Allergy Therapeutics PLC

Transforming lives

Annual Report and Accounts 2021

Transforming lives...

Contents

... by breaking new ground in immunology treatment through specialist expertise

Peanut allergy

Clinical development of the Group's innovative peanut vaccine is continuing according to planned timelines. The vaccine candidate is based on a subcutaneous application of recombinant peanut allergens coupled with a state-of-the-art virus-like particle ("VLP") platform with the aim of inducing protective immunity.

- Demonstrated the hypoallergenic potential of VLP Peanut with a 24-fold reduction in basophil activation and histamine release
- First in-human study on track for Q1 2022

See more on page 48

Pollen allergy

The Grass MATA MPL platform is undergoing clinical evaluation in order to support registration in the EU and the United States.

- The G309 trial was started in October 2020 with the screening of the first patients
- Topline data is expected later in 2021, with the data generated going on to form the trial design for the pivotal G306 Phase III trial due to commence in 2022

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ImmunoBON®

ImmunoBON® is a whey protein based food supplement to treat and prevent allergies by mimicking the 'farm effect' in combination with added Vitamin A and zinc to support the normal function of the immune system.

- ImmunoBON® uses lipocalins, that are found in raw milk and farm dust, which are proteins that can protect against many different allergies
- ImmunoBON® has been launched in Germany and Austria in 2021, with further launches planned in a wider roll-out

See more on page 17

VLPs outside allergy

The VLP platform has potential in many different disease areas. It is a sophisticated technology with potential to address unmet needs in cancer, asthma, atopic dermatitis and psoriasis.

- Pre-clinical evaluation of the vaccine candidates is underway with the intention to develop target product profiles to address unmet needs
- These vaccine candidates are based upon the same VLP technology the Group is utilising in the VLP Peanut programme and offer the potential to be disruptive in these disease areas

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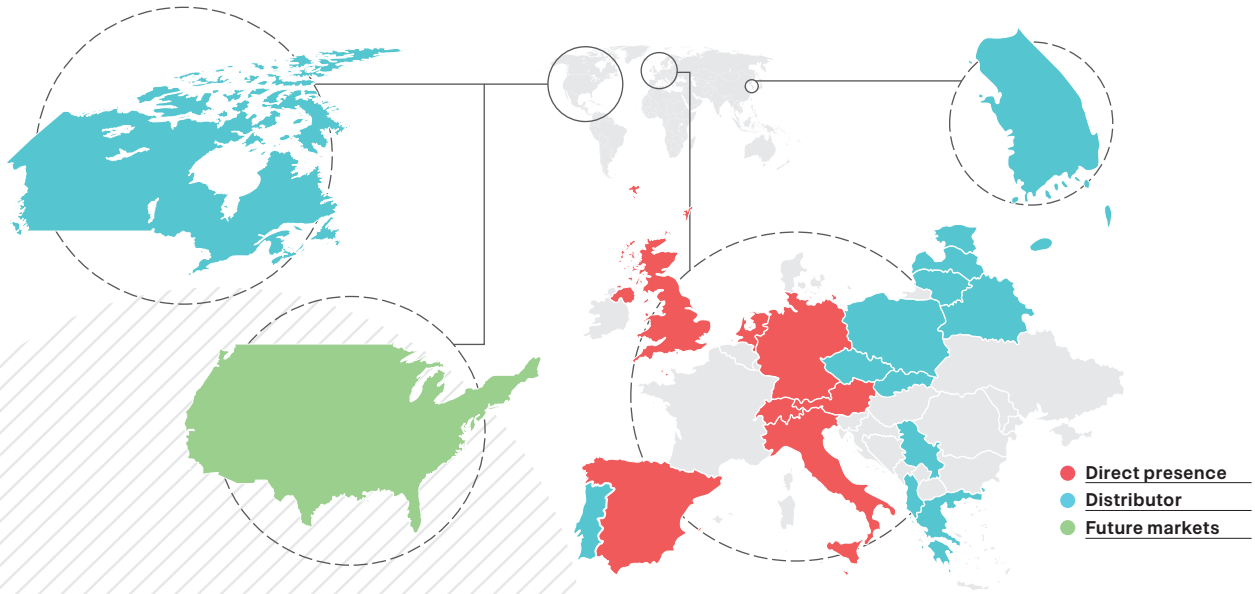
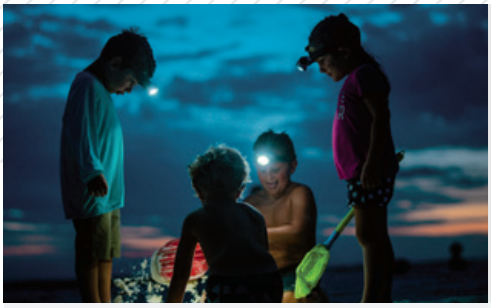
Operational and financial highlights



Financial highlights



8%

Revenue growth and 6% at constant rates[1] to £84.3m
(2020: £78.2m)

19%

Increase in operating profit (pre-R&D) to £16.9m
(2020: £14.2m)

£40.3m

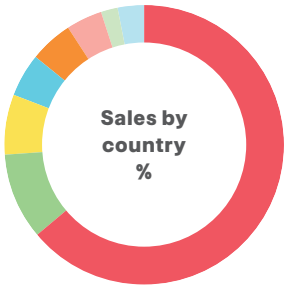
Strong cash balance of £40.3m at 30 June 2021
(2020: £37.0m)

£2.9m

Net profit of £2.9m
(2020: £7.1m including cash settlement of £3.2m)

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.

Sales



- Germany | 64%
- Spain | 10%
- Austria | 7%
- Italy | 5%
- Netherlands | 5%
- Switzerland | 4%
- UK | 2%
- Other | 3%

- Pollinex Quattro | 40%
- Pollinex | 21%
- Oralvac | 12%
- Venomil | 6%
- Tyrosine S/TU | 5%
- Tyromite | 5%
- Acarovac Plus | 3%
- Diagnostics | 1%
- Other | 7%

Operating highlights (including post period)

- Successful ex-vivo VLP Peanut study paving the way for Phase I PROTECT trial in 2022

See more on page 48

- Robust growth in sales across all key products and countries in a challenging year

See more on page 11

- Successful launch of ImmunoBON® in Germany and Austria

See more on page 17

- Grass MATA MPL exploratory field trial to read out in autumn 2021

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- Registration of Venomil in Austria

See more on page 47

How it works

How immunotherapy is transforming lives

Immunotherapy is the practice of administering gradually increasing doses of an allergen extract (e.g. grass or tree pollen) in order to reduce the symptoms of allergy, such as sneezing, an itchy or runny nose, a blocked nose or itchy, watery eyes.

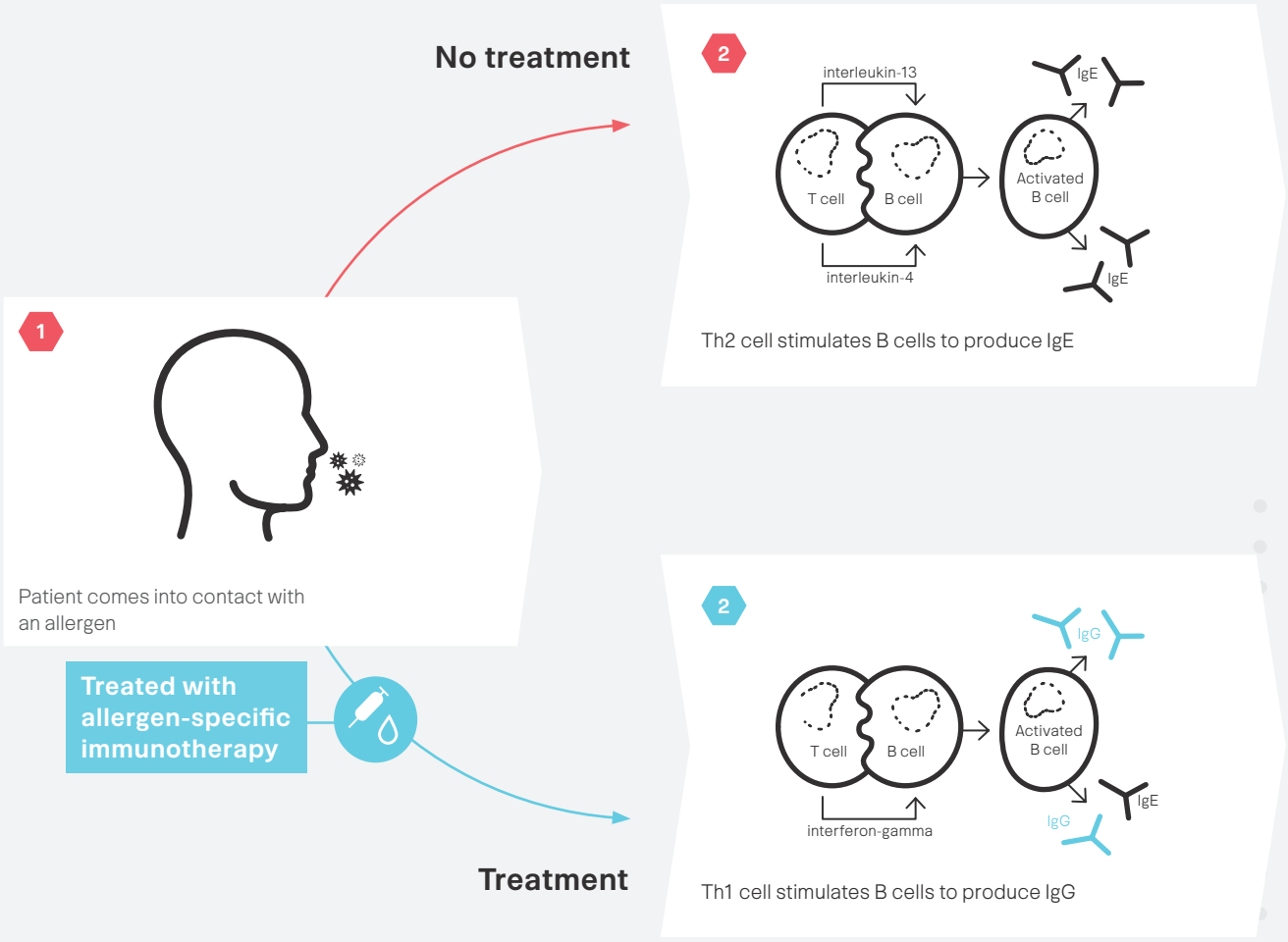
It was first carried out over 100 years ago and is now in widespread use around the world. It is sometimes referred to as desensitisation.

Immunotherapy is the only treatment which affects the underlying cause of an allergy. The alternative is to continue with medicines which suppress the symptoms of allergy, such as antihistamines and steroid-based medicines.

Subcutaneous immunotherapy is the most common form of specific immunotherapy and involves a course of injections that build up tolerance to particular allergens through small, controlled doses.

Over time this desensitises the inappropriate immune response so the body doesn't overreact and create the histamine release that causes allergy symptoms.

Sublingual immunotherapy is an alternative to injection immunotherapy. For this form of treatment, daily drops or tablets containing the specific allergen are placed under the tongue. The first dose of the sublingual immunotherapy is usually administered in a clinic under observation, then the patient will be required to self-administer the treatment every day at home.



Allergies are the immune system's response to substances it thinks are a threat but which are usually harmless, such as pollen, house dust mites or cat fur.

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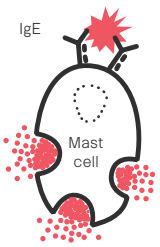

IgE binds to immune cells causing histamine release upon exposure to allergen

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Histamine leads to classic symptoms of allergy

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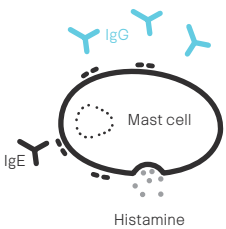

Increased IgG production inhibits the production of IgE

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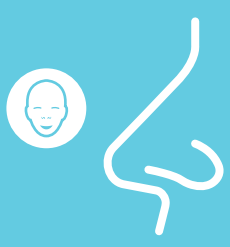

Lower levels of IgE prevent excess release of histamine and reduce symptoms of allergy

How it's working for patients

Unmet needs in context of VLP

Case study

Peanut allergy remains a growing healthcare problem, affecting an estimated 1-3% of Western societies. On a per-affected basis, peanut allergy results in 90% more emergency room costs and an overall cost of $2,800 per year. Peanut allergy is disproportionately associated with severe reactions compared to other allergies.

While early prevention has been recommended since the breakthrough LEAP study was published in 2015, implementation has been slow. In the United States, NIAID released its 'Addendum Guidelines for the Prevention of Peanut Allergy' in 2017. However, Gupta et al. found that only 29% of paediatricians reported implementing these guidelines a year later.

In a general population, early introduction in a carefully conducted clinical trial was not successful at preventing food allergy in an intent-to-treat analysis. While it is certainly hoped that prevention strategies will reduce the upward trend, peanut allergy will remain a common medical problem requiring interventions.

Peanut oral immunotherapy ("OIT") is the only FDA-approved therapy available to children aged 4 to 18 years. While this is another important step forward, OIT is burdensome to adhere to, causes frequent side effects and in a meta analysis in the Lancet (Chu DK, et al., Lancet. 2019 June 1;393(10187):2222-2232) demonstrated limited efficacy.

Epicutaneous immunotherapy ("EPIT") for peanut allergy also showed some benefit in a Phase III clinical trial; however, the study did not meet its pre-specified efficacy threshold and the FDA has withheld approval to date.

Current management strategies consist of careful avoidance and access to self-injectable epinephrine; however, accidental reactions are common, resulting in hundreds of thousands of emergency room visits every year and some deaths. There is a significant unmet need for new peanut allergy therapies.

Treatments that induce a high allergen-specific IgG response, with minimal IgE, are likely to confer superior clinical protection. The feasibility of treating peanut allergy with such a targeted approach is high because a single allergen is the dominant immunogen for driving IgE-mediated reactivity. Furthermore, because allergen-specific IgG can suppress IgE reactivity by multiple mechanisms, strong elicitation of IgG to a single allergen by VLP-based vaccination can be protective against whole multi-component allergen.

A vaccination strategy, capable of inducing a persistent and protective immune response in a matter of months with only a few injections, would be transformational for patients with peanut allergy.

Up to
one in ten
people live with a food allergy

Reference = Halken et al., EAACI guideline: Preventing the development of food allergy in infants and young children (2020 update). PAI Volume 32, Issue 5. July 2021. Pages 843-858.

Wayne Shreffler, MD, PhD
Chief, Paediatric Allergy & Immunology at Massachusetts General Hospital and Harvard Medical School

Investment case

Allergy Therapeutics is an attractive business to invest in:

Strong position in allergy-based diseases

The Allergy Therapeutics portfolio of mainly subcutaneous products has a good position in the market due to the innovative approach to product design that focuses on short or ultra-short course treatments that aim to ensure better patient adherence and successful outcomes. Customers depend on the quality of the products and reliability of the supply chain.

See more on page 44

Strong team with ability to deliver

The business has achieved a compound annual growth rate of 9% over the last 23 years. This highlights the ability of staff and management to deliver, even in tough times. The trading business has continued to produce strong performance in operating profit in pre-R&D terms.

See more on page 11

Opportunities to expand globally

The Allergy Therapeutics business does not stand still and is constantly looking for opportunities to bring its portfolio of products to new, profitable markets. These opportunities include the US, which has an allergic rhinitis market for severe patients of about $2bn. There are currently no approved SCIT products in the US and there are about the same number of practising allergists as Germany. The Group aims to get the MATA MPL product portfolio to this market, pending successful trials, which is a huge opportunity in a brand new market.

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Development of technology

The Allergy Therapeutics business has already developed a high quality and successful platform for allergic rhinitis and is using the skills and insight from this in further developments in adjuvants, subcutaneous treatments and immunology to develop a new and exciting platform for food allergies (starting with peanut). The leading product candidate for this platform (VLP Peanut) is a next-generation product that, if successful, has the ability to change the whole approach to food allergy treatment. The VLP platform is further being evaluated in diseases outside of the allergy space, including melanoma, asthma, atopic dermatitis and psoriasis. These pipeline products will add value to the business and have the ability to deliver revenue in the mid and long term.

See more on pages 41 and 48

Chairman's statement

Responsible oversight of strategy

"Allergy Therapeutics continues to develop and innovate.

Peter Jensen
Chairman

This has been another year of growth for Allergy Therapeutics with impressive financial performance and the delivery of strong operating profit, well ahead of market expectations. The Group also made encouraging progress with key products in its innovative pipeline of potential new immunotherapeutic treatments for allergy patients. At the same time, we successfully managed the continued challenges posed by COVID-19, the logistical challenges of Brexit and continuing changes in the regulatory environment.

Research and development

Developing innovative and patient-focused products remains the Group's priority. Results from the ex-vivo virus-like particle ("VLP") Peanut biomarker study with Imperial College London, although early stage, demonstrate the exciting potential behind this next-generation peanut allergy vaccine candidate. The R&D and Regulatory teams have worked incredibly hard on the scale-up and regulatory pathway for this potentially transformational product, and that hard work now continues. We look forward to providing the market with further updates as this candidate enters the clinic in 2022. Work has also continued on the Group's other main platform, Pollinex Quattro, with the Grass MATA MPL exploratory field study (G309) fully recruited and the treatment phase complete. The study remains on track, with results expected in the autumn.

Board changes

Steve Smith, who joined the Board at the AIM listing in 2004 and who has supported the business through a number of significant challenges over the years, will step down as a Director at the Group's next Annual General Meeting ("AGM"). I would like to take this opportunity to thank Steve for his wise counsel and contribution over the years. He has been a highly valued and appreciated member of the Board.

New auditor

As announced in April and following a competitive tender process, the Board appointed BDO LLP as the Group's external auditor, in place of Grant Thornton LLP. On behalf of Allergy Therapeutics, I would like to thank Grant Thornton for its service over the past 13 years.

Sustainable long-term value

Our purpose is to transform the lives of our patients and the people around them. Guided by our vision and values, we generate value for all our stakeholders. During the coming year, the business will adopt an environmental, social and governance ("ESG") framework defining responsibilities in this area across the whole business and holding us to account over the coming years. We will aim to achieve net zero carbon emissions by 2030 and will publish defined timelines for this in 2022. All our activities are underpinned by a commitment to health and safety and ethical practices.

Outlook

Allergy Therapeutics continues to develop and innovate. The following year will see further investment in the Group's infrastructure as the business matures as a well-established and growing European business. The Group also continues to invest in its pipeline of next-generation allergy immunotherapeutics. Upcoming results from the Grass MATA MPL exploratory field study, the pre-Investigational New Drug ("IND") application meeting with the US Food and Drug Administration ("FDA") for VLP Peanut, followed by the commencement of the Phase I PROTECT trial in the US are all promising and exciting developments and set the course for the future of the business.

Finally, on behalf of the Board, I would like to thank the leadership team and all members of staff for their determination, creativity and commitment throughout the last year with the continuing challenges of COVID-19 and Brexit.

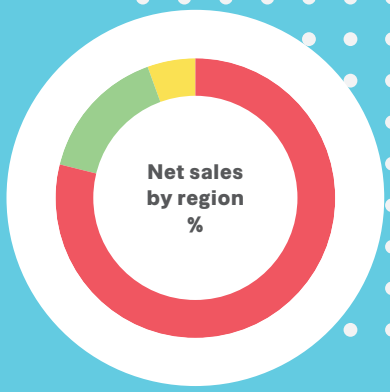
Peter Jensen
Chairman
22 September 2021

Chief Executive Officer's review

Delivering our strategy

"The exciting results of the ex-vivo VLP Peanut biomarker study provide us with further confidence in this development programme and the huge potential of this vaccine candidate.

Manuel Llobet
Chief Executive Officer



- Central Europe | £66.7m
- Southern Europe | £13.1m
- ROW (inc. UK) | £4.5m

Allergy Therapeutics has performed strongly in the period, as demonstrated by the Group's market expectation-beating growth, further cementing its technology leadership in the allergy immunotherapy field.

Financial performance

The business continued to grow well, despite challenging market conditions, with revenue up 8% in actual terms at £84.3m (2020: £78.2m) and 6% at constant rate over the prior year. Growth from the year came from Northern Europe and Germany in particular, due to the benefit of allergy clinics being situated outside of hospitals and therefore able to maintain consultations with allergy patients during COVID-19 restrictions. Sales in Spain have also continued to grow and, overall, Southern Europe has defended its market share well, gaining market share, in some cases, in a depressed market due to COVID-19. The impact of COVID-19 will likely remain next year even if hospitals return to normal, due to the number of patients who missed their first year of treatment this year and would have been expected to return in the following year.

In our commercialised portfolio, our subcutaneous vaccines Pollinex Quattro, Pollinex, Acarovac and Venomil continued to lead the way with good growth, especially Germany (10%) and Austria (7%), in spite of a preference towards the use of oral products during the confinement period.

Non-R&D operating costs for the year at £45.9m (2020: £44.5m) were up 3% on the prior year, with approximately half of that increase due to exchange rate. This lower than expected increase in costs reflects the constricting impact of COVID-19 on travel and a reduction in scientific conference attendance and other promotional events. This reduction in costs significantly outstripped further investment made throughout the year in IT, pharmacovigilance and the additional costs of transport and testing due to the impact of Brexit. We continue to build first-class infrastructure to prepare the Group for the future. The Group also benefited from the spot revaluation of forward currency contracts to the value of £1.3m (2020: £0.4m loss).

Operating profit (pre-R&D) increased by 19% to £16.9m (2020: £14.2m), reflective of a strong Group performance in challenging market conditions, driven by continued growth in sales and cost savings due to COVID-19 and foreign exchange.

R&D expenditure in the year was £12.9m, up from £9.0m last year (excluding legal cost recovery), as the Group invested significantly in its pipeline, with the successful manufacturing scale-up of batches of VLP Peanut for the upcoming Phase I PROTECT trial and execution of the Grass MATA MPL G309 exploratory field trial.

The Group achieved a net profit of £2.9m (2020: £7.1m).

Cash at the end of June 2021 stood at £40.3m, which will be sufficient, under current assumptions, to fund the two Grass MATA MPL trials as well as the Peanut Phase I PROTECT trial, with a small amount of additional debt. If the Grass MATA MPL trials are successful, the only further trial that will be required before submission of the Biological Licence Application ("BLA") is the completion of the safety database. The Board continually reviews the Group's funding requirements for the future, including a potential path to a Nasdaq dual listing.

Clinical development

The exciting results of the ex-vivo VLP Peanut biomarker study, with Imperial College London, provide us with further confidence in this development programme and the huge potential of this vaccine candidate. In tests with human blood samples from peanut-allergic patients, the results showed an impressive 24-fold reduced basophil reactivity and basophil histamine release response (basophils are white blood cells playing a crucial role in allergic reactions) after treatment with VLP Peanut compared to Ara h 2 (the major peanut allergen) indicating that the product is likely to be hypoallergenic (the target was a ten-fold reduction), and unlikely to cause an allergic reaction in patients burdened by peanut allergy.

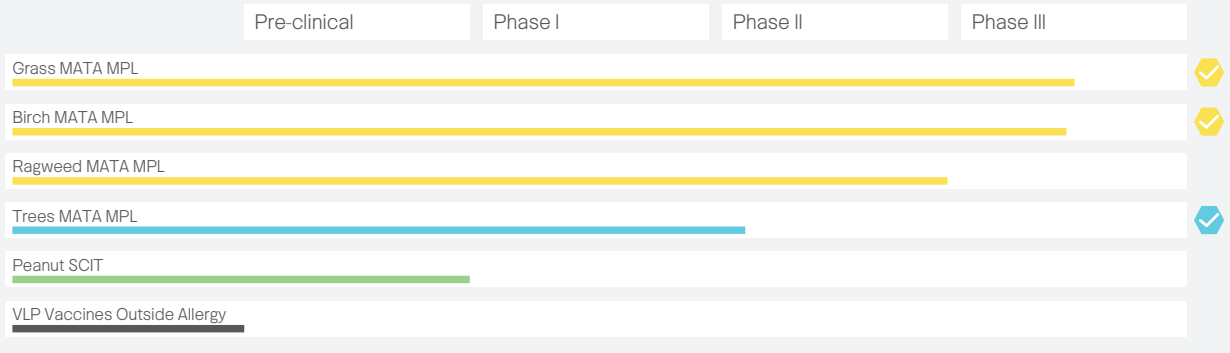
In addition, the secondary endpoints demonstrated support for a beneficial efficacy profile promoting a class switch from the allergic Th2 pathway to the more tolerogenic Th1 pathway. These results, which are consistent with our pre-clinical data package, form an important part of the submission to the FDA for the upcoming IND application. A pre-IND meeting with the FDA is imminent.

We believe this product has the potential to be a ground-breaking, next-generation immunotherapy for peanut allergy sufferers and follows our strategy of developing ultra-short course treatments for patients that provide a long-lasting protective immune response. Though the current generation of peanut allergy products tend to increase the body's tolerance to peanuts, they require repeat administration and do not offer the same potential for long-term protection and a significant reduction in allergic reactions. The Group believes that VLP Peanut, incorporating our novel VLP technology platform, has the potential to provoke a disease-modifying effect and to bring a significant positive impact to the lives of patients and families affected by peanut allergy, and to health systems. The current US market for peanut allergy sufferers is estimated to be worth approximately $5bn. Around 6% of all children suffer from this life-threatening allergy, with the number of sufferers increasing by 4% each year.

Completion of the treatment phase in the Group's innovative G309 exploratory field study to evaluate the safety and efficacy of our Grass MATA MPL product in May 2021 was an important milestone. This trial represents a truly innovative way to concurrently test a variety of dosing regimens in an allergy trial and will provide valuable information to optimise the study design of the pivotal Phase III study (G306). Results from the exploratory study are expected in the autumn. Following the data readout, work will begin to prepare for the pivotal trial, in parallel with readiness planning for the Group's commercial approach to the US market.

Chief Executive Officer's review continued

Our pipeline



Clinical development continued

The Group has also registered Venomil in Austria to extend the markets where this important venom treatment is approved.

Pipeline

Beyond the significant progress being made in our peanut and grass allergy development programmes, preparatory work continues on a future Birch MATA MPL pivotal field trial (B302) which, subject to funding, would be expected to start following results from the Grass MATA MPL pivotal trial (G306). The birch product would form part of the Group's US portfolio, along with a Ragweed MATA MPL product.

In addition to our VLP Peanut vaccine candidate, the Group continues to pursue the potential of VLP technology in applications beyond the allergy immunotherapy field. Following the exclusive licence agreement signed with Saiba AG and DeepVax GmbH in 2020 to use its patented VLP technology platform to develop and commercialise vaccines targeting asthma, solid cancer tumours, atopic dermatitis and psoriasis, early-stage work has begun on two new VLP candidate programmes – melanoma and asthma.

These programmes will build on the Group's technological skills, subcutaneous expertise and experience of adjuvant systems – a key element of Allergy Therapeutics' strategy given their potential to create immunotherapies that act faster, generate a sustained response, and work more efficiently than traditional therapies.

Mild allergy – a new market segment

ImmunoBON®, the novel, patented protein-based oral product, which mimics the so-called 'farm effect', has made a strong start in our German and Austrian commercial markets. While sales of ImmunoBON® are not yet material to the business, the product has significant potential across Europe and in major pharmaceutical markets worldwide.

ImmunoBON® provides not only relief for a wide variety of allergies, but also targets mild allergy patients, providing Allergy Therapeutics with a commercial product in the largest segment of the allergy market as an over-the-counter product. The product also has the advantage of being natural and, with a relatively short treatment period of three months, offers the potential for higher patient compliance compared to longer-course allergy treatments. Existing early data support its use as a treatment for birch and house dust mite allergies and the Group is exploring its potential against grass, cat, dog and horse allergies.

Environmental, social and governance (ESG)

Like many other businesses, the Group is developing its ESG agenda. We are aiming to achieve net zero carbon by 2030 and we are focused on managing our operations responsibly. We seek to generate positive outcomes for all our stakeholders, ensuring good standards of professional ethics and corporate governance whilst maintaining an inclusive and diverse culture. This year we have launched our Leading Together programme which helps to develop our senior managers into business leaders. Our employees are key to our success and we promote an innovative culture which allows employees to reach their potential whilst creating value for our stakeholders.

We have a clear purpose, to transform the lives of our patients and the people around them. That purpose and our values shape the Group's vision, which provides us with a long-term approach to deliver value and generate benefits for our stakeholders.

Outlook

As previously indicated in the Group's June 2021 trading update, revenue in the financial year to 30 June 2022 is expected to grow at low single digits at a constant rate, reflecting a combination of factors. The Group is improving the quality of its portfolio by streamlining a number of non-differentiated older products to maintain its focus on short-course subcutaneous immunotherapy ("SCIT") and innovative allergy treatments. This, alongside the ongoing impact of COVID-19, means that sales are expected to grow at low single-digit levels at constant rates.

Non-R&D operating costs are expected to be around 20% higher than 2021 due to delayed 2021 commercial projects, further investment in infrastructure and increased R&D activities, and some delayed costs from 2021. Continued investments in infrastructure including IT, pharmacovigilance, market access and regulatory affairs, reflect the Group's growth and need to maintain business resilience within a challenging environment. Low sales growth and higher overheads are expected to affect operating margin.

Research and development expenditure next year is expected to be in the region of £4m more than 2021, reflecting completion of the Grass MATA MPL G309 exploratory field study and commencement of the VLP Peanut Phase I PROTECT trial.

The Group looks forward to the results of the Grass MATA MPL exploratory field study in the autumn as well as the start of the VLP Peanut Phase I PROTECT trial in 2022. That trial is expected to read out in H2 2023, but the design of the trial should allow interim reporting of progress. Overall, the next year provides multiple key inflection points with clinical and regulatory progress, and we look forward to providing the market with further updates.

Manuel Llobet
Chief Executive Officer
22 September 2021

Market need

Allergy Therapeutics is well placed to respond to the trends driving demand for immunotherapies.

Pollen allergies

Market need

- The market is made up of two parts: those with mild to moderate symptoms who can be treated with over-the-counter products and those who suffer from more severe symptoms for whom immunotherapy treatment is required.
- The percentage of allergy sufferers in the population is increasing. The reason is not completely clear, although it has been suggested this is due to increased urbanisation and better hygiene.
- As with most medicines, patients do not always adhere to dosing requirements when the symptoms are gone, potentially reducing the effectiveness of treatment.

Market characteristics

- Over-the-counter products are available at pharmacists while immunotherapy products are provided via doctors who specialise in allergies.
- Most markets for immunology are either mostly subcutaneous (e.g. Germany or US) or sublingual (e.g. France or Italy).
- The European market is mature and grows slowly due to varying levels of reimbursement or access to immunotherapy treatment.

Our response and innovation

- Allergy Therapeutics' unique selling point is ultra-short and short course treatments to aid higher patient adherence to treatment.
- The Group is spending significant amounts on research and development on a range of products.
- In addition to working towards market approvals for the MATA MPL platform, the Group has also licensed an over-the-counter product called ImmunoBON® which has the ability to address a wide range of pollen allergies. The product is natural and fills an important gap in the market.

Food allergies

Market need

- There is significant need for products in this sector as the current treatment is mostly achieved through avoidance, with only one product approved and available.
- As with pollen allergies, the percentage of the population with food allergies has increased significantly over the last decade. The reason for this is unknown. There is additionally more awareness about the issue amongst the general population.
- The target for severe allergies in this area is a product that has the potential to substantially reduce the risk of adverse outcomes upon exposure.

Market characteristics

- This is a new market with only one product approved for peanut allergy. This product is a first-generation product that builds up tolerance to peanuts through daily treatment over an extended period.
- It is likely that treatments for food allergies will be administered by allergists, similar to pollen, due to their knowledge of treatment and the similarities of the two markets.
- The value of the peanut market is difficult to assess, but is estimated to be worth $5-8bn globally.
- The key severe food allergy markets are peanut and other types of nuts, shellfish and dairy.

Our response and innovation

- The Group has licensed VLP and developed a product that has the potential to become a next-generation product with the aim of significantly reducing or eliminating allergic reactions to peanut through a small number of injections.
- This product is expected to start a Phase I trial in the first half of 2022, having just completed a successful ex-vivo study.
- If this product proves to be successful, the same platform could also be used to develop treatments for other food allergies.

