Allergy Therapeutics PLC

Transforming lives

Annual Report and Accounts 2022

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Transforming lives:

Providing doctors and patients with ground-breaking products to encourage better patient adherence and successful outcomes

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Our pipeline:

Exciting pipeline of leading-edge, disease-modifying products delivered subcutaneously with short or ultra-short course treatment regimes

See more on page 38

ESG and sustainability:

Focusing on people, patients, planet and responsible operating to deliver our long-term goals

See more on page 16

Our purpose is to transform patients' lives...

..through our vision of breaking new ground in immunology treatment through specialist expertise.

Delivered through our strategy

- Expanding in Europe
- Strong pipeline
- US entry

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Underpinned by our culture

- Visionary
- Commitment
- Menschlichkeit

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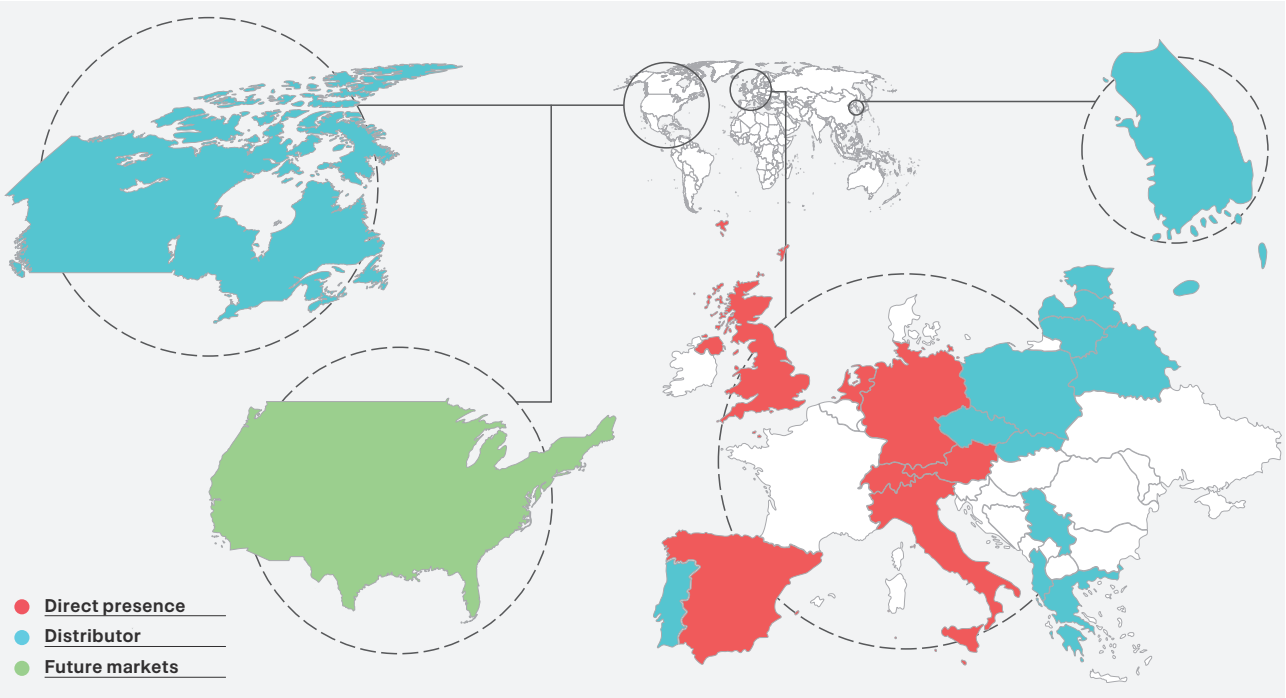
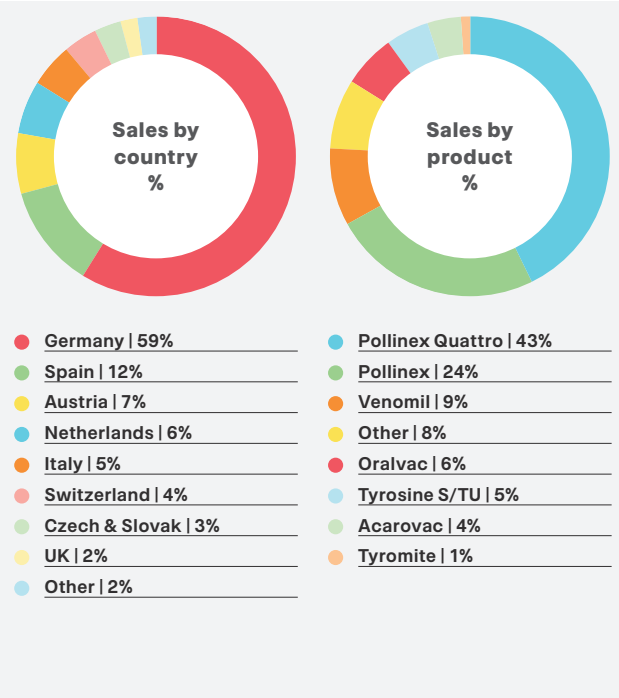
At a glance

Allergen immunotherapy addresses the cause of allergy, not just the symptoms.

Locations



Sales



How it works

How does immunotherapy transform lives?

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 animal fur.

Allergies can vary greatly in severity. At best they are annoying, at worst they can be life-threatening.

Commonly used medicines which suppress the symptoms of allergy, such as antihistamines and steroid-based medicines, are often used to address the symptoms of allergies, however the symptoms return once you stop taking the medicine. Immunotherapy is the only treatment which affects the underlying cause of an allergy.

Immunotherapy involves 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 therapy.

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.

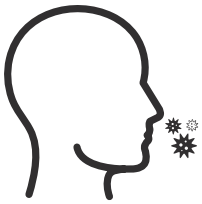
Sublingual immunotherapy is an alternative to injected immunotherapy. For this form of treatment, daily drops or tablets containing the specific allergen are placed under the tongue. The first dose of the sublingual immunotherapy is usually administered in a clinic under observation, then the patient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

How it works continued

Allergen immunotherapy addresses the cause of allergy, not just the symptoms.

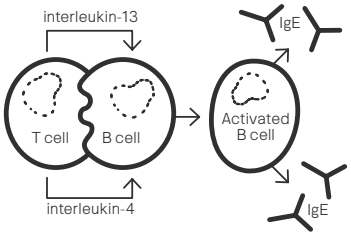
No treatment

1



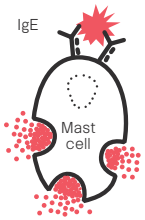
Patient comes into contact with an allergen

2



Th2 cell stimulates B cells to produce IgE

3



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

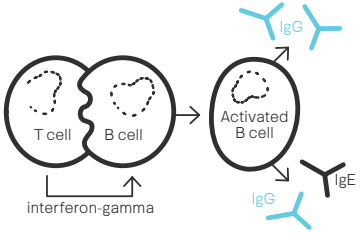
4

Histamine leads to classic symptoms of allergy

Treated with allergen-specific immunotherapy

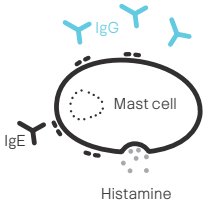
Treatment

2



Th1 cell stimulates B cells to produce IgG

3



Increased IgG production inhibits the production of IgE

4

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

Chairman's statement

This has been a year of preparation and transition for the business.

Peter Jensen
Chairman

2022 has been an important year of evolution for our business: firstly, preparing for entry into the US market with the start of two significant clinical trials and, secondly, strategically streamlining our commercial portfolio with a focus on differentiated, high margin and innovative allergy treatments. The temporary pause in production has resulted in a significant need for additional near-term funding.

Introduction

We combine a strong commercial business, with an innovative R&D business. As such, we have benefitted both from a solid trading performance and from the future opportunities provided by our innovative technologies.

Impressive results from the exploratory field trial investigating the Group's short-course grass pollen immunotherapy, Grass MATA MPL, alongside the industrial scale-up and acceptance of the US Food and Drug Administration's ("FDA") Investigational New Drug ("IND") application for incorporating virus-like particle ("VLP") technology Peanut, our peanut allergy vaccine candidate, have both set the business up very well for the future.

2023 will be a calendar year of great significance for our clinical development programmes as we anticipate clinical trial results from two pipeline candidates with potential to reshape the Group's future portfolio. Grass MATA MPL and VLP Peanut are both highly innovative products that could offer a paradigm shift in the treatment of allergic disorders.

2023 will be a challenging year for the business following the temporary pause in production that has resulted in the need for significant additional near-term funding. Post period, on 6 April 2023 the Group announced it had completed a loan agreement with certain shareholders for £40.75m.

Chairman's statement continued

Performance

The actions of firstly, strategic streamlining of the Group's non-differentiated older products and secondly, repositioning of the portfolio to maintain focus on high value, innovative and highly differentiated short-course subcutaneous immunotherapies ("SCIT") are key to the continued success and growth of Allergy Therapeutics. The short-term revenue reduction from this streamlining, alongside continued headwinds from the COVID-19 pandemic and wider challenging economic conditions, during a time of regulatory uncertainty as the German therapy allergen ordinance ("TAV") process comes into its final years, have challenged the business. Failure to complete the TAV process for any unapproved product will require that product to be withdrawn from the market in Germany. Despite the challenging environment, the business has remained resilient throughout.

Board changes

We have strengthened our Board of Directors with a key addition.

We have appointed Cheryl MacDiarmid, Head of Global Commercial Strategy at ViiV Healthcare (a joint venture between GSK, Pfizer and Shionogi), as a Non-Executive Director. Cheryl brings unparalleled, industry-leading experience of commercialising products in the US as well as excellent general management skills as a former member of the GSK US Executive team leading the respiratory sales and marketing team. She is a values-driven leader with significant experience managing commercial risk, compliance and alliance governance.

Nick Wykeman stepped down as Chief Financial Officer in November 2022 in order to pursue a non-executive career. He was replaced by interim Chief Financial Officer Martin Hopcroft. On behalf of the Board and everyone at Allergy Therapeutics I would like to take this opportunity to thank Nick for his contribution and wish him the very best for the future.

There were further Board changes in December 2022. On 6 December, Anthony Parker and Zheqing (Simon) Shen were appointed as Non-Executive Directors of the Company. Anthony represents Southern Fox Investments Limited ("Southern Fox") and Simon represents SkyGem Acquisitions Limited ("ZQ Capital") an affiliate of ZQ Capital Management Limited, both significant shareholders of the Company. On 28 December 2022, Scott Leinenweber, representing Abbott resigned as a Non-Executive Director. We thank Scott for his valued contribution during his tenure. On 10 February 2023 Sara Goldsbrough resigned as Company Secretary, we thank Sara for her valuable contributions to the business. Karley Cheesman was appointed Company Secretary on 13 February 2023.

Finally, I would like to thank all our employees at Allergy Therapeutics for their resilience during the year and their continued commitment to make 2023 a year of significant progress.

Peter Jensen
Chairman
16 June 2023

Chief Executive Officer's review

Our pivotal Phase III clinical trial G306 started in Q3 2022 with read-out expected in Q4 2023.

Manuel Llobet
Chief Executive Officer

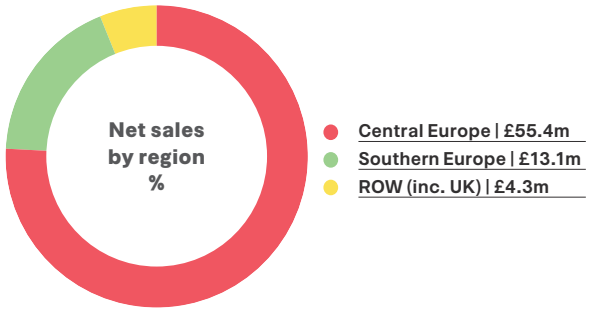
Our highly innovative peanut allergy vaccine candidate is currently undergoing clinical evaluation in our first-in-human VLP Peanut Phase I PROTECT trial, which commenced in early 2023.

Introduction

Allergy Therapeutics' focus on innovative allergy immunotherapies with the potential to transform the lives of patients is proving successful, illustrated by the promising results seen within our innovative pipeline. Our grass pollen immunotherapy candidate, Grass MATA MPL, showed an unprecedented 40% improvement in the combined symptom and medication score compared to placebo in an exploratory field study and our peanut allergy vaccine candidate, VLP Peanut, which has entered the clinic, continuing its excellent progress through strong pre-clinical trials and scale-up.

The second pillar of our strategy, our commercial business in Europe, has performed well in the year (2021/2022) in its fundamentals despite trading challenges from factors affecting the wider market. This reflects the quality of the Group's portfolio.

The third pillar of the strategy, entry into the US market, moves closer, with the pivotal Phase III Grass MATA MPL trial.



Chief Executive Officer's review continued

Clinical development

Delivering a step change in the management of grass pollen allergy

Clinical development of our short-course grass pollen immunotherapy, Grass MATA MPL, has continued to deliver positive results with the highly successful exploratory field trial (G309) achieving an efficacy of 40% in an extended posology, a result which, we believe, has not previously been achieved by any allergy Group in a field trial. The purpose of the trial was to evaluate efficacy and safety, and the results indicated a significant reduction in daily symptoms and use of relief medication among participants receiving Grass MATA MPL. Both dosing regimens used in the trial were safe and well tolerated.

The exploratory field trial incorporated a novel study design and methodology to examine multiple endpoints, minimise the placebo effect and enable extensive biomarker analysis. Learnings from the trial, alongside the excellent results, have allowed us to optimally design our pivotal Phase III field trial (G306) to maximise the likelihood of success and support our future regulatory plans for entering the US market.

We strongly believe that this product candidate has the potential to be a best-in-class therapy for patients suffering from allergic rhinoconjunctivitis due to grass pollen and could demonstrate higher efficacy compared to standard care, with improved adherence due to its short course nature. Although rarely a life-threatening condition, allergic rhinitis can lead to the 'Asthma March', a gradual progression of asthma symptoms, which can potentially become life threatening. New treatment approaches are vital.

That pivotal Phase III trial commenced in December 2022 at sites across Europe and the US. The first data read out is planned for Q4 2023. Treatment will last for an extended 13 weeks with a six-injection posology. Subject to success with this trial, the only further requirement before a Biological Licence Application ("BLA") can be filed with the FDA will be completion of the safety database. To submit a regulatory filing in Germany, a one year paediatric trial will be required, which is yet to be funded. This is budgeted in clinical development plans for 2023 and 2024, subject to a successful outcome of the Phase III trial and further funding. Data from that paediatric trial can also potentially be used to support the US filing.

A positive outcome of the upcoming Phase III trial would create the potential for Allergy Therapeutics to commercialise the only ultra-short course allergy vaccine in the world. No other Group has been able to overcome the enormous difficulties associated with the major placebo effect that we were able to do in our exploratory field study. The innovative methodology tested in that study should allow us to successfully develop a state-of-the-art grass pollen immunotherapy that aims to support patient compliance. Such a product profile has the potential to establish the Group's MATA MPL platform in a dominant worldwide position in the specific immunotherapy market.

Once the Phase III Grass MATA MPL trial has been completed, the Group intends to undertake its paediatric trial investigating Grass MATA MPL as well as a Phase III Birch MATA MPL trial in order to strengthen the approved product platform in Europe and potentially the US.

A next-generation peanut allergy immunotherapy

Our highly innovative peanut allergy vaccine candidate, VLP Peanut, has been successfully scaled up ready for the first-in-human Phase I PROTECT trial, which began dosing trial participants via subcutaneous injection in March 2023. Following acceptance by the US FDA of the Group's IND application and successful site initiations, skin prick tests among peanut-allergic patients have completed, marking another major milestone in the clinical development of this product.

VLP Peanut is a truly novel, next-generation allergy immunotherapy candidate with potential to be disease-modifying. The likely posology of VLP Peanut is just three injections, followed by a further boost after a number of years, representing a significantly lower burden of dosing for patients compared with currently available oral treatments. These only increase tolerability to the peanut allergen and require daily dosing over many months or years, which can limit adherence. While transient monoclonal antibody treatments have shown potential in the field of peanut allergy therapeutics, they remain expensive, require regular treatment and are not disease modifying.

The availability of a safe and effective short-course vaccine that provides long-term protection and induces a long-lasting protective immune response would present a paradigm shift in how peanut allergy can be managed and has the potential to be a significant product in the $8bn worldwide food allergy market.

VLP Peanut reflects the Group's commitment to the development of transformative treatment options, with the ultimate goal of improving the patient experience and delivering better patient outcomes.

Market need

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

Pollen allergies

Market need

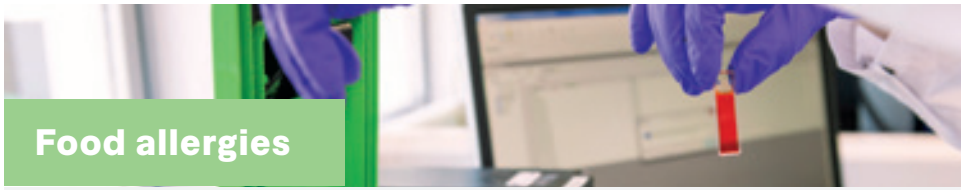
- The market is made up of two parts: those with mild to moderate symptoms who can be treated with over-the-counter products and those who suffer from more severe symptoms for whom immunotherapy treatment is required.
- The percentage of allergy sufferers in the population is increasing. The reason is 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 the 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.
- Real-world evidence ("RWE") has made significant advancements recently in the pharmaceutical industry. Typically, RWE was mainly used for analysing electronic health records and data from wearable devices; however, today this has proven to become one of the major tools for vaccine development and testing.



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. Approximately 2.5% of the general population in a country is affected by a food allergy. 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 allergen 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.
- Peanut allergy is expected to be the most valuable segment within the food allergy market by 2030.
- 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 Peanut 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 peanuts through a small number of injections.
- This product entered a Phase I clinical trial in March 2023, 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.

Market need continued

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 ("AI") 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.
- Machine learning algorithms combined with data analytics can boost predictive medicine and make it possible to track the effects of different therapies on groups of patients over time.

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.
- AI is becoming pivotal in healthcare as the global AI healthcare market size is expected to reach $31.3bn by 2025.

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 effects of a product that has not been properly manufactured, tested or studied in a real-life environment, regulation is critical.
- Regulation also creates a level playing field where it is clear to all developers and manufacturers 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.
- 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.

Business model

How we create value

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

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.

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 page 32

Underpinned by our culture and values

See more on page 14

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.

Business model continued

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 a 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.

How we create value for stakeholders

For investors:
We create value through our pipeline developments.

See more on page 19

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

See more on page 20

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

See more on page 19

For healthcare professionals:
Healthcare professionals rely on our quality products and our knowledge.

See more on page 20

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 10 and 11

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 pages 19 to 21, 31 and 32

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 pages 15 and 19 to 21

Purpose, culture and values continued

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

We have introduced a Learning Management System ("LMS"), 'DiscoverLearn', into the Group. This was a key business objective and a direct result of our employee engagement survey results. DiscoverLearn provides all our employees with a range of flexible learning solutions to access at a time and pace that suits their needs. This will help build a learning culture, enable our employees to take ownership for their own learning and development, and help us to show due diligence through essential training completions.

02

We have created a global recognition programme which includes a tool for employees to recognise their colleagues when they see them living our values. We have also introduced GEM awards (Going the Extra Mile) which allows managers to reward their people who do that something extra special.

03

We ran our second annual employee engagement survey, which had an 85% participation rate; giving our employees a way to be heard. This feedback is now really integral to the shaping of our people strategy and for creating both global and local meaningful actions. Connected to the area of helping our employees to be heard, we continue to run our interactive global all-hands virtual calls and produce an in-house quarterly newsletter in four languages.

04

To support all employees' health and wellbeing, we have added a variety of activities to our BeWell programme, from discounted gym memberships and bike ownership to online classes and mental health tools. Our third annual Learning at Work initiative included training in areas such as mindfulness and resilience. A record number of 368 employees attended, joining from across the business.

Environment, social and governance

Operating responsibly

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 responsible manner.

Our ESG strategy focuses on four pillars: our people; our patients; our planet; and our responsible governance, and our activities during the year have delivered progress against all four pillars.

Allergy Therapeutics transforms the lives of our patients while delivering sustainable value to all our stakeholders. We understand the value of aligning our purpose to our strategic decision-making, which is supported by a culture of ethics, quality and patient safety. The business operates to high standards of governance and compliance and is focused on ensuring that we reduce our impact on the environment and making a positive impact to society.

There is an increasing expectation from stakeholders that we measure and communicate the effectiveness of our ESG strategy and that we ensure that our business model, objectives and future goals are aligned to our sustainability roadmap. Therefore, the business has developed performance indicators for each of our four ESG pillars and set clear targets against which we can measure our performance.

Our planet

See more on page 22

Our patients

See more on page 24

Our people

See more on page 26

Our responsible governance

See more on page 29

Environment, social and governance continued

Case study:

Encouraging the next generation of scientists

We want to encourage and support the next generation of scientists and healthcare professionals. During the year, the Company continued its support of activities in Science, Technology, Engineering and Maths ("STEM") in local Sussex schools. One of these events was at Shoreham Academy Workplace Live.

Four members of our R&D team (Jack Hill, Callum Scott, Trevor Wilson and Iris Martino) attended the event at the school, where they performed science experiments demonstrating colours and pigments extracted from leaves and another extracting DNA from strawberries. They talked to the students about allergens and immune response.

