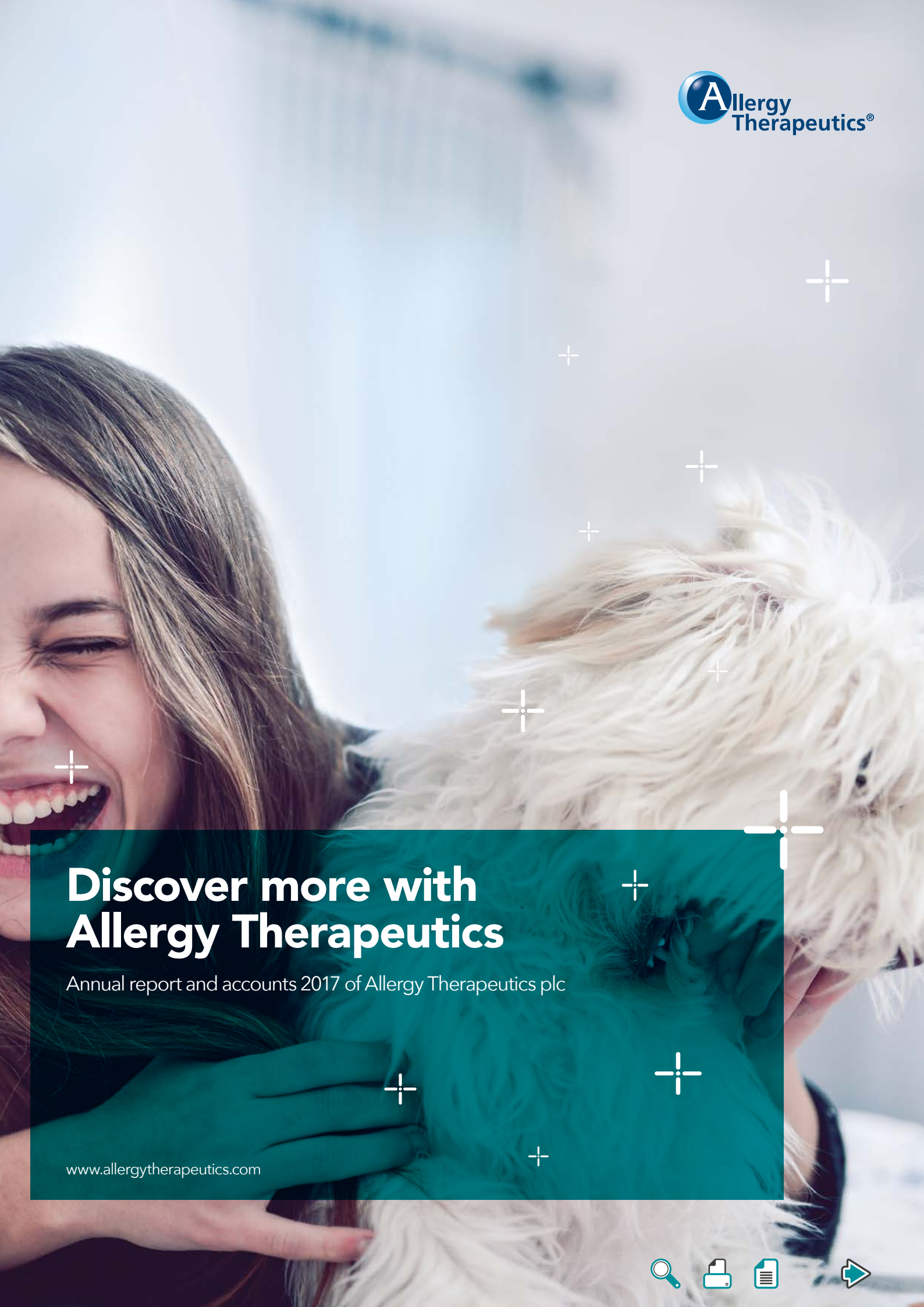

Discover more with Allergy Therapeutics

Annual report and accounts 2017 of Allergy Therapeutics plc

www.allergytherapeutics.com

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.

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Allergy Therapeutics is an AIM listed specialty pharmaceutical group.

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

Find this report online at
www.allergytherapeutics.com/annualreport2017

Financial

+72%
increase in operating profit (pre-R&D) to £7.4m
(2016: £4.3m)

+32%
revenue growth increase in actual terms to £64.1m
(2016: £48.5m)

+15%*
revenue growth at constant currency ** to £55.5m
(2016: £48.5m)

10%
compound annual growth in net sales over 18 years

13%
Market share in the Group's main European markets
(2016: 12%)

£22.1m
Cash at 30 June
(2016: £23.4m)

Operational

- Commencement of recruitment for pivotal Phase III Pollinex Quattro Birch trial
- US Grass MATA programme proceeding well; safety study successfully completed
- First patient recruited for Acarovac MPL Phase I trial in Spain
- Positive pre-clinical proof of concept trial data announced for Polyvac Peanut

* Percentage based on figures in thousands (2017: £55.545m, 2016: £48.509m)
** 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 39.

What is Immunotherapy?

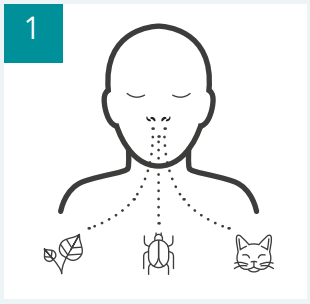
Immunotherapy is the practice of administering gradually increasing doses of an allergen in order to address the causes of the symptoms of allergy.

It was first carried out almost 100 years ago and is now in widespread use around the world. It is sometimes referred to as 'allergy vaccination' or 'desensitisation'.

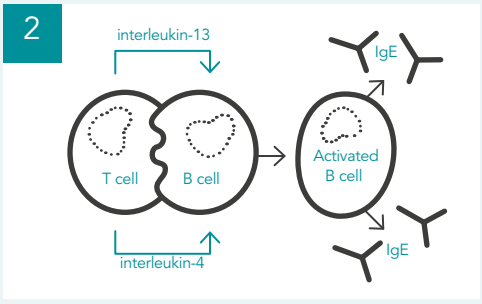
Immunotherapy may be given via different routes including subcutaneous injections or sublingually.

Immunology

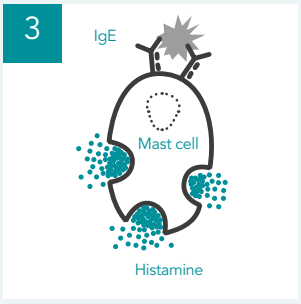
A patient who is suffering from an allergy:



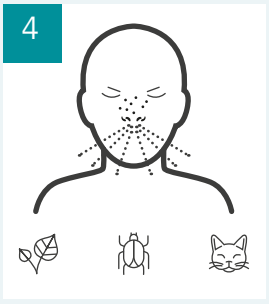
Patient comes into contact with an allergen



Th2 Cell stimulates B cells to produce IgE

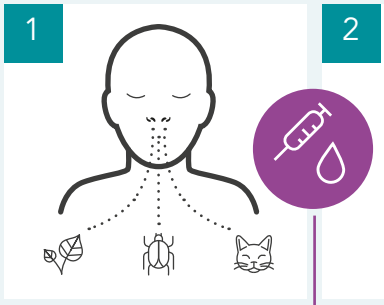


IgE binds to immune cells causing histamine release upon exposure to allergen

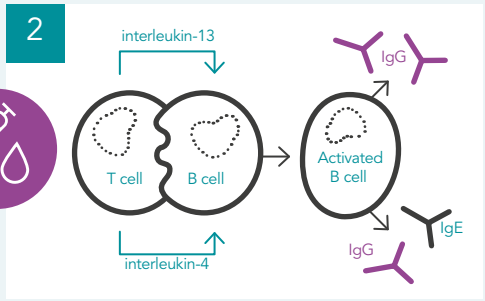


Histamine leads to classic symptoms of allergy

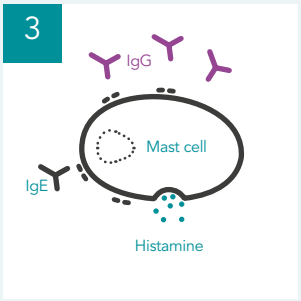
A patient who is treated with Allergen Immunotherapy:



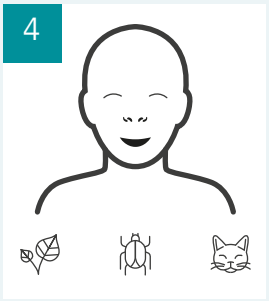
Patient comes into contact with an allergen



Th1 Cell stimulates B cells to produce IgG



Increased IgG production inhibits the production of IgE



Lower levels of IgE prevent excess release of histamine and reduce symptoms of allergy

Treated with Allergen Specific Immunotherapy

At a Glance

Who we are

We are a visionary immunology business with specialist experience in the research and development of allergy treatments. We have a well-established commercial presence in Europe and are focused on the US market opportunity.

What we do

We specialise in the diagnosis and treatment of allergy. Allergy vaccination is a successful treatment that deals with the underlying cause of allergies and not just the symptoms[1].

We mainly sell our products in European countries and our pipeline of products in clinical development includes vaccines for grass, tree and house dust mite, as well as a peanut allergy vaccine in pre-clinical development. Adjuvant systems to boost performance of vaccines outside allergy are also under evaluation.

What makes us different

Our ultra-short course treatments consist of 4-6 injections over the course of 3-6 weeks compared to daily tablets or an average treatment in the market of a 12-15 course of injections. Our approach offers the simplicity of 4-6 injections, increased tolerability and demonstrated efficacy[2].

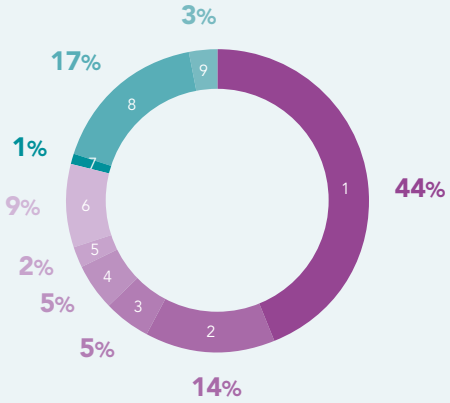
Our adjuvant technologies improve therapies by allowing them to increase efficacy. We are further developing this concept in our specialist business, Bencard Adjuvant Systems; improving health and evaluating vaccinations for infectious diseases and cancer treatments.

Our values have created a culture based around vision, commitment and humanity. We take extraordinary ideas and bring them to market – enhancing treatments and transforming people's lives.

Sales

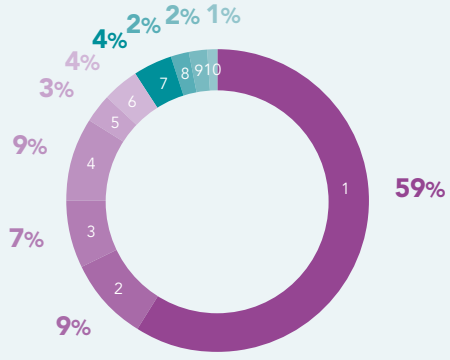
Products

1. Pollinex Quattro
2. Oralvac
3. Tyrosine S / TU,
4. TyroMILBE
5. Acarovac Plus
6. Third Party Products
7. Diagnostics
8. Pollinex
9. Venomil



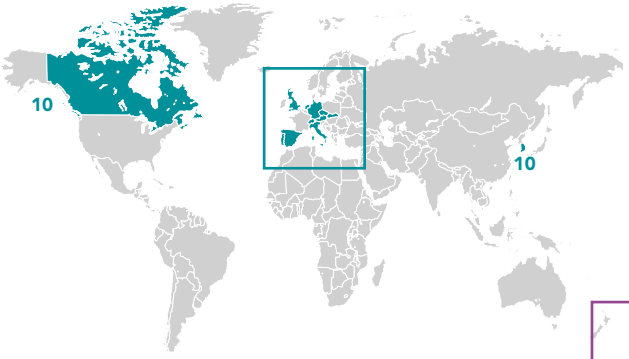
Markets

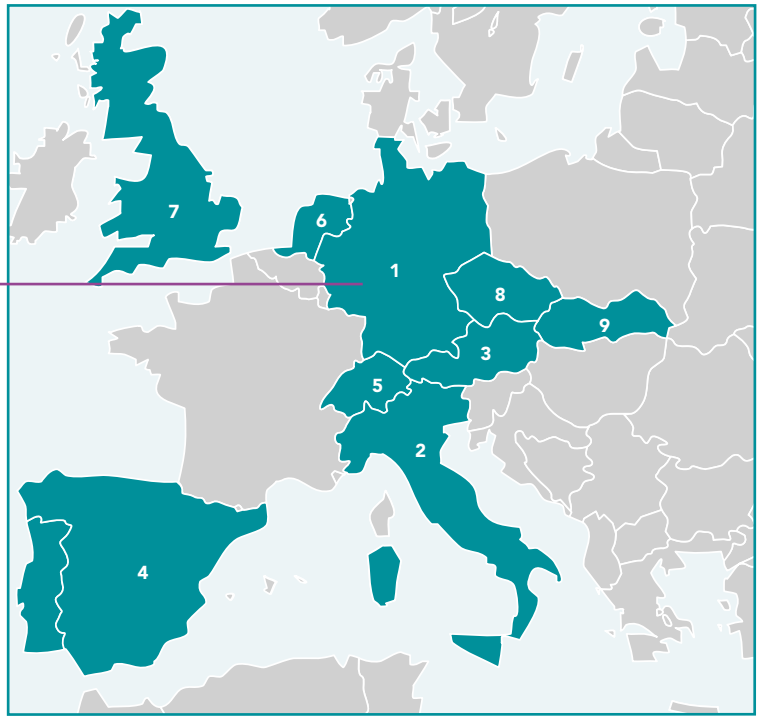
1. Germany
2. Italy
3. Austria
4. Spain
5. Switzerland
6. The Netherlands
7. UK & Export market
8. Czech Republic
9. Slovakia
10. Canada and South Korea



1 Zielen S et al., Allergologie 2007 (30) Suppl 1;(S1-8)
2 Patel P, et al. J Allergy Clin Immunol 2014; 133:121-9

Our reach





59%

of our total sales in the German market.

Pipeline

Pre-clinical	Phase I	Phase II	Phase III
✓ Pollinex Quattro Grass			
✓ Pollinex Quattro Birch			
Pollinex Quattro Ragweed			
✓ Pollinex Quattro Trees			
✓ Oralvac Grass, Trees & house dust mite			
✓ Acarovac Platform			
Polyvac Peanut			

✓ Also available as a Named Patient Product

Chairman's Statement

Peter Jensen
Chairman

Overview

I am pleased to introduce the Group's Annual Report & Accounts for the year ended 30 June 2017. It has been another year of strong and consistent performance across all areas of the Group. The key areas for value creation remain profitable growth in European markets, pipeline advancements and paving the way to the significant US market.

" Allergy Therapeutics' strategy remains clear and focused and it is expected that the business will continue to grow and its portfolio of products expand in 2018 and beyond."

Performance

In our European business, sales grew by 15%* in constant currency and we continued to achieve market share gains, with our market share in markets where we operate up to 13 % (2016: 12%). This shows an increasing adoption in the market for our convenient and patient-friendly treatments compared to other products.

In addition, there has been good progress in the R&D pipeline this year, facilitated by investment from our growing revenue stream. In March, we announced that we had recruited the first patient in our pivotal Phase III PQ Birch trial and, in May, the first patient was recruited for our Acarovac MPL (house dust mite) study. We announced exciting pre-clinical data from the Polyvac Peanut project in February and we are pleased that all of the products that the Group has submitted for the German Therapieallergen-Verordung (TAV) process are continuing to progress well. We are also making progress with our US commercial strategy. The Grass MATA MPL product completed the safety study relating to its higher dose and the Phase II Grass trial is due to commence before the end of 2017.

Financially, the Group remains in a robust position with a strong cash balance due to strong sales growth, aided additionally by the weakening of sterling against the euro.

Board Changes

There were a number of changes to the Board during the year. In February, we welcomed US-based Jeff Barton who succeeded Jean-Yves Pavée as Abbott Laboratories' nominated director and, in June, Thomas Lander, our Board member with extensive R&D experience, retired from the Board and Tunde Otulana was appointed as a new independent Non-Executive Director. I thank Jean-Yves and Thomas for their significant contributions to the Board during their tenures. Jeff Barton, who is based at Abbott headquarters in Chicago and is VP Licensing and Acquisitions, brings extensive commercial experience, especially in the US, which will prove vital as the Group continues to execute its global strategy. Tunde is also based in the US and brings a wealth of global experience in clinical and regulatory work, particularly with the US Food & Drug Administration (FDA), with whom he worked for six years earlier in his career. I am delighted to welcome Jeff and Tunde to the Board.

Governance

The Group endeavours to adopt best practice, above normal levels for a company of its size and sector across the business and it is overseen by an effective and knowledgeable Board. We are pleased that a regular and transparent dialogue is maintained with our key stakeholders throughout the year.

Looking ahead

Allergy Therapeutics' strategy remains clear and focused and it is expected that the business will continue to grow and its portfolio of products expand in 2018 and beyond. The Group benefits from a committed, experienced and enthusiastic management team and the Board and I are confident that we shall continue our successful record of growth and deliver long-term value creation for shareholders.

