

**Allergy Therapeutics plc**

Interim Report for  
the six months  
ended

**31 December 2015**

[www.allergytherapeutics.com](http://www.allergytherapeutics.com)

 **Allergy  
Therapeutics®**  
Transforming Allergy Treatment





## Highlights

### Financial highlights

- Revenue increased by 12% at constant currency to £31.5m (H1 2015: £28.2m)\* and reported revenue increased by 3% to £29.0m (H1 2015: £28.2m)
- R&D expenditure increased to £6.5m (H1 2015: £1.1m) as the two Phase II studies in Germany and the US were successfully progressed
- Fundraising of £11.5m (gross) successfully completed with placing of 41,005,500 ordinary shares in the Company to invest in new product development, strengthen the balance sheet and accelerate growth
- Cash balance bolstered to £33.2m (H1 2015: £8.0m)

### Products and pipeline highlights

- Increasing market share in all major markets
- Spanish Alerpharma acquisition fully integrated

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- US Phase II study for GrassMATAMPL (marketed in Europe as Pollinex Quattro Grass product) initiated in December 2015 – on track for data read out in H2 2016
  - PQ Birch204 Phase II study patient enrolment completed – results expected in H2 2016
  - Acquisition of Virus Like Particles (“VLP”) technology licence for the development of a potential new injectable vaccine immunotherapy treatment for allergy sufferers, with peanut as the lead project
  - Positive house dust mite study results for Acarovac – July 2015

## Post period end highlights

- US Grass MATAMPL study fully recruited according to plan in February 2016

*\* Constant currency uses prior year weighted average exchange rates to translate current year foreign currency denominated revenue to give a year on year comparison excluding the effects of foreign exchange movements. See table in financial review for an analysis of revenue.*



## Operating Review

### Overview

During the first six months of the year, the Company's revenues grew 12% (at constant currency) compared to 11% at the end of June 2015, and against flat or low growth markets in Europe. Allergy Therapeutics' robust level of double digit top line growth at constant currency is due to the benefits offered to patients of a short course, aluminium-free, therapy which is enabling the Company to outperform its competitors and grow its market share in Europe. Geographically, the major contributing markets to the Company's growth have been Germany and Spain, followed by The Netherlands, the UK and Austria.

### Pollinex Quattro – increasing market share in Europe and paving the way towards the US market

The success of Allergy Therapeutics' immunotherapy concept is a key driver of shareholder value creation. Future sales growth will further de-risk the Company's strategic objective of significantly increasing its addressable market, as it prepares to replicate Pollinex Quattro's commercial success in Europe through its launch in the US market. Given that Pollinex Quattro is already established in Europe, the Board and management team are confident of commercial success in the US, where Pollinex

Quattro will enjoy first mover advantage in the seasonal segment, and high barriers to entry, fulfilling a clearly defined market need.

The clinical development programme for Pollinex Quattro Grass in the US is now progressing well. In December 2015, Allergy Therapeutics announced the initiation of the Phase II study (G204) for grass allergy and the Company continues to expect to file for US FDA approval at the end of 2018. Following approval, the launch of Pollinex Quattro Grass in the US would enable the Company to enter into a market for specific immunotherapy potentially worth \$2 billion. Like its core adoptive European markets, the US allergy immunotherapy market has historically been serviced by subcutaneous rather than sublingual compounded vaccines. Allergy Therapeutics is therefore confident that the availability of an FDA-approved subcutaneous vaccine will facilitate a fast penetration and broad acceptance of the product among the prescriber base.

### Regulatory affairs – moving the pipeline forward

Allergy Therapeutics' regulatory department has made good progress throughout the period, including with the German TAV (Therapy Allergy Ordinance) process for the Pollinex Quattro Birch (PQB) vaccine clinical development programme. In November, the Company announced completion of patient enrolment of the PQB 204 Phase II



areas such as Perennial Allergic Rhinitis and Food Allergies, and develop further vaccine formulations using the Micro Crystalline Tyrosine (MCT) adjuvant system. These projects will open up new areas of the immunotherapy treatment market and increase the Company's total addressable market, fivefold, to c. \$15 billion p.a., including:

- **VLP – peanut allergy**

Taking the newly-acquired Virus like Particles (VLP) technology license for the development of Polyvac Peanut, a new potential injectable vaccine immunotherapy treatment for allergy sufferers, into Phase I clinical trials. As previously announced, food allergy represents a significant and strategically important new area for the Company, with peanut allergy treatments alone being an \$8 billion p.a. addressable market, globally.