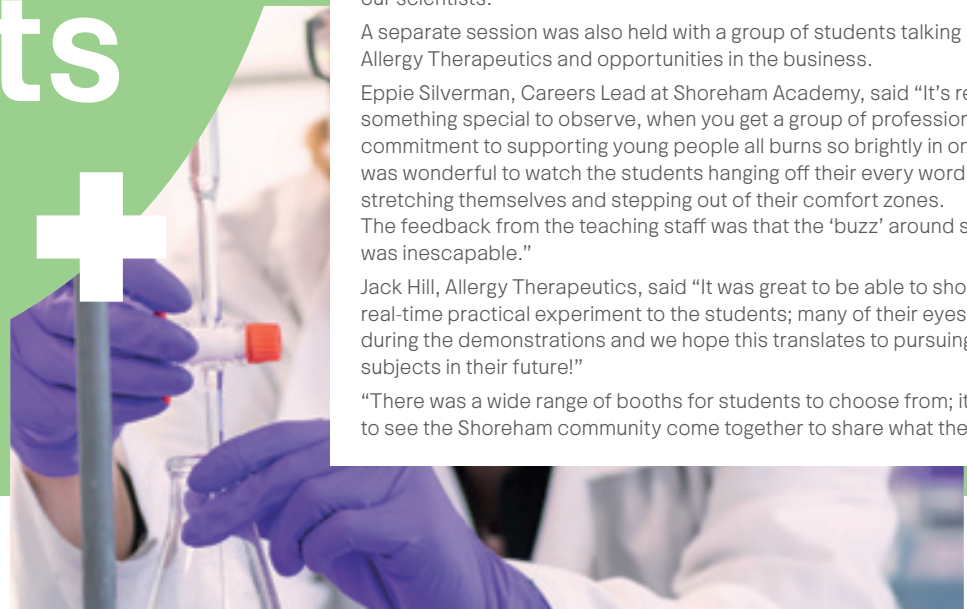
The year 9 students were able to help with experiments and interact with our scientists.

A separate session was also held with a group of students talking about Allergy Therapeutics and opportunities in the business.

Eppie Silverman, Careers Lead at Shoreham Academy, said "It's really something special to observe, when you get a group of professionals whose commitment to supporting young people all burns so brightly in one room. It was wonderful to watch the students hanging off their every word, laughing, stretching themselves and stepping out of their comfort zones.
The feedback from the teaching staff was that the 'buzz' around school was inescapable."

Jack Hill, Allergy Therapeutics, said "It was great to be able to show a real-time practical experiment to the students; many of their eyes lit up during the demonstrations and we hope this translates to pursuing STEM subjects in their future!"

"There was a wide range of booths for students to choose from; it was great to see the Shoreham community come together to share what they do."



Environment, social and governance continued

Our planet

We are committed to reducing our overall impact on the environment, and working towards our 2030 carbon reduction targets.

2022 highlights

- Spanish operations became ISO 14001 certified

Expectations for 2023

- Business targets implemented Group-wide
- Each market to set its own reduction goals in line with Group-wide targets

Targets

- By 2030: to reduce Scope 1 and 2 emissions by 45% and Scope 3 emissions by 20%
- By 2050: 95% reduction in total emissions

Our patients

We 'think patient' in everything that we do and are committed to providing a safe and reliable supply.

2022 highlights

- Patient sessions to better understand the impact of peanut allergy to the patients and their caregivers
- Progressing with patient-centric procedures in our clinical study protocols

Expectations for 2023

- Increased focus on quality culture
- Establish patient insight groups

Targets

- Zero critical findings in a regulatory inspection

Our people

We are committed to maintaining an engaged and diverse workforce that enables us deliver our strategic goals.

2022 highlights

- Introduced global Learning Management System
- Introduced Scientific Symposium and Medical Happy Hours
- Board gender diversity targets met
- In the UK, gender pay gap reduced for third consecutive year
- Used engagement feedback to implement measures relating to improve workload

Expectations for 2023

- Introduce development programme designed for current and future managers and team leaders

Targets

- Continued high completion rates of online learning
- Maintain an engaged workforce

Our responsible governance

We are committed to conducting our business in a responsible, transparent and ethical way, in line with our purpose and values.

2022 highlights

- Improved Group Code of Conduct and Ethics published
- New Group Speak Up Policy and facility implemented
- Global Anti-bribery and Corruption processes introduced
- Focus on safety culture and introduction of robust safety KPIs
- Community partnership activities

Expectations for 2023

- Improved risk identification processes embedded

Targets

- Zero reportable H&S incidents
- Zero reportable data breaches

Environment, social and governance continued

Engagement with 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.

Positive relationships with our stakeholders, who have an interest in our business and may be impacted by the decisions we make, are key to our long-term success.

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 51 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, shareholders, analysts and banks to ensure they have a good 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

Governance: see pages 51 to 57

Outcomes

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

Our people

Our people are essential to the success and growth of our organisation. Our team of talented, experienced and diverse individuals help us to lead the way in allergy immunotherapy. We have an honest and open relationship with our workforce, encouraging them to have their say, whilst ensuring they remain supported. We engage with each other respectfully and help make Allergy Therapeutics a fair and inclusive place to work.

Key issues for them

- Workload – to be manageable and not a cause of stress
- 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 carried out our second employee engagement survey during the year. The survey showed an 85% participation rate and we scored 7.4, which is 0.2 below the healthcare industry benchmark. The business has developed informed plans and actions relevant to individual functions. Workload scored low and listening groups were established to determine meaningful actions. A pulse survey is planned for this autumn which will focus on wellbeing and workplace stress.

Links

Operating responsibly – our people: see pages 26 to 28

Outcomes

- Clear understanding of employee engagement across functions

Environment, social and governance continued

Engagement with stakeholders continued

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

Business model: see pages 12 and 13

Outcomes

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

Healthcare professionals ("HCPs")

We care about the needs of our HCPs. We focus on delivering quality products efficiently.

Key issues for them

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

Engagement through the year

Our sales force engage with our prescribers through regular meetings, either face-to-face or virtual. We provide training and information on use of our products via our medical team.

Since travel restrictions have been lifted we have organised symposiums focusing on our pipeline products and met with HCPs at conferences where they are able to obtain information from us.

Links

Operating responsibly: see page 25

Outcomes

- We are perceived to be a trusted and reliable partner with a focus on science and developing new technologies

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

Operating responsibly - our people: see pages 26 to 28

Outcomes

- Business included on 'Time for Worthing' website
- Partnered with local schools science fair, encouraging interest in STEM subjects

Environment, social and governance continued

Engagement with stakeholders continued

Governments and regulators

Our industry is regulated by the MHRA in the UK. 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

R&D report: see pages 38 to 41

Outcomes

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

Suppliers

Our suppliers play a key role in helping the business deliver its purpose to transform the lives of our patients. We form strong, sustainable and trusted partnerships and look to secure excellent value for money, whilst minimising risk in our supply chain.

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 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

Governance: see pages 29 and 30

Outcomes

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

Environment, social and governance continued

Our planet

We are committed to reducing our overall impact on the environment and working towards our carbon reduction targets. We understand that the climate crisis is the most serious challenge currently threatening the global community; responding to this challenge is expected of a responsible business and we know that decisions we make now, together with our actions and behaviours, must align with a net zero future.

Climate change

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 targets of a 45% reduction in Scope 1 and 2 emissions by 2030, a 95% reduction in total emissions by 2050 and a 20% reduction in Scope 3 emissions. Our next steps are to deliver on this commitment.

Allergy Therapeutics understands that carbon emissions are our most material environmental impact and they stem from our manufacturing facilities, company cars, offices and supply chains, we need to continue to engage with all stakeholders to ensure a collaborative approach towards embedding sustainable practices across the entire business to make year-on-year improvements in this area.

A Group Environmental Management Committee has been established 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 one of the greatest contributors to our carbon footprint. For some time, we have invested in reducing energy consumption and lowering carbon emissions across our sites and this can be evidenced in the reduction of energy usage in our UK manufacturing site.

During this financial year, we increased our utility usage by 2.6% compared with 2021. This reflected more employees returning to offices compared to 2021.

This year, we started 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.

Waste and water management

All our sites operate robust systems of recycling and we continue to raise awareness of recycling across the business. Some sites operate 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.

Travel

Travel in the year has increased since COVID-19 travel restrictions were lifted. Our sales force is back on the road and business travel, while not at the level experienced pre-pandemic, has increased. This increase in travel has contributed to an overall increase of our Group carbon footprint, which is 4.7% higher than 2021.

Environment, social and governance continued

Our planet continued

Streamlined Energy and Carbon Reporting ("SECR")

During the year, Allergy Therapeutics has continued to capture emissions data as required by SECR regulations Group-wide. The collection and creation of the SECR report was facilitated externally by Enistic Limited, who have been engaged to provide independent verification of the calculation of our SECR data, in accordance with the regulations.

The SECR report covers Scope 1 direct emissions, which includes company-owned vehicles, Scope 2 indirect emissions from electricity purchased and Scope 3 emissions, which includes business travel and private vehicles for business use. The SECR report is in line with the financial year for the year ended 30 June 2021. Using the latest figures provided by the Department for Business, Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs, Enistic converted the data into tonnes of carbon dioxide equivalent ('tonnes of CO_2e') and categorised into Scope 1, Scope 2 and Scope 3 emissions. The results are shown in the opposite table.

There has been a total of 3,160 tonnes of CO_2e emitted during FY2022, which compares to 3,017 tonnes for the prior financial year. This increase has largely been driven by increased travel in the year compared to the prior year when travel was restricted due to the pandemic.

The intensity measure variable that the Group has used is total gross emissions (tonnes) per sq ft. The result for the year ending 30 June 2022 is an intensity ratio of 14.23 tonnes of CO_2e per sq ft (2021: 13.59 tonnes).

During the year, we have improved our data collection to establish a more robust system of measurement which will help inform our progress towards our targets for reporting purposes. The data collected will be used to set global environmental objectives and initiatives as well as targeted reduction targets on each site. In FY2023 we will be reporting against the Task Force on Climate-related Financial Disclosures ("TCFD").

	Reporting period July 2021 – June 2022	Reporting period[1] July 2020 – June 2021	Percentage change
Total energy use covering purchased electricity (kWh)	**4,250,203**	4,482,758	(5.2%)
Total energy use covering combustion of gas (kWh)	**449,962**	479,255	(6.1%)
Total energy use covering business travel – company and grey fleet (kWh)	**2,648,188**	1,822,100	45.3%
Total energy use covering steam district heating (kWh)	**65,500**	74,000	(11.5%)
Total energy use covering purchased steam (kWh)	**4,248,915**	4,505,145	(5.7%)
Total energy use covering wood heating (kWh)	**41,556**	41,556	0.0%
Total energy use (kWh)	**11,704,324**	11,404,814	2.6%
Total emissions generated through use of purchased electricity (tCO_2e)	**1,238**	1,305	(5.1%)
Total emissions generated through combustion of gas (tCO_2e)	**96**	104	(7.7%)
Total emissions generated through business travel – company and grey fleet (tCO_2e)	**860**	614	40.1%
Total emissions generated through use of refrigerant gas (tCO_2e)	**53**	25	112.0%
Total emissions generated through steam district heating (tCO_2e)	**14**	16	(12.5%)
Total emissions generated through purchased steam (tCO_2e)	**898**	952	(5.7%)
Total emissions generated through use of wood heating (tCO_2e)	**1**	1	0.0%
Total gross emissions (tCO_2e)	**3,160**	3,017	4.7%
Total mileage	**2,558,056**	1,764,777	45.0%
Total estate size (sq ft)	**221,993**	221,993	0.0%
Intensity ratio – total gross emissions ($kgCO_2$ per sq ft)	**14.23**	13.59	4.7%
Intensity ratio – transport emissions ($kgCO_2$ per mile)	**0.34**	0.35	(2.9%)

1. Information revised following provision of further data and updates to Government emission factors.

Environment, social and governance continued

Our patients

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.

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 20.

Our shorter-course treatments take four to six injections, over the course of 4 to 13 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.

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

Environment, social and governance continued

Our patients continued

Our quality culture

Healthcare professionals rely on our quality products, our knowledge and our trusted partnership to deliver the best care for their patients. Quality and the provision of quality products becomes integral to all aspects of our business.

The supply of our products is becoming ever more complex, and, with the significant regulatory changes taking place across the sector, the expectations of us are increasingly demanding. We use our Quality Management System ("QMS") to meet the requirements of our customers and patients in conformance with current legal and regulatory requirements.

We are committed to giving open, full and fair consideration to applications for employment from disabled people and people with health conditions or impairments who meet the requirements for roles. We also ensure training opportunities and appropriate accessibility are available to all. Our Business Code of Conduct and Ethics sets our expectations to treat everyone equally and with respect acknowledging that for us to succeed we need to foster an environment where we can flourish.

Our manufacturing and distributor licences underpin our QMS. All of our sites are audited regularly, by a combination of internal audit, regulatory inspection and by our pharmaceutical business partners – we see this as a core part of doing business.

A good quality culture is the responsibility of everyone working for and on behalf of the Allergy Therapeutics Group. This includes our whole supply chain.

Our supply chain is assessed to ensure the standards we, and our patients, expect, are met and maintained.

Our employees are trained to have the ability to understand the importance of quality and to consider quality in everything they do. We communicate the importance of a good quality mindset and being accountable for the safety of our patients.

Environment, social and governance continued

Our people

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. This financial year, there was no bonus payable across the business. We provide a competitive compensation and benefits package which includes discretionary share awards for eligible employees.

Wellbeing and lifestyle

The wellbeing of our people continues to be of the upmost importance to the Group. During the year, we have supported employees during periods when government guidance advised working from home. We enhanced our lifestyle programme, with a focus on resilience and healthy home working, including a number of initiatives which encouraged our employees to stay active. For employees whose job role meant that they had to continue to work on site through these periods, support was provided.

During the year, we hosted virtual seminars on a wide range of topics, including mental wellness and resilience. Recognising the impact the continuing nature of pandemic restrictions may have on our employees, Allergy Therapeutics offered all employees an additional wellbeing day annual leave during the year. Additional support was provided to employees, where needed, in the form of counselling, check-up and welfare calls from HR and line managers.

We are a diverse business where some roles can be carried out remotely and others must be on site or office. The business has introduced a set of hybrid working principles throughout the Group that recognise the benefits to the business, the environment and individuals of working flexibly, but also the importance of face-to-face contact and meeting the needs of our stakeholders.

Environment, social and governance continued

Our people continued

Engagement

The Group ran its second employee engagement survey in January 2022. The survey had another high response rate of 85% and the results illustrated some clear areas of focus. The results were delivered to the Group and each function reviewed its own data. Following this, corporate-level action plans were developed to focus on improvements in the following areas: Workload, Strategy, Reward and Growth. Recommendations and proposed next steps were then presented to the Executive Team, leadership team and employees. We are implementing action plans and also continuing strategic actions from our 2021 survey. There has been a notable shift in that there is increased departmental-level action planning activity and discussions relating to engagement.

Talent

Our aim is to manage talent effectively and ensure that we have sufficient capability to realise our strategy. We undertake succession-planning exercises across all functions, to review the talent pipeline and progress individuals. New opportunities that arise in the business are advertised internally and we aim to promote internal candidates in order to enhance career development and encourage mobility across the Group.

Training and development

We are committed to providing everyone with the opportunity to learn and grow with our 70-20-10 model of learning. During the year, we launched our Learning Management System ("LMS") to all employees into the UK, Spain, Italy and the Netherlands. Our other countries go live in September 2022. Individual training and development needs are identified and discussed at performance review meetings with line managers. Since the LMS launch we have seen 93% of our employees engage with the system, each completing a minimum of ten training modules. We sponsor individuals undertaking further professional qualifications, and encourage continuous learning. We recognise that coaching and mentoring can have a significant impact on behaviours, and certain employees continue to benefit from bespoke coaching programmes.

Performance management

Allergy Therapeutics has a culture of encouraging continuous performance and development in order to increase productivity and performance. Annual performance objectives for each employee are agreed at performance meetings, which take place at the beginning of the financial year. Ongoing performance check-in meetings take place regularly throughout the year.

Performance is measured against objectives set for the previous year and individual performance ratings underpin discretionary annual bonus awards.

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. Our people operate with integrity and are supportive of colleagues across the business. Employees are engaged with the business priorities and understand the difference they can make in progressing our strategic objectives. We support new parents returning to the workplace, and encourage our people to adopt a healthy attitude to work-life balance.

For more information on how we are evolving culture within the business, please see pages 14 and 15.

Environment, social and governance continued

Our people continued

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. Diversity is considered when making appointments at all levels. We are keen to develop diverse talent across the business.

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.

We are committed to giving open, full and fair consideration to applications for employment from disabled people and people with health conditions or impairments who meet the requirements for roles. We also ensure training opportunities and appropriate accessibility are available to all. Our Business Code of Conduct and Ethics sets our expectations to treat everyone equally and with respect acknowledging that for us to succeed we need to foster an environment where we can flourish.

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**.

Responsible employer

Allergy Therapeutics is an accredited Living Wage Employer for its 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.

We are now one of nearly 11,000 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.

Environment, social and governance continued

Our responsible governance

At Allergy Therapeutics, our three core values of Visionary, Commitment and Menschlichkeit shape how we work and are at the heart of any decision we make. We value our reputation and we want to be a trusted business partner to all our stakeholders: our employees, patients, investors, suppliers and also the communities in which we operate. Creating, building and maintaining trust requires a strong and long-term commitment towards high standards of ethics throughout the entire business.

Ethics and compliance

During the year, an improved Ethics and Compliance framework was established with the purpose of providing all Group employees with clear expectations of standards of behaviour, which will ensure a consistent culture of integrity.

Next year, further work will be completed to strengthen our approach in areas such as third-party engagement, which will include the introduction of an automated due diligence risk assessment for new and current suppliers.

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 receive training in health and safety and during the year we recorded three lost time injuries (2021: one). We are taking steps to strengthen our safety culture and have established a Health & Safety Council, which meets regularly. We are training Health & Safety Champions and are introducing safety objectives into performance agreements to help drive improvements in our safety culture and safety performance.

We care about the health and wellbeing of our employees as well as their safety. During the year, the business remained focused on raising awareness for those suffering from mental health and have trained Mental Health First Aiders on our main sites. 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.

Environment, social and governance continued

Our responsible governance continued

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.

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

During the year, 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.

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

As a healthcare Group 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 work experience activities for local schools and taking part in science fairs.

Other community projects

All the sites around the Group donated to local charities. This included a Group-wide initiative to donate to local food banks at Christmas. The donation made in Worthing was used by the charity to purchase a new van, which has enabled them to reach more people in the community.

Allergy-related initiatives

The Group continued to support 'Over the Wall', a charity that creates fun camps for children with serious allergies 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.

Strategic framework

Our strategic pillars

Three pillars of business

01
Expanding in Europe

02
Strong pipeline

03
US entry

Strategic framework continued

Expanding in Europe

Strategic priorities

- 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

Progress in 2021/22

£72.8m

Net sales of £72.8m (2021: £84.3m) following streamlining of portfolio

1%

Growth in like-for-like sales at constant rates in tough market

Pre-R&D operating profit despite COVID-19 streamlining and a challenging market

Progress towards the registration of approved products

Objectives for 2022/23

Growth of sales

Improve pre-R&D profitability

Progress further registrations of approved products

Strong pipeline

Strategic priorities

- New technologies underpin pipeline depth in convenient products
- Investment strategy supported by growing revenue streams

Progress in 2021/22

VLP Peanut IND accepted by FDA and P101 VLP Peanut (PROTECT)

40% efficacy - very successful Grass MATA MPL exploratory Phase III field trial

Objectives for 2022/23

Progression of P101 VLP Peanut (PROTECT)

Progression of Grass MATA MPL Phase III field trial

Begin preparation for safety database extension to G306, Birch MATA MPL and Grass Paediatric trials

US entry

Strategic priorities

- Significant opportunity in largest allergy market
- Develop market access approach and relationships
- Secure funding for successful clinical development plans to deliver market access strategy

Progress in 2021/22

Grass MATA MPL exploratory trial partially in the US to allow potential parallel registration if pivotal trial successful

US key opinion leaders involved in P101 VLP Peanut (PROTECT) Peanut trial

Continued non-deal roadshows and exposure to US investors

Objectives for 2022/23

Progression of G306 trial

Progression of P101 VLP Peanut (PROTECT)

Key performance indicators ("KPIs")

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

Strategic objectives[1]

Maximise revenue

KPIs

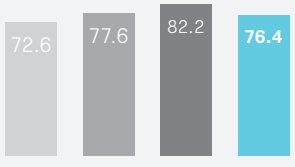
Total revenue measured at constant exchange rate (GBP:EUR exchange rate 1.15)

Analysis

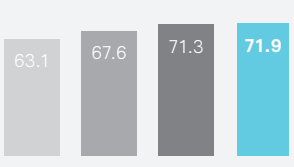
Like-for-like revenue at the constant exchange rate has increased in comparison with the past two years, despite COVID-19

Graph

Revenue at constant exchange rate[2] £m



Like-for-like revenue at constant exchange rate[3] £m



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

KPIs

EBITDA excluding R&D

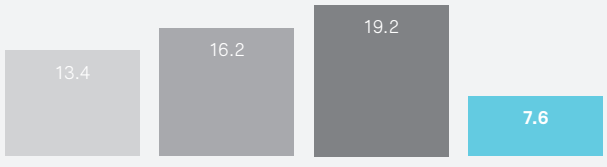
Profit before interest, tax, depreciation, amortisation and research and development expenditure

Analysis

EBITDA excluding R&D has decreased year-on-year due to streamlining of the portfolio, the competitive market in Germany and COVID-19

Graph

EBITDA excluding R&D[4] £m



Further strengthen the research pipeline and product portfolio

KPIs

Number of products in the pipeline

Analysis

The number of products in the pipeline has remained constant with the four new VLP candidates outside allergy replacing the oral and modified mite products

Graph

Number of products in pipeline #

1. The KPI for market share has been removed as the dataset for Germany, which is a key component of the measurement, has been distorted by the use of gross sales before rebates which does not fairly reflect the net sales value that the companies received, impacting the comparability of companies' market share metrics.
2. GBP:EUR exchange rate 1.12. Constant currency uses a common exchange rate to translate foreign currency denominated revenue to give a year-on-year comparison excluding the effects of foreign exchange movements For further information please see page 47 where reconciliation to revenue has been provided.
3. The 2022 figure has been adjusted to remove the IFRS 16 impact of £1.8m (2021: £1.9m) and create like-for-like figures. EBITDA excluding R&D is defined as earnings before interest, taxes, depreciation, amortisation and R&D expenditure.
4. Like-for-like revenue at constant exchange rate adjusts revenue to remove the effect of product streamlining from the prior years to demonstrate underlying revenue growth of continuing product lines and is reported at constant currency GBP:EUR exchange rate 1.15.

