Allergy Therapeutics PLC

Transforming lives

Annual Report and Accounts 2023

Contents

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

See more on page 29

Underpinned by our culture

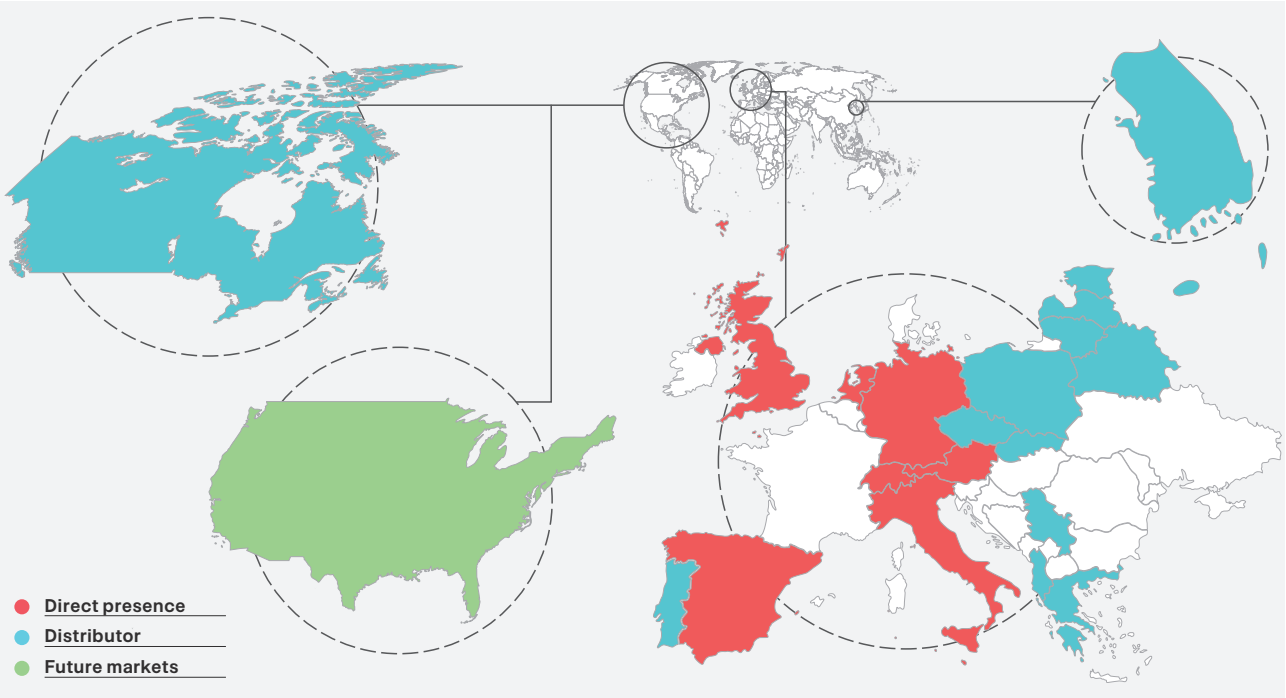
- Visionary
- Patient First
- Menschlichkeit
- Commitment

See more on page 11

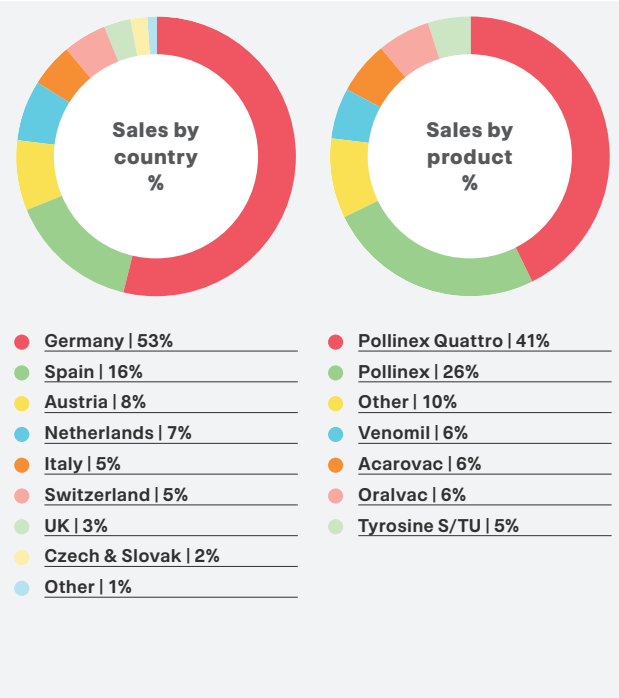
At a glance

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.

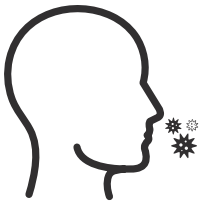
Sublingual immunotherapy is an alternative to injected immunotherapy. For this form of treatment, daily drops or tablets containing the specific allergen are placed under the tongue. The first dose of the sublingual immunotherapy is usually administered in a clinic under observation, then the patient 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.

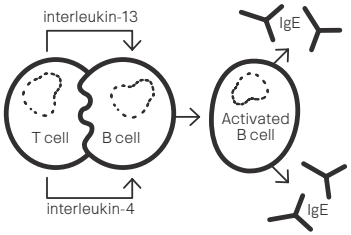
No treatment

1



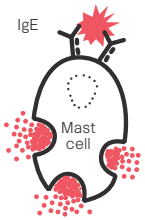
Patient comes into contact with an allergen

2



Th2 cell stimulates B cells to produce IgE

3



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

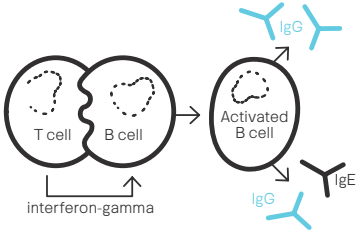
4

Histamine leads to classic symptoms of allergy

Treated with allergen-specific immunotherapy

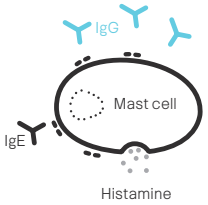
Treatment

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 and Chief Executive Officer review

Peter Jensen OBE
Chairman
January 2024

Manuel Llobet
Chief Executive Officer
January 2024

Introduction

Financial year 2023 has been challenging for the business following the short-term pause in production ("Manufacturing Pause") that occurred during October and November 2022 which resulted in the need for significant additional funding, the delay in publication of the Group's 2022 annual report and accounts and the subsequent suspension of the Group's shares from trading which occurred on 3 January 2023.

We would like to thank our major shareholders, ZQ Capital Management Limited and Southern Fox Investments Limited, for their support and commitment in helping to resolve the Group's near-term funding requirements through the execution of a £40.75m loan facility which was entered into with the Group in April 2023. This paved the way for the Group to publish its 2022 annual report and accounts together with its interim results for the six months ended 31 December 2022 and the restoration of its shares to trading on AIM on 19 June 2023.

The Group has since made good headway in streamlining and improving its manufacturing and quality systems. These improvements support the future growth of the business as we move towards a portfolio comprised mainly of registered products and away from named-patient products.

Demand remained robust in our key markets throughout the year and our teams have responded with agility, flexibility and determination to ensure that recovery of production output has supported patient demand to the best of its ability.

Our R&D pipeline continues to progress well and clinical development for the Group's innovative, subcutaneous peanut allergy vaccine candidate, VLP Peanut, is continuing as planned. The Phase I PROTECT study investigating the safety and tolerability of VLP Peanut commenced in March 2023. In September 2023 the Group announced approval was granted to commence escalating subcutaneous dosing in peanut allergic patients following the completion of dosing of healthy volunteers in the first two cohorts.

The pivotal Phase III G306 trial evaluating efficacy and safety of the Group's short-course grass pollen immunotherapy, Grass MATA MPL, began in Autumn 2022. The trial met its primary endpoint demonstrating statistically significant superiority of Grass MATA MPL compared to placebo ($p \leq 0.0024$, one-sided) in the CSMS during the peak pollen season. These results aim to support the Group submission to register the product with European health authorities.

Financing and performance

In September 2022, the Group announced a subscription and debt financing by Southern Fox Investments Limited and ZQ Capital Management Limited (acting through its affiliate SkyGem Acquisition Limited) providing net proceeds of £6.5m following the issue of new ordinary shares in October 2022 followed by a further £10.0m from the issue of loan notes in February 2023. As part of this financing the Group issued an aggregate 33,333,332 warrants to subscribe for new ordinary shares at an exercise price of 30 pence per warrant.

Following the resumption of manufacturing after the Manufacturing Pause, the Group has since made headway in streamlining and improving its manufacturing and quality systems, which is designed to improve efficiency and enable future growth.

The Manufacturing Pause caused a material gap in funding which resulted in the Group entering into a new loan facility with existing substantial shareholders ZQ Capital Management Limited (acting through its affiliate SkyGem International Holdings Limited) and Southern Fox Investments Limited. This loan facility of £40.75m was used to repay the £10.0m loan notes issued in February 2023, and to fund working capital, capital expenditure and continuing to finance the Group's clinical pipeline which the Board believes remains highly valuable.

In conjunction with the loan facility, the Group also entered into an equity commitment agreement to raise gross proceeds of £40.75m, which would be used to repay principal amounts outstanding and accrued interest thereon under the facility.

Chairman and Chief Executive Officer review continued

Financing and performance continued

Post period, the open offer concluded in November 2023 as part of the equity financing. As required by the terms of the facility agreement and the equity commitment agreement, the Group applied the proceeds of the equity financing to fully repay the loan facility. Post period further funding was secured, for further information please refer to Note 35, for details of events after the balance sheet date.

The Group achieved sales of £59.6m for the financial year. This represents a 18% reduction compared to £72.8m in 2022. The decline in revenue was a consequence of the Manufacturing Pause.

The operating loss before R&D and exceptional costs[1] was £14.8m (2022: £3.4m profit).

There were exceptional costs of £4.8m, £2.1m related to manufacturer's rebates on sales as explained further in note 26. and £2.7m relating to fundraising costs. The results for the year reflect the decline in revenue caused by the Manufacturing Pause, an ongoing programme of continuous improvement across the supply chain and quality systems.

After an increase in research and development costs to support the initiation of the Phase III G306 clinical trial for Grass MATA MPL and preparation for the Phase I PROTECT study for VLP Peanut, the operating loss was £39.7m (2022: £12.2m loss).

Clinical development

Transforming allergy grass pollen treatment: Grass MATA MPL

Prior to the 2023 grass pollen season, the first patients were dosed in the pivotal Phase III G306 trial. This trial is evaluating the efficacy and safety of Grass MATA MPL, our short-course subcutaneous allergen-specific immunotherapy candidate that aims to address the cause of symptoms of allergic rhinoconjunctivitis due to grass pollen.

Interim trial results in November 2023 demonstrated that the trial met its primary endpoint which is discussed in further detail in the R&D part of this report.

Next generation immunotherapy: VLP Peanut

The clinical development of the Group's innovative, short-course peanut allergy vaccine candidate, VLP Peanut, via subcutaneous injection, is progressing as planned. The Phase I PROTECT trial is a first in-human study evaluating the safety and tolerability of VLP Peanut in healthy and peanut allergic adult subjects. Updates from the trial, and plans for progression to Phase II can be found further in this report in the R&D section.

Board and senior management updates

In November 2022, Nick Wykeman stepped down as Chief Financial Officer ("CFO") in order to pursue a non-executive career.

During November 2022, Martin Hopcroft joined the business as Interim CFO, supporting the business with a strong focus on cash control and the successful completion of the £40.75m loan facility.

In December 2022, Anthony Parker and Zheqing (Simon) Shen were appointed as Non-Executive Directors of Allergy Therapeutics. 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 Allergy Therapeutics.

On 28 December 2022, Scott Leinenweber, representing Abbott Laboratories, resigned as a Non-Executive Director.

On 10 February 2023, Sara Goldsbrough resigned as Company Secretary. Karley Cheesman was appointed Company Secretary on 13 February 2023.

In August 2023, Martin Hopcroft completed his interim assignment and left the business in August 2023. Shaun Furlong was appointed CFO. Shaun has significant financial experience, joining Allergy Therapeutics as Group Financial Controller in April 2022 and previously holding senior finance roles within blue-chip companies across multiple sectors, including Legal & General, Hastings Direct, Volution Group and American Express. He brings significant experience plus a fresh perspective to the Group's Finance function.

We thank all those who have moved on from Allergy Therapeutics for their service to the Group and wish them well for the future. We would also like to thank all of our employees at Allergy Therapeutics for their commitment and performance in these tough conditions.

Peter Jensen OBE
Chairman
26 January 2024

Manuel Llobet
Chief Executive Officer
26 January 2024

1. See Note 4 for details of Alternative performance measures.

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

- Digitalisation is more about solving problems through 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

Our purpose is to transform patients' lives through our vision of breaking new ground in immunology treatment through specialist expertise.

Our resources

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

Innovation
As a global pioneering team we innovate to advance treatments in immunotherapy.

Income generated from operations
Income generated is re-invested back into our business to drive growth.

What we do

Research and development
We have a strong pipeline of new products at various stages of development and continue to enhance our existing product range.

Manufacturing
We maintain accredited facilities in the UK and Spain which produce our medicines for clinical trials and sale.

Sales
Currently we sell in 19 markets and we plan to develop these further and expand into new markets.

Value creation

We utilise our resources to create value for all our stakeholders which include patients, employees, healthcare professional and investors. Our approach to value creation is underpinned by our cultural values: Visionary, Patient First, Menschlichkeit (Humanity), Commitment.

Purpose and cultural values

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

Our cultural 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

Leading the way with innovation, courage and passion

We show courage by being innovative and always look for better ways to do things.

We are not afraid to try new things and learn from our experiences.

We are pioneering, we are future-focused and work with drive and passion.

We deliver robust plans by looking ahead to anticipate future changes, challenges and opportunities.

See more on pages 8,9 and 33 to 35

Patient First

Putting patients at the centre of everything we do

We seek to truly understand how patient lives are affected by allergies.

We make decisions, supported by data, on what adds value for our patients.

We never compromise on quality and safety for our patients.

We will always strive for the highest quality standards for our patients.

See more on pages 13 and 25

Menschlichkeit (Humanity)

Showing humanity and treating each other with honesty and respect

We treat each other the way we would want to be treated.

We foster an inclusive culture by valuing and encouraging different perspectives, experiences and views.

We work ethically and share information and ideas in an open way to help others succeed.

We do what is right, even when it is sometimes difficult, and support each other to be themselves.

See more on pages 15 to 17

Commitment

Working together as one team with integrity

We approach everything with integrity, we are fully committed and engaged in what we do and we never give up.

We walk the talk and do what we say we are going to do.

We work together as one team and actively collaborate across team/department/market boundaries.

We take accountability for our performance and personal development.

See more on pages 15 to 17 and 29

Environment, social and governance

Operating responsibly

Our purpose is to transform the lives of our patients and the people around them. We are committed to doing this whilst behaving in a socially responsible manner.

Our planet
See more on page 18

Our patients
See more on page 25

Our people
See more on page 26

Our responsible governance
See more on page 28

Our ESG strategy focuses on four pillars: our people; our patients; our planet; and our responsible governance. 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 for us to measure and communicate the effectiveness of our ESG strategy as well as to 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.

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.

2023 highlights

- Spanish operations ISO 14001 certified for the second year

Our patients

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

2023 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
- Refreshed our Values & Behaviors framework including introduction of our new "Patient First" value
- Launch of our International Patient Engagement Focus Group
- Online Seminars for patients suffering from pollen and peanut allergy
- Analysing patient´s preference for venom immunotherapy in a discrete choice experiment

Our people

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

2023 highlights

- Introduced practices for Instant recognition, GEM Awards and Long Service Awards
- Embedded our Global Learning Management System across the entire Group and broadened its Learning Portfolio
- Delivered a range of large scale learning interventions
- Introduced working groups on Diversity, Equity and Inclusion, and also Mental Health and Wellbeing
- In the UK, our median gender pay gap reduced for fourth consecutive year

Our responsible governance

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

2023 highlights

- Continuous improvement of Governance policies and procedures
- Targeted and enhanced training in response to concerns raised via the Speak Up process
- Global Anti-bribery and Corruption processes introduced
- Continued focus on safety culture

Environment, social and governance continued

Our planet

Expectations for 2024

- Reporting from each market on its own reduction goals in line with Group wide targets

Targets

- By 2030: to reduce Scope 1 and 2 emissions by 30% and Scope 3 by 20% from the Scope 1, 2 and 3 emissions reported year ended 30 June 2023
- By 2050: 95% reduction in total emissions from the total emissions reported year ended 30 June 2023

Our patients

Expectations for 2024

- Increased focus on quality culture
- Establish patient insight groups
- Increase in patient-engagement projects
- Analysing patient preference for pollen immunotherapy in a Discrete Choice Experiment
- Publication of patient preference data for venom immunotherapy

Targets

- Zero critical findings in a regulatory inspection
- Set-up of internal processes for patient-engagement projects
- Exploring cooperation agreements with patient organisations on national or European level

Our people

Expectations for 2024

- Trial a mentoring programme and support the embedded National Learning at Work Week
- Review our People Systems
- Continue to provide education on Diversity, Equity and Inclusion
- Introduce development programmes designed for current and future managers and team leaders

Targets

- Continued high completion rates of online learning
- Continue focus on employee engagement

Our responsible governance

Expectations for 2024

- Increased risk identification processes
- Continue Board reporting on Governance matters
- Tailored training responding to any concerns raised

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 and CEO on page 6 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

Ordinarily the CEO and CFO attend meetings with investors to discuss strategic progress, financial and operational performance, and other matters relevant to shareholders. This year has been exceptional. The Group has predominantly engaged with investors by way of RNS announcements or during General Meetings. Several shareholders have contacted the company directly with their queries.

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 44 to 48

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

- Communication - more clear and consistent communication during this critical time
- Wellbeing - having greater awareness of wellbeing support available
- 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

Following our second annual Discover Your Voice Employee Engagement Survey we committed, as one of the global actions, to running a PULSE survey in October 2022 as we were concerned about the area of Workload. This moment in time PULSE survey which focused on Engagement, Wellbeing and Workload created an 83% participation rate. Our results scored 6.5, which is 1.0 below our previous result. A key contributing factor to this lower score was business uncertainty and job security directly linked to business performance although we were encouraged to note that results showed that social well being scored 8.1 indicating managers and peers are supporting each other, and people generally feel supported. These results continued to enable the business to develop informed plans and actions relevant to individual functions. Our intention is to run another survey before the end of June 2024.

Links

Operating responsibly - our people: see pages 26 and 27

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 page 10

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.

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 pages 12 to 17

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.

Links

Operating responsibly - our people: see pages 26 to 27

Outcomes

- Continued its support for activities in STEM subjects in Europe, organising work experience activities and placements for students in Spain and the UK

Environment, social and governance continued

Engagement with stakeholders continued

Governments and regulators

As a manufacturer and distributor of medicinal product we must comply with GMP and GDP. We are regulated by various authorities in the territories in which we operate including 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 33 to 35

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 generally managed by our Procurement team. This year the procurement team have focused on supplier engagement. In the year, we were able to mitigate any supply chain risks by pre-ordering key manufacturing supplies and ensuring we had numerous suppliers for key materials.

Links

Governance: see pages 44 to 48

Outcomes

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

Environment, social and governance continued

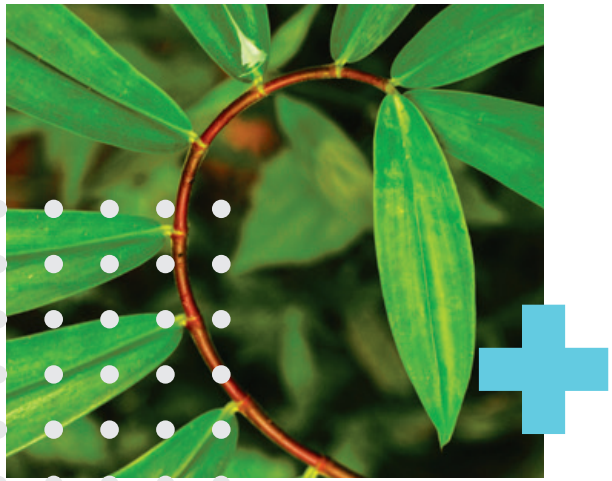
Our planet

Our TCFD report

Introduction

This report presents information regarding our efforts towards implementing the recommendations of the Task Force on Climate-related Disclosures (TCFD). It reflects a summary of the progress made to date towards our goal of incorporating climate-related risk, opportunity identification, and management into our overall business strategy which has been analysed in three different climate scenarios.