On behalf of the Board, I would like to thank all Allergy Therapeutics' employees for their commitment and hard work during the year.

Peter Jensen
Chairman
27 September 2017

* Percentage based on figures in thousands (2017: £55.545m, 2016: £48.509m)

Chief Executive Officer's Review

Manuel Llobet
CEO

Delivering on our strategy – three areas for growth

Strong advances have been made this year across all three major strategic objectives. These are focused around three key pillars of growth: profitably expanding the existing European business; developing a strong product pipeline, and; preparing for product entry into the US market.

" A key aim of the management team is to leverage its current infrastructure and this is demonstrated by the strong increases in revenue and pre-R&D operating profit this year in comparison with the prior year. "

European business – milestone CAGR of 10% reached over past 18 years

The Group reached a significant milestone this year with compound annual growth over the past 18 years of 10%. This reflects continued delivery of our focused growth strategy, innovative products and a robust business model that is resilient to major economic downturns and significant regulatory changes. The business achieved net sales of £64.1m, up 15%* at constant currency on the 2016 performance and up 32% in actual terms.

Following on from the 16% underlying constant rate growth last year, this illustrates the strength of the Group's portfolio of convenient, patient-friendly, technically advanced products and the skilled sales and marketing teams in the business. Whilst operating in a highly fragmented European allergy market, Allergy Therapeutics continues to benefit from its innovative approach within this marketplace and will look to build value for shareholders via suitable corporate development opportunities. The Group has also continued to invest in its infrastructure, further strengthening its supply chain and regulatory functions in anticipation of an increasingly regulated framework for allergy treatment across the EU and the US. The changes in the regulatory environment and a drive towards evidence-based products will be to the Group's advantage.

Increasing market share

During the period, the Group continued to increase its market share in the markets in which we operate, driving this to 13% (2016: 12%) against a broadly flat market backdrop. In the product portfolio, Pollinex Quattro continues to grow well as patients and allergists increasingly seek the benefits of our ultra-short course treatment programmes. Venomil, driven by raw material supply issues in the market also grew strongly. Acarovac Plus and Probiotics continued to gain market share with the former being the fastest growing component of the Spanish portfolio.

Scaling up the business

A key aim of the management team is to leverage its current infrastructure and this is demonstrated by the strong increases in revenue and pre-R&D operating profit this year in comparison with the prior year.

Pipeline – Phase III trial underway with broad programmes running

During the year, the scientific team has been actively managing and preparing for a number of significant clinical trial. The Pollinex Quattro Birch Phase III trial received Clinical Trial Application (CTA) approval and recruitment is now well under way, with treatment of patients ongoing and read out expected in H2 2018. The Grass MATA MPL development is discussed in more detail below. If the Grass trials are successful, they will form part of both the German and US regulatory submissions.

The products in the German TAV process continue to progress well with plans for the start of clinical trials on the oral products and the injectable house dust mite product in a staggered process starting during the 2018 financial year. The German TAV process has the potential to boost sales of these products through additional clinical data as well as reducing the number of competing products in the market.

The Acarovac MPL product for house dust mite allergy has started Phase I trials in Spain using the Pollinex Quattro platform technology. This product, if successful through the trial programme, could become a global best-in-class product with the first short course subcutaneous treatment in a global market worth an estimated $3-4bn[1].

The Polyvac Peanut product completed a positive pre-clinical trial showing impressive protective immunity with a single vaccination and no anaphylaxis. This product uses the virus like particle (VLP) technology that the business acquired to create a subcutaneous product that could offer long lasting protective immunity for subjects with peanut allergy, rather than just increasing tolerability in the case of accidental exposure.

Team – expanding the scientific excellence

In order to facilitate continued success in the clinical development programme, the Group is strengthening the organisation with expansion of the clinical team led by Murray Skinner, Chief Scientific Officer at the Group's UK headquarters in Worthing.

* Percentage based on figures in thousands (2017: £55.545m, 2016: £48.509m)

1 Datamonitor Epidemiology 2011

The Group has underlined its commitment to clinical excellence by appointing Pieter-Jan de Kam as Clinical Director in mid-September. Pieter-Jan de Kam joined the Group from HAL Allergy in the Netherlands where he was responsible for clinical development with recent successes including European and US studies for pollen and house dust mites.

In addition to the appointment of Pieter-Jan, the Group has recruited Simon Piggott as Head of Clinical Science. Simon will be responsible for the delivery of a robust clinical strategy bridging the gap between the Groups' existing product development teams and clinical departments. Simon has significant experience in successful development programmes from time spent at Novartis, GSK and most recently at Quintiles. Tim Higenbottam has been appointed to the role of Senior Pharmaceutical Physician and will focus on the US regulatory process.

The Group is continuing to invest in the R&D function to drive the key pipeline trials. The overall headcount in the research and development function within the Group has doubled in the last two years.

Publication of data – validating the Bencard Adjuvant Systems division

During the year, two papers were published in peer-reviewed journals reporting on new pre-clinical studies from the Group's Bencard Adjuvant Systems (BAS) division. The two papers report that the novel depot adjuvant behind the Pollinex platform, micro-crystalline tyrosine (MCT), both alone and in an adjuvant system, have broad applications and elicit high, sustained antibody levels demonstrating enhanced protective efficacy compared to conventional adjuvants including aluminium. MCT has now been granted manufacturing patents in the US, Europe and Japan.

US market – changing environment will drive market share towards Allergy Therapeutics

The US market for allergic rhinitis, which is estimated to be worth $2bn[1], continues to evolve. The regulatory pressures in the US that the Group acknowledged last year are becoming stronger as the FDA and the US Pharmacopeial Convention (USP) set strict guidelines for compounding and dispensing of allergy products. These guidelines, if fully implemented, will drive the market towards pharmaceutical grade, centrally manufactured products that should benefit businesses, like Allergy Therapeutics, with GMP, MHRA approved facilities. Given the widespread adoption of subcutaneous immunotherapy (SCIT) treatments in the US, the oral products that are currently in the US market have so far not achieved a significant share leaving the market open for new entrants, such as Allergy Therapeutics, with the right products, manufacturing capability and commercial approach. The Group continues to prepare its portfolio of products for capturing the significant US market opportunity.

The Grass MATA MPL product, which is in development, has completed a safety study relating to a new higher dose and the Phase II trial is expected to start in the autumn. Following completion of this trial, meetings with the regulatory authorities in the US and Germany will be necessary before it progresses to a Phase III trial.

Outlook – confidence across the business

Allergy Therapeutics' management team expects 2018 to be a pivotal year with significant results due across a number of key programmes. Revenue for 2018 is again set to show continued growth at constant currency, driven by further penetration of the market by the Group's convenient ultra-short course treatment. Gross margins are likely to improve slightly as volumes grow. Overheads will rise less in 2018 than they did in 2017 as investment slows, based on constant currency rates. However, as previously disclosed, we anticipate research and development expenditure is likely to almost double as the Group commences the PQ Birch Phase III and Grass MATA MPL Phase II studies and continues to invest in new product development.

The Group expects the results of both the PQ Birch Phase III trial, the first pivotal Phase III trial for a Pollinex Quattro product in Europe, and the results of the Grass MATA MPL Phase II trial in H2 2018.

The Board and the executive team remain confident about the Group's future growth potential and remain focused on generating significant value for shareholders given its continued sales momentum, the robust research pipeline progress driven by the strengthened research and development team and the potential of the US product portfolio as we prepare the ground for the future.

Manuel Llobet
CEO
27 September 2017

1 internal estimate

" Allergy Therapeutics' management team expects 2018 to be a pivotal year with significant results due across a number of key programmes. "

Manuel Llobet
CEO

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, Netherlands and the United Kingdom.

In markets where the Group does not have a direct presence, products are distributed through partners. The most important distributor markets for the Group are Canada, the Czech and Slovak Republics, South Korea and more recently, Greece and the Baltics.

Germany is the Group's main market, generating approximately 59% of the Group's revenue in the 12 months ending 30 June 2017. The percentage of revenue derived from each country is detailed below:

Italy (9%)

The total Italian allergy immunotherapy market is shrinking because patients have been impacted by adverse economic conditions affecting their ability to pay for vaccines, compounded by the withdrawal of reimbursement in certain regions.

The Italian immunotherapy market is dominated by sublingual products. However, despite these challenges, it is believed that there remains a significant opportunity to continue to grow our market share in this important market.

Austria (7%)

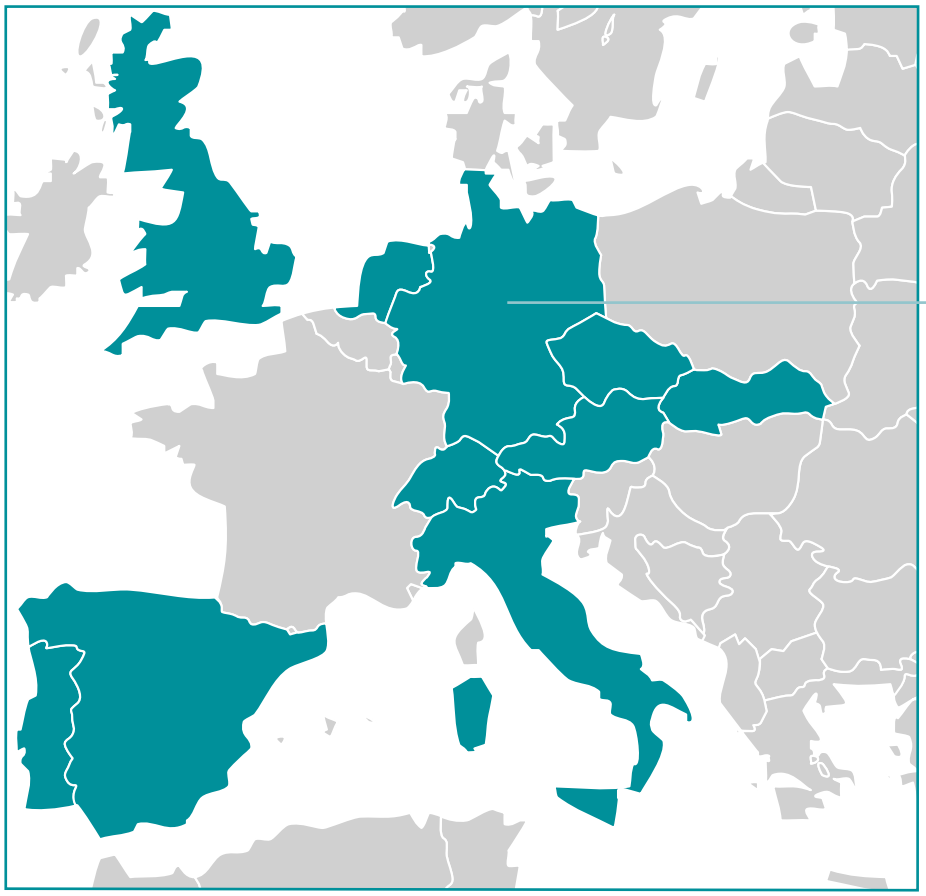
The Austrian market for allergen immunotherapy has grown slightly in the last 2 years. The German TAV registration process will continue to indirectly influence the Austrian market. Sales of modified allergen (allergoid) products are the driving segment, partly cannibalising the classical subcutaneous native allergens but also enlarging the market.

Switzerland (3%)

The sensitivity of patients and authorities towards aluminium continues to grow. This factor, combined with the significant reduction in the product range of competitors and prolonged interruptions in supplies, arrives at a time when the Group have made available the full-range of products on a named-patient basis.

Spain (9%)

Market sales in Spain were largely flat over the last year but the allergoid immunotherapy segment has grown 15%. The advanced allergoid products at Allergy Therapeutics allow the Group to be in a strong position to achieve further growth in the coming years.



Germany (59%)

Germany is the single largest allergy immunotherapy market in Europe and is expected to remain flat for the next 2 years. It will be increasingly influenced by the TAV which is an opportunity to demonstrate the high standard and efficacy of the Group's products.

Despite a flat German market, Allergy Therapeutics outperformed market trends. This confirms the quality of the products and the sales and marketing team. Germany remains a key focus for the Group with continued strengthening of sales and marketing which has been instrumental to an increase in market share.

Spain continues to be a large valuable market, with approximately 150,000 immunotherapy patients a year. Of the injectable immunotherapy products, modified allergens remain the treatment of choice for Spanish physicians.

The Group completed the acquisition of Alerpharma S.A. in 2015, which is now fully merged as part of Allergy Therapeutics Ibérica. The combined Group has strengthened the company presence in Spain and has maintained a broad product range.

United Kingdom (4%)

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

The Netherlands (4%)

After several years in decline, the allergen immunotherapy market in The Netherlands is in a stable state. The market is dominated by two companies, Allergy Therapeutics and ALK, with Allergy Therapeutics the only allergy company showing growth in the Dutch market with a year on year growth of 27% in local currency (source: IMS Health).

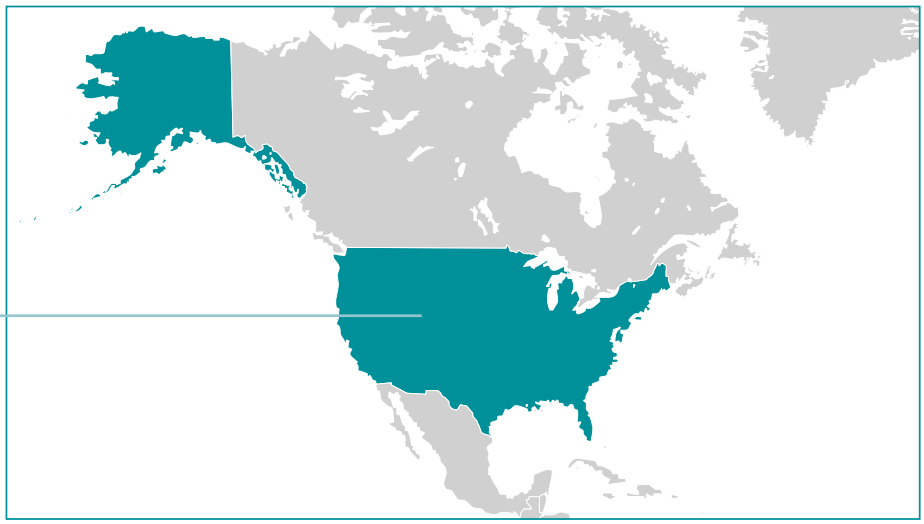
Opportunities

Recent Developments in US Market

Four sublingual immunotherapy (SLIT) products have been granted licence approval in the USA. These sublingual medications require daily treatment for up to three years which poses a problem for adherence (the patients taking all the necessary doses to achieve a beneficial effect). Allergy Therapeutics' subcutaneous immunotherapies that require weekly injections over as little as four weeks offer a simpler means to gain the benefits of immunotherapy. For this reason the research programme of clinical development of Pollinex Quattro has been extended to the USA.

Allergy affects 15-40% of the US population (i.e. between 50 and 130 million), so the total market size for allergy vaccine products is potentially very large. About 2-3 million Americans with moderate to severe allergy received some form of allergen immunotherapy. For the US market, Pollinex Quattro Grass has been developed with an extended range of doses for a dose selection study. The new highest dose was tested in the G104 study conducted in New Jersey and was completed in February 2017. It showed no increase in the number of adverse events seen with lower cumulative dose regimens and this new higher dose is to be included in the range of doses for the dose selection study G205.

The G205 study follows the successful technique of allergen challenge used in the PQ Birch 204 study of 2016. Our goal to be the first allergy immunotherapy company to launch a subcutaneous Grass product in the United States remains unchanged. To achieve this, the G205 dose range finding study will now be run before the planned Phase III study.