Digitalisation

Market need

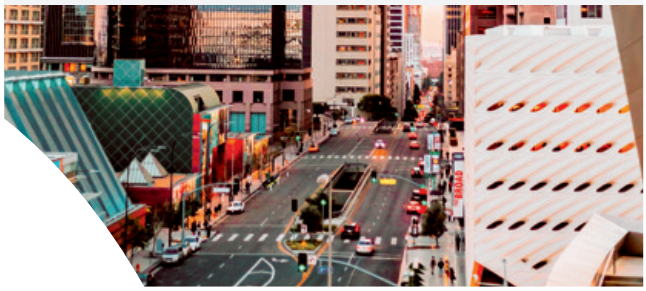
- The market need for digitalisation is more about solving problems through digitalisation such as tracking real life data, ensuring patient adherence, artificial intelligence driven selection of candidates, analytics and documentation of all areas of clinical trials, manufacturing and regulatory filings.
- Given the growth in the analysis of human diseases and the number of pharmaceutical products being used to treat them, digitalisation is becoming a necessity rather than a nice-to-have.

Market characteristics

- This is a new and fast-expanding market. Some parts of it are simply necessities for such processes as filing for approval, recording of patients during trials or scanning large databases.
- There is a growing market of digitalisation which could be considered as types of medical devices that are reimbursable by certain health authorities and can bring direct benefits to patients.
- This market is driven by technology gains in the broader IT area, big data, as well as by pharmaceutical requirements.

Our response and innovation

- Use of digital solutions to record the data from patients enrolled in clinical trials enables more accurate data gathering. Reminders that pop up on mobile devices ensure patients are reminded to record their symptoms in real time rather than waiting until they remember, at which point they may not recall facts as well.
- Use of apps to collate and share data on local pollen counts, location of nearest allergy clinics and reminders to take medication all assist in the maintenance of dosing for patients to enable them to better control their condition.



Regulatory environment

Market need

- Given the potential effect of a product that is not properly tested, manufactured and the tracking of results in a real life application, regulation is critical for pharmaceuticals.
- Regulation also creates a level playing field where it is clear to all developers and producers what is required.

Market characteristics

- The regulatory environment for the pharmaceutical market is quite mature but there are some pockets where historical arrangements continue.
- In Europe, the pollen allergy market is moving to a position where all major allergy treatments need to have marketing authorisation requiring clinical trials.
- In the US, the pollen allergy market for severe allergies is still mostly treated by individual allergists diluting concentrates and administering them to patients. There is pressure to move towards GMP manufactured products.

Our response and innovation

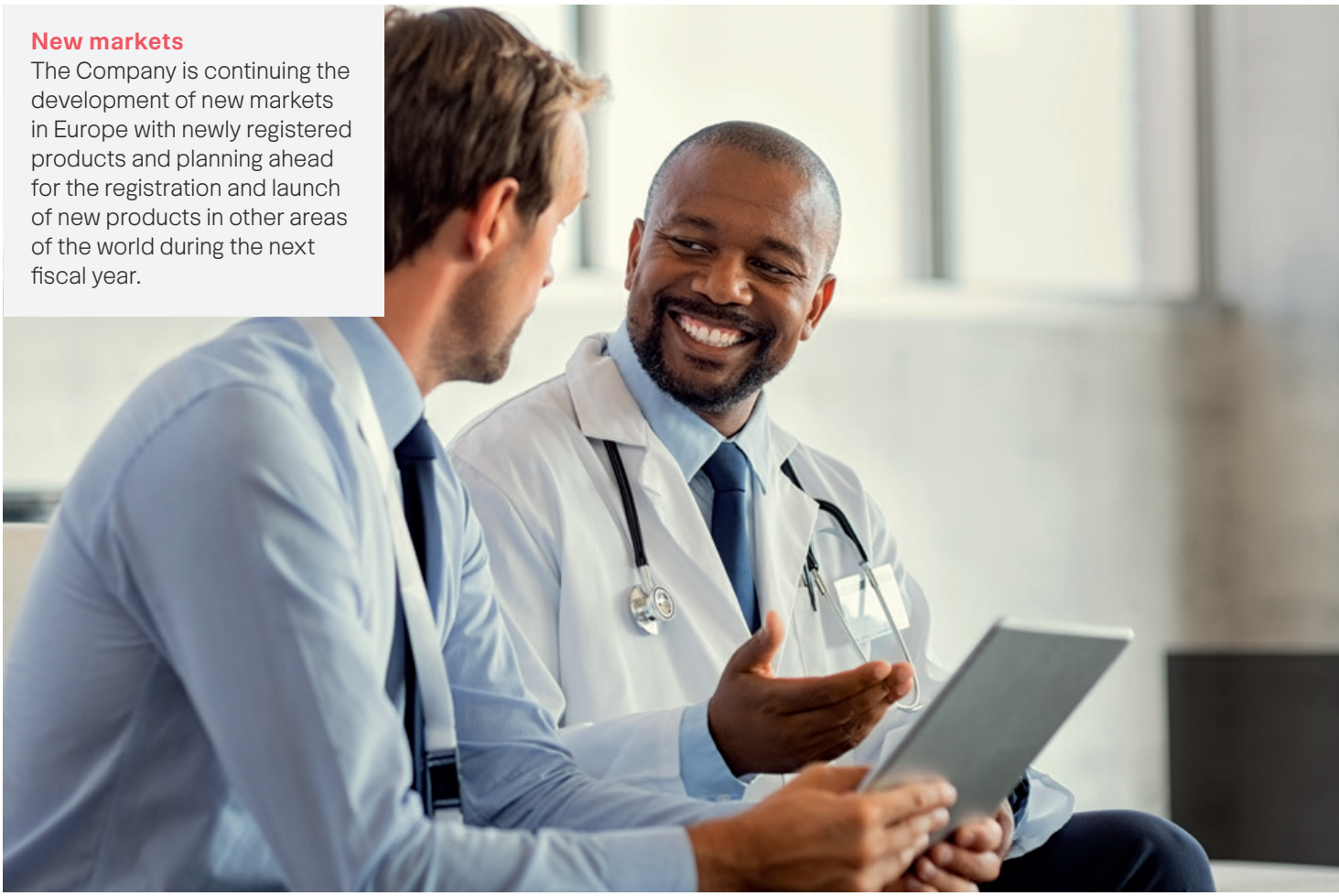
- Allergy Therapeutics already has two platforms that are approved and is working towards marketing authorisation for the MATA MPL platform.
- The Group is in regular contact with regulators to collaborate on best practice and develop meaningful processes.
- The Group aims to bring the MATA MPL platform, once approved, to the US market as the first subcutaneous approved product on the market.

Our markets

Adapting to our markets

Allergy Therapeutics continues to maintain a strong presence in Europe with established operations in 19 markets, either directly or via partnerships.

New markets
The Company is continuing the development of new markets in Europe with newly registered products and planning ahead for the registration and launch of new products in other areas of the world during the next fiscal year.



Central Europe

Germany

Germany is the largest allergy immunotherapy market in Europe and our German subsidiary, Bencard Allergie GmbH, is the largest subsidiary of Allergy Therapeutics. It has been one of the fastest-growing companies in the allergy sector in Germany over the past two decades.

Bencard Allergie is situated in Munich and currently employs approximately 150 members of staff. This includes our corporate medical and pharmacovigilance teams and a number of our clinical operations team. The broad product portfolio comprises allergen-specific immunotherapies for numerous allergies, including pollen, house dust mite and mould allergies, as well as pet and insect allergies. The range also includes probiotics available over the counter ("OTC") from pharmacies as supportive medication to help with allergy symptoms. In addition, in January 2021, a new Foods for Special Medical Purposes product called ImmunoBON® was launched. This product aims to address allergic rhinitis based on the well-known farm effect. This new, OTC product is unique and based on novel scientific research. Newly published data illustrate beneficial effects on allergic rhinitis for pollen and mite-allergic patients. Germany remains a key focus for the Group with continued strengthening of the market position.

Although the whole business year was affected by COVID-19, Germany was able to increase sales by 10% in constant terms. This was mainly driven by the acceptance of the whole product range, adapting to individual patient and physicians' COVID-19 requirements and by the high flexibility of sales and marketing to adapt to the new situation. The consolidation within the German portfolio next business year and the related decrease in sales will be mainly cancelled out by the growth of the remaining innovative portfolio, the newly launched ImmunoBON® and the launch of a new medical device software towards the end of the coming business year.

"Although the whole business year was affected by COVID-19, Germany was able to increase sales by 10% in constant terms."

René Kreis
Managing Director
Germany

Austria

The market for allergen immunotherapy in Austria has grown by 3.6% in the last available year's moving average total ("MAT") (March 2021), boosted by the continuous growth of the sublingual tablet segment (+12.4%). New competitors have entered into distribution agreements with Austrian companies, so far without noticeable impact. In this market context, Austria has been in a position to increase the sales level of the prior fiscal year, winning market share.

We expect further growth within the market over the coming years, with product launches such as our own wasp and bee venom therapy (Venomil) planned for launch in September 2021 along with a new mites tablet via a distribution agreement.

ImmunoBON® was launched in Austria in February 2021, just after the initial launch in Germany. The OTC sales of ImmunoBON® are in line with expectations, with growth expected year on year.

Switzerland

This year was another extremely successful year for the Group's products in Switzerland. The team in Switzerland provided specialist advice and delivered custom 'specials' vaccines to many patients during the COVID-19 pandemic, further illustrating our commitment to transforming patients' lives. This has been further enhanced by the sales of Polvac. Additionally, we are now the major supplier of licensed skin prick test solutions.

"We expect further growth within the market over the coming years, with product launches such as our own wasp and bee venom therapy (Venomil) planned for launch in September 2021."

Marc-Antoine Meyer
General Manager
Austria

Our markets continued

Southern Europe

Spain

This has been a transformative year for the Spanish subsidiary; on 1 January 2021 it took control of the release of batches of vaccines marketed in the EU. Our Alcalá de Henares plant (near Madrid) has been renovated to house the new Quality Control laboratories that replicate the existing ones at our HQ in Worthing, UK. The AEMPS (Spanish health authority) authorised the new laboratory in 2019. The team that manages this process aligned their practices with our existing global Quality Assurance group and provides the business with greater capacity and flexibility for future growth, new developments and additional quality control projects.

Additionally, in 2020 we opened a new clean room dedicated to PCR testing that has been busy providing COVID-19 diagnosis to private companies, clinics and health centres in Spain. The microbiology team has recently added new diagnostics for influenza and respiratory syncytial virus and will continue to develop a respiratory investigation centre to support the bacterial vaccines production area.

The allergen immunotherapy market in Spain has decreased 17% (NPP market data, Aimfa Mar' 21) due to the impact of COVID-19 causing difficulties for patients to access allergy services in hospitals. However, the Spanish business has been able to keep growing and increasing its market share in Spain. The advanced allergoid products of the Group allow the Spanish business to be in a strong position to achieve further growth in the coming years. Of the injectable immunotherapy products, modified allergens remain the treatment of choice for Spanish physicians, with Pollinex Quattro and Acarovac Plus the best-selling products in the Spanish market. These products allow patients to be treated with a reduced number of injections, which have shown to be the right choice during the pandemic situation.

Italy

The Italian immunotherapy market has been decreasing in recent years.

The market remains dominated by sublingual products and, during the COVID-19 pandemic, patients were advised to avoid entering clinics where possible; this further impacted sales of injected therapies.

Key challenges remain public tenders in the hospitals in crucial regions and conditions imposed by the regulatory institution (AIFA).

Several products are expected to obtain a National MA in the next few years according to the ongoing 1991/2007 health authority licensing procedure. In this scenario, the Italian business plans to maintain its market position by leveraging their sublingual products campaign, and protecting market share in injected therapies that permit better patient adherence to therapy.

Outside immunotherapy, the Italian synbiotic market remains one of the largest in Europe and it represents a complementary key business for the Group. Our approach is to keep focus on atopic dermatitis, allergy and the food intolerance segment.

"This has been a transformative year for the Spanish subsidiary; on 1 January 2021 it took control of the release of batches of vaccines marketed in the EU."

Glória Garcia
Director General
Spain

Northern Europe

Netherlands

The market in the Netherlands grew significantly this year (12.6% IMS MAT April 2021) helped by the continued leading growth of Allergy Therapeutics (+10.8%), and mite and tree products launched by a competitor.

COVID-19 only moderately impacted the Netherlands market and the market has rebounded robustly.

The Dutch subsidiary continued its strong growth with its grass and tree therapies. This growth is driven by a strong 'service before sales' strategy and the realisation of marketing and sales investments (adherence programmes and digital platforms). Looking forward, despite the launch of a competing tree tablet, the Group expects to continue leading the growth in the Dutch market with the SCIT Pollen product Pollinex (23.7% market share/MAT April 2021) and furthering the growth of Oralair, an approved oral product that has been licensed from Stallergenes.

"The market in the Netherlands grew significantly this year, helped by the continued leading growth of Allergy Therapeutics."

Remco Kelder
General Manager
The Netherlands

UK

The UK is the Group's home market and whilst small in comparison to our other subsidiaries, it is an important market to sustain. The UK has some of the highest prevalence rates of allergic conditions in the world, with a staggering 44% of British adults now suffering from at least one allergy. The number of sufferers is on the rise, growing by around 2 million between 2008 and 2009 alone (Mintel, 2010). The UK is home to many globally recognised experts in the field of allergy; and the asthma, allergy and immunology service at Southampton's teaching hospitals has been named a world centre of excellence for achievements in clinical innovation and research.

Pollinex Grasses & Rye and Pollinex Trees are the only subcutaneous allergen immunotherapy products registered in the UK and whilst there is limited use of allergy vaccines in the UK due to the constraints of the National Health Service, there is potential for this to change. Allergy Therapeutics has been a key sponsor of the BRIT registry which was launched in October 2018. The aim of the registry is to improve patient care by recording serious adverse events that take place during immunotherapy treatment by describing the treatments and services and monitoring the safety and clinical effectiveness of treatment of patients under the care of consultants who are members of the British Society for Allergy and Clinical Immunology ("BSACI") practising in the UK. As well as improving patient outcomes, this data will also provide the evidence in which to guide commissioning of allergy services and develop allergy guidelines.

The COVID-19 outbreak has had a huge impact on core NHS services. In order to free up enough capacity to deal with the peaks in the pandemic, the NHS was forced to shut down or significantly reduce many areas of non-COVID care. Allergy services in the UK have therefore been impacted by COVID-19. Many allergy doctors and nurses were redeployed from allergy to help in COVID wards. Allergy clinics were forbidden to do anything other than urgent work and the majority of consultations were being conducted via the telephone, with very little or no access to testing. Throughout the pandemic, the Company offered PPE to all allergy clinics to support them getting back to seeing patients as soon as they were able. We also provided an extensive virtual training programme for new allergy nurses to help upskill them in the field of allergy and immunotherapy and we continue to drive awareness of immunotherapy through our patient awareness site: **www.livewithoutallergies.com**. As the UK's COVID-19 vaccination programme progresses, capacity in the NHS is increasing and we are starting to see allergy clinics returning to normal operation.

"The UK is the Group's home market and whilst small in comparison to our other subsidiaries, it is an important market to sustain."

Katherine Davey
National Sales Manager
UK & Ireland

Business model

How we create value

Our purpose

Our purpose is to transform the lives of our patients and the people around them.

Why customers choose us

Trusted supplier:
As a supplier of a broad portfolio for allergy patients, we strive for a consistently high standard of quality.

Care about our customers:
As partner of allergologists we care about our customers and our aim is to offer the highest level of service.

Innovative:
With a persistently high investment in R&D, development of adjuvants and launch of new products, we want to transform allergy treatment.

Our resources

01 Income generated from operations:
The income we generate will grow our business.

02 Specialist expertise:
The specialist expertise of our employees drives and inspires us to transform lives.

03 Innovation:
We are a global pioneering team, innovating to advance treatments in immunotherapy.

Underpinned by our culture and values

See more on pages 22 and 23

What we do

Research and development (key to future growth)

Focus on:

- new pipeline products such as VLP Peanut; and
- marketed products for serious reactions to allergens such as house dust mites, venom and pollens.

Manufacturing

We maintain accredited manufacturing facilities in the UK and Spain which produce our medicines for sale and any clinical trial batches.

Sales

As a result of our growth strategy, we sell our products in 19 markets and plan to expand into the US and other new markets, transforming the lives of more patients worldwide.

See more on pages 16 to 19 and 47 to 50

We are ambitious people who transform lives through the ideas we develop and bring to market. Our values shape how we work every day, enabling us to maintain a high-achieving culture with a single global mindset.

How we create value for stakeholders

For investors:

We create value through strong growth in our markets and our pipeline developments.

See more on page 27

For patients:

We strive to deliver the best immunology treatments for patients. We transform lives for the better.

See more on page 27

For our employees:

We offer our employees the opportunity to grow careers and make a real difference to the business.

See more on page 27

For healthcare professionals:

Healthcare professionals rely on our quality products, our knowledge and our trusted partnerships to deliver the best care for their patients.

See more on page 28

Purpose, culture and values

Our purpose is to transform patients' lives and the lives of people around them.

Our values

Our core beliefs and principles help guide everyone at Allergy Therapeutics to work towards the same goals; these values shape our vision and support our culture.

Visionary

By being visionary we are pioneering and show courage and passion in everything we do. Our pioneering spirit has led us to innovate our VLPs and adjuvants. By being visionary we anticipate changes in the external marketplace, and respond robustly and plan fully.

We work constructively across our global business matrix, balancing local and global needs for the benefit of the greater good. Above all, we take ownership for the overall business success and the one team spirit.

See more on pages 14, 15, and 47 to 50

Commitment

By showing commitment we are totally engaged in what we do and never give up; we walk the talk and do what we say we are going to do.

By working together with our one team spirit we aim to achieve extraordinary results and continually raise performance standards, using data to underpin decisions. Everyone takes accountability for their performance and personal development in order to deliver future growth.

See more on page 26, 27, 40 and 41

Menschlichkeit (Humanity)

Menschlichkeit is all about humanity; put simply, people come first.

We want people to feel proud of their work and encouraged to express themselves openly; to try things out and learn from them.

Everyone treats each other with respect, fairness, honesty and equality. By doing so we are building open and transparent relationships and creating inclusivity on decision-making while respecting sensitivities.

At Allergy Therapeutics we share information and ideas to help others succeed in an open and transparent way. We value and recognise each other's contributions.

See more on page 23, 26 and 27

Our culture

We have continued to put in place key people processes that help to strengthen our culture, build organisational capabilities and grow our one team spirit.

01

Our global induction now includes the 'meet our CEO'; giving new employees the chance to learn about our history, future plans, our culture, and develop a deeper meaning and connection with our overall purpose.

02

We have produced Magic Moments to recognise our teams for their fantastic work during the pandemic; this has included ice cream van visits, Valentine chocolates, food boxes and gift vouchers.

03

We launched our Leading Together leadership programme with peer-to-peer action learning, our virtual annual leadership event and all leaders benefiting from their Insights Discovery profile; helping to inform personal development plans, and improve how leaders manage teams.

04

We have been implementing performance management practices globally, resulting in our employees being much more involved and clearer on their objectives, leading to higher performance, accountability, dialogue and growth.

05

We have implemented talent management people practices to help retain and develop great people and to formalise succession planning as we plan for future growth.

06

We conducted our first ever engagement survey which saw 89% participation rate; and gave our employees a voice. This feedback is now integral to the shaping of our people strategy.

07

To support all employees' health and wellbeing, we introduced our Learning at Work week with workshops on areas such as mindfulness and resilience. We also held our virtual race around the AT Group where we covered an incredible 43,833km across the business.

Operating responsibly

Developing a robust strategy

Our purpose is to transform the lives of our patients and the people around them and we are committed to doing this whilst behaving in a socially and environmentally responsible manner. Our evolving ESG strategy focuses on areas that are material to our stakeholders and which will create a long-term sustainable business as we continue to grow and innovate.

Our sustainability roadmap

Net zero targets

The Group is committed to reducing its impact on the environment. We will set clear and transparent targets to reduce our carbon emissions, energy consumption and waste. This will ensure that we can monitor and measure our contribution to the climate crisis.

See more on pages 36 and 37

UN Sustainable Development Goals

We will align our sustainability framework and policies to the UN Sustainable Development Goals. This will demonstrate our commitment to contribute to this global crisis.

See more on pages 09 and 30 to 39

Sustainable governance and environmental management

We must comply with all legal and compliance obligations relating to the environment in the countries in which we operate. The business will adopt sustainable governance practices and embed environmental management across the business.

See more on page 63

Measuring our progress

We will measure our progress against our stated commitments through monitoring and reporting against various data points. The data points will be disclosed on our website **www.allergytherapeutics.com** where there will be more information on our sustainability journey.

See more on pages 37 and 43

Stakeholder engagement is central to our strategic and sustainability approach.

At Allergy Therapeutics, we know that stakeholder engagement, when carried out effectively, can improve communication channels, create support for the business, gain information for the organisation and reduces the potential for conflict.

We believe that the success of our business both now and in the future is down to the collaborative culture and strong working relationships we have built with our stakeholders.

Our employees are the key to our success and we know that to create a sustainable business we need to find a way to ensure all our employees are personally engaged in our business, its purpose and its future.

This year we introduced our first employee engagement survey to give all our employees a voice. It is widely acknowledged that an engaged workforce will result in higher productivity and profitability as well as reduce employee turnover and absenteeism.

Peakon was engaged to carry out the survey earlier this year. 89% of our employees completed the survey and our overall score was 8.0; this was +0.2 above Peakon's true benchmark and places us in the mid-range of organisations in the healthcare sector. Our aspiration next year is to move into the top 25% of this sector.

The survey has improved the quality of conversations occurring between leaders and their teams across the business and has enabled us to develop both global and local action plans in which we have been involving and communicating with employees.

Our results showed that we scored strongest in these areas globally:

Engagement driver	Explanation
Environment	- The physical workplace positively affects our employees' ability to do their job
Recognition	- Our employees receive sufficient feedback to understand their performance
Goal setting	- Our employees know what's expected from them and their work

Our key actions:

Engagement driver	Global actions
Strategy (mission)	- We have reinstated the global All Hands Calls (Town Hall) twice a year with time for questions and answers to our Executive Team; and have developed a short, animated white board video. In the year ahead we will deliver a plan that makes our patients a much more prominent and visible part of our business.
Reward (process)	- We will be starting a project to implement a framework that fairly rewards our employees and is clearly understood by everyone in all countries. This is a long programme of work, and we have committed to keeping our employees informed on this.
Growth	- We are introducing a new Learning Management System towards the end of the year to provide continuous online learning; anytime, anywhere. We have also introduced more tools to help career conversations and create development plans on our digital people system.

Operating responsibly continued

Considering Brexit impact to stakeholders

Engaging with our stakeholders is an integral part of how we operate as a business. We actively seek to understand what really matters to them and ensure that we take this into account in our decision-making, both at a strategic and an operational level. Brexit impacted our entire operations strategy and we needed to consider the impact to all our stakeholders when making decisions to ensure sustainability of supply for our patients. In the table below, we have set out our considerations for each stakeholder group in this project and the actions we had to take to minimise impact to them.

Stakeholder	Considerations	Conclusion
Employees	– Training of QC testing, despatch and QA processes in Spain – New employees to hire in Spain – New requirements for existing EU workers in the UK and vice versa	– UK employees travelled to Spain to ensure robust training of new QC, QA and despatch employees and stayed several weeks. – Personnel created new documentation to ensure compliance. – Additional staff were recruited in Spain for Quality Assurance, Quality Control and Import processes. – The Company encouraged EU employees in the UK to apply for settled status. – HR applied for EU sponsorship status for any new EU employees working in the UK. – Employees retained during Brexit process.
Customers	– Continued supply – Supply on time – No out of stocks due to testing at two locations	– Additional product stock built prior to Brexit date and held in Spanish facility; such that all orders delivered without customs issues. Manufacturing increased throughout and Spanish despatch increased. – Spanish import licence enabled shipment of all goods into EU via Spain. – Import company hired to manage customs and regulatory release. – Longer lead time due to increased transport time negated by quicker packaging and release in the UK for named-patient products. – Lead time in scheduling increased to allow time for EU testing; EU testing fully validated.
Shareholders	– Sustainable business	– Sales maintained and customers supplied without impacting business. – Increased transport costs and higher inventory has impacted gross margin but planned and budgeted. – No supplier issues and supply maintained by careful planning, as demonstrated by end-of-year figures. – Strategic project regularly updated at Board meetings and to shareholder queries.
Government and regulators	– Tax and VAT payments needed review to ensure correct payment – New import and export paperwork from UK to EU – EU Marketing Authorisation ownership – Power of attorney – Notification of EUQP for batch release – Requirement for UK QPPV	– Tax and VAT deferments were applied for in each EU country and the UK to ensure smooth transit of patient vaccines between countries and to meet the legal requirements. – Export paperwork through the UK utilised HMRC chief system and correct tariff codes applied. – Import licence obtained from Spanish regulator for importing vaccines and diagnostics into EU. – Import paperwork agreed and prepared for each shipment. – Variations to the marketing authorisation were made in each EU country to ensure EU ownership, addition of EUQP for batch release. – Gap analysis performed by consultants for UK PV reporting requirements and need for UK QPPV. Deemed as not required.
Suppliers	– EU suppliers able to meet UK import requirements – EU suppliers' ability to supply Spanish office to avoid importation issues – Extensive laboratory equipment required for Spanish laboratory	– Risk assessment performed to determine supplier origin as required for import and export paperwork. – Additional charges, if applicable, for imported goods. – Supplier readiness to complete paperwork for import, maintained relationships with supplier. – Alternative UK suppliers investigated where possible. – Replicate laboratory equipment sourced and validated from dedicated Brexit capex budget.
Community and environment	– Impact of additional lorries and increased carbon footprint – Impact of lorry delays at ports on environment – Increased energy consumption in Spain	– Additional transportation via Spain has increased carbon footprint. Steps in place to obtain alternative import licences to travel a more direct route. – No delays at port due to 48-hour pre-filing of documentation. – Additional cold stores and equipment in Spain has increased energy usage. The Company is working on using green energy suppliers in all countries. – Opportunity for engagement with media and local government on Brexit complexity and increased carbon footprint. Media communication has increased the Company's profile in the community.

Engagement with stakeholders

Stakeholder engagement enables us to continue to make and deliver our products to patients around the world, and maintain a motivated workforce and dependable supply chains. It encourages customer confidence in our products and helps us maintain close relationships with healthcare professionals.

This should be read in conjunction with the comments from the Chairman on page 63 around key issues during the year impacting stakeholders.

In the table below, and on the following pages, we set out our key stakeholder groups, their material issues and how we engage with them.

Investors

We actively engage with our investors to support a full understanding of our business, progress against our strategic priorities and to address any concerns.

Key issues for them

- Sustainable business performance and growth
- Return on investment
- Clinical performance
- Financial performance
- ESG (environmental, social and governance)

Engagement through the year

Investor meetings and roadshows that mostly align with financial results include the CEO and CFO, provide the forum for discussions on strategic progress, financial and operational performance, and other matters relevant to shareholders.

The AGM is an opportunity for shareholders, including non-institutional ones, to hear directly from the Board on the Group's performance and strategic direction and to ask questions.

Links to other relevant content

Governance:
see pages 62 to 66

Outcomes

- Clarity on strategy and approach
- Understanding progress against these goals

Our people

Our people are essential to our success and growth. We recognise that we need a skilled and committed workforce, with a diverse range of experience and perspectives.

Key issues for them

- Environment - a physical workplace to positively affect one's ability to perform
- Recognition - receiving sufficient performance feedback
- Goal setting - knowing what is expected
- Strategy - being inspired by our mission and purpose
- Reward - having a fair reward process
- Growth - opportunities to progress career and learn

Engagement through the year

We have increased the level of internal communications in the last 12 months with the introduction of internal social media site 'Yammer' and our digital quarterly newsletter showing 80% readership, as well as the reintroduction of our global all hands calls using virtual technology. Our first-ever employee engagement survey has allowed our employees to have a greater voice; this survey showed 89% participation rate and we scored 8.0, which is 0.2 above the healthcare industry benchmark. This has enabled the business to develop informed, meaningful people plans.

Links to other relevant content

Operating responsibly - our people:
see pages 30 and 31

Outcomes

- Clear understanding of employee engagement across functions
- The workforce responded very well to COVID-19 and Brexit disruptions

Our patients

Our patients rely on us to produce products that can help to transform their quality of life. Every day we make a difference to the lives of patients through the provision of high quality products with good safety and efficacy profiles.

Key issues for them

- Improving quality of life
- Efficacy
- Product safety
- Convenience

Engagement through the year

For our consumer healthcare products, we engage with patients via digital channels (websites, social media), advertising (across multiple media, including TV, print media and in-store promotions in pharmacies and retail stores), in addition to providing basic product information as part of our Medical Information function. For prescription-only medicines, our direct engagement with patients is much more limited, due to regulatory constraints governing promotional activities.

Links to other relevant content

Business model:
see pages 20 and 21

Outcomes

- Better understanding of our products and their safety profile
- Better outcomes from treatment

Operating responsibly continued

Healthcare professionals ("HCPs")

Our healthcare professionals rely on us to deliver quality products efficiently.

Key issues for them

- Product safety
- Cost
- Efficacy
- Availability
- Training in the administration of products

Engagement through the year

During the lockdowns, we used all available options to stay in touch with our prescribers. We were able to prepare ourselves and our HCPs for virtual meetings quickly. Field staff also used electronic communication via emails and by phone.

In the early stages of the pandemic, personal contacts were kept to a minimum. Our doctors appreciated this respectful behaviour.

Our marketing functions were able to send diagnostics syringes, brochures and forms and were always available when needed.

Links to other relevant content

Operating responsibly:
see pages 24 to 39

Outcomes

- We were perceived as a serious and reliable partner due to our response to COVID-19
- Continued use of our immunotherapies during the pandemic
- Recruiting patients to take part in trials

Communities

We look to minimise any negative impacts from our operations and to support sustainable socio-economic development and growth in our local communities.

Key issues for them

- Local employment opportunities
- Environmental management
- Operational impacts

Engagement through the year

The local communities living near our operations are part of the structure of our business.

We recognise that through proactive, strategic stakeholder and community engagement we can increase the profile of the business, support the local community through school and STEM engagement, provide apprentice opportunities and work experience.

Links to other relevant content

Operating responsibly - our people:
see pages 30 and 31

Outcomes

- Business included on 'Time for Worthing' website
- Raised awareness with DTI regarding vaccine manufacturers

Governments and regulators

We look to develop and maintain constructive relationships with regulators and the national and local governments of the countries in which we operate.

Key issues for them

- Compliance with regulatory, legal and taxation requirements
- Transparency

Engagement through the year

Our Executive Team, regulatory teams and operational management engage with governments and regulators in the countries in which we operate.

Ensuring we meet our regulators' expectations to maintain continued compliance with regulatory legislation is enabled through proactive and collaborative engagement in direct discussion or other forums such as contributions in agency-sponsored research.

Links to other relevant content

R&D report:
see pages 47 to 50

Outcomes

- We ensure a collaborative approach in areas such as product characterisation and clinical study design
- Open and constructive relationship with regulators

Suppliers

Our products are essential to transforming the lives of our patients. We work to provide safe and quality-assured materials that meet regulatory requirements and industry standards.

Key issues for them

- Transparency in the supply chain
- Responsible sourcing and human rights
- Compliance with laws
- Competitive pricing
- Equitable terms
- Payment terms

Engagement through the year

Our approach to quality helps us to ensure the products we supply to customers are of the right quality and safety standards for our patients and the environment. The supply chain is managed by our Operations Director who provides regular reports to the Board on any risks. In the year, we were able to mitigate any supply chain risks of COVID-19 by pre-ordering key manufacturing supplies such as glass vials. Customers and other stakeholders are increasing their focus on responsible supply chains. The business has high expectations for ethical business practices.

Links to other relevant content

Governance:
see pages 62 to 66

Outcomes

- Able to stock many key supplies for continued vaccine manufacture, despite shortage of vaccine components

Operating responsibly continued

Our people

Our commitment to operate responsibly focuses on four core areas:

01 **Our people**
see more on pages 30 and 31

02 **Our patients**
see more on page 32

03 **Our communities**
see more on page 33

04 **Our planet**
see more on pages 36 and 37

This is underpinned by a commitment to high standards of ethical business practices.