Key performance indicators ("KPIs") continued

Strategic objectives

Reduce the impact of the Group on the environment

KPIs

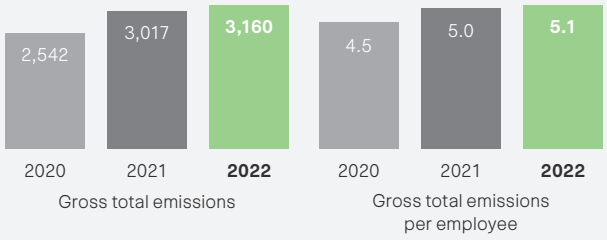
Total gross emissions measured in tonnes of carbon dioxide equivalent as well as in relative terms by dividing the total gross emissions by the average number of employees as per Note 7

Analysis

The total gross emissions have increased this year reflecting the end of lower level of activity due to COVID-19. Work on reducing emissions is in progress

Graph

Gross total emissions measured, as well as gross total emissions per employee tCO_2e

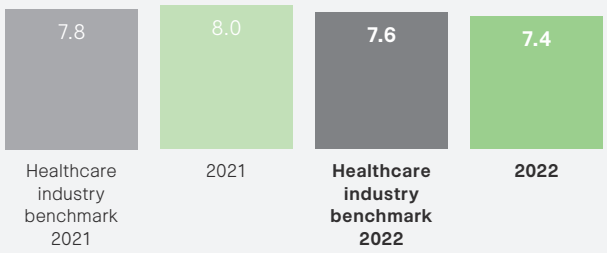


Maintaining a healthy corporate culture

Result of employee survey, measured out of ten, carried out by Peakon, compared to healthcare industry average

The score in the second year of the survey (with 85% of employees taking part) was below the healthcare industry benchmark and down on last year. The Group will continue to try and improve the score by learning from the feedback

Employee engagement %



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.

Our products continued

Pollinex Quattro continued

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.

Venom ATL Polistes Dominula

We are pleased that this year, on 1 June, we launched the Venom ATL Polistes Dominula in Spain. This is a vaccine and diagnostic product which can be ordered by community pharmacies or hospitals.

This is the first product where we have shared the development and manufacturing between our Worthing and Alcala sites; as we produce the vials in Worthing and perform the QC testing, labelling and packaging in Alcala.

Our products continued

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[1]	○	○	●	○	○	●	○
immunoBON®	○	○	○	○	○	○	●

1. Under clinical evaluation.

R&D report

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

Vaccine candidates outside allergy include disease areas such as cancer, asthma, atopic dermatitis and psoriasis.

1. No current active trial taking place.

SCIT: Subcutaneous Immunotherapy
MATA: Modified Allergen Tyrosine Adsorbed

Also available as a named-patient product

R&D report continued

Innovative, broad pipeline and marketed products

Development of the Group's MATA MPL platform in Europe and the US

This year excellent progress has been made in progressing the clinical programme to support registration of the Grass MATA MPL candidate in both Europe and the US.

Under the German TAV (Therapie allergene Verordnung) regulatory ordinance framework, market authorisation can 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 additionally be used to support regulatory submission in the US.

In October 2021 we presented the topline results of the G309 trial. The G309 trial was a double-blind, placebo controlled, randomised study run over one year and involved 119 patients over 15 sites across both Germany and the US. The primary endpoint of the G309 trial was 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 field efficacy data but is the first subcutaneous immunotherapy ("SCIT") study to evaluate different placebo options, including saline solution. Moreover, the study provided important opportunities to validate the EAACI recommended primary endpoint and included an extensive biomarker panel.

The Group effectively implemented strategies to ensure clinical development continued successfully despite the COVID-19 global pandemic. The results from this exploratory field trial demonstrated a strong clinically relevant and statistically significant treatment effect on the primary read-out.

As previously communicated, we are taking a two-stage Phase III clinical development route for Grass MATA MPL and have now completed the first stage (G309) and are now progressing to the final stage with the conduct of the pivotal Phase III study (G306).

Results and learnings from the G309 trial were used to further optimise the study design of the pivotal Phase III study G306. The G309 study provided answers to basic study design questions such as placebo type, posology and that the primary endpoint defined in G309, the combined symptom and medication score, is the optimal primary field endpoint for our product.

The convincing G309 results are a turning point for Grass MATA MPL and for the PQ portfolio as a whole, clearly demonstrating the strong efficacy of the PQ platform, and providing strong confidence in a positive outcome of the G306 study which began on schedule in Q4 2022.

The preparations for our pivotal Phase III clinical trial for Grass MATA MPL (G306) were finalised with the site selection completed, and the IND/CTAs submitted to all regulatory agencies in five European countries and the US. The study began as planned in Q4 2022.

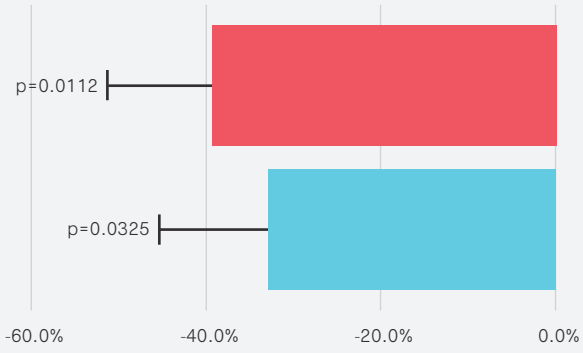
The Allergy Therapeutics team supporting this study are motivated to ensure we replicate the fantastic success we had in the G309 study.

The G306 study will bring the Group closer to their goal of being 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.

G309 Phase III clinical trial results

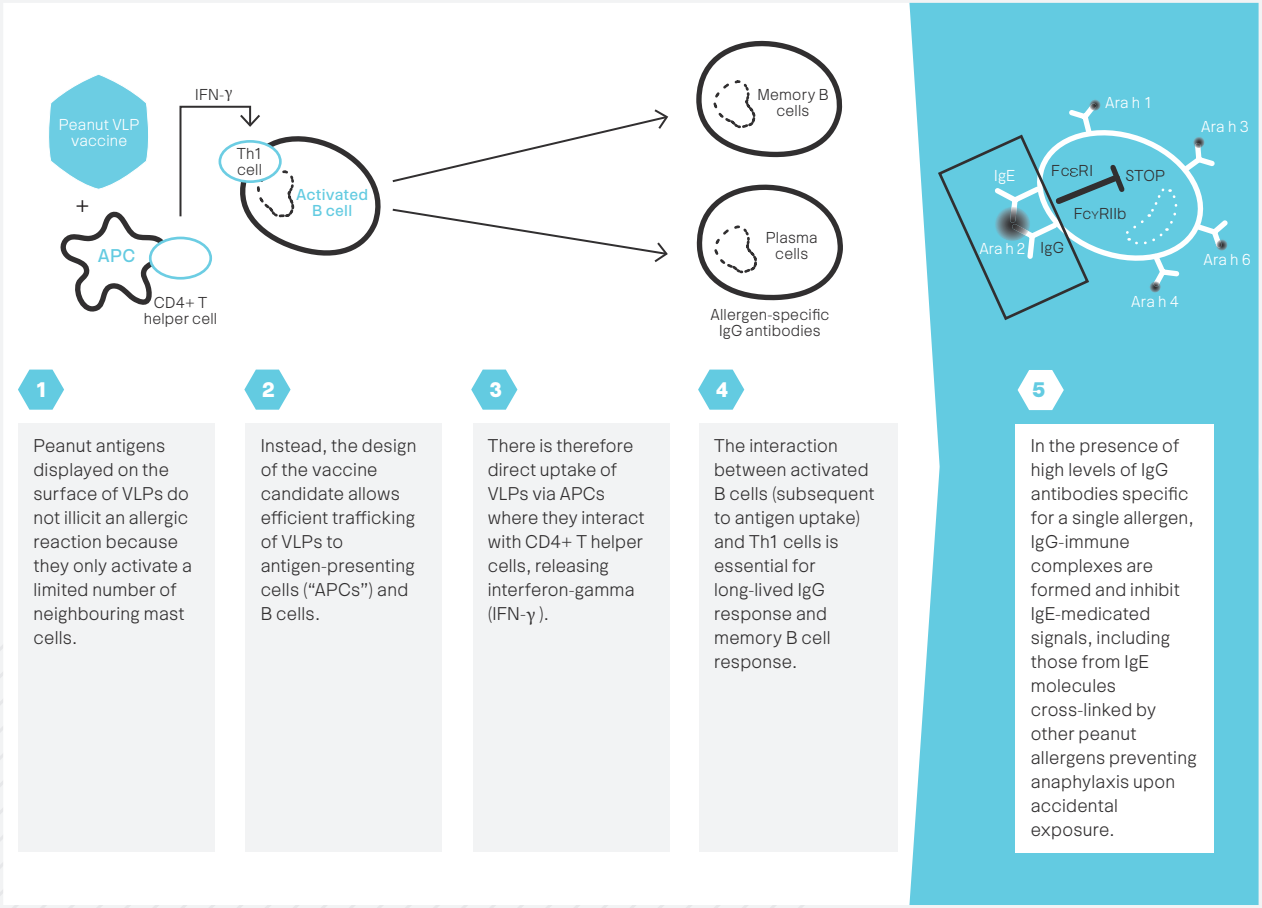
Improvement in scores compared to placebo

A statistically significant improvement in the combined symptom and medication score during the peak grass pollen season was demonstrated compared to placebo with MCT of -33.1% (p=0.0325) and -39.5% (p=0.0112) for the conventional and extended posology groups, respectively.



R&D report continued

Vaccination against peanut allergy via virus-like particles



VLP Peanut

VLP Peanut is a highly complex recombinant product and the Group has successfully transitioned the product from 'research concept', to a strong 'non-clinical evidence base' to early clinical development, demonstrating highly developed skills from protein expression, to formulation to manufacturing scale-up.

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.

The Group is closely collaborating with Imperial College London on the biomarker strategy, with the first ex-vivo biomarker study of blood samples from peanut-allergic patients (P001) being very successful, and incorporation of state-of-the-art biomarkers to support its efficacy in the first-in-human study VLP101. VLP Peanut is an unprecedented technology proposition and has required novel and innovative thinking that is at the edge of regulator and industry knowledge for successful GMP manufacturing and testing. The team have designed, developed and delivered with the patient, customer and regulator as a central pillar in record time.

VLP101 has received both FDA and IRB clearance and we began the dosing of patients in our first-in-human clinical trial with VLP Peanut in March 2023. The Group and the project team are very excited to progress this novel therapeutic vaccine from the laboratory to the bedside. Skin-prick testing of allergic subjects was completed in April 2023. The second part of the Phase I study, where healthy subjects receive ascending doses of the vaccine candidate administered subcutaneously to further assess safety, prior to embarking on a Phase I/II approach for subsequent blinded subcutaneous dose escalation in peanut allergic subjects is ongoing. Safety and tolerability data for healthy allergic subjects receiving ascending doses of the vaccine candidate administered subcutaneously is expected to be available in Q4 2023.

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 outside of allergy, respiratory conditions and other food allergies. 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.

R&D report continued

Scientific conferences

The Group attended the American Academy of Allergy, Asthma and Immunology conference ("AAAAI") in Phoenix, US early this year. The Group had the opportunity to present five scientific posters; two posters on the VLP001 results, new methodological results using Phase II data G205, our new pollen sampling network set-up in the US and the excellent G309 topline results.

We also had the opportunity of meeting and discussing at great length with quite a few of the investigators who will be taking part in the VLP101 and G306 clinical trials as well as a few of our key opinion leaders for PQ Grass and VLP Peanut during our mini Allergy Therapeutics symposium.

The joint WAO-BSACI conference in Edinburgh, UK was a particular highlight as it was the first congress where we externally presented the Grass MATA MPL G309 results.

During the 2022 European Academy of Allergy and Clinical Immunology ("EAACI") meeting, the Group presented 18 posters and held two Group symposia in order to showcase and educate on the latest achievements of the Group. The first half of 2022 has seen a welcome return to some key face-to-face time with our customers and collaborators following the lockdowns experienced over the last few years.

Research and scientific collaborations

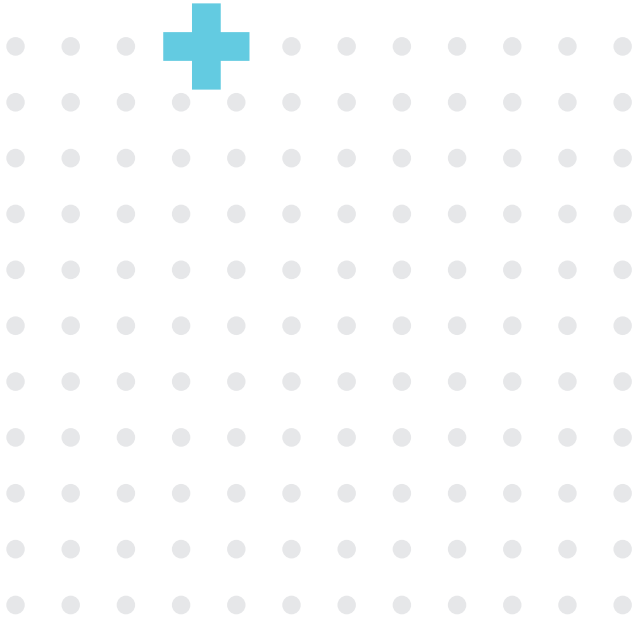
The Group updated the Bencard Adjuvant Systems brochure and consolidated our research activities and extended the evidence-base for the adjuvants in our portfolio. This permits further collaborations and allows us to pursue opportunities to out-license our adjuvant and vaccine technologies to third parties. New research into our adjuvant technologies included work with Prof. Thomas Kündig and Dr Pål Johansen in extending MCT mode of action studies in vivo and also working with Prof. Martin Bachmann in extending product characterisation studies for VLP Peanut in vitro and in vivo.

The National Institute of Health ("NIH") has placed the Group's patent protected MCT® adjuvant on their vaccine adjuvant compendium database ("VAC"). The VAC aims to foster collaborations between NIAID-supported adjuvant researchers and the broader scientific community and to help vaccine developers identify suitable adjuvants. MTA agreements for MCT with a number of universities and institutes for future vaccine development studies are in place.

The Group has continued with its highly successful biomarker programme in collaboration with the prestigious Johns Hopkins university in the US and Imperial College London in the UK, which aims to collect and review surrogate/predictive immunological and clinical biomarker data on the effects of allergy treatment and to monitor the effects of treatment during the early and late allergic responses following allergen exposure. The Group hopes to establish a unique 'biomarker footprint' for each product that correlates with clinical outcomes during and after discontinuation of treatment that might one day be used to act as a marker of clinical efficacy and could replace patient reported outcomes in clinical trials.

Intellectual property

The Group's patent portfolio contains both granted patents and pending patent applications, covering both marketed and pipeline products. This year the Group continued to file patent applications to protect competitive position, especially focusing on expanding protection of VLPs. Our diverse portfolio provides protection for products, platform technologies and methods of manufacture. The portfolio continues to be maintained in over 30 jurisdictions, including both the United States and Europe.



Effective risk management

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

Risk management structure

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.

Principal risks and uncertainties

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

Risk	Description of risk and impact	Mitigation	Developments in FY22
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.	– Very successful Grass MATA MPL trial (G309) providing the optimum approach for the next Phase III field trial. – Ongoing dialogue with the Paul Ehrlich Institute, the FDA and other regulatory bodies 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, leading to special measures or closure.	– 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 business is investing in further upgrades to ensure that the highest standards are maintained in the factory. – There has been a visit from MHRA to the Worthing site.

Principal risks and uncertainties continued

Risk	Description of risk and impact	Mitigation	Developments in FY22
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. - Cybercrime continues to pose a threat with the risk of data theft, fraud or data ransom.	- Investment has been made in renewing the servers and supporting software to make the infrastructure more robust. - Regular reviews of vulnerabilities to cyber attack are carried out by experienced external parties. - Investment in software to protect the business and access to systems.	- New servers have been recently installed in Worthing. - Cyber review leading to a plan to further upgrade defences. - Regular training of staff relating to phishing scams.
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 and filters) 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. - Our production facilities are regularly audited by regulators including the MHRA. If serious weaknesses are identified by the regulators or internally, the facility may have to shut down for a period impacting sales.	- Regular maintenance and upgrade of the facility undertaken. - In respect of the lease, the Group has negotiated a longer termination notice period. - Work continues on reducing variability and the methods for testing content.	- New energy centre is being built and will be online in the next calendar year, which will progress the Group towards becoming more independent of the GSK site. - Safety stocks maintained to protect against vaccine shortages or dual sourcing where possible.
Commercially viable production pipeline	- 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. - Increasing 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 underlying sales in the year. - Development of new products in the pipeline.

Principal risks and uncertainties continued

Risk	Description of risk and impact	Mitigation	Developments in FY22
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 denominated in Sterling, 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. - Monitoring exchange rates regularly with implementation of hedges to mitigate some 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.	- Continued work to maximise cash position in the business.
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. - Arrangements in place to notify the Group of any infringements of our intellectual property, which it would defend robustly.	- 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 59% (2021: 64%) 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. - The wider economic uncertainty, particularly on inflation and cost of living. - Inflationary pressure through the entire supply chain and cost base.	- 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.	- Reimbursement levels remained stable over the year and, in certain cases, price rises have been allowed. - Continual review of critical suppliers to manage risk.

Principal risks and uncertainties continued

Risk	Description of risk and impact	Mitigation	Developments in FY22
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. - A specialist internal audit IT team has reviewed the cyber risk to the business.
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 plans in place 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

Business performance

£72.8m
Revenue
(2021: £84.3m)

£3.4m
Operating profit excluding R&D[1]
(2021: £16.9m)

£(13.8)m
Net loss after tax
(2021: net profit £2.9m)

Overview

The Group made an operating profit excluding R&D[1] of £3.4m (2021: £16.9m) for the year to 30 June 2022 reflecting the planned strategic streamlining of the product portfolio, COVID-19, competitor pressure and the registration status of products in Germany. Including R&D expense of £15.7m (2021: £12.9m), the Group reported an operating loss of £12.2m (2021: operating profit of £4.0m). After interest and tax the net loss for the period was £13.8m (2021: net profit of £2.9m).

Revenue

Reported revenue decreased by 13.6% to £72.8m (2021: £84.3m). The weighted average Euro exchange rate in the year was €1.17 to £1 compared to €1.12 in 2021. Revenue at constant currency[2] was 9.4% lower, as shown in the table below.

Revenue from Germany was 59% (2021: 64%) of total reported revenue, reflecting the streamlining of the product portfolio which solely affected Germany, COVID-19, supply disruption due to upgrades and commercial headwinds. Sales of Venomil, Pollinex and Acarovac continued to grow. Total sales from other products contributed £3.3m for the year ended 30 June 2022 (2021: £4.0m).

Revenue in Germany decreased in the year with revenue at constant currency[2] down to £44.8m (2021: £53.8m), a decrease of 17%.

Some European markets exhibited good sales growth at constant currency[2] with Spain showing 11%, the Netherlands 8%, Czech Republic 7% and the UK 5%. 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 £23.3m (2021: £22.1m) reflecting investment in the supply chain and the fixed nature of the manufacturing facility costs. The gross margin was 68% (2021: 74%) reflecting investment in manufacturing, leading to a gross profit of £49.5m (2021: £62.2m).

	2022			2021		
	Germany £m	**Other £m**	**Total £m**	Germany £m	Other £m	Total £m
Revenue	**42.6**	**30.2**	**72.8**	53.8	30.5	84.3
Adjustment to retranslate at prior year foreign exchange rate	**2.2**	**1.4**	**3.6**			
Revenue at constant currency[2]	**44.8**	**31.6**	**76.4**	53.8	30.5	84.3

1. Operating profit (pre-R&D) is calculated by adding back total R&D expenditure for the year to the operating (loss)/profit of the year to arrive at an operating profit (pre-R&D) of £3.4m (2021: £16.9m).
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 £3.7m higher than prior year at £62.5m (2021: £58.8m). This included R&D expenditure that rose by £2.8m to £15.7m (2021: £12.9m) due to investment in the VLP Peanut and Grass MATA MPL studies.

Non-R&D operating costs of £46.8m increased by £0.9m (2021: £45.9m) due to further investment in compliance and rising labour costs partly offset by cost savings.

Sales, marketing and distribution costs increased by £0.8m to £26.0m (2021: £25.2m) mainly as a result of recovery post COVID-19. Other administration expenses were broadly in line with last year at £20.8m (2021: £20.7m).

Other income in the year of £0.7m (2021: £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.

The overall charge in the income statement is £1.1m (2021: £0.8m).

Balance sheet

Property, plant and equipment net book value increased by £0.5m to £20.2m (2021: £19.7m) reflecting investment in the Worthing energy centre and upgrade of plant in the UK.

Goodwill remained the same at £3.3m (2021: £3.3m), whilst other intangible assets increased by £0.3m to £1.7m (2021: £1.4m).

Total current assets, excluding cash, increased to £21.9m (2021: £17.6m). Inventory increased by £0.6m due to more raw materials being held to protect against worldwide shortages resulting from COVID 19. Trade and other receivables have increased by £4.2m, mainly due to prepayment related to R&D trial activities of £1.9m (2021: nil).

Cash and cash at hand decreased to £20.5m from £40.3m and there was a net cash outflow of £19.8m in the year (2021: net inflow of £3.7m) as a result of trading losses, investment in R&D and capital items.

The fair value of derivative financial instruments was a liability of £0.1m in 2022 (2021: asset of £0.5m) due to exchange rate fluctuations.