$2bn*

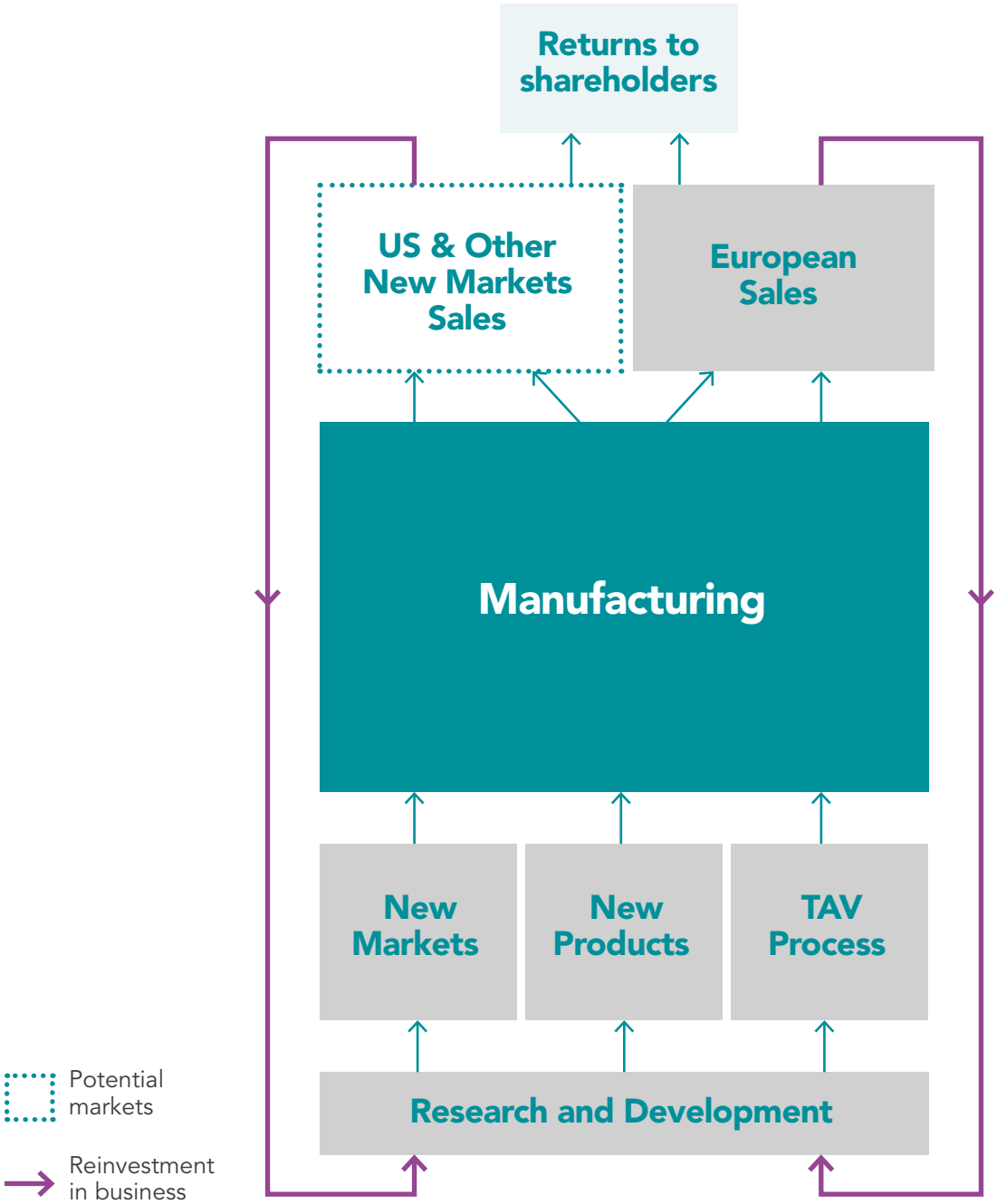
Estimated market

* Internal estimate

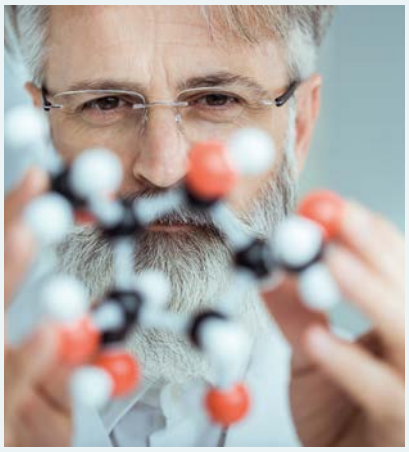
> " In the high value US market, PQ Grass has the potential to become a convenient, best in class, ultra short course subcutaneous immunotherapy"
>
> **Lawrence DuBuske**
> MD

Business Model

The diagram below shows how the business generates value through its strategy.



How we create value for our stakeholders



Patients

We strive to deliver the best immunology treatments for patients. In treating the cause rather than just the symptoms of allergy with shorter course treatments, we are transforming lives for the better.

Healthcare professionals

Healthcare professionals rely on our quality products, our knowledge and our trusted partnership to deliver the best care for their patients. 99% of named patient products were delivered on time during the year.

For shareholders

We create value through strong individual market performances and pipeline developments. Investors are attracted by our portfolio of products, our adjuvant technologies and our commitment to innovation through R&D.

Employees

We put our people first knowing that they make our business successful; taking extraordinary ideas and bringing them to market. In return, we offer the opportunity to grow careers and make a real difference to our business.

Strategic Framework

Our strategy is based on the three pillars of the business.

Three Pillars of the Business

Strategic priorities

European

- Continue growth of business
- Leverage pre-R&D profitability
- Focused investment
- Develop Synbiotics strategy

Pipeline

- Successful completion of TAV process for all products
- Completion of clinical trials on Acarovac MPL and global marketing approval
- Successful design & undertaking of clinical trials of Polyvac Peanut leading to marketing approval
- Develop Bencard Adjuvant Systems and enter strategic partnership

US Market

- Complete trials of Grass MATA MPL and marketing approval
- Decide route to market either via distributor or own sales force in US
- Release clinical hold on Ragweed and PQ Trees and complete trials
- Bring further products in the pipeline through clinical trials (Acarovac/Polyvac)

Progress in 2016/17

£64.1m
Net sales of £64.1m (2016: £48.5m)

99%
Delivery on time in full by supply chain

72%
Continue strong growth of pre-R&D operating profit

Product launched in three new countries

Preparation for Phase III PQ Birch trials

Positive pre-clinical trial data for Polyvac Peanut

Start of Acarovac MPL Phase I Trial in Spain

Two successful studies to show impact of adjuvant systems on non allergy treatments

Successful Phase I Grass MATA MPL Tolerability trial

Preparation for Grass MATA MPL Phase II trial

Objectives for 2017/18

Continue strong growth of sales

Improve pre-R&D profitability further

Successful PQ Birch Phase III trial

Successful Acarovac MPL Phase I trial

Further development of Bencard Adjuvant Systems

Successful Grass MATA MPL Phase II trial

Further develop KOL network in USA

Strategy in Action – European Business

Introduction

European market for immunology treatments for allergy estimated to be worth €700m[1]

Market split between subcutaneous and sublingual treatments.

Market focus is on technically advanced and efficacious treatments.

Drive towards tighter regulatory framework leading to reduced products and turbulence in the market.

6 or 7 major players in a market that is broadly flat or growing slightly.

1 internal estimate

Current Position

Fastest growing group in the market

Unique selling point of ultra-short course, patient friendly treatment.

Strategic investment in sales and marketing as well as supply chain and regulatory.

- Portfolio of technically advanced products.
- TAV process being run by Paul Ehrlich Institut has reduced other company's products in the market, currently the Group has ten products in the process.
- Potential for consolidation in market with a number of small businesses focused on one market.
- European Synbiotics is estimated to be a multi-billion euro market with Italy and Germany being the largest markets.
- European business is profitable and part-funds the further investment in R&D pipeline.

Potential

Further markets within Europe to be entered

Recent additions to the portfolio, such as Acarovac Plus and Synbiotics continue to grow fast.

New Acarovac MPL product has potential in Europe to be best in class.

Current market size does not reflect food allergies which could be significant, especially peanut.

Strategy in Action – Pipeline

Introduction

Focus on allergy immunotherapy treatments

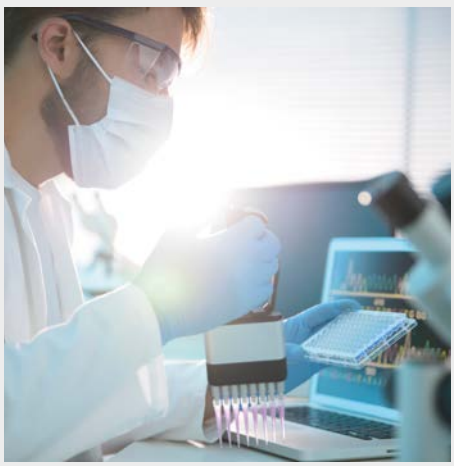
Currently developing products on three platforms as well as Bencard Adjuvant Systems.

Development of products to address both seasonal as well as perennial allergies.

Extension of allergy research into food allergies.

Four products in late-stage development.

Have completed 15 trials in the US



Current Position

Pollinex Quattro Birch in Phase III in Europe

£9.3m

Investment of £9.3m this year in R&D and likely to double next year.

Doubled number of R&D staff in last two years.

- Polyvac Peanut in pre-clinical studies.
- Acarovac MPL in Phase I in Europe.
- Two studies carried out this year with Bencard Adjuvant Systems illustrating protective efficacy compared to conventional adjuvants.

Potential

Both Acarovac and Polyvac have potential for global products

Licensing of adjuvant systems for use in vaccines or development of phase II product with low efficacy outside of the allergy field.

$3-4bn[1]

Global House Dust Mite market is estimated to be $3-4bn.

$8bn[2]

Global Polyvac Peanut market is estimated to be worth $8bn.

1 Datamonitor Epidemiology 2011
2 Internal estimate

Strategy in Action – the US Market

Introduction

US market is part of the strategy of the Group due to its large size and high potential

$2bn

The size of the US market is estimated to be $2bn.[1]

2-3m

Approximately 2 to 3 million Americans have received some form of allergen immunotherapy.

+20m

More than 20 million Americans have been diagnosed with hay fever in past 12 months.[2]

The Group has carried out 15 trials in the US already and has one potential product, Grass MATA MPL, that is at advanced stage.

1 Internal estimate based on the number of patients with moderate to severe symptoms multiplied by the estimated cost to treat.

2 Centre for Disease Control and Protection.

3 Hankin CS, Cox L, Land D et al JACI 2007.

4 As presented at the Investor Presentations June 2017, Lawrence DuBuske.

Current Position

Market served by allergists who buy concentrate allergen compounds from manufacturers and then dilute and treat

16%

One study suggested that only 16% of patients completed the three year treatment. [3]

3-5yr

Typical course is 3-5 years and can include up to 100 injections.

- FDA and the US Pharmacopeial Convention have been tightening regulations for Allergist regarding preparation and treatment.[4]
- Healthcare insurers in the US are reducing the amount of treatment that they are willing to fund.[4]
- FDA has expressed a desire to move away from off label non-approved mixtures to pharmacy-grade medicine allergen vaccines.[4]
- Several oral immunotherapy treatments approved and available in US but uptake by Allergist and patients has been low.[4]
- US is predominantly a subcutaneous market.[4]
- Preparing for Phase II Grass MATA MPL Trial for US and Europe.

Potential

Pressure from healthcare insurers and the regulatory authorities towards reduced frequency of treatment and pharmaceutical grade products benefiting pharma grade ultra-short course treatments

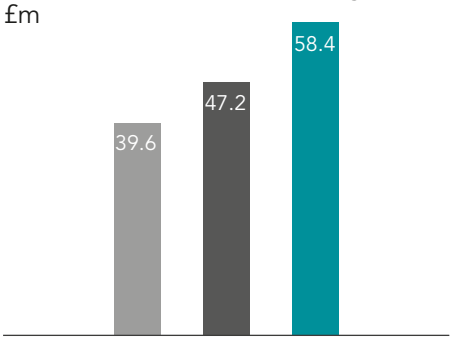
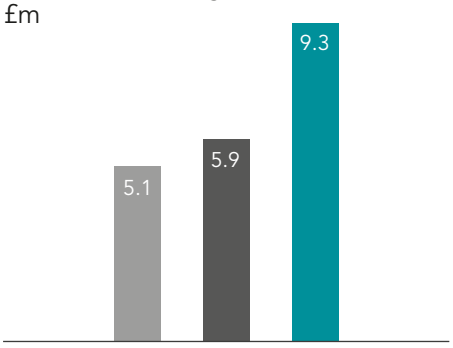
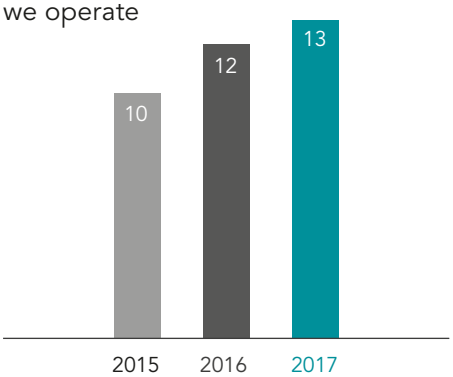
A move to an ultra-short course treatment could significantly increase the number of patients taking and completing treatment.

Estimated that 50% of patients never start treatment after being informed of the treatment regime and 50% of the remaining patients drop out in the first year.

- In addition to the Grass MATA MPL product, the Group has Pollinex Quattro Ragweed and Pollinex Quattro Trees products which were put on clinical hold.
- Plan to restart clinical work if the Grass product clinical process is complete. This would require products to go through a further Phase II and Phase III trials as the products have already undergone several clinical trials.
- Additionally, two pipeline products, Acarovac MPL and Polyvac Peanut, could also be developed for the US market providing a broad portfolio of products in the US allergy field.

Key Performance Indicators

Key Performance Indicators

Strategic objective	KPI	Analysis	Graph
Maximise revenue	Revenue at constant exchange rate Total revenue measured at a constant budgeted foreign exchange rate	Revenue at constant exchange rate has grown satisfactorily compared to the two prior years	Revenue at constant exchange rate[1] £m  1 GBP:EUR exchange rate 1.28
Maximise funds available from operational activities for investment in other R&D and other value adding projects	EBITDA excluding R&D Profit before interest, tax, depreciation, amortisation and research and development expenditure	EBITDA excluding R&D has increased year on year	EBITDA excluding R&D £m 
Maximise market share in the countries into which we sell our products[2]	Combination of IMS Health data and information collected by independent third parties Countries in which we have a distributor, agent or direct sales force		Operational markets Percentage market share in the markets which we operate 

1 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.

2 In previous years a KPI of maximising the number of countries into which we sell our products was measured. This new KPI is a more relevant measure for the future.

Product Review

The Group sells a wide range of aluminium-free allergy vaccines and diagnostics. The majority of revenue arises from sales of allergy vaccines.

Our Products

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.

	Modified Allergen (Allergoid)	Native Allergen	Recombinant Allergen	Microcrystalline Tyrosine (MCT)	Monophosphoryl Lipid A (MPL)	Virus-Like Particles (VLP)
Pollinex	●	—	—	●	—	—
Pollinex Quattro	●	—	—	●	●	—
Oralvac	—	●	—	—	—	—
Acarovac Plus	●	—	—	●	—	—
Acarovac MPL[1]	●	—	—	●	●	—
Venomil	—	●	—	—	—	—
Peanut[2]	—	—	●	●	—	●

1 Product in phase 1 clinical study
2 Product under pre-clinical investigation, full product profile yet to be determined

" 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."

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 ('GSK'). 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 with a dosing schedule which 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 via 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 to address the cause 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 we 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.[1]

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.

1 Roger et al., Immunotherapy 2016, 8(10), 1169-1174

Research & Development

Scientific Developments

Clinical Developments in the United States of America

The Group continues to progress with the Grass MATA MPL product in clinical trials in the US.

In November 2015, the Group initiated the G204 Phase II 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. Whilst no serious drug-related adverse events or severe systemic events occurred, no dose effect was seen with the primary outcome variable.

Following the results of the G204 study, Grass MATA MPL has been further developed with an extended range of doses for a dose selection study. The new highest dose was tested in the G104 study, a Phase I clinical study evaluating safety and tolerability, conducted in New Jersey and was completed in February 2017. It showed no increase in the number of adverse events compared with lower cumulative dose regimens and this new dose is to be included in the range of doses for the G205 dose selection study.

The Group is taking advantage of the chance to carry out another dose selection study (G205) by using the successful conjunctival provocation test (CPT). Following discussions with the FDA's Center for Biologics Evaluation and Research (CEBR), the G205 will be performed in Europe, starting in Autumn 2017 with a planned end of Phase II meeting with the FDA in 2018. Subject to approval and successful outcomes and following discussions with the regulatory authorities, results for these two studies are planned to be available to enable a Phase III study (G306). Discussions will take place with the FDA over the requirements and timing of a safety database for the Grass MATA MPL product at a suitable point.

The Group's goal remains to be the first allergy immunotherapy company to launch an ultra short course subcutaneous Grass product in the United States.

European Clinical Development of Subcutaneous Immunotherapies (SCIT)

Clinical evaluation of Pollinex Quattro (PQ) products is being undertaken as part of the German TAV (Therapieallergene-Verordnung) regulatory framework. Following the successful dose selection study PQBirch 204 completed in April 2016, the Group has gained approval from the Paul Ehrlich Institut (PEI) to proceed to a Phase III field study – PQBirch 301.

The PQ Birch 301 study targets enrolment of over 500 patients across Germany, Austria, Sweden & Poland. Enrolment for the study has already started, with the results of the pivotal Phase III study expected to be published H2 2018, enabling, subject to approvals and successful outcomes, submission of dossiers for regulatory assessment in Germany.

Acarovac Plus and Acarovac MPL – Next Generation Products for Dust Mite Immunotherapy

Following the success of short-course house-dust mite SCIT product Acarovac Plus in Portugal & Austria, monophosphoryl lipid A (MPL) was added to Acarovac Plus to create Acarovac MPL with new dose regimens tested in the AM101 phase I study. The adjuvant MPL is used in the Company's successful PQ product range.

AM101 is a Phase I clinical study evaluating the safety and tolerability of Acarovac MPL in over 30 patients over two different posologies. The study is currently ongoing with interim results expected in H2 2018.

Polyvac

Preclinical data demonstrating protection against anaphylaxis when challenged with peanut, enabled the Group to progress towards defining a target product profile according to timelines. The Group's innovative peanut vaccine is focused on a subcutaneous application of recombinant peanut allergen coupled with its state-of-the-art proprietary adjuvant system AdSys-VcT (VLP & MCT) and aiming to induce protective immunity.

Positive proof of concept data from the recombinant vaccine candidates has enabled the Group to progress with GMP development of a defined target product profile to support the phase I timeline. Allergens for use in formulation have been identified and small-scale production and VLP association studies are encouraging.