Our people are the key to our success and we are proud of the pioneering and ground-breaking work they carry out that can transform a patient's life.

We aim to develop careers by identifying and supporting talented individuals to ensure that we have a workforce capable of realising our ambitious strategy. We review succession planning of our Senior Executives at Nomination Committee meetings to ensure that the business has procedures in place to safeguard continuity of leadership. In addition, we are now embedding a globally consistent talent management and succession planning approach for future growth and labour retention.

We support our employees to make a difference to the business through a structured performance management process. Achievement of an individual's objectives is rewarded through a discretionary bonus. We provide a competitive compensation and benefits package which includes discretionary share awards for eligible employees.

In the year ahead we plan to introduce a Learning Management System to provide our employees with the opportunity to take ownership for their development and deliver more flexible, accessible and relevant learning interventions.

Culture and values

Our three core values, Vision, Commitment and Menschlichkeit, shape how we work and are at the heart of every decision the business makes. For more information on how we are evolving culture within the business, please see pages 22 and 23.

Diversity and inclusion

We believe that every person in the Group has a part to play in creating value and we understand the benefits of a diverse and inclusive workforce. We believe that diversity improves our effectiveness and we have set gender diversity targets at Board and Executive Team level.

We are working towards a consistently inclusive environment where differences are valued.

Recognising that an inclusive working environment is one in which everyone feels that they belong, one of our key business objectives for the year is to agree measurable targets for diversity, equity and inclusion. Our annual employee engagement survey will continue to help the business to implement fair policies and practices and inform the business of ways that people can work together effectively while continuing to work remotely.

In addition, through our digital people system platform, we will be increasingly monitoring and taking proactive action to improve diversity across the organisation, beyond gender.

Our gender pay gap, while reducing, reflects the fact that we have a smaller proportion of women than men occupying senior leadership roles. More information can be found in our gender pay gap report on our website **www.allergytherapeutics.com**.

Modern slavery

In accordance with the Modern Slavery Act 2015, the Board has approved a Modern Slavery and Human Trafficking Statement, which has been published on our website. The statement details the steps we take to avoid slavery and human trafficking in our own operations and in our supply chain.

We believe that our own operations present minimal risk, but recognise that a higher level of risk is posed by the suppliers we engage with to provide goods and services.

In the year ahead, we plan to provide further guidance to our employees and continue our ongoing engagement and audit of our suppliers.

Responsible employer

During the year, Allergy Therapeutics became an accredited Living Wage Employer for their UK operations.

The real Living Wage is higher than the government's minimum, or National Living Wage, and is an independently calculated hourly rate of pay that is based on the actual cost of living. It is calculated each year and is announced by the Living Wage Foundation as part of Living Wage Week. It is currently £9.50 in the UK, with a higher rate of £10.85 for London, reflecting the higher costs of living in the capital.

We are now one of nearly 7,000 organisations in the UK who voluntarily choose to pay the real Living Wage because we believe that a hard day's work deserves a fair day's pay.

This commitment applies to not only directly employed staff but also to our third party contracted staff, such as our cleaning and maintenance staff.

Health and safety

Keeping our people safe and well is our absolute priority at Allergy Therapeutics. This extends to the safety of any contractors, our patients and our local communities. The Board of Directors has overall responsibility for health and safety and this includes approving the health and safety strategy and reviewing performance at each meeting.

During the year, we continued to embed best practice health and safety standards within the business across all our sites; all employees and contractors are training in health and safety and during the year we only recorded one lost time incident (2020: one).

We care about the health and wellbeing of our employees as well as their safety. During the year, the business focused on raising awareness for those suffering from mental health and introduced trained Mental Health First Aiders. The wellbeing programme delivers regular campaigns and training and we provide employees with a dedicated website with advice and guidance on how to improve wellbeing.

Operating responsibly continued

Our patients

Allergies reduce quality of life by preventing individuals and their loved ones from enjoying the everyday activities that most take for granted. At their most severe, allergies can be fatal. Whatever the severity of an allergy, the wider implications are negative. Many patients and their families live in fear and can feel isolated or excluded. There is no doubt that our work in allergy treatment is transforming lives and the lives of the people around them.

For more information on how we engage with our patients, please see page 27.

We strive to deliver the best immunology treatments for patients. Our products and their associated adjuvant technologies address the causes of patient symptoms rather than masking them. We believe the best products for a thriving business are also the best products for patients. Therefore our product pipeline reflects this, with programmes investigating allergens of serious concern such as peanut allergy.

Our shorter-course treatments take four to six injections, over the course of three to five weeks. Alternative therapies in the US can take 50-100 injections and up to 15 across Europe. Our approach increases efficiency for healthcare professionals and frees up time for our patients.

Healthcare professionals rely on our quality products, our knowledge and our trusted partnership to deliver the best care for their patients.

Biodegradable adjuvants

Adjuvants are added to vaccines to enhance and modify immune responses and can increase efficacy and reduce the number of injections required for a treatment. A number of vaccines use aluminium salts as an adjuvant; however, in the 1970s we began developing natural biodegradable alternatives and, today, all our vaccines are aluminium free and feature natural adjuvants only.

Aluminium free company

Our communities

During the year, the Group continued to work to benefit the communities in which we operate and to support various allergy-related initiatives.

Worthing community

Despite the limitations of the pandemic, the Worthing site continued to build relations and support the local community around our largest site. We contributed to the 'Time for Worthing' website which promotes the area as a destination for business and leisure. We took part in the Adur Worthing Business Partnership to address challenges for the local business communities and our Group Operations Director is a Board Member for Coastal West Sussex, a partnership which focuses on the needs of local businesses and communities in the West Sussex area.

Science, Technology, Engineering and Mathematics ("STEM")

As a healthcare company with a focus on improving allergy treatments through advanced technology, we want to encourage and support the next generation of scientists and healthcare professionals. During the year, the Company continued its support to activities in STEM subjects in the local Sussex community, organising a virtual project for an A-level student to work on a scientific project through a Nuffield Research placement scheme. The Company also sponsored two students from Shoreham Academy to undertake work experience researching vaccines.

Other community projects

In December 2020, inspired by the Marcus Rashford campaign to provide food to those in need during the COVID-19 pandemic, our sites in Worthing, Spain, Italy and the Netherlands all donated to local food bank charities.

Various other initiatives around the Group included donations to a charity against domestic violence, and the continued support for the 'Aluminium for Bread' charity in Germany. The Austrian team provided support to a local children's hospital and the Swiss team continued to support the Special Olympics.

Allergy-related initiatives

The Group continued to support 'Over the Wall', a charity that creates fun camps for children with serious allergy to enjoy time relaxing in a hypo-allergenic environment.

The Group are platinum sponsors of the European Academy of Allergy and Clinical Immunology ("EAACI"). EAACI helps drive awareness of the existence of allergy treatments, supports the training of a new generation of allergists and supports initiatives into food allergy and awareness.

Additionally, the Group supports a number of allergy-related organisations such as the German Association for Allergy and Clinical Immunology ("DGAKI"), the German Foundation for Prevention of Allergies and Respiratory Diseases, the Italian Association of Allergists and Immunologists, and the Austrian Society of the Paediatricians' allergy education programme.

Operating responsibly continued

Case study:

Patient safety

The wellbeing and safety of our patients is at the heart of everything that we do. Throughout the life cycle of our products, we work to ensure that the safety and benefits to our patients are maximised by having systems and processes in place for continuous review of all the products in our portfolio, including marketed products and those in development.

Clinical research

All our clinical studies are performed according to current Good Clinical Practice guidelines using suitably trained personnel. Before a trial starts, an independent ethics committee reviews the protocols. All risks associated with the trials are tracked to ensure that quality and safety standards are maintained throughout.

Ensuring quality in manufacturing and supply

We have extensive quality control and quality assurance processes in place. Our products are manufactured in accordance with both Good Manufacturing Practice regulations and our internal quality management system.

Our suppliers are also expected to ensure consistent high quality and safety in the production of our raw materials. This approach safeguards patient safety and helps us to deliver quality products.

Training and education

The medical team provides training to healthcare professionals ("HCPs") in the correct administration of our products and also trains them in the management of any complicated reactions. Such training can save lives.

Our medical team consists of experienced medical doctors who understand the different needs of patients and are able to provide them with accessible and comprehensive information.

They can be contacted to provide information to both HCPs and patients for any drug-related enquiry. The team receives direct feedback from these enquiries that allows them to constantly improve the handling and safety of our products.

Pharmacovigilance

A globally acting pharmacovigilance team constantly monitors the drug safety of all our products on the market. There are a number of controls in place to detect and address safety concerns early, such as the monitoring and timely collection of relevant information, risk assessments and safety update reports.

Our Local Safety Officers, in each country where our products are marketed, provide training to our employees or the employees of the distributor to make them aware of safety information or product risks.

Operating responsibly continued

Our planet

We are committed to responsibly managing the environmental impact of our business. We understand that the climate crisis is the most serious challenge currently threatening the global community and we know that decisions we make now, together with our actions and behaviours, must align with a net zero future.

Climate change

Allergy Therapeutics has set out its commitment to become net zero carbon by 2030. Our next steps are to deliver on this commitment. Over the coming year we will be setting out a net zero roadmap (which will include setting targets for our operations functions and integrating carbon reduction targets into senior managers' objectives); we will communicate the net zero strategy with stakeholders, alongside the wider sustainability strategy. We will also continue to engage with all stakeholders to ensure a collaborative approach and embed sustainable practices across the entire business to make year-on-year improvements in this area.

This year we have formed a Group Environmental Management Committee to strengthen our local and Group-wide efforts and whose purpose is to investigate and manage ways of minimising our impact on the environment.

Energy management

The energy used to power and heat our manufacturing facilities and offices is the greatest contributor to our carbon footprint.

For some time, we have invested in reducing energy consumption and lowering carbon emissions across our sites.

Following the introduction of our long-term goal to become carbon neutral by 2030, we are enhancing our data collection to establish a robust system of measurement and our future reporting will inform our progress towards this target.

During this financial year, we lowered our energy usage by almost 7% compared with 2020. This reflects the reduced travel due to the COVID-19 pandemic and office-based employees working from home.

In the coming year, we expect to start construction of an energy centre on our Worthing site, which will create independence from the shared utilities with GSK and which will contain our own more sustainable equipment to raise steam, cooled water and compressed air. The energy centre is expected to further reduce our emissions and we will report on this progress.

Streamlined Energy and Carbon Reporting ("SECR")

Allergy Therapeutics has engaged Enistic Limited to provide independent verification of the calculation of our SECR data, in accordance with the regulations.

Waste and water management

All our sites operate robust systems of recycling and we continue to raise awareness of recycling across the business. Our Italian and Spanish operations are now fully paperless and those which are not use FSC paper and recycled ink cartridges.

Our Worthing site has reduced much of the single-use plastic from its manufacturing processes, and has worked with Worthing Council to recycle any plastic that cannot be eliminated.

Water is now re-used in the manufacturing processes rather than being wasted.

We continue to monitor water usage across the business and have incorporated water-efficient appliances and fittings into our newer offices.

Digitalisation

We are committed to growth and investing in technology and automation of processes, knowing that this creates efficiencies in the business while also reducing paper waste. Before COVID-19, we had already established a good practice of working globally and virtually by utilising technology, however COVID-19 forced the business to work in a fully digital way and we are proactively developing the lessons learnt and new ways of working to prepare us for the future.

Total Europe

	July 2020-June 2021	July 2019-June 2020	% difference
Total energy use covering combustion of gas (kWh)	**654,493**	687,373	(4.78%)
Total energy use covering purchased electricity (kWh)	**4,507,634**	4,618,312	(2.40%)
Total energy use covering other fuels (kWh)	**—**	—	—
Total energy use covering refrigerant gas (kWh)	**—**	—	—
Total energy use covering business travel (kWh)	**1,736,562**	1,540,714	12.71%
Total energy use covering electricity, gas and transport (kWh)	**6,897,235**	6,847,853	0.72%
Total emissions generated through combustion of gas (tCO_2e)	**120**	127	(5.58%)
Total emissions generated through use of purchased electricity (tCO_2e)	**957**	1,181	(18.92%)
Total emissions generated through use of steam (tCO_2e)	**748**	793	(5.67%)
Total emissions generated through use of refrigerant gas (tCO_2e)	**72**	17	326.25%
Total emissions generated through business travel (tCO_2e)	**476**	435	9.38%
Total gross emissions (tCO_2e)	**2,373**	2,552	(7.01%)
Intensity ratio – total gross emissions ($kgCO_2$ per sq ft)	**10.69**	11.49	(7.01%)

SECR methodology notes

- SECR methodology as specified in 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting' used in conjunction with Government GHG reporting conversion factors **https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf**
- Steam kWh omitted from total energy calculations (kWh).
- Intensity ratios calculated using square footage.
  - $kgCO_2e$ per square foot of total site area.
- The calculations have been approved by a PAS51215 compliant body.
- Estimation of data in UK accounts for 0.45% of total electricity and gas use.
- Some estimations of data have been used for European sites; over the course of this year we will establish more robust systems of data collection which will better inform our reporting in the future.

Operating responsibly continued

Case study:

Our net zero commitment

At Allergy Therapeutics we know that carbon emissions are our most material environmental impact. They stem from our supply chains, the energy we use in our manufacturing facilities and offices, and the waste we produce.

The climate crisis is the greatest challenge of our time. Responding to this challenge is not only a moral imperative but it is also expected of a responsible company.

All our stakeholders, including investors, employees and patients, have made it clear that environmental sustainability must become integrated into our business model and we are committed to reaching our target of net zero by 2030.

We believe that we must take a responsible and forward-looking approach to environmental issues and the principles of sustainability.

This year we have engaged sustainability consultants Enistic to support our measurement of our Group carbon footprint. This has included robust data collection of our Scope 1, 2 and 3 emissions. The data from across the business will be analysed and the findings will be used to better define our carbon reduction strategy, guide our sustainability decision-making and will improve environmental awareness among our employees.

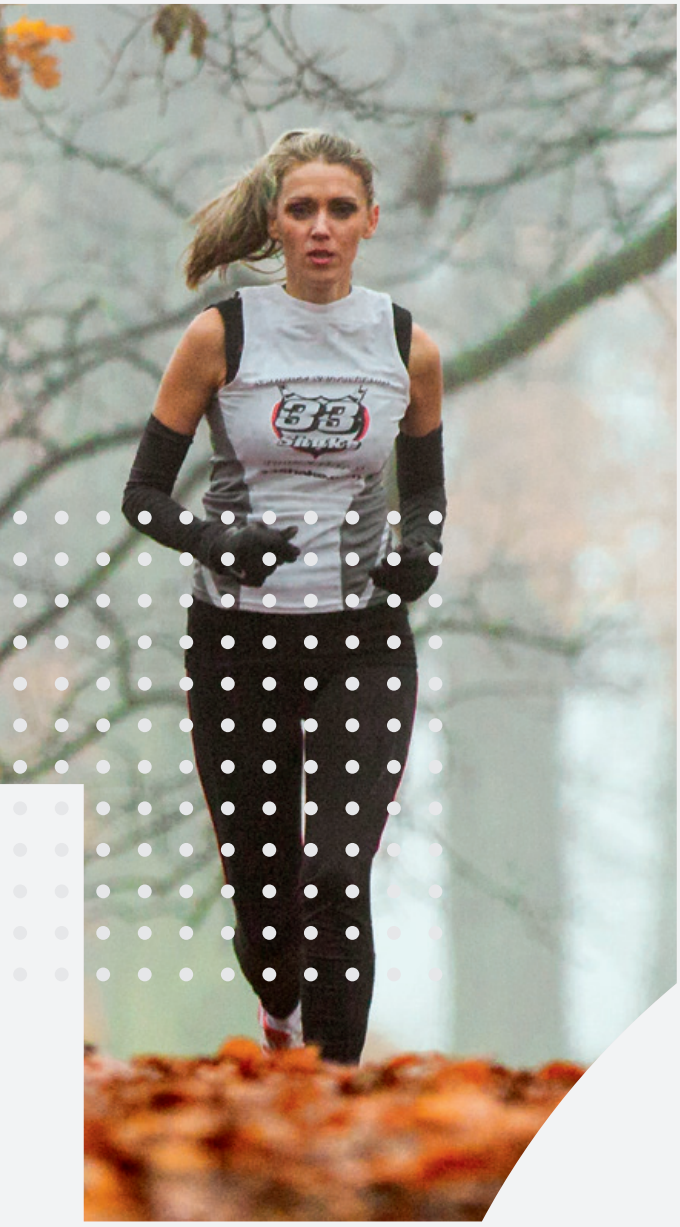
Over the coming months our net zero roadmap will help us deliver on our commitment. This will include:

- defining the cost and timetable of our net zero roadmap to support our 2030 commitment;
- the introduction of short, medium and long-term objectives and the setting of interim carbon reduction targets; and
- the development of a sustainability governance framework through a defined and transparent framework of responsibilities which are aligned with our sustainability strategy.

Once our findings are published, the final step to a carbon neutral status will be to offset our residual emissions using legitimate carbon offset schemes.

Strategic framework

Our strategic pillars



Three pillars of business

01
Expanding in Europe

02
Strong pipeline

03
US entry

Strategic priorities	Progress in 2020-21	Objectives for 2021-22
– Strongly performing, profitable business – Growing existing market share, additional product registrations and entering new markets – Drive market position by world-class supply chain and increased patient adherence	**£84.3m** Net sales of £84.3m (2020: £78.2m) **6%** Growth in sales at constant rates **19%** Continued strong growth in pre-R&D operating profit Successful launch of ImmunoBON® in Germany and Austria	Continued growth of sales and market share Maximise pre-R&D profitability given investment in business Achieve further registrations of approved products Launch ImmunoBON® in other countries
– New technologies underpin pipeline depth in convenient products – Investment strategy supported by growing revenue streams	VLP Peanut candidate scale-up complete. Successful ex-vivo study giving first indication of safety profile Successful dosing of Grass MATA MPL exploratory Phase III field trial	Start of Phase I VLP Peanut trial in US Start preparation for Grass MATA MPL pivotal Phase III trial (due to begin H2 2022) Continue pre-clinical evaluation work for immunotherapy VLP products
– Significant opportunity in largest allergy market – Develop market access approach and relationships – Secure funding for successful clinical development plans to deliver market access strategy	Grass MATA MPL exploratory trial partially in the US to allow potential parallel registration if pivotal trial successful Discussion with US key opinion leaders ("KOLs") over VLP Peanut candidate and US trial	Successful G309 trial Successful meetings with FDA and opening of IND for the VLP Peanut product

Key performance indicators ("KPIs")

We measure performance against key performance indicators which are selected to reflect Group strategy.

Strategic objectives

Maximise revenue

Maximising funds available from operational activities for investment in R&D and other value-adding activities

Maximise market share in the countries in which we sell our products

KPIs

Total revenue measured at constant exchange rate (GBP:EUR exchange rate 1.21)

EBITDA excluding R&D

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

Combination of IMS Health data and information collected by independent third parties

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

Analysis

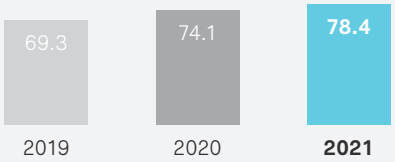
Revenue has grown well in comparison with the prior two years, despite COVID-19

EBITDA excluding R&D has increased year-on-year due to continued sales growth as well as low growth in costs due to COVID-19

The Group continues to make market share gains over the mid term based on best-in-class technology, supply chain and sales and marketing team

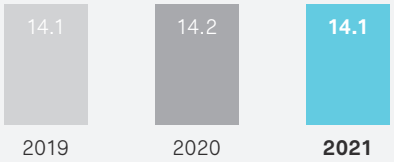
Graph

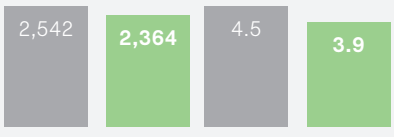
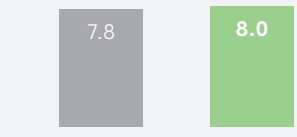
Revenue at constant exchange rate[1]
£m



EBITDA excluding R&D[2]
£m

Operational markets
Percentage of market share in the markets in which we operate



Further strengthen the research pipeline and product portfolio	Reduce the impact of the Group on the environment	Maintaining a healthy corporate culture
KPIs		
Number of products in the pipeline	Total gross emissions measured in tonnes of carbon dioxide equivalent as well as in relative terms by dividing the total gross emissions by the average number of employees as per Note 7	Result of first employee survey, measured out of ten, carried out by Peakon, compared to healthcare industry average
Analysis		
The number of products in the pipeline has increased with the four VLP candidates outside allergy less the oral and modified mite products	The total gross emissions have dropped this year due to lower travel by staff during COVID-19. Headcount has increased with higher level of production and investment in regulatory and R&D	The score (with 89% of employees taking part) was above the healthcare industry benchmark. However, the Group intends to try and improve the score by learning from the feedback from employees
Graph		
Number of products in pipeline #  	**Gross total emissions measured, as well as gross total emissions per employee** tCO_2e  	**Employee engagement** % 

1 GBP:EUR exchange rate 1.21. 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 The 2021 figure has been adjusted to remove the IFRS 16 impact of £1.9m and create like-for-like figures.

Our products

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

Since specific immunotherapy was first carried out successfully in the early 20th Century, it has become established as the only therapy that addresses the cause of serious allergic reactions.

Our products

The Group sells both injectable and sublingual (oral) allergen-specific immunotherapies. The most commonly prescribed are those for the treatment of pollen-related allergies, particularly for allergies to grasses, weeds and trees. The therapies 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 in excess of 80 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 I allergies) are due to deregulation of the T helper lymphocyte ("Th") cells.

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 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 I allergies.

Pollinex Quattro

Pollinex Quattro, launched in 1999, heralded a transformation in immunotherapy by introducing allergy vaccination with only four injections per course.

The short-course regime can be achieved due to the use of microcrystalline tyrosine ("MCT®") adsorbed allergoids, an improved extract allergen that has been modified in order to lower allergenicity while maintaining most of the immunogenicity, and the innovative adjuvant monophosphoryl-lipid A ("MPL"). An adjuvant is a substance which improves the immune response to an antigen or allergen.

MPL is derived from a lipopolysaccharide ("LPS") which is obtained from the cell wall of Salmonella Minnesota R595 using a process of extraction, purification and detoxification. As a vaccine adjuvant, MPL has been used for many years. Vaccines containing MPL have been evaluated in various indications such as cervical cancer and malaria at GlaxoSmithKline ("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.

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.

Oralvac

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 course can be taken by the patient in their own home and is raspberry flavoured for improved patient compliance.

Venomil

Wasp and bee treatment is provided by our freeze-dried Venomil product, which can be used via a 'rush' dosing regimen.

ImmunoBON®

Hay fever is known to affect those who live near or work on farms less than the general population. This reduction in incidence is due to the farm effect; researchers discovered special proteins in untreated raw milk as well as in the ambient air of farms with traditional cattle, which play an essential role in hay fever.

In order to bring the farm effect to all patients, a practical lozenge was developed for all ages, which is based on these proteins.

The ImmunoBON® lozenge contains proteins obtained from raw cow's milk along with vitamin A, zinc and iron. ImmunoBON® can help meet the specific nutrient needs of patients with allergic rhinitis.

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 birth to three years old; and Kallergen Mamy, for pregnant women with high risk of atopic disease.

Acarovac Plus

Acarovac Plus 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 (one-year follow-up study with Dr Albert Roger, Director of the Allergy Unit at Hospital Universitari Germans Trias i Pujol, Barcelona, Spain).

Penicillin diagnostics

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

Our products continued

Acarovac Plus is a novel MCT-adsorbed, modified-allergen product developed to address the cause of perennial mite allergy.

Products

	Modified Allergen (Allergoid)	Native Allergen	Recombinant Allergen	Microcrystalline Tyrosine ("MCT")	Monophosphoryl Lipid A ("MPL")	Virus-Like Particles ("VLP")	Lipocalin Technology
Pollinex	●	○	○	●	○	○	○
Pollinex Quattro	●	○	○	●	●	○	○
Oralvac	○	●	○	○	○	○	○
Acarovac Plus	●	○	○	●	○	○	○
Venomil	○	●	○	○	○	○	○
VLP Peanut	○	○	●	●	○	●	○
ImmunoBON®	○	○	○	○	○	○	●

Innovative, broad pipeline and marketed products

Clinical development of subcutaneous immunotherapies ("SCIT") in Europe and the US

Strong progress has been made this year in the clinical evaluation of the Pollinex Quattro products. The German TAV (Therapie allergene Verordnung) regulatory ordinance framework allows market authorisation to be granted in Germany for former named-patient products ("NPP") upon completion of a successful MAA evaluation, whilst permitting the maintenance of those products on the German market throughout this process. The grass clinical programme has been designed in such a way that data generated can also be used to support regulatory submission in the US.

The G309 trial was started in October 2020 with the screening of the first patients. This exploratory field study is a multi-centre, randomised, parallel-group, double-blind, placebo-controlled exploratory study to explore the efficacy and safety of the selected Phase III cumulative dose of 27600 SU Grass MATA MPL. The study is being conducted in 12 clinical sites in both Europe and the US. Active treatment or placebo is administered in a 2:1 ratio to 118 adult subjects with moderate to severe seasonal allergic rhinoconjunctivitis with or without well-controlled asthma.

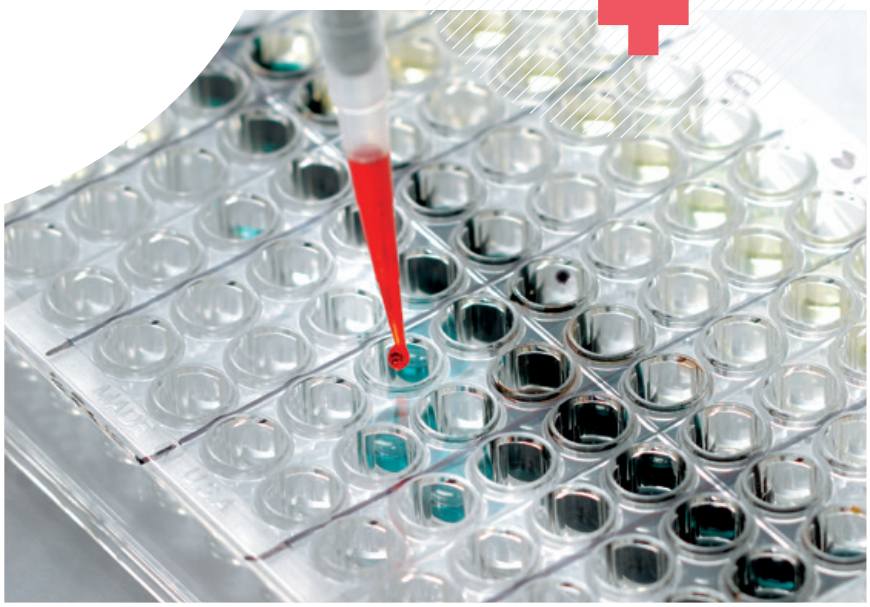
The primary endpoint of the G309 trial is the combined symptom medication score ("CSMS") averaged over the peak grass pollen season. The breakthrough study design brings state-of-the-art learnings in field trial methodology to the allergy immunotherapy research field. It is not only designed to evaluate safety and efficacy but is the first subcutaneous immunotherapy ("SCIT") study to evaluate different placebo options, including saline solution. Moreover, the study combines several Phase II and Phase III endpoints to support the validation of the regulatory mandated primary endpoint and includes extensive biomarker analysis.

The results of this exploratory field study will facilitate optimal design and execution of the subsequent pivotal Phase III field study. The pivotal Grass Phase III study (known as G306) will commence in 2022 to allow the learnings of the exploratory study to be implemented.

The Group implemented strategies to ensure clinical development continued successfully despite the COVID-19 situation. The Group's goal remains to be the first allergy immunotherapy company to launch a short-course, subcutaneous and aluminium-free therapy in the US, with Grass MATA MPL being first in line.

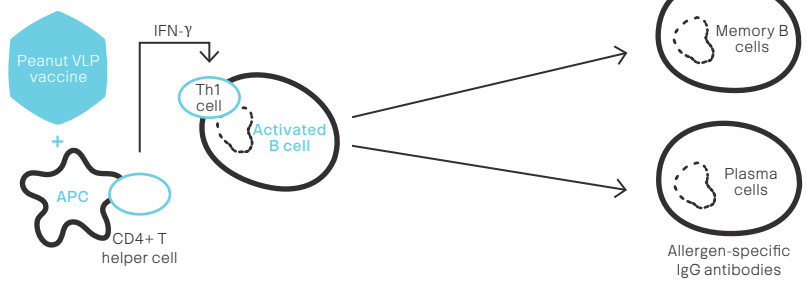
New product registrations

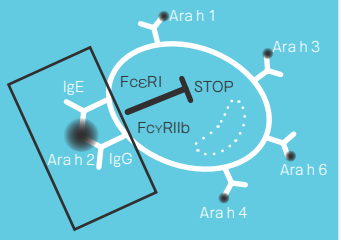
The Group also made strong progress within other areas of the portfolio, with registration of Venomil in Austria under Article 7a of the Austrian Medicinal Products Act, and registration in the Netherlands of the MATA 12 Grass vials line extension.



R&D report continued

Vaccination against peanut allergy via virus-like particles





1. Peanut antigens displayed on the surface of VLPs do not illicit an allergic reaction because they only activate a limited number of neighbouring mast cells.

2. Instead, the design of the vaccine candidate allows efficient trafficking of VLPs to antigen-presenting cells ("APCs") and B cells.

3. There is therefore direct uptake of VLPs via APCs where they interact with CD4+ T helper cells, releasing interferon-gamma (IFN-γ).

4. The interaction between activated B cells (subsequent to antigen uptake) and Th1 cells is essential for long-lived IgG response and memory B cell response.

5. In the presence of high levels of IgG antibodies specific for a single allergen, IgG-immune complexes are formed and inhibit IgE-mediated signals, including those from IgE molecules cross-linked by other peanut allergens preventing anaphylaxis upon accidental exposure.

VLP Peanut

Clinical development of the Group's innovative peanut vaccine is continuing according to planned timelines. The vaccine candidate is based on a subcutaneous application of recombinant peanut allergens coupled with a state-of-the-art virus-like particle ("VLP") platform with the aim of inducing protective immunity.

Initial clinical evaluation of the VLP candidate has completed in collaboration with Imperial College London. The P001 trial is an ex-vivo biomarker study of blood samples from peanut-allergic patients. The study, using human samples and an extensive set of functional and molecular biomarkers, provided Allergy Therapeutics with important information to establish the starting dose for its first in-human Phase I study. The data also acts as an early clinical predictor of efficacy of the VLP platform and supports the acceptance of the Investigational New Drug ("IND") application and a successful Phase I trial outcome. The submission of an IND application to the United States Food and Drug Administration ("FDA") for that study is expected in 2021.

The Group has received feedback from the FDA on our pre-IND CMC (Chemistry, Manufacturing and Controls) and non-clinical questions for the P101 trial. Accordingly, the Group expects to commence the first in-human trial of the VLP vaccine candidate in 2022.

Within this reporting period, the Group has also finalised the manufacturing systems for the VLP Peanut candidate, including the delivery of three months' GMP (good manufacturing practice) and six months' experimental stability data. In addition, the Group's R&D team have successfully demonstrated process development and then scale-up in preparation for Phase I. Scale-up has been so successful, the batch size currently appears suitable to match Phase II expectations.

Method development and Brexit

Whilst continuing to manage costs, the Method Development group have built and developed a first-class team, bringing in further skills identified as crucial for future scientific and business success. Agile approaches have been further introduced into the function to enhance the engagement, productivity and impact of these teams to assist in the Brexit transition. The Group's Regulatory Affairs team have successfully transferred all regulatory activities, including transfer of Marketing Authorisation Holder and transfer of batch testing and release to EU to comply with new regulations following the UK's departure from the EU.

Use of the VLP platform in areas outside of allergy

The Group continued to evaluate new vaccine candidates via initial pre-clinical assessment in disease areas including cancer, eosinophilic asthma, atopic dermatitis and psoriasis. These vaccine candidates are based upon the same VLP technology the Group is utilising in the VLP Peanut programme and offer the potential to be disruptive in these disease areas.

Upon completion of the pre-clinical evaluations, the Group expects to move forward with clinical development plans and discussions with regulatory authorities in order to push these candidates into first in-human trials.