Retirement benefit obligations, which relate solely to the German pension scheme, decreased to £8.3m (2021: £11.3m). The decrease in the liability was mainly driven by the increase in the discount rate from 1.15% to 3.42% (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 existing bank debt as at 30 June 2022 on its balance sheet consists mainly of bank loans arranged to fund development of products in the Spanish market. Group borrowing totalled £2.4m (2021: £3.4m) at 30 June 2022. In February 2022 the Group agreed a secured revolving credit facility ("RCF") of £10m with NatWest Bank plc.

The RCF replaced the previous £7m overdraft facility provided by NatWest Bank plc. The facility is for a three-year period with the ability to extend annually for a further two years. This new facility is intended to provide additional security to the Group's credit facilities. The £10m RCF was unused at 30 June 2022. Please refer to Note 34, for details of events after the balance sheet date.

As explained fully in Note 1 on page 89, the Directors have adopted the going concern basis in preparing the financial statements whilst noting material uncertainties due to the need to secure additional near term funding.

Post balance sheet events

Please refer to Note 34, for details of events after the balance sheet date.

Manuel Llobet
Chief Executive Officer

The strategic report, as set out on pages 01 to 48, has been approved by the Board.

On behalf of the Board

Manuel Llobet
Chief Executive Officer
16 June 2023

Board of Directors

A good balance of skills and experience to support the delivery of the Group'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:
None

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

Cheryl MacDiarmid
Independent Non-Executive Director

Cheryl is currently the Senior Vice President and Head of Global Commercial Strategy for ViiV Healthcare, the joint venture between GSK, Pfizer and Shionogi which specialises in the development of therapies for HIV. She has more than 25 years' experience in commercial roles within the global pharmaceuticals sector. Cheryl has significant senior leadership experience within GSK, initially in Canada and then in the US where she led the Respiratory Business Unit and associated US operations.

External appointments:
PHIVCO UK Limited; PHIVCO UK II Limited; ViiV Healthcare Finance Limited; ViiV Healthcare Overseas Limited; ViiV Healthcare UK Limited; ViiV Healthcare Trading Services UK Limited; ViiV Healthcare UK (No.3) Limited; ViiV Healthcare UK (No.4) Limited; ViiV Healthcare UK (No.5) Limited.

Tunde Otulana
Independent Non-Executive Director and Senior Independent 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

Key to Committees:

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

Board of Directors continued

A 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:
Yourgene Health plc; Abingdon Health plc

A

Anthony Parker
Non-Executive Director

Anthony is the Southern Fox nominated Director on our Board. He has worked in investment banking and fund management for over thirty years and, as Founder and Partner of Beagle Partners LLP, which advises Southern Fox, has managed or advised on multiple UK innovation technology investments. Anthony is Founder and Chairman of Argonaute RNA Ltd, a UK-based research company developing safe and reliable methods of temporarily silencing target genes in different tissue cells. Prior to this, Anthony held senior roles at ING Barings and was an equity analyst for Cazenove & Co. He holds an Investment Management Certificate from the Institute of Investment Management and Research.

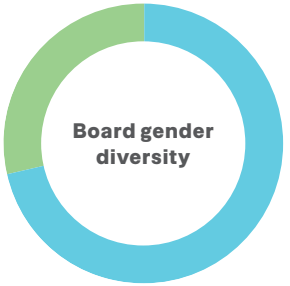
External appointments:
Argonaute RNA Limited; Bristol Bluegreen Limited; Beagle Partners LLP; CBDerma Technology Limited; Inverpharma Limited; Las Lilas Limit

R

Simon Shen
Non-Executive Director

Simon is the nominated Director of ZQ Capital. He founded the investment and advisory firm, ZQ Capital, in 2015. Prior to that Simon spent more than a decade as an investment banker advising international companies on their capital markets activities. He was Managing Director and Head of China Financial Institutions Group at Barclays from 2011 to 2015, following earlier roles at Goldman Sachs, Lehman Brothers and McKinsey & Company. He has a BA in mathematics and economics from Wesleyan University.

External appointments:
CC HK Holdings Limited; Fortune Yacht Limited; KFM Kingdom Holdings Limited; Nu Skin Enterprises; Inc.;Ping An ZQ China Growth Opportunity Ltd; Sky Venture Partners LP; Skygem Acquisition Limited; Skygem Global Limited; Skygem International Holdings Limited; Skygem Investment Limited; Skygem UK Holding Limited; ZQ Asset Management Limited; ZQ Capital Hong Kong Holdings Ltd; ZQ Capital Hong Kong Limited; ZQ Capital Limited; ZQ Capital Management Limited; ZQ Capital Services Limited; ZQ Evergreen Partners LP; ZQ Partners Ltd; ZQ Skygem Investors LP; Z-Trans Technology Company Limited



- Male | 5
- Female | 2

- 1-5 years | 4
- 5+ years | 3

Key to Committees:

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

Corporate governance report

Chairman's introduction

The Board ensures that the Group's 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 the Group operates in line with its purpose, culture and values while delivering the strategy. This report, and the Committee reports which follow, explain how the Board, its Committees and the broader governance framework work together, and how we applied the principles of the Quoted Companies Alliance Code.

The Board's year

During the year, the challenges of COVID-19 continued to affect the business and its supply chain. The key focus of the Board was oversight of the Group's operations, maintaining supply of our products to our patients, consideration of strategic matters, and the resilience and sustainability of the business.

I am pleased to confirm that, despite the continued logistical challenges, the Board operated effectively within our robust governance framework. During the year the Board continued to meet mostly virtually, however the Board did manage to operate two hybrid meetings with some Board members attending in person and others by video conference. I would like to thank my fellow Directors for their flexibility during this time.

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. In considering such appointments the Board is mindful of its commitment to increase its diversity over time.

In November 2021, Steve Smith stepped down as a Non-Executive Director and Cheryl MacDiarmid was appointed as a new independent Non-Executive Director. Cheryl has also joined the Audit and Risk Committee, the Remuneration Committee and, in May 2023, the Nomination Committee. Her contributions to Board discussions and insight into the US commercial landscape are already proving valuable.

It has also been announced that, after six years with the business, Nick Wykeman stepped down as CFO in November 2022. Nick has been a dedicated member of the Board and I wish him success. As announced on 21 November 2022, Martin Hopcroft has joined the business as Interim CFO.

On 6 December 2022, Anthony Parker and Simon Shen were appointed as Non-Executive Directors of the Company. Anthony represents Southern Fox Investments Limited and Simon represents SkyGem Acquisition Limited, both significant shareholders of the Company. On 28 December 2022 Scott Leinenweber, representative of Abbott Laboratories resigned as a Board member, we thank him for his valuable contributions during his tenure. On 10 February 2023 Sara Goldsbrough resigned as Company Secretary, we thank Sara for her valuable contributions to the business. Karley Cheesman was appointed Company Secretary on 13 February 2023.

During the year, Tunde Otulana was appointed Senior Independent Director in place of Steve Smith and Mary Tavener was appointed Chair of the Remuneration Committee.

Corporate governance report continued

ESG

Reflecting our commitment to operating responsibly, we have continued to develop our sustainability strategy, focusing on four core areas: our planet, our people, our patients and sustainable governance. This year, an ESG governance framework was implemented which included the establishment of an ESG Executive Committee which has overseen the development of the ESG strategy, our commitments and targets, which have now been approved by the Board. Set out on pages 16 to 30 is the Group's ESG report which provides more detail on this. 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.

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.

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 Group of our size.

Voting on AGM resolutions

At Allergy's 2021 Annual General Meeting ("AGM"), the resolution seeking authority to disapply pre-emption rights was not passed. The Board engages regularly with its major shareholders on this topic and has noted their concerns. However, the Board continues to feel that, to preserve flexibility and competitive positioning, it is appropriate to seek the authority granted by this resolution and also notes that this resolution has received support at previous AGMs.

Finally, I would like to thank our stakeholders and shareholders for their continued support and all our employees for their enormous efforts over the course of the year and for their continued resilience in a challenging environment.

Peter Jensen
Chairman
16 June 2023

Corporate governance statement

The Board has adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The Board believes that the QCA 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 2022 Annual Report and Accounts (the '2022 Report') as indicated in the table below:

No.	Principle	Disclosure in the 2022 Report
1.	Establish a strategy and business model which promote long-term value for shareholders	Pages 12, 13, 31 and 32
2.	Seek to understand and meet shareholder needs and expectations	Pages 19 to 21 and 57
3.	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 19 to 21
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Pages 42 to 46
5.	Maintain the Board as a well-functioning, balanced team led by the Chairman	Pages 49 to 57
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Pages 49, 50 and 59
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Page 55
8.	Promote a corporate culture that is based on ethical values and behaviours	Pages 14 to 30
9.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Page 53
10.	Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Pages 19 to 21 and 57

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 Group, 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 Group'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 more on pages 60 to 63

The Remuneration Committee

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

See more on pages 64 to 72

The Nomination Committee

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

See more on pages 58 and 59

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 Company Secretary.

Corporate governance report continued

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 49 and 50.

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.
Senior Independent Director	Tunde Otulana	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	Mary Tavener Cheryl MacDiarmid Simon Shen Anthony Parker	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.
Company Secretary	Karley Cheesman	The Company Secretary 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 2022, the Board comprised the Chairman, two Executive Directors and four Non-Executive Directors. The table to the left summarises the current membership of the Board and its Committees as at the date of publication of this Annual Report. 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 49 and 50.

The Board during the year

There were 8 Board meetings held during the year. The Directors' attendance record at these meetings is shown in the table on the next page.

Corporate governance report continued

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 59 for more details.

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	8	4	2	2
Tunde Otulana	Non-Executive Director, Senior Independent Director	Independent	June 2017	8	1	2	2
Manuel Llobet	Chief Executive Officer	Not independent	July 2009	8	0	0	0
Nick Wykeman	Chief Financial Officer	Not independent	June 2016	8	0	0	0
Scott Leinenweber[2]	Non-Executive Director	Not independent	November 2018	7	3	0	1
Mary Tavener	Non-Executive Director	Independent	June 2019	8	4	2	0
Cheryl MacDiarmid[1&3&4]	Non-Executive Director	Independent	October 2021	5	2	0	0

1. Appointed to the Board and Audit & Risk Committee on 27 October 2022.
2. Appointed to the Audit & Risk Committee on 8 November 2021.
3. Appointed to the Remuneration Committee on 1 June 2021.
4. Appointed to Nomination Committee on 12 May 2023.

Review of Board effectiveness

The actions from the 2021 Board effectiveness review have progressed and there is now a regular ESG report included in the Board papers for each meeting.

How the Board operates

The Board had eight scheduled meetings during the year, which were held via a combination of virtual and hybrid meetings. 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 53. 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.

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 during which the Executive Team present their business unit updates and their proposed budget for the forthcoming financial year, and a strategy brainstorm meeting.

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

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 Group 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.

Corporate governance report continued

Activities of the Board during the year:

Strategy, business performance and capital investment

- Approved the Group's corporate strategy
- Considered and approved investment in the Grass, Peanut and Birch clinical programmes
- Approved capital investment in more efficient manufacturing equipment
- Approved the construction costs for the new energy centre in Worthing
- Approved a number of material contracts
- Considered the impact of COVID-19 on the business
- Received regular reports from the CEO on business performance, delivery of strategic priorities and opportunities
- Received operational performance reviews throughout the year

Finance and risk

- Received regular reports from the CFO on financial performance across the Group and a report on investor relations
- Approved the 2022/23 budget
- Reviewed and approved the preliminary and interim results announcements
- Reviewed and approved the pre-close trading statements
- Approved the fees of the external auditor
- Reviewed the preliminary results roadshow presentation
- Approved the entry into the revolving credit facility agreement
- Reviewed and approved the 2021 Annual Report and Accounts

People and culture

- On the recommendation of the Nomination Committee, approved the appointment of Cheryl MacDiarmid as a new Non-Executive Director. See page 58
- Approved the Group's people strategy for 2022/23
- Received an update on the Group's wellbeing support during COVID-19 and focus on mental health
- Approved the Group's Modern Slavery and Human Trafficking Statement
- Approved the Group's gender pay gap statement
- Reviewed the outcomes and action plans following the employee engagement survey
- Reviewed Executive Team succession planning

Governance, compliance and regulatory

- 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 2022/23 Board and Board Committee programmes and calendar
- Reviewed the principal risks to the Group
- Approved the Group's health and safety programme
- Approved updated Business Code of Conduct & Ethics, Group Anti-Bribery Policy and Speak Up Policy
- Approved the Group ESG strategy and framework

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 Group'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 Group'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 12 to 30

Corporate governance report continued

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 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 19 to 21.

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.

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 19 to 21. 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 Group to the Board, via the 'Contact us' section of the website, available at **https://www.allergytherapeutics.com/get-in-touch/**.

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

Dear Shareholder,

I am pleased to introduce the Group's 2022 Nomination Committee (the 'Committee') report.

As outlined in my statement on page 6, there have been a number of changes to the composition of the Board during the year. Steve Smith stepped down from the Board on 22 November 2021 after more than 15 years as a Board member, and following a rigorous selection process conducted by an external search firm, Cheryl MacDiarmid was appointed as a Non-Executive Director to the Board and member of the Audit and Risk Committee with effect from 27 October 2021. The Committee led the process for Cheryl's appointment and further details on the induction programme can be found on page 59. Post year end, Nick Wykeman stepped down as CFO and the Board appointed two shareholder nominated Directors, Anthony Parker and Simon Shen. Nick Wykeman was replaced by interim Chief Financial Officer Martin Hopcroft. On 10 February 2023 Sara Goldsbrough resigned as Company Secretary, Karley Cheesman was appointed Company Secretary on 13 February 2023.

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.

The Committee also monitored succession planning at Board and Executive level and continued to recognise the importance of developing our people through a diverse talent pipeline. The Committee takes an active interest in the quality and development of employees within the Group, ensuring that appropriate opportunities are in place to develop high-performing individuals.

Peter Jensen
Chair of the Nomination Committee
16 June 2023

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 during the year comprise Peter Jensen as Chair and Tunde Otulana and until December 2022, Scott Leinenweber. Cheryl MacDiarmid joined the Committee in May 2023.

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.

Nomination Committee report continued

Board composition and skills

The Board considers that the current membership of one Executive Director and five 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. Post year end, Nick Wykeman stepped down as CFO and has been replaced by interim Chief Financial Officer Martin Hopcroft. The Company is in the process of searching for a permanent replacement CFO and recognises the need for such as a permanent Executive Director on the Board.

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 49 and 50.

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 Group'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.

A review was undertaken that 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 2023.

Diversity and inclusion

Diversity and inclusion is important to the Group 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, geography, background and age, 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.

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.

Board site visits

COVID-19 restrictions have meant that the Board has not been able to visit any of our offices for two years. This year, an important part of the Board calendar was visiting the business operations in Worthing, Munich and Barcelona.

The Board held the annual budget meeting in the Barcelona offices, during which there was an all-hands presentation to the Spanish team. Site visits were then made by some Board members to Munich and Worthing, which included meetings with team members, all-hands presentations and, in Worthing, a tour of the facility. These visits have enabled the Board to spend time with different teams and individuals across the business and to observe and experience at first-hand how the culture and values are becoming embedded across the Group.

Audit and Risk Committee report

Responsible oversight of financial reporting, internal control and risk management procedures.

Mary Tavener
Chair of the Audit and Risk Committee

Dear Shareholder,

I am pleased to present the Audit and Risk Committee's report for 2022, which sets out the work we have done to fulfil our responsibilities in assisting the Board in providing effective governance to the Group.

The Committee has a rolling agenda covering a variety of standing matters such as a review of our risk management and control systems, internal and external audits, assessing the reasonableness of any significant accounting and reporting judgements and reviewing the content of the Annual Report, advising the Board whether it is fair, balanced and understandable. The Committee gives specific attention to topics that we consider to be particularly significant ,as well as providing financial oversight and stewardship on our financial reporting.

During the year, in addition to standing matters, the Committee reviewed a variety of areas including a review of our IT security controls, business continuity planning and financial controls in our European subsidiaries. While controls were generally deemed to be good there were some deficiencies noted, and these are now a focus for improvement. Further information on the key activities of the Committee during the year are set out on the following pages.

Over the coming year, the Committee will be reviewing our Treasury and cash management controls as well as assessing progress on our improvement programmes.

Mary Tavener
Chair of the Audit and Risk Committee
16 June 2023

Role of the Committee

The primary role of the Audit and Risk Committee is to assist the Board in providing effective governance over the Group. This involves ensuring the integrity of our financial reporting and audit process, and overseeing and monitoring the effectiveness of our internal control systems and management of risks.

Who?

During the year, the members of the Committee comprise Mary Tavener as Chair, Peter Jensen, Scott Leinenweber, Cheryl MacDiarmind and Anthony Parker. Following Scott's resignation, Anthony Parker was appointed as a member of the Committee.

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.

Audit and Risk Committee report continued

The Committee

The Committee is chaired by Mary Tavener; other members of the Committee were Peter Jensen, Scott Leinenweber and Cheryl MacDiarmid, who joined the Committee in October 2021 and Anthony Parker who joined the Committee in February 2023. Scott Leinenweber resigned from the Board in December 2022. The qualifications of the Committee members are detailed on pages 49 and 50. 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, Group Financial Controller and Financial Reporting Manager, together with senior representatives of Mazars LLP (the internal auditor) and BDO LLP (the external auditor).

The Committee met four times during the year to discharge its responsibilities. Attendance at these meetings is shown in the table on page 55. The Committee also met privately during the year with the external and internal auditors.

The responsibilities set out on page 60 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 Group'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**.

Risk management and internal controls

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 be able to assess the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters.

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, valuation of retirement benefit obligations and clinical trial costs
- **Full-year results:** Review of preliminary results announcement; Annual Report; going concern
- **Governance, compliance and financial policies:** Treasury policy; non-audit services policy; anti-bribery; code of ethics
- **Other:** Group insurance cover review

November

- **Risk management and internal controls:** Review of Group risk register
- **Internal audit:** Review of progress report and review of findings of Germany and IT security and controls; financial controls of Germany, Italy and Spain
- **External audit:** Lessons learnt from year-end audit; agree to scope and timetable for interim audit
- **Governance, compliance and financial policies:** Group treasury policy approved; insurance renewal updated and approved.

February

- **Risk management and internal controls:** Review of Group risk register
- **Internal audit:** Review of findings: financial controls in Germany and Austria, 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 Group risk policy

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:** Revised preparation timetable and project plan
- **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

Audit and Risk Committee report continued

Risk management and internal controls continued

The 2021 evaluation of Committee performance and effectiveness identified improvements that should be made in areas relating to the risk management framework and the business management of internal control deficiencies.

During the year, the Committee has discussed with management the expectations of the risk management approach and the development of an integrated framework that would better identify and manage risk across the business.

The Group's risk register continues to be reviewed at least twice a year and the Committee updates the Board on risks to compliance with internal controls across the business and any matters which may require improvement. Work is continuing to improve risk reporting at all levels of the business.

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 Group's half-year report and Annual Report with management and the external auditor.

Going concern

The financial statements have been prepared on a going concern basis after considering the Group's and the Company's current cash position and reviewing budgets and cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements.

On 4 October 2022, the Group announced that it had proactively paused production at the Freeman facility, part of its Worthing, UK manufacturing site, in order to accelerate ongoing site improvements and to maintain regulatory compliance. The pause in manufacturing occurred during a period of peak production prior to the start of the pollen season in the Spring. As a consequence, the production pause will have a material impact upon the Group's revenue and cashflow for the year ending 30 June 2023.

Despite the completion of the £7m equity raise and £10m of loan notes announced on 17 October 2022, the manufacturing pause resulted in the Group requiring additional funding to continue with the planned R&D clinical trials. In addition, at the expected reduced levels of underlying profit, excluding research and development costs, the terms of the £10m NatWest revolving credit facility would not allow use of the facility.

As a result, on 6 April 2023, the Group announced it had signed a loan agreement with certain shareholders for £40.75m, incurring interest at 18% per annum and with full repayment of the principal outstanding and any accrued interest in December 2025. The loan is fully secured against substantially all assets of the Company and its subsidiaries incorporated in England and Wales by way of an English-law governed debenture. The NatWest revolving credit facility has been cancelled to release the necessary security.

The Directors have prepared cash flow forecasts for the period to 30 June 2024, which assume that the Group will be able to undertake a planned equity financing of £40.75m during the going concern period to re-finance the £40.75m shareholder loan, however the Group expects that additional financing will be required from around September 2023 onwards.

The Directors acknowledge that a material uncertainty exists over the Group's ability to access additional sources of finance, which will be required regardless of the outcome of the Phase III G306 trial and regardless of the planned equity financing after obtaining the necessary foreign direct investment ("FDI") regulatory approvals.

Under the terms of a contingent payment letter entered into with the lenders of the shareholder loan, the Group will be obligated to pay a substantial finance premium ("G306 contingent payment") equal to 250% of the principal amount of the loan outstanding on a successful data read-out of the Phase III G306 trial, if any principal remains outstanding under the terms of the loan agreement at 6 January 2024.

The planned equity financing for £40.75m is conditional on obtaining certain foreign direct investment ("FDI") regulatory approvals and completing the equity refinancing by 6 January 2024 and, if not obtained prior to the read-out of the Phase III G306 trial, the equity financing is also conditional on a successful Phase III G306 outcome. Should the equity financing not proceed, it is unlikely that the Group will be able to pay the G306 contingent payment should it crystallise. If the Group is unable to secure an alternative funding solution to repay the amounts due under the shareholder loan, the Group may be subject to, inter alia, possible insolvency and loss of ownership of its assets, over which security has been granted pursuant to the loan.

The Directors have reasonable expectations that the Phase III G306 trial will be successful and that appropriate additional financing can be obtained for the Group and Company. Accordingly, they have prepared these financial statements on a going concern basis.

There are, however, currently no binding arrangements in place for additional funding over and above the equity financing and no guarantees that existing shareholders will be willing, or able, to provide further funds.