Synbiotics

Last year, the Group launched two new synbiotic products, Kallergen-Th D and SynGut Baby. Research is continuing and exploring two of the current products, Kallergen-Th D® and SynGut™. A double blind, parallel group, randomised study to determine the clinical efficacy and safety of Kallergen-Th D® oral synbiotic compared with placebo in children with atopic dermatitis is planned to commence in Q4 2017. Additionally, enrolment is complete for the observational study evaluating the efficacy and tolerability of SynGut™ oral synbiotic in patients with lactose intolerance. The study is expected to finish in January 2018 with final results by H2 2018. The results of a retrospective controlled Italian multi-centre study investigating whether Pollagen prescribed as complementary therapy demonstrated that it was able to reduce symptoms severity, endoscopic features and nasal cytology in 93 patients with inflammatory non allergic rhinitis (INAR).

Analysis of Allergoids:

The Group recently completed a detailed review of the structural and immunological characterisation of "group 1 allergen IgG binding epitopes" within the modified grass SCIT product range. The analysis unveiled the structural and immunological changes which take place following the grass allergen modification process and revealed distinct IgG immunological profiles.

The results from the study support the concept that modification not only enhances the safety profile of SCIT but allows shorter-course therapy options as a result of providing an IgG epitope repertoire important for efficacy.[1] The work paves the way to help develop methods to better standardise allergoid platforms.

Analysis of Adjuvants

The Group is continuing to advance adjuvant systems such as MCT as a depot and to enhance immunogenicity of vaccines in areas outside of allergy. The Group have published studies run in conjunction with leading UK institutions such as The Jenner Institute at The University of Oxford and Public Health England to test these adjuvant systems in vaccines for diseases such as flu and malaria.

Recent Group highlights include a comparative influenza vaccine study in a ferret model using MCT as an adjuvant that demonstrated that a single dose of antigen adjuvanted with MCT was effective in generating a sero-positive (protective) antibody level that is considered protective. A further highlight includes the assessment of the potential of MCT and Virus-Like Particle technology platform to serve as an adjuvant in the development of a vaccine against malaria. The combination of VLP with MCT appears to be an attractive biodegradable and safe formulation for development of novel prophylactic vaccines.

Cross Reactivity Wheel

The Group is proud of their commitment to the education both of physicians and also patients and therefore to coincide with the annual European Academy of Allergy & Clinical Immunology (EAACI) congress, an educational tool highlighting the degree of cross-reactivity between allergens was researched and developed.

1 Starchenka et al., World Allergy Organization Journal 2017 10:17.

" The Group's goal remains to be the first allergy immunotherapy company to launch an ultra short course subcutaneous Grass product in the United States."

Murray Skinner
Chief Scientific Officer

The tool comprises a list of allergens and an overview of any potential cross-reactivity. The piece also includes a wheel that can be turned to highlight cross reactivity between common allergens to enable physicians to better explain allergy to patients and allow them to feel involved in their condition and take an active role in avoiding cross-reactive allergens.

Following a successful launch at EAACI 2017 in Helsinki, the cross-reactivity tool is being made available to all the Groups' markets to assist in the further education of patients and doctors.

Published Work during the period

1. Virus-Like Particle (VLP) Plus Microcrystalline Tyrosine (MCT) Adjuvants Enhance Vaccine Efficacy Improving T and B Cell Immunogenicity and Protection against Plasmodium berghei/vivax.
Cabral-Miranda G., Heath M.D., Mohsen M.O., Gomes A.C., Engeroff P., Flaxman A., Leoratti F.M.S., El-Turabi A., Reyes-Sandoval A., Skinner M.A., Kramer M.F., Bachmann M.F.
Vaccines 2017, 5, 10.

2. Clinical use of adjuvants in allergen-immunotherapy
Klimek L., Schmidt-Weber C.B., Kramer M.F., Skinner M.A. and Heath M.D.
Expert Review of Clinical Immunology, 2017. VOL 13:6, 599-610.

3. Adjuvantien in der allergenspezifischen Immuntherapie – AIT
Klimek L, Kramer M. and Pfaar O.
Allergologie, Jahrgang 40, Nr. 2/2017, S. 46-49 (Article in German)

4. Comparison of a novel microcrystalline tyrosine adjuvant with aluminium hydroxide for enhancing vaccination against seasonal influenza.
Heath, M.D., Swan, N.J., Marriott, A.C., Silman, N.J., Hallis, B., Prevosto, C., Gooch, K.E & Skinner, M.A.
BMC Infectious Diseases (2017) 17:232.

5. Molecular Fingerprinting of Complex Grass Allergoids: size assessments reveal new insights in epitope repertoires and functional capacities.
Starchenka, S., Bell, A.J., Mwange, J., Skinner, M.A and Heath, M.D.
World Allergy Organization Journal (2017) 10:17.

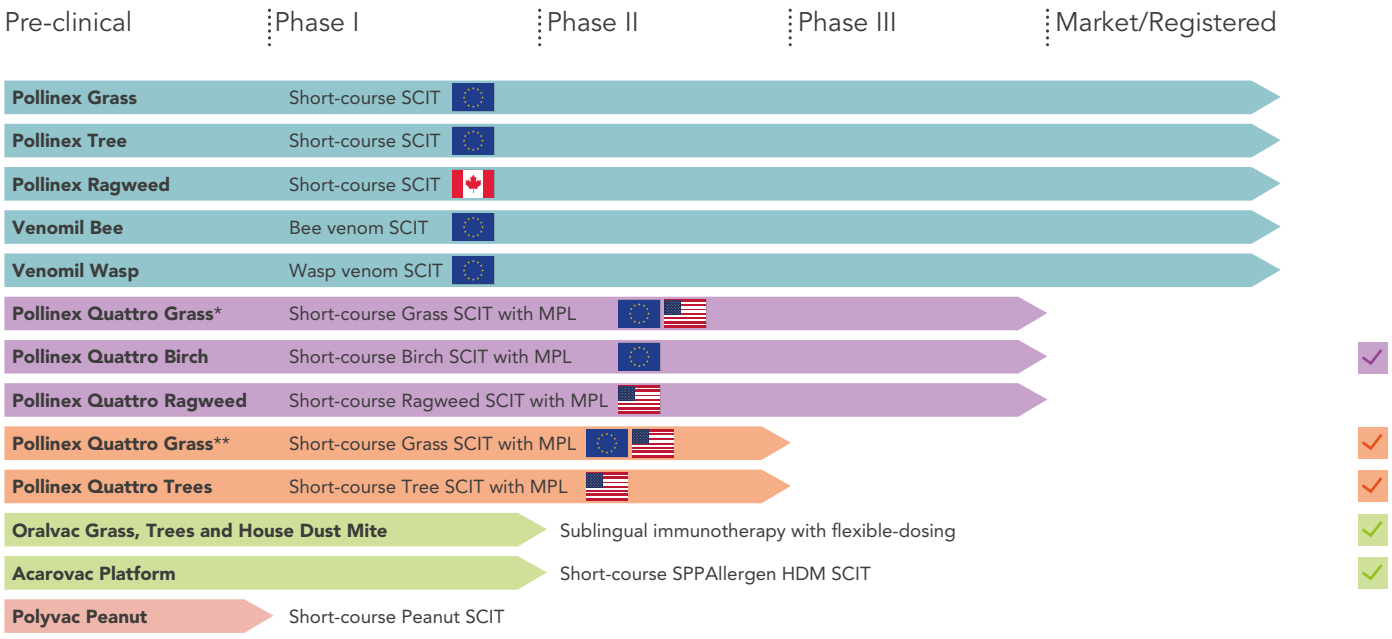
6. The grass pollen season 2014 in Vienna: A pilot study combining phenology, aerobiology and symptom data Kmenta M., Bastla K., Kramer M.F., Hewings S.J., Mwange J., Zetter R. and Berger U.
Sci Total Environ 2016 Oct 15;566-567:1614-20.

7. Adjuvant treatment with a symbiotic in patients with inflammatory non-allergic rhinitis
M Gelardi, C De Luca, S Taliente, ML Fiorella, N Quaranta, C Russo, A Ciofalo, A Macchi, M Mancini, P Rosso, V Seccia, F Guagnini, G Ciprandi.
Journal Biological Regulators & Homeostatic Agents (2017) Jan-Mar;31(1):201-206

8. Probiotics, gut microbiome and immunomodulation, is this the key to counteract the allergy epidemics
F Fassio and F Guagnini (2016).
Journal of Pharmacy and Nutrition Science Vol 6 Issue 2, 83-88

9. Ultra-short-course booster is effective in recurrent grass pollen-induced allergic rhinitis.
Pfaar O, Lang S, Pieper-Fürst U, Astvatsatourov A, Gerich F, Klimek L, Kramer MF, Reydelet Y, Shah-Hosseini K, Mösges R
Allergy. 2017 Jul 4. doi: 10.1111/all.13240.

Pipeline



* -0.5mL formulation
** -1.0mL formulation

Region where product is currently sold or is intended to be sold

Also available as a Named Patient Product

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.

Production risk

A significant majority of the Group's products are manufactured on the Worthing site which is shared with GSK. Any disruption to production caused by internal or external factors could materially affect the business. The site is also leased from GSK and therefore there is a mid-term risk that the lease is terminated. Further, any failure in production could lead to a product recall. In order to minimise these risks, regular maintenance and upgrade of the facility is undertaken. The Group has a recovery plan in place. In respect of the lease, the Group is currently negotiating a longer termination notice period and has a contingency plan in place. The Group also has an IT disaster recovery plan.

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 its 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. Competitors may reduce prices or increase sales investment making maintaining market share less profitable. 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% (2016: 59%) 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. The Group also continues to develop new products and increase clinical data to protect its market position.

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 between the UK and the EU 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 nearly all 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 and PEI 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 1 to 41 has been approved by the Board.

On behalf of the Board

Nicolas Wykeman
Director
27 September 2017

Financial Review

The following section should be read in conjunction with the financial statements and related Notes on pages 59 to 114.

Overview

The results for the twelve months to 30 June 2017 demonstrate continuing growing profitability of the core business before R&D expense, with an operating profit excluding R&D of £7.4 million (2016: £4.3 million). Including R&D expense of £9.3 million (2016: £16.2 million), the Group reported an operating loss of £1.9 million (2016: loss £12.0 million).

The operating loss includes a non-cash credit of £0.8 million (2016: charge of £2.0 million) in relation to the fair valuation of forward exchange contracts. The reduction in research and development activity was due to the timing of trials related to the US programme and the European Birch Dosing Study. The net loss after tax for the period was £2.5 million (2016: loss of £13.1 million).

	2017 Germany £m	2017 Other £m	2017 Total £m	2016 Germany £m	2016 Other £m	2016 Total £m
Revenue	**37.8**	**26.3**	**64.1**	28.5	20.0	48.5
Add rebates	**5.8**	**–**	**5.8**	3.9	–	3.9
Gross revenue	**43.6**	**26.3**	**69.9**	32.4	20.0	52.4
Adjustment to retranslate at prior year foreign exchange rate	**(6.3)**	**(3.1)**	**(9.4)**			
Gross revenue at constant currency*	**37.3**	**23.2**	**60.5**	32.4	20.0	52.4

	2017 Germany £m	2017 Other £m	2017 Total £m	2016 Germany £m	2016 Other £m	2016 Total £m
Revenue	**37.8**	**26.3**	**64.1**	28.5	20.0	48.5
Adjustment to retranslate at prior year foreign exchange rate	**(5.5)**	**(3.1)**	**(8.6)**			
Revenue at constant currency*	**32.3**	**23.2**	**55.5**	28.5	20.0	48.5

* 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.

Revenue

Helped by a stronger weighted average euro exchange rate against sterling during the year compared to the prior year, revenue increased by 32% to £64.1 million (2016: £48.5 million). The weighted average euro exchange rate in the year was €1.16 to £1 compared to €1.36 in the previous year; the impact of the stronger euro on revenue was £8.6 million. Although the vaccine markets in Europe did not grow significantly, revenue at constant currency* was 14.5% higher at £55.545 million (2016: £48.509 million) as shown in the table on the previous page.

Revenue from Germany was 59% (2016: 59%) of total reported revenue although the Group continues to develop new and existing markets to reduce reliance on the German market. The key flagship product Pollinex Quattro, which accounts for 44% of total sales (2016: 45%), 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 £4.4 million for the year ended 30 June 2017 (2016: £3.6 million).

Revenue in Germany grew well in the year with revenue at constant currency increasing to £32.3 million (2016: £28.5 million); an increase of 13%.

All the main European markets (except for Italy) exhibited double digit sales growth at constant currency with Spain showing 13%; The Netherlands 29%; Austria 27% and Germany 13%.

Gross Profit

With the increased sales, cost of sales rose to £16.8 million (2016: £14.1 million). The gross margin was 74% (2016: 71%), leading to a gross profit of £47.4 million (2016: £34.4 million).

Operating Expenses

Total overheads are £3.5 million higher against the prior year at £50.0 million (2016: £46.5 million). Within this total is a reduction in R&D expenditure which fell by £6.9 million to £9.3 million (2016: £16.2 million) due to the reduced clinical study activity during the year.

Sales, marketing and distribution costs which were mainly continental European increased by £6.7 million to £26.9 million (2016: £20.2 million). About half of the increase was due to the strong euro against sterling while the Group also continued to invest in improving its marketing and sales infrastructure. Administration expenses increased by £3.7 million to £13.8 million (2016: £10.1 million) with the major driver behind this increase being foreign exchange. In the previous year the Group booked a non-cash gain of £2.4m on its US dollar cash deposits due to the weakening pound. In the current year, the Group held minimal US currency holdings. The remainder of the increase was mostly due to the weakening of sterling against the euro.

Other income in the year of £0.7 million (2016: £0.1 million) was all due to R&D tax credits in the UK.

Tax

The current year tax charge is predominately made up of provisions for tax in the Italian and German subsidiaries (as in the previous year).

Balance Sheet

Property, plant and equipment were in line with last year at £9.7 million with the depreciation charge for the period equalling new investment in new manufacturing plant and office refurbishment. Goodwill increased to £3.4 million due solely to the stronger euro exchange rate at the balance sheet date (2016: £3.3 million), whilst other intangible assets have not changed, with an increase due to foreign exchange changes offsetting the amortisation charge for the year.

Total current assets, excluding cash, have increased by £1.1 million to £15.3 million (2016: £14.2 million). Inventory deceased by £0.2 million as the Group carefully managed its production planning. Trade debtors have decreased (mainly in UK and Italy) reflecting the Group's management of debtors despite increased sales. Cash and cash at hand decreased to £22.1 million from £23.4 million in 2016.

The fair value of derivative financial instruments was a liability of £0.4m in 2017 (2016: £1.2 million).

Retirement benefit obligations, which relate solely to the German pension scheme, decreased to £9.6 million (2016: £10.2 million). The decrease in the liability was mainly driven by an increase in the discount rate.

* Percentage based on figures in thousands (2017: £55.545m, 2016: £48.509m)

The Group achieved a net cash surplus of £0.2 million in the year (2016: £11.8 million cash used) primarily due to the increased sales and reduction in spend in the year on the R&D programme.

Currency

The Group uses forward exchange contracts to mitigate exposure to the effects of exchange rates. The current policy of the Group is to cover, on average, about 70% of the net euro exposure for a year on a declining basis.

Financing

The Group's debt on its balance sheet relates to activities in Spain and consists of the loans acquired as a result of the Alerpharma acquisition (£1.7 million) and further loans (£1.7 million) arranged to fund development of products in the Spanish market. The overdraft facility was unused at 30 June 2017 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.

Legal

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 2017, 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.

The Group is in discussion with one of its suppliers and their lawyers over potential cost overruns on one of its clinical trials which may lead to additional expense for the Group.

Nicolas Wykeman
Finance Director
27 September 2017

Board of Directors

Peter Jensen
Chairman

Peter is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Peter held a number of senior positions in his 21 years with SmithKline-Beecham, including Chairman of Consumer Healthcare and President of Worldwide Supply Operations.

He has previously held Non-executive or Chairman roles at a number of public and private companies including Domino Printing Sciences plc, Glenmorangie plc and Genetix Group plc.

External Appointments
Chairman of Sandown Park Racecourse
Screendragon (Software) Limited
Home of Horseracing Trust Limited
British Sporting Art Trust
Trustee of National Horseracing Museum

A N*

Manuel Llobet
Chief Executive Officer

Manuel has been CEO of Allergy Therapeutics plc since 2009, shaping strategy and driving growth. Prior to this, Manuel was the Principal Consultant for Biohealth LLC and CEO of International Operations of the Weinstein family's group of companies.

External Appointments
None

Nick Wykeman
Finance Director

Nick joined Allergy Therapeutics plc in 2016 as Finance Director. He leads the finance function developing and implementing financial strategy. Nick is a Chartered Accountant and previously held positions at Skyepharma PLC (now part of Vectura Group plc) and Quest International (a division of ICI PLC)

External Appointments
None

Key to Committees

A Audit Committee
N Nomination Committee
R Remuneration Committee
* Denotes Chairman of a Committee

Stephen Smith

Non-Executive Director & Senior Independent Director

Stephen is a Chartered Management Accountant, Fellow of the Association of Corporate Treasurers and member of the Institute for Turnaround. During his career he held a number of financial roles in UK listed companies. He formed Icknield in 1995 and has since taken on a number of board, advisory or executive roles during stabilisation and restructuring phases of turnaround projects.