ImmunoBON® clinical studies

The Group has recently released two reviews published in the Allergo Journal International (Roth-Walter, Allergo Journal International volume 30, pages 130-134 (2021) and Mayerhofer et al., Allergo Journal International volume 30, pages 135-140 (2021)) that highlight new aspects in the understanding of allergy that form the basis for our new product ImmunoBON®.

Patients with allergic rhinitis have specific nutritional needs which can be met with the help of targeted micro-nutrition using ImmunoBON®. Studies with birch pollen allergic patients in 2019 and 2020 (results presented at the EAACI congress 2021, manuscript in preparation) show that ImmunoBON® can reduce allergic symptoms. A recent follow-up study showed that the beneficial effects of ImmunoBON® are maintained for seven to eight months (results due to be presented at the German Allergy Congress September 2021, manuscript in preparation). Furthermore, an expert panel of allergy specialists from Germany and Austria already published recommendations for the use of ImmunoBON® (Bergmann et al., Allergo Journal International volume 30, pages 150-153 (2021)). To further collect data on the tolerability of the food for special medical purpose and its influence on allergic symptoms, the Group has initiated an observational study being carried out in private practices in Germany.

Other clinical studies

Non-interventional studies ("NIS") are a key pillar for our marketed products to constantly generate new data. The Group has recently completed several studies conducted in Germany and Spain with the MATA MPL product line. Results have already been published (Florido-Lopez, World Allergy Organization Journal, Volume 13, Issue 12, December 2020, 100487) and were presented at the EAACI Congress 2021. Additionally, for the MATA product line, the team were able to generate new data on the economic impact in the Czech Republic, which also presented at the EAACI Congress 2021.

In November 2020, the Group initiated a long-term (three-year treatment plus two-year follow-up) NIS study in Germany with MATA grass/MATA trees – which included adults and children – to evaluate the efficacy after treatment, as well as demonstrating non-inferiority in children compared to adults. The results of this study will be a milestone for the community as it directly compares a cohort of adults with a cohort of children in the same study. Finally, the Group initiated a NIS in Spain with a new venom product for patients allergic to Polistes venom.

Publications

The R&D team published several important studies in the year, including a paper titled 'Vaccination against allergy – a paradigm shift' published in February 2020 in Trends in Molecular Medicine (Volume 26, issue 4, pages 357-368, 1 April 2020). Within this study the Group demonstrated that immunising against a single allergen using VLPs protects against an allergen mixture. It is a striking find and could be applied against different relevant allergies that are frequently caused by sensitisation against more than one allergen.

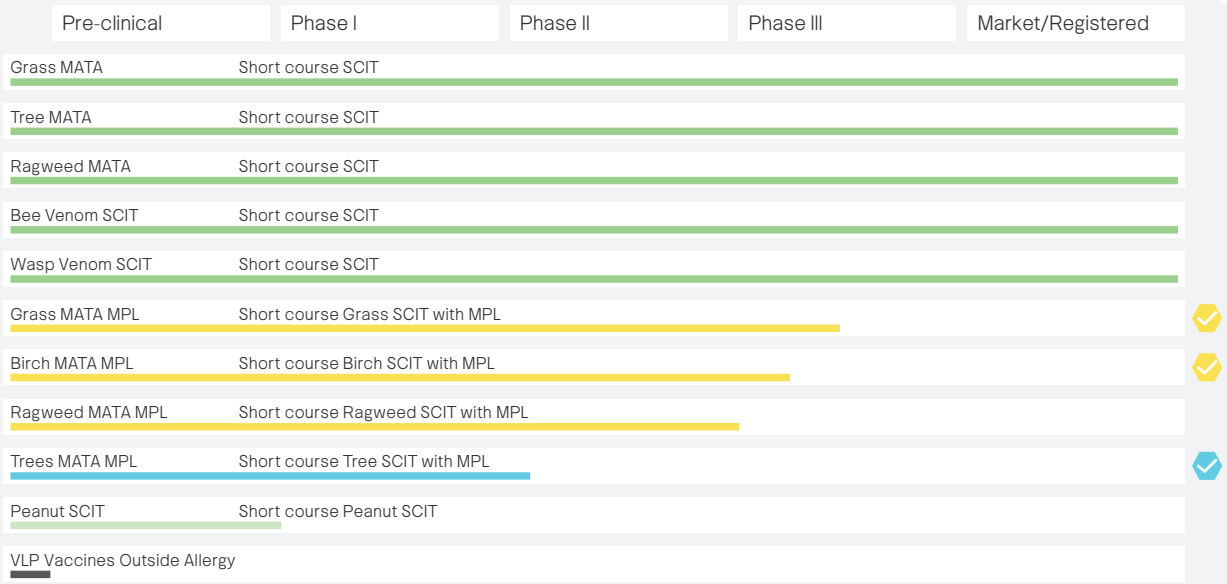
Additionally, the Group published a paper titled 'A meta-analysis on allergen-specific immunotherapy using MCT® (MicroCrystalline Tyrosine)-adsorbed allergoids in pollen allergic patients suffering from allergic rhinoconjunctivitis' in the Journal of Clinical and Translational Allergy (Volume 11, Issue 4, June 2021). This study reveals a large body of evidence from publications investigating Modified Allergen Tyrosine Adsorbed ("MATA") products. MATA products were shown to significantly improve allergic symptoms and reduced the use of anti-allergic medication in comparison to placebo, along with an excellent safety profile.

R&D report continued

R&D pipeline

We have a long-term commitment to the research and development of innovative therapies for the diagnosis and treatment of allergy-related conditions.

R&D pipeline



SCIT: Subcutaneous Immunotherapy
MATA: Modified Allergen Tyrosine Adsorbed
Vaccine candidates outside allergy include disease areas including cancer, asthma, atopic dermatitis and psoriasis.

Also available as a named-patient product

Effective risk management

We recognise that our purpose and mission can only be realised through effective risk management.

Our risk management framework and internal control systems enable the Group to identify, assess and prioritise risks within the business and seek to minimise, control and monitor their impact. This helps us to meet our strategic objectives and deliver the long-term growth and viability of our business.

The Board has overall responsibility for Group risk management and it is firmly embedded within our everyday business activities and our culture. Risk is a standing agenda item at Board meetings, where principal and emerging risks are reported, together with the actions taken to mitigate them. The Board has delegated responsibility for the review of the adequacy and effectiveness of the Group's internal control framework to the Audit and Risk Committee.

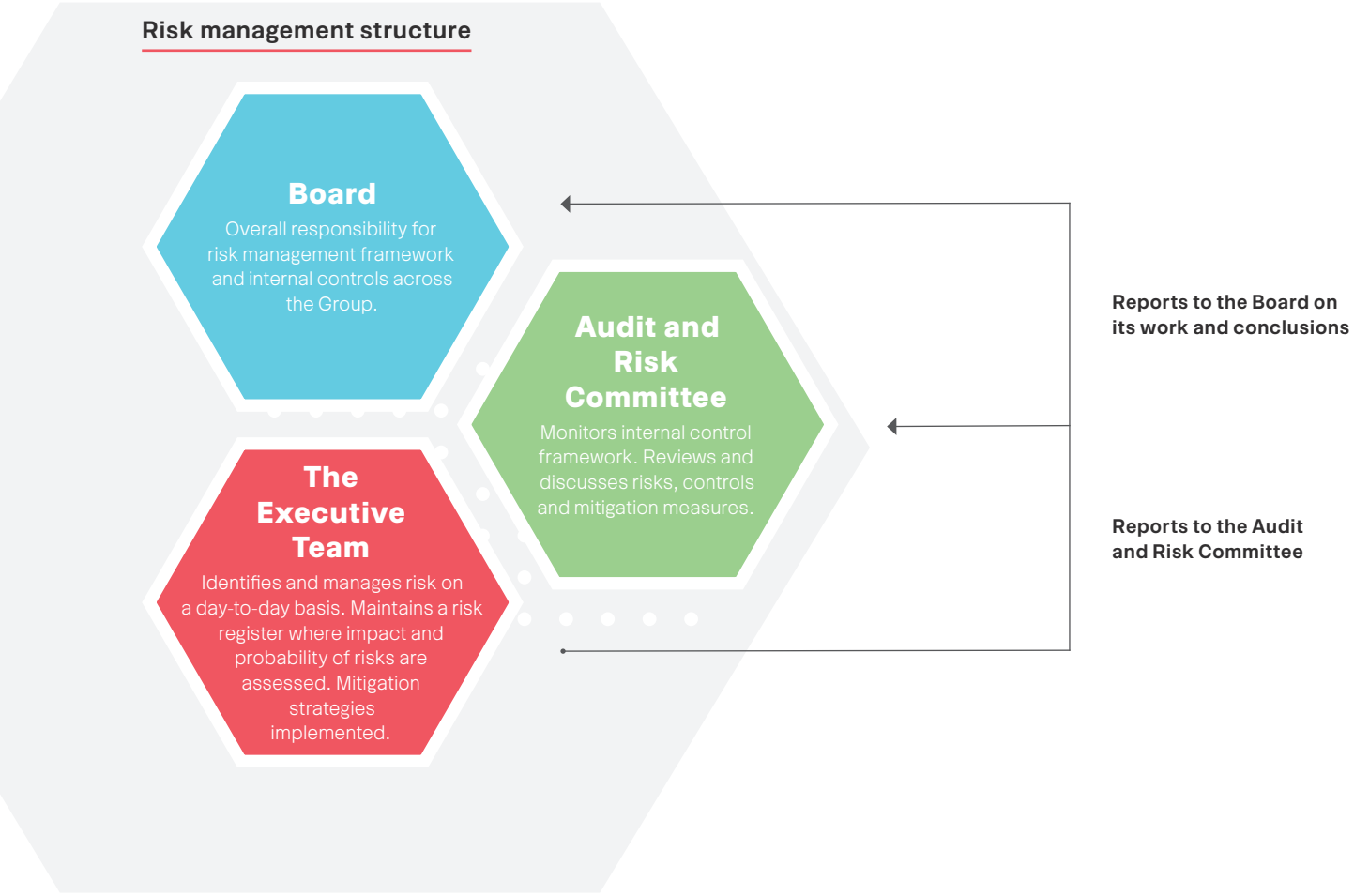
The Executive Team are responsible for the day-to-day operational and commercial activity across the Group and are therefore responsible for the management of risks in their own business functions.

Senior leaders across the business identify and manage the risks for their division or function and a risk register is maintained which contains all current and emerging risks. The severity of each risk is assessed through a combination of each risk's likelihood and impact. In assessing impact, consideration is given to financial, reputational and regulatory factors, and risk mitigation plans are established.

Any emerging risks or changes to risk profiles are reported and discussed at Executive Team meetings. This gives rise to a more risk-aware culture and consistency in decision-making across the organisation in line with the corporate strategy. All corporate decision-making takes risk into account, in a measured way, while continuing to drive business growth.

The risk framework manages rather than eliminates risk and has helped us to develop a more risk-aware culture.

Risk management structure



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.

Risk	Description of risk and impact	Mitigation	Developments in 2021
Clinical and regulatory	- The Group operates in a highly regulated environment for the testing, manufacture and supply of its products. Compliance with clinical and regulatory requirements within the EU affects not only the cost of product development and resource use, but also the time required to comply. - Increased regulation may require products to be amended to comply with regulations and/or products have to be withdrawn, reducing revenues and/or increasing costs (such as the TAV process or Coordination Group for Mutual Recognition and Decentralisation Procedures - Human ("CMDh")). - Regulatory authorities such as the FDA are increasingly focused on the benefit/risk of pharmaceutical products and safety data, making it more onerous to obtain regulatory approval. - Failure of a critical trial could lead to the requirement to withdraw a product from the market, a delay in development of a new product and loss of investor confidence in the Group's ability to carry out successful clinical trials.	- Working with reputable CROs. - Learnings from previous trials. - 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. - Strict monitoring of new industry regulations and engagement 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 has a strong regulatory team to track changes in the regulations and try to influence future regulations. - The Group works to minimise the risk of clinical failures by reviewing all factors in a trial, such as diaries, posology or patient training.	- Completion of grass trial (G309) to test out learning prior to the next Phase III field trial. - Ongoing dialogue with the Paul Ehrlich Institute and the FDA in respect of trials and development. - Further registrations of currently approved products to protect the portfolio.
Product liability	- 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.	- Maintenance of product liability insurance and ensuring systems and processes relating to the manufacture of its products are compliant and regularly reviewed. - Pharmacovigilance team in place to monitor and address any safety issues arising, including non-compliance in the treatment of patients. - Quality assurance procedures are in place with regular checks and reviews to ensure standards are maintained.	- The Group has had audits by regulators in Switzerland (Swiss Medic), the Netherlands (Dutch Health Authority), Canada (Health Canada) and Austria (AGES) which have not identified any critical findings.

Risk	Description of risk and impact	Mitigation	Developments in 2021
IT software and systems	- The business is heavily dependent on IT systems to operate the supply chain, regulatory and pharmacovigilance and the financial systems. Any failure of the hardware or software could significantly impact the business. - The upsurge in cybercrime has increased very significantly the risk of damage to our systems or loss of data or funds.	- Heavy investment has been made in renewing the servers and supporting software to make the infrastructure more robust. - The overall IT team has been strengthened to improve oversight, implementation and ability to respond. - Regular reviews of vulnerabilities to cyber attack are carried out by experienced external parties. - Significant investment in software to protect the business and access to systems. - IT disaster recovery plan.	- Investment in new servers at Worthing along with external supervision contracts. - Increase in headcount with broader skill set. - Investment in dark trace AI software to increase surveillance of the IT environment and any suspicious transactions within it. - Training of staff to prevent successful phishing.
Production	- 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. - Production is reliant on raw materials (such as MPL) from numerous sources. Any disruption to supply could have a significant effect on production. - The site is also leased from GSK and therefore there is a mid-term risk that the lease is terminated. - Any failure in production could lead to a product recall. - Due to the biologic nature of the raw materials, variations in batches could lead to out-of-specification batches and loss of production/out-of-stock situations.	- Regular maintenance and upgrade of the facility undertaken. - Recovery plan in place. - In respect of the lease, the Group has negotiated a longer termination notice period and has a contingency plan in place. Further work has also been undertaken to plan how the Group could become independent of GSK. - Work continues on reducing variability and the methods for testing content.	- Plans to build an energy centre which will make the Group independent of the GSK site. - Build-up of raw material stock in certain areas to protect against vaccine shortages or dual sourcing where possible.
Commercially successful products	- Continued development of viable new products and their successful registration and marketing, while costly and lengthy, is key to the success of the Group. Rationale for new product development may indicate potential; however, following significant investment there is no guarantee that a product will be commercially successful.	- Business development work with key opinion leaders in new markets or in relation to new products to ease entry into the market. - Market research for new products. - Continuing to increase market share of current products across Europe as well as developing new markets to spread risk.	- Ongoing work on new registrations for approved products in other markets. - Continued growth in sales in the year. - Significant number of candidate products in the pipeline. - New products on the market in 2021/2022.

Principal risks and uncertainties continued

Risk	Description of risk and impact	Mitigation	Developments in 2021
Financial	- 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. - A majority of the Group's sales are denominated in Euros whilst the manufacturing and most corporate administration costs are in the UK and therefore the Group is exposed to volatility in exchange rate fluctuations.	- The Board actively reviews the financial requirements of the Group on a regular basis in order to ensure that adequate funding is available. - Monitoring exchange rates regularly with implementation of hedges to mitigate such risks. - Note 25 in the Notes to the financial statements gives details of the Group's objectives and policies for risk management of financial instruments.	- Cash management during the challenging 2021 financial year to ensure there is enough funding for key projects. - Investigate a revolving credit facility in case of working capital swings.
Intellectual property	- 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.	- Know-how protected by non-disclosure agreements. - Internal and external patent experts. - Internal controls in place to avoid disclosure of patentable material and to protect existing patents. - Arrangements in place to notify the Group of any infringements of our intellectual property, which it would defend robustly.	- In several areas, the Group continues to strengthen its control through new patents and new, complex processing methods.
Economic	- 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, the route to markets or current sales. - 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 64% (2020: 61%) 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. - 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.	- Exploratory field trials to maximise probability of success in Phase III trials. - Maintaining appropriate measures such as dual supply, safety stocks and tracking to protect the supply chain where possible. - Continuous effort to expand revenue outside Germany as well as diversify into adjacent markets. - Development of new products and increased clinical data to protect market position. - Regular reviews conducted of pricing and reimbursement levels and assessments of healthcare reforms on pricing.	- Two new products in development that should reach the market in the next year or so. - Reimbursement levels remained stable over the year and, in certain cases, price rises have been allowed. - Continual review of critical suppliers to manage risk.

Risk	Description of risk and impact	Mitigation	Developments in 2021
Pandemic	- Any type of pandemic, such as COVID-19, creates risk and challenges across all functions in the Group. There is significant risk of supply chain disruption, economic damage, disruption of trials and market disruption/alteration. The drive to create vaccines could also lead to shortages of raw materials as well as slower reaction time of regulators as they focus on vaccines for the pandemic.	- The Group has a disaster recovery plan in place for the main manufacturing site. - The Group has a contingency plan to mitigate against further limited COVID-19 waves. - The Group, where possible, has built up raw materials in order to ensure it can still continue to supply even if there are raw material shortages.	- A COVID-19 crisis committee covering all functions met regularly to discuss key issues, share learnings and make decisions. - Clear communication channels keep both internal and external parties informed of progress and actions. - Home working for all but critical workers. - Higher levels of raw materials to protect production.
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.	- An internal audit function, carried out by an external party, is in place, reporting directly to the Audit and Risk Committee. It carries out periodic reviews of the Group's subsidiaries. - Budgeting and reporting systems are in place, with results compared to annual budgets and half-yearly forecasts using variance analysis.	- Internal audits by Mazars, an external specialist audit firm, continue to be carried out on a rotational basis.
Key personnel	- The Group is reliant on a number of key qualified scientific, technical and management personnel. Competition for such personnel is intense and there can be no assurance that the Group will be able to continue to attract and retain such personnel. Loss of these key personnel could adversely impact the effectiveness of the Group's operations.	- Continued investment in training and development as well as externally benchmarking remuneration and developing succession planning. - The Group has created a process to identify and develop talent in the organisation.	- The Group has implemented a plan to develop talent within the business.
Compliance	- The Group aims to remain compliant with all relevant laws and regulations. The recent significant increase in such regulations around data protection, taxation and many other areas has increased the risk of a breach of regulations that could lead to a substantial fine.	- Policies and procedures are in place in order to comply with legislation and the Group considers that its standards are above those of quoted businesses of a similar size, but these may not be enough to avoid breaches.	- The Group has continued to invest in additional compliance resource, training and guidance across all significant countries. - Work is ongoing on a new pharmacovigilance system to comply with the latest regulations.

Financial review

Continued growth

The Group has continued to grow profitably, achieving an operating profit excluding R&D[1] of £16.9m (2020: £14.2m) for the year to 30 June 2021 despite the impact of COVID-19 throughout the financial year.

Nick Wykeman
Chief Financial Officer

£84.3m
Revenue
(2020: £78.2m)

£16.9m
Operating profit excluding R&D[1]
(2020: £14.2m)

£2.9m
Net profit after tax
(2020: £7.1m)

Overview

The Group has continued to grow profitably, achieving an operating profit excluding R&D[1] of £16.9m (2020: £14.2m) for the year to 30 June 2021 despite the impact of continued challenges of COVID-19 and Brexit. As in 2020, COVID-19 especially impacted Southern Europe, with lower Italian sales and slower growth in Spain as can be seen in the segmental reporting section (see Note 4). Including R&D expense of £12.9m (2020: £5.8m after offsetting receipt of legal claims totalling £3.2m), the Group reported an operating profit of £4.0m (2020: £8.3m). The net profit after tax for the period was £2.9m (2020: £7.1m). The impact of IFRS 16, Leases for 2021 has been similar to that of 2020, with all the Group's leases shown on the balance sheet as a 'right-of-use' asset and lease liability with the 2021 EBITDA uplifted by £1.9m (2020: £1.9m) and the operating profit by £0.2m (2020: £0.3m).

Revenue

Reported revenue increased by 8% to £84.3m (2020: £78.2m). The weighted average Euro exchange rate in the year was €1.12 to £1 compared to €1.14 in 2020. Revenue at constant currency[2] was 6% higher, as shown in the table below.

Revenue from Germany was 64% (2020: 61%) of total reported revenue, reflecting the relative impact of COVID-19 with clinics in Northern Europe staying open for most of the time while those in Southern Europe, which are inside hospitals, were closed. Rebates were higher this year due to increased revenue. Sales of Venomil and Pollinex continued to grow strongly while Oralvac and Pollinex Quattro achieved reasonable growth. Total sales from other products contributed £4.0m for the year ended 30 June 2021 (2020: £3.5m).

Revenue in Germany grew well in the year with revenue at constant currency[2] increasing to £52.8m (2020: £48.0m), an increase of 10%.

All the main European markets (except for Italy and Switzerland) exhibited good sales growth at constant currency[2] with Spain showing 4%, the Netherlands 3%, Austria 7% and Germany 10%. The Group continues to develop new and existing markets to broaden its reach and reduce reliance on any one market or product.

Gross profit

Cost of sales increased to £22.1m (2020: £20.2m) reflecting additional Brexit costs. The gross margin was 74% (2020: 74%), leading to a gross profit of £62.2m (2020: £58.0m).

	2021			2020		
	Germany £m	**Other £m**	**Total £m**	Germany £m	Other £m	Total £m
Revenue	**53.8**	**30.5**	**84.3**	48.0	30.2	78.2
Adjustment to retranslate at prior year foreign exchange rate	**(1.0)**	**(0.5)**	**(1.5)**			
Revenue at constant currency[2]	**52.8**	**30.0**	**82.8**	48.0	30.2	78.2

1 Operating profit (pre-R&D) is calculated by adding back total R&D expenditure for the year to the operating profit of the year to arrive at an operating profit (pre-R&D) of £16.9m (2020: £14.2m).

2 Constant currency uses prior year weighted average exchange rates to translate current year foreign currency denominated revenue to give a year-on-year comparison excluding the effects of foreign exchange movements.

Financial review continued

Operating expenses

Total overheads were £5.3m higher than prior year at £58.8m (2020: £53.5m). This included R&D expenditure that rose by £3.9m to £12.9m (2020: £9.0m excluding the one-off receipt in respect of a legal settlement) due to investment in 2021 reflecting work on VLP Peanut and Grass MATA MPL.

Non-R&D operating costs of £45.9m increased by £1.4m (2020: £44.5m) due to further investment in compliance, new products and rising labour costs while some expenses were deferred.

Sales, marketing and distribution costs increased by £0.3m to £25.2m (2020: £24.9m) mainly as a result of investment in new products (especially ImmunoBON®). Other administration expenses increased by £1.1m to £20.7m (2020: £19.6m) as a result of additional investment in compliance and support functions.

Other income in the year of £0.6m (2020: £0.6m) was due to R&D tax credits in the UK.

Tax

The current and prior year tax charges are predominantly made up of provisions for tax in the Italian and German subsidiaries.

Looking forward to the current financial year, some R&D expenditure originally expected in 2021 will now be incurred in 2022, due to the phasing of those costs.

IFRIC 23 continues to impact the tax provision reflecting the charge in the income statement of £0.8m (2020: £1.0m). The charge was also affected by the change in UK legislation in respect of use of losses.

Balance sheet

Property, plant and equipment (including IFRS 16) reduced by £0.7m to £19.7m (2020: £20.4m) reflecting higher depreciation (due to IFRS 16) than investment in upgrading of plant in the UK factory and equipment for R&D.

Goodwill reduced by £0.2m to £3.3m (2020: £3.5m) due to exchange rate fluctuations, whilst other intangible assets increased by £0.1m to £1.4m (2020: £1.3m).

Total current assets, excluding cash, reduced to £17.6m (2020: £18.2m). Inventory increased further by £0.7m due to early production of stock to fill the extended Brexit supply chain. Trade and other receivables have reduced by £1.9m, mainly due to improved collection of trade debtors. Cash and cash at hand increased to £40.3m from £37.0m in 2020 mainly as a result of a continued strong trading result. The Group had a net cash inflow of £3.7m in the year (2020: £9.4m cash inflow including legal settlement of £3.2m) primarily due to good trading.

The fair value of derivative financial instruments changed from a liability to an asset of £0.5m in 2021 (2020: £0.8m liability) due to exchange rate fluctuations.

Retirement benefit obligations, which relate solely to the German pension scheme, decreased to £11.3m (2020: £13.5m). The decrease in the liability was mainly driven by the increase in the discount rate from 0.8% to 1.15% (resulting from German bond yields).

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 bank debt on its balance sheet consists mainly of bank loans arranged to fund development of products in the Spanish market. Group borrowing totalled £3.4m (2020: £3.8m) at 30 June 2021. The overdraft facility of £7m was unused at 30 June 2021 and has since been renewed.

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. For further details, see Note 1, Going concern.

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 manufacturer's 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, £1.2m now) 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 reinstated. Therefore, as at 30 June 2021, no provision has been recognised for the repayment of the rebate refund of €1.4m (£1.2m). This position will be kept under review.

Nicolas Wykeman
Chief Financial Officer

The strategic report, as set out on pages 02 to 58, has been approved by the Board.

On behalf of the Board

Nicolas Wykeman
Director
22 September 2021

Governance

Board of Directors

A good balance of skills and experience to support the delivery of the Company's strategy.

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 Europe and President of Worldwide Supply Operations.

Peter 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.

Committee membership:
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.

Manuel holds both degrees in Chemical Engineering and BSc in Industrial Business Management, an MBA from IESE Business School and a Senior Executive Program from Stanford University Graduate School of Business.

External appointments:
None

Committee membership:
None

Nick Wykeman
Chief Financial Officer

Nick joined Allergy Therapeutics plc in 2016. 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

Committee membership:
None

Steve Smith
Independent Non-Executive Director and Senior Independent Director

Steve is a Chartered Management Accountant, Fellow of the Association of Corporate Treasurers and member of the Institute for Turnaround. During his career he has held a number of financial roles in UK listed companies. Since 1995 he has operated as an independent executive and has taken on a number of board, advisory and executive roles.

External appointments:
Roles include Chairman of Tensator Holdings Limited, Rio Laranja Holdings Limited, Aurora Group Holdings Limited and Icknield Limited.

Committee membership:
A N R

Key to Committees:

A Audit and Risk Committee | N Nomination Committee | R Remuneration Committee | Denotes Chair of a Committee

Tunde Otulana
Independent Non-Executive Director

Tunde has been the Chief Medical Officer of Veloxis Pharmaceuticals in North Carolina, USA since August 2020. Prior to Veloxis he was Senior Vice President and Chief Medical Officer at Mallinckrodt Pharmaceuticals. Tunde's career includes leadership roles at Boehringer Ingelheim Pharmaceutical Inc. and the US Food and Drug Administration ("FDA"). Tunde is a physician trained in Pulmonary and Critical Care Medicine.

External appointments:
None

Committee membership:
N R

Mary Tavener
Independent Non-Executive Director

Mary has extensive experience in the healthcare sector, having spent more than 19 years as Chief Financial Officer and Board member of AIM listed Advanced Medical Solutions ("AMS"). At AMS, Mary was responsible for strategy and risk management, finance, operations, regulatory and legal. Mary is a member of the Chartered Institute of Management Accountants and a Fellow of the Association of Corporate Treasurers ("FCT"). Mary is also the Senior Non-Executive Director ("SID") of Abingdon Health plc.

External appointments:
Abingdon Health plc

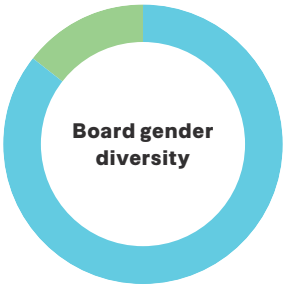
Committee membership:
A R

Scott Leinenweber
Non-Executive Director

Scott is Vice President of Investor Relations and Licensing & Acquisitions at Abbott Laboratories and is their nominated Director on the Board. Scott's career includes leadership and strategy roles in finance, sales and marketing in medical technology, pharmaceuticals and nutritionals.

External appointments:
Abbott Healthcare Private Limited (an Indian subsidiary of Abbott Laboratories).

Committee membership:
A N



Corporate governance report

Chairman's introduction

> The Board ensures that the strategy is delivered responsibly, and that the Group operates in line with its purpose, culture and values.

Peter Jensen
Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Group's corporate governance report for this year. The Board ensures that Allergy Therapeutics' strategy is delivered responsibly, and that the Group operates in line with its purpose, culture and values. This report, and the Committee reports which follow, explain how the Board and its Committees work, and how we applied the principles of the Quoted Companies Alliance Code.

The key focus of the Board during the year remained the safety of our employees and customers, in light of the COVID-19 pandemic, and the resilience and sustainability of the business.

I am pleased to confirm that, despite the logistical challenges of the year, the Board continued to operate effectively within our robust governance framework. Lockdowns and travel restrictions meant that the Directors were not able to meet face to face. However, we were able to meet effectively via video conference. I would like to thank my fellow Directors for their efforts to quickly adapt to this change. I hope that we are soon able to meet in person again, whilst retaining some of the efficiencies gained during lockdown.

Board composition

The Board and Nomination Committee have continued to assess and monitor the composition, effectiveness and diversity of the Board and its Committees to ensure that they remain appropriate for the business now and in the future. At this year's AGM, Steve Smith will be stepping down from his position as a Director. Steve has served the Company for over ten years as the Senior Independent Director of the Board, providing enormous support to the Board and myself. Steve's contribution to the business has been invaluable and he will continue to contribute to the Board and its Committees until the AGM this year. We have begun a search for Steve's replacement and will announce this in due course.

Allergy Therapeutics embraces diversity, recognising that diversity of gender, ethnicity, experience and perspective can bring benefits across the business. The Board currently has a 15% gender diversity and the Executive Team is made up of 40% females.

Audit tender and risk

During the year, the Audit and Risk Committee managed a tender process for the external audit contract. BDO LLP's appointment was approved by the Board in April 2021; this appointment will be subject to shareholder approval at the forthcoming AGM.

ESG

We continue to develop our sustainability strategy focusing on four core areas: Our Planet, Our People, Our Patients and Our Communities. This year, the business has formed an environmental management team, which is leading environmental sustainability across the business. Its aim is to ensure that there is a global proactive approach to managing environmental sustainability, supporting the values, objectives and strategy of Allergy Therapeutics.

Set out on pages 36 and 37 is the Company's second SECR report which includes a full analysis of our energy usage across the Group and efforts that we are making to reduce our carbon footprint. Our governance framework promotes a culture of accountability and responsibility which is supported by our values and behaviours. During the year, the Board has promoted open and transparent discussion, and has provided constructive challenge and support to the business.

Sustainable governance

The Board and Executive Team are working hard to serve the interests of all our stakeholders and constantly review the actions necessary to ensure the sustainability of the Group. This report, and the Committee reports which follow, explain how the Board and its Committees work and how we applied the principles of the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

Our governance framework continues to ensure that the Group operates effectively and with integrity. As well as ensuring compliance with the QCA Code, we also continue to monitor any developments in the UK Corporate Governance Code to keep abreast of matters which we feel should also be considered for an AIM company of our size.

Section 172 and stakeholder engagement

Set out on page 66 is the Board's section 172 statement. In order to comply with section 172, the Board is required to consider a number of matters in its decision-making including the interests of its stakeholders.

The Board fulfilling its section 172 duties has been clearly demonstrated in its continued response to COVID-19 and Brexit. The Board has supported the business to act in line with its values and purpose, ensuring the continued supply of our products to our patients while approving measures to protect and preserve the fundamental value of the business to ensure its long-term sustainability. I would like to thank our Executive Team and all our employees for their enormous efforts over the course of the year and for their exceptional performance in extremely challenging circumstances.

Peter Jensen
Chairman
22 September 2021

Corporate governance statement

The Board has adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The Board believes that this Code provides an appropriate and suitable governance framework for a group of our size and complexity.