It is therefore considered that material uncertainties exist which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Audit and Risk Committee report continued

Internal audit

Internal audit remit

Mazars LLP ('Mazars') is 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 2022 consisting of: (i) IT security controls; (ii) Board reporting; (iii) incident management; (iv) cash processes; and (v) financial controls in Spain, Italy and Switzerland. Any issues raised during the reviews were reported to the Audit and Risk Committee.

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

Annual audit plan

In May, BDO reviewed with the Committee its audit strategy, scope and plan for the 2022 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 Group 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 101.

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 robust, 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 made a recommendation to the Board to recommend the re-appointment of BDO LLP, external auditors, at the 2022 AGM.

Directors' remuneration report

Attracting, motivating and retaining our people is critical to our future success.

Mary Tavener
Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Remuneration Committee (the 'Committee') report for the year ending 30 June 2022, my first as Chair of the Committee. The Committee was made up of myself and Tunde Otulana throughout the year. Steve Smith was Chair of the Committee until his retirement on 22 November 2021. Cheryl MacDiarmid joined the Committee on 1 June 2022. Simon Shen joined the Committee in February 2023.

The Committee's role is to ensure that our Remuneration policy is appropriate for a business of the size and complexity of Allergy Therapeutics, reflecting the need to retain and attract the talent we need for our future success. To continue to achieve this, we reviewed the Company's executive and senior team remuneration arrangements towards the end of the year and following the year end. We retained the services of h2glenfern Remuneration Advisory to assist the Committee with assessing the Executives' remuneration including undertaking a bench-marking exercise during the year. As a result of this review, we are proposing a number of changes to our Remuneration Policy which are detailed below.

The Board and Committee take governance seriously and will be putting this report to shareholders to consider and approve. The Committee was pleased that the resolution to approve the 2021 Report put to the 2021 AGM was supported by 98.9% of votes cast.

Since the year end, the Company has taken a number of steps and faced a number of challenges as detailed earlier in this report. The Company raised £17m through a subscription and loan note issuance to two large shareholders. This subscription and debt financing was announced to market in September 2022. In October the Company proactively paused production at the Freeman facility to accelerate ongoing site improvements. Trading in the Company's shares were suspended from 3 January 2023 pending finalisation of its audit. In this context and in light of performance in 2022, key decisions made in respect of remuneration have included the freezing of salaries and fees for 2022/23 and no executive bonus being paid in respect of 2021/22. In addition, no executive bonus plan will operate for 2022/23 and no long term incentive awards will be made to Executive Directors during 2022/23.

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 Mary Tavener as Chair, together with Tunde Otulana, Cheryl MacDiarmid and Simon Shen.

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; and
- considering vesting of LTIPs.

Directors' remuneration report continued

Remuneration for year ending 30 June 2022

Annual bonus

The performance conditions for the annual bonus for the last financial year were based on the achievement of an adjusted EBITDA target (pre-R&D spend) which accounted for 80% of the bonus and personal objectives which accounted for 20% of the bonus. Following an assessment of the business performance this year, the financial target was not met and whilst some personal objectives were met, the Executives chose to forgo this element of their bonus. As a result no bonus was payable.

LTIPs

LTIPs awarded to the Executive Directors on 27 March 2020 were due to vest on 1 March 2023. The performance criteria and weightings for vesting were as follows:

TSR (50%). The growth in share price was calculated over a three-year period ending with the announcement of the results for the year ending 30 June 2022.

Adjusted EBITDA (50%). The growth in adjusted EBITDA was calculated over the three financial years to 30 June 2022. Neither performance target was achieved and so vesting will be nil.

Remuneration policy review

The Remuneration Committee undertook a review of the Remuneration Policy. This included a review of salaries, bonus scheme, and LTIP scheme. The review included a benchmarking exercise comparing Allergy Therapeutics to other similar sized businesses. Following this review the Remuneration Committee recommended the following for the year ended 30 June 2022:

The salaries of the CEO and CFO were in line with market median and the Committee determined that any increase would be in line with any workforce general increases. In the year ahead, it has been agreed that the employee pay rise across the Group will be 5%. The Executive and Non-Executive Directors declined the inflationary pay increase.

The Committee agreed to increase the maximum potential bonus that both the CEO and CFO can achieve. The maximum potential bonus that CEO can now earn will be 100% of salary (previously 75%) and the maximum the CFO can earn will be 75% of salary (previously 50%). This brings them more into line for market median for bonus potential. The bonus targets for maximum pay-out will remain stretching but the criteria for achievement will now include financial targets set against EBITDA (pre-R&D expense) as well as non-financial targets aligned with R&D and clinical achievements and an element for personal objectives. In agreeing the new policy, the Committee paid particular attention to ensuring that the bonus arrangements are transparent and straight forward.

The review of the LTIP awards has resulted in a change in the method of calculation the amount being awarded. Currently, the CEO receives 900,000, and the CFO receives 450,000 LTIP award each year. When the share price is low, this results in an award that is low in comparison to salary, however, if the share price is high, this could result in awards that are too large in comparison with salary. Following the bench mark exercise it was agreed that CEO should receive a maximum potential award of 150% of salary and the CFO will receive a maximum potential award of 100% of salary. Vesting will continue to be determined by reference to TSR (50%) and financial performance, growth in EBITDA pre R&D (50%).

The Committee believes that the proposed changes to the Remuneration Policy align the Executives with shareholders and should deliver appropriate, proportional outcomes in line with the corporate strategy and shareholder experience.

CFO

On 26 May 2022, the Company announced that our CFO, Nick Wykeman, had tendered his resignation with effect from 30 November 2022. The Company is in the process of searching for a replacement whose remuneration will be in line with our remuneration policy. Details of how Nick's outstanding LTIP awards will be treated is set out later in this report.

Mary Tavener
Chair of the Remuneration Committee
16 June 2023

Directors' remuneration report continued

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 ("LTIP").

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 Group'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.
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 the 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 the CEO is 100% of annual salary and for the CFO is 75%.	Executives' performance is measured relative to challenging one-year financial targets and other performance objectives.

Directors' remuneration report continued

Elements of remuneration continued

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metric
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.	To date there has been no pre-determined maximum award. The Remuneration Committee has the right to cap a maximum award should the award be deemed excessive in light of the Group's performance.	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 Group'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. The Company expects to take a similar approach to setting performance targets in the future. Shareholding targets set.
Shareholding guideline	Encourages Executive Directors to build a meaningful shareholding to further align interests with shareholders.	Each Executive Director is expected to build up and maintain a shareholding in the Company equivalent to 100% of base salary.	Not applicable.	Not applicable.
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 Group as long-term relative performance provides an appropriately objective and relevant measure of the Group's success which is strongly aligned with shareholders' interests.

Directors' remuneration report continued

Notes to the policy table continued

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 or 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

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
Cheryl MacDiarmid	27 October 2021	3 months
Mary Tavener	19 June 2019	3 months
Anthony Parker	6 December 2022	3 months
Simon Shen	6 December 2022	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.

Advisers to the Remuneration Committee

During the year, h2glenfern Remuneration Advisory advised the Committee on certain aspects of the executive and Board remuneration. h2glenfern Remuneration Advisory is a member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct. The Committee considers the advice that it receives from h2glenfern to be independent.

Directors' remuneration report continued

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.

Directors' remuneration

The tables below set out the single figure of total remuneration for the Executive Directors and Non-Executive Directors for 2022 and 2021:

	Fixed pay			Performance related		Total		
Single figure of remuneration 2022	**Salary/ fees**	**Taxable benefits[9]**	**Pension[3]**	**Bonus**	**LTIPs vested in year[10]**	**Total fixed**	**Total performance related**	**Total**
Manuel Llobet[6]	**331,546**	**18,189**	**38,710**	**(9,062)**	**285,314**	**388,445**	**276,252**	**664,697**
Nick Wykeman	**220,275**	**11,133**	**22,028**	**—**	**142,657**	**253,436**	**142,657**	**396,093**
Peter Jensen	**94,000**	**—**	**—**	**—**	**—**	**94,000**	**—**	**94,000**
Steve Smith[1,7]	**17,515**	**—**	**—**	**—**	**—**	**17,515**	**—**	**17,515**
Tunde Otulana	**42,625**	**—**	**—**	**—**	**—**	**42,625**	**—**	**42,625**
Scott Leinenweber[2]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Mary Tavener	**47,125**	**—**	**1,656**	**—**	**—**	**48,781**	**—**	**48,781**
Cheryl MacDiarmid[8]	**20,000**	**—**	**—**	**—**	**—**	**20,000**	**—**	**20,000**
Total	**773,086**	**29,322**	**62,394**	**(9,062)**	**427,971**	**864,802**	**418,909**	**1,283,711**

	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**

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. Includes bonus over-accrual from prior year of £9,062.
7. Steve Smith resigned as a Director on 22 November 2021.
8. Cheryl MacDiarmid was appointed as a Director on 27 October 2021.
9. Typical benefits include car allowance and medical insurance.
10. See page 67 for details of performance metrics.

Directors' remuneration report continued

Executive Director remuneration

Salaries

From 1 October 2021, the salaries of the CEO and CFO were €367,064 and £222,929, respectively.

Annual bonuses 2021/22

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 was 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.

Following an assessment of the business performance this year, the financial target was not met and whilst some personal objectives were met, the Executives chose to forgo this element of their bonus. As a result no bonus was payable.

Long-term incentives granted during the year

Conditional share awards were granted to Manuel Llobet and Nick Wykeman during the year on 22 November 2021.

Name	Date of grant	Shares awarded	Share price at date of grant	Face value of award[1]	% vest at threshold performance	End of performance period
Manuel Llobet	22 November 2021	900,000	35.5p	£319,500	25	21 November 2024
Nick Wykeman	22 November 2021	450,000	35.5p	£159,750	25	21 November 2024

1. Face value of award has been calculated using the price at the date of grant of 35.5p.

These awards are eligible to vest in 2024 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;
- 50% of the awards are subject to compound share price growth over the three-year performance period achieving a target; and
- Following Nick's resignation announced in May 2022, his November 2021 awards will lapse on his leaving the Company.

Long-term incentives vested during the year

Conditional share awards were granted to Manuel Llobet and Nick Wykeman on 1 November 2018, and these vested on 23 November 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	10%	20%	35.5p	Met minimum threshold target but not maximum	39%
Compound earnings growth	7.50%	17.50%	35.5p	Exceeded maximum target	100%

Directors' remuneration report continued

Executive Director remuneration continued

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

	Share options/ LTIPs held at 1 July 2021	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 2022	Subscription price in £	Exercise date from	Expiry date
Manuel Llobet	2,700,000	900,000	(900,000)		2,700,000	0		
	422,500				422,500	0	27-Mar-2020	26-Mar-2030
	450,000				450,000	0	30-Mar-2021	29-Mar-2031
			803,700[1]		803,700	0	22-Nov-2021	21-Nov-2031
Nick Wykeman	1,350,000	450,000[2]	(450,000)		1,350,000	0		
	211,250				211,250	0	27-Mar-20	26-Mar-30
	225,000				225,000	0	30-Mar-21	29-Mar-31
			401,850[1]		401,850	0	22-Nov-21	21-Nov-31
Total	**5,358,750**	**1,350,000**	**(144,450)**	**—**	**6,564,300**			

1. These share options were converted from vested LTIPs.
2. Following Nick's resignation announced in May 2022, his November 2021 awards lapsed on leaving the Company.

At 30 June 2022, the London Stock Exchange mid-market value of shares was 21 pence per share. The range of mid-market values during the period from 1 July 2021 to 30 June 2022 was 21 pence to 39 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:

	2022	2021
Basic fee	**£40,000**	£40,000
Audit and Risk Committee Chair	**£4,500**	£4,500
Remuneration Committee Chair	**£4,500**	£4,500

Directors' remuneration report continued

Directors' interest in shares

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

	At 30 June 2022		At 1 July 2021	
Name	**Ordinary Shares**	**Options and LTIPs**	Ordinary Shares	Options and LTIPs
Manuel Llobet	**3,325,000**	**4,376,200**	3,325,000	3,572,500
Nick Wykeman[1]	**300,000**	**2,188,100**	300,000	1,786,250
Peter Jensen	**300,000**	**—**	270,000	—
Steve Smith[2]	**776,513**	**—**	776,513	—
Tunde Otulana	**50,000**	**—**	50,000	—
Scott Leinenweber[3]	**—**	**—**	—	—
Mary Tavener	**—**	**—**	—	—
Cheryl MacDiarmid[4]	**—**	**—**	—	—

1. Resigned 30 November 2022.
2. Resigned 22 November 2021.
3. Resigned 28 December 2022.
4. Appointed 27 October 2021.

Shareholder voting

The table below shows the results of the advisory vote on the 2021 Directors' remuneration report at the 2021 AGM.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of remuneration report	174,524,577	98.86	1,989,308	1.13	176,577,712	63,827

Implementation of Remuneration Policy in the financial year 2022/23

The changes in the Remuneration Policy from 2022/23 are explained in the Remuneration Committee Chair's statement on page 64 and set out in the Remuneration Policy table. The principal changes are to the annual bonus limits and basis for calculating the level of long-term incentive awards.

The general salary increase across the Group effective 1 October 2022 will be 5%. The CEO and CFO declined salary increases from 1 October 2022. Nick Wykeman left the Company on 30 November 2022.

No Executive Director annual bonus plan will operate in 2022/23. No LTIP awards will be made to Executive Directors in 2023.

The Non-Executive Directors declined an increase in their fees for 2022/23.

This Directors' remuneration report has been approved for issue by the Board of Directors on 16 June 2023.

Mary Tavener
Chair of the Remuneration Committee
16 June 2023

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the 12 months ended 30 June 2022. 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 2022 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 Director

Manuel Llobet

Non-Executive Directors

Tunde Otulana

Cheryl MacDiarmid (appointed on 27 October 2021)

Simon Shen (appointed on 6 December 2022)

Anthony Parker (appointed on 6 December 2022)

Mary Tavener

Nick Wykeman (resigned 30 November 2022)

Scott Leinenweber (resigned 28 December 2022)

Steve Smith (resigned 22 November 2021)

Biographies of each Director holding office at the date of signing the financial statements can be found on pages 49 and 50 and details of each Director's interests in the Company's shares are set out on page 72.

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 loss for the year after taxation was £13.8m (2021: £2.9m profit). The results for the year are set out on page 84 and are described in more detail in the financial review.

Due to the current trading and research and development investment strategy, the Company will not be declaring a dividend (2021: £nil). Further details of the Group's research and development strategy can be found on pages 38 to 41.

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 125. 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.

Directors' report continued

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 31 January 2023, are shown in the table below:

The following were the significant shareholders as notified to the Company at 28 April 2023:

Shareholder name	Amount	% holding
Abbott Laboratories	240,584,571	35.43
SkyGem Acquisition Limited (ZQ Capital)	173,740,037	25.58
Southern Fox Investments	149,871,529	22.07
River & Mercantile Asset Management	28,700,000	4.23

Use of financial instruments

Information on risk management objectives and policies, including hedging policies, and exposure of the Group in relation to the use of financial instruments, can be found in Note 25 to the financial statements on pages 117 to 121.

Employees

Information on Group employees can be found on pages 26 and 27 and in Note 7 to the financial statements on page 102.

The environment

Details of the Group's approach to the environment and its aims and activities are described on the Group's website, **www.allergytherapeutics.com**. An overview of the Group's corporate responsibility activity is on pages 16 to 25.

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 Group maintains its commitment to environmental matters. Details of the Group's energy usage can be found in its SECR report on pages 22 and 23.

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

Details relating to post balance sheet events are set out in Note 34.

Independent auditor

A resolution to seek the appointment of BDO LLP was proposed at the AGM, held on 7 February 2023, and passed.

By order of the Board

Karley Cheesman
Company Secretary
16 June 2023

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 UK adopted 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 UK adopted 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 16 June 2023 and signed on its behalf by:

Manuel Llobet
Chief Executive Officer
16 June 2023

Independent auditor's report

to the members of Allergy Therapeutics plc

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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 qualified opinion

The Group carries an insurance policy which is designed to contribute towards the obligations in respect of the German defined benefit pension scheme. At 30 June 2022, the group recognises a 'retirement benefit asset' within investments of £5,962,000 and retirement benefit obligations of £8,319,000, comprising the present value of scheme liabilities of £9,534,000, offset by the fair value of plan assets of £1,215,000. Both the investment of £5,962,000 and the plan assets of £1,215,000 represent the sum of the insurance policy assets.

Our work involved seeking to obtain evidence concerning the valuation of the insurance policy assets. The Board of Directors have made relevant enquiries of the scheme's insurer and have been unable to obtain all of the relevant information about the valuation of the underlying assets. Consequently, the information available to us as auditors was limited. We have therefore been unable to obtain sufficient, appropriate audit evidence in relation to the valuation of the insurance policy assets held at 30 June 2022, totalling £7,177,000. We were unable to satisfy ourselves by alternative means concerning the valuation of the insurance policy assets by using other audit procedures. Consequently we were unable to determine whether any adjustment to these amounts or related amounts were necessary.

In addition, were any adjustment to the insurance policy assets to be required, the strategic report would also need to be amended.

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 qualified 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the Group's ability to refinance the shareholder loan of £40.75m may be dependent upon the outcome of the G306 trial and the obtaining of necessary foreign direct investment ("FDI") regulatory approvals. If the Group is unable to complete this equity refinancing, it will not have the resources to repay the shareholder loan or the G306 contingent payment should it crystallise and there are currently no arrangements in place for additional funding over and above the equity refinancing nor any guarantees that existing shareholders will be willing, or able, to provide further funds. As stated in note 1, these events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Based on the matters set out above and the resulting impact on our risk assessment and scope of our audit, going concern was determined to be a key audit matter.

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 and procedures in response to the key audit matter included:

- A review of the directors' assessment of going concern and challenge of the key assumptions used to make this assessment, such as revenue forecasts, research and development expenditure, capital expenditure and debt/equity financing cashflows. These were assessed through discussions with the directors, review of previously forecast results against actuals, corroboration to signed contracts for research and development programmes and capital expenditure projects and by reference to our knowledge of the industry and experience to date of the relevant cash flows in respect of the Group's operations;
- A review of the accuracy of the forecast model through corroboration of the opening cash position to bank statements at 30 April 2023 and re-performing the calculations;

Independent auditor's report continued

to the members of Allergy Therapeutics plc

- Review of the equity and loan financing agreements signed subsequent to the year end to gain an understanding of the terms and to check that the associated cashflows had been appropriately reflected in the forecasts; and
- We assessed the completeness and accuracy of the matters covered in the going concern disclosures by reference to our work performed over the directors' assessment of going concern.

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

Overview

Coverage	78% (2021: 80%) of Group revenue 94% (2021: 90%) of Group total assets		
Key audit matters		**2022**	**2021**
	1. Revenue recognition	✓	✓
	2. Valuation of retirement benefit obligations	✓	✓
	3. Valuation of retirement benefit assets	✓	
	4. Going concern	✓	
Materiality	Group financial statements as a whole £728,000 (2021: £843,000) based on 1% (2021: 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 and represent 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, Germany and Spain as significant components and required a full scope audit of their complete financial information due to their size. These audits 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 and Spanish components were performed by component audit teams within BDO LLP and the full scope audit of the significant German component was performed by a BDO member firm in Germany, with additional work performed by the Group audit team to take account of accounting differences between component and Group accounting frameworks. Audit procedures over the Group consolidation were also performed by the Group audit team. The remaining components of the Group were not identified as being significant to the Group and 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 both in person and via video conference.

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.

Our involvement with component auditors included the following:

- The Group audit team controlled and directed the work of the component audit teams in the UK and Germany and issued detailed audit instructions to each, including the relevant component materiality.
- As part of our audit planning, we held planning meetings, in person with the UK and Spanish component teams and via video conference with the German component team, 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.
- Members of the Group audit team visited both the UK and Spanish entities in person and performed a direct review of the component audit teams' audit files. We also travelled to Germany to perform a direct review of the audit file for the German significant component. Following the review, any further work required by the Group audit team was performed by the respective component auditor.
- At the completion stage, we attended meetings with each component audit team and reviewed component audit teams' reporting, addressing risks and specific procedures raised. The Senior Statutory Auditor travelled to Germany to attend a closing meeting held between the component audit team and component management, whilst the closing meetings for the UK and Spanish components were attended via video conference. 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.

In addition to the matters described in the basis for qualified opinion and the material uncertainty related to going concern sections of our report, we have determined the matters described below to be the key audit matters to be communicated in our report:

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 once the end 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: – We assessed the appropriateness of the Group's revenue recognition policy in accordance with IFRS 15 and confirmed its application through the procedures set out below; – We performed cut off procedures by selecting transactions either side of the year end and agreeing to proof of delivery to the end customer to determine whether the revenue and the statutory rebate was recognised in the correct period; – We obtained an understanding of the requirements in respect of the statutory rebate charge and considered management's calculations by reference to these requirements; – We corroborated a sample of statutory rebates paid in the year to invoice to confirm their existence and obtained the equivalent invoices received after the year end to assess the completeness of the accrual; – We reviewed correspondence with the German health authorities and held discussions with the Group's external lawyers to understand the latest position on the price moratorium rebates for certain products; and – We 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 through discussion with management and inspection of supporting documentation where relevant.

Independent auditor's report continued

to the members of Allergy Therapeutics plc

An overview of the scope of our audit continued

Key audit matters continued

Key observations:
Based on the procedures we performed, we did not identify any matters to suggest that revenue recognition was inappropriate.

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 recognised in the consolidated balance sheet at 30 June 2022 was £8.3m, which represents a retirement benefit asset of £1.2m shown net against a retirement benefit obligation of £9.5m. The valuation of the obligation was determined by an independent actuary. The actuarial valuation of the retirement benefit obligation involves a number of complex calculations and assumptions along with management judgements which have a significant impact on the valuation of the 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: – We assessed the appropriateness of the Group's accounting policy in accordance with IAS 19 and confirmed its application through the procedures set out below; – We engaged an external actuary 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; – We assessed the independence, capabilities, objectivity and competence of both management's and the auditor's experts; and – We verified, on a sample basis, the accuracy of the underlying data provided to the Group's independent actuary through corroboration to human resource 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.