Peanut allergy affects an increasing number of sufferers with a significant unmet need. Polyvac Peanut could be the first subcutaneous vaccine to address this segment, delivering a sustained immunological response and bringing relief to peanut allergy sufferers around the world.

- **Acarovac Quattro – dust mite allergy**

Progressing the in-house development of Acarovac Quattro, a treatment for perennial dust mite allergy, through Phase I clinical trials and to launch in Spain on a named patient basis targeted for 2017. Acarovac Quattro uses the same technological platform as Pollinex Quattro and will bring to the perennial segment unmatched attributes in terms of patient convenience. The product will reduce the current number of annual injections required compared to current products in the market, providing a unique, natural, biodegradable, alternative depot vaccine, boosted by the MPL adjuvant Monophosphoryl Lipid A, which Allergy Therapeutics holds exclusive rights to use in allergy vaccines. The development of Acarovac Quattro builds on the success of the already launched Acarovac Plus vaccine in the Spanish market as a Named Patient Product (NPP).

In July, during the Adjuvants in Allergy Conference in Amsterdam, Dr Albert Roger, Director of the Allergy Unit at Hospital Germans Trias i Pujol, presented the results of a prospective observational one-year follow-up study comparing the safety, tolerability and long-term effectiveness of Acarovac Plus using Dermatophagoides pteronyssinus (house dust mite) in 30 patients

study with headline data expected in the second half of 2016. The target sample of 350 patients was successfully achieved and the active phase of the study is now complete. The endpoint of the trial is the change in total rhinoconjunctivitis symptoms score after treatment relative to the placebo. The optimal dose established from the trial will be selected and examined further in the PQ Birch phase III study, due to start in the first quarter of 2017. The completion of the phase III study is expected to fulfil the requirements for the initial clinical programme under the TAV of the Paul Ehrlich Institute (PEI), the German Biologics Agency, and lead to marketing authorisation approval of this subcutaneous immunotherapy (SCIT) in 2019. Allergy to birch pollen is a significant health issue with around 6 per cent of the population in Europe being skin-prick positive for the allergen.

The Company has maintained a proactive dialogue with the regulatory authorities in its key markets including Germany, Italy, Spain and Austria.

### **Progress with new high value projects**

Allergy Therapeutics' organic growth strategy has been enhanced during the period by a number of high value projects which will further leverage the Company's operational infrastructure and scientific know-how. These projects seek to replicate the success of the Company's short course and ultra-short course immunotherapies in other related

with allergic rhinitis and/or asthma. Tolerability was demonstrated, along with a reduction in symptom scores of more than 50 per cent during follow up visits after one year. This novel efficacious mite SCIT product underpins EU wide product development plans for Acarovac Quattro. House Dust Mite is the world's most common cause of allergy and is estimated to affect over 90 million people in Europe, North America and Japan alone. With a \$3-4 billion per annum global addressable market, house dust mite represents another significant and strategically important area for the Company.

- **Immunomodulators and adjuvants**

Various feasibility studies are in progress in the fields of immunomodulators and adjuvants; specifically including the use of symbiotics in allergy response and MCT as an adjuvant system with other vaccines for treating infection and illness. The Company presented data relating to the use of this patented adjuvant technology at the World Vaccine Congress in November 2015. The data supported the use of depot adjuvant MCT in novel vaccine candidate formulations including malaria and influenza. The data was established following active collaboration with Oxford University, The Jenner Institute and Public Health England.

### **Inorganic growth strategy and successful integration of M&A**

The Company's acquisitive growth strategy has continued to progress on track, with the successful integration of the recently acquired Spanish company, Alerpharma, into the Company's Spanish Operations. Alerpharma is now fully integrated, and the optimal operational platform has been established for Allergy Therapeutics to become a leading company in the important specific immunotherapy Spanish market.

The Company continues to assess a number of inorganic opportunities against a rigid set of qualifying criteria.