This corporate governance statement addresses how the Group complies with each of the ten principles of the QCA Code; however, further disclosure relating to each principle can be found in other sections of the 2021 Annual Report and Accounts (the '2021 Report') as indicated in the adjacent table:

Number	Principle	Disclosure in the 2021 Report
1.	Establish a strategy and business model which promote long-term value for shareholders	Pages 20 and 21 and 40 and 41
2.	Seek to understand and meet shareholder needs and expectations	Pages 27 to 29 and 67
3.	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 27 to 29
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Pages 51 to 55
5.	Maintain the Board as a well-functioning, balanced team led by the Chairman	Pages 60 to 66
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Pages 60, 61 and 69
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Page 65
8.	Promote a corporate culture that is based on ethical values and behaviours	Pages 22 to 39
9.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Page 64
10.	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Pages 67 and 27 to 29

Corporate governance report continued

Our governance framework

The corporate governance framework comprises of matters reserved for the Board, the establishment of Committees with clear Terms of Reference and the delegated authorities matrix, which enables decision-making at appropriate levels within the Group.

The Board

The role of the Board is to collectively promote the long-term success of the Company, generating value for shareholders and providing effective leadership and direction to the business as a whole. It agrees the Group's strategy, having regard to all stakeholders, while maintaining a balanced approach to risk within a framework of effective controls. It has also established the Company's purpose and values and monitors culture to ensure alignment. It sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Group.

The Committees

The principal Board Committees are the Audit and Risk, Remuneration and Nomination Committees. Each Committee has its own Terms of Reference, approved by the Board, which are reviewed periodically and are available to view at **www.allergytherapeutics.com**

The Audit and Risk Committee

Oversees financial reporting and monitors internal controls including the effectiveness of risk management. Monitors the effectiveness of the internal and external auditors.

See pages 70 to 72

The Remuneration Committee

Sets, reviews and recommends the Group's overall remuneration policy and strategy and monitors their implementation.

See pages 73 to 79

The Nomination Committee

Evaluates and makes recommendations regarding Board and Committee composition and succession planning.

See pages 68 and 69

Executive Team

The Executive Team is responsible for the day-to-day running of the business. The team meets at least monthly and receives regular reports on risks to major projects, financial and key business matters. Relevant matters are reported to the Board by the Chief Executive Officer, Chief Financial Officer or the Corporate Governance Director.

Roles and responsibilities

The Board members have separate, clearly defined roles and responsibilities, as set out in the table below. Each member of the Board has a range of skills and experience that is relevant to the successful operation of the Group, as set out in their biographies on pages 60 and 61.

Role	Name	Responsibility
Chairman	Peter Jensen	The Chairman leads the Board and is responsible for its overall effectiveness. Additionally, the Chairman promotes a culture of openness and debate with effective contributions from Non-Executive Directors and ensuring constructive relations between them and the Executive Directors.
CEO	Manuel Llobet	The CEO's role is the day-to-day running of the Group and includes the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Executive Team.
CFO	Nick Wykeman	The Chief Financial Officer supports the Chief Executive Officer in developing and implementing strategy, and oversees the day-to-day management of the Group's finances including the development and implementation of financial strategy.
Senior Independent Director	Steve Smith	The Senior Independent Director ("SID") provides advice and additional support and experience to the Chairman and can perform an intermediary role to other Directors, if necessary.
Non-Executive Directors	Tunde Otulana Mary Tavener Scott Leinenweber	Non-Executive Directors are responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision-making, and to support and constructively challenge the Executive Directors using their broad range of experience and expertise.
Corporate Governance Director	Sara Goldsbrough	The Corporate Governance Director acts as Secretary to the Board and all its Committees and is responsible for advising the Chairman and the Board on all corporate governance matters and ensures good information flows between the Board, its Committees and the Executive Team.

Board and Committee balance and composition

As at 30 June 2021, the Board comprised the Chairman, two Executive Directors and four Non-Executive Directors. The table below summarises the membership of the Board and its Committees. The Board keeps under review its current composition, which provides a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and to address anticipated issues in the foreseeable future.

Biographies of each Director can be found on pages 60 and 61.

The Board during the year

There were nine Board meetings held during the year. The Directors' attendance record at these meetings is shown in the table below.

Board independence

The Board has considered the independence of the Non-Executive Directors, and the table below sets out those considered to be independent in character and judgement.

Peter Jensen has served as Chairman for more than ten years. During the year, the Nomination Committee reviewed this position and concluded that Peter remains independent. Please see page 69 for more details.

Steve Smith has also served on the Board for more than ten years and will be stepping down as a Director at the 2021 AGM. However, the Nomination Committee had determined that Steve retained his independence throughout his tenure.

With the support of the Nomination Committee, the Board will continue to consider any appropriate additions to the Board to further broaden the experience and effectiveness of the Board as the Group continues to grow.

Directors at year end	Role	Independent/ not independent	Date of appointment	Attendance at Board meetings	Attendance at Audit and Risk Committee	Attendance at Remuneration Committee	Attendance at Nomination Committee
Peter Jensen	Chairman	Independent	October 2010	9	3		3
Steve Smith	Non-Executive Director, Senior Independent Director	Independent	September 2004	9	3	4	3
Tunde Otulana	Non-Executive Director	Independent	June 2017	9		4	3
Manuel Llobet	Chief Executive Officer	Not independent	July 2009	9			
Nick Wykeman	Chief Financial Officer	Not independent	June 2016	9	3		
Scott Leinenweber	Non-Executive Director	Not independent	November 2018	9	1[1]		1[1]
Mary Tavener	Non-Executive Director	Independent	June 2019	9	3	1[1]	

1 Appointed to the Committee on 31 March 2021.

Review of Board effectiveness

The 2021 Board performance evaluation was an internal review led by the Assistant Company Secretary. An update on actions identified is set out below:

ESG:

- More regular reporting of ESG progress to the Board.
- ESG to be considered in decision-making processes to firmly align with strategy.

Long-term strategy:

- Each year the Board will review a refreshed five-year scenario plan in a scheduled strategy meeting.

How the Board operates

The Board had nine scheduled meetings during the year, which have all been held virtually. Directors' attendance at scheduled Board and Committee meetings held during the year is set out in the table above.

An outline of the Board's activities covered at those meetings is set out on page 64. Directors are provided with papers five working days in advance of each Board or Committee meeting and meeting packs are accessed from a Board portal. For each scheduled Board meeting, the papers include updates on trading, financial performance and investor relations and, in addition, papers for any special business of the meeting.

Corporate governance report continued

How the Board operates continued

Non-Executive Directors are encouraged to communicate directly with senior management between Board meetings. Members of the Executive Team are invited to attend Board meetings during the year to present an update on performance and forward focus of their specific areas of responsibility.

The annual calendar includes two meetings at which the Executive Team are present: an annual budget meeting when the Executive Team present their business unit updates and their proposed budget for the forthcoming financial year, and a strategy brainstorm meeting; these meetings were also held virtually this year.

The Chairman maintains regular contact with the Non-Executive Directors, the Chief Executive Officer and the Corporate Governance Director outside of meetings as part of his role to provide leadership to the Board and the Company.

Matters reserved for the Board

In order to retain control of key decisions and ensure there is a clear division of responsibilities between the Board and the running of the Company business, the Board has a formal schedule of matters reserved for its decision that is reviewed annually to ensure it remains fit for purpose. This is available at **www.allergytherapeutics.com**.

Board allocation of agenda time

Agendas for each Board meeting are prepared in advance and are aligned with the Board programme, which is reviewed annually and updated when appropriate. All matters are given due consideration and are reviewed at the appropriate point in the regulatory and financial cycles.

Activities of the Board during the year:

Strategy, business performance and capital investment

- Approved the Company's corporate strategy
- Considered and approved investment in clinical programmes and commercial projects
- Approved capital investment in new manufacturing equipment and upgraded IT servers
- Approved a number of material contracts
- Considered Brexit impact, mitigations and preparations
- Considered the impact of COVID-19 on the business
- Received business performance updates

Finance

- Approved the 2021/22 budget
- Reviewed and approved the preliminary and interim results announcements
- Reviewed and approved the pre-close trading statements
- Approved the appointment of the new external auditor
- Reviewed the preliminary results roadshow presentation
- Approved the renewal of overdraft facility
- Reviewed and approved the 2020 Annual Report and Accounts

People and culture

- Approved the Company's people strategy
- Approved the Company's Modern Slavery and Human Trafficking Statement
- Approved the Company's gender pay gap statement
- Reviewed the outcomes and action plans following the employee engagement survey
- Reviewed Executive Team succession planning

Governance, compliance and risk

- Approved the corporate governance statement for the website
- Reviewed and approved the schedule of matters reserved for the Board and the Terms of Reference of the Board Committees
- Agreed the 2021/22 Board and Board Committee programmes and calendar
- Considered the outcome and agreed actions of the Board and Board Committees evaluation questionnaire
- Reviewed the principal risks to the Company
- Approved the Group's health and safety programme

Standing agenda items, such as reports from the Executive Directors, are presented at every meeting. Market and broker updates are circulated to the Board outside of the meetings.

Section 172 statement:

The Board is required to take into account wider stakeholder and social responsibilities and their implications for long-term success. When taking Board decisions, the Directors give careful consideration to the likely impact of any recommended proposal, to ensure that the decision aligns with Group strategy and is likely to promote the success of the business, whilst giving consideration to the potential impact of any decision on the Company's stakeholders.

The precise matters considered by the Directors will depend on the nature of the proposal, but will often include factors such as:

- the likely long-term consequences of a decision;
- the interests of the Company's employees;
- the need to foster relationships with our suppliers;
- operational impacts on the community and environment;
- maintaining the Company's reputation for high standards of business conduct; and
- treating our shareholders fairly.

To allow the Board to consider these matters effectively, Directors receive regular updates on stakeholder views from the Executive Directors and senior management.

Whilst it is not always possible to meet the preferences of all stakeholders, which may diverge, the Board aims to ensure there is an appropriate balance.

See more on pages 20 to 39

How the Board engages with stakeholders

Shareholder engagement

The Board is committed to maintaining open channels of communication with all shareholders, whether institutional or private. It is important that shareholders understand the Group's strategy and objectives, and for the Group to receive shareholders' feedback and consider the issues and questions raised.

To facilitate this, the Group has a comprehensive investor relations strategy and investor relations activity is reported at each Board meeting. For our private shareholders, there is an opportunity to meet the Directors at our Annual General Meeting ("AGM") and further information on the Group can be found below or on our website. Information on how the Group communicates with its shareholders, investors and analysts can be found in 'Engagement with stakeholders' on pages 27 to 29.

Both the Executive Directors and the Chairman meet shareholders and prospective shareholders, both institutional and private, on a regular basis. Non-Executive Directors are available to meet shareholders if they wish to raise issues without the Executive Directors present. During the year, the Executive Directors have held meetings with both existing and potential institutional shareholders, providing insight into the development of the business and its progress. In addition, our Chairman met with a selection of our largest shareholders during the year.

The Board receives regular updates on the views of our shareholders and analysts through briefings and in market reports circulated between Board meetings, which include:

- share price performance monitoring;
- review of shareholder performance and sector analysis;
- composition of the shareholder register;
- peer group comparison; and
- professional and external adviser feedback.

Corporate website

Our corporate website **www.allergytherapeutics.com** acts as a good medium through which results and other news releases are published, including key financial calendar information, details of live webcasting services for key presentations and the source of past key presentations and announcements.

Annual General Meeting

The AGM allows the Board to update the shareholders on the Group'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 2021 AGM will be held on 22 November 2021. The Notice of Meeting will be issued to shareholders at least 21 days before the meeting and separate resolutions will be proposed on each issue. In accordance with our Articles of Association, at least one-third of the Board will retire from office and offer themselves for re-election by shareholders on a rotational basis.

Should shareholders have any concerns that they are unable to successfully resolve following communication with the Chairman, Chief Executive Officer or Chief Financial Officer, they may raise them through the Senior Independent Director.

Other stakeholders

The Board is mindful of how the Group's business activities impact on both the environment and society, and is conscious of the need to make a positive contribution to the world while delivering exceptional business results.

The Group acknowledges its responsibilities to all its stakeholders (including employees, patients and healthcare professionals). Much of the day-to-day decision-making and stakeholder engagement in the Group is carried out at a business level. Further details are set out on pages 27 to 29. The Board receives details on this engagement through the Executive Directors and the reports it receives from the Executive Team in the Board and Committee papers.

All stakeholders are encouraged to relay feedback about the Company to the Board, via the 'Contact Us' section of the website, available here **www.allergytherapeutics.com/contact-us**. Employees are encouraged to relay any feedback via the Company Secretary or via the Senior Independent Director.

Nomination Committee report

> Ensuring a well-balanced Board and a robust leadership talent pipeline for now and the future.
>
> **Peter Jensen**
> Chair of the Nomination Committee

Role of the Committee

The Nomination Committee evaluates and makes recommendations regarding Board and Committee composition and succession planning.

Who?

The members of the Committee comprise Peter Jensen as Chair, Tunde Otulana, Steve Smith and Scott Leinenweber.

What?

Responsibilities and activities:

- evaluating the balance of skills, knowledge, experience and diversity of the Board and its Committees, and making recommendations to the Board on any desired changes;
- overseeing the succession planning for the Board and senior management, including the identification and assessment of potential candidates and making recommendations to the Board;
- leading the process for Board appointments by identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- keeping under review the leadership needs of the Group in respect of both its Executive Directors and other senior management; and
- reviewing the independence of Directors.

Dear Shareholder,

I am pleased to introduce the Company's 2021 Nomination Committee (the 'Committee') report.

Throughout the year, the Committee has continued to monitor the composition of the Board and its Committees to ensure that it has the breadth of experience and skill set to ensure effective governance and oversight of the business both now and in the future.

As Steve Smith is stepping down as a Director at our forthcoming AGM, the Committee has spent some time assessing the required skill set and experience needed from a new Board member who would be able to support our future strategic goals.

A search process for a new Non-Executive Director, lead by the Nomination Committee, is in process and we will announce the outcome in due course.

The Board also focused on the leadership talent pipeline and succession plans for the Executive Team. This will continue to be monitored throughout the coming year.

The Committee takes an active interest in the quality and development of employees within the Company, ensuring that appropriate opportunities are in place to develop high-performing individuals.

Peter Jensen
Chair of the Nomination Committee
22 September 2021

Board composition and skills

The Board considers that the current membership of two Executive Directors, a Non-Executive Chairman and four Non-Executive Directors provides the right blend of commercial and governance experience, independence and challenge and that the diverse range of skills and backgrounds of the Directors prevents any undue individual or collective influence over the Board's decision-making.

Board composition and succession planning

The Committee considers Board composition and succession planning for both Executive and Non-Executive Directors and the Executive Team at each meeting. 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. A summary of the Directors' core skills and experience can be found on pages 60 and 61.

This year, the Committee will continue to consider these matters at meetings and will make any recommendations to the Board where appropriate.

Chairman's tenure

During the year, the Committee considered the tenure of the Company's Chairman in light of the requirement under the 2018 UK Corporate Governance Code that a Chair should not remain in post beyond nine years from the date of their first appointment to the Board.

The Senior Independent Director, Steve Smith, therefore led a review of the Chairman's appointment which included obtaining feedback from the Company's Nominated Adviser and major shareholders. The review determined that the Chairman continued to perform his role effectively and that he continued to be independent in character and judgement. It was also considered that it was not an appropriate time to undertake a search for a new Chair of the Board. The Board therefore concluded that Peter Jensen should continue in his role as Chairman. The Committee will review this position again later in 2021.

Diversity and inclusion

Diversity and inclusion is important to the Company and the Board recognises that diversity of experience and perspective can bring benefits across the business.

The Board is committed to encouraging diversity, and recognises the benefit of diversity, including gender, when searching for candidates for Board appointments. The Board aims that over the next few years, in the normal course of succession management, its composition will become more reflective of the diversity across our business, particularly in terms of gender.

Directors' induction, training and development

Upon appointment, all Directors receive an induction programme tailored to their role. The process includes meetings with all Directors, the Company Secretary and other members of the Executive Team.

A visit to our main manufacturing site in Worthing is also incorporated into the programme to understand business management and develop greater commercial awareness of the Group; these visits continue throughout the year.

To update the Directors' familiarity with the business, the Board would usually visit one of our offices outside of the UK during the year. These visits enable the Board to spend time with different teams and individuals to observe and experience at first-hand how the culture and values are becoming embedded across the Company. All planned visits to offices outside of the UK in 2021 have been cancelled due to COVID-19 travel restrictions.

The Company Secretary updates the Board on regulatory and corporate governance matters and periodic briefings are arranged with external advisers, such as our Nominated Adviser (Panmure Gordon (UK) Limited), to provide a better understanding of the broader market. Directors also receive regular business updates from the Executive Directors and other members of the Executive Team. Directors may also take independent advice at the Company's expense if they feel this is appropriate.

Audit and Risk Committee report

> Supporting the Board by monitoring, reviewing and challenging the effectiveness of the Group's financial reporting, accounting processes, and systems of control and risk management.

Mary Tavener
Chair of the Audit and Risk Committee

Role of the Committee

The primary role of the Audit and Risk Committee is to ensure the integrity of the financial reporting and the audit process and to oversee and monitor the effectiveness of the systems of internal controls and management of risks.

What?

The roles and responsibilities of the Audit and Risk Committee, as set out in its Terms of Reference, are reviewed annually, taking into account relevant regulatory changes and recommended best practice. The key responsibilities of the Committee include, but are not limited to:

- evaluating the effectiveness of the system of risk management and internal controls;
- reviewing the integrity of the financial statements, including Annual Reports and half-year reports;
- reviewing and discussing with management the appropriateness of judgements involving the application of accounting principles and disclosures;
- reviewing the effectiveness of whistleblowing procedures;
- overseeing compliance with applicable legal and regulatory requirements, including reviewing ethics and compliance risks;
- monitoring the qualifications, expertise, resources and independence of the internal audit function and the external auditor;
- assessing the internal and external auditors' performance and effectiveness each year and approving related remuneration for the external auditor; and
- recommending the appointment or re-appointment of the external auditor to the Board so that the Board may put the recommendation to the shareholders at the AGM.

Dear Shareholder,

I am pleased to present our Audit and Risk Committee (the 'Committee') report for 2021 which covers our work and includes some areas of particular focus.

I begin this report by thanking Steve Smith for his valuable contributions as a member, and former Chair, of the Audit and Risk Committee since 2007; he will be stepping down as a Board member at our forthcoming AGM. We were also delighted to welcome Scott Leinenweber to the Committee in May 2021; his expertise and insights are a valuable addition.

Over the course of the year, the Committee has a rolling agenda covering a variety of standing matters such as the control framework, risk management, internal auditor reports and outcomes of significant audits. Specific attention is given to topics that we consider particularly significant, including key areas of judgement relating to the consolidated financial statements.

During the year, in addition to standing matters, the Committee addressed a variety of areas including: the continued impacts of the COVID-19 pandemic on the business, a review of the integrated Group risk policy and management systems across Allergy Therapeutics, and oversaw the tender process for the new external audit contract.

Over the coming year, as climate change gains further importance, the Committee will be monitoring climate change risks and opportunities for the business through regular reports against the business's developing sustainability strategy.

Mary Tavener
Chair of the Audit and Risk Committee
22 September 2021

The Committee

The Committee is chaired by Mary Tavener; other members of the Committee were Peter Jensen, Steve Smith and Scott Leinenweber, who joined the Committee in May 2021. The qualifications of the Committee members are detailed on pages 60 and 61. The members between them have a range of relevant business skills and knowledge, including financial expertise, that allow them to be able to robustly challenge management and make clear and considered decisions.

The Committee's meetings were also attended (by invitation) by the Chief Financial Officer, Company Secretary, Assistant Company Secretary, Financial Controller and Financial Reporting Manager, together with senior representatives of Mazars LLP (the internal auditor), Grant Thornton UK LLP (the external auditor) until the end of March 2021 and BDO LLP (the external auditor) from April 2021.

The Committee met three times during the year to discharge its responsibilities. It has been agreed that going forward, and in line with the expanding role and responsibilities of the Committee, the Committee will meet four times a year. Attendance at these meetings is shown in the table on page 65. The Committee also met privately during the year with the external auditor.

The responsibilities set out on page 70 form the basis of the Committee's rolling annual work plan which is adjusted throughout the year as necessary. The Committee is able to seek any information it requires from management or external parties to investigate issues or concerns, as it deems appropriate.

The Committee can also obtain independent professional advice at the Company's expense; no such independent advice was required during the year.

The Committee keeps the Board informed of its activities and recommendations, and the Chair provides an update to the Board at each meeting.

A copy of the Committee's Terms of Reference, which were updated during the year to reflect the Committee's increased oversight of risk, can be found at **www.allergytherapeutics.com**.

To discharge its responsibilities, during the year, the Committee has undertaken the following activities:

September

- **Risk management and internal controls:** Reviewed business continuity plans and cyber security action plans
- **Internal audit:** Review of findings of risk management audit; progress against agreed plan
- **External audit:** Reviewed external audit findings; review of remuneration; review of effectiveness and independence of external auditor; agreed to proceed with tender process
- **Significant accounting and reporting judgements:** Assessed the significant accounting and reporting judgements with special consideration given to revenue cycles, management override of controls and reviewed impairment of goodwill and other intangible assets
- **Full-year results:** Review of preliminary results announcement; Annual Report; going concern
- **Governance, compliance and financial policies:** Treasury policy; non-audit services policy
- **Others:** Company insurance cover review

February

- **Risk management and internal controls:** Review of Group risk register
- **Internal audit:** Review of findings: (i) financial controls in Germany and Austria, (ii) business continuity planning; progress against agreed plan
- **External audit:** Reviewed external audit findings report and remuneration for interim work
- **Half-year results:** Reviewed and approved interim report
- **Governance, compliance and financial policies:** Reviewed Terms of Reference; reviewed Group risk policy
- **External Auditor:** Recommended to the Board the appointment of the new external auditor following a tender process

May

- **Risk management:** Review of key and emerging risks
- **Internal audit:** Review of progress against agreed plan; review of three-year audit plan; approval of fees for the year ahead
- **External audit:** Year-end plan, scope approved; external audit fees
- **Interim results:** Reflected on process and suggested improvements
- **Annual Report:** Reviewed preparation timetable and project group
- **Governance, compliance and financial policies:** Review and approval of Terms of Reference; review of delegations of authority; review of property valuation; review of treasury policy; reviewed non-audit services policy; review of whistleblowing and anti-bribery application; reviewed GDPR internal audit

Risk management and internal control

The Committee supports the Board in fulfilling its responsibilities in relation to risk management and internal controls by reviewing reports on risks, controls and assurance. The Committee assesses the risk management framework and relies on internal audit reports to assess the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters.

The Group's risk register is reviewed at least twice a year. The Committee updates the Board on risks to compliance with internal controls across the business and any matters which may require improvement. Following an internal audit of risk management, the Committee discussed with management improvements to the Company's overall approach to risk management.

The Committee was also briefed on any developments in the legal, regulatory and financial reporting landscape that could affect the Company.

Audit and Risk Committee report continued

Financial reporting

During the year, the Committee received comprehensive reports from management and the external auditor on financial reporting, accounting policies and judgements and reporting matters. The Committee reviewed the Company's half-year report and Annual Report with management and the external auditor.

Going concern

In carrying out its duties in respect of going concern, the Committee has reviewed detailed budgets, including cash flow projections, for the periods ending 30 June 2022 and 30 June 2023. 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 £40.3m as at 30 June 2021 and the £7m overdraft facility was renewed in August 2021. The Directors have made appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the forecast period and the effects of sales and other sensitivities such as additional costs of Brexit, COVID-19 and other risks as noted in the principal risks section of the Annual Report on the Group's forecast cash balances.

This was carried out via a stress test which included reducing sales by 10% which the Directors consider to be no more than a remote possibility. The stress test resulted in a slightly positive cash balance at the end of the reviewed period. As a result of this review, the Directors have concluded 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.

Audit and Risk Committee evaluation

The Committee undertook an evaluation of its performance and effectiveness. Consistent with the Board's evaluation for 2021, the Committee's performance evaluation was facilitated by Thinking Board. Each Committee member responded to a confidential questionnaire about the Committee's performance covering questions on: the management of the Committee in areas such as the annual agendas, meeting and information quality; the effectiveness of the Committee's oversight in areas such as financial performance, risk management and internal controls. The outcomes of the review will be discussed with the Committee in September and will form the basis of priorities for the year ahead.

Internal audit

Internal audit remit

Mazars LLP ('Mazars') has been appointed to act as Allergy Therapeutics' internal auditor. The primary role of the internal audit function is to safeguard value by protecting the business's assets, reputation and sustainability. The Committee agrees the scope of the internal auditor and approves its rolling three-year plan.

Annual internal audit plan

During the year, the Committee considered and approved the internal audit function's annual audit plan, including the focus areas for 2021 consisting of: (i) Group risk management; (ii) disaster recovery planning; (iii) financial controls in Germany and Austria; and (iv) financial controls in Spain and Italy. Any issues raised during the reviews were reported to the Audit and Risk Committee. During the coming year, it is expected that the audit plan will include reviews of IT controls and cyber security, management information and Board reporting, cash processes, financial controls in Switzerland and regulatory compliance.

The Committee reviews the work of the internal auditor, the audit plan, any matters identified as a result of internal audits and whether recommendations are addressed by management in a timely and appropriate way. The Committee is satisfied that the internal auditor continues to be independent and its services remain effective.

The internal audit partner has direct access to the Audit and Risk Committee Chair should they wish to raise any concerns outside formal Committee meetings. The Committee meets with the internal auditor at least once per year without management.

External auditor

Tender process

During the year, the Company, led by the Committee, undertook a comprehensive and competitive tender process for the contract for the external audit, the previous auditor, Grant Thornton UK LLP, having held office for over ten years. Following the tender process, it was recommended to the Board that BDO LLP be appointed to undertake the 2021 year-end audit and would be offered for election by shareholders at the AGM on 22 November 2021.

Annual audit plan

In May, BDO reviewed with the Committee its audit strategy, scope and plan for the 2021 audit, highlighting any areas which would receive special consideration. The Committee considered the annual plan, which included assessing whether the materiality levels and proposed resources were appropriate.

The Committee met the external auditors without management being present in order to encourage open and transparent feedback from both parties.

Non-audit services and fees

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 Committee to pre-approve any non-audit work with a cost exceeding £10,000.

The total fees charged by the external auditor in the year are shown on page 85.

Our priorities for the year ahead

During the forthcoming year, the Committee will continue to focus on the integrity of the financial controls and risk management systems to ensure that they are effective and reflect the changing risks of our business.

The Committee will continue to oversee the governance of the internal audit programme to ensure that management actions are fully and effectively implemented in a timely manner.

The Committee will make a recommendation to the Board to recommend the appointment of BDO LLP, external auditors, at the next AGM on 22 November 2021.

Directors' remuneration report

> This year, we acknowledge the challenging environment our people have faced and the resilience of the business.

Steve Smith
Chair of the Remuneration Committee

Role of the Committee
The Remuneration Committee sets, reviews and recommends the Group's overall remuneration policy and strategy and monitors their implementation.

Who?
The Remuneration Committee comprises Steve Smith as Chair, together with Tunde Otulana and Mary Tavener, who was appointed to the Committee in April 2021.

What?
Responsibilities and activities:

- determining and recommending to the Board the remuneration policy and monitoring its ongoing effectiveness;
- determining specific targets and objectives for any performance-related bonus or pay schemes for Executive Directors;
- determining targets for LTIP awards to Executive Directors and senior managers;
- reviewing and approving any performance-related bonus schemes for staff;
- considering performance criteria for payment of bonuses;
- considering vesting of LTIPs; and
- considering the fees of the Chairman and other NEDs.

Dear Shareholder,
I am pleased to introduce the Remuneration Committee's report for 2021. This will be my final report as Chair of the Committee and I am delighted to report on a year of strong business performance and good progress against strategic goals.

The business was able to continue to operate throughout the pandemic, continuing to ensure delivery of our products to patients. I am pleased to report that no staff have been furloughed and the Company has not required any additional funding from the Government.

Performance and decisions on remuneration
Commercially, the business has performed well during the year. Net revenue was £84.3m representing 8% annual growth (6% growth on a constant currency basis) reflecting a robust performance in challenging circumstances. Operating efficiencies and timing of the research and development spend led to strong overall performance for the Group with net income of £2.9m. Operating profit excluding research and development costs was £16.9m (2020: £14.1m).

Directors' remuneration report continued

Performance and decisions on remuneration continued

Allergy Therapeutics has a culture of rewarding high performance. Targets set for Executive Directors are stretching, taking into account internal and external forecasts. Bonus targets include growth in EBITDA before R&D expense and also personal strategic performance objectives.

Based on the business performance during the year, and following a robust assessment of personal performance, the bonus will pay out at 76% of the maximum in respect of the CEO, Manuel Llobet, and 76% of the maximum in respect of the CFO, Nick Wykeman.

During the year, the performance period for the Long Term Incentive Plan ("LTIP") awarded in 2018 ended. These awards were subject to TSR and EPS performance conditions. The awards vested in part, resulting in 50% of the awards being granted.

In November 2020, the Company made LTIP awards to Executive Directors and other senior team members based on a recommendation by the Remuneration Committee. These awards were subject to performance conditions as detailed later in this report. The Committee normally makes a recommendation on LTIP awards once a year.

Board changes

As announced in January 2021, I will be stepping down as a Board member from November this year. I am pleased to report that Mary Tavener, who joined the Remuneration Committee in April this year, will succeed me as Chair from November 2021. I wish Mary well in her new role.

Concluding remarks

The Remuneration Committee ensures that our Executive Directors and all employees continue to be appropriately rewarded for performance that benefits the future of the business for all our stakeholders. We are delighted that the business continued to perform well this year and look forward to continuing this momentum.

The Remuneration Committee is committed to having an open and constructive dialogue with investors and we take corporate governance seriously. Consequently, at our forthcoming AGM we will be seeking voluntary shareholder approval for our Directors' remuneration report to provide accountability for the Board over the appropriateness of our remuneration policy and its implementation. At the 2020 AGM, 99.64% of shareholders voted in favour of the Directors' remuneration report. The Committee was pleased with this level of support. It welcomes all feedback on remuneration and both Mary and myself will be available at the AGM to answer any questions which shareholders have on this topic.

We hope that you find this year's Directors' remuneration report informative and look forward to your continuing support in the coming year.

Stephen Smith
Chair of the Remuneration Committee
22 September 2021

The remuneration policy

The key objectives of the Group's remuneration policy are to:

- align executive and shareholder interests;
- underpin an effective pay-for-performance culture; and
- support retention, motivation and recruitment of talented people.

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary, benefits and pension. Variable remuneration includes annual bonus and awards made under the Long Term Incentive Plan.

The policy is aligned to the strategy and nature of the business and reflects the importance of rewarding the Executive Directors for delivering strong performance against the Company's KPIs. Details of each element of remuneration, their operation, purpose, link to strategy and performance metrics are set out in the policy table below.

Elements of remuneration

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metric
Base salary	To provide an appropriately competitive base salary.	Base salary is reviewed annually as at 1 October, with reference to: - each Executive Director's performance and contribution during the year; - the scope of the Executive Director's responsibilities; and - other similar companies.	There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population, but has discretion to decide to award a lower or higher increase to Executive Directors to recognise, for example, an increase in the scale, scope or responsibility of the role.	The Committee considers individual and Group performance when setting base salary.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metric
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.	The level of benefits is not pre-determined but is in line with other senior managers.	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.	The Company may contribute up to 15% of base salary (in the case of the CEO) and up to 10% of base salary (in the case of CFO).	n/a
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 at the start of the financial year and agreed by the Committee in September. Performance against targets and award levels are determined shortly after the year end. The annual bonus is paid out in cash.	The maximum bonus opportunity for Manuel Llobet is 75% of annual salary and for Nick Wykeman is 50%.	Executives' 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.	There is no pre-determined maximum award.	2013 LTIP awards vest after a performance period of approximately three years. Since 2016, 50% of the Executive Director's 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 (EBITDA) before R&D spend; and - 50% on compounded share price growth. The performance measures and weightings 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 Group's strategy and are suitably stretching.

Directors' remuneration report continued

Elements of remuneration continued

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metric
Non-Executive Directors	Provide fees appropriate to time commitments and responsibilities of each role.	Non-Executive Directors are paid a base fee in cash and additional fees for chairing the Audit and Risk and Remuneration Committees. Fees are reviewed periodically. In addition, reasonable business expenses (together with any tax thereon) may be reimbursed.	There is no prescribed maximum annual fee or fee increase. The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	n/a

Notes to the policy table

Annual bonus scheme

Executive Directors may earn bonuses depending on the Group's financial performance and performance against individual targets designed to deliver strategic goals. The principal target currently applied is EBITDA before research and development expenditure. The Committee sets targets it believes to be appropriately stretching, but achievable.