Independent auditor's report continued

to the members of Allergy Therapeutics plc

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	
	2022	**2021**	**2022**	**2021**
Materiality	£728,000	£843,000	£156,000	£94,000
Basis for determining materiality	1% of revenue	1% of revenue	2% of total assets	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 where the Group is loss making or close to breakeven profitability.		Total assets was selected as the most appropriate benchmark for materiality as the Parent Company is held primarily for investment purposes.	
Performance materiality	£364,000	£421,500	£78,000	£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 and the number of material estimates.			

Independent auditor's report continued

to the members of Allergy Therapeutics plc

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 21% and 91% (2021: 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 £152,000 to £662,000 (2021: £94,000 to £759,000). In the audit of each component, we further applied performance materiality levels of 50% (2021: 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 £36,000 (2021: £42,000). 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the valuation of the insurance policy assets of £5,962,000 and £1,215,000 held at 30 June 2022. We have concluded that where the other information refers to the insurance policy assets or related balances, it may be materially misstated for the same reason.

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

Except for the possible effects of the matter described in the basis for qualified opinion section of our 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.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Arising solely from the limitation on the scope of our work relating to the insurance policy assets, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the Parent Company.

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:

- 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.

Independent auditor's report continued

to the members of Allergy Therapeutics plc

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be UK-adopted International Accounting Standards, Financial Reporting Standard 101, the Companies Act 2006, the AIM Listing Rules and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation and those set by the Department of Health and Social Care ('DHSC'), in particular the Medicines and Healthcare products Regulatory Agency ('MHRA').

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Discussions with the Operations & Site Director and the Global Quality Director regarding correspondence with the MHRA and other regulatory bodies; and
- Review of output reports from internal and external inspections.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Independent auditor's report continued

to the members of Allergy Therapeutics plc

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, the cut off of revenue recognised around the year end and the manipulation of statutory rebates in Germany.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including those set out in the Key Audit Matters section of the report;
- Cut off procedures by selecting transactions from either side of the year end and agreeing to proof of delivery to the end customer to determine whether the revenue and the statutory rebate was recognised in the correct period (as discussed in the Key Audit Matter above); and
- Corroboration of a sample of statutory rebates to invoice to confirm its existence and identification of equivalent invoices received after the year end to assess the completeness of the accrual (as discussed in the Key Audit Matter above).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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. In addition, the capability of the audit to detect irregularities including fraud was limited by the matter set out in the basis for qualified opinion section of our report.

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

16 June 2023

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 2022

	Note	**Year to 30 June 2022 £'000**	**Year to 30 June 2022 £'000**	Year to 30 June 2021 £'000	Year to 30 June 2021 £'000
Revenue	3		**72,768**		84,331
Cost of sales			**(23,262)**		(22,106)
Gross profit			**49,506**		62,225
Sales, marketing and distribution costs			**(26,004)**		(25,200)
Administration expenses - other		**(20,828)**		(20,674)	
Research and development costs		**(15,659)**		(12,887)	
Total administrative expenses			**(36,487)**		(33,561)
Other income	8		**740**		567
Operating (loss)/profit			**(12,245)**		4,031
Finance income	10		**257**		117
Finance expense	9		**(669)**		(491)
(Loss)/profit before tax	5		**(12,657)**		3,657
Income tax	11		**(1,119)**		(771)
(Loss)/profit for the period			**(13,776)**		2,886
(Loss)/earnings per share	13				
Basic (pence per share)			**(2.14)p**		0.45p
Diluted (pence per share)			**(2.14)p**		0.43p

Consolidated statement of comprehensive income

for the year ended 30 June 2022

	Note	**Year to 30 June 2022 £'000**	Year to 30 June 2021 £'000
(Loss)/profit for the period		**(13,776)**	2,886
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	27	**3,094**	1,689
Remeasurement of investments – retirement benefit assets	17	**(193)**	(58)
Revaluation gains – freehold land and buildings	16	**—**	94
Deferred tax movement – freehold land and buildings	12	**—**	5
Total other comprehensive income		**2,901**	1,730
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**265**	(503)
Total comprehensive (loss)/income		**(10,610)**	4,113

Consolidated balance sheet

as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**20,190**	19,717
Intangible assets - goodwill	14	**3,347**	3,343
Intangible assets - other	15	**1,688**	1,411
Investments - retirement benefit asset	17	**5,962**	5,760
Total non-current assets		**31,187**	30,231
Current assets			
Inventories	18	**11,410**	10,838
Trade and other receivables	19	**10,468**	6,222
Cash and cash equivalents	20	**20,515**	40,273
Derivative financial instruments	25	**—**	525
Total current assets		**42,393**	57,858
Total assets		**73,580**	88,089
Liabilities			
Current liabilities			
Trade and other payables	21	**(15,669)**	(16,475)
Current borrowings	22	**(952)**	(963)
Lease liabilities	23	**(1,316)**	(792)
Derivative financial instruments	25	**(116)**	—
Total current liabilities		**(18,053)**	(18,230)
Net current assets		**24,340**	39,628

	Note	30 June 2022 £'000	30 June 2021 £'000
Non-current liabilities			
Retirement benefit obligations	27	**(8,319)**	(11,291)
Deferred taxation liability	12	**(406)**	(408)
Non-current provisions	24	**(144)**	(208)
Lease liabilities	23	**(6,764)**	(6,967)
Long-term borrowings	22	**(1,497)**	(2,450)
Total non-current liabilities		**(17,130)**	(21,324)
Total liabilities		**(35,183)**	(39,554)
Net assets		**38,397**	48,535
Equity			
Capital and reserves			
Issued share capital	28	**654**	651
Share premium		**112,576**	112,576
Merger reserve		**40,128**	40,128
Reserve - share-based payments		**2,799**	2,693
Revaluation reserve		**1,073**	1,073
Foreign exchange reserve		**(923)**	(1,188)
Retained earnings		**(117,910)**	(107,398)
Total equity		**38,397**	48,535

These financial statements were approved by the Board of Directors and authorised for issue on 16 June 2023 and signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Registered number: 05141592

Consolidated statement of changes in equity

for the year ended 30 June 2022

	Issued capital £'000	Share premium £'000	Merger reserve £'000	Reserve - share-based payment £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
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
Exchange differences on translation of foreign operations	—	—	—	—	—	265	—	265
Valuation gains taken to equity (land and buildings) - net of deferred tax	—	—	—	—	—	—	—	—
Remeasurement of net defined benefit liability	—	—	—	—	—	—	3,094	3,094
Remeasurement of investments - retirement benefit assets	—	—	—	—	—	—	(193)	(193)
Total other comprehensive income	—	—	—	—	—	265	2,901	3,166
Loss for the period after tax	—	—	—	—	—	—	(13,776)	(13,776)
Total comprehensive loss	—	—	—	—	—	265	(10,875)	(10,610)
Transactions with owners:								
Share-based payments	—	—	—	469	—	—	—	469
Shares issued	3	—	—	—	—	—	—	3
Transfer of lapsed options to retained earnings	—	—	—	(363)	—	—	363	—
At 30 June 2022	**654**	**112,576**	**40,128**	**2,799**	**1,073**	**(923)**	**(117,910)**	**38,397**

Consolidated cash flow statement

for the year ended 30 June 2022

	Note	Year to 30 June 2022 £'000	Year to 30 June 2021 £'000
Cash flows from operating activities			
(Loss)/profit before tax		**(12,657)**	3,657
Adjustments for:			
Finance income	10	**(257)**	(117)
Finance expense	9	**669**	491
Non-cash movements on defined benefit pension plan		**(23)**	85
Depreciation and amortisation	15, 16	**4,166**	4,132
Net monetary value of above-the-line R&D tax credit	8	**(740)**	(567)
Charge for share-based payments		**469**	635
Movement in fair valuation of derivative financial instruments		**641**	(1,340)
(Profit)/loss on disposal of fixed asset		**8**	—
(Increase)/decrease in trade and other receivables		**(4,246)**	2,141
(Increase) in inventories		**(572)**	(1,117)
(Increase)/decrease in trade and other payables		**(1,067)**	548
Net cash (used)/generated by operations		**(13,609)**	8,548
Income tax (paid)/received		**(213)**	41
Net cash (used)/generated by operating activities		**(13,822)**	8,589
Cash flows from investing activities			
Interest received		**58**	117
Payments for retirement benefit investments		**(179)**	(194)
Payments for property, plant and equipment		**(3,056)**	(2,562)
Net cash used in investing activities		**(3,177)**	(2,639)

	Note	Year to 30 June 2022 £'000	Year to 30 June 2021 £'000
Cash flows from financing activities			
Proceeds from issue of equity shares		**3**	4
Repayment of bank loan borrowings	33	**(957)**	(757)
Interest paid on bank loan borrowings		**(168)**	(190)
Repayment of principal on lease liabilities	33	**(1,311)**	(1,605)
Interest paid on lease liabilities	33	**(373)**	(301)
Proceeds from borrowings	33	**—**	625
Net cash used in financing activities		**(2,806)**	(2,224)
Net (decrease)/increase in cash and cash equivalents		**(19,805)**	3,726
Effects of exchange rates on cash and cash equivalents		**47**	(415)
Cash and cash equivalents at the start of the period		**40,273**	36,962
Cash and cash equivalents at the end of the period		**20,515**	40,273
Cash at bank and in hand		**20,515**	40,273
Bank overdraft		**—**	—
Cash and cash equivalents at the end of the period		**20,515**	40,273

Notes to the financial statements

for the year ended 30 June 2022

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 public limited 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 2022 (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 16 June 2023.

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

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.

The financial statements have been prepared on a going concern basis after considering the Group's and the Company's current cash position and reviewing budgets and cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements.

On 4 October 2022, the Group announced that it had proactively paused production at the Freeman facility, part of its Worthing, UK manufacturing site, in order to accelerate ongoing site improvements and to maintain regulatory compliance. The pause in manufacturing occurred during a period of peak production prior to the start of the pollen season in the Spring. As a consequence, the production pause will have a material impact upon the Group's revenue and cashflow for the year ending 30 June 2023.

Despite the completion of the £7m equity raise and £10m of loan notes announced on 17 October 2022, the manufacturing pause resulted in the Group requiring additional funding to continue with the planned R&D clinical trials. In addition, at the expected reduced levels of underlying profit, excluding research and development costs, the terms of the £10m NatWest revolving credit facility would not allow use of the facility.

As a result, on 6 April 2023, the Group announced it had signed a loan agreement with certain shareholders for £40.75m, incurring interest at 18% per annum and with full repayment of the principal outstanding and any accrued interest in December 2025. The loan is fully secured against substantially all assets of the Company and its subsidiaries incorporated in England and Wales by way of an English-law governed debenture. The NatWest revolving credit facility has been cancelled to release the necessary security.

The Directors have prepared cash flow forecasts for the period to 30 June 2024, which assume that the Group will be able to undertake a planned equity financing of £40.75m during the going concern period to re-finance the £40.75m shareholder loan, however the Group expects that additional financing will be required from around September 2023 onwards.

The Directors acknowledge that a material uncertainty exists over the Group's ability to access additional sources of finance, which will be required regardless of the outcome of the Phase III G306 trial and regardless of the planned equity financing after obtaining the necessary foreign direct investment ("FDI") regulatory approvals.

Under the terms of a contingent payment letter entered into with the lenders of the shareholder loan, the Group will be obligated to pay a substantial finance premium ("G306 contingent payment") equal to 250% of the principal amount of the loan outstanding on a successful data read-out of the Phase III G306 trial, if any principal remains outstanding under the terms of the loan agreement at 6 January 2024.

The planned equity financing for £40.75m is conditional on obtaining certain foreign direct investment ("FDI") regulatory approvals and completing the equity refinancing by 6 January 2024 and, if not obtained prior to the read-out of the Phase III G306 trial, the equity financing is also conditional on a successful Phase III G306 outcome. Should the equity financing not proceed, it is unlikely that the Group will be able to pay the G306 contingent payment should it crystallise. If the Group is unable to secure an alternative funding solution to repay the amounts due under the shareholder loan, the Group may be subject to, inter alia, possible insolvency and loss of ownership of its assets, over which security has been granted pursuant to the loan.

The Directors have reasonable expectations that the Phase III G306 trial will be successful and that appropriate additional financing can be obtained for the Group and Company. Accordingly, they have prepared these financial statements on a going concern basis.

There are, however, currently no binding arrangements in place for additional funding over and above the equity financing and no guarantees that existing shareholders will be willing, or able, to provide further funds.

It is therefore considered that material uncertainties exist which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the financial statements continued

for the year ended 30 June 2022

The Directors have reasonable expectations that the G306 trial will be successful and that appropriate additional financing can be obtained for the Group and Company. Accordingly, they have prepared these financial statements on a going concern basis.

There are, however, currently no arrangements in place for additional funding over and above the equity financing and no guarantees that existing shareholders will be willing, or able, to provide further funds.

It is therefore considered that these material uncertainties exist which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 2022. 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.

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

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

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.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

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 specify 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.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

Revenue recognition continued

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.

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.

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 2022 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.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

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 2022 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 3.4%. 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.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

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.

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows 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 2022 or 1 July 2021.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

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 exchange 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 of the book value of the assets and liabilities acquired over the nominal value of the equity shares issued on acquisition of subsidiaries;
- '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.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

Defined benefit pension scheme

Plan assets are measured at fair value. 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. There is a legal entitlement to repayment of any surplus once all obligations are settled. 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.

Current service costs principally relate to the increase in present value of the obligations for benefits resulting from employee service during the period. 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 126 and 127.

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.

Notes to the financial statements continued

for the year ended 30 June 2022

2. Accounting policies continued

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 £15.7m (2021: £12.9m).

b) In respect of net revenue relating to certain products there is a risk that up to £11.2m cumulative revenue recognised (2021: £10.7m cumulative) may be reversed due to a retrospective change in the level of rebate being applied (2022: £0.5m recognised for the year, for the prior year, £3.3m 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. 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 £1m, 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 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 and the related investments – retirement benefit assets are estimated using actuarial methods by third party experts. See Note 27.

3. Revenue

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

	2022 £'000	2021 £'000
Sale of goods at a point in time	**72,768**	84,331
	72,768	84,331

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. In the opinion of the Directors, there is one class of business, being the manufacture and sale of allergy related medicines.

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 Rest of the World (including the UK).

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.

Notes to the financial statements continued

for the year ended 30 June 2022

4. Segmental reporting continued

Revenue by segment

	Revenue from external customers 2022 £'000	Inter-segment revenue 2022 £'000	Total segment revenue 2022 £'000	Revenue from external customers 2021 £'000	Inter-segment revenue 2021 £'000	Total segment revenue 2021 £'000
Central Europe						
Germany	**42,579**	**—**	**42,579**	53,802	—	53,802
Austria	**5,229**	**—**	**5,229**	5,604	—	5,604
Netherlands	**4,281**	**—**	**4,281**	4,166	—	4,166
Switzerland	**3,295**	**—**	**3,295**	3,137	—	3,137
	55,384	**—**	**55,384**	66,709	—	66,709
Southern Europe						
Italy	**3,402**	**—**	**3,402**	3,967	—	3,967
Spain	**8,871**	**—**	**8,871**	8,422	—	8,422
Other	**562**	**—**	**562**	532	—	532
	12,835	**—**	**12,835**	12,921	—	12,921
Rest of World (including UK)	**4,549**	**39,371**	**43,920**	4,701	53,981	58,682
	72,768	**39,371**	**112,139**	84,331	53,981	138,312

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 (including UK) revenues include sales through distributors and agents in several markets including the Czech Republic, Slovakia, Canada and South Korea. 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.

Notes to the financial statements continued

for the year ended 30 June 2022

4. Segmental reporting continued

Depreciation and amortisation by segment

	2022 £'000	2021 £'000
Central Europe	**1,173**	1,244
Southern Europe	**728**	795
Rest of World (including UK)	**2,265**	2,093
	4,166	4,132

EBITDA by segment

	2022 £'000	2021 £'000
Allocated EBITDA		
Central Europe	**4,186**	2,803
Southern Europe	**1,187**	1,080
Rest of World (including UK)	**(13,452)**	4,280
Allocated EBITDA	**(8,079)**	8,163
Depreciation and amortisation	**(4,166)**	(4,132)
Operating (loss)/profit	**(12,245)**	4,031
Finance income	**257**	117
Finance expense	**(669)**	(491)
(Loss)/profit before tax	**(12,657)**	3,657

Total assets by segment

	2022 £'000	2021 £'000
Central Europe	**24,526**	23,820
Southern Europe	**11,686**	12,052
Rest of World (including UK)	**79,209**	89,779
	115,421	125,651
Inter-segment assets	**(9,278)**	(5,937)
Inter-segment investments	**(32,563)**	(31,625)
Total assets per balance sheet	**73,580**	88,089

Included within Central Europe are non-current assets to the value of £2.6m (2021: £2.6m) relating to goodwill and within Southern Europe assets to the value of £3.5m (2021: £3.8m) 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 £2.6m and comprised plant and machinery £1.9m, fixtures and fittings £0.2m, computer equipment £0.1m and computer software £0.4m (2021: £2.0m total).

Total liabilities by segment

	2022 £'000	2021 £'000
Central Europe	**(16,618)**	(22,266)
Southern Europe	**(10,046)**	(11,301)
Rest of World (including UK)	**(17,797)**	(11,924)
	(44,461)	(45,491)
Inter-segment liabilities	**9,278**	5,937
Total liabilities per balance sheet	**(35,183)**	(39,554)

Notes to the financial statements continued

for the year ended 30 June 2022

5. (Loss)/profit before tax

	2022 £'000	2021 £'000
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Loss/(gain) on fair valuation of foreign exchange forward contracts	**640**	(1,340)
(Gain)/loss on foreign exchange forward contracts matured in the year	**(966)**	534
(Gain)/loss on revaluation of US Dollar denominated cash deposits	**(45)**	58
Other foreign exchange losses/(gains)	**355**	(73)
Depreciation and amortisation:		
Depreciation of property, plant and equipment excluding right-of-use assets (Note 16)	**2,004**	2,053
Depreciation of right-of-use assets (Note 16)	**1,610**	1,652
Amortisation of intangible assets (Note 15)	**552**	427
R&D	**15,659**	12,887
Share-based payment expense (Note 29)	**469**	635
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**154**	110
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries' accounts pursuant to legislation	**141**	111
Audit-related assurance	**10**	—

6. Remuneration of key management personnel

	2022 £'000	2021 £'000
Salaries and short-term employee benefits	**793**	1,064
Social security costs	**79**	159
Post-employment benefits - defined contribution and defined benefit plans	**62**	70
	934	1,293
Share-based payment	**44**	49
	978	1,342

	2022 £'000	2021 £'000
The number of Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	**2**	2
Highest paid Director		
Emoluments and long term incentive scheme	**626**	616
Pension contributions paid by the Group for highest paid Director	**39**	46
The number of Directors for whom defined contribution pension payments are made in respect of qualifying services	**2**	2

Share options were not exercised during the year by any of the Directors of the Group.

Key management personnel are considered to be all the Directors and full details of their remuneration are set out in the information included in the Directors' remuneration table on page 69 and forms part of the financial statements.

Notes to the financial statements continued

for the year ended 30 June 2022

7. Employees (including Directors)

	2022 £'000	2021 £'000
Wages and salaries	**32,972**	31,343
Social security costs	**4,757**	5,005
Share-based payments	**469**	635
Pension costs – defined benefit plans	**206**	279
Pension costs – defined contribution plans	**1,490**	1,356
	39,894	38,618

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

	2022	2021
R&D, marketing and administration	**261**	246
Sales	**124**	122
Production	**237**	233
	622	601

8. Other income

	2022 £'000	2021 £'000
Net monetary value of above-the-line R&D tax credit	**740**	567

9. Finance expense

	2022 £'000	2021 £'000
Interest on borrowing facility	**168**	85
Net interest expenses on defined benefit pension liability	**128**	105
Interest on lease liabilities	**373**	301
	669	491

10. Finance income

	2022 £'000	2021 £'000
Bank interest	**55**	39
Interest on investment assets	**199**	68
Other finance income	**3**	10
	257	117

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

11. Income tax expense

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax on (loss)/profit for the period at 19% (2021: 19%)		
Current year	**—**	—
Prior year	**—**	24
Overseas tax	**1,151**	816
Prior period overseas tax	**(1)**	(54)
	1,150	786
Deferred tax – current year	**(31)**	(15)
Tax charge for the period	**1,119**	771

Notes to the financial statements continued

for the year ended 30 June 2022

11. Income tax expense continued

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

	2022 £'000	2021 £'000
(Loss)/profit for the period before tax	**(12,657)**	3,657
(Loss)/profit for the period multiplied by the standard rate of corporation tax of 19% (2021: 19%)	**(2,405)**	695
Effects of:		
Disallowable adjustments	**—**	800
Movements in unrecognised deferred tax – losses not recognised/(losses utilised)	**3,057**	(1,032)
Adjustment of taxes for prior periods	**(5)**	181
Movement in uncertain tax positions	**182**	50
Adjustment for different tax rates	**378**	174
Relief for shares acquired by employees and Directors	**(110)**	(123)
Gross up of R&D expenditure credit – current year	**15**	25
– prior year	**7**	1
Tax charge for the period	**1,119**	771

At 30 June 2022, the Group had recognised provisions of £2.0m (2021: £1.8m) 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.

Notes to the financial statements continued

for the year ended 30 June 2022

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 2021	**642**	**(642)**	**(69)**	**(154)**	**23**	**(208)**	**(408)**
Amount (charged)/credited to the income statement	**22**	**(22)**	**17**	**—**	**—**	**14**	**31**
Exchange differences	**—**	**—**	**(29)**	**—**	**—**	**—**	**(29)**
At 30 June 2022	**664**	**(664)**	**(81)**	**(154)**	**23**	**(194)**	**(406)**

	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)

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.