We will keep working with transparency and commitment to track our Science-Based Targets by 2030 and 2050, to contribute to a low-carbon transition economy. This report has been aligned with our ESG strategy to build a strong and resilient business in each of our locations in Europe and the UK. This is a challenging path, but we are committed to being part of the world's climate action. We will make every effort to help limit the global temperature increase to 1.5°C through responsible governance, because we care for our people, our patients, and our planet.



1. Governance

1.1. Describe the board's oversight of climate-related risks and opportunities.

Our climate governance structure for overseeing climate-related risks and opportunities is illustrated on page 44.

The Board of Directors has the ultimate responsibility for overseeing our climate-related risks and opportunities. This commitment to address climate change is evident through a multifaceted approach in our governance, which involves the Audit and Risk Committee (refer to pages 50 and 51), Nomination Committee (refer to page 49), Executive Committee, and Remuneration Committee (refer to pages 52 to 59). Climate-related issues are now a fixed agenda item, which are reviewed every quarter. The Board dedicates time and attention to engage in discussions encompassing the potential climate-related risks and opportunities identified within our organisation and deliberating on these matters. Given the urgency of climate-related matters, the Board has chosen to delegate oversight responsibility to the ESG Committee. The Group's approach to climate governance demonstrates the Board's commitment to overseeing the climate-related matters. Where we do not possess necessary skills in house, we leverage the experience of external consultants to understand climate risks and opportunities.

1.2. Describe management's role in assessing and managing climate-related risks and opportunities.

We have designated specific climate-related responsibilities for our management-level positions. These positions are responsible for reporting directly to the Board. The Chief Executive Officer (CEO) bears ultimate responsibility for climate-related risks, opportunities, and other climate-related initiatives in our company. Additionally, the Chief Financial Officer (CFO) has the responsibility of ensuring that the financial impact of climate-related issues and a financial strategy for mitigating climate-related risks are carefully considered. The CFO must ensure that climate-related risks are seamlessly integrated into our overall risk management approach, enabling us to be resilient in the face of any plausible climate scenario.

2. Strategy

We have evaluated the climate-related issues that are most important to our Group in the short, medium, and long term. Our focus is on addressing these aspects as part of our day-to-day operations. This approach helps our Board and senior management understand the significance of these materiality assessments and effectively manage any impacts leading to enhanced decision-making to address any climate-related risks and opportunities. Our analysis confirms our commitment to acting in response to plausible scenarios.

2.1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

In our assessment of climate-related risks and opportunities, we have employed the TCFD risk framework. TCFD encompasses the following categories:

- **Physical risks** are analysed to acknowledge any acute or chronic risks that might result from the physical impact of climate change across our Group.
- **Transition risks**, which are related to transitioning to a low-carbon economy. They involve policy and legal, technology, market, and reputation risks.
- **Climate opportunities,** which seek positive impact from climate change on the organisation through energy sources, resource efficiency, new products and services, new markets, and resilience opportunities.

Within these categories, we have identified a total of 26 specific climate-related risks and opportunities that could impact our organisation across 3 distinct time horizons. After a detailed assessment, we have selected 5 key climate-related risks and opportunities. These are discussed in the following section and are of relevance to our ongoing business operations, considering potential future scenarios that could impact our business, strategy, and financial planning.

The climate-related risks and opportunities are assessed through the following time horizons:

Short-term	Medium-term	Long-term
2023-2030	2030-2040	2040-2050

Environment, social and governance continued

Our planet continued

2. Strategy continued

2.2 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Physical Risk:

Chronic Risk – Change in Weather Patterns

The increased frequency and severity of extreme and unusual weather events in the different climate scenarios could threaten the safety of our physical assets and facilities in Spain and the UK over the next three decades. In the short term, extreme heat waves are adversely affecting the productivity and health of our employees. In addition, a rise in temperatures or flooding could disrupt our access to essential raw materials, leading to an impact on our supply chain. This disruption could result in delays in delivering final products from one site to another, exacerbating resource scarcity issues, including higher prices and water shortages.

In the medium and long term, climate-related disasters will become more frequent, so we are preparing as a Group to address the plausible scenarios to support our people even if climate physical risks disrupt production in specific regions. Chronic changes in weather patterns would impact our sites, given the climate-related risks associated with our geographical locations. Additionally, our business might be compelled to seek new suppliers capable of providing the necessary raw materials. Given the necessity to transport our products via freighters, we must ensure that these carriers can maintain cold conditions and transport goods over long distances during heatwaves. Even if this will result in increased operational and investment costs, preserving the quality of our products is our priority.

Transitional Risks:

Technology Risk – Low Carbon Technology Transition

Climate change encourages companies like ours to accelerate a just and equitable transition toward low-carbon emission technologies. Disruptive climate policies targeting clean technologies could result in supply chain disturbances if the transition is not executed promptly. These changes are expected to unfold in the next decade. Even though they may result in immediate increases in direct costs and impact revenue, delaying the transition to a later stage would incur higher overall costs. It is expected that climate policies will become more stringent, and our customers may be compelled to pay significantly higher costs for the same technology. Our Group will be affected by investment costs associated with adopting new low-carbon technologies. As global environmental requirements drive the transition to these technologies, supply chains may experience rising operational costs. This could lead to higher prices for products and services in the short term.

Market Risk – Increased Raw Material Costs, Production Costs due to Changing Input Prices

Critical minerals and materials essential for clean and responsibly sourced energy and products are expected to see an increase in cost due to rising demand. As of 2021, the IEA scenario predicts that annual capacity additions of renewables will quadruple, increasing from 290 GW in 2021 to approximately 1,200 GW by 2030. This surge in clean energy capacity has the potential to disrupt traditional energy markets, impacting suppliers and potentially affecting our Group's supply chains and increasing energy prices and raw material costs. Consequently, our products may experience production cost increases, as direct costs may come under pressure, necessitating a review of selling prices.

Policy and Regulation Risks – Carbon Pricing and Regulations

The urgency of electrification is driving an increase in carbon prices, resulting in higher costs for raw materials. Also, this shift has an impact on transportation alternatives, which are required for vaccine distribution. Furthermore, uncertainty surrounding regulatory measures has the potential to disrupt supply chain stability, leading to price volatility for essential resources. Rapid responses to climate crises and stringent regulations could also result in escalating carbon prices, which potentially increase our operational costs. Carbon regulations and taxation might impact both our direct and indirect costs, affecting the supply of raw materials and the energy expenses incurred in our manufacturing facilities. Additionally, there may be a demand for recyclable packaging for pharmaceutical products. For instance, in Spain, it is legally mandated to use recyclable materials in packaging. Furthermore, the impact of carbon regulations will be evident in our business and financial planning, given the energy consumption required for the storage and transportation of our vaccines at cold temperatures across various locations in the EU and the UK.

Environment, social and governance continued

Our planet continued

2. Strategy continued

2.2 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. continued

Climate-related Opportunity

Markets Opportunities – Using Public Sector Incentives

The European Union (EU) has introduced public incentives to facilitate the deployment of clean technologies. As a result, we have applied for funding to support the installation of solar panels at our facilities in Spain in the short term. This initiative not only allows us to highlight our commitment to renewable energy sources in manufacturing our vaccines but also has the potential to influence consumer preferences. We corroborate our climate commitment in the medium and long term with our Carbon Reduction Plan for 2050. As a component of our overall climate strategy, our goal is to reduce our total emissions by at least 95% by 2050, needing a focus on being more energy-efficient within our premises. To achieve this, we plan to use EU funding for solar panels and assess options to potentially secure EU loans for our facility in Spain. Consequently, we expect to lower our energy costs through investment in green technologies.

2.3 Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The climate-related risks and opportunities detailed above have been analysed under 3 distinct plausible climate scenarios. We selected these scenarios to gain insights into the potential consequences of climate change across 3 different timeframes. The outcomes will guide us in devising resilient strategies to mitigate climate-related risks and capitalise on opportunities in the coming decades. A summary of each selected climate scenario is set out below:

- The **'Net Zero by 2050'** scenario set by the International Energy Agency envisions a substantial deployment of clean energy technologies and the rapid adoption of renewable energy sources. It incentivises governments, investors, and the private sector to implement global climate commitments, with the aim of limiting the rise in global temperatures to 1.5°C by 2050. Developing economies stand to benefit from this energy transition, as funding and capacity-building opportunities become available for accelerating global energy deployment.
- The **'Delayed Transition'**, set by the Network for Greening the Financial System (NGFS), portrays a world marked by global climate inaction until 2030. Consequently, stringent new policies will be implemented to halve greenhouse gas (GHG) emissions by 2040. These urgent measures will become necessary as nations grapple with significant social and economic shocks resulting from a decade of inaction. This scenario aims to cap global warming at 1.8°C by 2050, reducing it to 1.5°C by 2100.
- The **'Current Policies'** scenario by the NGFS, depicts a lack of ambition from both the governments and the private sector. Consequently, current global commitments (e.g., the Paris Agreement) lose momentum, and there is neither a shared interest nor a collective effort to achieve Net Zero by mid-century. Furthermore, climate inaction will result in global warming reaching 2°C by 2050 and potentially increasing to at least 3°C by the end of the century. Therefore, governments will need to confront the adverse consequences of social inequality, climate-induced migration, and the need for robust adaptation plans.

Physical Risk:

Chronic Risk – Change in Weather Patterns

Given the requirement to transport most of our products via controlled-temperature freighters, we must ensure that these carriers can adhere to the GDP (Good Distribution Practices) rules, maintaining and controlling cold conditions while transporting goods over long distances, especially during heat waves. We need to consider any flooding risk, for which we will develop a resilience plan for our site in Worthing.

Transitional Risks:

Technology Risk – Low Carbon Technology Transition

We are developing the Energy Centre in Worthing to strengthen our business security, become independent from GSK, and tackle any technology risk. We plan to install solar panels on Alcalá de Henares' site to accelerate a clean energy transition.

Market Risk – Increased Raw Material Cost, Production Costs due to Changing Input Prices

We will commit to use low carbon materials to provide our products with more efficient packaging materials. We have successfully been audited by SIGRE for this financial year (2022) for our products in Spain. Additionally, we will maintain our commitment to ensure adequate environmental management of medicines and packaging to align with our customer's changing behaviour to address climate change.

Policy and Regulation Risks – Carbon Pricing and Regulations

By 2050, we are committed to reducing 95% of our total carbon emissions so any carbon price or additional costs of future regulations would have a minor impact on our financial planning. Additionally, we are creating alliances with our packaging suppliers to aim for the use of certified recyclable materials in our final products.

Environment, social and governance continued

Our planet continued

2. Strategy continued

2.2 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. continued

Transitional Risks: continued

Allergy Therapeutics' Resilience Strategy

Within our Resilience Strategy, we are aware of the importance of outlining our ability to adapt to climate change, a concept known as climate resilience. This encompasses mitigating risks associated with transitioning to a low carbon economy and managing the physical impacts of climate change. For instance, we have recognised that climate change could pose a risk to our supply of natural products, such as pollen. In response, we are diversifying our supplier sources to include more sustainable and environmentally friendly options. We are currently encouraging our existing suppliers to enhance their sustainability efforts and transparency. To enhance our resilience against the volatility of energy availability and price fluctuations, we have made substantial investments. The Group is ensuring that its business strategy is as climate resilient as possible, with a focus on optimising the supply chain and energy utilisation.

3. Risk management

3.1 Describe the organisation's processes for identifying and assessing climate-related risks.

Our bottom-up risk registers are maintained for the Group's key manufacturing locations and certain Group functions. The risk process is currently being rolled out to other Group functions and overseas businesses. A top-down Group risk register is also maintained. The two risk registers are being periodically reconciled. The external environment is scanned for new and emerging risks by Senior Management. All risks are scored consistently and allocated to risk owners to manage and mitigate as appropriate.

We evaluate various risk categories, including climate-related risks, and treat them with the same diligence. External experts are involved in the annual review of our climate-related risks, and we similarly engage experts to oversee other risk domains.

3.2 Describe the organisation's processes for managing climate-related risks.

All identified risks are scored, assigned to a risk owner, and an appropriate response is determined. In cases where the response is to reduce the risk score, specific actions and their respective action owners are defined, and progress in implementing these actions is monitored. As noted above, climate-related risks are managed in the same way as other risks.

3.3 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Climate-related risks are identified, assessed, and managed as for every other type of risk, making them an integral part of the overall risk management approach. Additionally, climate-related risks are discussed separately by the Board and there is an additional governance structure (refer to section 1).

4. Metrics and targets

4.1 Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

By analysing the plausible climate scenarios, we are updating our climate strategy and validating this for the Board to ensure our commitment to Net Zero by 2050. The Group has reported its carbon footprint emissions for the last financial year aligned with the GHG Protocol Methodology and SECR report.

4.2 Disclose Scope 1, Scope 2, and, if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.

We have measured our GHG emissions for Scope 1, Scope 2, and Scope 3 (those appropriate for this report). In the Appendix, the table illustrates a comparison of the Group's Carbon footprint between the Financial Year Report 2022 (FYR22) and Financial Year Report 2023 (FYR23). Our scope 3 GHG emissions include 6 out of the 15 categories. These are generated across all our sites. Further information on our carbon footprint can be found on page 23.

4.3 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

We have re-evaluated our carbon emissions targets and re-defined our Science-Based Targets to confirm our climate action to tackle climate change in favour of the planet, our investors, our shareholders, and all our people. Hence, we have committed to reducing our Scope 1 and Scope 2 carbon emissions by 30%, and our Scope 3 carbon emissions by 20% by 2030. Once we achieve that target, we will re-evaluate and update our interim targets so we will achieve a 95% emissions reduction by 2050.

Environment, social and governance continued

Our planet continued

4. Metrics and targets continued

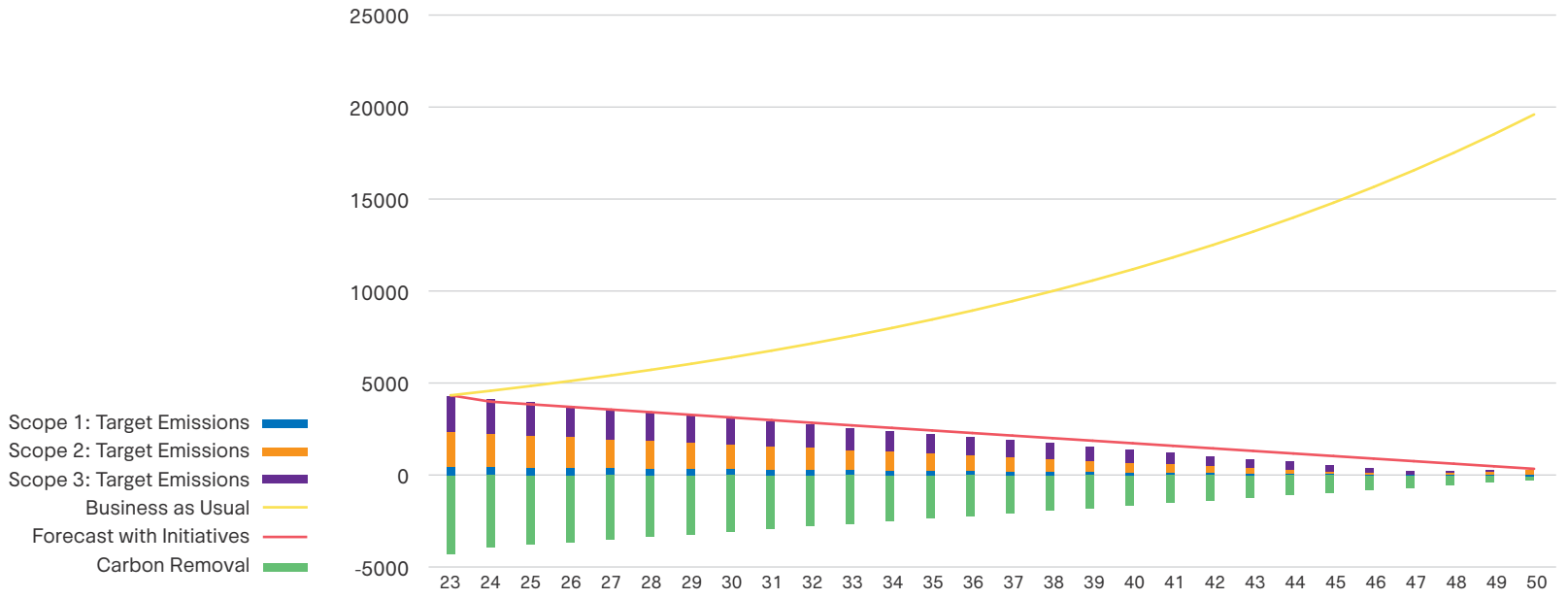
Gross Emissions Projection

Our Science-Based Targets for Scopes 1, 2, and 3 represented above follow the 4.2% absolute contraction approach. By 2030, our Scope 1, 2, and 3 emissions should be 304, 1,342 and 1,432 tCO_2e or less.

Conclusion

In conclusion, this TCFD report marks a pivotal step in developing a resilient strategy and being prepared for the plausible climate impacts that we might face over the coming years. As we navigate the complex landscape of a rapidly changing climate and evolving market expectations, the findings of this report highlight our commitment to making progress against the targets we have set for 2030 and 2050.

The comprehensive climate risk assessment demonstrates our proactive approach to understanding and mitigating potential impacts on our operations, supply chain, and financial performance. By identifying both climate-related risks and opportunities, and with our climate scenario analysis, the Group can track the progress of our climate responsibilities, strategies, and activities towards a low-carbon economy.



Environment, social and governance continued

Our planet continued

Carbon footprint

The table below details our full carbon footprint, divided by Scopes.

Scope/emission	July 21 - June 22	July 22 - June 23	Percentage change (%)
Scope 1 (tCO_2e)			
1.01 Natural gas	84	**52**	-38%
1.02 District heating	12	**9**	-25%
1.03 Wood heating	1	**1**	0%
1.04 Diesel oil	0	**17**	n/a
1.05 Refrigerant gas	53	**49**	-8%
1.06 Company owned vehicles	287	**303**	6%
Total (Scope 1)	437	**431**	**-1%**
Scope 2 (tCO_2e)			
2.01 Electricity	886	**867**	-2%
2.02 Purchased steam	856	**1,034**	21%
Total (Scope 2)	1,742	**1,901**	**9%**

Scope/emission	July 21 - June 22	July 22 - June 23	Percentage change (%)
Scope 3 (tCO_2e)			
3.01 Purchased goods and services	n/a	**347**	n/a
3.02 Capital goods	n/a	**n/a**	n/a
3.03 Fuel and energy-related activities	629	**571**	-9%
3.04 Deliveries (upstream)	26	**23**	-12%
3.05 Waste generated in operations	29	**54**	86%
3.06 Business travel	245	**261**	7%
3.07 Commuting and homeworking	365	**361**	-1%
3.08 Upstream leased assets	n/a	**n/a**	n/a
3.09 Downstream transportation and distribution	567	**342**	-40%
3.10 Processing of sold products	n/a	**n/a**	n/a
3.11 Use of sold products	n/a	**n/a**	n/a
3.12 End-of-life treatment of sold products	n/a	**n/a**	n/a
3.13 Downstream leased assets	n/a	**n/a**	n/a
3.14 Franchises	n/a	**n/a**	n/a
3.15 Investments	n/a	**n/a**	n/a
Total (Scope 3)	1,861	**1,959**	**5.3%**
Total carbon footprint	4,040	**4,291**	**6.2%**

Table Notes

1. We have reduced our emissions generated by the combustion of natural gas by 38% from FY22 to FY23.
2. We have reduced our Scope 1 emissions by 1%. We have a significant reduction in natural gas and district heating usage. However, we have observed an increase in emissions from our company-owned vehicles and will therefore review the option of the electrification of our fleet.
3. We have increased our Scope 2 emissions by 9%. This was predominately as a result of an increase in emissions from purchased steam.
4. We are continuously monitoring our Scope 3 emissions and we will track progress against further Scope 3 categories for the upcoming years.

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. Under the SECR requirements, this report covers Scope 1 direct emissions, which includes natural gas, district heating, wood heating, diesel oil, refrigerant gas, and company-owned vehicles, Scope 2 indirect emissions which incorporates electricity and purchased steam, and the only Scope 3 emissions required to disclose, which are associated with business travel in employees' private vehicles. The SECR is not required to disclose other categories from Scope 3, the remaining categories are disclosed under the TCFD report. The results are shown in the adjacent table. There has been a total of 2,764 tonnes of CO2 e emitted during FY2023, which compares to 2,712 tonnes for the prior financial year.