Long-term incentives

As mentioned above, the performance conditions for the LTIP currently comprise two measures:

- EBITDA before research and development expenditure; and
- share price performance.

The Committee believes that these two measures are currently the most appropriate measures of long-term success for the Company as long-term relative performance provides an appropriately objective and relevant measure of the Group's success which is strongly aligned with shareholders' interests.

Malus and clawback

Awards granted under the long-term incentive arrangements are subject to malus and clawback until the end of the respective holding periods. Reasons for malus and clawback being applied would include gross misconduct of a Director and a material misstatement in the audited accounts of the Group. The application of any malus or clawback is at the discretion of the Remuneration Committee.

Remuneration of employees below the Board

No element of remuneration is operated solely for Executive Directors. Employees below the Board receive base salary, benefits and annual bonus, and senior members of staff are invited to participate in the LTIP.

Executive Directors' service contracts and payments for loss of office

Our Executive Directors have rolling service contracts with an indefinite term, but a fixed period of notice of termination. The services of the CEO may be terminated on a maximum of 12 months' notice by the Company or the individual; the CFO may be terminated on a maximum of six months' notice. Our approach to remuneration in each of the circumstances in which an Executive Director may leave is determined by the Remuneration Committee in accordance with the rules of any applicable scheme.

Executive Directors	Date of contract	Notice period
Manuel Llobet	11 June 2009	12 months
Nick Wykeman	9 June 2016	6 months

Non-Executive Directors' service contracts

The Non-Executive Directors do not have service contracts but instead have letters of appointment which contain a three-month notice period. The Chairman's letter of appointment contains a six-month notice period. The letters of appointment may be viewed at the Company's registered office.

Non-Executive Directors	Date of contract	Notice period
Peter Jensen	1 October 2010	6 months
Tunde Otulana	6 June 2017	3 months
Steve Smith	5 October 2004	3 months
Scott Leinenweber	7 November 2018	3 months
Mary Tavener	19 June 2019	3 months

Non-Executive Director fees

The Chairman and Non-Executive Director fees are reviewed periodically to ensure that the business is able to recruit and retain appropriately qualified Non-Executive Directors. The fees are reviewed with reference to other AIM-listed companies and other UK companies of a similar size and nature and the time that Non-Executive Directors are required to devote to the role.

Consideration of new Executive Directors or Senior Executives

When recruiting or promoting any Senior Executive, we seek to apply consistent policies on fixed and variable remuneration components in line with the remuneration policy set out above. This helps to ensure that any new Executive Director or Senior Executive is on the same remuneration footing as existing Executive Directors or Senior Executives respectively, while still taking into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Annual report on Directors' remuneration

This section of the Directors' remuneration report explains how the remuneration policy has been implemented during the year. The information is audited where stated.

Directors' remuneration (audited information)

The tables below set out the single figure of total remuneration for the Executive Directors and Non-Executive Directors for 2021 and 2020:

	Fixed pay			Performance related		Total		
Single figure of remuneration 2021	Salary /Fees	Taxable benefits	Pension[3]	Bonus	LTIPs vested in year	Total fixed	Total performance related	Total
Manuel Llobet[4]	**324,080**	**17,419**	**45,542**	**172,177**	**102,375**	**387,041**	**274,552**	**661,593**
Nick Wykeman[5]	**208,610**	**11,192**	**20,861**	**71,489**	**51,188**	**240,663**	**122,677**	**363,340**
Peter Jensen	**94,000**	**—**	**—**	**—**	**—**	**94,000**	**—**	**94,000**
Steve Smith[1]	**44,500**	**—**	**—**	**—**	**—**	**44,500**	**—**	**44,500**
Tunde Otulana	**40,000**	**—**	**—**	**—**	**—**	**40,000**	**—**	**40,000**
Scott Leinenweber[2]	**37,667**	**—**	**—**	**—**	**—**	**37,667**	**—**	**37,667**
Mary Tavener	**42,646**	**—**	**4,233**	**—**	**—**	**46,879**	**—**	**46,879**
Total	**791,503**	**28,611**	**70,636**	**243,666**	**153,563**	**890,750**	**397,229**	**1,287,979**

	Fixed pay			Performance related		Total		
Single figure of remuneration 2020	Salary /Fees	Taxable benefits	Pension[3]	Bonus[6]	LTIPs vested in year	Total fixed	Total performance related	Total
Manuel Llobet	303,258	10,200	45,489	183,000	71,825	358,947	254,825	613,772
Nick Wykeman	194,375	11,459	19,437	79,000	17,956	225,271	96,956	322,227
Peter Jensen	94,000	—	—	—	—	94,000	—	94,000
Steve Smith[1]	45,625	—	—	—	—	45,625	—	45,625
Tunde Otulana	40,000	—	—	—	—	40,000	—	40,000
Scott Leinenweber[2]	37,667	—	—	—	—	37,667	—	37,667
Mary Tavener	42,873	—	3,798	—	—	46,671	—	46,671
Total	**757,798**	**21,659**	**68,724**	**262,000**	**89,781**	**848,181**	**351,781**	**1,199,962**

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

2 Fees payable to Abbott Laboratories.

3 Pension contributions are in respect of defined contribution schemes.

4 Includes bonus under-accrual from prior year of £1,911.

5 Includes bonus over-accrual from prior year of £3,211.

6 Provisional.

Directors' remuneration report continued

Executive Director remuneration

Annual bonuses 2020/21

The Executive Directors were eligible to earn an annual bonus of up to 75% of salary for the CEO and 50% for the CFO. This is based on the achievement of a stretching Group target for operational profit prior to R&D with one-third of performance above target going into a bonus pot which is capped at aggregate maximum bonuses. Two-thirds of the bonus pot is paid out without any further test with the remaining third only paid out to the extent that each Executive Director has performed against personal objectives set against strategic priorities.

The personal objectives are set on an individual basis and are linked to the corporate, financial, strategic and other non-financial objectives of the Group.

For the 2021 financial year for both Manuel Llobet and Nick Wykeman, the Committee determined that 30% out of 33% would become payable.

Bonus outcomes for Executive Directors

The bonuses payable to the Executive Directors are set out in the table below. Bonuses are payable in cash.

Executive Director	Maximum bonus 2021	Payout % of maximum	Total bonus payout 2021
Manuel Llobet	75%	76%	€190,596
Nick Wykeman	50%	76%	£74,700

Long-term incentives granted during the year

Conditional share awards were granted to Manuel Llobet and Nick Wykeman during the year on 20 November 2020.

Name	Date of grant	Shares awarded	Share price at date of grant	Face value of award	% vest at threshold performance	End of performance period
Manuel Llobet	15 November 2020	900,000	15.5p	£139,500	25	19 November 2023
Nick Wykeman	15 November 2020	450,000	15.5p	£69,750	25	19 November 2023

These awards are eligible to vest in 2023 subject to the achievement of the following performance conditions:

- 50% of the awards are subject to compound annual earnings growth over the three-year performance period achieving a target; and
- 50% of the awards are subject to compound share price growth over the three-year performance period achieving a target.

Long-term incentives vested during the year

Conditional share awards were granted to Manuel Llobet and Nick Wykeman on 15 March 2018 and these vested on 30 March 2021. These awards were subject to a performance condition of compound share price growth (50%) for the period from March 2018 to March 2021 and compound earnings growth (50%) for the three financial years ending 30 June 2020.

Measure	Threshold vesting	Maximum vesting	Share price at date of grant	Outcome	Vesting (% of maximum)
Compound share price growth	7.50%	17.50%	27.0p	Did not meet threshold target	0%
Compound earnings growth	7.50%	17.50%	27.0p	Exceeded maximum target	100%

Salary increases

The CEO's salary has been increased by 2.66% to €367,064 with effect from 1 October 2021 reflecting the average level of salary reviews across the Group. The CFO's salary has been increased by 5% to £222,929 with effect from 1 October 2021 reflecting an increase in responsibilities.

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

	Share options/ LTIPs held at 1 July 2020	LTIPs awarded in the year	Share options/ LTIPs lapsed /vested in the year	Options exercised in the year	Share options/ LTIPs held at 30 June 2021	Subscription price in £	Exercise date from	Expiry date
Manuel Llobet	2,700,000	900,000	(900,000)		2,700,000	0		
	624,024[1]			624,024[2]	0	0	25-Nov-15	24-Nov-24
	905,000[1]			905,000[2]	0	0	10-Mar-16	09-Mar-26
	626,399[1]			626,399[2]	0	0	07-Nov-17	06-Nov-27
	845,000[1]			422,500[2]	422,500	0	27-Mar-20	26-Mar-30
			450,000[1]		450,000	0	30-Mar-21	29-Mar-31
Nick Wykeman	1,350,000	450,000	(450,000)		1,350,000	0		
	211,250[1]				211,250	0	27-Mar-20	26-Mar-30
			225,000[1]		225,000	0	30-Mar-21	29-Mar-31
Total	**7,261,673**	**1,350,000**	**(675,000)**		**5,358,750**			

1 These share options were converted from vested LTIPs.

2 Manuel Llobet had a gain on exercising options during the year of £384,111.

At 30 June 2021, the London Stock Exchange mid-market value of shares was 25 pence per share. The range of mid-market values during the period from 1 July 2020 to 30 June 2021 was 12.75 pence to 25 pence per share.

Non-Executive Director fees

The remuneration of the Non-Executive Directors is considered by the Chairman, with regard to market comparators, and recommended to the Board as a whole. It was agreed that the Non-Executive Director fees are as set out below:

	2021	2020
Basic fee	**£40,000**	£40,000
Audit and Risk Committee Chair	**£4,500**	£4,500
Remuneration Committee Chair	**£4,500**	£4,500

The Directors that held office during the financial year had the following interests in the Ordinary Shares of the Company:

	At 30 June 2021		At 1 July 2020	
Name	**Ordinary Shares**	**Options and LTIPs**	Ordinary Shares	Options and LTIPs
Manuel Llobet[1]	**3,325,000**	**3,572,500**	3,325,000	5,700,423
Nick Wykeman	**300,000**	**1,786,250**	300,000	1,561,250
Peter Jensen	**270,000**	**—**	170,000	—
Steve Smith	**776,513**	**—**	776,513	—
Tunde Otulana	**50,000**	**—**	50,000	—
Scott Leinenweber	**—**	**—**	—	—
Mary Tavener	**—**	**—**	—	—

1 Includes shares held by Wild Indigo.

Shareholder voting

The table below shows the results of the advisory vote on the 2020 Directors' remuneration report at the 2020 AGM.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of remuneration report	554,801,389	99.64	1,990,053	0.36	556,872,111	80,669

This Directors' remuneration report has been approved for issue by the Board of Directors on 22 September 2021.

Stephen Smith
Chair of the Remuneration Committee
22 September 2021

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the 12 months ended 30 June 2021. The financial statements are for Allergy Therapeutics plc (the 'Company') and its subsidiary companies (together, the 'Group').

Strategic report

Certain disclosure requirements of the Directors' report are included within the strategic report. The Group's 2021 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:

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

Tunde Otulana
Steve Smith
Scott Leinenweber
Mary Tavener

Biographies of each Director can be found on pages 60 and 61 and details of each Director's interests in the Company's shares are set out on page 79.

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 has indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' liability insurance which is reviewed annually.

Dividend

The profit for the year after taxation was £2.9m (2020: £7.1m). The results for the year are set out on page 90 and are described in more detail in the financial review.

Due to the current research and development investment strategy, the Company will not be declaring a dividend (2020: £nil). Further details of the Group's research and development strategy can be found on pages 47 to 50.

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 28 to the financial statements on page 121. 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 22 September 2021, are shown in the table below:

Major shareholders (as notified to the Company)

Shareholder above 3%	As notified	% of voting rights
Abbott	240,584,571	37.49%
SkyGem Acquisition Limited (ZQ Capital)	130,454,951	20.33%
Southern Fox	128,833,783	20.07%
River & Mercantile Asset Management	30,520,000	4.76%

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 25 on pages 116 to 119.

Employees

Information on Group employees can be found on pages 30 to 31 and in Note 7 to the financial statements on page 105.

The environment

Details of the Group's approach to the environment and its aims and activities are described on the Company's website, **www.allergytherapeutics.com**. An overview of the Group's corporate responsibility activity is on pages 24 to 29.

The Group recognises the importance of minimising the adverse impact of its operations on the environment and the management of energy consumption and waste recycling. The Group strives to improve its environmental performance. The environmental management system is regularly reviewed to ensure that the Company maintains its commitment to environmental matters. Details of the Company's energy usage can be found in its SECR report on pages 36 and 37.

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 02 to 58. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Chief Financial Officer's financial review on pages 56 to 58.

In addition, Note 25 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.

Detailed budgets have been prepared, including cash flow projections for the periods ending 30 September 2022. 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 £40.3m as at 30 June 2021 and the £7m overdraft facility was renewed in August 2021. The Directors have made appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the forecast period and the effects of sales and other sensitivities, such as Brexit, COVID-19 and other risks as noted in the principal risks section of the Annual Report on the Group's forecast cash balances. This was carried out via a stress test which included reducing sales by 10% (three times the estimated COVID-19 impact) which the Directors consider to be no more than a highly remote possibility. The stress test resulted in a slightly positive cash balance at the end of the reviewed period. As a result of this review, the Directors have concluded 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.

Disclosure to auditors

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

Post balance sheet events

The Directors are not aware of any post balance sheet events that require disclosure.

Independent auditors

A tender for the external audit contract was completed and a resolution to seek appointment of BDO LLP will be proposed at the AGM, to be held on 22 November 2021.

Annual General Meeting

The 2021 Annual General Meeting of the Company will be held on 22 November 2021. The Notice of 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
22 September 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of Companies Act 2006. They 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 FRS 101, 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 of the Group and Company and profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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; and
- prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 auditors are aware of that information.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This responsibility statement was approved by the Board of Directors on 22 September 2021 and signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Nicolas Wykeman
Chief Financial Officer

Financial statements

Financial statements

Independent auditor's report

to the members of Allergy Therapeutics plc

Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of Allergy Therapeutics Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies; the company balance sheet, the statement of changes in equity (company) and notes to the company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- A review of management's assessment of going concern, including various stress test scenarios, and challenge of the key assumptions used to make this assessment, such as revenue forecasts, research and development expenditure, withdrawals of existing products in certain markets and the success or failure of ongoing clinical trials. These were assessed by reference to our knowledge of the industry and experience to date of the relevant cash flows in respect of the Group's operations; and
- A review of the adequacy and consistency of disclosures in relation to going concern in the Group financial statements with reference to management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	80% of Group revenue 90% of Group total assets	
Key audit matters		**2021**
	1. Revenue recognition	✓
	2. Valuation of retirement benefit obligations	✓
Materiality	Group financial statements as a whole £843,000 based on 1% of the Group's revenues.	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group financial statements are a consolidation of eleven companies made up of the Parent Company, a principal holding company, seven operating companies and two dormant companies. The Parent company, the holding company and one operating company are located in the UK which represents the Group's head office, main accounting function and primary research, development and manufacturing centre. All other operating and dormant companies are located across Europe, with the exception of one dormant company located in Argentina.

Based on our risk assessment, in addition to the Parent Company we identified the operating companies located in the UK and Germany as significant components and required a full scope audit of their complete financial information due to their size. These audits, together with additional procedures over certain other components in respect of revenue, inventory, properties held at fair value and cash and borrowings performed by BDO UK, gave us the evidence we needed to form our opinion on the Group financial statements as a whole.

The full scope audit of the significant UK components were performed by BDO UK and the full scope audit of the significant German component was performed by BDO Germany, with additional work performed by BDO UK to take account of accounting differences between component and Group accounting frameworks. Audit procedures over the Group consolidation were also performed by BDO UK. The remaining components of the Group were not identified as being significant to the Group and, other than the additional procedures referred to above, these components were principally subject to analytical review procedures performed by the Group audit team.

As part of the audit strategy, senior members of the Group audit team attended a number of meetings with management via videoconference.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. In light of the international travel restrictions imposed as a result of the Covid-19 pandemic, the Group audit team was unable to travel to Germany, however were able to communicate effectively with the component auditor and component management remotely in order to direct the component auditor's work and review and evaluate the results of their work as necessary.

Our involvement with component auditors included the following:

- As part of our audit planning, we held remote planning meetings via video conference with the German component teams to discuss the Group and local risks identified and to agree the testing approach and audit timelines. The planning documentation on the respective audit files was also reviewed.
- We performed a remote review of the complete audit file for the significant component in Germany. Following the review, any further work required by the Group audit team was performed by the component auditor.
- At the completion stage, we attended video conference meetings with component audit teams and reviewed component audit teams' reporting, addressing risks and specific procedures raised. We also attended a video conference closing meeting held between the component audit team and component management. Discussions were held with Group management to discuss the findings from our audit, including adjustments raised.

Independent auditor's report continued
to the members of Allergy Therapeutics plc

An overview of the scope of our audit continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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, including those which 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		How the scope of our audit addressed the key audit matter
Revenue recognition The Group's accounting policy on revenue recognition is shown in Note 2 and related disclosures are given in Notes 3 and 4.	There is a presumed risk that revenue may be misstated due to the improper recognition of revenue. We have identified the risk to be isolated to two main areas; the cut-off of revenue around the year end and the calculation and recognition of statutory rebates. **Cut off** The Group's revenue is recognised in accordance with the principles of IFRS 15 – Revenue from Contracts with Customers. Revenue from the supply of vaccines is recognised when all conditions have been fulfilled to the customer, which is when the customer has physically received the goods. There is a delay between dispatch from the Group's warehouse (predominantly in the UK) and receipt by the end customer therefore we have identified there to be a risk that revenue generated around the year end may be recognised in the incorrect period. **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. Rebates are considered to be a reduction in the selling price and therefore revenue is shown net of these rebates. The rebate calculation is performed by management and settled in arrears therefore there is a risk that it could be manipulated in order to influence the perceived performance of the Group. We have identified the recognition of revenue to be a key audit matter due to it being one of the most significant risks of material misstatement and its associated fraud risk.	In responding to this key audit matter, we performed the following procedures: – The Group and component audit teams assessed the appropriateness of the Group's revenue recognition policy in accordance with IFRS 15 and confirmed its application; – The Group and component audit teams selected a sample of revenue transactions across the group throughout the year for corroboration to invoice, dispatch note and cash collection from the end customer to determine whether the revenue recognised existed, was accurate and had been recognised in accordance with the Group's accounting policy. For the revenue transactions in Germany, the procedure was extended to also verify the associated rebate accrual to test its completeness; – The Group and component audit teams performed cut off procedures either side of the year end by reference to proof of receipt by the end customer to determine whether the revenue and the statutory rebate was recognised in the correct period; – The German component audit team obtained an understanding of the requirements in respect of the statutory rebate charge and considered management's calculations by reference to these requirements; – The German component audit team re-calculated the statutory rebate for a sample of revenue transactions and corroborated to invoice to confirm its existence; and – The Group audit team completed data analytics testing to identify any unusual transactions which did not follow the expected trend in revenue, investigating and corroborating any transactions which appeared unusual. Work performed by the German component audit team in relation to this matter was reviewed by members of the Group audit team.

Key observations:
Based on the procedures we performed, we did not identify any material misstatements in respect of revenue recognition.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of retirement benefit obligations The Group's accounting policies regarding the defined benefit pension scheme is shown in Note 2 and related disclosures given in Note 27.	The Group operates a partly funded non-contributory defined benefit pension scheme for certain employees in Germany, for which an actuarial valuation is performed in accordance with IAS 19 – Employee Benefits. The value of the retirement benefit obligation at 30 June 2021 was £11.3m, as determined by an independent actuary. This obligation is shown net of plan assets totalling £1.2m at 30 June 2021. The actuarial valuation involves a number of complex calculations and assumptions along with management judgements which have a significant impact on the valuation of the retirement benefit obligation recognised in the financial statements. We have identified the valuation of the retirement benefit obligation as a key audit matter due to the significant judgements and estimates involved in its determination.	In responding to this key audit matter, we performed the following procedures: – The Group audit team assessed the appropriateness of the Group's accounting policy in accordance with IAS 19 and confirmed its application; – The Group audit team engaged an actuarial specialist as an auditor's expert to assess the appropriateness of the methods employed by the scheme actuary and the assumptions and judgements applied by management, including the discount rate, salary increase and social security contribution ceiling rates, pension increase rate and turnover and mortality rates; – The Group audit team assessed the independence, capabilities, objectivity and competence of both management's and the auditor's experts; and – The German component audit team verified, on a sample basis, the accuracy of the underlying data provided to the independent actuary through corroboration to payroll records and employee contracts.

Key observations:
Based on the procedures we performed, we consider that management's judgements and assumptions used in the determination of the liability are appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent company financial statements
	2021	2021
Materiality	£843,000	£94,000
Basis for determining materiality	1% of revenue	1.6% of total assets
Rationale for the benchmark applied	Revenue was selected as the most appropriate benchmark for materiality as this is the primary reporting measure used to assess performance.	Total assets was selected as the most appropriate benchmark for materiality as it is held primarily for investment purposes.
Performance materiality	£421,500	£47,000
Basis for determining performance materiality	50% of materiality having considered a number of aspects including the expected total value of known and likely misstatements, the number of material estimates and other factors.	

Independent auditor's report continued
to the members of Allergy Therapeutics plc

Our application of materiality continued

Component materiality

We set materiality for each component of the Group based on a percentage of between 11% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £94,000 to £759,000. In the audit of each component, we further applied performance materiality levels of 50% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £42,000, being 5% of Group materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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.

In the light of the knowledge and understanding of the Group and 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

As explained more fully in the statement of Directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable at both the Group and component level and the industry in which they operate, and considered the risk of acts by the Group or components that were contrary to applicable laws and regulations, including fraud.
- We considered the Group's compliance with laws and regulations that have both a direct and indirect impact on the financial statements the most significant of which including, but not limited to, those related to the reporting framework (IFRS, the Companies Act 2006 and Quoted Companies Alliance Code), regulations impacting relating to the manufacture and sale of products and the conduct of clinical trials, environmental and labour regulations and tax legislation in the UK and overseas. We considered the extent to which non-compliance might have a material effect on the Group financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We held meetings with the Group's third party internal audit providers, reviewed internal audit reports and minutes of all Board and Committee meetings held throughout the year and subsequent to the year end for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We met with both the Group's Global Head of Regulatory Affairs and Company Secretary to understand any ongoing legal or regulatory investigatory matters.
- We discussed among the Group engagement team, component audit teams and relevant internal technical experts how and where non-compliance with laws and regulations and fraud might occur in the financial statements and any potential indicators of fraud. The engagement team has accumulated extensive knowledge of the industry through their work on the audit of life sciences entities over a number of years.
- We addressed the risk of management override of internal controls, considered to be in connection with the posting of inappropriate journals and bias in significant management estimates and judgements, through testing journal entries processed during the year and subsequent to the year end which met a specific criteria, including a review of unusual journal entries to revenue and consolidation journals, and evaluating whether there was evidence of bias in setting significant estimates and judgements by the Directors that represented a risk of material misstatement due to fraud. Procedures were performed by both the Group and component audit teams.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nigel Harker
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Gatwick
22 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the year ended 30 June 2021

	Note	Year to 30 June 2021 £'000	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000	Year to 30 June 2020 £'000
Revenue	3		**84,331**		78,204
Cost of sales			**(22,106)**		(20,201)
Gross profit			**62,225**		58,003
Sales, marketing and distribution costs			**(25,200)**		(24,853)
Administration expenses – other		**(20,674)**		(19,627)	
Research and development costs – expenditure for the year		**(12,887)**		(9,000)	
– credit relating to legal settlement		**—**		3,152	
– total research and development costs		**(12,887)**		(5,848)	
Total administrative expenses			**(33,561)**		(25,475)
Other income	8		**567**		634
Operating profit			**4,031**		8,309
Finance income	10		**117**		266
Finance expense	9		**(491)**		(504)
Profit before tax	5		**3,657**		8,071
Income tax	11		**(771)**		(1,013)
Profit for the period			**2,886**		7,058
Earnings per share	13				
Basic (pence per share)			**0.45p**		1.11p
Diluted (pence per share)			**0.43p**		1.05p

Consolidated statement of comprehensive income

for the year ended 30 June 2021

	Note	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Profit for the period		**2,886**	7,058
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	27	**1,689**	(1,287)
Remeasurement of investments - retirement benefit assets	17	**(58)**	(23)
Revaluation gains - freehold land and buildings	16	**94**	364
Deferred tax movement - freehold land and buildings	12	**5**	(146)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(503)**	160
Total comprehensive income		**4,113**	6,126

Consolidated balance sheet
as at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**19,717**	20,417
Intangible assets – goodwill	14	**3,343**	3,467
Intangible assets – other	15	**1,411**	1,269
Investments – retirement benefit asset	17	**5,760**	5,902
Total non-current assets		**30,231**	31,055
Current assets			
Inventories	18	**10,838**	10,132
Trade and other receivables	19	**6,222**	8,076
Cash and cash equivalents	20	**40,273**	36,962
Derivative financial instruments	25	**525**	—
Total current assets		**57,858**	55,170
Total assets		**88,089**	86,225
Liabilities			
Current liabilities			
Trade and other payables	21	**(16,475)**	(15,148)
Current borrowings	22	**(963)**	(829)
Lease liabilities	23	**(792)**	(1,435)
Derivative financial instruments	25	**—**	(815)
Total current liabilities		**(18,230)**	(18,227)
Net current assets		**39,628**	36,943
Non-current liabilities			
Retirement benefit obligations	27	**(11,291)**	(13,526)
Deferred taxation liability	12	**(408)**	(470)
Non-current provisions	24	**(208)**	(304)
Lease liabilities	23	**(6,967)**	(6,988)
Long-term borrowings	22	**(2,450)**	(2,927)
Total non-current liabilities		**(21,324)**	(24,215)
Total liabilities		**(39,554)**	(42,442)
Net assets		**48,535**	43,783
Equity			
Capital and reserves			
Issued share capital	28	**651**	647
Share premium		**112,576**	112,576
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – share-based payments		**2,693**	3,104
Revaluation reserve		**1,073**	974
Foreign exchange reserve		**(1,188)**	(685)
Retained earnings		**(107,398)**	(112,961)
Total equity		**48,535**	43,783

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2021 and signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Nicolas Wykeman
Chief Financial Officer

Registered number: 05141592

Consolidated statement of changes in equity

for the year ended 30 June 2021

	Issued capital £'000	Share premium £'000	Merger reserve - shares issued by subsidiary £'000	Reserve - share-based payment £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2019	646	112,576	40,128	3,023	1,207	(845)	(119,177)	37,558
Exchange differences on translation of foreign operations	—	—	—	—	—	160	—	160
Valuation gains taken to equity (land and buildings) - net of deferred tax	—	—	—	—	218	—	—	218
Remeasurement of net defined benefit liability	—	—	—	—	—	—	(1,287)	(1,287)
Remeasurement of investments - retirement benefit assets	—	—	—	—	—	—	(23)	(23)
Total other comprehensive loss	—	—	—	—	218	160	(1,310)	(932)
Profit for the period after tax	—	—	—	—	—	—	7,058	7,058
Total comprehensive income	—	—	—	—	218	160	5,748	6,126
Transfer of depreciation on revalued property	—	—	—	—	(451)	—	451	—
IFRIC 23 tax provision (see Note 2)	—	—	—	—	—	—	(696)	(696)
Transactions with owners:								
Share-based payments	—	—	—	794	—	—	—	794
Shares issued	1	—	—	—	—	—	—	1
Transfer of lapsed options to retained earnings	—	—	—	(713)	—	—	713	—
At 30 June 2020	647	112,576	40,128	3,104	974	(685)	(112,961)	43,783
Exchange differences on translation of foreign operations	—	—	—	—	—	(503)	—	(503)
Valuation gains taken to equity (land and buildings) - net of deferred tax	—	—	—	—	99	—	—	99
Remeasurement of net defined benefit liability	—	—	—	—	—	—	1,689	1,689
Remeasurement of investments - retirement benefit assets	—	—	—	—	—	—	(58)	(58)
Total other comprehensive income	—	—	—	—	99	(503)	1,631	1,227
Profit for the period after tax	—	—	—	—	—	—	2,886	2,886
Total comprehensive income	—	—	—	—	99	(503)	4,517	4,113
Transactions with owners:								
Share-based payments	—	—	—	635	—	—	—	635
Shares issued	4	—	—	—	—	—	—	4
Transfer of lapsed options to retained earnings	—	—	—	(1,046)	—	—	1,046	—
At 30 June 2021	**651**	**112,576**	**40,128**	**2,693**	**1,073**	**(1,188)**	**(107,398)**	**48,535**

Consolidated cash flow statement

for the year ended 30 June 2021

	Note	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Cash flows from operating activities			
Profit before tax		**3,657**	8,071
Adjustments for:			
Finance income	10	**(117)**	(266)
Finance expense	9	**491**	504
Non-cash movements on defined benefit pension plan		**85**	192
Depreciation and amortisation	15, 16	**4,132**	3,914
Net monetary value of above-the-line R&D tax credit	8	**(567)**	(634)
Charge for share-based payments		**635**	794
Movement in fair valuation of derivative financial instruments		**(1,340)**	386
Decrease in trade and other receivables		**2,141**	3,694
(Increase) in inventories		**(1,117)**	(706)
Increase/(decrease) in trade and other payables		**548**	(2,399)
Net cash generated by operations		**8,548**	13,550
Bank loan and interest paid		**(190)**	(168)
Income tax received/(paid)		**41**	(897)
Net cash generated by operating activities		**8,399**	12,485
Cash flows from investing activities			
Interest received		**117**	266
Payments for retirement benefit investments		**(194)**	(228)
Payments for intangible assets		**—**	(283)
Payments for property, plant and equipment		**(2,562)**	(2,264)
Net cash used in investing activities		**(2,639)**	(2,509)
Cash flows from financing activities			
Proceeds from issue of equity shares		**4**	1
Repayment of bank loan borrowings	33	**(757)**	(654)
Repayment of principal on lease liabilities	33	**(1,605)**	(1,343)
Interest paid on lease liabilities	33	**(301)**	(321)
Proceeds from borrowings	33	**625**	1,886
Net cash used in financing activities		**(2,034)**	(431)
Net increase in cash and cash equivalents		**3,726**	9,545
Effects of exchange rates on cash and cash equivalents		**(415)**	(23)
Cash and cash equivalents at the start of the period		**36,962**	27,440
Cash and cash equivalents at the end of the period		**40,273**	36,962
Cash at bank and in hand		**40,273**	36,962
Bank overdraft		**—**	—
Cash and cash equivalents at the end of the period		**40,273**	36,962

Notes to the financial statements
for the year ended 30 June 2021

1. Basis of preparation
Allergy Therapeutics is an international commercial biotechnology Group focused on the treatment and diagnosis of allergic disorders including immunotherapy vaccines that have the potential to cure disease.

The Group's financial statements have been prepared in accordance with IFRS in issue as adopted by the UK and with those parts of the Companies Act 2006 that are relevant to the Group preparing its accounts in accordance with UK-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 BN14 8SA and its shares are listed on the AIM.

The consolidated financial statements for the year ended 30 June 2021 (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 22 September 2021.

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 adopted early by the Group
At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Going concern
Operating profit in the period was £4.0m (2020: £8.3m profit); net cash inflow from operations was £8.4m (2020: £12.5m net cash inflow). The inflow was due to good trading. Excluding the R&D expenditure, the Group would have reported an operating profit of £16.9m (2020: £14.2m).

The going concern period has been assessed as 12 months from the date of approval of the financial statements, hence the reason for this review period. Detailed budgets have been prepared, including cash flow projections for the periods ending 30 September 2022. 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 £40.3m as at 30 June 2021 and the £7m overdraft facility was renewed in August 2021. The Directors have made appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the forecast period and the effects of sales and other sensitivities, such as Brexit, COVID-19 and other risks as noted in the principal risks section of the Annual Report, on the Group's forecast cash balances.

This was carried out via a stress test which included reducing sales by 10% (three times the estimated COVID-19 impact) which the Directors consider to be no more than a highly remote possibility. The stress test resulted in a slightly positive cash balance at the end of the reviewed period. As a result of this review, the Directors have concluded 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 2021. 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.