Notes to the financial statements continued

for the year ended 30 June 2022

12. Deferred tax continued

Recognised deferred tax liability continued

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

	2022 £'000	2021 £'000
Deferred tax assets	**687**	665
Deferred tax liabilities	**(1,093)**	(1,073)
	(406)	(408)

Unrecognised deferred tax

	2022 Deferred tax assets £'000	2021 Deferred tax assets £'000
Non-current assets		
R&D expenditure credit	**740**	586
Current assets		
Stock	**1,083**	1,453
Current liabilities		
Derivative financial instruments	**29**	—
Non-current liabilities		
Pension and other employee obligations	**777**	1,823
Share options	**539**	504
Unused tax losses	**21,106**	17,089
Total	**24,274**	21,455

As at 30 June 2022, the Group had approximately £87m of unutilised tax losses relating to the UK (2021: approximately £69m) 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 2022.

13. (Loss)/earnings per share

	2022 £'000	2021 £'000
(Loss)/profit after tax attributable to equity shareholders	**(13,776)**	2,886

	Shares '000	Shares '000
Issued Ordinary Shares at start of the period	**641,773**	637,286
Ordinary Shares issued in the period	**2,332**	4,487
Issued Ordinary Shares at end of the period	**644,105**	641,773
Weighted average number of Ordinary Shares for the period	**642,990**	639,190
Potentially dilutive share options	**—**	37,468
Weighted average number of Ordinary Shares for diluted earnings per share	**642,990**	676,658
Basic earnings per Ordinary Share (pence)	**(2.14)p**	0.45p
Diluted earnings per Ordinary Share (pence)	**(2.14)p**	0.43p

The diluted loss per share for 2022 does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

Notes to the financial statements continued

for the year ended 30 June 2022

14. Goodwill

	2022 £'000	2021 £'000
At 1 July	**3,343**	3,467
Addition	**—**	—
Exchange difference	**4**	(124)
At 30 June	**3,347**	3,343

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

	2022 £'000	2021 £'000
Germany	**2,568**	2,565
Spain	**779**	778
Total	**3,347**	3,343

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 2022 and 2021.

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 21% discount rate (2021: 14%) 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 as the cash flows arising in this three-year period were sufficient to support the carrying value of the goodwill (refer to sources of estimation uncertainty point (a) on page 98).

Management's key assumptions include sales growth which has been determined following the recent pause in manufacturing and past experience based in this market. (2021: average sales growth of 10% per annum). 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 21% discount rate (2021: 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, (2021: average sales growth of 10% per annum) 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%.

Notes to the financial statements continued

for the year ended 30 June 2022

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 2020	4,858	1,224	480	306	284	1,097	3,736	11,985
Reclassification (see Note 16)	—	—	—	—	—	—	(31)	(31)
Additions	—	—	—	—	—	—	719	719
Foreign exchange	(193)	(98)	(28)	(18)	(16)	2	(68)	(419)
At 30 June 2021	4,665	1,126	452	288	268	1,099	4,356	12,254
Reclassification (see Note 16)	—	—	—	—	—	—	25	25
Additions	—	—	—	—	—	—	698	698
Disposals	—	—	—	—	—	(3)	(15)	(18)
Foreign exchange	7	108	1	1	1	(1)	4	121
At 30 June 2022	**4,672**	**1,234**	**453**	**289**	**269**	**1,095**	**5,068**	**13,080**
Amortisation								
At 1 July 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
Disposals	—	—	—	—	—	—	(15)	(15)
Charge for the year	—	74	29	—	27	—	422	552
Foreign exchange	7	2	1	1	1	—	—	12
At 30 June 2022	**4,672**	**861**	**415**	**289**	**267**	**1,094**	**3,794**	**11,392**
Net book value								
At 1 July 2020	—	521	103	—	59	—	586	1,269
At 30 June 2021	—	341	67	—	29	5	969	1,411
At 30 June 2022	**—**	**373**	**38**	**—**	**2**	**1**	**1,274**	**1,688**

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 patents (Spain) assets were recognised at fair value upon the acquisition of Alerpharma S.A. on 5 June 2015 and are amortised over a period of 10 to 15 years.

Other intangibles relate to trademarks and licences.

Notes to the financial statements continued

for the year ended 30 June 2022

16. Property, plant and equipment

	Right-of-use assets £'000	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 2020	10,019	13,722	7,773	35	4,157	3,127	38,833
Reclassification (see Note 15)	—	—	—	—	31	—	31
Revaluation	—	—	—	—	—	43	43
Additions	1,127	1,260	354	—	498	73	3,312
Foreign exchange	(327)	(60)	(90)	—	(69)	(152)	(698)
Disposals	(391)	—	(45)	—	(213)	—	(649)
At 30 June 2021	10,428	14,922	7,992	35	4,404	3,091	40,872
Reclassification (see Note 15)	—	(25)	9	—	(9)	—	(25)
Additions	1,776	1,944	226	—	181	8	4,135
Foreign exchange	29	3	3	—	4	(20)	19
Disposals	—	(1)	—	(12)	(15)	—	(28)
At 30 June 2022	**12,233**	**16,843**	**8,230**	**23**	**4,565**	**3,079**	**44,973**
Depreciation							
At 1 July 2020	1,558	7,396	5,597	18	3,846	—	18,415
Charge for the year	1,653	921	655	17	244	218	3,708
Revaluation	—	—	—	—	—	(51)	(51)
Foreign exchange	(116)	(33)	(57)	(1)	(65)	(9)	(281)
Disposals	(391)	—	(33)	—	(213)	2	(635)
At 30 June 2021	2,704	8,284	6,162	34	3,812	160	21,156
Reclassification	—	16	—	—	(3)	(13)	—
Charge for the year	1,610	960	629	—	259	156	3,614
Foreign exchange	28	2	3	(1)	4	—	36
Disposals	—	(1)	—	(12)	(12)	2	(23)
At 30 June 2022	**4,342**	**9,261**	**6,794**	**21**	**4,060**	**305**	**24,783**
Net book value							
At 1 July 2020	8,461	6,326	2,176	17	311	3,127	20,418
At 30 June 2021	7,724	6,638	1,830	1	592	2,931	19,716
At 30 June 2022	**7,891**	**7,582**	**1,436**	**2**	**505**	**2,774**	**20,190**

Included in Plant and Machinery additions is £1.5m relating to assets under the course of construction upon which no depreciation has been charged. These are expected to be commissioned before June 2023.

Notes to the financial statements continued

for the year ended 30 June 2022

16. Property, plant and equipment continued

Right-of-use assets by asset class

Additional information on the right-of-use assets by class of assets is as follows:

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Land and buildings £'000	Total £'000
Cost or valuation					
At 1 July 2020	73	40	1,168	8,738	10,019
Additions	—	—	1,123	4	1,127
Foreign exchange	—	(2)	(68)	(257)	(327)
Disposals	—	—	(391)	—	(391)
At 30 June 2021	73	38	1,832	8,485	10,428
Additions	—	—	369	1,407	1,776
Foreign exchange	1	—	3	25	29
At 30 June 2022	**74**	**38**	**2,204**	**9,917**	**12,233**
Depreciation					
At 1 July 2020	23	20	514	1,001	1,558
Charge for the year	15	20	643	975	1,653
Foreign exchange	—	(2)	(55)	(59)	(116)
Disposals	—	—	(391)	—	(391)
At 30 June 2021	38	38	711	1,917	2,704
Charge for the year	10	—	525	1,075	1,610
Foreign exchange	—	—	6	22	28
At 30 June 2022	**48**	**38**	**1,242**	**3,014**	**4,342**
Net book value					
At 1 July 2020	50	20	654	7,737	8,461
At 30 June 2021	35	—	1,121	6,568	7,724
At 30 June 2022	**26**	**—**	**962**	**6,903**	**7,891**

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

Notes to the financial statements continued

for the year ended 30 June 2022

16. Property, plant and equipment continued

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 Group obtained an updated valuation of the Italy premises in June 2022 by Yard S.p.A. independent valuers, certified by RICS in Milan, Italy based on an open market valuation. This valuation of the Italy premises was €1,420,000 and similar to the carrying value therefore no revaluation has been recognised as at 30 June 2022.

The Group obtained an updated valuation of the Madrid premises in June 2022 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 €1,944,438 and similar to the carrying value therefore no revaluation has been recognised as at 30 June 2022. The valuation was performed using the depreciated cost replacement method (adjusted for reduction in value due to age).

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 2021	1,659	1,245	2,904
Other adjustment	40	—	40
Additions at cost	8	—	8
Gain recognised in other comprehensive income:			
Revaluation of freehold land and buildings	—	—	—
Loss recognised in income statement - depreciation of buildings	(105)	(51)	(156)
Loss/(gain) recognised in OCI - exchange differences on translating foreign operations	(24)	2	(22)
Balance at 30 June 2022	**1,578**	**1,196**	**2,774**
IFRS 16 - right-of-use assets			6,903
NBV of land and buildings at 30 June 2022			**9,677**

Notes to the financial statements continued

for the year ended 30 June 2022

17. Investments – retirement benefit asset

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, accordingly the asset has been recognised separately on the balance sheet. 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).

	2022 £'000	2021 £'000
At 1 July	**5,760**	5,902
Additions	**179**	194
Finance income	**199**	68
Remeasurement of investment	**(193)**	(58)
Profit/(loss) on foreign exchange	**17**	(346)
	5,962	5,760

The valuation of the retirement benefit asset involves a number of complex calculations and assumptions and as a result is subject to inherent uncertainty.

The Directors consider the reported surrender value of the retirement benefit asset fairly reflects its value as at the 30 June 2022.

18. Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	**3,598**	2,969
Work in progress	**3,265**	2,737
Finished goods	**4,547**	5,132
	11,410	10,838

The value of inventories measured at fair value less cost to sell was £719,000 (2021: £949,000). The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a credit of £230,000 which was included within the costs of goods sold in the consolidated income statement.

19. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**2,694**	2,960
Other receivables	**1,950**	1,219
VAT	**1,261**	439
Prepayments and accrued revenue	**4,563**	1,604
	10,468	6,222

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, £27,000 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 private customers 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 2022 and 30 June 2021 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.

Notes to the financial statements continued

for the year ended 30 June 2022

19. Trade and other receivables continued

Expected loss allowance

	2022 £'000	2021 £'000
Balance brought forward	**432**	541
Foreign exchange adjustments	**1**	(28)
Write back of previous credit losses	**(27)**	(81)
Utilised	**—**	—
Balance carried forward	**406**	432

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 2022 and 30 June 2021 was determined as follows:

	2022			2021		
	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	**—**	**1,980**	**—**	—	2,514	—
Not more than three months	**—**	**532**	**—**	—	240	—
More than three months but not more than six months	**5%**	**100**	**5**	1%	164	1
More than six months but not more than one year	**33%**	**60**	**20**	40%	27	11
More than one year	**89%**	**428**	**381**	94%	447	420
		3,100	**406**		3,392	432

Notes to the financial statements continued

for the year ended 30 June 2022

20. Cash and cash in hand

	2022 £'000	2021 £'000
Cash at bank and in hand	**20,515**	40,273

€0.2m of the above cash balance is subject to contractual restrictions on use.

21. Trade and other payables

	2022 £'000	2021 £'000
Due within one year		
Trade payables	**4,282**	2,897
Social security and other taxes	**4,267**	3,754
Other creditors	**43**	25
Accrued expenses and deferred income	**7,077**	9,799
	15,669	16,475

22. Borrowings

	2022 £'000	2021 £'000
Due within one year		
Bank loans	**952**	963
	952	963

	2022 £'000	2021 £'000
Due in more than one year		
Bank loans	**1,497**	2,450
	1,497	2,450

In February 2022, the Group agreed a revolving credit facility ("RCF") of £10m with NatWest Bank plc. The RCF replaced the previous £7m overdraft facility provided by NatWest Bank plc. The facility is for a three-year period with the ability to extend annually for a further two years. This new facility is intended to provide additional security to the Group's credit facilities. Interest on the RCF is at the bank's base rate plus a margin of 2.25% on the amount borrowed. The facility is secured in favour of NatWest Bank plc by means of debentures granted by Allergy Therapeutics (Holdings) Ltd, Allergy Therapeutics (UK) Ltd and pledge agreements by Bencard Allergie GmbH and Allergy Therapeutics Netherlands B.V. as security against the banking facilities. The Group had a cash balance of £20m as at 30 June 2022 and the £10m RCF was unused at 30 June 2022 (2021 overdraft: £nil). Please refer to Note 34, for details of events after the balance sheet date.

Notes to the financial statements continued

for the year ended 30 June 2022

22. Borrowings continued

The loans below were taken out by Allergy Therapeutics Iberica S.L. The Bank Inter Loan is 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%	126	317	—
Bank Inter	1 month Euribor +5.0%	36	151	—
Tecnoalcala	Interest free	25	—	—
Santander (1)	Fixed rate of 2.5%	272	—	—
CDTI (1)	Interest free	37	147	49
Santander (2)	Fixed rate of 2.3%	87	142	—
CDTI (2)	Fixed rate of 0.2%	50	31	—
Santander (3)	Fixed rate of 2.3%	319	660	—
		952	1,448	49

No new loans were taken out during the year. In the prior 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 €0.6m loan were provided by Allergy Therapeutics plc.

23. Lease liabilities

Lease liabilities are presented in the Group consolidated balance sheet as follows:

	2022 £'000	2021 £'000
Due within one year	**1,316**	792
Due in more than one year	**6,764**	6,967
	8,080	7,759

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). The total cash outflow for leases during the year was £1.7m (2021: £1.9m).

Notes to the financial statements continued

for the year ended 30 June 2022

23. Lease liabilities continued

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	4-15 years	9 years
Cars	103	1-4 years	2 years
Other equipment	6	1-4 years	2 years

The related underlying asset secures the lease liabilities. Future minimum lease payments at 30 June 2022 were as follows:

	Minimum lease payments due						
30 June 2022	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	1,571	1,343	1,223	1,107	964	3,133	**9,341**
Finance charges	(255)	(212)	(177)	(144)	(114)	(359)	**(1,261)**
Net present values	1,316	1,131	1,046	963	850	2,774	**8,080**

Notes to the financial statements continued

for the year ended 30 June 2022

24. Provisions

A leaving indemnity provision relates to a 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 2022. The major assumptions used were as follows:

	2022 % p.a.	2021 % p.a.
Retail price inflation	**2.1**	0.8
Salary increase rate	**0.5**	0.5
Annual rate of leaving indemnity increase	**3.1**	2.1
Annual discount rate	**2.7**	0.25
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:

	2022 Total £'000	2021 Total £'000
At 1 July	**208**	304
Additions	**15**	21
Utilisation	**(60)**	(89)
Remeasurement of leaving indemnity reserve	**(19)**	(14)
Foreign exchange movement	**—**	(14)
At 30 June	**144**	208

During the year an independent actuarial valuation of the Italy leaving indemnity reserve was carried out and an adjustment of £15,000 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 2022:

Changes in significant actuarial assumptions

	2022 £'000	2021 £'000
Withdrawal annual rate +1.00%	**—**	-1
Withdrawal annual rate -1.00%	**—**	+1
Annual discount rate +0.25%	**+1**	+2
Annual discount rate -0.25%	**-1**	-2
Annual price inflation +0.25%	**+2**	-3
Annual price inflation -0.25%	**+2**	+3

Notes to the financial statements continued

for the year ended 30 June 2022

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.

	2022 £'000	2021 £'000
Capital	**38,397**	48,535
Total equity	**38,397**	48,535
Borrowings	**10,529**	11,172
Overall financing	**48,926**	59,707
Capital-to-overall financing ratio (%)	**78%**	81%

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

	2022 £'000	2021 £'000
Financial assets		
Current		
Financial assets at amortised cost	**26,380**	45,124
Fair value through profit and loss	**—**	525
	26,380	45,649
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(17,591)**	(18,164)
Fair value through profit and loss	**(116)**	—
	(17,707)	(18,164)
Non-current		
At amortised cost (including borrowings and payables)	**(8,657)**	(9,899)
	(26,364)	(28,063)

Derivative financial instruments

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

The fair value of these instruments is calculated by reference to observable market rates (spot rate versus forward rates for matching maturity dates) and supported by counterparty confirmation. Within the fair value hierarchy, this financial derivative is classified as Level 2.

Euro forward contracts (including Euro exchange swaps)

The Group has Euro forward contracts with its bank that are arranged for the net sale of €22,592,000 to purchase GBP at an average blended rate of 1.168 for dates from July 2022 until May 2023.

Notes to the financial statements continued

for the year ended 30 June 2022

25. Financial instruments continued

Analysis of derivative financial instruments

	2022 £'000	2021 £'000
Credit to administration expenses in the consolidated income statement		
Euro forward contracts	**(640)**	1,340
Euro forward contracts – matured in the period	**966**	(534)
	326	806

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. Please refer to Note 34, Events after balance sheet date.

Derivative financial instruments

	2022 £'000	2021 £'000
Current assets		
Derivative financial instruments – Euro forward contracts	**—**	525
Current liabilities		
Derivative financial instruments – Euro forward contracts	**(116)**	—
	(116)	525

The net loss at fair value of financial instruments held at the balance sheet date that has been recorded through the consolidated income statement is (£640,000) (2021 gain: £1,340,000).

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:

	2022 £'000	2021 £'000
Sterling	**17,304**	33,967
Euro	**2,833**	5,714
US Dollars	**75**	15
Canadian Dollars	**14**	2
Swiss Francs	**289**	575
	20,515	40,273

Notes to the financial statements continued

for the year ended 30 June 2022

25. Financial instruments continued

Foreign currency risk continued

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

	2022			2021		
	Sterling £'000	**Euro £'000**	**Other £'000**	Sterling £'000	Euro £'000	Other £'000
Current						
Financial assets	**20,934**	**4,864**	**582**	35,642	8,920	1,087
Financial liabilities	**(8,526)**	**(8,781)**	**(284)**	(8,867)	(8,973)	(324)
Short-term exposure	**12,408**	**(3,917)**	**298**	26,775	(53)	763
Non-current						
Financial liabilities	**(4,054)**	**(4,602)**	**—**	(3,089)	(6,812)	—
Long-term exposure	**(4,054)**	**(4,602)**	**—**	(3,089)	(6,812)	—

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 2021, a 10% movement was also used.

	2022 £'000	2021 £'000
If Sterling had strengthened against the Euro by	**10%**	10%
Effect on net results for the year	**254**	(111)
Effect on OCI	**(261)**	(436)
Effect on equity	**(7)**	(547)
If Sterling had weakened against the Euro by	**10%**	10%
Effect on net results for the year	**(200)**	137
Effect on OCI	**319**	1,802
Effect on equity	**119**	1,939

Notes to the financial statements continued

for the year ended 30 June 2022

25. Financial instruments continued

Interest rate risk

The Group finances its operations through operating cash flow, equity fundraising and overdraft facilities. In February 2022 the Group agreed a secured revolving credit facility of £10m with NatWest Bank plc, see Note 34, events after balance sheet date. 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.

	2022		2021	
	£'000	**£'000**	£'000	£'000
Movement in interest rates	**+1%**	**-1%**	+1%	-1%
Movement in net results for the year	**(34)**	**34**	(8)	n/a
Equity	**—**	**—**	—	n/a
	(34)	**34**	(8)	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 agreed in February 2022 and will continue for a period of three years with the option to extend annually for a further two years. As at 30 June 2022, the Group's contractual maturities (undiscounted and including interest) are as summarised on page 121. The Group's existing bank debt on its balance sheet consists mainly of bank loans arranged to fund development of products in the Spanish market. Group borrowing totalled £2.4m (2021: £3.4m) at 30 June 2022. See Note 34, Events after balance sheet date.

Notes to the financial statements continued

for the year ended 30 June 2022

25. Financial instruments continued

Current liabilities

	2022		2021	
	Within 6 months £'000	**6 to 12 months £'000**	Within 6 months £'000	6 to 12 months £'000
Bank loans	**556**	**396**	277	686
Lease liabilities	**658**	**658**	463	462
Trade payables	**4,282**	**—**	2,897	—
Other short-term liabilities	**11,387**	**—**	13,578	—
	16,883	**1,054**	17,215	1,148
Derivatives	**38**	**78**	—	—
	16,921	**1,132**	17,215	1,148

Non-current liabilities

	2022		2021	
	1 to 5 years £'000	**Later than 5 years £'000**	1 to 5 years £'000	Later than 5 years £'000
Bank loans	**1,448**	**49**	2,321	129
Lease liabilities	**3,990**	**2,774**	4,622	3,492
Other long-term liabilities	**144**	**—**	208	—
	5,582	**2,823**	7,151	3,621

Notes to the financial statements continued

for the year ended 30 June 2022

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 30 June 2022, the Group had no low-value or short term 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 Mercer Deutschland GmbH at 30 June 2022. The major assumptions used were as follows:

	2022 % p.a.	2021 % p.a.
Retail price inflation	**1.5**	1.5
Salary increase rate	**2.0**	1.0
Rate of pension increase	**1.5**	1.5
Discount rate at the beginning of the year	**1.15**	0.80
Discount rate at the end of the year	**3.42**	1.15
Increase of social security contribution ceiling	**2.0**	1.0

	2022 Years	2021 Years
Average life expectancies		
Male, 65 years of age at the balance sheet date	**20.6**	21.0
Female, 65 years of age at the balance sheet date	**24.0**	24.4
Male, 45 years of age at the balance sheet date	**40.6**	40.9
Female, 45 years of age at the balance sheet date	**44.5**	44.9

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

	2022 £'000	2021 £'000
Fair value of plan assets	**1,215**	1,245
Present value of scheme liabilities	**(9,534)**	(12,536)
Deficit in the scheme	**(8,319)**	(11,291)

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 £8.3m (2021: £11.3m). 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 Mercer Deutschland GmbH using the projected unit credit method. The actual gain on plan assets for the year is £52,000 (2021: £55,000). The actuarial remeasurement of the pension generates an unrecognised deferred tax asset of £777,000 (2021: £1,823,000), 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).