	Reporting period July 2022 – June 2023	Reporting period[1] July 2021 – June 2022	Percentage change
Total energy use covering purchased electricity (kWh)	**4,188,756**	4,279,203	-2%
Total energy use covering combustion of gas (kWh)	**284,946**	449,962	-37%
Total energy use covering business travel - company and grey fleet (kWh)	**1,294,090**	1,236,771	5%
Total energy use covering diesel oil (kWh)	**71,209**	0	
Total energy use covering steam district heating (kWh)	**51,000**	65,500	-22%
Total energy use covering purchased steam (kWh)	**4,892,674**	4,248,915	15%
Total energy use covering wood heating (kWh)	**41,556**	41,556	0%
Total energy use (kWh)	**10,824,231**	10,321,907	5%
Total emissions generated through use of purchased electricity (tCO_2e)	**1,151.2**	1,245.1	-8%
Total emissions generated through combustion of gas (tCO_2e)	**60.8**	96	-37%
Total energy use covering diesel oil (tCO_2e)	**20.8**	0	
Total emissions generated through business travel - company and grey fleet (tCO_2e)	**436.8**	403.9	8%
Total emissions generated through use of refrigerant gas (tCO_2e)	**48.9**	53	-8%
Total emissions generated through steam district heating (tCO_2e)	**11.4**	14.7	-22%
Total emissions generated through purchased steam (tCO_2e)	**1,033.6**	898	15%
Total emissions generated through use of wood heating (tCO_2e)	**0.6**	1	-40%
Total gross emissions (tCO_2e)	**2,764**	2,712	2%
Total mileage	**1,432,096**	1,180,165	21%
Total estate size (sq ft)	**221,993**	221,993	0%
Total number of employees	**612**	612	0%
Intensity ratio - total gross emissions ($kgCO_2$ per sq ft)	**12.45**	12.22	2%
Intensity ratio - transport emissions ($kgCO_2$ per mile)	**0.31**	0.34	-11%
Intensity ratio - total gross emissions (tCO_2e per employee)	**4.5**	4.4	0.02%

1. Information revised following provision of further data.

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 16.

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.

Aluminium free company

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.

Our quality culture

Healthcare professionals rely on our quality products, our knowledge and our trusted partnership to deliver the best care for their patients. The purpose of the Allergy Therapeutics is to transform the lives of our patients and those around them. To achieve this, 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.

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.

Quality is part of everything we do, this is set out in our Code. We work with a quality mindset, always putting patient safety first. A quality product is what our patients have the right to expect.

Our employees are trained to have the ability to understand the importance of quality and to consider quality in everything they do. Our supply chain is assessed to ensure the standards we, and our patients, expect, are met and maintained.

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. For us to succeed we need to foster an environment where our people can flourish.

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 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 (subject to overall Group performance. We provide a competitive compensation and benefits package.

Wellbeing and lifestyle

The wellbeing of our people continues to be of the utmost importance to the Group. During the year, we enhanced our lifestyle programme, Be Well, with a focus on practical support: for example, onsite bike maintenance for our UK employees, and access to bikes for our German team. We held a Time to Talk day, creating time and space for our employees to talk away from work tasks, enjoy some social interaction and share any concerns.

We have continued to ensure our employee support offer is strong, with Employee Assistance programmes launched in many of our countries. Through our providers we are able to offer products such as private healthcare, access to remote medical and physio advice, mental health support and a variety of wellness content that we share with our people.

Where some roles can be carried out remotely and others must be on site or in the 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

On the back of our second employee engagement survey in January 2022, where results around the areas of Wellbeing and Workload influenced our action planning, the Group ran a Pulse moment in time survey, during October 2022, to focus on these two areas. The survey had another great response rate of 83% and while the overall engagement result was down one point from the January 2022 survey, the information has helped us to plan to address the areas of concern which included a feeling of business uncertainty. We were pleased to see that despite the drop in score, the area of Social Wellbeing scored well, this is an indication that people feel well supported by each other and their managers.

We continue to deliver our quarterly internal newsletter which achieves a regular readership of 71% by our employees and our All hands calls which on average achieves a live audience of 335 employees, with recorded versions made available for anyone not able to attend. Both these avenues prove to be important communication pillars in order to provide operational and strategic business updates as well as a chance for employees to ask questions.

Talent

Our aim is to manage talent effectively and ensure that we have sufficient capability to realise our strategy.

Training and development

We completed the full rollout of our DiscoverLearn learning management system in September 2022 to all companies in the Allergy Therapeutics Group. A staggering 22,257 learning assignments were completed over the course of the year. DiscoverLearn provides learning topics including business skills, medical happy hours, information security and legal compliance.

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, with check-in meetings held 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

This year we have introduced a new value, “Patient First”. This value compliments our original values of Vision, Menschlichkeit and Commitment. Our values go straight to the heart of everything we do, driving our culture. Our values directly connect our people and their work at Allergy Therapeutics to our purpose.

We have robust policies, including our Code which is an extension of our core values. It is a set of principles and expectations that guide the behaviours of everyone working for and on behalf of the Allergy Therapeutics.

For more information on how we are evolving culture within the business, please see page 11.

Diversity and inclusion

We believe that every person in the Group has a part to play in creating value. 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.

As part of our Diversity, Equity and Inclusion strategy we have been providing ways to raise awareness, educate our employees and create conversations.

As an equal opportunities employer we welcome applications from anyone with the skills, experience and commitment to succeed. 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 13,000 employers 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 four core values of Patient First, Visionary, Menschlichkeit and Commitment shape how we work and are at the heart of any decision we make. We value our reputation. We want to be a trusted business partner to all our stakeholders: our patients, employees, 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

In the previous year, we implemented an improved Ethics and Compliance framework which provided all Group employees with clear expectations of standards of behaviour and ensured a consistent culture of integrity. The framework is subject to ongoing development and periodic review.

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 Board 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 zero lost time injuries (2022: three). We are taking steps to strengthen our safety culture and have established a Health & Safety Council, which meets regularly.

We have completed initial training for our new Health & Safety Champions who meet regularly, forming the safety committee. Safety-based objectives are being incorporated into the operations and quality teams' performance agreements to help drive improvements in our safety culture and safety performance.

We have introduced a new proactive reporting tool, STAR (Stop, Think, Act, Report), that encourages personnel to take proactive steps to deal with any unsafe conditions or unsafe acts before they lead to a near miss or accident occurring.

Our focus on health goes beyond physical health. We provide employees with a dedicated website that offers advice and guidance on how to improve wellbeing. During the year, the business remained focused on raising awareness for those suffering from mental health and we have trained Mental Health First Aiders on our main sites. The wellbeing programme delivers regular campaigns and training.

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.

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 Group continued its support for activities in STEM subjects in Europe, organising work experience activities and placements for students in Spain and the UK.

Allergy-related initiatives

In the year the Group were 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

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 2022/23

£59.6m

Net sales of £59.6m (2022: £72.8m) representing an 18% reduction due to the pause in manufacturing

Operating loss pre-R&D and exceptional costs was £14.8m (2022: profit of £3.4m) reflecting the reduction in revenue and gross margin due to the Manufacturing Pause and also cost increases due to investment in continuous improvement (supply chain and quality systems) plus higher underlying labour and manufacturing costs

Progress towards the registration of approved products

Objectives for 2023/24

- Sales recovery
- Improvement in gross margin
- Improvement in EBITDA pre-R&D expenditure

Strong pipeline

Strategic priorities

- New technologies underpin pipeline depth in convenient products
- Investment strategy supported by improving EBITDA pre-R&D

Progress in 2022/23

9 products in pipeline

- G306 pivotal phase III Trial to evaluate efficacy and safety of Grass MATA MPL met primary endpoint
- First-in-human Phase I PROTECT trial began dosing trial participants in March 2023. Completion of dosing of healthy volunteers in the first two cohorts completed. Approval to commence with subsequent cohorts received

Objectives for 2023/24

- Commencement of long-term paediatric trial for Grass MATA MPL
- Initiate registration of Grass MATA MPL in EU
- Complete the VLP Peanut PROTECT study

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 2022/23

- G306 pivotal phase III Trial completed to support registration in the US
- US key opinion leaders involved in P101 VLP Peanut (PROTECT) Peanut trial

Objectives for 2023/24

- Progression of the VLP Peanut clinical programme towards Phase II

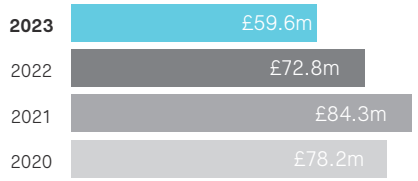
Key performance indicators ("KPIs")

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

Financial measures

Net revenue[1]

£59.6m



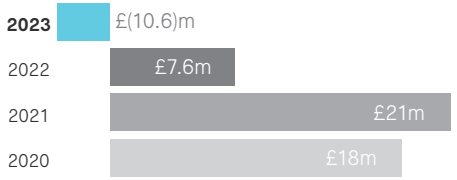
Why is it a KPI?
Net revenue tracks the Group's year-on-year growth.

Performance
Recent years have seen a decline in net revenue due to streamlining the product portfolio and due to the Manufacturing Pause.

Link to strategy
Net revenue is linked to our first strategic pillar, Expanding in Europe, see page 29.

EBITDA pre-R&D and exceptionals[2]

£(10.6)m



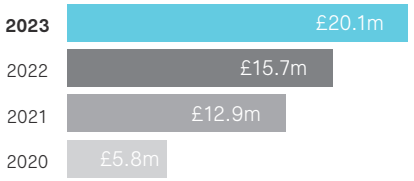
Why is it a KPI?
EBITDA pre-R&D and exceptionals is a measure of the Group's ability to generate cash for reinvestment in product development.

Performance
Recent years have seen a decline, reflecting the decrease in revenue and investments in the supply chain.

Link to strategy
EBITDA pre-R&D and exceptionals is linked to our second strategic pillar, Strong pipeline, see page 29.

R&D expenditure

£20.1m



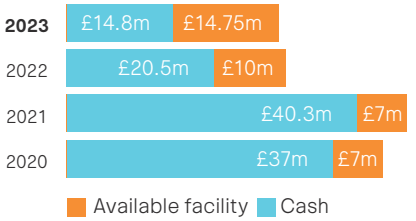
Why is it a KPI?
R&D expenditure tracks the Group's ability and commitment to develop existing and new products.

Performance
Year-on-year the Group continues to invest more in R&D as it progresses its products through the clinical trial proves.

Link to strategy
R&D expenditure is linked to all of our strategic pillars, see page 29.

Cash and available facilities[3]

£29.6m



Why is it a KPI?
Cash and available facilities measures the resource that we have to fund trading and research and development activity until products can be sold.

Performance
Cash and available facilities remain strong[4].

Link to strategy
Available funding is linked to all of our strategic pillars, see page 29.

1. Net revenue is gross revenue once cash discounts and statutory rebates have been deducted.
2. EBITDA pre-R&D and exceptional items is operating profit/(loss) before interest and tax with depreciation, amortisation, R&D expenditure and exceptional items included in operating profit/(loss) before interest and tax added back.
3. Cash and available facilities is cash at bank and in hand plus any committed but undrawn loan facilities available. Uncommitted facilities available in FY23 only are disclosed separately.
4. Post period further funding was secured, for further information please refer to Note 35, for details of events after the balance sheet date.

Key performance indicators ("KPIs") continued

Non-financial measures

Number of products in pipeline

9

Why is it a KPI?
The success of the Group is dependent on having a portfolio of existing and new products at various stages of development.

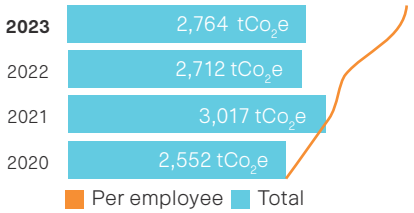
Performance
The portfolio remains strong and diversified with several treatments approaching the end of the clinical trial process.

Link to strategy
The number of products in pipeline is linked to all of our strategic pillars. See page 29.

Gross emissions/emissions by employee (tCO_2e)[1]

4.5 **tCO_2e per employee**

Intensity ratio - total gross emissions (tCO_2e per employee)



Why is it a KPI?
We are committed to reducing the impact of the Group on the environment and track this using standard objective measures.

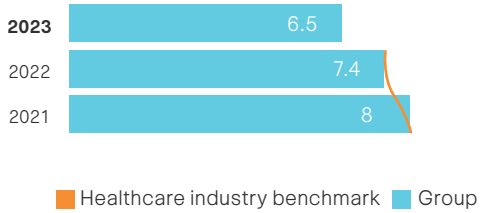
Performance
Our emissions have increased over the last couple of years as more employees have returned to work. This increase has been driven by an increase in purchased steam in the UK. For the upcoming years, we aim to strengthen our business security with our own Energy Centre in Worthing. Additionally, we plan to install solar panels on Alcalá de Henares' site to accelerate a clean energy transition.

Link to strategy
Managing the Group's gross emissions is a core element of our cultural value, Our planet. See pages 18 to 24.

Employee engagement

6.5

(industry benchmark 7.5)



Why is it a KPI?
Ensuring that we have a committed, productive workforce is integral to delivering our strategy.

Performance
Engagement remains slightly below the industry benchmark. A full employee survey was not undertaken this year but a Pulse temperature check took place.

Link to strategy
Ensuring employee engagement is a core element of our cultural value, Our people. See pages 26 and 27.

1. These figures are based on SECR data.

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.

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.

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.

Venom ATL Polistes Dominula
Venom ATL Polistes Dominula is available as a treatment option in Spain. This is a vaccine and diagnostic product which can be ordered by community pharmacies or hospitals.

Synbiotics
Synbiotics are special formulations of prebiotics and probiotics. Synbiotics act as bio-immunomodulators of the immunologic response. The Group supplies three synbiotic products (Kallergen-Th, ATI-Prob and Pollagen) across Spain, Austria, Germany and Italy. The Group additionally supplies a 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).

R&D report

Innovative, broad pipeline and marketed products

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

Clinical progression of the MATA MPL platform

The clinical programme to support registration of the Grass MATA MPL candidate in both Europe and the US has made huge strides this year. Grass MATA MPL is based upon the same platform as the marketed product Pollinex Quattro, but is manufactured at a higher strength and with an increased number of doses. It is being developed as a pre-seasonal short-course grass pollen SCIT.

Using an adjuvant system comprising MicroCrystalline Tyrosine ("MCT®") adsorbed allergoids, and the adjuvant Monophosphoryl-lipid A ("MPL"), this innovative platform technology only requires patients to receive six injections prior to the grass allergy season to be protected.

Under the German TAV regulatory framework, named-patient products for common allergens need to be registered. Market authorisation can be granted in Germany for an optimised formulation of these named-patient products upon completion of a successful market authorisation application evaluation, whilst permitting the sale of existing products on the German market on a named-patient basis throughout this process. The data generated in the clinical programme for Grass MATA MPL can additionally be used to support regulatory submission in the US.

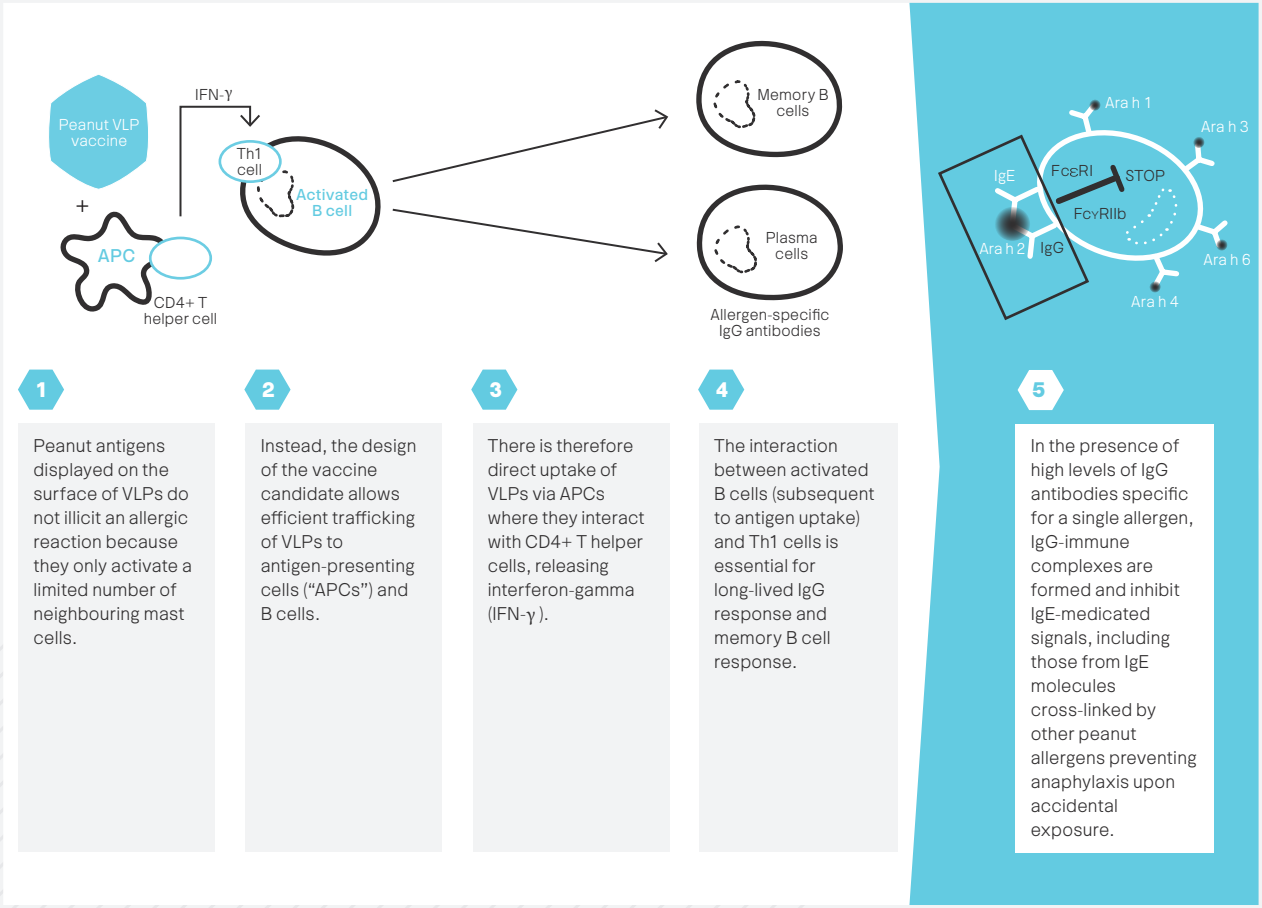
In October 2021 we presented the topline results of the G309 trial. The G309 trial was a double-blind, placebo controlled, randomised study run over one year and involved 119 patients over 15 sites across both Germany and the US. We observed a ~40% improvement in the combined symptom and medication score compared to placebo, a result which, the Directors believe, has not previously been achieved by any allergy group in a field trial.

Following on from this encouraging achievement, the G306 pivotal clinical trial commenced in December 2022 and is being conducted at sites in the US and Europe. The treatment period lasted for approximately 13 weeks with a six-injection posology which has now completed. The G306 pivotal Phase III trial to evaluate efficacy and safety of Grass MATA MPL met the primary endpoint. The study demonstrated a highly statistically significant reduction in Combined Symptom & Medication Score (CSMS) ($p \leq 0.0024$) between active treatment group and placebo. Analysis of the primary outcome and secondary endpoints including quality of life and biomarkers to be announced once full analysis of the data has been completed. Subject to regulator discussions, the Group expects to be able to use the data (along with a further required one-year paediatric trial, G308, which is yet to be funded) to support a clinical registration of Grass MATA MPL in Germany under the TAV regulatory framework.

The additional paediatric G308 data may also potentially be used to support a future US filing. The registration of the product in the US, post the G306 trial, will also require completion of the safety database before a Biological Licence Application ("BLA") can be filed with the FDA. The total US allergy immunotherapy market is estimated to be worth $2.4bn with around 25% of the patients suffering from grass allergy. This offers the potential for peak sales for Grass MATA MPL of about $300m to $400m per annum.

R&D report continued

Vaccination against peanut allergy via virus-like particles



1

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

2

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

3

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

4

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

5

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

VLP Peanut

The Company's highly innovative peanut allergy vaccine candidate, VLP Peanut, has been successfully scaled up for the first-in-human Phase I PROTECT trial, which began dosing trial participants in March 2023.