External Appointments
Roles include Chairman of Tensator Holdings Limited, Rio Laranjan Holdings Limited and Icknield Limited.

A* N R*

Tunde Otulana

Non-Executive Director

Tunde is Senior Vice President and Chief Medical Officer at Mallinckrodt Pharmaceuticals where he has responsibility for all global medical functions. His career includes leadership roles at Boehringer Ingelheim Pharmaceutical Inc. and the US Food and Drug Administration (FDA).

External Appointments
None

N R

Jeffery Barton

Non-Executive Director

Jeff is currently Vice President, Licencing and Acquisitions at Abbott Laboratories and is their nominated Director on the Board. During his career at Abbott, Jeff has held a variety of financial management positions, including in Diagnostics, Nutrition and Pharmaceuticals.

External Appointments
None

N

Corporate Governance

Board & committees

The Board

The Board is collectively responsible for the long term success of the Company and for its leadership, strategy, values, standards, control and management.

Day to day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits; however, certain matters are reserved for Board approval. These matters are reviewed periodically and include Board and Committee composition, strategy, funding decisions and corporate transactions outside the normal course of business among others.

As an AIM listed Company, the Group does not comply with the UK Corporate Governance Code (the "Code"), however, the Group does follow best practice guidance, such as the QCA guidelines, and report on compliance with aspects of the Code as far as is reasonable.

Directors at Year End			Date of Appointment:	Attendance at Board meetings	Attendance at Audit Committee	Attendance at Remuneration Committee	Attendance at Nomination Committee
Peter Jensen	Chairman	Independent	October 2010	9/9	3/3		2/2
Stephen Smith	Non-Executive Director, Senior Independent Director	Independent	September 2004	9/9	3/3	5/5	2/2
Thomas Lander****	Non-Executive Director	Independent	April 2012	8/9***		5/5	
Jeff Barton*	Non-Executive Director	Not independent	February 2017	4/5			1/1
Tunde Otulana**	Non-Executive Director	Independent	June 2017	2/2			
Manuel Llobet	Chief Executive Officer	Not independent	July 2009	9/9			
Nick Wykeman	Finance Director	Not independent	June 2016	9/9			

* Appointed 7 February 2017
** Appointed 6 June 2017
*** Non-attendance at Board meeting due to personal reasons
**** Retired 30 June 2017

Board Composition

The Board comprises the Chairman, two Executive Directors and three Non-Executive Directors.

Board Independence

The UK Corporate Governance Code requires at least half the Board to comprise independent Non-Executive Directors and the Board considers Peter Jensen, Stephen Smith and Tunde Otulana to be independent.

Roles of Board Members

Position	Name	Responsibilities
Chairman	Peter Jensen	Leads the Board, ensures its effectiveness and sets its agenda. Ensures an effective link between shareholders and the Board
Chief Executive Officer	Manuel Llobet	Develops the Company's strategy, implements policies and strategies agreed by the Board and manages the business.
Finance Director	Nick Wykeman	Responsible for developing and implementing financial strategy for the Group.
Non-Executive Directors	Stephen Smith; Jeff Barton; Tunde Otulana	Constructively challenge the Executive Directors and monitor the delivery of the agreed corporate strategy and objectives.

All Directors have access to the Company Secretary:

Company Secretary	Sara Goldsbrough	Ensures a good flow of information within the Board and its Committees and between Senior Management and Board. Provides advice on Corporate Governance matters.

The Board Meetings

There were nine Board meetings held during the year.

The annual calendar includes a budget meeting at which the Executive team from all areas of the business present their business unit updates and their proposed budget for the forthcoming financial year. The budget meetings are also an opportunity for the Board to spend some time with members of senior management in a less formal environment.

The Chairman maintains regular contact with the Non-Executive Directors and the CEO outside of meetings.

Board Papers

Board papers are circulated by email at least three clear business days in advance of any meeting to ensure that Directors have sufficient time to read the papers and consider their content prior to the meeting.

Matters Considered by the Board

At each meeting, the Board receives business updates from the CEO, financial performance updates from the Finance Director, the Committee Chairmen update the Board on any Committee matters and there is a Health & Safety update.

R&D investment is regularly considered and clinical study budget variances are also brought to the attention of the Board.

New business opportunities and any other key investment decisions are proposed by the CEO as they arise. Often, such matters are complex and evolve over a period of time.

Other periodic matters considered by the Board include: Annual and half year results; Annual budget; Principal Risks; AGM resolutions; and LTIP awards.

Market, broker updates and changes to the shareholder register are circulated to the Board outside of the meetings.

Board Committees
The Board has established Audit, Remuneration and Nomination Committees to enable the Board to operate effectively and ensure a good governance framework for decision making.

Each Committee has written terms of reference. Minutes of all Committee Meetings are made available to all Directors.

The Board
Collectively responsible for the long-term success of the Company, management of strategy, leadership and risk

Audit committee
- Oversees financial reporting
- Monitors internal controls
- Monitors internal and external auditors

Remuneration committee
- Determines the Executive Directors and senior managers salaries and bonuses
- Recommends to the Board LTIP distribution and scope of the Plan
- Monitors remuneration trends throughout the Group
- Determines the Chairman's remuneration

Nomination committee
- Recommends Board Appointments
- Board & Executive Succession Planning
- Reviews mix of skills and experience on the Board

Committee Membership

Audit Committee	Remuneration Committee	Nomination Committee
Stephen Smith (Chairman) Peter Jensen Invited to meetings: Nick Wykeman External Auditors Group Financial Controller	Stephen Smith (Chairman) Tunde Otulana	Peter Jensen (Chairman) Jeff Barton Stephen Smith

Annual General Meeting
The AGM allows the Board to update the shareholders on the Company's progress and provides an opportunity for shareholders to pose questions to Directors.

Shareholders are encouraged to vote on the resolutions put to the meeting, either in person or by submitting a proxy card. The results of the votes are published on our website after the meeting.

The 2017 AGM will be held on 22 November 2017. The notice of meeting will be issued to shareholders at least 20 days before the meeting. Directors who have been appointed since the last AGM will be proposed to shareholders for election at the 2017 AGM.

In accordance with the Company's Articles, at least one third of the Board will retire from office and offer themselves for re-election by shareholders on a rotational basis.

Directors' Remuneration Report

Unaudited information

The Remuneration Committee

The Committee's key objectives are to ensure that Allergy Therapeutics' executive team is appropriately motivated by remuneration arrangements that are aligned with the interests of long term shareholders. The Committee determines and agrees the overall Remuneration Policy, including appropriate salary levels for each Executive Director; the composition of remuneration packages, performance periods, measures and targets for variable remuneration components and any clawback arrangements. In addition, the Committee also agrees or recommends to the Board various compensation matters, including any share-related compensation, for executive management.

During the financial year, the Remuneration Committee comprised Stephen Smith (Chairman) and Thomas Lander. The Terms of Reference of the Committee clearly sets out the Committee's duties and responsibilities. The number of meetings held during the year and attendance at those meetings is set out in the table on page 44.

The Committee is able to seek external advice when required. During the year, the Committee took advice from H2Glenfern Ltd on various matters including the 2013 Long Term Incentive arrangements. During the year, the Company was charged a total of £10,200 by H2GlenFern Ltd in respect of advice to the Committee.

Remuneration policy

The Committee ensures that the remuneration policy is linked to the delivery of the Group's business objectives and strategy; packages are designed to motivate and retain existing executives, recruit new high-quality executives and encourage executives to acquire and retain Allergy Therapeutics shareholdings.

Elements of Remuneration:

	Purpose & link to strategy	Operation	Performance Metric
Base Salary	To provide an appropriately competitive base salary.	Basic salary is reviewed annually, with reference to: – each Executive Directors performance and contribution during the year; – the scope of the Executive Directors responsibilities; – other similar companies	The Committee considers individual and Company performance when setting base salary, as well as the general increase to other employees.
Benefits	To be appropriately competitive with those offered at comparator companies.	Benefits are in line with those offered to other senior management employees and may include private healthcare, life insurance, travel insurance and a car allowance.	n/a
Pension	To be appropriately competitive with those offered at comparator companies.	The UK Company operates a defined-contribution personal pension scheme and currently makes pension contributions in respect of all Executive Directors.	n/a

	Purpose & link to strategy	Operation	Performance Metric
Annual Bonus	To incentivise and reward performance. Performance measures and targets are set each year to reinforce the strategic business priorities for the year.	The annual bonus arrangements are reviewed annually and agreed by the Committee at the start of the financial year. The maximum bonus opportunity for Manuel Llobet is 60% of annual salary and is 30% for Nick Wykeman.	Executive's performance is measured relative to challenging one-year financial targets and other performance objectives.
Long Term Incentive Plan	To incentivise and reward long-term outperformance, and help retain Executive Directors over the longer term.	Executive Directors are eligible to receive awards of shares under the 2013 Long Term Incentive Plan, at the discretion of the Committee. In assessing the outcome of the performance conditions, the Committee satisfies itself that the figures are a genuine reflection of financial performance. LTIPs awarded since 2016 are subject to malus and clawback provisions	2013 LTIP awards vest after a performance period of approximately three years. Since 2016, 50% of the Executive Directors award is subject to a three-year post vesting holding period. The vesting of the award is subject to continued employment and the Company's performance over a three-year performance period based: – 50% on compounded annual growth rate in profit before depreciation, amortisation and R&D spend – 50% on compounded share price growth The performance measures and weighting are reviewed by the Committee annually and the Committee has the discretion to make changes to the measures or weightings for future awards to ensure that they remain relevant to the Company strategy and are suitably stretching.

Director Service Contracts

	Date of contract	Notice period
Executive Directors		
Manuel Llobet	11 June 2009	12 months
Nicolas Wykeman	9 June 2016	6 months
Non-Executive Directors		
Peter Jensen	1 October 2010	6 months
Jeff Barton	7 February 2017	3 months
Tunde Otulana	6 June 2017	3 months
Stephen Smith	5 October 2004	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 2016 Total £	Year ended 30 June 2016 Pension[6] £
Manuel Llobet	273,156	40,000	10,200	–	323,356	41,074	368,084	39,878
Nicolas Wykeman	140,000	30,000	9,959	–	179,959	14,000	–	–
Peter Jensen	75,000	–	–	–	75,000	–	75,000	–
Thomas Lander	38,000	–	–	–	38,000	–	38,000	–
Stephen Smith[1]	14,800	–	–	27,700	42,500	–	42,500	–
Jean-Yves Pavée[2,3]	–	–	–	21,972	21,972	–	37,667	–
Jeff Barton[2,4]	–	–	–	15,695	15,695	–	–	–
Tunde Otulana[5]	2,923	–	–	–	2,923	–	–	–
Ian Postlethwaite[7]	–	–	–	–	–	–	203,722	16,213
Totals	543,879	70,000	20,159	65,367	699,405	55,074	764,973	56,091

1 Stephen Smith's fee payments are split between SRS Business Enterprises Limited and himself.
2 Fees payable to Abbott Laboratories.
3 Jean-Yves Pavée retired as a Director on 7 February 2017
4 Jeff Barton was appointed as a Director on 7 February 2017
5 Tunde Otulana was appointed as a Director on 6 June 2017
6 Pension contributions are in respect of a defined contribution scheme
7 Ian Postlethwaite resigned as a Director on 10 June 2016

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

	Options/ LTIPS held 1 July 2016	LTIPS awarded in the year	Share Options/ LTIPs lapsed in the year	Share Options/ LTIPS held at 30 June 2017	Subscription price in £	Exercise Date from	Expiry date
Manuel Llobet	1,690,000	1,690,000	(845,000)	2,535,000			
	*624,024			*624,024	0.001	25-Nov-15	25-Nov-18
	*905,000			*905,000	0.001	10-Mar-16	10-Mar-18
Nick Wykeman	–	422,500	–	422,500			
Total	3,219,024	2,112,500	(845,000)	4,486,524			

* These share options were converted from vested LTIP's

LTIP in 2016/17

LTIP grants made to Manuel Llobet in May 2013 lapsed in full during the year as the performance conditions were not met.

An LTIP grant was made in December 2016 to Manuel Llobet and Nick Wykeman of 1,690,000 and 422,500 awards respectively. These awards are subject to performance conditions laid out in the policy table on page 48. The award to Manuel Llobet was at twice his normal annual award level because no LTIP award was made in the financial year 2015/16.

At 30 June 2017, the London Stock Exchange mid-market value of shares was 25.6 pence per share. The range of mid-market values during the period from 1 July 2016 to 30 June 2017 was 17.5 pence to 30.3 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]	3,175,000	3,219,024	3,275,000	4,064,024
Nicolas Wykeman	–	–	150,000	422,500
Peter Jensen	120,000	–	150,000	–
Thomas Lander	–	–	–	–
Jean-Yves Pavée	–	–	–	–
Stephen Smith	776,513	–	776,513	–
Jeff Barton	–	–	–	–
Tunde Otulana	–	–	–	–

1 Includes shares held by Wild Indigo

Stephen Smith
Chairman, Remuneration Committee
27 September 2017

Nominations Committee Report

The Nomination Committee has responsibility for making recommendations on Board appointments and succession to the Board.

The members of the Committee as at 30 June 2017, comprised Peter Jensen (Chairman), Jeff Barton and Stephen Smith. The Nomination Committee met twice during the year and attendance at these meetings is shown in the table on page 44.

Board Composition and Succession Planning

During the year, the Committee considered Board composition and succession planning for both Executive and Non-Executive Directors and also the Executive Management Team. Following a review of Executive succession planning, the Group recruited two senior managers in Germany and, as noted in the CEO Report, has also strengthened the R&D function during the year. When considering Non-executive Director succession planning, the Committee ensures that the Board and its Committees continue to have the right mix of skills and experience to be able to deliver the Group's strategy.

Director Recruitment

Following a review of the skills, experience and knowledge of Board members during the year, the Committee agreed to seek a new Non-executive Director with specific knowledge of the US Regulatory market, which would benefit the Board as the Company embarked on its planned US program. Separately, Thomas Lander indicated that he wished to retire from the Board which would have led to a skills gap in R&D and clinical knowledge.

Executive search agency, Director Bank, was engaged to assist with a search to identify appropriate candidates who were US based and had relevant regulatory and clinical experience. To ensure that the list of candidates reflected diversity of both gender and skills, a broad brief was provided to Director Bank. Following an interview process led by the Chairman and Chief Executive, it was recommended to the Committee that Tunde Otulana be appointed as a Non-Executive Director of the Company. The Committee made a formal recommendation of the appointment to the Board.

Director Induction

An induction programme is provided for any new Director, which is tailored depending on the Director's experience and expected role on the Board. Tunde's induction program included individual meetings with the Chairman, Executive Directors, Company Secretary and members of senior management, a site visit to the Worthing site, and an introduction to the Company's advisers and lawyers. Tunde was also provided with copies of past Board and Committee papers and minutes, and individual briefings were arranged on topics such as Directors' duties and responsibilities and the R&D Pipeline.

Peter Jensen
Chairman, Nominations Committee
27 September 2017

Audit Committee Report

The Committee plays a key role for the Board, overseeing the financial reporting process, monitoring the effectiveness of internal control, internal audit and the external audit and also monitors the independence of the external auditors and the provision of non-audit services.

As at 30 June 2017, the Committee comprises two independent Non-Executive Directors and is chaired by Stephen Smith who is considered to have significant, recent and relevant financial experience.

The Committee's meetings were also attended by invitation by the Company's Finance Director, Company Secretary, Group Financial Controller and Financial Reporting Manager together with senior representatives of the external auditor.

The Committee met twice during the year. Attendance at these meetings is shown in the table on page 44. The Committee also met privately during the year with the external auditors.

External Auditors

The Committee oversees the relationship with Grant Thornton LLP, the external auditors, and is responsible for developing and monitoring the Company's policy on external audit and for monitoring the auditor's independence.

The external auditors have direct access to the Audit Committee Chairman should they wish to raise any concerns outside of formal Committee meetings.

The Committee monitored Grant Thornton's effectiveness during the year and considered the views of management that Grant Thornton were providing a good-quality audit service. The Committee is satisfied that the external auditors remain independent and objective and that the Group is receiving a robust audit and has therefore recommended to the Board that Grant Thornton be reappointed in 2017.

Non-Audit Services

Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary.

The Company has adopted a policy to ensure that the provision of non-audit services by the external auditor does not compromise its independence or objectivity. The policy requires the Audit Committee to pre-approve any non-audit work with a cost exceeding £10,000. Approval is only given following a thorough assessment of the case.

The total fees charged by Grant Thornton in the year are shown on page 85.

Internal Audit

During the year, the internal audit plan included reviews of financial controls in Germany, Spain and Italy. Next year, it is expected that the audit plan will include UK, Germany, Italy and Spain.

The Committee reviews the timetable and work of the internal audit programme, any matters identified as a result of internal audits and whether recommendations are addressed by management in a timely and appropriate way.

Internal Controls

The Audit Committee monitors and reviews the effectiveness of the Group's internal controls and reports to the Board on its work and conclusions. In reviewing the effectiveness of the Group's internal controls, the Committee considers reports from the internal audit team and the auditors as part of their auditing process. No significant failings or weaknesses have been identified in the review process during the year.