Notes to the financial statements continued

for the year ended 30 June 2022

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. The reimbursement right In accordance with IAS 19 is appropriate as the long-term insurance policies reimburse some or all of the expenditure required to settle the defined benefit obligation.

See Note 17 for further details of these investment assets.

	2022 £'000	2021 £'000
Amounts charged to operating profit		
Current service costs	**206**	279
Amounts included in other finance expenses		
Interest income on plan assets	**(14)**	(11)
Interest on pension scheme liabilities	**142**	116
Net charge	**128**	105
Amounts recognised in OCI		
Actual return less expected return on pension scheme assets	**38**	45
Experience losses arising on scheme liabilities	**(583)**	(34)
Changes in assumptions underlying the present value of scheme liabilities	**3,639**	1,678
Total amount relating to year	**3,094**	1,689

Movement in assets during the year

	2022 £'000	2021 £'000
Balance as at 1 July	**1,245**	1,354
Foreign currency differences	**—**	(75)
Interest income on plan assets	**14**	10
Remeasurement of defined benefit asset	**40**	44
Contributions from employer	**—**	—
Assets transferred to finance benefits paid	**(84)**	(88)
Balance as at 30 June	**1,215**	1,245

Movement in liabilities in the year

	2022 £'000	2021 £'000
Balance as at 1 July	**(12,536)**	(14,880)
Foreign currency differences	**(2)**	794
Current service costs	**(206)**	(279)
Interest cost	**(142)**	(115)
Remeasurement of defined benefit asset – arising from changes in financial assumptions	**3,056**	1,644
Benefits paid by employer	**214**	212
Benefits paid from assets	**84**	88
Balance as at 30 June	**(9,532)**	(12,536)

The expected contributions to linked investment asset products over the forthcoming year are £241,000.

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for the year ended 30 June 2022

27. Retirement benefit obligations continued

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 2022:

	2022		2021	
Discount rate	**£'000 Increase to 4.42%**	**£'000 Decrease to 2.42%**	£'000 Increase to 2.15%	£'000 Decrease to 0.15%
(Decrease)/increase in the defined benefit liability	**(1,270)**	**1,482**	(1,917)	2,290

	2022		2021	
Salary growth rate	**Increase to 3.00%**	**Decrease to 1.00%**	Increase to 2.00%	Decrease to 0.00%
Increase/(decrease) in the defined benefit liability	**273**	**(255)**	377	(349)

	2022		2021	
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	**289**	**(294)**	512	(510)

	2022		2021	
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	**306**	**(310)**	539	(535)

Notes to the financial statements continued

for the year ended 30 June 2022

28. Issued share capital

	2022		2021	
	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	**641,772,718**	**641**	637,285,804	637
Issued during the year:				
Share options exercised	**2,331,903**	**3**	4,486,914	4
At 30 June	**644,104,621**	**644**	641,772,718	641
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	**653,952,954**	**654**	651,621,051	651

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 £2,000 (2021: £4,000).

Notes to the financial statements continued

for the year ended 30 June 2022

29. Share-based payments

The Group has an LTIP under which Executive Directors and certain 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 2021 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 movement in low-cost options (LTIP awards that have been converted to share options redeemable at par) during the year was as follows:

	2022 Number	2021 Number
Outstanding at the beginning of the year	**8,985,667**	9,099,249
Converted in the year from LTIPs	**7,811,518**	4,373,332
Exercised during the year	**(2,331,903)**	(4,486,914)
Lapsed during the year	**—**	—
Outstanding at the year end	**14,465,282**	8,985,667
Exercisable at the year end	**14,465,282**	8,985,667

All share options are redeemable at par and have a nominal value of 0.1p. Low-cost options were exercised during the year at a weighted average share price at the date of exercise of £0.32 (2021: £0.16 exercised).

Outstanding shares provisionally awarded under the LTIP, with a low-cost exercise price, are as follows:

	2022 Number	2021 Number
Outstanding at the beginning of the year	**28,482,500**	28,224,167
Awarded during the year	**9,920,000**	10,305,000
Converted to options	**(7,811,518)**	(4,373,332)
Lapsed during the year	**(3,995,983)**	(5,673,335)
Outstanding at the year end	**26,594,999**	28,482,500

The fair values of LTIP shares conditionally awarded in March 2020, November 2020 and November 2021 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.

Notes to the financial statements continued

for the year ended 30 June 2022

29. Share-based payments continued

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[1]	Number of awards expected to vest (non-market conditions)	Fair value (£)	Number outstanding
27/03/2020	01/03/2023	01/03/2033	0.001	0.085	0.13%	49%		0.010	4,280,000
27/03/2020	01/03/2023	01/03/2033	0.001	0.085	0.13%		0%	0.078	4,280,000
22/11/2020	22/11/2023	22/11/2033	0.001	0.155	0.10%	54%		0.058	4,460,000
22/11/2020	22/11/2023	22/11/2033	0.001	0.155	0.10%		0%	0.143	4,460,000
22/11/2021	22/11/2024	22/11/2034	0.001	0.355	0.53%	59%		0.188	4,557,500
22/11/2021	22/11/2024	22/11/2034	0.001	0.355	0.53%		50%	0.320	4,557,500

1. The Group engaged external consultants to calculate the expected volatility. The volatility was calculated by reference to dividend adjusted share prices over a three year period.

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

The Group recognised total expenses of £469,000 (2021: £635,000) 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	Non-market condition vestings decrease by 10% £'000	Non-market condition vestings increase by 10% £'000
Charge to income statement	469	426	495	469	535
Credit/(charge) to income statement due to sensitivity adjustment	—	43	(26)	—	(65)

Notes to the financial statements continued

for the year ended 30 June 2022

30. Contingent liabilities

In the prior 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 sold up to 30 June 2022 there is a risk that up to £11.2m cumulative revenue recognised (2021: £10.7m cumulative) may be reversed due to a retrospective change in the level of rebate being applied.

In a letter dated 3 February 2023 the Company received notification from the German national health insurance association ("Spitzenverband Bund der Krankenkassen") which indicated that manufacturer's rebates ("Herstellerabschlag") are due on sales of certain products launched on the market from 1 September 2017 with a new Pharmazentralnummern ("PZN"). After taking legal advice the Company considers the likelihood of any payment of a rebate or other cash outflow in relation to this matter, in respect of the period prior to 3 February 2023, to be far below 50% and therefore no provision has been made in the financial statements as at 30 June 2022 and 30 June 2021. This position will be kept under review.

31. Capital commitments

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

	2022 £'000	2021 £'000
Capital commitments	**3,136**	906

Included in the above is £126,000 for ongoing factory refurbishments in the UK (2021: £20,000), £1,098,000 for a new energy centre and waste compound (2021: £nil), £1,546,000 for new plant and machinery (2021: £114,000) and £366,000 for IT equipment and systems upgrades (2021: £772,000).

Notes to the financial statements continued

for the year ended 30 June 2022

32. Related party transactions and ultimate control

Allergy Therapeutics plc's related parties include its subsidiary companies and its key management and its key shareholders'. 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 69. Please refer to Note 34, for details of events after the balance sheet date.

In the prior year, 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 2022, 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 B.V.	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	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Laboratorios Synthesis S.A.S.	**—**	—	**—**	(73)
Gynopharm de Venezuela C.A.	**—**	—	**—**	(60)
Total	**—**	—	**—**	(133)

Laboratorios Synthesis S.A.S. and Gynopharm de Venezuela C.A. are wholly owned subsidiaries of CFR Pharmaceuticals SA. CFR Pharmaceuticals SA is owned by Abbott Laboratories who is a major investor in Allergy Therapeutics plc. See page 74 for details of Abbott Laboratories shareholding in Allergy Therapeutics plc.

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

There is no overall ultimate controlling party.

Notes to the financial statements continued

for the year ended 30 June 2022

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 2021	**3,413**	**7,759**	**11,172**
Cash flows			
Repayment	**(957)**	**(1,311)**	**(2,268)**
Non-cash			
Additions to right-of-use assets	**—**	**1,776**	**1,776**
Foreign exchange movements	**(7)**	**(144)**	**(151)**
30 June 2022	**2,449**	**8,080**	**10,529**

	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

Notes to the financial statements continued

for the year ended 30 June 2022

34. Events after the balance sheet date

Subscription and debt financing

On 29 September 2022, the Company entered into a conditional subscription by Southern Fox Investments Limited and ZQ Capital Management Limited (acting through its affiliate SkyGem Acquisition Limited), both related parties to the Group, to raise £7.0 million at an issue price of 20 pence per ordinary share and the issue to the note purchasers, Southern Fox Investments Limited and ZQ Capital Management Limited, of loan notes to raise a further £10.0 million. In conjunction with the issue of loan notes, the Company issued 33,333,332 warrants to the note purchasers to subscribe for new ordinary shares at a warrant exercise price of 30 pence per warrant. Net proceeds raised from the subscription in October 2022 were £6.5m. Net proceeds of £10.0m from the debt financing were received in February 2023.

Manufacturing pause

On 4 October 2022, the Company announced a pause in production at its Freeman facility, part of its Worthing, UK manufacturing site. This followed an internal review of its operating processes to improve the robustness of its quality systems across its manufacturing facilities. As a result of the manufacturing pause occurring during a period of peak production prior to the start of the pollen season, the Company announced that its revenue for the year ended 30 June 2023 was expected to be between 13% to 18% below market expectations. This led to a need for significant additional near-term funding. At the reduced levels of underlying profit, excluding research and development costs, the terms of the NatWest revolving credit facility would not allow use of the facility.

Facility agreement

On 6 April 2023, the Company entered into a senior secured facility agreement pursuant to which the Company's existing substantial shareholders ZQ Capital Management Limited (acting through its affiliate SkyGem International Holdings Limited) and Southern Fox Investments Limited, agreed to make available to the Company a secured term loan facility in an aggregate principal amount of £40.75 million. The purpose of the facility was to refinance the existing £10 million loan notes issued on 28 February 2023, to facilitate the continuation of the Group's pivotal Phase III G306 trial for Grass MATA MPL, to continue other key clinical trial activities including the Phase I study for Peanut allergy and to finance trading and provide working capital.

In conjunction with the facility agreement, the Company also entered into an equity commitment agreement with ZQ Capital Management Limited (acting through its affiliate SkyGem International Holdings Limited) and Southern Fox Investments Limited to conditionally subscribe for new ordinary shares of 0.1 pence each in the capital of the Company at an issue price of 1 pence per new share to raise gross proceeds of £40.75 million. The equity financing is comprised of a direct subscription by each of ZQ Capital Management Limited and Southern Fox Investments Limited for, in aggregate, 3,385,510,000 new shares at the issue price and an open offer, where qualifying shareholders (excluding the three largest shareholders ZQ Capital Management Limited, Southern Fox Investments Limited and Abbott Laboratories (together Abbott Laboratories (Chile) Holdco SPA and Yissum Holdings Limited)) will be offered the opportunity to subscribe for up to 689,490,000 new shares at the issue price. The proceeds of the equity financing will be principally used to repay the amounts owed under the facility agreement, including principal amounts and accrued interest.

Under the terms of a contingent payment letter entered into between the Company and the Lenders in connection with the facility agreement, the Company will be obligated to pay a substantial finance premium equal to 250 per cent of the principal amount of the loan outstanding under the facility to the Lenders on a successful G306 data read-out if at such time any principal remains outstanding under the terms of the facility agreement. The Company therefore intends, subject to satisfaction (or waiver, if capable of being waived) of the equity conditions, to complete the equity financing and repay all amounts outstanding under the facility agreement within nine months of the date of the facility agreement, thereby avoiding the contingent payment being triggered.

No other adjusting or significant non-adjusting events have occurred between the 30 June 2022 reporting date and the date of authorisation.

Company balance sheet

as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Fixed assets			
Investments	2	**7,628**	7,318
Current assets			
Debtors: amounts falling due within one year	3	**32**	20
Total assets		**7,660**	7,338
Creditors: amounts falling due within one year	4	**(24)**	(44)
Net current assets/(liabilities)		**8**	(24)
Total assets less current liabilities		**7,636**	7,294
Net assets		**7,636**	7,294
Capital and reserves			
Called-up share capital	5	**654**	651
Share premium account		**112,576**	112,576
Other reserves - share-based payments		**2,799**	2,692
Profit and loss account		**(108,393)**	(108,625)
Total equity		**7,636**	7,294

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 £29,000 (2021: £2,682,000 profit).

These financial statements were approved by the Board of Directors and authorised for issue on 16 June 2023 and were signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Registered number: 05141592

Statement of changes in equity (Company)

for the year ended 30 June 2022

	Issued capital £'000	Share premium £'000	Reserve - share-based payment £'000	Retained earnings £'000	Total equity £'000
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
Profit for the period after tax	**—**	**—**	**—**	**29**	**29**
Transactions with owners:	**—**	**—**	**—**	**—**	**—**
Share-based payments	**—**	**—**	**310**	**—**	**310**
Shares issued	**3**	**—**	**—**	**—**	**3**
Transfer of lapsed options to retained earnings	**—**	**—**	**(203)**	**203**	**—**
At 30 June 2022	**654**	**112,576**	**2,799**	**(108,393)**	**7,636**

Notes to the Company financial statements

for the year ended 30 June 2022

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.

The financial statements have been prepared on a going concern basis after considering the Group's and the Company's current cash position and reviewing budgets and cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements.

On 4 October 2022, the Group announced that it had proactively paused production at the Freeman facility, part of its Worthing, UK manufacturing site, in order to accelerate ongoing site improvements and to maintain regulatory compliance. The pause in manufacturing occurred during a period of peak production prior to the start of the pollen season in the Spring. As a consequence, the production pause will have a material impact upon the Group's revenue and cashflow for the year ending 30 June 2023.

Despite the completion of the £7m equity raise and £10m of loan notes announced on 17 October 2022, the manufacturing pause resulted in the Group requiring additional funding to continue with the planned R&D clinical trials. In addition, at the expected reduced levels of underlying profit, excluding research and development costs, the terms of the £10m NatWest revolving credit facility would not allow use of the facility.

As a result, on 6 April 2023, the Group announced it had signed a loan agreement with certain shareholders for £40.75m, incurring interest at 18% per annum and with full repayment of the principal outstanding and any accrued interest in December 2025. The loan is fully secured against substantially all assets of the Company and its subsidiaries incorporated in England and Wales by way of an English-law governed debenture. The NatWest revolving credit facility has been cancelled to release the necessary security.

The Directors have prepared cash flow forecasts for the period to 30 June 2024, which assume that the Group will be able to undertake a planned equity financing of £40.75m during the going concern period to re-finance the £40.75m shareholder loan, however the Group expects that additional financing will be required from around September 2023 onwards.

The Directors acknowledge that a material uncertainty exists over the Group's ability to access additional sources of finance, which will be required regardless of the outcome of the Phase III G306 trial and regardless of the planned equity financing after obtaining the necessary foreign direct investment ("FDI") regulatory approvals.

Under the terms of a contingent payment letter entered into with the lenders of the shareholder loan, the Group will be obligated to pay a substantial finance premium ("G306 contingent payment") equal to 250% of the principal amount of the loan outstanding on a successful data read-out of the Phase III G306 trial, if any principal remains outstanding under the terms of the loan agreement at 6 January 2024.

The planned equity financing for £40.75m is conditional on obtaining certain foreign direct investment ("FDI") regulatory approvals and completing the equity refinancing by 6 January 2024 and, if not obtained prior to the read-out of the Phase III G306 trial, the equity financing is also conditional on a successful Phase III G306 outcome. Should the equity financing not proceed, it is unlikely that the Group will be able to pay the G306 contingent payment should it crystallise. If the Group is unable to secure an alternative funding solution to repay the amounts due under the shareholder loan, the Group may be subject to, inter alia, possible insolvency and loss of ownership of its assets, over which security has been granted pursuant to the loan.

The Directors have reasonable expectations that the Phase III G306 trial will be successful and that appropriate additional financing can be obtained for the Group and Company. Accordingly, they have prepared these financial statements on a going concern basis.

There are, however, currently no binding arrangements in place for additional funding over and above the equity financing and no guarantees that existing shareholders will be willing, or able, to provide further funds.

It is therefore considered that material uncertainties exist which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the Company financial statements continued

for the year ended 30 June 2022

1. Accounting policies continued

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 90 to 98 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 pages 101 and 102 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.

Notes to the Company financial statements continued

for the year ended 30 June 2022

1. Accounting policies continued

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' below), 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 cash flows and the timing of those cash flows. 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	7,318
Additions	310
Investment carried forward	**7,628**

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 in accordance with the significant judgement and estimates paragraph above. No impairment was required during the period.

Notes to the Company financial statements continued

for the year ended 30 June 2022

2. Investments continued

At 30 June 2022, 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 B.V. 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.

Notes to the Company financial statements continued

for the year ended 30 June 2022

3. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**—**	—
Prepayments and accrued income	**32**	20
	32	20

Intercompany debtors have been assessed for impairment. The amount owed by subsidiary undertakings is stated net of provisions of £111,065,220 (2021: £111,129,554).

4. Creditors – amounts falling due within one year

	2022 £'000	2021 £'000
Accruals	**24**	44
	24	44

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 Note 6, Remuneration of key personnel on page 101.

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
CTAs	Clinical trial applications
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
H&S	Health and safety
HCP	Healthcare professional
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
MAA	Market authorisation application
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
QA	Quality assurance
QC	Quality control
QCA Code	Quoted Companies Alliance Corporate Governance Code
RCF	Revolving credit facility
SCIT	Subcutaneous immunotherapy
SECR	Streamlined Energy and Carbon Reporting
SIT	Specific immunotherapy
SLIT	Sublingual 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
V01AA	Allergen extracts according to Anatomical therapeutics chemical classification system
WAEP	Weighted average exercise price
WAO	World Allergy Organization

Shareholder information

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22 Bishopsgate
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Registrars
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The Registry
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Bankers
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South East Corporate Centre
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Notes

Allergy Therapeutics commitment to environmental issues is reflected in this Annual Report, which has been printed on Arena Extra White Smooth an FSC® certified material. This document was printed by Pureprint Group using its environmental print technology, with 100% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

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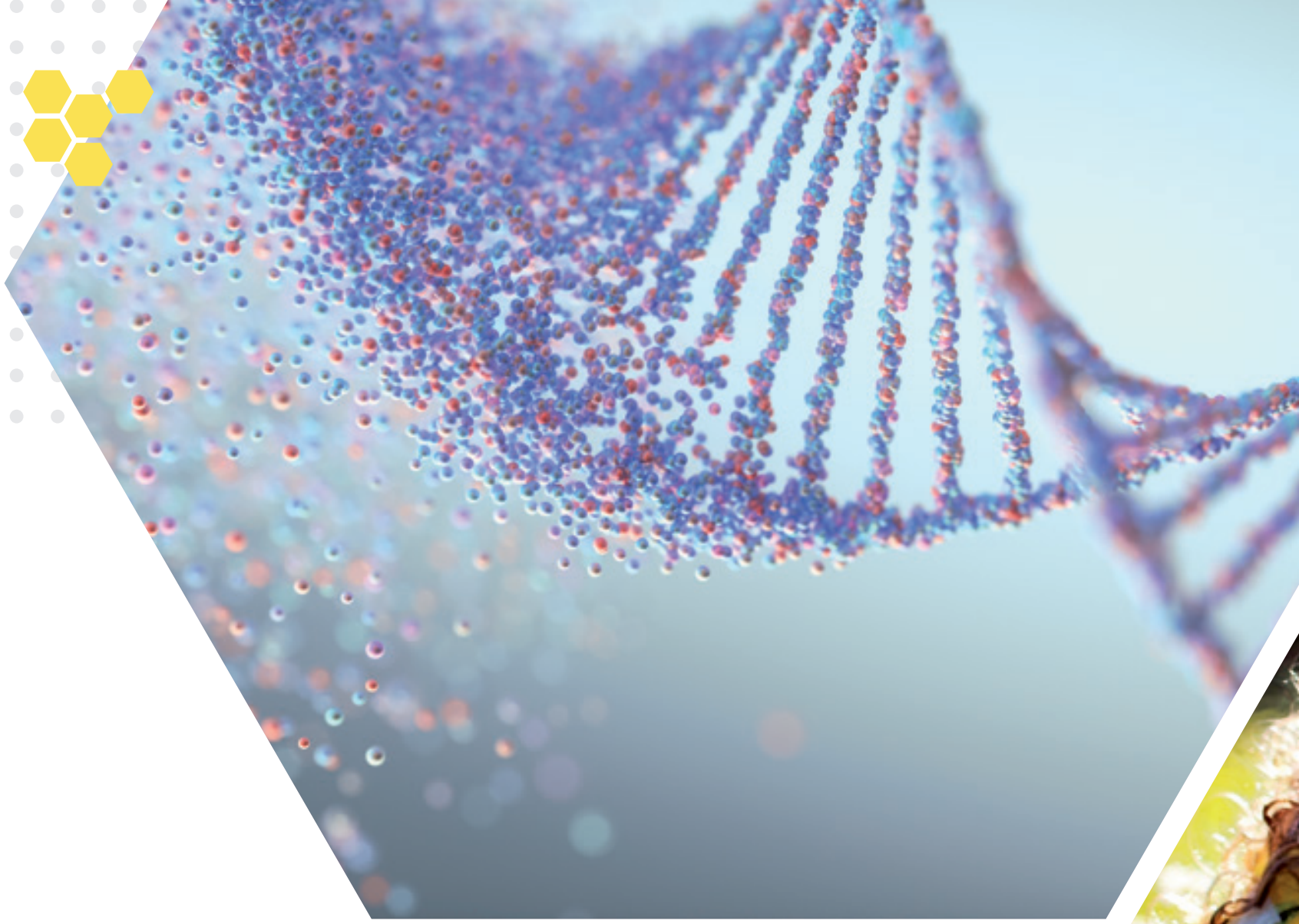

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