The trial, which is being run in centres in the US, is being conducted in two parts:

- Part A: Open-label study of healthy subjects (Group A1) who are undergoing subcutaneous dosing with ascending concentrations of VLP Peanut. Peanut allergic subjects (Group A2) underwent skin prick tests performed with ascending concentrations of the vaccine candidate.
- Part B: Following satisfactory safety results from Part A, the study has proceeded to a double-blind, placebo-controlled Part B enrolling peanut allergic patients who are receiving subcutaneous injections of the vaccine candidate.

In March 2023, following acceptance by the FDA of the Group's IND application and successful site initiations, the first cohort of peanut allergic patients received the peanut allergy vaccine candidate via SPT.

The trial then progressed to evaluate dose escalation in healthy subject cohorts. Cohorts 1 and 2 of part A1 have completed dosing. The remaining two cohorts (Cohorts 3 and 4) are now due to commence following the agreement of the external safety review committee ("SRC") to proceed with dose escalation as announced on 26 September 2023. The SRC has also provided the go-ahead to progress subcutaneous dose escalation in peanut allergic subjects, which marks the start of the early proof of concept phase (Part B) of the PROTECT trial.

No safety signal has been observed in healthy subjects to date. We are hugely encouraged by the progress to date of the PROTECT trial and believe that the data provides assurance of the hypo-allergic safety profile of VLP Peanut, a key step in realising the potential of this transformative option for peanut allergy sufferers. While the trial protocol does not allow reporting of results mid-trial, to avoid biasing the outcome, we are communicating the transitions between cohorts, to update on the trial's progress.

R&D report continued

VLP Peanut continued

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.

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.

Scientific conferences

The Group attended the American Academy of Allergy, Asthma and Immunology ("AAAAI") conference in San Antonio, Texas early this year. The Group had the opportunity to present three scientific posters detailing key aspects of our Grass MATA MPL clinical development, including work on biomarker analysis, T-cell responses and antibody induction following treatment with Grass MATA MPL.

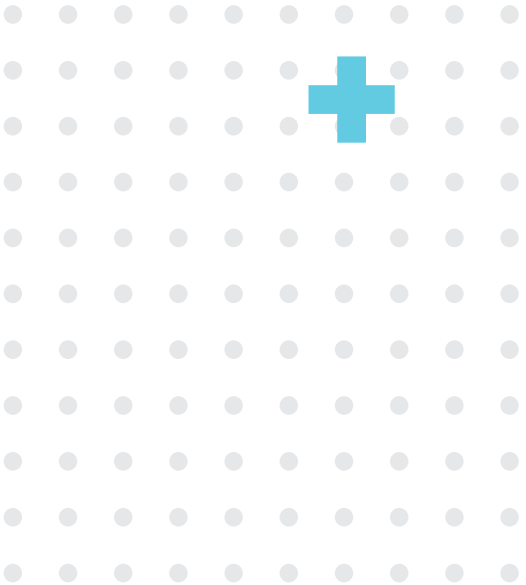
During the 2023 European Academy of Allergy and Clinical Immunology ("EAACI") meeting in Hamburg, Germany, the Group presented nine posters and held a symposium discussing updates on the Group's clinical pipeline.

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.

Pipeline

For further information about our R&D pipeline please visit our website at https://www.allergytherapeutics.com/our-science/research-and-development/product-development/.



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.

In common with many pharmaceutical companies, the Group faces a number of risks and uncertainties. Internal controls are in place to help identify, assess, manage and mitigate these risks.

Risk	Description of risk and impact	Mitigation	Developments in 2023
Clinical, legal 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. – The Group aims to remain compliant with all relevant laws and regulations and this can be a fast-changing landscape. – 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.	– 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. – 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. – Know-how protected by non-disclosure agreements. – The use of 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 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. – The Group continues to strengthen its control through new patents and new, complex processing methods.

Principal risks and uncertainties continued

Risk	Description of risk and impact	Mitigation	Developments in 2023
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.	- Further increase in headcount with broader skill set. - Regular training of staff to prevent successful phishing.
Production and product liability	- 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. - 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.	- Regular maintenance and upgrade of the facility undertaken. - In respect of the lease, the Group has negotiated a longer termination notice period and has a contingency plan in place. Further work has also been undertaken to plan how the Group could become independent of GSK. - Work continues on reducing variability and the methods for testing content. - 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.	- New energy centre is being built and will be online shortly which will make the Group independent in terms of energy supply from GSK. - Safety stocks maintained to protect against vaccine shortages or dual sourcing where possible. - The business is investing in further upgrades to ensure that the highest standards are maintained in the factory.
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. - Strategy of 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. - Significant number of candidate products in the pipeline. - Development of new products in the pipeline.

Principal risks and uncertainties continued

Risk	Description of risk and impact	Mitigation	Developments in 2023
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 exchange rate fluctuations.	- The Board reviews the financial requirements of the Group on a regular basis in order to ensure that adequate funding is available. - Monitoring exchange rates regularly. - Note 27 in the notes to the consolidated 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. - Post period further funding was secured, for further information please refer to Note 35, for details of events after the balance sheet date.
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 and operating to develop talent within the business.
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 and this could hamper product development, the route to markets or current sales. - The Group may be unable to attract partners or licensees on favourable terms. - Approximately 54% (2022: 59%) of Group sales are made in Germany and therefore Group results are particularly sensitive to German legislation and government policies and performance of the German market. - Pharmaceutical products are subject to far greater controls on price in certain markets than other products in the marketplace. Further in some cases 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. - There is significant global economic uncertainty due to geopolitical events, pandemics, climate change, inflation, stagnating economies and technological change including artificial intelligence.	- 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. - Continued monitoring of changes in the global economy to identify opportunities as well as threats and to ensure we have plans in place to minimise the negative impact of external factors.	- Reimbursement levels remained stable over the year and, in certain cases, price rises have been allowed. - Received notification from the German national health insurance association indicating that manufacturer's rebates are due on sales of certain products launched on the market from 1 September 2017. - Continual review of critical suppliers to manage risk. - Full review of potential impact of climate change on the Group as part of compliance with the TCFD requirements.

Financial review

Business performance

£59.6m
Revenue
(2022: £72.8m)

£(14.8)m
Operating loss excluding R&D and exceptionals[1]
(2022: operating profit of £3.4m)

£43.1m
Net loss after tax
(2022: net loss £13.8m)

Overview

The Group made an operating loss pre-R&D and exceptional costs[1] of £14.8m for the year ended 30 June 2023 (2022: £3.4m profit). This loss is a consequence of the Manufacturing Pause that occurred during October and November 2022 and the ongoing programme of continuous improvement across the supply chain and quality systems, together with higher manufacturing and labour costs.

Including R&D expenses of £20.1m (2022: £15.7m), the Group reported an operating loss of £39.7m (2022: operating loss of £12.2m).

Exceptional costs

For the year ended 30 June 2023, the Group incurred fundraising costs of £2.7m relating to the £40.75m loan facility.

The Group's German subsidiary has received notification from the German national health insurance association that manufacturers' rebates are due on sales of certain products launched on the market from 1 September 2017. For further information regarding updates on this matter post period please see Note 35.

Revenue

Reported revenue decreased by 18% to £59.6m (2022: £72.8m). Revenue was down in almost all markets. Revenue from Germany was 53% (2022: 59%) of total revenue, reflecting the supply disruption in the year, however orders remain robust.

Gross profit

Cost of sales increased to £26.3m (2022: £23.3m) reflecting investment in the supply chain. The gross margin was 56% (2022: 68%) reflecting the fixed nature of the manufacturing facility costs despite the lower sales volume, leading to a gross profit of £33.2m (2022: £49.5m).

Operating expenses

Sales, marketing and distribution costs decreased by £2.3m to £23.7m (2022: £26.0m) mainly as a result of cost control activities.

Total operating expenses were £11.3m higher than the prior year at £73.8m (2022: £62.5m) mainly due to exceptional fundraising costs of £2.7m and exceptional cost adjustment relating to a provision of £2.1m (see note 26). R&D expenditure rose by £4.4m due to investment in the G306 trial for Grass MATA MPL and preparation for the VLP Peanut PROTECT study.

Non-R&D operating costs of £53.6m increased by £6.8m (2022: £46.8m) of which £4.8m related to exceptional costs as mentioned in the business performance section.

Other income in the year of £0.9m (2022: £0.7m) was due to R&D tax credits in the UK and Spain.

Tax

The current year tax charge is predominantly comprised of liabilities for tax in the Spanish and German subsidiaries. The overall charge in the income statement is £1.3m (2022: £1.1m).

Balance sheet

Property, plant and equipment increased by £3.0m to £23.2m (2022: £20.2m) reflecting investment in the Worthing energy centre and upgrade of plant in the UK.

Goodwill remained the same at £3.3m (2022: £3.3m), whilst other intangible assets increased by £0.1m to £1.8m (2022: £1.7m).

Total current assets, excluding cash, decreased to £18.7m (2022: £21.9m). Trade and other receivables have decreased by £3.4m, mainly due to prepayments related to R&D trial activities and maintenance contracts.

Cash and cash equivalents decreased to £14.8m from £20.5m. The operating cashflow was £28.4m (2022: £13.8m) and £4.6m investing outflow (2022: £3.0m) offset by a net £27.8m inflow from new shareholder loans (2022: nil).

1. See Note 4 for details of Alternative performance measures.

Financial review continued

Balance sheet continued

The fair value of derivative financial instruments was a liability of £0.1m in 2023 (2022: liability of £0.1m) due to exchange rate fluctuations.

Retirement benefit obligations, which represent solely to the German pension scheme, decreased to £7.9m (2022: £8.3m). The decrease in the liability was mainly driven by experience gains of the scheme.

Net assets of the Group decreased from £38.4m to £2.1m primarily driven by the trading losses, increased research and development and supply chain improvements.

Subsequent to the year end the Equity Funding repaid all the amounts outstanding under the Loan Facility.

Currency

Group Treasury Policy mandates the use of forward exchange contracts to mitigate exposure to the effects of exchange rates where expenditure/income is committed and/or reasonably certain, however, throughout the financial year and while funding arrangements were being negotiated the Group allowed previous hedge contracts to complete. All hedging contracts came to an end in or around September 2023.

With over 90% of revenues and approximately 50% of costs (excluding research and development costs) denominated in Euros, and approximately 60% of research and development costs denominated in US dollars, movements in the currency markets may have an effect on the Group's operational finances. It is the Group's intention to reinstate its hedging policy.

Financing

In October 2022, the Group raised £7.0m via an issue of 35,000,000 ordinary shares at a price of 20 pence per ordinary share from Southern Fox Investments Limited and ZQ Capital Management Limited (acting through its affiliate SkyGem Acquisition Limited), both related parties to the Group, and then issued to them loan notes to raise a further £10.0m. In conjunction with the issue of loan notes, the Group 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 loan notes were received in February 2023.

On 6 April 2023, the Group entered into the Loan Facility pursuant to which the Group'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 Group a secured term loan facility in an aggregate principal amount of £40.75m. The purpose of the facility was to refinance the existing £10.0m loan notes issued in 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 PROTECT study for VLP Peanut, and to provide working capital.

In conjunction with the Loan Facility, the Group 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 Group at an issue price of 1 pence per new share to raise gross proceeds of £40.75m.

The Equity Financing comprised of a direct subscription by each of ZQ Capital Management Limited and Southern Fox Investments Limited for, a minimum 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) were offered the opportunity to subscribe for 689,102,532 new shares at the issue price. The proceeds of the equity financing were used to repay principal amounts outstanding and accrued interest thereon of approximately £42.5m under the debt facility.

Under the terms of a contingent payment letter dated 6 April 2023 entered into between the Group and the Lenders in connection with the Loan Facility ("G306 Contingent Payment Letter"), the Group are obliged to pay a substantial finance premium ("G306 Contingent Payment") equal to 250% of any principal amount of the loan outstanding under the Loan Facility to the Lenders on a successful G306 data read-out. There is a clause that would negate the G306 Contingent Payment if the Group is able to repay the Loan Facility in full before 6 January 2024 (being nine months from the date of the facility agreement). The liability (if due) would be payable on 31 December 2025 (unless there is a breach of the underlying agreements, in which case it would become immediately payable). The Group's debt on its balance sheet consists of shareholder loans of £25.6m (2022: £nil) and previously taken out bank loans arranged to fund development of products in the Spanish market of £1.5m (2022: £2.4m).

Subsequent to the year end the Equity Funding repaid all the amounts outstanding under the Loan Facility. As such the Group were not liable to pay the G306 Contingent Payment.

As explained more fully in Note 1, Basis of preparation, the Directors have adopted the Going Concern basis in preparing the audited consolidated financial statements whilst noting material uncertainties due to the need to secure additional near-term funding. Post period further funding was secured, for further information please refer to Note 35, for details of events after the balance sheet date.

Post balance sheet events

Please refer to Note 35 for details of events after the balance sheet date.

The strategic report, as set out on pages 3 to 41, has been approved by the Board.

On behalf of the Board.

Manuel Llobet
Chief Executive Officer
26 January 2024

Board of Directors

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

Peter Jensen OBE
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:
Veloxis Pharmaceuticals, Inc.

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:
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 30 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.

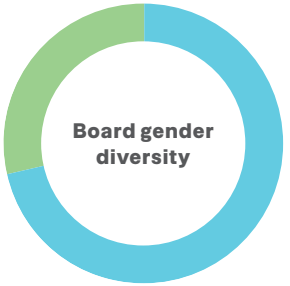
External appointments:
Argonaute RNA Limited; Bristol Bluegreen Limited; Beagle Partners LLP; CBDerma Technology Limited; Inverpharma Limited; Las Lilas Limited.

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

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.

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 2023 Annual Report and Accounts (the '2023 Report') as indicated in the table below:

No.	Principle	Disclosure in the 2023 report
1.	Establish a strategy and business model which promote long-term value for shareholders	Page 10
2.	Seek to understand and meet shareholder needs and expectations	Pages 15 to 17
3.	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 15 to 17
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Pages 36 to 39
5.	Maintain the Board as a well-functioning, balanced team led by the Chairman	Pages 42 to 48
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Pages 42 and 43
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Page 46
8.	Promote a corporate culture that is based on ethical values and behaviours	Pages 11 to 28
9.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Page 44
10.	Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Pages 15 to 17 and 48

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 50 and 51

The Remuneration Committee

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

See more on pages 52 to 59

The Nomination Committee

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

See more on page 49

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.

ESG Committee

A committee led by members of the Executive Team including the CFO and CEO who acts as Chair of the Committee.

Climate Risk Team

Made up with a mix of Executive Team members and employees across the Group.

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 42 and 43.

Role	Name	Responsibility
Chairman	Peter Jensen OBE	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 CEO and CFO.
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 2023, the Board comprised the Chairman, one Executive Director and five Non-Executive Directors. Pages 42 and 43 summarise 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 42 and 43.

The Board during the year

There were 8 standard Board meetings held during the year. Exceptional Board meetings are not referenced. 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 OBE has served as Chairman for more than ten years. During the year, the Senior Independent Non-Executive Director reviewed this position and concluded that Peter, whilst not considered independent due to his tenure, continues to perform his role effectively. Please see page 49 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 during the year ending 30 June 2023	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 OBE	Chairman	Not independent	October 2010	8 (8)	4 (4)	2[6]	1 (1)
Tunde Otulana	Non-Executive Director, Senior Independent Director	Independent	June 2017	7 (8)	0	2 (4)	1 (1)
Manuel Llobet	Chief Executive Officer	Not independent	July 2009	8 (8)	2[6]	3[6]	0
Scott Leinenweber[1]	Non-Executive Director	Not independent	November 2018	2 (3)	1 (2)	0	0
Mary Tavener	Non-Executive Director	Independent	June 2019	8 (8)	4 (4)	4 (4)	0
Cheryl MacDiarmid[2]	Non-Executive Director	Independent	October 2021	8 (8)	4 (4)	4 (4)	1 (1)
Anthony Parker[3&5]	Non-Executive Director	Not independent	December 2022	5 (5)	2 (2)	0	0
Simon Shen[3&4]	Non-Executive Director	Not independent	December 2022	5 (5)	0	2 (2)	0

1. Resigned on 28 December 2022.
2. Appointed to the Nomination Committee on 12 May 2023.
3. Appointed to the Board on 6 December 2022.
4. Appointed to the Remuneration Committee on 7 February 2023.
5. Appointed to the Audit and Risk Committee on 7 February 2023.
6. Attended by invitation.

Review of Board effectiveness

During the year the Committees have reviewed their Terms of Reference and 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. The Board has chosen to defer the Board effectiveness review this year, in line with initiatives to reduce spend across the Group, focusing instead on the key critical issues facing the Group.

How the Board operates

The Board had 8 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. Further meetings outside the Board's and its Committees standard schedule were additionally held to those set out above, which predominantly related to funding.

An outline of the Board's activities covered at those meetings is set out on page 47. 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. Where appropriate, 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.

Further meetings outside the Board's and its Committees standard schedule were additionally held to those set out above, which predominantly related to funding.

Corporate governance report continued

Activities of the Board during the year:

Strategy, business performance and capital investment

- Considered the funding requirements of the Group
- Sought advice from consultants, the Nominated Adviser and its legal advisers particularly regarding the Company's financial position, the transactions and share suspension
- 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
- Received regular reports from the CEO on business performance, delivery of strategic priorities and opportunities
- Received operational performance reviews throughout the year

People and culture

- On the recommendation of the Nomination Committee, approved the appointments of Anthony Parker and Simon Shen as new Non-Executive Directors. See page 49
- Appointed Martin Hopcroft interim CFO in November 2022.
- Post period end, approved the appointment of Shaun Furlong as CFO
- Received an update on the Group's wellbeing support during the year and focus on mental health
- Approved the Group's Modern Slavery and Human Trafficking Statement
- Approved the Group's gender pay gap statement

Finance and risk

- Considered the funding requirements of the Group
- Reviewed the ongoing funding position of the business
- Received regular reports from the CFO on financial performance across the Group and a report on investor relations
- Considered the 2023/24 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
- Approved the entry into the £40.75m loan facility agreement and associated equity financing
- Post year end approved the entry into subsequent amendments to the facility agreement. For further information please see Note 35
- Reviewed and approved the 2022 Annual Report and Accounts

Governance, compliance and regulatory

- Approved the Group's modern slavery statement
- Approved the Group's annual QCA compliance statement
- Approved the corporate governance statement for the website
- Reviewed and approved the Terms of Reference of the Board Committees
- Agreed the 2023/24 Board and Board Committee programmes and calendar
- Reviewed the principal risks to the Group
- Received regular governance reports
- Sought advice from consultants, the nominated advisor and its legal advisors particularly regarding the company's financial position, the transactions and share suspension

Standing agenda items, such as reports from the CEO and CFO, are presented at every meeting.

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 10 to 28

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.

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 15 to 17.

Both the Executive Directors and the Chairman meet shareholders and prospective shareholders, both institutional and private. 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 various 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, when available and as permitted, which may 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.

A 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.

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 15 to 17. The Board receives details on this engagement through the CEO, CFO and Company Secretary 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

Board composition and skills

The Board considers that the current membership of one Executive Director and six Non-Executive Directors provides the right blend of commercial and governance experience challenge and the diverse range of skills and backgrounds of the Directors prevents any undue individual or collective influence over the Board's decision-making. In my review on page 7 I set out the changes in the Board composition throughout the financial year.

Board composition and succession planning

The Committee considers Board composition and succession planning for both Executive and Non-Executive Directors and the Executive Team. This year has been exceptional, any Board changes would not have been appropriate and may have caused instability in already trying times. 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 42 and 43.

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. It was also considered that it was not appropriate to undertake a search for a new Chair of the Board at this point in time. The Board therefore concluded that Peter Jensen OBE should continue in his role as Chairman. The Committee will review this position again prior to the 2023 AGM.

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 CEO and CFO as well as other members of the Executive Team. Directors may also take independent advice at the Company's expense if they feel this is appropriate.

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 comprised Peter Jensen OBE as Chair, 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 the CEO, CFO and other senior management; and
- reviewing the independence of Directors.

Peter Jensen OBE
Chair of the Nomination Committee
26 January 2024

Audit and Risk Committee report

The Committee

The Committee is chaired by Mary Tavener; other members of the Committee were Peter Jensen OBE, Scott Leinenweber, Cheryl MacDiarmid 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 42 and 43. 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 CEO, CFO, 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) as required.

The Committee met four times during the year to discharge its responsibilities. Attendance at these meetings is shown in the table on page 46. The Committee also met privately during the year with the external auditors.

The responsibilities set out on this page 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.