Intercompany 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.

Notes to the financial statements continued
for the year ended 30 June 2021

2. Accounting policies continued

Goodwill
Goodwill arising from business combinations is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities and contingent liabilities acquired. It is initially recognised as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Intangible assets acquired as part of a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an asset and can 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 are 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; and
- 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, R&D expenditure is charged to the consolidated income statement in the period in which it is incurred.

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

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

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

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

The cost of amortising intangible assets is included within administration expenses in the consolidated income statement.

Segmental reporting
The Group's operating segments are market based and are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker ("CODM") which has been identified as the Executive Directors. The CODM is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management follow the Group's revenue lines which represent the main geographical markets within which the Group operates. These operating segments are managed separately as each requires different local expertise, regulatory knowledge and a specialised marketing approach. Each market-based operating segment is engaged in production, marketing and selling within a particular economic environment that is different from that in segments operating in other economic environments. All inter-segment transfers are carried out at arm's length prices.

Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's presentational currency is Sterling, which is also the functional currency of the Group's parent.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at reporting period end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated income statement. Non-monetary items are carried at historical cost or translated using the exchange rate at the date of the transaction or a weighted average rate as an approximation where this is not materially different.

Foreign operations

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

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the weighted average rate over the reporting period which approximates to actual rates. Exchange differences are charged or credited to other comprehensive income ("OCI") and recognised in the currency translation reserve in equity. OCI includes those items which would be reclassified to profit or loss and those items which would not be reclassified to profit or loss.

Revenue recognition

The Group's revenue recognition policy is as follows:

Revenue generated from a contract for the sale of goods is recognised on delivery when all conditions have been fulfilled to the customer, such as the supply of vaccines.

The Group recognises revenue in accordance with the requirements of IFRS 15 and in the five-step model set out within the standard as follows:

STEP 1 Identifying the contract with the customer

The Group accounts for contracts with customers within the scope of IFRS 15 only when all of the following criteria are met:

a. the Group and the customer have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

b. the Group can identify each party's rights regarding the services to be transferred;

c. the Group can identify the payment terms for services to be transferred;

d. the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and

e. it is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Significant new contracts with distributors are reviewed by senior management to ensure the relevant terms are identified and agreed.

Substantially all sales are via purchase orders received from the customer which specifies the product to be delivered.

STEP 2 Identifying the performance obligations

At contract inception, the Group assesses the goods or services promised within the contract and identifies as a performance obligation, each promise to transfer to the customer either:

a. a good or service that is distinct; or

b. a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

With the exception of trivial amounts, the only identifiable performance obligation is the delivery of products.

STEP 3 Determining the transaction price

For the majority of supplies, the goods are sold at an agreed list price (or a variation of the list price as agreed between the parties). In these cases there is no variable consideration.

One exception is in the Canadian market where the Group sells to a distributor at an 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 and therefore forms part of the transaction price. In these instances, the deferred consideration is accrued at a discounted value at the point of delivery. This further consideration is calculated at a fixed percentage of the distributor's sales revenue in relation to these products less certain costs associated with their sale. No element of this variable consideration is constrained. The distributor revenue and selling costs are estimated based on their selling price lists and accumulated experience. Although this additional revenue is variable in nature, it is not of a significant value.

There is no material difference between the timing of cash receipts and the timing of revenue recognition in respect of revenue contracts.

STEP 4 Allocating the transaction price to the separate performance obligations

There is only one performance obligation and accordingly the transaction price is allocated to the delivery of the product.

STEP 5 Recognising revenue when performance obligations are satisfied

The performance obligation is satisfied at the point in time when the product is delivered to the customer. Each transaction is recognised as a separate chargeable event. There are no further obligations.

Notes to the financial statements continued
for the year ended 30 June 2021

2. Accounting policies continued

Revenue recognition continued

Agent vs principal considerations

Upon inception of a contract with a customer, the Group considers whether it is acting as agent or as principal in accordance with IFRS 15. The Group considers that it is acting as a principal if it controls the specified good or service before that good or service is transferred to a customer. In doing so, the Group has determined that it has acted as a principal and not as an agent as part of all of its contracts with customers. In reaching this conclusion, the Directors considered the following arrangements:

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.

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. Revenue is recognised by the Group when the products are sold by the agent.

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. The rebates are not considered to meet the definition of variable consideration as set out in IFRS 15.50-53. This is because at the point of entering into a contract with a customer on which a rebate is likely to apply (for example, the supply of an allergy vaccine to a patient in Germany), there is no variability relating to the consideration to be received by the Group in exchange for the supply of the goods - the sales price and associated rebate is crystallised at the point of the supply. The calculation of the rebate to be repaid by the Group is carried out and invoiced in arrears by the various health insurer rebate centres in Germany. Accordingly, the rebate is considered to be a reduction in the selling price and is therefore deducted from the transaction price.

IFRS 15 other disclosures

All revenue recognised in the income statement is from contracts with customers and no other revenue has been recognised.

Disclosures regarding impairment losses are detailed in Note 19, Trade and other receivables.

A disaggregation of revenue is reported in Note 3, Revenue. Revenue by segment is reported in Note 4, Segmental reporting.

Revenue for each item is recognised when the goods are provided to the client and the obligation to pay the Group arises at the same time. Control passes to the customer once the goods are delivered, at which point the Group becomes entitled to consideration for the goods provided. The Group sells on credit and debtors are typically recovered between 20 to 90 days later. Further details regarding this are detailed in Note 19, Trade and other receivables.

As at 30 June 2021 there were no remaining performance obligations for revenue recognised in the year.

All obligations pertaining to revenue recognised have been met. No revenue was recognised relating to obligations not yet performed. No revenue has been recognised in the period relating to obligations met in the preceding period.

Significant judgements regarding the timing of transactions or price are detailed in Note 2, Judgements in applying accounting policies.

The transaction price is set out in individual contractual agreements and there is a range of prices based on the goods sold.

No assets were recognised from costs to obtain or fulfil a contract with any customer.

Presentation of material items

In preparing the financial statements the Directors consider whether there have been any material or unusual items. These items are disclosed separately on the face of the primary financial statements.

Expenditure recognition

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

Leasing

The right-of-use asset is initially measured at the amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), plus any initial direct costs incurred in agreeing the lease, plus an estimate of future dismantling, removal and restoration costs. Subsequent to the initial measurement, the right-of-use asset is accounted for using the cost model set out in IAS 16, Property, Plant and Equipment, which is based on depreciating the asset over the estimated useful economic life.

In connection with the Group's right-of-use assets, as at 30 June 2021 there were no lease payments that had been made prior to the commencement of the lease, nor any lease incentives, nor has the Group made any structural or other changes to any right-of-use assets that would require material costs in respect of dismantling, removal or restoration.

The initial recognition of the lease liability has been based on discounting the cash flows associated with the lease using the rate implicit in the lease agreement, or where this is not available, the Group's incremental borrowing rate, which the Directors consider to be similar to the Group's bank borrowing rate, currently 3.2%. After initial measurement the Group charges the lease liability with the interest cost to unwind the discount factor and reduces the liability by the amount of contractual payments made annually.

In reviewing the leases, the Directors took into consideration those which were long-term leases, those which were short-term leases, the underlying asset value and the lease and non-lease components.

Leases of low-value assets and short-term leases with a term of 12 months or less have continued to be recognised as an operating expense and it was determined that all of these short-term leases had termination clauses of three months or less and therefore could be readily terminated if required. The Directors have set a guideline of £5,000 or less lease value as the threshold for determining the value of a potential lease asset. All the short-term leases are therefore also considered low-value assets and have been excluded from right-of-use assets. Further details on these leases are contained in Note 23.

Low-value and short-term leases
Where the Group is a lessee, payments on low-value and short-term operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Benefits received and receivable as an incentive to enter an operating lease are also spread on a straight-line basis over the lease term.

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 OCI 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 PPE is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset. The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to the consolidated income statement.

Other plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Provision for depreciation of all PPE assets of the Group (except land) is made over their estimated useful lives, on a straight-line basis principally using the following annual rates:

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

Residual values and useful lives are reviewed annually and amended as necessary. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the PPE may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell or value in use.

Depreciation charges are included in either administration expenses or cost of sales when arriving at operating profit in the consolidated income statement.

Impairment

The Group's goodwill, other intangible assets, freehold land and buildings, and plant and 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 ("CGUs"). Goodwill is allocated to those CGUs 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 CGUs 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 CGUs 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 asset's or CGU's 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 CGUs, 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 CGU. 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 on equipment used in production, 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.

R&D investment credits

Investment credits are directly related to the Group's qualifying R&D 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.

Financial instruments assets

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below. Financial derivatives are designated at fair value through the profit and loss ("FVTPL") upon initial recognition.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original liability and the recognition of a financial liability. A substantial modification of terms occurs when the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original facility.

The only types of financial assets held by the Group are loans, receivables and derivative financial instruments.

Notes to the financial statements continued
for the year ended 30 June 2021

2. Accounting policies continued

Financial instruments assets continued

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cashflows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. It typically applies to the Group's cash and cash equivalents and trade and other receivables. The carrying amount of financial assets measured at amortised cost is adjusted for expected credit losses under the expected credit losses model.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. The expected loss rates are based on the payment profile of historical sales and the corresponding historical credit losses expected in this period. The Company also considers future expected credit losses due to circumstances in addition to historical loss rates.

On that basis, no loss allowance was identified as at 30 June 2021 or 1 July 2020.

Derivative financial instruments

The Group utilises derivative financial instruments which are recognised at fair value at the end of the year with changes in fair value recognised in the income statement. 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.
Hedge accounting is not applied.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives. The only derivatives held by the Group are derivative financial instruments to mitigate the effects of exchange rate exposure through the use of forward exchange contracts. These derivative financial instruments have been included at fair value. Financial liabilities designated at FVTPL are carried subsequently at fair value with gains or losses recognised in profit or loss. Please see Note 25 for the fair value hierarchy.

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 – share-based payments' represents equity-settled share-based employee remuneration until such share options are exercised;
- '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; and
- '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 OCI (such as the revaluation of land and buildings) or equity, in which case the related deferred tax is also charged or credited directly to OCI or equity, respectively.

IFRIC 23: Uncertainty over income tax treatments

Where an uncertain tax position ("UTP") is identified, management will make a judgement as to what the probable outcome will be, assuming that the relevant tax authority has full knowledge of the situation. The local filing history, and status of relationship with the domestic tax authorities, will be factored into management's judgement. Where it is considered that an economic outflow is probable, a provision is made for the best estimate of that liability. In estimating any such liability, a risk-based approach has been applied using weighted probabilities of a range of likely outcomes. These estimates take into account the specific circumstances of each UTP, together with the opinion of relevant external advisers, as appropriate.

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 OCI 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.

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 IAS 19, 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 OCI.

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). The fair value of LTIP shares, which have market conditions attached, includes an adjustment based on Monte-Carlo calculations.

Details of the LTIP schemes and the conditions applying to each scheme are disclosed in Note 29, Share-based payments on pages 122 and 123.

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. For vestings based on market conditions, no adjustments to the expense recognised are made if the market conditions are not met.

The expensed value of share options, which have lapsed unexercised, is transferred from the share-based payment reserve to retained earnings.

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 R&D costs. Costs expensed in the year amounted to £12.9m (2020: £9.0m which together with a credit relating to a legal claim for reimbursement of £3.2m resulted in total net R&D expenditure of £5.8m).

b) 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 £1.2m (equivalent of €1.4m) 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 reinstated. 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 €1.4m (£1.2m now) with a corresponding impact on net income and net assets.

Notes to the financial statements continued
for the year ended 30 June 2021

2. Accounting policies continued
Use of accounting estimates and judgements continued
Judgements in applying accounting policies continued

c) In respect of net revenue relating to certain products there is a risk that up to £10.7m cumulative revenue recognised (2020: £7.4m) may be reversed due to a retrospective change in the level of rebate being applied (2021: £3.3m recognised and periods up to 2020: £7.4m recognised). Details of this have been noted in Note 30, Contingent liabilities.

Sources of estimation uncertainty

a) Determining whether goodwill is impaired requires an estimation of the value in use of the CGU 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 CGU and a suitable discount rate in order to calculate the present value. Please see Note 14, Goodwill for key assumptions regarding goodwill.

   In relation to the goodwill in respect of the German CGU, there is no likely scenario in which this goodwill would be impaired. Discount rates would have to rise beyond 850% or annual cash inflows would have to reduce by more than £20m p.a. before the goodwill would be impaired.

   In relation to the goodwill in respect of the Spanish CGU, possible impairment was sensitised with a discount rate of 24% and alternatively with reduced annual cash inflows of £0.75m, with neither of these scenarios indicating an impairment.

b) The Group operates equity-settled share-based compensation plans for remuneration of its employees comprising LTIP schemes. As explained in Note 29, 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 judgement and experience of previous awards to estimate the probability that the awards will vest, which impacts the fair valuation of the compensation.

   The key variables to be estimated are the number of awards that will lapse before the vesting date due to leavers, and the number of awards that will vest in relation to the non-market condition performance tests. The sensitivity to these variables can be seen in the table given in Note 29.

c) The Group operates a partly funded non-contributory defined benefit pension scheme for certain employees in Germany. The defined assets and liabilities of this scheme are estimated using actuarial methods by an independent expert. See Note 27.

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

	2021 £'000	2020 £'000
Sale of goods at a point in time	**84,331**	78,179
Rendering of services transferred over time	**—**	25
	84,331	78,204

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 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 Other), the UK and Rest of World.

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

Revenue by segment

	Revenue from external customers 2021 £'000	Inter-segment revenue 2021 £'000	Total segment revenue 2021 £'000	Revenue from external customers 2020 £'000	Inter-segment revenue 2020 £'000	Total segment revenue 2020 £'000
Central Europe						
Germany	**53,802**	**—**	**53,802**	47,977	—	47,977
Austria	**5,604**	**—**	**5,604**	5,146	—	5,146
Netherlands	**4,166**	**—**	**4,166**	3,965	—	3,965
Switzerland	**3,137**	**—**	**3,137**	3,161	—	3,161
	66,709	**—**	**66,709**	60,249	—	60,249
Southern Europe						
Italy	**3,967**	**—**	**3,967**	4,493	—	4,493
Spain	**8,422**	**—**	**8,422**	7,939	—	7,939
Other	**532**	**—**	**532**	690	—	690
	12,921	**—**	**12,921**	13,122	—	13,122
Rest of World (including UK)	**4,701**	**53,981**	**58,682**	4,833	35,262	40,095
	84,331	**53,981**	**138,312**	78,204	35,262	113,466

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 the Czech Republic, Slovakia, 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 arm's-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 Group has no customers which individually account for 10% or more of the Group's revenue.

Depreciation and amortisation by segment

	2021 £'000	2020 £'000
Central Europe	**1,244**	1,014
Southern Europe	**795**	811
Rest of World (including UK)	**2,093**	2,089
	4,132	3,914

EBITDA by segment

	2021 £'000	2020 £'000
Allocated EBITDA		
Central Europe	**2,803**	3,042
Southern Europe	**1,080**	886
Rest of World (including UK)	**4,280**	8,295
Allocated EBITDA	**8,163**	12,223
Depreciation and amortisation	**(4,132)**	(3,914)
Operating profit	**4,031**	8,309
Finance income	**117**	266
Finance expense	**(491)**	(504)
Profit before tax	**3,657**	8,071

Notes to the financial statements continued
for the year ended 30 June 2021

4. Segmental reporting continued

Total assets by segment

	2021 £'000	2020 £'000
Central Europe	**23,820**	23,492
Southern Europe	**12,052**	12,269
Rest of World (including UK)	**89,779**	87,755
	125,651	123,516
Inter-segment assets	**(5,937)**	(6,934)
Inter-segment investments	**(31,625)**	(30,357)
Total assets per balance sheet	**88,089**	86,225

Included within Central Europe are non-current assets to the value of £2.6m (2020: £2.6m) relating to goodwill and within Southern Europe assets to the value of £3.8m (2020: £4.3m) 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 £2.0m and comprised plant and machinery £1.2m, fixtures and fittings £0.2m, computer equipment £0.3m and computer software £0.3m (2020: £1.6m).

Total liabilities by segment

	2021 £'000	2020 £'000
Central Europe	**(22,266)**	(22,915)
Southern Europe	**(11,301)**	(8,432)
Rest of World (including UK)	**(11,924)**	(18,029)
	(45,491)	(49,376)
Inter-segment liabilities	**5,937**	6,934
Total liabilities per balance sheet	**(39,554)**	(42,442)

5. Profit before tax

	2021 £'000	2020 £'000
Profit for the period has been arrived at after charging/(crediting):		
(Gain)/loss on fair valuation of foreign exchange forward contracts	**(1,340)**	386
Loss/(gain) on foreign exchange forward contracts matured in the year	**534**	(755)
Loss/(gain) on revaluation of US Dollar denominated cash deposits	**58**	(154)
Other foreign exchange (gains)/losses	**(73)**	458
Depreciation and amortisation:		
Depreciation of property, plant and equipment excluding right-of-use assets (Note 16)	**2,053**	1,907
Depreciation of right-of-use assets (Note 16)	**1,652**	1,517
Amortisation of intangible assets (Note 15)	**427**	489
R&D (2020: includes credit of £3.2m relating to legal settlement)	**12,887**	5,848
Share-based payment expense (Note 29)	**635**	794
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**110**	124
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries' accounts pursuant to legislation	**111**	56
Audit-related assurance	**—**	11
Tax compliance services	**—**	5
Tax advisory services	**—**	1
Other services	**—**	3

6. Remuneration of key management personnel

	2021 £'000	2020 £'000
Salaries and short-term employee benefits	**1,064**	1,042
Social security costs	**159**	129
Post-employment benefits - defined contribution and defined benefit plans	**70**	69
	1,293	1,240
Share-based payment	**49**	61
	1,342	1,301

Key management personnel are considered to be the Directors and full details of their remuneration are set out in the information included in the Directors' remuneration table on page 77 and forms part of the financial statements.

7. Employees (including Directors)

	2021 £'000	2020 £'000
Wages and salaries	**31,343**	28,599
Social security costs	**5,005**	4,878
Share-based payments	**635**	794
Pension costs - defined benefit plans	**279**	253
Pension costs - defined contribution plans	**1,356**	1,464
	38,618	35,988

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

	2021	2020
R&D, marketing and administration	**246**	230
Sales	**122**	124
Production	**233**	217
	601	571

8. Other income

	2021 £'000	2020 £'000
Net monetary value of above-the-line R&D tax credit	**567**	634

9. Finance expense

	2021 £'000	2020 £'000
Interest on borrowing facility	**85**	18
Net interest expenses on defined benefit pension liability	**105**	165
Interest on lease liabilities	**301**	321
	491	504

10. Finance income

	2021 £'000	2020 £'000
Bank interest	**39**	216
Interest on investment assets	**68**	45
Other finance income	**10**	5
	117	266

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

Notes to the financial statements continued
for the year ended 30 June 2021

11. Income tax expense

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax on profit for the period at 19% (2020: 19%)		
Current year	**—**	106
Prior year	**24**	(6)
Overseas tax	**816**	908
Prior period overseas tax	**(54)**	22
	786	1,030
Deferred tax - current year	**(15)**	(17)
Tax charge for the period	**771**	1,013

The reconciliation between the tax charge and the accounting profit multiplied by the UK corporation tax rate for the years ended 30 June is as follows:

	2021 £'000	2020 £'000
Profit for the period before tax	**3,657**	8,071
Profit for the period multiplied by the standard rate of corporation tax of 19% (2020: 19%)	**695**	1,534
Effects of:		
Disallowable adjustments	**800**	135
Movements in unrecognised deferred tax - losses utilised	**(1,032)**	(1,155)
Adjustment of taxes for prior periods	**181**	15
Movement in uncertain tax positions	**50**	283
Adjustment for different tax rates	**174**	221
Relief for shares acquired by employees and Directors	**(123)**	(18)
Gross up of R&D expenditure credit - current year	**25**	1
- prior year	**1**	(3)
Tax charge for the period	**771**	1,013

At 30 June 2021, the Group had recognised provisions of £1.8m (2020: £1.7m) in respect of uncertain tax positions on the balance sheet which are included under social security and other taxes within Current liabilities - Trade and other payables.

12. Deferred tax

Recognised deferred tax liability

	Tax value of carried forward losses £'000	Tax value of accelerated capital allowances £'000	Acquisition of Bencard A.G. £'000	Italian freehold property £'000	Tax value of Alerpharma S.A. losses £'000	Acquisition of Alerpharma S.A. £'000	Total £'000
At 1 July 2020	**401**	**(401)**	**(104)**	**(139)**	**40**	**(267)**	**(470)**
Amount (charged)/credited to the income statement	**241**	**(241)**	**15**	**—**	**(16)**	**16**	**15**
Amount (charged)/credited to other comprehensive income	**—**	**—**	**—**	**(25)**	**—**	**30**	**5**
Exchange differences	**—**	**—**	**20**	**10**	**(1)**	**13**	**42**
At 30 June 2021	**642**	**(642)**	**(69)**	**(154)**	**23**	**(208)**	**(408)**

	Tax value of carried forward losses £'000	Tax value of accelerated capital allowances £'000	Acquisition of Bencard A.G. £'000	Italian freehold property £'000	Tax value of Alerpharma S.A. losses £'000	Acquisition of Alerpharma S.A. £'000	Total £'000
At 1 July 2019	322	(322)	(105)	(47)	69	(235)	(318)
Amount (charged)/credited to the income statement	79	(79)	16	—	(29)	30	17
Amount (charged)/credited to other comprehensive income	—	—	—	(88)	—	(58)	(146)
Exchange differences	—	—	(15)	(4)	—	(4)	(23)
At 30 June 2020	401	(401)	(104)	(139)	40	(267)	(470)

Deferred tax is provided under the balance sheet liability method using the local tax rate for each country's 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 and 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:

	2021 £'000	2020 £'000
Deferred tax assets	**665**	441
Deferred tax liabilities	**(1,073)**	(911)
	(408)	(470)

Unrecognised deferred tax

	2021 Deferred tax assets £'000	2020 Deferred tax assets £'000
Non-current assets		
R&D expenditure credit	**586**	495
Current assets		
Stock	**1,453**	235
Current liabilities		
Derivative financial instruments	**—**	155
Non-current liabilities		
Pension and other employee obligations	**1,823**	2,545
Share options	**504**	257
Unused tax losses	**17,089**	14,161
Total	**21,455**	17,848

As at 30 June 2021, the Group had approximately £69m of unutilised tax losses relating to the UK (2020: approximately £74m) 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 Group reviewed the unrecognised tax losses and determined that it was not probable that taxable profits will be available against which the tax losses can be utilised.

The main UK corporation tax rate is to change from 19% to 25% with effect from 1 April 2023. The recognised and unrecognised UK deferred tax assets and liabilities have been calculated at 25%, being the rate enacted at 30 June 2021.

Notes to the financial statements continued
for the year ended 30 June 2021

13. Earnings per share

	2021 £'000	2020 £'000
Profit after tax attributable to equity shareholders	**2,886**	7,058
	Shares '000	Shares '000
Issued Ordinary Shares at start of the period	**637,286**	636,169
Ordinary Shares issued in the period	**4,487**	1,117
Issued Ordinary Shares at end of the period	**641,773**	637,286
Weighted average number of Ordinary Shares for the period	**639,190**	636,169
Potentially dilutive share options	**37,468**	37,323
Weighted average number of Ordinary Shares for diluted earnings per share	**676,658**	673,492
Basic earnings per Ordinary Share (pence)	**0.45p**	1.11p
Diluted earnings per Ordinary Share (pence)	**0.43p**	1.05p

14. Goodwill

	2021 £'000	2020 £'000
At 1 July	**3,467**	3,432
Addition	**—**	—
Exchange difference	**(124)**	35
At 30 June	**3,343**	3,467

For the purposes of impairment testing of goodwill, the Directors recognise the Group's CGUs to be the following:

	2021 £'000	2020 £'000
Germany	**2,565**	2,642
Spain	**778**	825
Total	**3,343**	3,467

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.

Management estimates discount rates using post-tax rates and post-tax cash flows that reflect the current market assessment of the time value of money and the risks specific to the CGU.

Impairment review

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable and a potential impairment may be required. Impairment reviews have been performed for all CGUs for the years ended 30 June 2021 and 2020.

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 14% discount rate (2020: 11%) which the Group has estimated to be the weighted average cost of capital adjusted for risks specific to the CGU. The discount rate has been calculated using the capital asset pricing model ("CAPM"). The calculated discount rate has increased due to an increase in the expected market return used in this model. Management did not consider it necessary to review further than the three-year detailed forecast period (refer to sources of estimation uncertainty point (a) on page 102).

Management's key assumptions include sales growth (at an average of 10% per annum 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 recoverable amount for the Spain CGU above was determined based on a value-in-use calculation, covering a detailed five-year forecast of future cash flows using budgeted projections assuming a 14% discount rate (2020: 14%) 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 10% per annum for the five-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. The long-term annual growth rate beyond the five-year detailed forecast period was assumed to be 3.5%.

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 2019	4,803	1,156	472	301	279	1,092	3,441	11,544
Additions	—	—	—	—	—	4	279	283
Foreign exchange	55	68	8	5	5	1	16	158
At 30 June 2020	4,858	1,224	480	306	284	1,097	3,736	11,985
Reclassification (see Note 16)	—	—	—	—	—	—	(32)	(32)
Additions	—	—	—	—	—	—	719	719
Foreign exchange	(193)	(98)	(28)	(18)	(16)	2	(67)	(418)
At 30 June 2021	**4,665**	**1,126**	**452**	**288**	**268**	**1,099**	**4,356**	**12,254**
Amortisation								
At 1 July 2019	4,803	621	339	241	194	1,054	2,884	10,136
Charge for the year	—	82	31	59	27	38	252	489
Foreign exchange	55	—	7	6	4	5	14	91
At 30 June 2020	4,858	703	377	306	225	1,097	3,150	10,716
Charge for the year	—	75	31	—	28	—	293	427
Foreign exchange	(193)	7	(23)	(18)	(14)	(3)	(56)	(300)
At 30 June 2021	**4,665**	**785**	**385**	**288**	**239**	**1,094**	**3,387**	**10,843**
Net book value								
At 1 July 2019	—	535	133	60	85	38	557	1,408
At 30 June 2020	—	521	103	—	59	—	586	1,269
At 30 June 2021	**—**	**341**	**67**	**—**	**29**	**5**	**969**	**1,411**

The class of intangible assets 'Distribution agreements' arose from the acquisition of the Swiss subsidiary Bencard A.G. (formerly Teomed A.G.) 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 15 years.

Trade names, customer relationships, know-how and patent (Spain) assets were recognised at fair value upon the acquisition of Alerpharma S.A. on 5 June 2015.

Other intangibles relate to trademarks and licences.

Notes to the financial statements continued

for the year ended 30 June 2021

16. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Land and buildings £'000	Total £'000
Cost or valuation						
At 1 July 2019	12,100	7,576	52	4,145	3,049	26,922
Reclassification	388	(36)	(1)	(164)	(187)	—
Adjustment on transition to IFRS 16	73	40	912	—	8,741	9,766
Revaluation	—	—	—	—	176	176
Additions	1,517	263	262	182	40	2,264
Foreign exchange	14	24	—	19	46	103
Disposals	(297)	(54)	(22)	(25)	—	(398)
At 30 June 2020	13,795	7,813	1,203	4,157	11,865	38,833
Reclassification (see Note 15)	—	—	—	31	—	31
Revaluation	—	—	—	—	43	43
Additions	1,260	354	1,123	498	77	3,312
Foreign exchange	(60)	(92)	(68)	(69)	(409)	(698)
Disposals	—	(45)	(391)	(213)	—	(649)
At 30 June 2021	**14,995**	**8,030**	**1,867**	**4,404**	**11,576**	**40,872**
Depreciation						
At 1 July 2019	6,643	4,926	42	3,830	—	15,441
Reclassification	201	(42)	—	(159)	—	—
Charge for the year	829	738	505	194	1,159	3,425
Revaluation	—	—	—	—	(188)	(188)
Foreign exchange	11	18	4	5	30	68
Disposals	(265)	(23)	(18)	(24)	—	(330)
At 30 June 2020	7,419	5,617	533	3,846	1,001	18,416
Reclassification	—	—	—	—	—	—
Charge for the year	936	705	643	228	1,193	3,705
Revaluation	—	—	—	—	(51)	(51)
Foreign exchange	(33)	(59)	(55)	(65)	(68)	(280)
Disposals	—	(33)	(391)	(213)	2	(635)
At 30 June 2021	**8,322**	**6,230**	**730**	**3,796**	**2,077**	**21,155**
Net book value						
At 1 July 2019	5,457	2,650	10	315	3,049	11,481
At 30 June 2020	6,376	2,196	670	311	10,864	20,417
At 30 June 2021	**6,673**	**1,800**	**1,137**	**608**	**9,499**	**19,717**

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

Freehold land and buildings include 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 2021 by Yard S.p.A. independent valuers, certified by RICS in Milan, Italy based on an open market valuation. This property is carried at fair value. The Group obtained an updated valuation of the Madrid premises in June 2021 by Co. Hispania S.A., an independent valuation company accredited by the Bank of Spain and based in Madrid, Spain. This property is carried at fair value.

The valuation of the Madrid premises was €1,967,799 and similar to the carrying value. The valuation was performed using the depreciated cost replacement method (adjusted for reduction in value due to age).

If the cost basis was used, the carrying amounts of the Spanish revalued land and buildings would be £1,607,000 (the carrying value of the asset at the point the subsidiary was first consolidated). The revalued amounts include a revaluation surplus of £115,000 before tax which is not available for distribution to the shareholders of the Group.

The Italian premises were revalued to €1,450,000 as at 30 June 2021 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 €1,580 (£1,357) per sq m. This compares to the range of prices from €1,300 per sq m to €1,800 per sq m observed by the valuers.

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 £1,275,000 before tax which is not available for distribution to the shareholders of the Group.

The reconciliation of the carrying amounts of land and buildings non-financial assets classified within Level 2 is as follows:

	Spain £'000	Italy £'000	Total £'000
Balance at 1 July 2020	1,851	1,275	3,126
Other adjustment	—	—	—
Additions at cost	73	—	73
Gain recognised in other comprehensive income:	—	—	—
Revaluation of freehold land and buildings	—	94	94
Loss recognised in income statement - depreciation of buildings	(165)	(52)	(217)
Gain recognised in OCI - exchange differences on translating foreign operations	(100)	(72)	(172)
Balance at 30 June 2021	**1,659**	**1,245**	**2,904**
IFRS 16 - right-of-use assets			6,595
NBV of land and buildings at 30 June 2021			**9,499**

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 27). The policy includes a right to reimbursement and therefore does not meet the definition of a qualifying insurance policy under IAS 19.8. 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.

	2021 £'000	2020 £'000
At 1 July	**5,902**	5,551
Additions	**194**	228
Finance income	**68**	44
Remeasurement of investment	**(58)**	(23)
(Loss)/profit on foreign exchange	**(346)**	102
	5,760	5,902

18. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	**2,969**	2,874
Work in progress	**2,737**	3,696
Finished goods	**5,132**	3,562
	10,838	10,132

The value of inventories measured at fair value less cost to sell was £949,000 (2020: £336,000). The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a charge of £613,000 which was included within the costs of goods sold in the consolidated income statement.

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for the year ended 30 June 2021

19. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**2,960**	3,491
Other receivables	**1,219**	1,622
VAT	**439**	540
Prepayments and accrued revenue	**1,604**	2,423
	6,222	8,076

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, £81,000 of trade receivables were written back 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.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

All of the Group's trade receivables in the comparative periods have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile over the past 24 months to 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off (i.e. derecognised) where there is no reasonable expectation of recovery. An allowance is made for credit losses when there is an indication that the debt may not be recovered. Failure to make payments within five months from the invoice due date is considered an indicator of possible non-recovery.