Details of the Group's internal controls are set out below:
- Schedule of matters reserved for the Board
- Terms of Reference for Board Committees
- Schedule of Delegated Authorities
- Documentation of significant transactions
- Whistle blowing procedure under which staff may raise matters of concern confidentially.

Controls relating to financial reporting:
- Appropriately qualified management structure, with clear lines of responsibility
- A comprehensive budget review and approval process
- Board and Audit Committee updates from the Finance Director which include forecasts and performance against budget
- Regular internal audit of the financial control procedures

Stephen Smith
Chairman of Audit Committee
27 September 2017

Report of the Directors

The Directors present their Annual Report and the audited financial statements for the 12 months ended 30 June 2017. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

The Strategic Report

The Group's 2017 Strategic Report, which includes a review of the Group's business during the financial year, the Group's position at year end and a description of the principal risks and uncertainties facing the Group, comprises the following sections of the Annual Report:

	Page
Chairman's Statement	6
Chief Executive's Review	8
Business Model & Strategy	16
Key Performance Indicators	26
Product Review	28
Principal Risks and Uncertainties	36
Financial Review	39

Directors

The Directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

Chairman
Peter Jensen

Executive Directors
Manuel Llobet
Nick Wykeman

Non-Executive Directors
Jeff Barton (appointed 7 February 2017)
Thomas Lander (retired 30 June 2017)
Tunde Otulana (appointed 6 June 2017)
Jean-Yves Pavée (retired 7 February 2017)
Stephen Smith

Biographies of each Director can be found on pages 42 and 43 and details of each Director's interests in the Company's shares are set out on page 50.

The powers of the Directors are determined by UK legislation and the Company's Articles of Association together with any specific authorities that shareholders may approve from time to time.

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association and UK legislation.

Compensation for loss of office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's shares scheme may cause share options and awards to vest on a takeover.

Directors' indemnities and insurance

In accordance with the Company's Articles, the Company had indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' liability insurance which is reviewed annually.

Dividend
The loss for the year after taxation was £2.5 million (2016: £13.1 million). The results for the year are set out on page 66 and are described in more detail in the Financial Review.

Due to the current research and development investment strategy, the Company has negative distributable reserves and is unable to declare a dividend (2016: nil). Further details of the Group's research and development strategy can be found on pages 32 to 35.

Capital structure
Details of the Company's issued share capital, including details of movements during the year, authorities to issue or repurchase shares and details of shares repurchased by the Company during the year, of which there were none, are shown in note 27 to the financial statements on page 104. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the transfer of shares beyond those standard provisions set out in the Articles of Association. No shareholder holds shares carrying special rights with regard to control of the Company.

Substantial shareholdings
The significant holdings of voting rights in the share capital of the Company notified and disclosed in accordance with Disclosure and Transparency Rule 5, as at 27 September 2017 are shown in the table below:

Shareholder	Number of Ordinary shares	% of voting rights and issued share capital
CFR International SPA & Associated Holding*	240,584,571	40.49
Southern Fox Investments	127,283,783	21.42
Odey Asset Management	43,747,523	7.36
Invesco Perpetual Asset Management	34,110,209	5.74
Blackrock Investment Management	30,368,413	5.11

* 100% owned subsidiary of Abbott Laboratories.

Use of financial instruments
Information on risk management objectives and policies, including hedging policies, and exposure of the Company in relation to the use of financial instruments, can be found in note 24 on pages 97 to 100.

Employees
The Group employed 506 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, details of the Long Term Incentive Plan can be found on page 104. The Board is committed to retaining staff and implementing well balanced, challenging incentives makes this possible. The Company encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of all employees.

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

The Company operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment made by disabled applicants, having regard to their particular aptitudes and abilities, and the continued employment of staff who become disabled.

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 1 to 41. 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 39 to 41.

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 1 to 41 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 auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

The Group's auditors, Grant Thornton LLP, have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Annual general meeting

The 2017 Annual General Meeting of the Company will be held from 11:00 am on 22 November 2017 at the offices of Covington LLP in London. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document and is also available on our website.

By order of the Board

Sara Goldsbrough
Company Secretary
27 September 2017

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Independent Auditor's Report to the Members of Allergy Therapeutics plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Allergy Therapeutics Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2017 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, the Company Balance Sheet, and the Statement of Changes in Equity (Company), and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall Group materiality: £640,000, which represents 1.0% of the Group's revenues
- Key audit matters were identified as revenue recognition, the defined benefit pension scheme and impairment of non-current assets
- We performed full scope procedures at the Group's operating locations in the United Kingdom and Germany. We performed targeted procedures over component locations in Italy, Spain, Switzerland and the Netherlands

Independent Auditor's Report to the Members of Allergy Therapeutics plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition Revenue from the sale of the Group's goods is recognised once certain criteria are met. The most critical element of these criteria is that revenue is recognised only when 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 those goods. While determining the date of delivery to the customer and therefore the timing of revenue recognition requires little significant management judgement or estimate, due to the volume of transactions that occur during the year, we identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – considering the appropriateness of the Group's revenue recognition policy in light of the requirements of International Accounting Standard (IAS) 18 'Revenue' and ensuring its consistent application; – selecting a sample of revenue transactions from across the Group and ascertaining the occurrence of each item through verification to source documentation pertaining to the validity of the sale and the date at which the risks and rewards of ownership transfer to the customer; – identifying sales recorded in the last three days of the financial year across the Group's key trading jurisdictions and considering whether delivery of the goods to the customer had occurred; and – selecting a sample of year end receivables and verifying their existence by tracing their payment after the balance sheet date. The Group's accounting policy on revenue recognition is set out in Note 2 "Accounting Policies" to the financial statements and related disclosures are shown in Notes 3 and 4. **Key observations** Our procedures, as set out above, did not identify any material misstatement in respect of revenue recognised by the Group during the year.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Defined benefit pension scheme The Group has a defined benefit pension scheme that provides benefits to a number of current and former German employees. At 30 June 2017 the defined benefit pension net deficit was £9.6m. The gross value of pension scheme liabilities and assets which form the net deficit amount to £11.0m and £1.4m respectively. The measurement of pension liabilities in accordance with IAS 19 "Employee Benefits" involves significant judgement and their valuation is subject to complex actuarial assumptions. Variations in those actuarial assumptions could lead to a materially different defined benefit pension scheme liability being recognised within the Group financial statements. We therefore identified the defined benefit pension scheme, including its valuation, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – utilising the expertise of our actuarial specialists in order to review the assumptions used, such as discount rate, price inflation, pension increase and mortality rates for reasonableness and methods employed in calculation of the obligation; – assessing the accuracy of the underlying data utilised by the actuaries; and – confirming the existence of pension scheme assets with third parties. The Group's accounting policy on defined benefit pension schemes is shown within note 2 "Accounting Policies" to the financial statements and related disclosures are included in note 26. **Key observations** Our procedures, as set out above, did not identify any material misstatements in respect of the valuation of the defined benefit pension scheme as included within the Consolidated balance sheet.
Impairment of non-current assets The directors are required to make an annual assessment to determine whether the Group's goodwill which stands at £3.4m is impaired. In addition, other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other intangible assets at 30 June 2017 amount to £2.1m. The process for assessing whether impairment exists under IAS 36 "Impairment of assets" is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified the impairment of non-current assets, being goodwill and other intangible assets, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – obtaining management's assessment of the relevant CGUs used in the impairment calculation and comparing those to our understanding of the business units and operating structure of the Group; – recalculating the arithmetical accuracy of those calculations and considering the sensitivity of the impairment calculation to changes in key assumptions; – testing the assumptions utilised in the impairment models, including growth rates, discount rates and terminal values; and – testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or usual items or assumptions. The Group's accounting policy on impairment of non-current assets is shown within note 2 "Accounting Policies" to the financial statements and related disclosures are included in notes 14 and 15. **Key observations** Our procedures, as set out above, did not identify any material misstatements in respect of the carrying value of goodwill or intangible assets included within the Group balance sheet.

Independent Auditor's Report to the Members of Allergy Therapeutics plc continued

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£640,000 which is 1% of Group revenue. This benchmark is considered the most appropriate because it the primary statutory reporting measure used to assess the Group's performance during the year. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2016 reflecting the Group's increased revenues for the year ended 30 June 2017.	£43,000 which is 2% of the company's total assets. This benchmark is considered the most appropriate because the company balance sheet primarily consists of investments in subsidiaries and intragroup receivables. Materiality for the current year is similar to the level that we determined for the year ended 30 June 2016.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£32,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2,150 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. For example, significance as a percentage of the Group's total assets, revenues and profit before taxation or significance based on qualitative factors, such as concerns over specific components;
- in respect of the parent company, full scope audit procedures;
- undertaking a planning visit in June 2017 to evaluate the Group's internal control environment, perform an evaluation of the design effectiveness of controls over key financial statement risk areas identified as part of our audit risk assessment and to select certain transaction items to test during our procedures at the final audit stage;
- we determined that full scope audit procedures were to be carried out in the UK and German locations and targeted procedures in Spain, Italy and the Netherlands based on their relative materiality to the Group and an assessment of their audit risk. Those targeted procedures addressed the key audit matters set out above. Those locations subjected to full scope audit and targeted procedures represent 67.3% and 22.0% of external Group revenues respectively, however comprehensive and targeted testing performed at the component and Group levels addressed 100% of Group revenues;
- the Group locations subject to comprehensive and targeted testing were consistent with the prior year except we extended our targeted procedures in 2017 to address material inventory and cash balances in the Netherlands and Switzerland respectively;
- the remaining operations of the Group were subject to analytical procedures over the balance sheet and income statements of the related entities with a focus on applicable risks identified above and the significance to the Group balances;
- detailed audit instructions were issued to the auditors of the reporting components in Germany, Italy and the Netherlands where full scope and targeted audit approaches had been identified. The instructions detailed the key audit matters that were to be addressed through the audit procedures and indicated the information that we required to be reported back to the Group Audit Team. The Group Audit Team performed a site visit to Spain to perform planned targeted procedures. Our work over the cash balances held in Switzerland was conducted remotely; and
- in addition, the Group Audit Team performed a site visit to Germany, which included a review of the work performed by the component auditors and conducted a review of working papers by the Italian component auditors remotely. The Group Audit Team communicated with all component auditors throughout the planning, fieldwork and concluding stages of the local audits.

Independent Auditor's Report to the Members of Allergy Therapeutics plc continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 57, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 56 to 57, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley

27 September 2017

Consolidated Income Statement

for the year ended 30 June 2017

	Note	Year to 30 June 2017 £'000	Year to 30 June 2017 £'000	Year to 30 June 2016 £'000	Year to 30 June 2016 £'000
Revenue	3		64,138		48,509
Cost of sales			(16,771)		(14,070)
Gross profit			47,367		34,439
Sales, marketing and distribution costs			(26,888)		(20,223)
Administration expenses – other		(13,778)		(10,094)	
Research and development costs		(9,296)		(16,223)	
Administration expenses			(23,074)		(26,317)
Other income	8		699		150
Operating loss			(1,896)		(11,951)
Finance income	10		151		180
Finance expense	9		(225)		(293)
Loss before tax	5		(1,970)		(12,064)
Income tax	11		(511)		(1,008)
Loss for the period			(2,481)		(13,072)
Loss per share	13				
Basic (pence per share)			(0.42p)		(2.29p)
Diluted (pence per share)			(0.42p)		(2.29p)

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	Year to 30 June 2017 £'000	Year to 30 June 2016 £'000
Loss for the period		(2,481)	(13,072)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	26	1,500	(1,688)
Remeasurement of investments – retirement benefit assets	17	(91)	(16)
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		(23)	(744)
Total comprehensive loss		(1,095)	(15,444)

Consolidated Balance Sheet

	Note	30 June 2017 £'000	30 June 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	9,673	9,667
Intangible assets – goodwill	14	3,390	3,271
Intangible assets – other	15	2,069	2,084
Investments – retirement benefit asset	17	4,592	4,045
Total non-current assets		19,724	19,067
Current assets			
Inventories	18	7,484	7,692
Trade and other receivables	19	7,853	6,514
Cash and cash equivalents	20	22,122	23,406
Total current assets		37,459	37,612
Total assets		57,183	56,679
Liabilities			
Current liabilities			
Trade and other payables	21	(13,225)	(11,045)
Current borrowings	22	(391)	(295)
Derivative financial instruments	24	(404)	(1,180)
Total current liabilities		(14,020)	(12,520)
Net current assets		23,439	25,092
Non-current liabilities			
Retirement benefit obligations	26	(9,619)	(10,174)
Deferred taxation liability	12	(352)	(334)
Non-current provisions	23	(291)	(257)
Long term borrowings	22	(2,936)	(3,070)
Total non-current liabilities		(13,198)	(13,835)
Total liabilities		(27,218)	(26,355)
Net assets		29,965	30,324
Equity			
Capital and reserves			
Issued share capital	27	604	599
Share premium		102,420	102,392
Merger reserve – shares issued by subsidiary		40,128	40,128
Reserve – share based payments		900	741
Revaluation reserve		1,254	1,254
Foreign exchange reserve		(907)	(884)
Retained earnings		(114,434)	(113,906)
Total equity		29,965	30,324

These financial statements were approved by the Board of Directors and authorised for issue on 27 September 2017 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 £'000	Share premium £'000	Merger reserve – shares issued by subsidiary £'000	Reserve – shares held in EBT £'000	Reserve – share based payment £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2015	556	91,463	40,128	67	591	1,178	(140)	(99,374)	34,469
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(744)	–	(744)
Remeasurement of net defined benefit liability	–	–	–	–	–	–	–	(1,688)	(1,688)
Deferred tax (Land and buildings)	–	–	–	–	–	(43)	–	–	(43)
Valuation gain taken to equity (Land and Buildings)	–	–	–	–	–	119	–	–	119
Remeasurement of investments – retirement benefit assets	–	–	–	–	–	–	–	(16)	(16)
Total other comprehensive income	–	–	–	–	–	76	(744)	(1,704)	(2,372)
Loss for the period after tax	–	–	–	–	–	–	–	(13,072)	(13,072)
Total comprehensive income	–	–	–	–	–	76	(744)	(14,776)	(15,444)
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	40,128	–	741	1,254	(884)	(113,906)	30,324
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(23)	–	(23)
Remeasurement of net defined benefit liability	–	–	–	–	–	–	–	1,500	1,500
Remeasurement of investments – Retirement benefit assets	–	–	–	–	–	–	–	(91)	(91)
Total other comprehensive loss	–	–	–	–	–	–	(23)	1,409	1,386
Loss for the period after tax	–	–	–	–	–	–	–	(2,481)	(2,481)
Total comprehensive loss	–	–	–	–	–	–	(23)	(1,072)	(1,095)
Share based payments	–	–	–	–	703	–	–	–	703
Shares issued	5	28	–	–	–	–	–	–	33
Transfer of lapsed options to retained earnings	–	–	–	–	(544)	–	–	544	–
At 30 June 2017	604	102,420	40,128	–	900	1,254	(907)	(114,434)	29,965

Consolidated Cash Flow Statement

	Note	Year to 30 June 2017 £'000	Year to 30 June 2016 £'000
Cash flows from operating activities			
Loss before tax		(1,970)	(12,064)
Adjustments for:			
Finance income	10	(151)	(180)
Finance expense	9	225	293
Non cash movements on defined benefit pension plan		322	295
Depreciation and amortisation	15,16	1,936	1,666
Impairment of intangible assets	15	69	–
Loss on disposal of fixed assets	15,16	42	–
Net monetary value of above the line R&D tax credit	8	(699)	(85)
Charge for share based payments		703	327
Movement in fair valuation of derivative financial instruments		(776)	1,963
Foreign exchange revaluation on US dollar cash deposits		(361)	(2,394)
Increase/(decrease) in trade and other receivables		1,004	(368)
Decrease/(increase) in inventories		334	(585)
Increase/(decrease) in trade and other payables		823	(412)
Net cash generated/(used) by operations		1,501	(11,544)
Bank loan fees and interest paid		(222)	(388)
Income tax		(1,101)	93
Net cash generated/(used) by operating activities		178	(11,839)
Cash flows from investing activities			
Interest received		41	–
Payments for retirement benefit investments		(258)	(260)
Payments for intangible assets		(226)	–
Payments for property plant and equipment		(1,500)	(1,232)
Net cash used in investing activities		(1,943)	(1,492)
Cash flows from financing activities			
Share issue (options exercised)/proceeds from issue of equity shares (net of issue costs)		33	10,972
Repayment of borrowings		(297)	(86)
Proceeds from borrowings		76	1,653
Net cash (used)/generated by financing activities		(188)	12,539
Net decrease in cash and cash equivalents		(1,953)	(792)
Effects of exchange rates on cash and cash equivalents		669	2,999
Cash and cash equivalents at the start of the period		23,406	21,199
Cash and cash equivalents at the end of the period		22,122	23,406
Cash at bank and in hand		22,122	23,406
Bank overdraft		–	–
Cash and cash equivalents at the end of the period		22,122	23,406

Notes to the Financial Statements

1. Basis of preparation

Allergy Therapeutics is a specialty pharmaceutical Group 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 consolidated financial statements for the year ended 30 June 2017 (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 27 September 2017.