### **Equity fundraising**

In order to capitalise on the continued momentum across the business, the successful organic and acquisitive growth strategies and management's objective of further accelerating the pace of increasing market share the Company completed a fundraising in November 2015, raising £11.5m (before costs) by placing 41,005,500 New Shares,



representing approximately 7.5 per cent of the Company's existing ordinary share capital. The placing was oversubscribed and will enable Allergy Therapeutics to capitalise on growth opportunities and diversify into adjacent and complementary areas, with the aim of achieving a five-fold step-change in the Company's total addressable market to approximately \$15 billion p.a. as detailed above.

### **Increased manufacturing efficiencies and automation**

Additionally, work has been ongoing in the Company's manufacturing facilities to enhance processes for efficiency and compliance. The use of bar codes to check and reconcile named patient vaccines, controlled issue to packing lines and a redesigned diagnostic despatch process have all been implemented. Allergy Therapeutics also recorded its first successful batch release by the PEI for machine-filled Pollinex Quattro Tree with Grass. This enables the Company to transfer a large percentage of manufacturing for Pollinex Quattro away from a manual process and this switch will be made starting in autumn 2016.

### **Pride in patient care**

The Company has worked to ensure as many of its diagnostic licences as possible can be retained in Germany. This retains its intellectual property and has enabled the Company to reintroduce 31 allergens during 2015 which are now available for all markets. Having a broad range of well-standardised and characterised allergy diagnostics has been a strategic priority for Allergy Therapeutics in order to provide the best possible service to its customers. Pioneering works on development of the proteomics and allergomics concepts (published in the World Allergy Journal in August 2015) underpins the Company's track record in the scientific advancement of its product



portfolio, reinforcing its focus on patient care and commitment to invest both in existing and future products to ensure patients receive the treatment they deserve.

### Excellence in customer service

The Company's Supply Operations in Worthing have been working on customer service to ensure the best possible response for customers. This was one of the Company's key strategic objectives in 2014-15 and it has culminated in 100 per cent customer service satisfaction in November 2015, with an average customer service achieved of 99 per cent for named patient vaccines delivered on time. The Company has been servicing increased demand and has had no out of stock allergens for vaccine manufacture during the first half year. The Company has targeted on time delivery, which include Pollinex or Venomil to affiliates/distributors, at 99-100 per cent and is fulfilling this objective.

### Financial Review

Reported revenues for the first half of the financial year were £29.0m (H1 2015: £28.2m), representing a growth of 3 per cent, despite low to flat markets in Europe, reported after taking into account currency movements; the negative impact on revenues from the weakening Euro being £2.5m. At constant currency, revenue growth is 12 per cent for the period, with first half revenues of £31.5m (H1 2015: £28.2m). This double digit sales growth has been driven primarily by the Company's improving trading performance as it continues to increase its market share in all of its main markets, supported by the acquisition of Alerpharma in June 2015 which added approximately 3 per cent of the reported sales growth.

A reconciliation between reported revenues and revenues in constant currency is provided in the table below:

	6 months to 31-Dec-15 £m	6 months to 31-Dec-14 £m	Increase £m	Increase %
Revenue	29.0	28.2	0.8	3%
Adjustment to retranslate to prior year foreign exchange rate	2.5	-		
Revenue at constant currency	31.5	28.2	3.3	12%
Add rebates at constant currency	2.6	2.0	0.6	
Gross revenue at constant currency	34.1	30.2	3.9	13%



As in previous years, owing to the seasonality of the pollen allergy market, between 60 per cent to 70 per cent of Allergy Therapeutics' revenues are generated in the first half of the financial year and, as a consequence, the Company typically records profits in the first half of the year and losses in the second half.

Cost of goods sold increased marginally in the period to £7.3m (H1 2015: £6.8m), due mainly to inflationary increases and the acquisition of Alerpharma. Gross profit improved to £21.6m (H1 2015: £21.4m), which represents a gross margin of 75 per cent (H1 2015: 76 per cent), a good result given the foreign exchange impact on sales.

Distribution costs of £9.8m (H1 2015: £8.9m) were higher than the previous period after taking into account impacts on overseas costs as Alerpharma costs were included for the first time and a number of sales representatives have been added throughout Europe to help accelerate revenue growth, less the positive impact of foreign exchange. Administration expenses of £3.9m (H1 2015: £3.9m) remained the same, and included the benefit of the stronger dollar revaluing US dollar deposits favourably by £1.1m, less the negative impact of the fair valuation of Euro denominated derivatives (£0.8m).

