1,923
Current assets			
Debtors: amounts falling due within one year	4	**659**	322
Total assets		**2,128**	2,245
Creditors: amounts falling due within one year	5	**(241)**	(204)
Net current (liabilities)/assets		**418**	118
Total assets less current liabilities		**1,887**	2,041
Net assets		**1,887**	2,041
Capital and reserves			
Called up share capital	6	**599**	556
Share premium account		**102,392**	91,463
Other reserves – EBT		**-**	67
Other reserves – share based payments		**741**	591
Profit and loss account		**(101,845)**	(90,636)
Total equity		**1,887**	2,041

These financial statements were approved by the Board of Directors and authorised for issue on 23 September 2016 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Nicolas Wykeman
Finance Director

Registered number: 05141592

Statement of Changes in Equity (Company)

	Issued Capital	Share premium	Reserve - shares held in EBT	Reserve - share based payment	Reserve – convertible loan note	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2014	420	67,716	67	465	3,652	(70,805)	1,515
Loss for the period after tax	-	-	-	-	-	(19,803)	(19,803)
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	67	591	-	(90,636)	2,041
Loss for the period after tax	-	-	-	-	-	(11,453)	(11,453)
Share based payments	-	-	-	327	-	-	327
Shares issued	43	11,441	-	-	-	-	11,484
Share issue costs	-	(512)	-	-	-	-	(512)
Transfer of lapsed options to retained earnings	-	-	-	(177)	-	177	-
Transfer of EBT reserve to retained earnings	-	-	(67)	-	-	67	-
At 30 June 2016	**599**	**102,392**	**-**	**741**	**-**	**(101,845)**	**1,887**

Notes to Company Balance Sheet

1. ACCOUNTING POLICIES

Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

As permitted by the Companies Act, the separate financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 30 June 2014. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Allergy Therapeutics PLC.

In accordance with section 408 of the Companies Act 2006, no separate income statement has been presented for the Company. The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

Going Concern

The Group has prepared detailed budgets, including cash flow projections, for the period to 30 September 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 any provision for impairment.

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 profit or loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, 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 and laws that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee Benefit Trust (EBT)

The financial statements include the assets and liabilities of a trust set up for the benefit of the Group's employees. The EBT has acquired shares in the Company and these are deducted from total equity on the balance sheet at the cost of acquisition less proceeds on disposal.

The balance in the EBT reserve brought forward from the prior year relates to the historic purchase and disposal of Company shares. No transactions have passed through the EBT since 2009. There are no shares currently held by the EBT. The remaining balance on the reserve was transferred to retained earnings at the reporting date.

Share based payments

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 £11.5 million loss (2015: £19.8 million loss).

3. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward	1,923
Additions	327
Diminution in value	(781)
Investment carried forward	**1,469**

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

At 30 June 2016 the Company's subsidiary undertakings were:

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

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

During the year, the non-controlling interest in Allergenome S.L. was purchased for a nominal sum. Alerpharma S.A. was successfully merged with the Spanish subsidiary, Allergy Therapeutics Iberica S.L during the year.

4. Debtors

	30 June 2016	30 June 2015
	£'000	£'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**170**	278
Prepayments and accrued income	**489**	44
	659	322

The amount owed by subsidiary undertakings is stated net of provisions of £100,480,276 (2015: £89,689,092).

5. Creditors – amounts falling due within one year

	30 June 2016	30 June 2015
	£'000	£'000
Accruals	**241**	204
	241	204

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. Share based payments

Allergy Therapeutics Plc (the Company) does not have any employees. All share based payments are recharged to the respective Group employing subsidiary. Full details of the Company's share based payments are set out in Note 28 of the consolidated financial statements.

8. Directors' emoluments

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

9. Contingent Liabilities

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

10. Related party transactions

In accordance with the provisions of FRS101, the Company is exempt from the requirements in IAS 24 (Related party Disclosures) to disclose related party transactions entered into between members of a group, as all parties to the transactions are wholly owned by the Company Details of other related party transactions can be found in Note 32 to the Consolidated financial statements

11. FRS101 Transition

There have been no changes to the figures reported in the Company financial statements as a result of the adoption of FRS101.

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