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2017 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. Management are currently assessing the detailed impact on the Group's financial statements.

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.

Notes to the Financial Statements continued

1. Basis of preparation continued

Going concern

Operating loss in the period was £1.9 million (2016:£12.0 million loss); net cash inflow from operations was £1.5 million (2016: £11.5 million net cash outflow). The inflow was due to the strong trading offset by further R&D expenditure. Excluding the R&D expenditure, the Group would have reported an operating profit of £7.4 million (2016:£4.3 million). The Directors do not consider the current operating loss to be a cause for concern.

Detailed budgets have been prepared, including cash flow projections for the periods ending 30 June 2018 and 30 June 2019. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing bank facilities. The Group had a cash balance of £22.1m at 30 June 2017 and the overdraft facility was renewed in April 2017. After making appropriate enquiries, which included a review of the annual budget and latest forecast, 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 preparing these financial statements.

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 2017. 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.

2. Accounting policies continued

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.

Notes to the Financial Statements continued

2. Accounting policies continued

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.

2. Accounting policies continued

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.

Notes to the Financial Statements continued

2. Accounting policies continued

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 current rebate in force has been set at 7%. The rebate is subject to a price moratorium and this applies to certain products in Germany.

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.

2. Accounting policies continued

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 and the lessee bears substantially all the risks and rewards of ownership of the leased asset. All other leases are operating leases in the Group.

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

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.

Notes to the Financial Statements continued

2. Accounting policies continued

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 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.

2. Accounting policies continued

– "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 as per IFRS 21. 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Income Statement. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs.

Notes to the Financial Statements continued

2. Accounting policies continued

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

Investments

Investments relate to long-term insurance policies. In accordance with IAS19, these cannot be directly deducted from the German pension obligation and 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 share price 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 104.

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 shares expected to vest. Non market vesting conditions are included in assumptions about the number of shares that are expected to become issuable. Estimates are subsequently revised if there is any indication that the number of shares expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer shares ultimately vest than estimated, however the expensed value of these lapsed shares is transferred from the share based payment reserve to retained earnings.

2. Accounting policies continued

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 in 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 in the prior year.

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 £9.3 million (2016: £16.2 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 that 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.

Notes to the Financial Statements continued

2. Accounting policies continued

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 76) 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 (2016: £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 in Note 28, 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.

g) Where the Group is in negotiation with third party contractors around final account payments in relation to contracts, there is always an element of uncertainty as to the exact amount that will become payable. The Group accounts for its liabilities based on best estimates of the most likely outcome and gives extra disclosure where the range of likely outcomes could be materially different from the estimate accounted for.

3. Revenue

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

	2017 £'000	2016 £'000
Sale of goods	64,113	48,468
Rendering of services	25	41
	64,138	48,509

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, Spain and Portugal), the UK and Rest of World.

4. Segmental reporting continued

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 2017 £'000	Inter Segment Revenue 2017 £'000	Total Segment Revenue 2017 £'000	Revenue from External Customers 2016 £'000	Inter Segment Revenue 2016 £'000	Total Segment Revenue 2016 £'000
Central Europe						
Germany	38,200		38,200	28,484		28,484
Other	9,386		9,386	6,688		6,688
	47,586		47,586	35,172		35,172
Southern Europe						
Italy	5,535		5,535	4,741		4,741
Spain	6,075		6,075	4,590		4,590
Other	498		498	229		229
	12,108		12,108	9,560		9,560
UK	1,868	25,787	27,655	1,856	17,862	19,718
Rest of World	2,576		2,576	1,921		1,921
	64,138	25,787	89,925	48,509	17,862	66,371

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 €1.28: £1.00 which was the rate used in the 2017 budget.

	Revenue from External Customers 2017 £'000	Revenue from External Customers 2016 £'000
Central Europe		
Germany	34,754	27,699
Other	8,220	6,439
	42,974	34,138
Southern Europe	11,062	9,302
UK	1,869	1,851
Other	2,589	1,921
	58,494	47,212

Notes to the Financial Statements continued

4. Segmental reporting continued

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

Depreciation and amortisation by segment

	2017 £'000	2016 £'000
Central Europe	230	167
Southern Europe	488	404
UK	1,218	1,095
	1,936	1,666

EBITDA by segment

	2017 £'000	2016 £'000
Allocated EBITDA		
Central Europe	380	407
Southern Europe	89	(325)
UK	(429)	(10,367)
Allocated EBITDA	40	(10,285)
Depreciation and amortisation	(1,936)	(1,666)
Operating loss	(1,896)	(11,951)
Finance income	151	180
Finance expense	(225)	(293)
Loss before tax	(1,970)	(12,064)

Total assets by segment

	2017 £'000	2016 £'000
Central Europe	14,577	12,119
Southern Europe	7,154	7,627
UK	61,666	59,585
	83,397	79,331
Inter-segment assets	(4,586)	(2,432)
Inter-segment investments	(21,628)	(20,220)
Total assets per Balance Sheet	57,183	56,679

Included within Central Europe are non-current assets to the value of £2,594,000 (2016: £2,523,000) relating to Goodwill and within Southern Europe assets to the value of £2,840,000 (2016: £2,942,000) 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 £1,485,000 (2016:£1,433,000).

4. Segmental reporting continued

Total liabilities by segment

	2017 £'000	2016 £'000
Central Europe	(14,964)	(14,956)
Southern Europe	(6,163)	(6,658)
UK	(10,677)	(7,119)
	(31,804)	(28,733)
Inter-segment liabilities	4,586	2,378
Total liabilities per Balance Sheet	(27,218)	(26,355)

5. Loss before tax

	2017 £'000	2016 £'000
Loss for the period has been arrived at after charging/(crediting):		
(Gain)/loss on fair valuation of foreign exchange forward contracts	(776)	1,963
(Gain) on foreign exchange forward contracts matured in the year	(1,930)	(519)
(Gain) on revaluation of US dollar denominated cash deposits	(361)	(2,394)
Other foreign exchange gains	(525)	(749)
Acquisition costs of new subsidiary	–	84
Depreciation and amortisation:		
Depreciation of property plant and equipment (Note 16)	1,510	1,427
Amortisation of intangible assets (Note 15)	426	240
Impairment of intangible assets (Note 15)	69	–
Loss on disposal of intangible assets (Note 15)	29	–
Loss on disposal of tangible assets (Note 16)	13	–
Research and development	9,296	16,223
Land and buildings held under operating leases	752	695
Other operating leases	797	606
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	51	42
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	81	90
Audit related assurance	10	10
Tax compliance services	6	17
Tax advisory services	8	15
Share based payment expense (Note 28)	703	327

Notes to the Financial Statements continued

6. Remuneration of key management personnel

	2017 £'000	2016 £'000
Salaries and short-term employee benefits	699	765
Social security costs	76	87
Post-employment benefits – defined contribution plans	55	56
	830	908
(Over)/under accrual of bonuses	(24)	26
Share based payment	63	59
	869	993

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 49 and forms part of the financial statements.

7. Employees (including Directors)

	2017 £'000	2016 £'000
Wages and salaries	21,913	18,560
Social security costs	3,654	2,980
Share based payments	703	327
Pension costs – defined benefit plans	367	251
Pension costs – defined contribution plans	451	341
	27,088	22,459

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

	2017	2016
R & D, marketing and administration	178	150
Sales	126	119
Production	175	158
	479	427

8. Other income

	2017 £'000	2016 £'000
Net monetary value of above the line R&D tax credit	699	150

9. Finance expense

	2017 £'000	2016 £'000
Interest on borrowing facility	70	57
Net interest expenses on defined benefit liability	154	171
Other interest and charges	1	65
	225	293

10. Finance income

	2017 £'000	2016 £'000
Bank interest	45	90
Interest on investment assets	89	50
Other finance income	17	40
	151	180

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

11. Income tax expense

	2017 £'000	2016 £'000
Current tax:		
Prior period overseas tax	9	574
Overseas tax	508	489
	517	1,063
Deferred tax – current year	(6)	(55)
Tax charge for the period	511	1,008

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:

	2017 £'000	2016 £'000
Loss for the period before tax	(1,970)	(12,064)
Loss for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 19.75% (2016: 20%)).	(389)	(2,413)
Effects of:		
Disallowable adjustments	376	370
Movements in unrecognised deferred tax	520	2,499
Adjustment of taxes for prior periods	9	574
Adjustment for different tax rates	198	41
Relief for shares acquired by employees & Directors	(102)	(71)
Gross up of R&D expenditure credit	(101)	8
	511	1,008
Deferred tax – reduction in carrying amount of deferred tax asset	–	–
Tax charge for the period	511	1,008

Notes to the Financial Statements continued

12. Deferred tax

Recognised deferred tax liability

	Tax value of carried forward losses £'000	Tax value of accelerated capital allowances £'000	Acquisition of Teomed AG £'000	Italian Freehold Property £'000	Tax value of Alerpharma SA losses £'000	Acquisition of Alerpharma SA £'000	Total £'000
At 1 July 2016	403	(403)	(139)	(43)	243	(395)	(334)
Amount (charged)/ credited to the income statement	(44)	44	15	–	(58)	49	6
Exchange differences	–	–	(11)	(2)	14	(25)	(24)
At 30 June 2017	359	(359)	(135)	(45)	199	(371)	(352)

	Tax value of carried forward losses £'000	Tax value of accelerated capital allowances £'000	Acquisition of Teomed AG £'000	Italy Freehold property £'000	Tax value of Alerpharma SA losses £'000	Acquisition of Alerpharma SA £'000	Total £'000
At 1 July 2015	455	(455)	(130)	–	207	(375)	(298)
Amount credited to the income statement	(52)	52	15	–	–	40	55
Transfer from revaluation reserve	–	–	–	(43)	–	–	(43)
Exchange differences	–	–	(24)	–	36	(60)	(48)
At 30 June 2016	403	(403)	(139)	(43)	243	(395)	(334)

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.

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:

	2017 £'000	2016 £'000
Deferred tax assets	558	646
Deferred tax liabilities	(910)	(980)
	(352)	(334)

12. Deferred tax continued

Unrecognised deferred tax

	2017 Deferred tax assets £'000	2016 Deferred tax assets £'000
Non Current Assets		
Property, plant and equipment	57	61
R&D expenditure credit	306	74
Current Assets		
Stock	148	202
Current Liabilities		
Derivative financial instruments	69	212
Non Current Liabilities		
Pension and other employee obligations	1,658	2,021
Share options	113	122
Unused tax losses	13,572	13,778
Total	15,923	16,470

As at 30 June 2017 the Group had approximately £79m of unutilised tax losses (2016: approximately £76m) 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 19% to 17% with effect from 1 April 2020. The recognised and unrecognised deferred tax assets have been calculated at 17%, being the rate enacted at 30 June 2017.

13. Earnings per share

	2017 £'000	2016 £'000
Loss after tax attributable to equity shareholders	(2,481)	(13,072)

	Shares '000	Shares '000
Issued ordinary shares at start of the period	589,159	545,848
Ordinary shares issued in the period	4,959	43,311
Issued ordinary shares at end of the period	594,118	589,159
Weighted average number of ordinary shares for the period	592,192	570,344
Potentially dilutive share options	–	–
Weighted average number of ordinary shares for diluted earnings per share	592,192	570,344
Basic earnings per ordinary share/(loss) (pence)	(0.42p)	(2.29p)
Diluted earnings per ordinary share/(loss) (pence)	(0.42p)	(2.29p)

Notes to the Financial Statements continued

13. Earnings per share continued

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.

	2017 Number Of Shares '000	2016 Number Of Shares '000
Weighted average number of ordinary shares in issue	592,192	570,344
Potentially dilutive share options	22,893	18,885
Weighted average number of diluted ordinary shares	615,085	589,229

14. Goodwill

	2017 £'000	2016 £'000
At 1 July	3,271	2,980
Addition	–	–
Exchange difference	119	291
At 30 June	3,390	3,271

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

	2017 £'000	2016 £'000
Germany	2,594	2,523
Spain	796	748
Total	3,390	3,271

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 (2016: 17.4%) 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 (2016: 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 £'000	Distribution agreements (Switzerland) £'000	Trade names (Spain) £'000	Customer relationships (Spain) £'000	Know-how and patents (Spain) £'000	Other intangibles £'000	Computer software £'000	Total £'000
Cost								
At 1 July 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
Asset reclassification	–	–	–	–	–	–	216	216
Additions	–	–	–	–	–	14	212	226
Disposals	(23)	–	–	–	–	(6)	–	(29)
Foreign exchange	183	57	26	17	15	4	38	340
At 30 June 2017	4,738	1,151	398	254	235	1,048	2,936	10,760
Amortisation								
At 1 July 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
Asset reclassification	–	–	–	–	–	–	23	23
Disposals	–	–	–	–	–	–	–	–
Charge for the year	–	57	31	59	27	6	246	426
Impairment	–	–	69	–	–	–	–	69
Foreign exchange	181	21	2	3	2	3	38	250
At 30 June 2017	4,738	473	122	101	47	948	2,262	8,691
Net book value								
At 1 July 2015	18	654	372	237	220	32	487	2,020
At 30 June 2016	21	699	352	198	202	97	515	2,084
At 30 June 2017	–	678	276	153	188	100	674	2,069

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.

Notes to the Financial Statements continued

16. Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Computer equipment £'000	Freehold land & buildings £'000	Total £'000
Cost or valuation						
At 1 July 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
Asset reclassification	–	–	–	(216)	–	(216)
Additions	531	727	–	242	–	1,500
Foreign exchange	31	42	–	53	180	306
Disposals	(910)	(768)	–	–	–	(1,678)
At 30 June 2017	9,444	5,864	36	4,029	3,203	22,576
Depreciation						
At 1 July 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
Charge for the year	672	385	6	309	138	1,510
Asset reclassification	–	–	–	(23)	–	(23)
Foreign exchange	20	29	–	30	5	84
Disposals	(909)	(756)	–	–	–	(1,665)
At 30 June 2017	5,376	3,746	28	3,529	224	12,903
Net book value						
At 1 July 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
At 30 June 2017	4,068	2,118	8	500	2,979	9,673

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 Group's 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 (that is not market nor observable valuation) in the IFRS fair value hierarchy.

16. Property, plant and equipment continued

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 £'000	Italy £'000	Total £'000
Balance at 1 July 2016	1,798	1,144	2,942
Loss recognised in income statement – depreciation of buildings	(85)	(53)	(138)
Gain recognised in other comprehensive income – exchange differences on translating foreign operations	106	69	175
Balance at 30 June 2017	1,819	1,160	2,979

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 2017 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 (£1,406) 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. Management do not consider that the fair value as at 30 June 2017 for the Italy and 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. Remeasurement of retirement benefit 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). The policy includes a right to reimbursement and therefore 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.

	2017 £'000	2016 £'000
At 1 July	4,045	3,160
Additions	302	260
Finance income	89	50
Remeasurement of investment	(91)	(16)
Profit on foreign exchange	247	591
	4,592	4,045

Notes to the Financial Statements continued

18. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	1,648	1,604
Work in progress	2,774	3,142
Finished goods	3,062	2,946
	7,484	7,692

The value of inventories measured at fair value less cost to sell was £305,000 (2016: £425,000).
The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a credit of £120,000 which was dealt with in the consolidated income statement.

19. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	4,336	4,678
Other receivables	1,546	428
VAT	333	352
Prepayments and accrued revenue	1,638	1,056
	7,853	6,514

Accrued revenue of £56,000 relates to deferred consideration receivable from customers (2016: £59,000).

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, £163,000 of trade receivables were provided for 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

	2017 £'000	2016 £'000
Balance brought forward	421	216
Foreign exchange adjustments	28	54
Charge for the year	163	151
Balance carried forward	612	421

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:

	2017 £'000	2016 £'000
Trade receivables		
Not more than 3 months	1,196	1,764
More than 3 months but not more than 6 months	305	215
More than 6 months but not more than 1 year	88	102
More than one year	18	133
	1,607	2,214

20. Cash and cash in hand

	2017 £'000	2016 £'000
Cash at bank and in hand	22,122	23,406

21. Trade and other payables

	2017 £'000	2016 £'000
Due within one year		
Trade payables	2,881	3,110
Social security and other taxes	1,539	1,428
Other creditors	189	139
Accrued expenses and deferred income	8,616	6,368
	13,225	11,045

22. Borrowings

	2017 £'000	2016 £'000
Due within one year		
Bank Loans	391	295
	391	295

	2017 £'000	2016 £'000
Due in more than one year		
Bank Loans	2,936	3,070
	2,936	3,070

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 £5 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 2018. The overdraft was unused at 30 June 2017 (2016: 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 £'000	1-5 Years £'000	>5 Years £'000
Bank Inter (1)	3 month Euribor + 0.55%	125	347	–
Bank Inter (2)	1 month Euribor + 5.0%	33	133	199
Santander (1)	12 month Euribor + 2.5%	124	377	–
Tecnoalcala	Interest Free	26	102	26
Santander (2)	Fixed rate of 2.5%	83	1,034	640
CDTI	Interest Free	–	10	68
		391	2,003	933

Notes to the Financial Statements continued

22. Borrowings continued

During the year, Allergy Therapeutics Iberica SL took out a new loan with The Centre for the Development of Industrial Technology (CDTI) for €0.4m to fund research and development specifically for Acarovac MPL. The initial drawdown during the year was 25% of the loan amount. Further drawdowns are based on achieving milestones. The loan is provided on an interest free basis for a term of 10 years with a 4-year capital repayment delay. No 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.