Bad and doubtful debt provision

	2021 £'000	2020 £'000
Balance brought forward	**541**	460
Foreign exchange adjustments	**(28)**	12
(Write back of previous credit losses)/allowance for credit losses	**(81)**	69
Utilised	**—**	—
Balance carried forward	**432**	541

This note includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

On the above basis, the expected credit loss for trade receivables as at 30 June 2021 and 30 June 2020 was determined as follows:

	2021			2020		
	Expected credit loss rate %	**Gross carrying amount £'000**	**Lifetime expected credit loss £'000**	Expected credit loss rate %	Gross carrying amount £'000	Lifetime expected credit loss £'000
Trade receivables						
Current	**—**	**2,514**	**—**	—	2,301	—
Not more than three months	**—**	**240**	**—**	—	863	—
More than three months but not more than six months	**1%**	**164**	**1**	2%	243	4
More than six months but not more than one year	**40%**	**27**	**11**	66%	136	90
More than one year	**94%**	**447**	**420**	91%	489	447
		3,392	**432**		4,032	541

20. Cash and cash in hand

	2021 £'000	2020 £'000
Cash at bank and in hand	**40,273**	36,962

21. Trade and other payables

	2021 £'000	2020 £'000
Due within one year		
Trade payables	**2,897**	2,217
Social security and other taxes	**3,754**	4,440
Other creditors	**25**	72
Accrued expenses and deferred income	**9,799**	8,419
	16,475	15,148

22. Borrowings

	2021 £'000	2020 £'000
Due within one year		
Bank loans	**963**	829
	963	829

	2021 £'000	2020 £'000
Due in more than one year		
Bank loans	**2,450**	2,927
	2,450	2,927

There is an overdraft facility provided by NatWest Bank plc which has a maximum limit during the year of up to £7m. 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 NatWest Bank plc by means of debentures granted by Allergy Therapeutics plc, Allergy Therapeutics (Holdings) Ltd and Allergy Therapeutics (UK) Ltd as security against the banking facilities. The Group had a cash balance of £40.3m as at 30 June 2021 and the £7m overdraft facility was unused at 30 June 2021 (2020: £nil). The overdraft facility was renewed in August 2021.

The loans below were taken out by Allergy Therapeutics Iberica S.L. and are secured by way of a charge on land and buildings owned by Allergy Therapeutics Iberica S.L.

		Capital repayments due		
	Interest rate	<1 year £'000	1-5 years £'000	>5 years £'000
BBVA	Fixed rate of 2.5%	72	443	—
Bank Inter	1 month Euribor +5.0%	30	149	43
Tecnoalcala	Interest free	25	25	—
Santander (1)	Fixed rate of 2.5%	354	271	—
CDTI (1)	Interest free	37	147	86
Santander (2)	Fixed rate of 2.3%	85	228	—
CDTI (2)	Fixed rate of 0.2%	50	81	—
Santander (3)	Fixed rate of 2.3%	310	977	—
		963	2,321	129

During the year, Allergy Therapeutics Iberica S.L. took out a loan for €0.6m (included above) to further expand the Group's manufacturing and quality control facilities. Warranties in respect of this €0.6m loan were provided by Allergy Therapeutics plc.

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23. Lease liabilities

Lease liabilities are presented in the Group consolidated balance sheet as follows:

	2021 £'000	2020 £'000
Due within one year	**792**	1,435
Due in more than one year	**6,967**	6,988
	7,759	8,423

The Group has leases for the main manufacturing and production facility in Worthing, Group offices in Continental Europe, motor vehicles and mainly IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 16).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term
Buildings (office, manufacturing and warehousing)	8	1-13 years	7 years
Cars	103	1-5 years	2 years
Other equipment	7	1-4 years	2 years

The related underlying asset secures the lease liabilities. Future minimum lease payments at 30 June 2021 were as follows:

	Minimum lease payments due						
30 June 2021	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	After 5 years £'000	**Total £'000**
Lease payments	925	1,839	955	919	909	3,492	**9,039**
Finance charges	(133)	(353)	(184)	(154)	(128)	(328)	**(1,280)**
Net present values	792	1,486	771	765	781	3,164	**7,759**

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount £'000	Depreciation expense £'000	Impairment £'000
Buildings (office, manufacturing and warehousing)	6,595	975	—
Cars	1,096	643	—
Other equipment	45	35	—
Total right-of-use assets	**7,736**	**1,653**	**—**

24. Provisions

The provision refers to a leaving indemnity reserve in Allergy Therapeutics Italia s.r.l. 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 IAS 19, 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 IAS 19 was carried out by Managers & Partners Actuarial Services S.p.A. at 30 June 2021. The major assumptions used were as follows:

	2021 % p.a.	2020 % p.a.
Retail price inflation	**0.8**	1.2
Salary increase rate	**0.5**	0.5
Annual rate of leaving indemnity increase	**2.1**	2.4
Annual discount rate	**0.25**	0.27
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:

	2021 Total £'000	2020 Total £'000
At 1 July	**304**	273
Additions	**21**	22
Utilisation	**(89)**	—
IAS 19 addition	**(14)**	4
Foreign exchange movement	**(14)**	5
At 30 June	**208**	304

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 IAS 19.

The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 30 June 2021:

Changes in significant actuarial assumptions

	2021 £'000	2020 £'000
Withdrawal annual rate +1.00%	**-1**	-2
Withdrawal annual rate -1.00%	**+1**	+2
Annual discount rate +0.25%	**+2**	+3
Annual discount rate -0.25%	**-2**	-2
Annual price inflation +0.25%	**-3**	-4
Annual price inflation -0.25%	**+3**	+4

Notes to the financial statements continued
for the year ended 30 June 2021

25. 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.

	2021 £'000	2020 £'000
Capital	**48,509**	43,783
Total equity	**48,509**	43,783
Borrowings	**11,172**	12,179
Overall financing	**59,681**	55,962
Capital-to-overall financing ratio (%)	**0.81**	0.78

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

IFRS 9 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

	2021 £'000	2020 £'000
Financial assets		
Current		
Financial assets at amortised cost	**45,124**	42,797
Fair value through profit and loss - held for trading	**525**	—
	45,649	42,797
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(18,164)**	(17,411)
Fair value through profit and loss - held for trading	**—**	(815)
	(18,164)	(18,226)
Non-current		
At amortised cost (including borrowings and payables)	**(9,899)**	(7,924)
	(28,063)	(26,150)

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 €26,691,000 to purchase GBP at an average blended rate of 1.1355 for dates from July 2021 until May 2022.

Analysis of derivative financial instruments

	2021 £'000	2020 £'000
Credit/(charge) to administration expenses in the consolidated income statement		
Euro forward contracts	**1,340**	(386)
Euro forward contracts - matured in the period	**(534)**	755
	806	369

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

	2021 £'000	2020 £'000
Current assets		
Derivative financial instruments – Euro forward contracts	**525**	—
Current liabilities		
Derivative financial instruments – Euro forward contracts	**—**	(815)
	525	(815)

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 £1,340,000 (2020 loss: £386,000).

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:

	2021 £'000	2020 £'000
Sterling	**33,967**	30,119
Euro	**5,714**	5,389
US Dollars	**15**	801
Canadian Dollars	**2**	23
Swiss Francs	**575**	632
	40,273	36,964

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

	2021			2020		
	Sterling £'000	Euro £'000	Other £'000	Sterling £'000	Euro £'000	Other £'000
Current						
Financial assets	**35,642**	**8,920**	**1,087**	32,214	8,719	1,865
Financial liabilities	**(8,867)**	**(8,973)**	**(324)**	(7,715)	(10,160)	(351)
Short-term exposure	**26,775**	**(53)**	**763**	24,499	(1,441)	1,514
Non-current						
Financial liabilities	**(3,089)**	**(6,812)**	**—**	(3,504)	(4,420)	—
Long-term exposure	**(3,089)**	**(6,812)**	**—**	(3,504)	(4,420)	—

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 2020, a 10% movement was also used.

	2021 £'000	2020 £'000
If Sterling had strengthened against the Euro by	**10%**	10%
Effect on net results for the year	**(111)**	371
Effect on OCI	**(436)**	(773)
Effect on equity	**(547)**	(402)
If Sterling had weakened against the Euro by	**10%**	10%
Effect on net results for the year	**137**	(453)
Effect on OCI	**1,802**	944
Effect on equity	**1,939**	491

Notes to the financial statements continued
for the year ended 30 June 2021

25. Financial instruments continued

Interest rate risk

The Group finances its operations through operating cash flow, 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.

	2021		2020	
	£'000	**£'000**	£'000	£'000
Movement in interest rates	**+1%**	**-1%**	+1%	-1%
Movement in net results for the year	**(8)**	**n/a**	(6)	n/a
Equity	**—**	**n/a**	—	n/a
	(8)	**n/a**	(6)	n/a

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 is 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 is 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) was reviewed in August 2021 and will continue at least until the next review date in August 2022. As at 30 June 2021, the Group's contractual maturities (undiscounted and including interest) are summarised below:

Current liabilities

	2021		2020	
	Within 6 months £'000	**6 to 12 months £'000**	Within 6 months £'000	6 to 12 months £'000
Borrowing facility	**277**	**686**	416	416
Lease liabilities	**463**	**462**	808	808
Trade payables	**2,897**	**—**	2,217	—
Other short-term liabilities	**13,578**	**—**	12,931	—
	17,215	**1,148**	16,372	1,224
Derivatives	**—**	**—**	636	179
	17,215	**1,148**	17,008	1,403

Non-current liabilities

	2021		2020	
	1 to 5 years £'000	**Later than 5 years £'000**	1 to 5 years £'000	Later than 5 years £'000
Borrowing facility	**2,321**	**129**	2,993	214
Lease liabilities	**4,622**	**3,492**	4,182	4,072
Other long-term liabilities	**208**	**—**	304	—
	7,151	**3,621**	7,479	4,286

26. Operating lease commitments

As a result of the adoption of IFRS 16, from 1 July 2019, all leases, except those classified as either low-value assets or short-term, have been recognised on the balance sheet as a right-of-use asset and lease liability and are no longer included in this non-cancellable operating lease disclosure.

At the year end, the Group had no non-cancellable operating leases.

27. Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution pension scheme for all employees in the UK except those that have opted out of the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. A salary sacrifice scheme is in operation at Allergy Therapeutics (UK) Ltd. The effect of the scheme is to transfer a proportion of the payroll cost to pension contributions; see Note 7, Employees for further details.

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 2021. The major assumptions used were as follows:

	2021 % p.a.	2020 % p.a.
Retail price inflation	**1.5**	1.5
Salary increase rate	**1.0**	3.0
Rate of pension increase	**1.5**	1.5
Discount rate at the beginning of the year	**0.80**	1.45
Discount rate at the end of the year	**1.15**	0.80
Increase of social security contribution ceiling	**1.0**	3.0

	2021 Years	2020 Years
Average life expectancies		
Male, 65 years of age at the balance sheet date	**21.0**	20.8
Female, 65 years of age at the balance sheet date	**24.4**	24.3
Male, 45 years of age at the balance sheet date	**40.9**	40.8
Female, 45 years of age at the balance sheet date	**44.9**	44.8

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

	2021 £'000	2020 £'000
Fair value of plan assets	**1,245**	1,354
Present value of scheme liabilities	**(12,536)**	(14,880)
Deficit in the scheme	**(11,291)**	(13,526)

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 £11.3m (2020: £13.5m). 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 £55,000 (2020: £55,000). The actuarial remeasurement of the pension generates an unrecognised deferred tax asset of £1,823,000 (2020: £2,545,000), 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.

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27. Retirement benefit obligations continued
Defined benefit scheme continued
Long-term insurance policies that do not qualify as plan assets are recognised as separate investment assets at fair value and represent a reimbursement right as defined by IAS 19. See Note 17 for further details of these investment assets.

	2021 £'000	2020 £'000
Amounts charged to operating profit		
Current service costs	**279**	253
Amounts included in other finance expenses		
Interest income on plan assets	**(11)**	(19)
Interest on pension scheme liabilities	**116**	184
Net charge	**105**	165
Amounts recognised in OCI		
Actual return less expected return on pension scheme assets	**45**	37
Experience (losses)/gains arising on scheme liabilities	**(34)**	312
Changes in assumptions underlying the present value of scheme liabilities	**1,678**	(1,636)
Total amount relating to year	**1,689**	(1,287)
Opening cumulative losses	**(6,372)**	(5,085)
Remeasurement of net defined liability/cumulative net movement recognised	**(4,683)**	(6,372)

Movement in assets during the year

	2021 £'000	2020 £'000
Balance as at 1 July	**1,354**	1,364
Foreign currency differences	**(75)**	21
Interest income on plan assets	**10**	19
Remeasurement of net defined liability	**44**	37
Contributions from employer	**—**	—
Assets transferred to finance benefits paid	**(88)**	(87)
Balance as at 30 June	**1,245**	1,354

Movement in liabilities in the year

	2021 £'000	2020 £'000
Balance as at 1 July	**(14,880)**	(13,111)
Foreign currency differences	**794**	(276)
Current service costs	**(279)**	(253)
Interest cost	**(115)**	(184)
Remeasurement of net defined liability	**1,644**	(1,324)
Benefits paid by employer	**212**	181
Benefits paid from assets	**88**	87
Balance as at 30 June	**(12,536)**	(14,880)

The expected contributions to linked investment asset products over the forthcoming year are £215,000.

Changes in the significant actuarial assumptions

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 2021:

	2021		2020	
Discount rate	**£'000 Increase to 2.15%**	**£'000 Decrease to 0.15%**	£'000 Increase to 1.80%	£'000 Decrease to 0.20%
(Decrease)/increase in the defined benefit liability	**(1,917)**	**2,290**	(2,529)	3,084
Salary growth rate	**Increase to 2.00%**	**Decrease to 0.00%**	Increase to 4.00%	Decrease to 2.00%
Increase/(decrease) in the defined benefit liability	**377**	**(349)**	538	(498)
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	**512**	**(510)**	633	(628)
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	**539**	**(535)**	665	(659)

28. Issued share capital

	2021		2020	
	Shares	**£'000**	Shares	£'000
Authorised share capital				
Ordinary Shares of 0.10 pence each				
1 July and 30 June	**790,151,667**	**790**	790,151,667	790
Deferred shares of 0.10 pence each				
1 July and 30 June	**9,848,333**	**10**	9,848,333	10
Issued and fully paid				
Ordinary Shares of 0.10 pence				
At 1 July	**637,285,804**	**637**	636,168,616	636
Issued during the year:				
Share options exercised	**4,486,914**	**4**	1,117,188	1
At 30 June	**641,772,718**	**641**	637,285,804	637
Issued and fully paid				
Deferred shares of 0.10 pence				
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	**651,621,051**	**651**	647,134,137	647

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

Share options issued on vesting of LTIP awards were exercised in the year with proceeds of £4,000 (2020: £1,000).

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29. Share-based payments

The Group has an LTIP under which Executive Directors and senior employees may receive an annual provisional award of performance vesting shares.

The 2013 Group LTIP plan was adopted by the Board on 20 March 2013, following consultation with major shareholders. The latest provisional award under this plan was made in November 2020 subject to performance criteria being met.

Performance criteria for each award are set by the Remuneration Committee. The performance criteria are based on a combination of compound share price growth (50%) and compound annual adjusted earnings growth (50%). Both are measured against base figures designated by the Remuneration Committee.

In relation to compound share price growth, this portion of the award shall vest at 100% if at the end of the plan cycle the share price has increased by the upper target set by the Remuneration Committee. If the share price increase is less than the minimum target, then no options will vest. If the share price increase is between the upper and lower targets, then the vesting will be pro-rated on a straight-line basis between these targets.

In relation to compound annual adjusted earnings growth, this portion of the award shall vest at 100% if at the end of the plan cycle the compound annual adjusted earnings have increased by the upper target set by the Committee. If the compound annual adjusted earnings increase is less than the minimum target then no options will vest. If the compound annual adjusted earnings increase is between the upper and lower targets then the vesting will be pro-rated on a straight-line basis between these targets.

Each award cycle will comprise a performance period of three years. An award will be forfeited if the employee leaves the Group before the options vest.

Share options were granted to employees and Directors under earlier schemes. The options are settled in equity once exercised. If the options remain unexercised after a period of ten years from the date of the grant, the options expire (unless the Remuneration Committee revises the expiry date). Options are usually forfeited if the employee leaves the Group before the options vest.

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"):

	2021 WAEP		2020 WAEP	
	Number	**Price (£)**	Number	Price (£)
Outstanding at the beginning of the year	**—**	**—**	35,289	0.18
Lapsed during the year	**—**	**—**	(35,289)	—
Outstanding at the year end	**—**	**—**	—	0.00
Exercisable at the year end	**—**	**—**	—	0.00

There were no share options outstanding at the end of year as they had all lapsed.

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

	2021 Number	2020 Number
Outstanding at the beginning of the year	**9,099,249**	3,695,866
Converted in the year from LTIPs	**4,373,332**	6,520,577
Exercised during the year	**(4,486,914)**	(1,117,194)
Lapsed during the year	**—**	—
Outstanding at the year end	**8,985,667**	9,099,249
Exercisable at the year end	**8,985,667**	9,099,249

Low-cost options were exercised during the year at a weighted average share price at the date of exercise of £0.16 (2020: £0.13 exercised).

Outstanding shares provisionally awarded under the LTIP, with a low-cost exercise price, are as follows:

	2021 Number	2020 Number
Outstanding at the beginning of the year	**28,224,167**	33,136,154
Awarded during the year	**10,305,000**	10,560,000
Converted to options	**(4,373,332)**	(6,869,059)
Lapsed during the year	**(5,673,335)**	(8,602,928)
Outstanding at the year end	**28,482,500**	28,224,167

The fair values of LTIP shares conditionally awarded in November 2018, March 2020 and November 2020 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	Exercisable from	Exercisable to	Exercise price (£)	Share price at grant (£)	Risk-free rate	Volatility	Number of awards expected to vest (non-market conditions)	Fair value (£)	Number outstanding
01/11/2018	01/09/2021	31/10/2031	0.001	0.175	0.84%	33%		0.031	4,406,250
01/11/2018	01/09/2021	31/10/2031	0.001	0.175	0.84%		100%	0.161	4,406,250
27/03/2020	01/03/2023	01/03/2033	0.001	0.085	0.13%	49%		0.010	4,715,000
27/03/2020	01/03/2023	01/03/2033	0.001	0.085	0.13%		0%	0.078	4,715,000
22/11/2020	22/11/2023	22/11/2033	0.001	0.155	0.10%	54%		0.058	5,120,000
22/11/2020	22/11/2023	22/11/2033	0.001	0.155	0.10%		50%	0.143	5,120,000

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

The Group recognised total expenses of £635,000 (2020: £794,000) related to equity-settled share-based payment transactions during the year.

If the assumptions underlying the expense were varied, the results would be as follows:

	As reported: (future leavers at 5% p.a. and non-market condition vesting probabilities as above) £'000	Increase in leavers to 10% p.a. £'000	Decrease in leavers to 2% p.a. £'000	Future non-market condition vestings decrease by 10% £'000	Future non-market condition vestings increase by 10% £'000
Charge to income statement	635	617	645	559	670
Credit/(charge) to income statement due to sensitivity adjustment	—	18	(10)	76	(35)

30. Contingent liabilities

During the year, Allergy Therapeutics Iberica S.L. took out a loan for €0.6m to further expand the Group's manufacturing and quality control facilities. Warranties in respect of this loan were provided by Allergy Therapeutics plc.

In respect of net revenue relating to certain products there is a risk that up to £10.7m cumulative revenue recognised (2020: £7.4m) may be reversed due to a retrospective change in the level of rebate being applied (2021: £3.3m recognised and periods up to 2020: £7.4m recognised).

On 23 February 2015, the Company received notification that BAFA had made a decision to reverse their preliminary exemption to the increased manufacturer's 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 reinstated. Therefore, as at 30 June 2021, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

Notes to the financial statements continued
for the year ended 30 June 2021

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

	30 June 2021 £'000	30 June 2020 £'000
Capital commitments	**906**	1,011

Included in the above is £20,000 for ongoing factory refurbishments in the UK (2020: £176,000), £114,000 for new plant and machinery (2020: £167,000) and £772,000 for IT equipment and systems upgrades (2020: £668,000).

32. Related party transactions and ultimate control
Allergy Therapeutics plc's related parties include its subsidiary companies and its key management. Key management personnel are the Company's Directors, and as such, full disclosure of their remuneration can be found in the Directors' remuneration table on page 77.

In October 2020, a loan of £205,207 was made to Manuel Llobet, a Director of the Company. Interest was charged on the loan at 2.25% p.a. The loan was repaid in full by Manuel Llobet in April 2021.

At 30 June 2021, 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
Bencard A.G. (name changed from Teomed A.G.)	Switzerland	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Netherlands BV	Netherlands	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Argentina S.A.	Argentina	Marketing of pharmaceutical products	100	Ordinary
Bencard Allergy Therapeutics Unipessoal LDA	Portugal	Sale of pharmaceutical products	100	Ordinary

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

	Sale of goods		Amounts owed by/(to) related parties	
Related party	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Laboratorios Synthesis S.A.S.	**—**	—	**(73)**	(73)
Gynopharm de Venezuela C.A.	**—**	—	**(60)**	(60)
Total	**—**	—	**(133)**	(133)

Laboratorios Synthesis S.A.S. and Gynopharm de Venezuela C.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.

There is no overall ultimate controlling party.

33. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Total borrowings £'000	Lease liabilities £'000	Total liabilities £'000
1 July 2020	**3,756**	**8,423**	**12,179**
Cash flows			
Repayment	**(757)**	**(1,605)**	**(2,362)**
Proceeds	**625**	**—**	**625**
Non-cash			
Foreign exchange movements	**(211)**	**941**	**730**
30 June 2021	**3,413**	**7,759**	**11,172**

	Total borrowings £'000	Lease liabilities £'000	Total liabilities £'000
1 July 2019	2,436	—	2,436
Adoption of IFRS 16	—	9,766	9,766
Revised 1 July 2019	2,436	9,766	12,202
Cash flows			
Repayment	(654)	(1,343)	(1,997)
Proceeds	1,886	—	1,886
Non-cash			
Foreign exchange movements	88	—	88
30 June 2020	3,756	8,423	12,179

34. Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the 30 June 2021 reporting date and the date of authorisation.

Company balance sheet
as at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Fixed assets			
Investments	2	**7,318**	3,995
Current assets			
Debtors: amounts falling due within one year	3	**20**	231
Total assets		**7,338**	4,226
Creditors: amounts falling due within one year	4	**(44)**	(253)
Net current liabilities		**(24)**	(22)
Total assets less current liabilities		**7,294**	3,973
Net assets		**7,294**	3,973
Capital and reserves			
Called-up share capital	5	**651**	647
Share premium account		**112,576**	112,576
Other reserves - share-based payments		**2,692**	3,104
Profit and loss account		**(108,625)**	(112,354)
Total equity		**7,294**	3,973

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Company's profit for the period was £2,682,000 (2020: £421,000 loss).

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2021 and were signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Nicolas Wykeman
Chief Financial Officer

Registered number: 05141592

Statement of changes in equity (Company)
for the year ended 30 June 2021

	Issued capital £'000	Share premium £'000	Reserve - share-based payment £'000	Retained earnings £'000	Total equity £'000
At 30 June 2019	646	112,576	3,024	(112,647)	3,599
Loss for the period after tax	—	—	—	(421)	(421)
Transactions with owners:					
Share-based payments	—	—	794	—	794
Shares issued	1	—	—	—	1
Transfer of lapsed options to retained earnings	—	—	(714)	714	—
At 30 June 2020	647	112,576	3,104	(112,354)	3,973
Profit for the period after tax	**—**	**—**	**—**	**2,682**	**2,682**
Transactions with owners:					
Share-based payments	**—**	**—**	**635**	**—**	**635**
Shares issued	**4**	**—**	**—**	**—**	**4**
Transfer of lapsed options to retained earnings	**—**	**—**	**(1,047)**	**1,047**	**—**
At 30 June 2021	**651**	**112,576**	**2,692**	**(108,625)**	**7,294**

Notes to the Company financial statements
for the year ended 30 June 2021

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 UK-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.

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

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

Going concern
The going concern period has been assessed as 12 months from the date of approval of the financial statements, hence the reason for this review period. Detailed budgets have been prepared, including cash flow projections for the periods ending 30 September 2022. 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 £40.3m as at 30 June 2021 and the £7m overdraft facility was renewed in August 2021. The Directors have made appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the forecast period and the effects of sales and other sensitivities, such as Brexit, COVID-19 and other risks as noted in the principal risks section of the Annual Report, on the Group's forecast cash balances. This was carried out via a stress test which included reducing sales by 10% (three times the estimated COVID-19 impact) which the Directors consider to be no more than a highly remote possibility, which is more than the previously experienced effects of the COVID-19 pandemic. The stress test resulted in a slightly positive cash balance at the end of the reviewed period. As a result of this review, the Directors have concluded 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.

Investments
Fixed asset investments in subsidiaries are shown at cost less provision for impairment. Share-based payments made in respect of the Company's shares to employees of its subsidiaries are reported as an increase in investments.

Intercompany receivables
Receivables including intercompany receivables are financial assets measured at amortised cost in accordance with IFRS 9. See Note 2 of the consolidated financial statements on pages 95 to 102 for more information.

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.

Employment costs
The Company does not have any employees. All employment costs are dealt with by the Group's subsidiaries. Details of employment costs are detailed on page 105 of the consolidated financial statements.

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. For vestings based on market conditions, no adjustments to the expense recognised are made if the market conditions are not met.

The expensed value of share options, which have lapsed unexercised, is transferred from the share-based payment reserve to retained earnings.

Full details of the Group's share-based payments are set out in Note 29 of the consolidated financial statements.

Significant judgement and estimates

Investments

Investments in subsidiary undertakings are assessed for indicators of impairment at each balance sheet date. An investment is subject to a formal impairment test, based on indicators arising where the book value of the investment in the parent company's accounts, together with the carrying amount of amounts receivable from the subsidiary undertaking (see 'Intercompany receivables' adjacent), exceed the carrying amount of net assets in the subsidiaries' accounts.

Where there is an indication of impairment, the Company undertakes an impairment test by comparing the recoverable amount of the investment in subsidiary undertakings with the carrying amount. The Directors have based the recoverable amount of the investment in subsidiary undertakings, together with any amounts receivable from the subsidiary undertakings on the ability of the subsidiary to generate future cashflows and the timing of those cashflows. Impairment losses/reversal of previous impairment losses, where recognised in the year, are included within administrative expenses.

Intercompany receivables

Intercompany receivables are measured at amortised cost and assessed for impairment using the expected credit loss model in accordance with IFRS 9. The receivable is impaired where the book value of the receivable in the parent company's accounts, together with the carrying amount of investments in the subsidiary undertaking, exceed the carrying amount of net assets in the subsidiaries' accounts (less any amount already matched against the carrying value of the intercompany investment). These book values are used as a reasonable approximation of fair value less selling costs of the subsidiary net assets.

2. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward	3,995
Additions	635
Reversal of prior impairment	2,688
Investment carried forward	**7,318**

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

Investments have been assessed for impairment. The reversal of prior impairment in value is calculated as referred to in the significant judgement and estimates paragraph above.

Notes to the Company financial statements continued

for the year ended 30 June 2021

2. Investments continued

At 30 June 2021, the Company's subsidiary undertakings were:

Subsidiary undertaking and registered office address	Country of incorporation	Principal activity	Percentage of shares held	Class of shares held
Allergy Therapeutics (Holdings) Ltd Address: Dominion Way, Worthing West Sussex, BN14 8SA, UK	UK	Holding company	100	Ordinary and deferred
Allergy Therapeutics (UK) Ltd Address: Dominion Way, Worthing West Sussex, BN14 8SA, UK	UK	Manufacture and sale of pharmaceutical products	100	Ordinary
Bencard Allergie GmbH Address: Leopoldstraße 175175, 80804 Munich, Germany	Germany	Sale of pharmaceutical products	100	Ordinary
Bencard Allergie (Austria) GmbH Address: Stiftgasse 18/5-6, 1070 Vienna, Austria	Austria	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Italia s.r.l. Address: Via Quattro Novembre, 76, 20019 Settimo Milanese, Milan, Italy	Italy	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Iberica S.L. Address: Avda Barcelona, 115, Edificio Brasol, 2ª Planta 08970 Sant Joan Despí, Barcelona, Spain	Spain	Sale of pharmaceutical products	100	Ordinary
Bencard A.G. Address: Tumigerstrasse 71, 8606 Greifensee, Switzerland	Switzerland	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Netherlands BV Address: Maanlander 10, 3824DZ, Amersfoort, Netherlands	Netherlands	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Argentina S.A. In liquidation	Argentina	Marketing of pharmaceutical products	100	Ordinary
Bencard Allergy Therapeutics Unipessoal LDA Address: Avenida Antonio Augusto de Aguiar, nº 17, 5ª Dto.1050-012 Lisbon	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.

3. Debtors

	30 June 2021 £'000	30 June 2020 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	—	187
Prepayments and accrued income	**20**	44
	20	231

Intercompany debtors have been assessed for impairment. The amount owed by subsidiary undertakings is stated net of provisions of £111,129,554 (2020: £110,827,092).

4. Creditors – amounts falling due within one year

	30 June 2021 £'000	30 June 2020 £'000
Accruals	**44**	253
	44	253

5. Called-up share capital

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

6. Share-based payments

Allergy Therapeutics plc (the 'Company') does not have any employees. All share-based payments are accounted for as a capital contribution in the respective Group employing subsidiary. Full details of the Company's share-based payments are set out in Note 29 of the consolidated financial statements. Share-based payments made in respect of the Company's shares to employees of its subsidiaries are reported as an increase in investment.

7. Directors' emoluments

Full details of the Company's Directors' emoluments are set out in the Directors' remuneration report on pages 73 to 79.

8. Contingent liabilities

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

9. Related party transactions

In accordance with the provisions of FRS 101, the Company is exempt from the requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between members of a group, as all parties to the transactions are wholly owned by the Company. Details of other related party transactions can be found in Note 32 to the consolidated financial statements.

Glossary

AEMPS	Spanish health authority
AIFA	Italian regulatory institution
APC	Antigen-presenting cell
BAFA	Federal Office for Economics and Export (Germany)
BRIT	Registry for immunotherapy
BSACI	British Society for Allergy and Clinical Immunology
CAPM	Capital asset pricing model
CGU	Cash-generating unit
CMC	Chemistry, Manufacturing and Controls
CMDh	Coordination Group for Mutual Recognition and Decentralised Procedures - Human
CODM	Chief Operating Decision Maker
Constant currency	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
CRO	Contract research organisation
CSMS	Combined symptom medication score
D, E + I	Diversity, equity and inclusion
DGAKI	German Association for Allergy and Clinical Immunology
EAACI	European Academy of Allergy and Clinical Immunology
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPIT	Epicutaneous immunotherapy
EPS	Earnings per share
ESG	Environmental, social and governance
EUQP	European Union Qualified Person
FDA	Food and Drug Administration
FVTPL	Fair value through profit and loss
GAAP	Generally Accepted Accounting Principles
GMP	Good manufacturing practice
HCP	Healthcare professionals
HPV	Human papillomavirus
IAS	International Accounting Standard
IFN-γ	Interferon-gamma
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IgE	Immunoglobulin E
IgG	Immunoglobulin G
IND	Investigational New Drug
INPS	Istituto Nazionale della Previdenza Sociale
MA	Market authorisation
MAT	Moving annual total
MATA	Modified Allergen Tyrosine Adsorbed
MCT	Microcrystalline Tyrosine
MPL	Monophosphoryl Lipid A
NED	Non-Executive Director
NIAID	National Institute of Allergy and Infectious Diseases
NIS	Non-interventional studies
NPP	Named-patient products
OCI	Other comprehensive income
OIT	Oral immunotherapy
Operating profit (pre-R&D)	This is calculated by adding back R&D expenditure for the year to the operating result of the year to arrive at an operating profit
OTC	Over-the-counter
PPE	Personal protective equipment
QA	Quality assurance
QC	Quality control
QCA Code	Quoted Companies Alliance Corporate Governance Code
SCIT	Subcutaneous immunotherapy
SECR	Streamlined Energy and Carbon Reporting
SIT	Specific immunotherapy
SLPM	Swiss Life Pensions Management GmbH
STEM	Science, Technology, Engineering and Mathematics
TAV	Therapie Allergene Verordnung
Th cell	T helper cells
TSR	Total shareholder return
UKQPPV	United Kingdom Qualified Person Pharmacovigilance
UTP	Uncertain tax position
VLP	Virus-like particle
WAEP	Weighted average exercise price
WAO	World Allergy Organization

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