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, can be found at **www.allergytherapeutics.com.**

Further details of the matters considered or put into effect at the Committee meetings were as follows:

- acceptance of the external auditor's full-year report for the year ended 30 June 2022;
- review of the half-year and full-year financial results, including the assessment of going concern and that the going concern basis is the appropriate basis for the preparation of the Company's accounts;
- review and approval of the external auditor's plan for the 2023 year end;
- review and approval of the external auditor's fees for the 2023 audit;
- plans to improve the risk management process across the business;
- various matters in Germany including rebates, German pension valuation;
- Group insurance renewal;
- the Hedging policy and its temporary suspension; and
- the energy centre.

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.

During the year, the Committee reviewed management progress surrounding the integrated framework for risk management which identifies and manages risk across the business.

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 comprised Mary Tavener as Chair, Peter Jensen OBE, Scott Leinenweber, Cheryl MacDiarmid and Anthony Parker. Following Scott's resignation in December 2022, Anthony Parker was appointed as a member of the Committee in February 2023.

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

Risk management and internal controls continued

The Group's risk register continues to be reviewed 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.

Following receipt of the FDI regulatory approvals, the Group completed the subscription and open offer on 13 October 2023 with the Group applying the proceeds of the equity financing to fully repay the loan facility. Notwithstanding this the Group continues to require funding for the foreseeable future, in particular to fund the ongoing R&D programme.

On 27 December the Group announced it had signed a loan agreement with certain shareholders for £40m of which £7.5m would be initially committed, the remaining £32.5m uncommitted. Interest accrues on the loan at 12% per annum with interest payments due every 6 months. Full repayment of the interest and principal is due by 15 January 2027.

The Directors have prepared cash flow forecasts for the period to 31 January 2025, which assume that the Group will be able to undertake additional financing activities. The Group expects that additional financing, subsequent to the committed £7.5m amount, will be required from around April 2024 onwards. The remaining £32.5m uncommitted loan facility, should it become committed, would provide sufficient funds for the 12 month going concern review period.

The Directors acknowledge that a material uncertainty exists over the Group's ability to access additional sources of finance, which will be required to fund trading, working capital, capital expenditure and continuing R&D programme.

The Directors have reasonable expectations that 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 and no guarantees that existing shareholders will be willing, or able, to provide further funds to those set out herein.

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.

Internal audit

Internal audit remit

Mazars LLP ('Mazars') was 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 concentrated its attention on the requirements for the lifting of suspension in trading of the Group's shares, going concern and funding of the Group. As such the internal audit plan was largely paused for this year. Whilst this was not ideal it was necessary for the Committee to devote the correct attention to the share suspension and financial position of the Group.

It is anticipated that internal audit will recommence in the upcoming year. 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.

Speak Up policy

The Group adopted a new Speak Up policy in March 2022. The policy has been published on the Groups DiscoverLearn system with accompanying training. Concerns can be raised via a third-party provider or internally. We encourage anyone who has concerns to Speak Up. The process is managed by the Company Secretary in conjunction with Human Resources, unless it is not appropriate to do so. The Committee receives regularly updates of the outcomes of investigations conducted in accordance with the policy.

External auditor

Annual audit plan

In June, BDO reviewed with the Committee its audit strategy, scope and plan for the 2023 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.

This is the third year that BDO have been auditors to the Group.

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 89.

Mary Tavener

Chair of the Audit and Risk Committee

26 January 2024

Directors' remuneration report

The Remuneration Committee

The Committee is chaired by Mary Tavener; other members of the Committee were Tunde Otulana, Cheryl MacDiarmid and Simon Shen, who 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. In FY22 the Committee undertook a comprehensive review of the remuneration of the Company's Executive and Senior Management with the assistance of h2glenfern Remuneration Advisory and proposed some changes to be made to the Remuneration Policy. However, as a result of the challenges encountered by the Group in FY23, with the trading of the Group's shares suspended from 3 January 2023 to 19 June 2023 and while funding was being arranged, it was not possible to implement the changes proposed.

Key decisions were taken to not pay any bonuses in FY22/23. It was not possible to issue any long term incentive awards whilst our shares were suspended and accounts had not been filed. The Committee recognised that this would be disappointing for employees but considered it was not appropriate to pay bonuses taking into account the events of the year. The Committee intend to reinstate bonus schemes and share incentive schemes when possible.

Remuneration for year ending 30 June 2023

Annual bonus

Taking into account the events of the year, the Committee considered that it was not appropriate to pay bonuses for this year.

LTIPs

LTIPs awarded to the Executive Directors, at the time being Manuel Llobet and Nick Wykeman, 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.

EBITDA before R&D (50%). The growth in EBITDA before R&D was calculated over the three financial years to 30 June 2022.

Neither performance target was achieved and so vesting was nil.

CFO

On 26 May 2022, the Company announced that our CFO, Nick Wykeman, had tendered his resignation with effect from 30 November 2022. Details of how Nick's outstanding LTIP awards have been set out later in this report. Martin Hopcroft joined the Company in November 2022, as interim CFO, leaving in August 2023. Post period, the Company announced the appointment of Shaun Furlong as CFO with effect from 11 August 2023.

Mary Tavener
Chair of the Remuneration Committee
26 January 2024

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

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 makes pension contributions in respect of 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 were 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. The 2013 Long Term Incentive Plan came to an end in 2023. A new Long Term Incentive Plan is being drafted.	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 for any new LTIP plan that is put in place. 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.	Not applicable.

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
- TSR.

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

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 may be invited to participate in any presently running LTIP.

Executive Directors' service contracts and payments for loss of office

Our Executive Directors in the year 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 six months' notice by' 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. Nick Wykeman did not receive any additional payments upon termination of his contract following his resignation.

Executive Directors	Date of contract	Notice period
Manuel Llobet	11 June 2009	6 months

Non-Executive Directors' service contracts

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

Non-Executive Directors	Date of contract	Notice period
Peter Jensen OBE	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 prior 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.

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.

Directors' remuneration report continued

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 in GBP for the Executive Directors and Non-Executive Directors for 2023 and 2022:

	Fixed pay			Performance related		Total		
Single figure of remuneration 2023	**Salary/ fees[11]**	**Taxable benefits[9]**	**Pension[3]**	**Bonus**	**LTIPs vested in year[10]**	**Total fixed**	**Total performance related**	**Total**
Manuel Llobet	**341,823**	**22,175**	**47,984**	**—**	**—**	**411,982**	**—**	**411,982**
Nick Wykeman[1]	**93,745**	**4,686**	**9,289**	**—**	**—**	**107,720**	**—**	**107,720**
Peter Jensen OBE	**94,000**	**—**	**—**	**—**	**—**	**94,000**	**—**	**94,000**
Tunde Otulana	**44,500**	**—**	**—**	**—**	**—**	**44,500**	**—**	**44,500**
Scott Leinenweber[2]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Mary Tavener	**49,000**	**—**	**—**	**—**	**—**	**49,000**	**—**	**49,000**
Zheqing Shen[5]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Anthony Parker[6]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Cheryl MacDiarmid[8]	**40,000**	**—**	**—**	**—**	**—**	**40,000**	**—**	**40,000**
Total	**663,068**	**26,861**	**57,273**	**—**	**—**	**747,202**	**—**	**747,202**

	Fixed pay			Performance related		Total		
Single figure of remuneration 2022	Salary/ fees	Taxable benefits	Pension[3]	Bonus	LTIPs vested in year	Total fixed	Total performance related	Total
Manuel Llobet[4]	331,546	18,189	38,710	(9,062)	285,314	388,445	276,252	664,697
Nick Wykeman[1]	220,275	11,133	22,028	—	142,657	253,436	142,657	396,093
Peter Jensen OBE	94,000	—	—	—	—	94,000	—	94,000
Steve Smith[7]	17,515	—	—	—	—	17,515	—	17,515
Tunde Otulana[12]	42,625	—	—	—	—	42,625	—	42,625
Scott Leinenweber	—	—	—	—	—	—	—	—
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**

1. Nick Wykeman left on 30 November 2022.
2. Scott Leinenweber resigned as a Director on 28 December 2022.
3. Pension contributions are in respect of defined contribution schemes.
4. Includes bonus over-accrual from prior year of £9,062.
5. Zheqing Shen was appointed as a Director on 6 December 2022.
6. Anthony Parker was appointed as a Director on 6 December 2022.
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 54 for details of performance metrics.
11. Retranslation of Euro amounts.
12. Tunde Otulana appointed Senior Independent non executive director in December 2021. Received a pro rata fee related to this appointment in the year ended 30 June 2022.

Directors' remuneration report continued

Executive Director remuneration

Salaries

From 1 October 2022, the annual salaries of the CEO and CFO were €367,064 and £222,929, respectively.

Annual bonuses 2022/23

The Executive Directors were eligible to earn an annual bonus of up to 100% of salary for the CEO and 50% for the CFO. This was based on the achievement of a stretching financial targets for the Group.

The personal objectives were set on an individual basis and 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 targets were not met and whilst some personal objectives may have been met, the CEO chose to forgo this element of his bonus. As a result no bonus was payable.

Long-term incentives granted during the year

No conditional share awards were granted to Manuel Llobet and Nick Wykeman during the year.

Long-term incentives vested during the year

No conditional share awards vested during the year.

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 2022	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 2023	Subscription price in £[2]	Exercise date from	Expiry date[4]
Manuel Llobet	2,700,000				2,700,000[3]	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				803,700	0	22-Nov-2021	21-Nov-2031
Nick Wykeman	1,350,000		(1,350,000)[1]		—	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				401,850	0	22-Nov-21	21-Nov-31
Total	**6,564,300**	**—**	**(1,350,000)**	**—**	**5,214,300**			

1. Following Nick's resignation announced in May 2022, his November 2021 awards lapsed on leaving the Company in November 2022.
2. Exercise price is 0.1 pence per share.
3. Lapsed October 2023.
4. Following the change of control, the expiry date for all options was revised to 16 November 2023.

At 30 June 2023, the London Stock Exchange mid-market value of shares was 1.05 pence per share. The range of mid-market values during the period from 1 July 2022 to 30 June 2023 was 20.75 pence to 0.875 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:

	2023	2022
Basic fee[1]	**£40,000**	£40,000
Audit and Risk Committee Chair	**£4,500**	£4,500
Remuneration Committee Chair	**£4,500**	£4,500
Senior Independent Non Executive Director[2]	**£4,500**	£4,500
Chairman	**£94,000**	£94,000

1. Non Executive Directors, Anthony Parker and Simon Shen, have elected not to be paid a fee.
2. Tunde Otulana was appointed Senior Independent non executive director in December 2021. Tunde received a pro rata fee related to this appointment in the year ended 30 June 2022.

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 2023		At 1 July 2022	
Name	**Ordinary Shares**	**Options and LTIPs**	Ordinary Shares	Options and LTIPs
Manuel Llobet	**3,325,000**	**4,376,200**[5]	3,325,000	4,376,200
Nick Wykeman[1]	**300,000**	**838,100**	300,000	2,188,100
Peter Jensen OBE	**300,000**	**—**	270,000	—
Tunde Otulana	**50,000**	**—**	50,000	—
Scott Leinenweber[2]	**—**	**—**	—	—
Mary Tavener	**—**	**—**	—	—
Cheryl MacDiarmid	**—**	**—**	—	—
Simon Shen[3]	**90,000**	**—**	—	—
Anthony Parker[4]	**275,000**	**—**	—	—

1. Resigned 30 November 2022.
2. Resigned 28 December 2022.
3. Appointed 6 December 2022. Simon Shen is the ultimate beneficial owner of SkyGem Acquisition Limited (ZQ Capital) As at 30 June 2023 SkyGem Acquisition Limited (ZQ Capital) held 173,740,037 ordinary shares in the Company. Post year end following the completion of the equity financing these holdings increased. Please see 'substantial shareholdings' set out on page 61 for further information.
4. Appointed 6 December 2022.
5. 2,700,000 LTIPs lapsed post year end in October 2023.

Shareholder voting

The table below shows the results of the advisory vote on the 2022 Directors' remuneration report at the 2022 Accounts Meeting.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of remuneration report	330,801,478	99.27	2,443,679	0.73	33,751,545	506,388

The general salary increase across the Group effective 1 October 2023 was 3%. The CEO and CFO, being Nick Wykeman at that time, 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 were 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 26 January 2024.

Mary Tavener
Chair of the Remuneration Committee
26 January 2024

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the 12 months ended 30 June 2023. 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 2023 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 OBE

Executive Director

Manuel Llobet

Nick Wykeman (resigned 30 November 2022)

Non-Executive Directors

Tunde Otulana

Cheryl MacDiarmid

Simon Shen (appointed on 6 December 2022)

Anthony Parker (appointed on 6 December 2022)

Mary Tavener

Scott Leinenweber (resigned 28 December 2022)

Biographies of each Director holding office at the date of signing the financial statements can be found on pages 42 and 43 and details of each Director's interests in the Company's shares are set out on page 59.

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 £43.1m (2022: £13.8m loss). The results for the year are set out on page 71 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 (2022: £nil). Further details of the Group's research and development strategy can be found on pages 33 to 35.

Capital structure

Details of the Company's issued share capital, including details of movements during the year, authorities to issue or repurchase shares and details of shares repurchased by the Company during the year, of which there were none, are shown in Note 29 to the financial statements on page 112. 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 5 December 2023, are shown in the table below:

The following were the significant shareholders as notified to the Company at 5 December 2023:

Shareholder name	Amount	% holding
SkyGem Acquisition Limited (ZQ Capital)	3,098,231,533	65.10
Southern Fox Investments	1,307,377,398	27.50

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 27 to the financial statements on pages 105 to 108.

Employees

Information on Group employees can be found on pages 42 and 43 and in Note 9 to the financial statements on page 90.

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 12 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 page 24.

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 35.

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
26 January 2024

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 26 January 2024 and signed on its behalf by:

Manuel Llobet
Chief Executive Officer
26 January 2024

Independent auditor's report

to the members of Allergy Therapeutics plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 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 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the consolidated financial statements including a summary of significant accounting policies, the Company balance sheet, the Company statement of changes in equity and notes to the Company 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 opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the Group's ability to remain a going concern is dependent on the Group being able to obtain funding. On the 27 December 2023, the Group signed a loan agreement with certain shareholders for £40m, of which £7.5m is a committed facility, with the remaining £32.5m of the facility being provided on an uncommitted basis. Cash flow forecasts prepared by management indicate that additional committed funding beyond the £7.5m referred to above will be required from April 2024 onwards. As stated in note 1, these events or conditions indicate that a material uncertainty exists 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 upon the matters set out above and the resulting impact on our risk assessment and scope of our audit, going concern was considered to be a key audit matter.

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, including of revenue forecasts, research and development expenditure, capital expenditure and debt/equity financing cashflows. These were assessed through discussions with directors, review of previously forecast results against actual results, 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 November 2023 and re-performance of the calculations;
- Review of the loan financing agreements signed subsequent to the year end to gain an understanding of the terms; and
- We assessed the completeness and accuracy of the matters disclosed in the basis of preparation (note 1 in each of the notes to the consolidated financial statements and company financial statements) with regard to going concern by reference to our work performed over the directors' assessment of going concern. In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Independent auditor's report continued

to the members of Allergy Therapeutics plc

Material uncertainty related to going concern continued

Overview

Coverage	82% (2022: 78%) of Group revenue 91% (2022: 94%) of Group total assets		
Key audit matters		**2023**	**2022**
	Revenue recognition	✓	✓
	Valuation of retirement benefit obligations and assets	✓	✓
	Going concern	✓	✓
Materiality	Group financial statements as a whole £894,000 (2022: £728,000) based on 1.5% (2022: 1%) of revenue		

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 companies are located across Europe, with the exception of one dormant company located in Argentina.

Based upon our risk assessment, in addition to the Parent Company we identified the operating companies located in the UK, Germany and Spain as significant components requiring a full scope audit of their complete financial information due to their size. These audits, together with specific procedures performed over the revenue recognised within the Netherlands-based company, 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, as well as the specific procedures performed over the Netherlands component's revenue, were performed by component audit teams within BDO LLP. The full scope audit of the significant German component was performed by a BDO member firm in Germany directed by BDO UK, 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. Detailed audit instructions were issued to the German audit team. The same Responsible Individual was responsible for the audits of Spain and the UK and therefore discussions were held to ensure the approach adopted across all entities was appropriate. Relevant component materiality was communicated to all subsidiary teams and used by each team in the performance of their audits;
- As part of our audit planning, we held 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 files was also reviewed;
- Members of the group audit team performed a direct review of the component audit teams' audit files. Following the review, any further work required by the Group audit team was performed by the component auditor in question; and
- At the completion stage, we attended meetings with each component audit team and reviewed component audit teams' reporting which addressed the risks and specific procedures raised.

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 matter described in the Material uncertainty related to going concern section of our report, we have determined the matters below to be the key audit matters to be communicated in our report.

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 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 5.	We have identified the risk in relation to revenue recognition to be isolated to two main areas; the appropriate recording of revenue around the year end (cut-off), 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 German health authorities as a contribution to the costs 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 risk that it could be manipulated in order to influence the perceived performance of the Group. In the current year, management have recognised a provision for a manufacturer's rebate on sales of certain products launched on the market from 1 September 2017, following notification from the German national health insurance association that rebates on these products were due. Management had written to the German national health insurance association in 2017 to determine whether a price rebate was due but received no response. As no response was received and no rebates were claimed, Management disclosed the exposure as a contingent liability. This treatment was changed in the current year following notification from the German authorities that a rebate was due. The estimation of the amount required to settle this historic issue requires significant management judgement. We consider revenue recognition as described above 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 the invoices received from the German health authorities to confirm their existence and accuracy of the rebate calculation and obtained the equivalent invoices received after the year end to assess the completeness and accuracy of the accrual; - We reviewed correspondence with the German national health insurance association and held discussions with the Group's external lawyers to understand the latest position on the likely cost of settling historic rebate issues; and - We recalculated the expected cost of settling the historic rebate matter by reference to historic sales volumes and estimated rebate due. **Key observations:** Based on the procedures we performed, we consider that revenue is appropriately recognised in line with IFRS 15.

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 audit matter		How the scope of our audit addressed the key audit matter
Valuation of the retirement benefit obligation and assets The Group's accounting policy on the defined contribution scheme is shown in Note 2 and related disclosures are given in Notes 19 and 28.	The Group operates a 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 valuation of the obligation and assets are determined by an independent actuary. This involves a number of complex calculations and assumptions along with management judgements which have a significant impact on the valuation of the obligation and assets recognised in the financial statements. We therefore identified this to be 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 obtained direct confirmation of the scheme's investments from the relevant insurance provider to confirm the existence and the rights of the annuity; - We engaged an external actuary as an auditor's expert to assist us to reassess 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 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 upon the procedures performed, we consider that management's judgements and assumptions used in the determination of the liability and assets 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	
	2023	**2022**	**2023**	**2022**
Materiality	£894,000	£728,000	£155,000	£156,000
Basis for determining materiality	1.5% of revenue	1% of revenue	2% of total assets	2% 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.		Total assets was selected as the most appropriate benchmark for materiality as the Parent Company is held primarily for investment purposes.	
Performance materiality	£625,800	£364,000	£108,500	£78,000
Basis for determining performance materiality	70% of materiality	50% of materiality	70% of materiality	50% of materiality
Rationale for the percentage applied for performance materiality	In the prior year 50% of materiality was selected after consideration of a number of aspects, including the total value of known and likely misstatements and the number of material estimates. In the current year, this has been increased to 70%, which is reflective of a normalised level of performance materiality.			

Independent auditor's report continued

to the members of Allergy Therapeutics plc

Our application of materiality continued

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 50% and 90% (2022: 21% and 91%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £443,000 to £808,000 (2022: £152,000 to £662,000). In the audit of each component, we further applied performance materiality levels of 70% (2022: 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 £45,000 (2022: £36,000). 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 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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;
- Management's process for identifying applicable laws and regulations; 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 litigation. 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') in the UK and the national health insurance association in Germany.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory 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; 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 meeting 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

Auditor's responsibilities for the audit of the financial statements continued

Fraud continued

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 this 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 relevant 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 relevant 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.