The actuarial valuation, in accordance with International Accounting Standard 19 (IAS19) for employee benefits is based on assumptions determinate at the valuation date. The methodology used is the "Projected unit credit method". This method sees each year of service give rise to an additional unit of leaving indemnity entitlement and values each unit separately to build up to a final total obligation.

The actuarial valuation in accordance with IAS19 was carried out by Managers & Partners actuarial services SpA at 30 June 2017. The major assumptions used were as follows:-

	2017 % pa	2016 % pa
Retail price inflation	1.5	1.5
Salary increase rate	0.5	0.5
Annual rate of leaving indemnity increase	2.6	2.6
Annual discount rate	0.91	0.67
Demographic assumptions		
Mortality	RG48	RG48
Inability	INPS tables	INPS tables
Advanced payment annual rate	1.00%	1.00%
Withdrawal annual rate	10.00%	10.00%

The movement in the leaving indemnity reserve during the year was as follows:

	2017 Total £'000	2016 Total £'000
At 1 July	257	211
Additions	24	27
Utilisation	(46)	(19)
IAS19 Addition	40	–
Foreign exchange movement	16	38
At 30 June	291	257

During the year an independent actuarial valuation of the Italy leave indemnity reserve was carried out and an adjustment made so as to comply with IAS19.

23. Provisions continued

The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 30 June 2017:

Changes in significant actuarial assumptions

	2017 £'000
Withdrawal annual rate +1.00%	289
Withdrawal annual rate -1.00%	293
Annual discount rate +0.25%	294
Annual discount rate -0.25%	288
Annual price inflation +0.25%	286
Annual price inflation -0.25%	296

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.

	2017 £'000	2016 £'000
Capital	29,965	30,324
Total equity	29,965	30,324
Borrowings	3,327	3,365
Overall financing	33,292	33,689
Capital-to-overall financing ratio	0.90	0.90

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

	2017 £'000	2016 £'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	28,395	28,922
	28,395	28,922
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	(13,616)	(11,340)
Fair value through profit and loss – held for trading	(404)	(1,180)
	(14,020)	(12,520)
Non current		
At amortised cost (including borrowings and payables)	(3,227)	(3,327)
	(17,247)	(15,847)

Notes to the Financial Statements continued

24. Financial instruments continued

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 net sale of €22,421,000 to purchase GBP at an average blended rate of 1.1567 for dates from July 2017 until May 2018.

Analysis of Derivative Financial Instruments

	2017 £'000	2016 £'000
Credit/(Charge) to administration expenses in the Consolidated Income Statement		
Euro forward contracts	776	(1,963)
Euro forward contracts – matured in the period	(1,930)	519
	(1,154)	(1,444)

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

	2017 £'000	2016 £'000
Current liabilities		
Derivative financial instruments – euro forward contracts	(404)	(1,180)
	(404)	(1,180)

The net gain at fair value of financial instruments held at the balance sheet date that has been recorded through the consolidated income statement is £776,000 (2016 loss: £1,963,000).

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 carries bank balances in the following currencies:

	2017 £'000	2016 £'000
Sterling	18,232	8,423
Euro	3,411	3,496
US dollars	96	11,233
Canadian dollars	11	9
Swiss franc	372	245
	22,122	23,406

24. Financial instruments continued

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

	2017			2016		
	Sterling £'000	Euro £'000	Other £'000	Sterling £'000	Euro £'000	Other £'000
Current						
Financial assets	20,574	7,113	707	9,637	7,558	11,727
Financial liabilities	(7,471)	(6,284)	(264)	(5,351)	(6,966)	(203)
Short term exposure	13,103	829	443	4,286	592	11,524
Non- current						
Financial liabilities	–	(3,227)	–	–	(3,327)	–
Long term exposure	–	(3,227)	–	–	(3,327)	–

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 2016, a 10% movement was also used.

	2017 £'000	2016 £'000
If sterling had strengthened against the euro by	10%	10%
Effect on net results for the year	(151)	635
Effect on other comprehensive income	(392)	(470)
Effect on equity	(543)	165
If sterling had weakened against the euro by	10%	10%
Effect on net results for the year	184	(776)
Effect on other comprehensive income	477	686
Effect on equity	661	(90)

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.

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
	+ 1%	– 1%	+ 1%	– 1%
Movement in net results for the year	(15)	n/a	(9)	n/a
Equity	–	n/a	–	n/a
	(15)	n/a	(9)	n/a

Notes to the Financial Statements continued

24. Financial instruments continued

Credit risk

Credit risk refers to the risk that the 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 2018. As at 30 June 2017 the Group's contractual maturities (undiscounted and including interest) are summarised as follows:

Current liabilities

	2017 £'000 Within 6 months	2017 £'000 6 to 12 months	2016 £'000 Within 6 months	2016 £'000 6 to 12 months
Borrowing facility	169	169	159	159
Trade payables	2,881	–	3,110	–
Other short term liabilities	10,344	–	7,716	–
	13,394	169	10,985	159
Derivatives	271	133	817	363
	13,665	302	11,802	522

Non-current liabilities

	2017 £'000 1 to 5 years	2017 £'000 Later than 5 years	2016 £'000 1 to 5 years	2016 £'000 Later than 5 years
Borrowing facility	2,566	971	2,422	916
Other long term liabilities	291	–	236	–
	2,857	971	2,658	916

25. Operating lease commitments

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

	Land & buildings		Other		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	982	740	536	462	1,518	1,202
Two to five years	3,038	2,139	449	1,080	3,487	3,219
Over five years	2,352	868	–	99	2,352	967
	6,372	3,747	985	1,641	7,357	5,388

Of the operating lease commitments for the land and buildings of £6,372,000 (2016: £3,747,000), £2,021,000 relates to the UK premises (2016: £2,468,000). The production facility accounts for £1,828,000 (2016: £2,206,000) of this commitment and expires in December 2023. Premises in Spain account for £97,000 (2016: £132,000) expiring in 2020 and in Germany for £4,045,000 (2016: £316,000) expiring in June 2027.

Of the other commitments, £756,000 (2016: £1,150,000) relates to leased vehicles all expiring within 5 years and none relate (2016:£99,000) 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 £451,000 (2016: £341,000).

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 2017. The major assumptions used were as follows:

	2017 % pa	2016 % pa
Retail price inflation	1.5	1.5
Salary increase rate	3.0	3.5
Rate of pension increase	1.5	1.5
Discount rate at the beginning of the year	1.45	2.45
Discount rate at the end of the year	2.05	1.45
Increase of social security contribution ceiling	3.0	3.5

	Years	Years
Average life expectancies		
Male, 65 years of age at the balance sheet date	19.8	19.6
Female, 65 years of age at the balance sheet date	23.8	23.7
Male, 45 years of age at the balance sheet date	39.5	39.4
Female, 45 years of age at the balance sheet date	44.6	44.4

Notes to the Financial Statements continued

26. Retirement benefit obligations continued

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

	2017 £'000	2016 £'000
Fair value of plan assets	1,346	1,248
Present value of scheme liabilities	(10,965)	(11,422)
Deficit in the scheme	(9,619)	(10,174)

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 £9.6m (2016: £10.2m). 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 £50,000 (2016: £38,000). The pension charge generates an unrecognised deferred tax asset of £1,658,000 (2016: £2,021,000), 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.

	2017 £'000	2016 £'000
Amounts charged to operating profit	366	251
Current service costs		
Amounts included in other finance expenses		
Interest income on plan assets	(19)	(26)
Interest on pension scheme liabilities	170	197
Net charge	151	171
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	31	11
Experience (losses)/gains arising on scheme liabilities	(86)	110
Changes in assumptions underlying the present value of scheme liabilities	1,555	(1,809)
Total amount relating to year	1,500	(1,688)
Opening cumulative losses	(5,401)	(3,713)
Remeasurement of net defined liability	(3,901)	(5,401)
Cumulative net movement recognised	(3,901)	(5,401)

Movement in assets during the year

	2017 £'000	2016 £'000
Balance as at 1 July	1,248	1,045
Foreign currency differences	75	185
Interest income on plan assets	18	26
Remeasurement of net defined liability	31	11
Contributions from employer	20	17
Assets transferred to finance benefits paid	(46)	(36)
Balance as at 30 June	1,346	1,248

26. Retirement benefit obligations continued

Movement in liabilities in the year

	2017 £'000	2016 £'000
Balance as at 1 July	(11,422)	(7,800)
Foreign currency differences	(654)	(1,621)
Current service costs	(366)	(251)
Interest cost	(170)	(197)
Remeasurement of net defined liability	1,469	(1,699)
Benefits paid by employer	132	110
Benefits paid from assets	46	36
Balance as at 30 June	(10,965)	(11,422)

The expected contributions over the forthcoming year are £152,000.

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 2017:

Changes in the significant actuarial assumptions

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Discount rate	Increase to 3.05%	Decrease to 1.05%	Increase to 2.45%	Decrease to 0.45%
(Decrease)/increase in the defined benefit liability	(1,839)	2,238	(2,020)	2,484
Salary Growth rate	Increase to 4.00%	Decrease to 2.00%	Increase to 4.50%	Decrease to 2.50%
Increase/(decrease) in the defined benefit liability	497	(455)	564	(517)
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	381	(377)	441	(433)
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	423	(422)	478	(475)

Notes to the Financial Statements continued

27. Issued share capital

	2017 Shares	2017 £'000	2016 Shares	2016 £'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	589,158,508	589	545,847,919	546
Issued during the year:				
Share options exercised	4,959,260	5	2,305,089	2
Share placing	–	–	41,005,500	41
At 30 June	594,117,768	594	589,158,508	589
Issued and fully paid				
Deferred shares of 0.10p				
At 1 July	9,848,333	10	9,848,333	10
Issued during the year	–	–	–	–
At 30 June	9,848,333	10	9,848,333	10
Issued share capital	603,966,101	604	599,006,841	599

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

Share options were exercised in the year with proceeds of £33,000 (2016: £2,000).

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. 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.

28. Share based payments continued

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

During the current year, LTIP grants were provisionally awarded in December 2016 under the 2013 plan subject to performance criteria being met.

The following table sets out share options outstanding which are unrelated to the LTIP awards and have been disclosed separately to avoid distorting the weighted average exercise price (WAEP):

	2017 WAEP		2016 WAEP	
	Number	Price (£)	Number	Price (£)
Outstanding at the beginning of the year	852,539	0.14	852,539	0.14
Exercised during the year	(517,248)	–	–	–
Lapsed during the year	(296,552)	–	–	–
Outstanding at the year end	38,739	0.18	852,539	0.14
Exercisable at the year end	38,739	0.18	852,539	0.14

The share options outstanding at the end of the year have a weighted average remaining contractual life of 2.3 years (2016: 3.3 years) and all have an exercise price of £0.18:

	30 June 2017 Number	30 June 2016 Number
Exercise price (p)		
6-45	38,739	852,539

The movement in low cost options (LTIP awards that have been converted to share options redeemable at par) during the year was as follows:-

	2017 Number	2016 Number
Outstanding at the beginning of the year	6,170,038	-
Converted in the year from LTIPs	-	8,475,120
Exercised during the year	(4,442,012)	(2,305,082)
Lapsed during the year	(80,000)	-
Outstanding at the year end	1,648,026	6,170,038
Exercisable at the year end	1,648,026	6,170,038

For low cost options exercised during the year, the weighted average share price at the date of exercise was £0.19 (2016: £0.25).

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

	2017 Number	2016 Number
Outstanding at the beginning of the year	11,862,500	22,192,500
Awarded during the year	15,193,750	–
Converted to options	–	(8,475,120)
Lapsed during the year	(5,850,000)	(1,854,880)
Outstanding at the year end	21,206,250	11,862,500

Notes to the Financial Statements continued

28. Share based payments continued

The fair value of the Long Term Incentive Plan shares conditionally awarded in October 2014 has been arrived at using the share price at the date of grant and applying a vesting probability for the performance conditions. The assumptions made to value shares awarded were as follows:

Date of grant	End of plan cycle	Expected life (years)	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	30/06/2017	3	0.001	0.192	36.75	33.1	0.070	3,900,000

The fair values of Long Term Incentive Plan shares conditionally awarded in December 2016 were determined using a Monte Carlo simulation (with 5,000 iterations) that takes into account factors specific to the share incentive plans. A discount has been applied for lack of marketability to the portion of the awards that would have to be retained for three years after vesting.

The following principal assumptions were used in the valuation:

Date of grant	Excercisable from	Excercisable to	Exercise price (£)	Share price at grant (£)	Risk-free rate (2.5 years)	Volatility	Probability of meeting performance targets (non market conditions)	Fair value (£)	Number outstanding
30/12/2016	24/09/2019	24/09/2026	0.001	0.209	0.11%	47%		0.055	3,258,125
30/12/2016	24/09/2019	24/09/2026	0.001	0.209	0.11%		66.20%	0.192	3,258,125
30/12/2016	24/09/2019	24/09/2026	0.001	0.209	0.11%	47%		0.091	4,338,750
30/12/2016	24/09/2019	24/09/2026	0.001	0.209	0.11%		66.20%	0.192	4,338,750

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

The Group recognised total expenses of £703,000 (2016: £327,000) related to equity-settled share based payment transactions during the year.

29. Contingent liabilities

Allergy Therapeutics (UK) Ltd, a subsidiary of Allergy Therapeutics plc, has 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 2017 was €107,426; £94,391 (2016: €107,426; £89,099).

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 2017, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

29. Contingent liabilities continued

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.

30. Capital commitments

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

	30 June 2017 £'000	30 June 2016 £'000
Capital commitments	201	227

Included in the above is £192,000 for on-going factory refurbishments in the UK (2016: £78,000); £2,000 for new plant and machinery (2016: £106,000) and £7,000 for IT equipment and systems upgrades (2016: £43,000).

31. Related party transactions and ultimate control

Allergy Therapeutics plcs' 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 49.

At 30 June 2017, 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

In the prior 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 loan was provided by Allergy Therapeutics Plc.

Notes to the Financial Statements continued

31. Related party transactions and ultimate control continued

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

	Sales of goods		Amounts owed by/(to) related parties	
Related Party	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Laboratorios Synthesis S.A.S.	–	–	(73)	(73)
Gynopharm de Venezuela C.A.	–	–	(60)	(60)
Laboratorio Internacional Argentino S.A.	–	–	–	–
Total	–	–	(133)	(133)

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

Sales of goods to related parties were made 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 is no overall ultimate controlling party.

Company Balance Sheet

	Note	30 June 2017 £'000	30 June 2016 £'000
Fixed assets			
Investments	3	1,641	1,469
Current assets			
Debtors: amounts falling due within one year	4	615	659
Total assets		2,256	2,128
Creditors: amounts falling due within one year	5	(271)	(241)
Net current assets		344	418
Total assets less current liabilities		1,985	1,887
Net assets		1,985	1,887
Capital and reserves			
Called up share capital	6	604	599
Share premium account		102,420	102,392
Other reserves – share based payments		1,268	741
Profit and loss account		(102,307)	(101,845)
Total equity		1,985	1,887

The Company's loss for the period was £798,000 (2016: £11,452,000 loss).

These financial statements were approved by the Board of Directors and authorised for issue on 27 September 2017 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 £'000	Share premium £'000	Reserve – shares held in EBT £'000	Reserve – share based payment £'000	Retained earnings £'000	Total equity £'000
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
Loss for the period after tax	–	–	–	–	(798)	(798)
Share based payments	–	–	–	863	–	863
Shares issued	5	28	–	–	–	33
Transfer of lapsed options to retained earnings	–	–	–	(336)	336	–
At 30 June 2017	604	102,420	–	1,268	(102,307)	1,985

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.

The prior year was 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.

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

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 and Company'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.

Notes to Company Balance Sheet continued

1. Accounting policies continued

Employee Benefit Trust (EBT)

In the prior year the financial statements included the assets and liabilities of a trust set up for the benefit of the Group's employees.

The balance in the EBT reserve related to the historic purchase and disposal of Company shares. No transactions had passed through the EBT since 2009. No shares were held by the EBT. The remaining balance on the EBT reserve was transferred to retained earnings in the prior year.

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 £0.8 million (2016: £11.5 million loss).

3. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward	1,469
Additions	863
Diminution in value	(691)
Investment carried forward	1,641

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

3. Investments continued

The diminution in value represents the shortfall in the net assets of the shares in the subsidiary undertakings' own statutory financial statements as compared to the carrying value in the Company's books.

At 30 June 2017 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

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

4. Debtors

	30 June 2017 £'000	30 June 2016 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	180	170
Prepayments and accrued income	435	489
	615	659

The amount owed by subsidiary undertakings is stated net of provisions of £100,646,170 (2016: £100,480,276).

5. Creditors – amounts falling due within one year

	30 June 2017 £'000	30 June 2016 £'000
Accruals	271	241
	271	241

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.

Notes to Company Balance Sheet continued

8. Directors' emoluments
Full details of the Company's Directors' emoluments are set out in the Directors' Remuneration Report on pages 47 to 50.

9. Contingent Liabilities
Full details of the Company's contingent liabilities are set out in Note 29 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 31 to the Consolidated financial statements.

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