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, UK

29 January 2024

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 2023

	Note	Year to 30 June 2023 £'000	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000	Year to 30 June 2022 £'000
Revenue	3		**59,587**		72,768
Cost of sales			**(26,342)**		(23,262)
Gross profit			**33,245**		49,506
Sales, marketing and distribution costs			**(23,705)**		(26,004)
Administration expenses - other		**(25,179)**		(20,828)	
Research and development costs		**(20,121)**		(15,659)	
Total administrative expenses			**(45,300)**		(36,487)
Exceptional costs - adjustment to provision	6		**(2,069)**		—
Exceptional fundraising costs	6		**(2,681)**		—
Other income	10		**856**		740
Operating loss			**(39,654)**		(12,245)
Finance income	12		**329**		257
Finance expense	11		**(2,441)**		(669)
Loss before taxes	7		**(41,766)**		(12,657)
Income tax	13		**(1,305)**		(1,119)
Loss for the year			**(43,071)**		(13,776)
Loss per share	15				
Basic (pence per share)			**(6.43)p**		(2.14)p
Diluted (pence per share)			**(6.43)p**		(2.14)p

Consolidated statement of comprehensive income

for the year ended 30 June 2023

	Note	**Year to 30 June 2023 £'000**	Year to 30 June 2022 (as restated) £'000
Loss for the year		**(43,071)**	(13,776)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	28	**603**	3,094
Remeasurement of investments – retirement benefit assets	19	**(867)**	(825)
Revaluation gains – freehold land and buildings	18	**428**	—
Total other comprehensive income		**164**	2,269
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**193**	265
Total comprehensive loss		**(42,714)**	(11,242)

Consolidated statement of financial position

as at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 (as restated) £'000	30 June 2021 £'000
Assets				
Non-current assets				
Property, plant and equipment	18	**23,241**	20,190	19,717
Intangible assets - goodwill	16	**3,346**	3,347	3,343
Intangible assets - other	17	**1,790**	1,688	1,411
Investments - retirement benefit asset	19	**4,866**	5,330	5,760
Total non-current assets		**33,243**	30,555	30,231
Current assets				
Inventories	20	**11,593**	11,410	10,838
Trade and other receivables	21	**7,088**	10,468	6,222
Cash and cash equivalents	22	**14,845**	20,515	40,273
Derivative financial instruments		**—**	—	525
Total current assets		**33,526**	42,393	57,858
Total assets		**66,769**	72,948	88,089
Liabilities				
Current liabilities				
Trade and other payables	23	**(16,683)**	(15,669)	(16,475)
Current borrowings	24	**(648)**	(952)	(963)
Lease liabilities	25	**(1,155)**	(1,316)	(792)
Derivative financial instruments	27	**(79)**	(116)	—
Total current liabilities		**(18,565)**	(18,053)	(18,230)
Net current assets		**14,961**	24,340	39,628

	Note	30 June 2023 £'000	30 June 2022 (as restated) £'000	30 June 2021 £'000
Non-current liabilities				
Retirement benefit obligations	28	**(7,917)**	(8,319)	(11,291)
Deferred taxation liability	14	**(454)**	(406)	(408)
Non-current provisions	26	**(3,581)**	(144)	(208)
Lease liabilities	25	**(7,747)**	(6,764)	(6,967)
Long-term borrowings	24	**(26,439)**	(1,497)	(2,450)
Total non-current liabilities		**(46,138)**	(17,130)	(21,324)
Total liabilities		**(64,703)**	(35,183)	(39,554)
Net assets		**2,066**	37,765	48,535
Equity				
Capital and reserves				
Issued share capital	29	**689**	654	651
Share premium		**119,030**	112,576	112,576
Merger reserve		**40,128**	40,128	40,128
Reserve - share-based payments		**2,906**	2,799	2,693
Revaluation reserve		**1,501**	1,073	1,073
Reserve - warrants		**412**	—	—
Foreign exchange reserve		**(730)**	(923)	(1,188)
Retained earnings		**(161,870)**	(118,542)	(107,398)
Total equity		**2,066**	37,765	48,535

These financial statements were approved by the Board of Directors and authorised for issue on 26 January 2024 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 2023

	Issued capital £'000	Share premium £'000	Merger reserve £'000	Reserve - share-based payment £'000	Revaluation reserve £'000	Reserve - warrants £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2021 (unchanged from previously reported figures)	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)	—	—	—	—	—	—	—	—	—
Remeasurement of net defined benefit liability	—	—	—	—	—	—	—	3,094	3,094
Remeasurement of investments - retirement benefit assets (as re-stated)	—	—	—	—	—	—	—	(825)	(825)
Total other comprehensive income (as re-stated)	—	—	—	—	—	—	265	2,269	2,534
Loss for the period after tax	—	—	—	—	—	—	—	(13,776)	(13,776)
Total comprehensive loss (as re-stated)	—	—	—	—	—	—	265	(11,507)	(11,242)
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 (as re-stated)	654	112,576	40,128	2,799	1,073	—	(923)	(118,542)	37,765
Exchange differences on translation of foreign operations	—	—	—	—	—	—	193	—	193
Valuation gains taken to equity (land and buildings)	—	—	—	—	428	—	—	—	428
Remeasurement of net defined benefit liability	—	—	—	—	—	—	—	603	603
Remeasurement of investments - retirement benefit assets	—	—	—	—	—	—	—	(867)	(867)
Total other comprehensive (loss)/income	—	—	—	—	428	—	193	(264)	357
Loss for the period after tax	—	—	—	—	—	—	—	(43,071)	(43,071)
Total comprehensive loss	—	—	—	—	428	—	193	(43,335)	(42,714)
Transactions with owners:									
Share-based payments	—	—	—	114	—	—	—	—	114
Shares issued	35	6,454	—	—	—	—	—	—	6,489
Transfer of lapsed options to retained earnings	—	—	—	(7)	—	—	—	7	—
Warrants issued	—	—	—	—	—	412	—	—	412
At 30 June 2023	**689**	**119,030**	**40,128**	**2,906**	**1,501**	**412**	**(730)**	**(161,870)**	**2,066**

Consolidated cash flow statement

for the year ended 30 June 2023

	Note	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Cash flows from operating activities			
Loss before tax		**(41,766)**	(12,657)
Adjustments for:			
Finance income	12	**(329)**	(257)
Finance expense	11	**2,441**	669
Non-cash movements on defined benefit pension plan		**(79)**	(23)
Depreciation and amortisation	17, 18	**4,224**	4,166
Net monetary value of above-the-line R&D tax credit	10	**(856)**	(740)
Charge for share-based payments		**114**	469
Payments for retirement benefit investments		**(159)**	(179)
Movement in fair valuation of derivative financial instruments		**(37)**	641
(Profit)/loss on disposal of fixed asset		**—**	8
Decrease/(increase) in trade and other receivables		**3,380**	(4,246)
(Increase) in inventories		**(183)**	(572)
Decrease/(increase) in trade and other payables		**4,818**	(1,067)
Net cash used by operations		**(28,432)**	(13,788)
Income tax paid		**(449)**	(213)
Net cash used by operating activities		**(28,881)**	(14,001)
Cash flows from investing activities			
Interest received		**82**	58
Payments for property, plant and equipment		**(4,669)**	(3.056)
Net cash used in investing activities		**(4,587)**	(2,998)

	Note	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Cash flows from financing activities			
Proceeds from issue of equity shares		**6,489**	3
Repayment of bank loan borrowings	33	**(961)**	(957)
Interest paid on bank loan borrowings		**(2,117)**	(168)
Repayment of principal on lease liabilities	33	**(1,281)**	(1,311)
Interest paid on lease liabilities	33	**(334)**	(373)
Proceeds from borrowings	33	**36,000**	—
Repayment of shareholder loan		**(10,000)**	—
Net cash generated/(used) in financing activities		**27,796**	(2,806)
Net decrease in cash and cash equivalents		**(5,672)**	(19,805)
Effects of exchange rates on cash and cash equivalents		**2**	47
Cash and cash equivalents at the start of the period		**20,515**	40,273
Cash and cash equivalents at the end of the period		**14,845**	20,515
Cash at bank and in hand		**14,845**	20,515

Notes to the consolidated financial statements

for the year ended 30 June 2023

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 2023 (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 26 January 2024.

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. There is a prior period adjustment, relating to the valuation of investment assets, refer to Note 34 for further details.

As required by IFRS the balance sheet now includes comparatives as at 30 June 2021 even though these amounts are unchanged from those previously reported. Therefore, the 30 June 2021 figures are not included in the supporting notes.

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.

Following receipt of the FDI regulatory approvals, the Group completed the subscription and open offer on 13 October 2023 with the Group applying the proceeds of the equity financing to fully repay the loan facility. Notwithstanding this the Group continues to require funding for the foreseeable future, in particular to fund the ongoing R&D programme.

On 27 December the Group announced it had signed a loan agreement with certain shareholders for £40m of which £7.5m would be initially committed, the remaining £32.5m uncommitted. Interest accrues on the loan at 12% per annum with interest payments due every 6 months. Full repayment of the interest and principal is due by 15 January 2027.

The Directors have prepared cash flow forecasts for the period to 31 January 2025, which assume that the Group will be able to undertake additional financing activities. The Group expects that additional financing, subsequent to the committed £7.5m amount, will be required from around April 2024 onwards. The remaining £32.5m uncommitted loan facility, should it become committed, would provide sufficient funds for the 12 month going concern review period.

The Directors acknowledge that a material uncertainty exists over the Group's ability to access additional sources of finance, which will be required to fund trading, working capital, capital expenditure and continuing R&D programme.

The Directors have reasonable expectations that 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 and no guarantees that existing shareholders will be willing, or able, to provide further funds to those set out herein.

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 consolidated financial statements continued

for the year ended 30 June 2023

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 2023. 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 consolidated financial statements continued

for the year ended 30 June 2023

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 Director. 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 consolidated financial statements continued

for the year ended 30 June 2023

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 consolidated financial statements continued

for the year ended 30 June 2023

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 distributor or agent, 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 21, Trade and other receivables.

A disaggregation of revenue is reported in Note 3, Revenue. Revenue by segment is reported in Note 5, 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 21, Trade and other receivables.

As at 30 June 2023 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 consolidated financial statements continued

for the year ended 30 June 2023

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 2023 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. 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 18.

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 consolidated financial statements continued

for the year ended 30 June 2023

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 i.e. cash generating units ("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 and receivables.

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, £43,000 of the loss was utilised as at 30 June 2023 and none as at 30 June 2022 or 1 July 2022.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

2. Accounting policies continued

Derivative financial instruments

The Group utilises derivative financial instruments which are recognised at fair value with changes in fair value recognised in the income statement. The Group uses GBP to 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 administration expenses (foreign exchange contracts) 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. 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 27 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;
- 'retained earnings' represents retained profit and losses; and
- 'warrants reserve' represents the equity component of consideration received for warrants, net of expenses'.

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 consolidated financial statements continued

for the year ended 30 June 2023

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. 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 30, Share-based payments, on pages 113 and 114.

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 consolidated financial statements continued

for the year ended 30 June 2023

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 £20.1m (2022: £15.7m).

b) In respect of net revenue relating to certain products there is a risk that up to £10.2m cumulative revenue recognised (2022: £11.2m cumulative) may be reversed due to a retrospective change in the level of rebate being applied. Details of this have been noted in Note 26, Provisions.

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 16, 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 26% and alternatively with reduced annual cash inflows of £0.75m, with neither of these scenarios indicating an impairment.

b) The Group operates equity-settled share-based compensation plans for remuneration of its employees comprising LTIP schemes. As explained in Note 30, 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 30.

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 28.

3. Revenue

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

	2023 £'000	2022 £'000
Sale of goods at a point in time	**59,587**	72,768
	59,587	72,768

4. Alternative performance measures

The Group's alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group.

	2023 £'000	2022 £'000
Loss before taxation	**(41,766)**	(12,657)
Net finance expense	**2,112**	412
Depreciation	**3,670**	3,614
Amortisation	**554**	552
EBITDA	**(35,430)**	(8,079)

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

4. Alternative performance measures continued

EBITDA pre R&D and exceptionals

Earnings before interest, tax, depreciation, amortisation, research and development and exceptionals (EBITDA pre R&D and exceptionals) is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group.

These can be reconciled to the IFRS measure of profit / (loss) before taxation as below:

	2023 £'000	2022 £'000
EBITDA	**(35,430)**	(8,079)
Research and development	**20,121**	15,659
Exceptional costs	**4,750**	—
EBITDA pre R&D and exceptionals	**(10,559)**	7,580

Operating loss pre-R&D and exceptionals

Operating loss pre R&D and exceptionals separates out exceptional items (which are non-recurring) from the operating performance of the business, and also excludes the costs relating to the research and development function of the business.

	2023 £'000	2022 £'000
Operating loss	**(39,654)**	(12,245)
Research and development	**20,121**	15,659
Exceptional costs	**4,750**	—
Operating (loss)/profit pre R&D and exceptionals	**(14,783)**	3,414

5. 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 consolidated financial statements continued

for the year ended 30 June 2023

5. Segmental reporting continued

Revenue by segment

	Revenue from external customers 2023 £'000	**Inter-segment revenue 2023 £'000**	**Total segment revenue 2023 £'000**	Revenue from external customers 2022 £'000	Inter-segment revenue 2022 £'000	Total segment revenue 2022 £'000
Central Europe						
Germany	**31,755**	**—**	**31,755**	42,579	—	42,579
Austria	**4,903**	**—**	**4,903**	5,229	—	5,229
Netherlands	**4,017**	**—**	**4,017**	4,281	—	4,281
Switzerland	**2,838**	**—**	**2,838**	3,295	—	3,295
	43,513	**—**	**43,513**	55,384	—	55,384
Southern Europe						
Italy	**3,053**	**—**	**3,053**	3,402	—	3,402
Spain	**9,379**	**—**	**9,379**	8,871	—	8,871
Other	**396**	**—**	**396**	562	—	562
	12,828	**—**	**12,828**	12,835	—	12,835
Rest of World (including UK)	**3,246**	**28,731**	**31,977**	4,549	39,371	43,920
	59,587	**28,731**	**88,318**	72,768	39,371	112,139

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 consolidated financial statements continued

for the year ended 30 June 2023

5. Segmental reporting continued

Depreciation and amortisation by segment

	2023 £'000	2022 £'000
Central Europe	**1,217**	1,173
Southern Europe	**740**	728
Rest of World (including UK)	**2,267**	2,265
	4,224	4,166

EBITDA by segment

	2023 £'000	2022 £'000
Allocated EBITDA		
Central Europe	**(252)**	4,186
Southern Europe	**1,362**	1,187
Rest of World (including UK)	**(36,540)**	(13,452)
Allocated EBITDA	**(35,430)**	(8,079)
Depreciation and amortisation	**(4,224)**	(4,166)
Operating loss	**(39,654)**	(12,245)
Finance income	**329**	257
Finance expense	**(2,441)**	(669)
Loss before tax	**(41,766)**	(12,657)

Total assets by segment

	2023 £'000	2022 (as restated) £'000
Central Europe	**25,522**	23,894
Southern Europe	**10,555**	11,686
Rest of World (including UK)	**75,041**	79,209
	111,118	114,789
Inter-segment assets	**(11,558)**	(9,278)
Inter-segment investments	**(32,791)**	(32,563)
Total assets per balance sheet	**66,769**	72,948

Included within Central Europe are non-current assets to the value of £2.6m (2022: £2.6m) relating to goodwill and within Southern Europe assets to the value of £3.7m (2022: £3.5m) relating to freehold land and buildings and £0.8m goodwill (2022:£0.8m). 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 £4.3m and comprised plant and machinery £3.5m, fixtures and fittings £0.1m, computer equipment £0.2m, computer software £0.2m and trademarks and registrations £0.3m (2022: £2.6m total).

Total liabilities by segment

	2023 £'000	2022 £'000
Central Europe	**(22,234)**	(16,618)
Southern Europe	**(6,553)**	(10,046)
Rest of World (including UK)	**(47,474)**	(17,797)
	(76,261)	(44,461)
Inter-segment liabilities	**11,558**	9,278
Total liabilities per balance sheet	**(64,703)**	(35,183)

6. Exceptional items

Fundraising costs

For the year ended 30 June 2023, the Group incurred fundraising costs of £2.7m relating to the £40.75m loan facility.

	2023 £'000	2022 £'000
Fundraising costs	**2,681**	—
German rebate provision	**2,069**	—
	4,750	—

German rebate provision

The Group's German subsidiary has received notification from the German national health insurance association that additional manufacturers' rebates are due on sales of certain products prior to 30 June 2023. The Group has made a provision for the best estimate of the amount that will be payable in relation to this period only in the sum of £2.1m.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

7. Loss before tax

	2023 £'000	2022 £'000
Loss for the period has been arrived at after (crediting)/charging:		
(Gain)/loss on fair valuation of foreign exchange forward contracts	**(37)**	640
Loss/(gain) on foreign exchange forward contracts matured in the year	**900**	(966)
Loss/(gain) on revaluation of US Dollar denominated cash deposits	**28**	(45)
Other foreign exchange losses	**18**	355
Depreciation and amortisation:		
Depreciation of property, plant and equipment excluding right-of-use assets (Note 18)	**1,989**	2,004
Depreciation of right-of-use assets (Note 18)	**1,681**	1,610
Amortisation of intangible assets (Note 17)	**554**	552
R&D	**20,121**	15,659
Share-based payment expense (Note 30)	**114**	469
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts[1]	**370**	154
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries' accounts pursuant to legislation	**165**	141
Audit-related assurance	**11**	10

1. £148,000 of the amount disclosed in 2023 relates to additional fees in respect of the audit for the year ended 30 June 2022.

8. Remuneration of Directors

	2023 £'000	2022 £'000
Salaries and short-term employee benefits	**690**	793
Social security costs	**52**	79
Post-employment benefits – defined contribution and defined benefit plans	**57**	62
	799	934
Share-based payment	**14**	44
	813	978

	2023 £'000	2022 £'000
The number of Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	**1**	2
Highest paid Director		
Emoluments and long-term incentive scheme	**364**	626
Pension contributions paid by the Group for highest paid Director	**48**	39
The number of Directors for whom defined contribution pension payments are made in respect of qualifying services	**2**	3

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

8. Remuneration of Directors continued

Key management personnel are considered to be all the Directors plus the interim CFO who received remuneration of £329,000 during the period and did not include any pension contributions. The full details of the Director's remuneration are set out in the information included in the Director's remuneration table on page 56.

9. Employees (including Directors)

	2023 £'000	2022 £'000
Wages and salaries	**35,104**	32,972
Social security costs	**5,336**	4,757
Share-based payments	**114**	469
Pension costs – defined benefit plans	**134**	206
Pension costs – defined contribution plans	**747**	1,490
	41,435	39,894

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

	2023	2022
R&D, marketing and administration	**276**	261
Sales	**113**	124
Production	**246**	237
	635	622

10. Other income

	2023 £'000	2022 £'000
Net monetary value of above-the-line R&D tax credit	**856**	740

11. Finance expense

	2023 £'000	2023 £'000
Interest on borrowing facility	**1,824**	168
Net interest expenses on defined benefit pension liability	**283**	128
Interest on lease liabilities	**334**	373
Total	**2,441**	669

12. Finance income

	2023 £'000	2022 £'000
Bank interest	**82**	55
Interest on investment assets	**247**	199
Other finance income	**—**	3
	329	257

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

13. Income tax expense

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on loss for the period at 20.5% (2022: 19%)		
Current year	**—**	—
Prior year	**—**	—
IFRIC23 provision	**476**	182
Overseas tax	**766**	969
Prior period overseas tax	**—**	(1)
	1,242	1,150
Deferred tax – current year	**63**	(31)
Tax charge for the period	**1,305**	1,119

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

13. Income tax expense continued

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

	2023 £'000	2022 £'000
Loss for the period before tax	**(41,766)**	(12,657)
Loss for the period multiplied by the standard rate of corporation tax of 20.5% (2022: 19%)	**(8,562)**	(2,405)
Effects of:		
Disallowable adjustments	**221**	—
Movements in unrecognised deferred tax - losses not recognised	**9,098**	3,057
Adjustment of taxes for prior periods	**—**	(5)
Movement in uncertain tax positions	**476**	182
Adjustment for different tax rates	**166**	378
Overseas double taxation	**(84)**	—
Overseas R&D relief	**(22)**	—
Relief for shares acquired by employees and Directors	**—**	(110)
Other	**2**	—
Gross up of R&D expenditure credit - current year	**10**	15
- prior year	**—**	7
Tax charge for the period	**1,305**	1,119

At 30 June 2023, the Group had recognised provisions of £2.4m (2022: £2.0m) 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 consolidated financial statements continued

for the year ended 30 June 2023

14. Deferred tax

Recognised deferred tax asset/(liability)

	Tax value of carried forward losses £'000	Tax value of accelerated capital allowances £'000	Acquisition of Bencard A.G. £'000	Tax value of Alerpharma S.A. losses £'000	Property revaluations £'000	Total £'000
At 1 July 2022	**664**	**(664)**	**(81)**	**23**	**(348)**	**(406)**
Amount (charged)/credited to the income statement	**588**	**(588)**	**17**	**(23)**	**(57)**	**(63)**
Exchange differences	**—**	**—**	**2**	**—**	**13**	**15**
At 30 June 2023	**1,252**	**(1,252)**	**(62)**	**—**	**(392)**	**(454)**

	Tax value of carried forward losses £'000	Tax value of accelerated capital allowances £'000	Acquisition of Bencard A.G. £'000	Tax value of Alerpharma S.A. losses £'000	Property revaluations £'000	Total £'000
At 1 July 2021	642	(642)	(69)	23	(362)	(408)
Amount (charged)/credited to the income statement	22	(22)	17	—	14	31
Exchange differences	—	—	(29)	—	—	(29)
At 30 June 2022	664	(664)	(81)	23	(348)	(406)

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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

14. Deferred tax continued

Recognised deferred tax asset/(liability) continued

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

	2023 £'000	2022 £'000
Deferred tax assets	**1,252**	687
Deferred tax liabilities	**(1,706)**	(1,093)
	(454)	(406)

Unrecognised deferred tax

As at 30 June 2023, the Group had approximately £130m of unutilised tax losses (2022: approximately £87m) 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.

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting these earnings to the UK. However, €2.2m of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £95k. No provision for a deferred tax liability has been recognised as it is not expected that any of these amounts will crystallise in the foreseeable future.

The main UK corporation tax rate changed 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 2023.

15. Loss per share

	2023 £'000	2022 £'000
Loss after tax attributable to equity shareholders	**(43,071)**	(13,776)

	Shares '000	Shares '000
Issued Ordinary Shares at start of the period	**644,105**	641,773
Ordinary Shares issued in the period	**35,000**	2,332
Issued Ordinary Shares at end of the period	**679,105**	644,105
Weighted average number of Ordinary Shares for the period	**670,355**	642,990
Potentially dilutive share options	**—**	—
Weighted average number of Ordinary Shares for diluted earnings per share	**670,355**	642,990
Basic earnings per Ordinary Share (pence)	**(6.43)p**	(2.14)p
Diluted earnings per Ordinary Share (pence)	**(6.43)p**	(2.14)p

The diluted loss per share for 2023 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 consolidated financial statements continued

for the year ended 30 June 2023

16. Goodwill

	2023 £'000	2022 £'000
At 1 July	**3,347**	3,343
Exchange difference	**(1)**	4
At 30 June	**3,346**	3,347

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

	2023 £'000	2022 £'000
Germany	**2,567**	2,568
Spain	**779**	779
Total	**3,346**	3,347

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 pre-tax rates and pre-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 2023 and 2022.

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 16% discount rate (2022: 21%) 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 decreased due to a decrease in the expected market return used in this model and because the business is now funded by debt as well as equity. 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 85).

Management's key assumptions include sales growth which has been determined following the recent pause in manufacturing and past experience based in this market. The Group's management believes that this is the best available input for forecasting this mature market.

Spain

The recoverable amount for the Spain CGU above was determined based on a value-in-use calculation, covering a detailed five-year forecast of future cash flows using budgeted projections assuming a 16% discount rate (2022: 21%) 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 2.0% per annum for the five-year period (2022: average sales growth of 3.5% per annum) which is based on expected GDP growth for the Spanish economy in the short term. 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 2.0% also.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

17. 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 2021	4,665	1,126	452	288	268	1,099	4,356	12,254
Reclassification (see Note 18)	—	—	—	—	—	—	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
Reclassification (see Note 18)	—	—	—	—	—	—	29	29
Additions	—	—	—	—	—	307	305	612
Disposals	—	—	—	—	—	—	—	—
Foreign exchange	(3)	27	—	—	—	(1)	(1)	22
At 30 June 2023	**4,669**	**1,261**	**453**	**289**	**269**	**1,401**	**5,401**	**13,743**
Amortisation								
At 1 July 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
Disposals	—	—	—	—	—	—	—	—
Charge for the year	—	76	31	—	—	14	433	554
Foreign exchange	(3)	9	—	—	2	—	(1)	7
At 30 June 2023	**4,669**	**946**	**446**	**289**	**269**	**1,108**	**4,226**	**11,953**
Net book value								
At 1 July 2021	—	341	67	—	29	5	969	1,411
At 30 June 2022	—	373	38	—	2	1	1,274	1,688
At 30 June 2023	**—**	**315**	**7**	**—**	**—**	**293**	**1,175**	**1,790**

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 five to 15 years.

Other intangible additions during the year ended 30 June 2023 were in respect of trademarks.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

18. 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 2021	10,428	14,922	7,992	35	4,404	3,091	40,872
Reclassification (see Note 17)	—	(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
Reclassification (see Note 17)	—	(7)	—	—	(22)	—	(29)
Additions	2,247	3,602	147	—	308	—	6,304
Foreign exchange	—	3	(1)	(3)	—	(2)	(3)
Revaluations	—	—	—	—	—	(32)	(32)
Disposals	(557)	(2)	(2)	—	(3)	—	(564)
At 30 June 2023	**13,923**	**20,439**	**8,374**	**20**	**4,848**	**3,045**	**50,649**
Depreciation							
At 1 July 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
Reclassification	—	—	—	—	—	—	—
Charge for the year	1,681	1,032	482	—	316	159	3,670
Revaluations	—	—	—	—	—	(460)	(460)
Foreign exchange	(8)	(4)	(2)	(1)	(2)	(4)	(21)
Disposals	(557)	(2)	(2)	—	(3)	—	(564)
At 30 June 2023	**5,458**	**10,287**	**7,272**	**20**	**4,371**	**—**	**27,408**
Net book value							
At 1 July 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
At 30 June 2023	**8,465**	**10,152**	**1,102**	**—**	**477**	**3,045**	**23,241**

Included in Plant and machinery additions is £4.4m relating to assets under the course of construction upon which no depreciation has been charged. These are expected to be commissioned before June 2024.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

18. 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 2021	73	38	1,832	8,485	10,428
Additions	—	—	369	1,407	1,776
Foreign exchange	1	—	3	25	29
Disposals	—	—	—	—	—
At 30 June 2022	74	38	2,204	9,917	12,233
Additions	—	—	631	1,616	2,247
Disposals	—	—	(557)	—	(557)
Foreign exchange	—	—	(1)	1	—
At 30 June 2023	**74**	**38**	**2,277**	**11,534**	**13,923**
Depreciation					
At 1 July 2021	38	38	711	1,917	2,704
Charge for the year	10	—	525	1,075	1,610
Foreign exchange	—	—	6	22	28
Disposals	—	—	—	—	—
At 30 June 2022	48	38	1,242	3,014	4,342
Charge for the year	8	—	604	1,069	1,681
Disposals	—	—	(557)	—	(557)
Foreign exchange	—	—	(9)	1	(8)
At 30 June 2023	**56**	**38**	**1,280**	**4,084**	**5,458**
Net book value					
At 1 July 2021	35	—	1,121	6,568	7,724
At 30 June 2022	26	—	962	6,903	7,891
At 30 June 2023	**18**	**—**	**997**	**7,450**	**8,465**

At 30 June 2023, the Group had no low-value or short term leases.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

18. Property, plant and equipment continued

Right-of-use assets by asset class 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 2023. The valuation was carried out by Yard S.p.A. independent valuers based in Milan, Italy. Yard S.p.A are certified by the Royal Instituition of Chartered Surveyors. The valuation of the Italy premises was €1,400,000.

The Group obtained an updated valuation of the Madrid premises in June 2023 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 €2,138,572. The valuation was performed using the comparison method.

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 2022	1,578	1,196	2,774
Additions at cost	—	—	—
Gain recognised in other comprehensive income:			
Revaluation of freehold land and buildings	368	60	428
Loss recognised in income statement - depreciation of buildings	(107)	(52)	(159)
Gain recognised in OCI - exchange differences on translating foreign operations	1	1	2
Balance at 30 June 2023	**1,840**	**1,205**	**3,045**
IFRS 16 - right-of-use assets			7,450
NBV of land and buildings at 30 June 2023			**10,495**

19. 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 28). 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). Please refer to Note 34 regarding prior period adjustment.

	2023 £'000	2022 (as restated) £'000
At 1 July	**5,330**	5,760
Additions	**159**	179
Finance income	**247**	199
Remeasurement of investment	**(867)**	(825)
(Loss)/profit on foreign exchange	**(3)**	17
	4,866	5,330

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 30 June 2023.

20. Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	**3,819**	3,598
Work in progress	**4,775**	3,265
Finished goods	**2,999**	4,547
	11,593	11,410

The value of inventories measured at fair value less cost to sell was £303,000 (2022: £719,000). The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a credit of £416,000 which was included within the costs of goods sold in the consolidated income statement.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

21. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	**2,366**	2,694
Other receivables	**2,150**	1,950
VAT	**542**	1,261
Prepayments and accrued revenue	**2,030**	4,563
	7,088	10,468

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, £38,000 of trade receivables were written back and £43,000 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 2023 and 30 June 2022 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.

Expected loss allowance

	2023 £'000	2022 £'000
Balance brought forward	**406**	432
Foreign exchange adjustments	**42**	1
Write back of previous credit losses	**(38)**	(27)
Utilised	**(43)**	—
Balance carried forward	**367**	406

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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

21. Trade and other receivables continued

On the above basis, the expected credit loss for trade receivables as at 30 June 2023 and 30 June 2022 was determined as follows:

	2023			2022		
	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	**—**	**1,637**	**—**	—	1,980	—
Not more than three months	**—**	**371**	**—**	—	532	—
More than three months but not more than six months	**2%**	**297**	**6**	5%	100	5
More than six months but not more than one year	**25%**	**59**	**15**	33%	60	20
More than one year	**94%**	**369**	**346**	89%	428	381
		2,733	**367**		3,100	406

22. Cash and cash in hand

	2023 £'000	2022 £'000
Cash at bank and in hand	**14,845**	20,515

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

23. Trade and other payables

	2023 £'000	2022 £'000
Due within one year		
Trade payables	**4,090**	4,282
Social security and other taxes	**4,443**	4,267
Other creditors	**99**	43
Accrued expenses and deferred income	**8,051**	7,077
	16,683	15,669

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

24. Borrowings

	2023 £'000	2022 £'000
Due within one year		
Bank loans	**648**	952
	648	952

	2023 £'000	2022 £'000
Due in more than one year		
Shareholder loans	**25,591**	—
Bank loans	**848**	1,497
	26,439	1,497

In February 2023, the Group issued loan notes to two of its substantial shareholders, Southern Fox Investments Limited and ZQ Capital Management Limited, to raise £10.0m.

In April 2023, the Group entered into a senior secured facility agreement pursuant to which the Group'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 Group a secured term Loan Facility in an aggregate principal amount of £40.75m. The loan is secured against substantially all the assets of the Group. The purpose of the facility was to refinance the existing £10.0m loan notes issued in February 2023 (which were duly repaid), 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.

At 30 June 2023, £26.0m of the secured facility had been drawn, with £10.0m used to repay the loan notes.

Interest accrues on the secured facility at the rate of 18% per annum and is payable in full on redemption of the facilities. Post period further funding was secured, for further information please refer to Note 35, for details of events after the balance sheet date. No interest was paid in the year ended 30 June 2023.

The loans below were previously 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
BBVA	Fixed rate of 2.5%	129	188
Bank Inter	1 month Euribor +5.0%	36	115
CDTI (Loan 1)	Interest free	37	159
Santander (Loan 1)	Fixed rate of 2.3%	89	53
CDTI (Loan 2)	Fixed rate of 0.2%	31	—
Santander (Loan 2)	Fixed rate of 2.3%	326	333
		648	848

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

25. Lease liabilities

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

	2023 £'000	2022 £'000
Due within one year	**1,155**	1,316
Due in more than one year	**7,747**	6,764
	8,902	8,080

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 18). The total cash outflow for leases during the year was £1.9m (2022: £1.7m).

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	3-14 years	6 years
Cars	109	1-4 years	2 years
Other equipment	2	2 years	2 years

The related underlying asset secures the lease liabilities. Future minimum lease payments at 30 June 2023 were as follows:

	Minimum lease payments due						
30 June 2023	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	1,437	1,617	1,397	1,255	1,071	3,419	**10,196**
Finance charges	(282)	(234)	(190)	(152)	(117)	(319)	**(1,294)**
Net present values	1,155	1,383	1,207	1,103	954	3,100	**8,902**

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

26. Provisions

	2023 £'000	2022 £'000
Italian Leaving indemnity	**148**	144
German rebate provision	**3,433**	—
	3,581	144

Italian leaving indemnity

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 determined 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 2023. The major assumptions used were as follows:

	2023 % p.a.	2022 % p.a.
Retail price inflation	**2.3**	2.1
Salary increase rate	**0.5**	0.5
Annual rate of leaving indemnity increase	**3.2**	3.1
Annual discount rate	**3.7**	2.7
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:

	2023 Total £'000	2022 Total £'000
At 1 July	**144**	208
Additions	**13**	15
Utilisation	**(2)**	(60)
Remeasurement of leaving indemnity reserve	**(6)**	(19)
Foreign exchange movement	**(1)**	—
At 30 June	**148**	144

During the year an independent actuarial valuation of the Italy leaving indemnity reserve was carried out and an adjustment of £13,000 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 2023:

Changes in significant actuarial assumptions

	2023 £'000	2022 £'000
Withdrawal annual rate +1.00%	**—**	—
Withdrawal annual rate -1.00%	**—**	—
Annual discount rate +0.25%	**+1**	+1
Annual discount rate -0.25%	**-1**	-1
Annual price inflation +0.25%	**-2**	+2
Annual price inflation -0.25%	**+2**	+2

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

26. Provisions continued

German Rebate Provision

The Group's German subsidiary has received notification from the German national health insurance association that manufacturers' rebates are due on sales of certain products launched on the market from 1 September 2017.

Historically, after taking legal advice, the Group had considered the likelihood of any payment of a rebate or other cash outflow in relation to this matter to be below 50% and accordingly no provision was made in the prior year financial statements. A contingent liability risk was disclosed that up to £13.6 million cumulative revenue recognised in respect of certain products in periods up to and including 30 June 2023 may need to be reversed due to the level of rebate being claimed. Subsequent discussions with the German national health insurance association are at an advanced stage and indicate that a settlement at a level significantly lower than the maximum rebate is possible. While the legal advice to the Group has not changed, the Group does recognise the advantages of settling the matter amicably and quickly to provide certainty for cashflow planning and to avoid management becoming distracted from the core aims of the business which could result from a protracted legal process. The best estimate of the amount required to settle has been provided in full. Consequently the remaining unprovided amount relating to periods up to and including 30 June 2023 is now a maximum of £10.2m. This position will be kept under review.

	Provision for rebates payable £'000
At 1 July 2022	—
Amount charged to the income statement	**3,433**
At 30 June 2023	**3,433**

27. 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.

	2023 £'000	2022 £'000
Capital	**2,066**	38,397
Total equity	**2,066**	38,397
Borrowings	**35,989**	10,529
Overall financing	**38,055**	48,926
Capital-to-overall financing ratio (%)	**5%**	78%

There is no requirement by external parties to comply with any capital ratios.

IFRS 9 categories of financial assets and liabilities included in the balance sheet and the headings under which they are shown are as follows:

Categories of financial instrument

	2023 £'000	2022 £'000
Financial assets		
Current		
Financial assets at amortised cost	**19,215**	26,380
	19,215	26,380
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(18,484)**	(17,591)
Fair value through profit and loss	**(79)**	(116)
	(18,563)	(17,707)
Non-current		
At amortised cost (including borrowings and payables)	**(37,769)**	(8,657)
	(56,332)	(26,364)

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

27. Financial instruments continued

Derivative financial instruments

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

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

Euro forward contracts (including Euro exchange swaps)

The Group has Euro forward contracts with its bank that are arranged for the net sale of €2,243,000 to purchase GBP at an average blended rate of 1.140 for dates from July 2023 until September 2023.

Analysis of derivative financial instruments

	2023 £'000	2022 £'000
Credit to administration expenses in the consolidated income statement		
Euro forward contracts	**37**	(640)
Euro forward contracts - matured in the period	**(900)**	966
	(863)	326

Forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as such and hence hedge accounting is not used.

Derivative financial instruments

	2023 £'000	2022 £'000
Current assets		
Derivative financial instruments - Euro forward contracts	**—**	—
Current liabilities		
Derivative financial instruments - Euro forward contracts	**(79)**	(116)
	(79)	(116)

The net gain at fair value of financial instruments held at the balance sheet date that has been recorded through the consolidated income statement is (£37,000) (2022 loss: £640,000).

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) or 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:

	2023 £'000	2022 £'000
Sterling	**9,898**	17,304
Euro	**2,896**	2,833
US Dollars	**1,873**	75
Canadian Dollars	**10**	14
Swiss Francs	**168**	289
	14,845	20,515

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

27. Financial instruments continued

Foreign currency risk continued

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

	2023			2022		
	Sterling £'000	**Euro £'000**	**Other £'000**	Sterling £'000	Euro £'000	Other £'000
Current						
Financial assets	**11,901**	**5,102**	**2,213**	20,934	4,864	582
Financial liabilities	**(7,946)**	**(10,302)**	**(315)**	(8,526)	(8,781)	(284)
Short-term exposure	**3,955**	**(5,200)**	**1,898**	12,408	(3,917)	298
Non-current						
Financial liabilities	**(30,477)**	**(7,292)**	**—**	(4,054)	(4,602)	—
Long-term exposure	**(30,477)**	**(7,292)**	**—**	(4,054)	(4,602)	—

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 recent years have been considered and on this basis a 10% movement is considered to be a reasonable benchmark. For 2022, a 10% movement was also used.

	2023 £'000	2022 £'000
If Sterling had strengthened against the Euro by	**10%**	10%
Effect on net results for the year	**1,161**	254
Effect on OCI	**(1,427)**	(261)
Effect on equity	**(266)**	(7)
If Sterling had weakened against the Euro by	**10%**	10%
Effect on net results for the year	**(1,419)**	(200)
Effect on OCI	**1,751**	319
Effect on equity	**332**	119

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

27. Financial instruments continued

Interest rate risk

The Group finances its operations through operating cash flow, equity fundraising and shareholder loan facilities (see Note 35, events after balance sheet date).

The following table illustrates the sensitivity of the net result for the year and equity to possible changes in interest rates of +1% or -1% with effect from the beginning of the year on the remaining element of borrowings.

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.

	2023		2022	
	£'000	**£'000**	£'000	£'000
Movement in interest rates	**+1%**	**-1%**	+1%	-1%
Movement in net results for the year	**(50)**	**50**	(34)	34
Equity	**—**	**—**	—	—
	(50)	**50**	(34)	34

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 £15m uncommitted shareholder loan 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. As at 30 June 2023, the Group's contractual maturities (undiscounted and including interest) are as summarised on page 108. 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 £26.5m (2022: £2.4m) at 30 June 2023. See Note 35, events after balance sheet date.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

27. Financial instruments continued

Current liabilities

	2023		2022	
	Within 6 months £'000	**6 to 12 months £'000**	Within 6 months £'000	6 to 12 months £'000
Borrowing facilities	**324**	**324**	556	396
Lease liabilities	**578**	**578**	658	658
Trade payables	**4,090**	**—**	4,282	—
Other short-term liabilities	**12,593**	**—**	11,387	—
	17,585	**902**	16,883	1,054
Derivatives	**79**	**—**	38	78
	17,664	**902**	16,921	1,132

Non-current liabilities

	2023		2022	
	1 to 5 years £'000	**Later than 5 years £'000**	1 to 5 years £'000	Later than 5 years £'000
Borrowing facilities	**26,439**	**—**	1,448	49
Lease liabilities	**4,647**	**3,100**	3,990	2,774
Other long-term liabilities	**148**	**—**	144	—
	31,234	**3,100**	5,582	2,823

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

28. 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 9, 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 2023. The major assumptions used were as follows:

	2023 % p.a.	2022 % p.a.
Retail price inflation	**2.2**	1.5
Salary increase rate	**2.3**	2.0
Rate of pension increase	**2.2**	1.5
Discount rate at the beginning of the year	**3.42**	1.15
Discount rate at the end of the year	**4.16**	3.42
Increase of social security contribution ceiling	**2.3**	2.0

	2023 Years	2022 Years
Average life expectancies		
Male, 65 years of age at the balance sheet date	**20.8**	20.6
Female, 65 years of age at the balance sheet date	**24.2**	24.0
Male, 45 years of age at the balance sheet date	**41.0**	40.6
Female, 45 years of age at the balance sheet date	**44.8**	44.5

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

	2023 £'000	2022 £'000
Fair value of plan assets	**1,022**	1,215
Present value of scheme liabilities	**(8,939)**	(9,534)
Deficit in the scheme	**(7,917)**	(8,319)

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 £7.9m (2022: £8.3m). 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 (2022: £52,000). The actuarial remeasurement of the pension generates an unrecognised deferred tax asset of £642,000 (2022: £777,000), 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 consolidated financial statements continued

for the year ended 30 June 2023

28. 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 19 for further details of these investment assets.

	2023 £'000	2022 £'000
Amounts charged to operating profit		
Current service costs	**134**	206
Amounts included in other finance expenses		
Interest income on plan assets	**(40)**	(14)
Interest on pension scheme	**323**	142
Net charge	**283**	128
Amounts recognised in OCI		
Actual return less expected return on pension scheme assets	**12**	38
Experience losses arising on scheme liabilities	**703**	(583)
Changes in assumptions underlying the present value of scheme liabilities	**(112)**	3,639
Total amount relating to year	**603**	3,094

Movement in assets during the year

	2023 £'000	2022 £'000
Balance as at 1 July	**1,215**	1,245
Foreign currency differences	**(1)**	—
Interest income on plan assets	**40**	14
Remeasurement of defined benefit asset	**(146)**	40
Contributions from employer	**—**	—
Assets transferred to finance benefits paid	**(86)**	(84)
Balance as at 30 June	**1,022**	1,215

Movement in liabilities in the year

	2023 £'000	2022 £'000
Balance as at 1 July	**(9,534)**	(12,536)
Foreign currency differences	**3**	(4)
Current service costs	**(134)**	(206)
Interest cost	**(323)**	(142)
Remeasurement of defined benefit asset - arising from changes in financial assumptions	**750**	3,056
Benefits paid by employer	**215**	214
Benefits paid from assets	**84**	84
Balance as at 30 June	**(8,939)**	(9,534)

The expected contributions to linked investment asset products over the forthcoming year are £172,000.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

28. 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 2023:

	2023		2022	
Discount rate	**£'000 Increase to 5.16%**	**£'000 Decrease to 3.16%**	£'000 Increase to 4.42%	£'000 Decrease to 2.42%
(Decrease)/increase in the defined benefit liability	**(1,108)**	**1,280**	(1,270)	1,482

	2023		2022	
Salary growth rate	**Increase to 3.30%**	**Decrease to 1.3%**	Increase to 3.00%	Decrease to 1.00%
Increase/(decrease) in the defined benefit liability	**270**	**(254)**	273	(255)

	2023		2022	
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	**267**	**(270)**	289	(294)

	2023		2022	
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	**282**	**(285)**	306	(310)

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

29. Issued share capital

	2023		2022	
	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	**644,104,621**	**644**	641,772,718	641
Issued during the year:				
Issue of shares	**35,000,000**	**35**	2,331,903	3
At 30 June	**679,104,621**	**679**	644,104,621	644
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	**688,952,954**	**689**	653,952,954	654

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

No share options issued on vesting of LTIP awards were exercised during the year (2022: £2,000 proceeds).

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

30. 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 Remuneration 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:

	2023 Number	2022 Number
Outstanding at the beginning of the year	**14,465,282**	8,985,667
Converted in the year from LTIPs	**29,022**	7,811,518
Exercised during the year	**—**	(2,331,903)
Lapsed during the year	**—**	—
Outstanding at the year end	**14,494,304**	14,465,282
Exercisable at the year end	**14,494,304**	14,465,282

All share options are redeemable at par and have a nominal value of 0.1p. No low-cost options were exercised during the year. Those exercised in the previous year were exercised at a weighted average share price of £0.32.

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

	2023 Number	2022 Number
Outstanding at the beginning of the year	**26,594,999**	28,482,500
Awarded during the year	**—**	9,920,000
Converted to options	**(29,022)**	(7,811,518)
Lapsed during the year	**(4,875,977)**	(3,995,983)
Outstanding at the year end	**21,690,000**	26,594,999

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 consolidated financial statements continued

for the year ended 30 June 2023

30. 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	3,312,500
27/03/2020	01/03/2023	01/03/2033	0.001	0.085	0.13%		0%	0.078	3,312,500
22/11/2020	22/11/2023	22/11/2033	0.001	0.155	0.10%	54%		0.058	3,717,500
22/11/2020	22/11/2023	22/11/2033	0.001	0.155	0.10%		0%	0.143	3,717,500
22/11/2021	22/11/2024	22/11/2034	0.001	0.355	0.53%	59%		0.188	3,815,000
22/11/2021	22/11/2024	22/11/2034	0.001	0.355	0.53%		50%	0.320	3,815,000

1. The Group engaged external consultants Globalview Advisors 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 £114,000 (2022: £469,000) 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	114	94	122	114	114
Charge/(credit) to income statement due to sensitivity adjustment	—	20	(8)	—	—

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

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:

	2023 £'000	2022 £'000
Capital commitments	**1,832**	3,136

Included in the above is £52,000 for ongoing factory refurbishments in the UK (2022: £126,000), £563,000 for a new energy centre and waste compound (2022: £1,098,000), £1,099,000 for new plant and machinery (2022: £1,546,000) and £118,000 for IT equipment and systems upgrades (2022: £366,000).

32. Related party transactions and ultimate control

Allergy Therapeutics plc's related parties include its subsidiary companies its key management and its 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 56. Please refer to Note 35 for details of events after the balance sheet date.

At 30 June 2023, 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, there were no transactions with related parties that are not members of the Group. There is no overall ultimate controlling party.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

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 2022	**2,449**	**8,080**	**10,529**
Cash flows			
Repayment of bank borrowings	**(961)**	**(1,425)**	**(2,386)**
Repayment of shareholder loan	**(10,409)**	**—**	**(10,409)**
Proceeds from shareholder loans	**36,000**	**—**	**36,000**
Non-cash			
Additions to right-of-use assets	**—**	**2,247**	**2,247**
Foreign exchange movements	**8**	**—**	**8**
30 June 2023	**27,087**	**8,902**	**35,989**

	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)
Additions to right-of-use assets	—	1,776	1,776
Non-cash			
Foreign exchange movements	(7)	(144)	(151)
30 June 2022	2,449	8,080	10,529

34. Prior period adjustment

The Group carries an insurance policy designed to contribute towards its obligations in respect of the German defined benefit pension scheme. At 30 June 2022, the Group recognised this insurance policy as a 'retirement benefit asset' within investments at £5,962,000, this value was provided by the Group's insurer. In the current year, the Group engaged an independent actuary to value the insurance policy in accordance with accounting standards at both 30 June 2023 and 30 June 2022. The actuary's valuation as at 30 June 2022 was £5,330,000, indicating the insurance policy's value was previously overstated by £632,000. A prior year adjustment has been recorded to correct this error and reduce the carrying value of retirement benefit assets as at 30 June 2022 in the consolidated balance sheet by £632,000 with a corresponding charge recorded through other comprehensive income for the year ended 30 June 2022 in the consolidated statement of comprehensive income. There are consequential restatements in the consolidated statement of changes in equity. The net asset position as at 1 July 2021 is unaffected by this adjustment.

Notes to the consolidated financial statements continued

for the year ended 30 June 2023

35. Events after the balance sheet date

Facility agreement

On 26 September 2023, the Group entered into an amendment to the Loan Facility with Southern Fox and ZQ Capital (acting through an affiliate) pursuant to which, subject to completion of the Equity Financing, the repayment of all amounts due under the Loan Facility in full and the grant of the Additional Security, the Lenders agreed, on an uncommitted basis, to make available to the Group an additional total principal sum of up to £15.0m. Under the Extension Facility, the Additional Facility Amount may be drawn by the Group during the period to 31 January 2024 with a minimum drawdown amount of £3.0m per utilisation, and interest of 18% per annum shall be payable on any such amounts drawn. A drawdown under the Extension Facility shall require the consent of the Lenders and, as such, the Additional Facility Amount does not represent committed funding. The Extension Facility must be repaid in full by 31 December 2025. To provide security for any amounts drawn under the Extension Facility, the existing security package under the Loan Facility will remain in place following repayment of the Loan Facility on or around completion of the Equity Financing and the Additional Security will be granted.

On 27 December 2023, the Group entered into an amendment to the existing Facility Agreement dated 26 September 2023. The Amended Facility provides the Group with a £40 million secured loan facility of which £7.5 million is committed and £32.5 million is uncommitted. The Amended Facility is available to drawdown from 15 January 2024 until 15 January 2026 with interest payable semi-annually at 12 per cent. per annum and a repayment date of 15 January 2027.

The Group also entered into an agreement on 27 December 2023 (the "Warrant Instrument") under which, subject to shareholder approval, the Company will issue warrants to the Lenders following each drawdown under the Amended Facility entitling the holders to subscribe for new ordinary shares at a price of 4 pence per share. The entitlement to warrants will be 25 warrants for each £1 drawn under the Amended Facility with a maximum of 1,000,000 warrants. The warrants will be exercisable in whole or in part from 1 July 2024 until 15 January 2027.

Open offer and repayment facility

On 27 September 2023, the Company announced the posting of a circular to qualifying shareholders in relation to the Open Offer. The Open Offer was an invitation by the Company to Qualifying Shareholders to apply to acquire, in aggregate, 689,102,532 Open Offer Shares at a price of 1 pence per Open Offer Share. The Open Offer was made on the basis of 6 Open Offer Shares for every 1 Existing Ordinary Share held by Qualifying Shareholders on the Record Date.

As previously announced on 6 April 2023, ZQ Capital, acting through its affiliate SkyGem Acquisition, had agreed to underwrite the Open Offer by subscribing at the Issue Price of 1 pence per Ordinary Share for any Open Offer Shares not taken up by Qualifying Shareholders under the Open Offer.

On 13 October 2023, the Company announced it had conditionally raised total gross proceeds of approximately £40.75m through the Equity Financing which was announced on 6 April 2023. Proceeds of the Equity Financing were used to repay amounts owed under the Loan Facility Agreement.

G306 Contingent payment letter

Following completion of the Equity Financing as announced on 13 October 2023, the Contingent Payment associated with the Loan Facility was not payable.

Unconditional mandatory cash offer for the Company

On 16 October 2023, the Company announced, following completion of the Equity Financing Announcement, that SkyGem had acquired 2,676,556,439 Allergy Therapeutics Shares at a price of 1 pence in cash per Allergy Therapeutics Share. SkyGem, and persons acting in concert with it, held 2,850,296,476 Allergy Therapeutics Shares, representing 59.96% of the Allergy Therapeutics Shares and voting rights of Allergy Therapeutics.

As a consequence of SkyGem's interest in Allergy Therapeutics Shares exceeding 30% of the issued share capital of Allergy Therapeutics following completion of the Equity Financing, SkyGem was required, pursuant to Rule 9 of the Takeover Code, to make a mandatory cash offer for the Allergy Therapeutics Shares not already held by SkyGem (or any persons acting in concert with it), at a price of 1 pence per Allergy Therapeutics Share. As SkyGem's holding of Allergy Therapeutics Shares already carried more than 50% of the voting rights of Allergy Therapeutics, the Offer was unconditional from the outset.

SkyGem made the Offer through the dispatch of the Offer Document and Form of Acceptance, both of which were posted to Allergy Therapeutics Shareholders (or made available electronically in accordance with the Takeover Code). The Offer Document contained the formal terms of the Offer and the views of the Allergy Therapeutics independent Directors on the Offer.

On 10 November 2023 The Company announced the closure of the Offer and following settlement Skygem, its directors and any persons acting in concert with Skygem held 3,098,231,533 Allergy Therapeutics shares, representing 65.10 per cent of the enlarged share capital.

German rebates

Subsequent discussions with the German national health insurance association are at an advanced stage and indicate that a settlement at a level significantly lower than the maximum rebate is possible.

No other adjusting or significant non-adjusting events have occurred between the 30 June 2023 reporting date and the date of authorisation.

Company balance sheet
as at 30 June 2023

	Note	**30 June 2023 £'000**	30 June 2022 £'000
Fixed assets			
Investments	2	**7,742**	7,628
Current assets			
Debtors: amounts falling due within one year	3	**14**	32
Total assets		**7,756**	7,660
Creditors: amounts falling due within one year	4	**(46)**	(24)
Net current (liabilities)/assets		**(32)**	8
Total assets less current liabilities		**7,710**	7,636
Net assets		**7,710**	7,636
Capital and reserves			
Called-up share capital	5	**689**	654
Share premium account		**119,029**	112,576
Other reserves - share-based payments		**2,906**	2,799
Other reserves - warrants		**412**	—
Profit and loss account		**(115,326)**	(108,393)
Total equity		**7,710**	7,636

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 loss for the period was £6,939,915 (2022: £29,000 profit).

These financial statements were approved by the Board of Directors and authorised for issue on 26 January 2024 and were signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Registered number: 05141592

Company statement of changes in equity

for the year ended 30 June 2023

	Issued capital £'000	Share premium £'000	Reserve - share-based payment £'000	Reserve - warrants £'000	Retained earnings £'000	Total equity £'000
At 30 June 2021	651	112,576	2,692	—	(108,625)	7,294
Profit for the year 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
Loss for the year after tax	**—**	**—**	**—**	**—**	**(6,940)**	**(6,940)**
Transactions with owners:						
Share-based payments	**—**	**—**	**114**	**—**	**—**	**114**
Shares issued	**35**	**6,453**	**—**	**—**	**—**	**6,488**
Transfer of lapsed options to retained earnings	**—**	**—**	**(7)**	**—**	**7**	**—**
Warrants issued	**—**	**—**	**—**	**412**	**—**	**412**
At 30 June 2023	**689**	**119,029**	**2,906**	**412**	**(115,326)**	**7,710**

Notes to the Company financial statements

for the year ended 30 June 2023

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 2006, 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.

Following receipt of the FDI regulatory approvals, the Group completed the subscription and open offer on 13 October 2023 with the Group applying the proceeds of the equity financing to fully repay the loan facility. Notwithstanding this the Group continues to require funding for the foreseeable future, in particular to fund the ongoing R&D programme.

On 27 December the Group announced it had signed a loan agreement with certain shareholders for £40m of which £7.5m would be initially committed, the remaining £32.5m uncommitted. Interest accrues on the loan at 12% per annum with interest payments due every 6 months. Full repayment of the interest and principal is due by 15 January 2027.

The Directors have prepared cash flow forecasts for the period to 31 January 2025, which assume that the Group will be able to undertake additional financing activities. The Group expects that additional financing, subsequent to the committed £7.5m amount, will be required from around April 2024 onwards. The remaining £32.5m uncommitted loan facility, should it become committed, would provide sufficient funds for the 12 month going concern review period.

The Directors acknowledge that a material uncertainty exists over the Group's ability to access additional sources of finance, which will be required to fund trading, working capital, capital expenditure and continuing R&D programme.

The Directors have reasonable expectations that 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 and no guarantees that existing shareholders will be willing, or able, to provide further funds to those set out herein.

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.

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 77 to 85 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.

Notes to the Company financial statements continued

for the year ended 30 June 2023

1. Accounting policies continued

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates and laws that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employment costs

The Company does not have any employees. All employment costs are dealt with by the Group's subsidiaries. Details of employment costs are detailed on page 90 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 30 of the consolidated financial statements.

Significant judgement and estimates

Investments

Investments in subsidiary undertakings are assessed for indicators of impairment at each balance sheet date. An investment is subject to a formal impairment test, based on indicators arising where the book value of the investment in the parent company's accounts, together with the carrying amount of amounts receivable from the subsidiary undertaking (see 'Intercompany receivables' 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

at 30 June 2022 and at 30 June 2023.

Cost	Shares in subsidiary undertaking £'000
Investment brought forward	7,628
Additions	114
Investment carried forward	**7,742**

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 2023

2. Investments continued

At 30 June 2023, 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	Manufacture and 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	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. Allergy Therapeutics S.A is owned by Allergy Therapeutics (Holdings) Ltd (95%) and Allergy Therapeutics (UK) Ltd (5%).

Notes to the Company financial statements continued

for the year ended 30 June 2023

3. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**—**	—
Prepayments and accrued income	**14**	32
	14	32

Intercompany debtors have been assessed for impairment. The amount owed by subsidiary undertakings is stated net of provisions of £116,877,044 (2022: £111,065,220).

4. Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Accruals	**46**	24
	46	24

5. Called-up share capital

Full details of the Company's share capital are set out in Note 29 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 30 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 8, Remuneration of Director's on page 90.

8. 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, directly or indirectly 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/(loss) (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/(loss)
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

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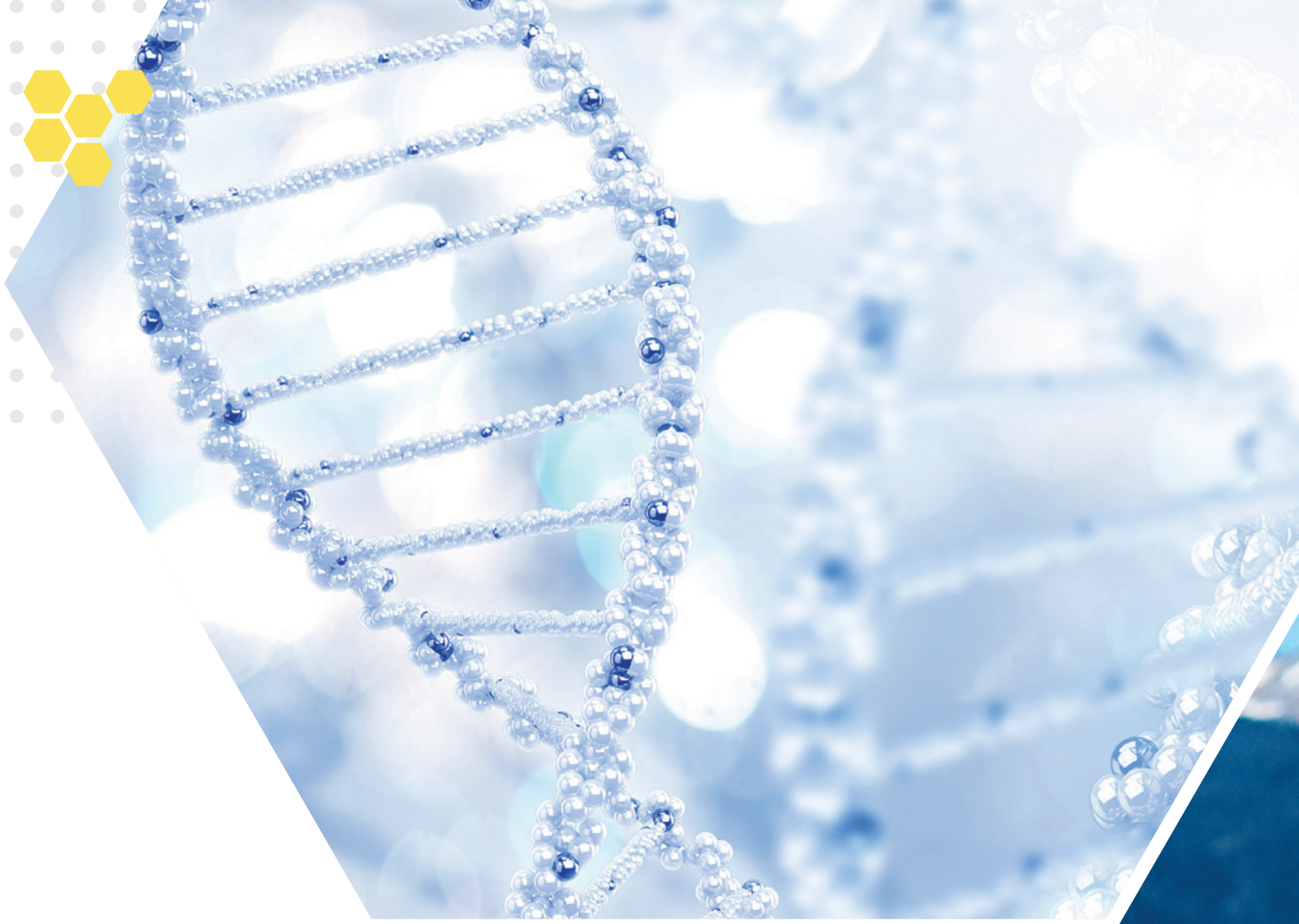

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