Research and development costs increased to £6.5m (H1 2015: £1.1m), as the two Phase II

studies in Germany and the US were progressed within the period.

The tax charge in the period of £0.2m (H1 2015: £0.1m) relates to overseas subsidiaries and the increase reflects the growing profitability of the subsidiaries.

Property, plant and equipment increased by £2.0m to £8.8m as a result of the acquisition of Alerpharma. Excluding this, the depreciation charge for the period broadly equalled new equipment purchases. Goodwill increased to £3.1m with the acquisition of Alerpharma (H1 2015: £2.5m), whilst other intangible assets have risen by £0.7m, again mainly as a result of the Alerpharma purchase.

Total current assets excluding cash have increased by £0.3m to £14.0m (H1 2015: £13.7m). This is mainly due to an increase in inventory.

Retirement benefit obligations, which relate solely to the German pension scheme, decreased slightly to £7.5m (H1 2015: £7.6m) as a result of the movement in the GBP:EUR exchange rate.

Net cash generated by operations remained positive, although was significantly lower as a result of increased R&D spending, with a reported inflow of £0.6m (H1 2015: £6.5m).

## Financing

In November 2015, 41,005,500 new ordinary shares of 0.1 pence each ("Ordinary Shares") were placed with investors raising proceeds of £11.5m before expenses (£11.0m net). The Company will use the placing proceeds to invest in new product development with a view to achieving a step change in the size of its total addressable markets, strengthen its balance sheet and accelerate growth.

The Group had no debt on its balance sheet at the close of the financial year other than the loans acquired as a result of the Alerpharma acquisition (£1.6m). The seasonal overdraft had been fully repaid in November 2015. The Company expects to renew its banking facilities when they are due for review in April 2016.

The Directors believe that the Group will have adequate facilities for the foreseeable future and accordingly they have applied the going concern principle in preparing these interim financial statements.

Movements in the currency markets between the respective values of the Euro and Sterling have an effect on the Company's operations. The Company manages its cash exposure in this respect by foreign currency hedges. Over 90 per cent of our gross sales are denominated in Euros whereas approximately 50 per cent of costs are incurred in the United Kingdom and denominated in Sterling.

## Other Matters

As disclosed in Note 4 (Contingent liabilities), on 23 February 2015, the Company received notification that The Federal Office for Economics and Export ("BAFA") had made a decision to reverse their preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4m (£1.1m) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be re-instated. Therefore, as at 31 December 2015, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

The European Commission has concluded its investigation into whether the exemption of pharmaceutical manufacturers from the increase in rebates in Germany constitutes state aid. The European Commission has determined that the exemptions do not constitute state aid. Subsequent to this announcement, the Group has been advised that an appeal has been lodged at the EU Court against this decision. If successful, and the exemptions are determined to be illegal state aid, then the exemption refunds may have to be repaid. The maximum sum to be repaid would be approximately £5m (including the £1.1m referred to above); however, the Group considers this to be an unlikely outcome and consequently has not recognised any contingent liability.

## Outlook

Allergy Therapeutics' lifestyle-enhancing short course and ultra-short course products continue to gain market share in Europe and the Company remains on course with its plan to become a leading player in the global specific immunotherapy market. Whilst its main markets are exhibiting flat or low growth, the Company believes it can continue to outperform competitors and keep increasing market share, aiming to grow its European business at low double digit rate over the coming years, supported by an enhanced commercial infrastructure and expanding product portfolio.

In the US, following the £20m (net of expenses) fundraising in March 2015, the Company has restarted clinical development plans, aiming to enter the US market following FDA approval in 2019, thereby becoming the first company to launch a subcutaneous vaccine in the seasonal segment of the US allergic rhinitis market.

The Company's US commercialisation strategy is where significant growth potential lies and, with a reinforced balance sheet, the Company is well placed to build a fast growing, profitable international allergy solutions business.

We look forward to the future with confidence.

**Peter Jensen**

Chairman

**Manuel Llobet**

Chief Executive Officer

7 March 2016

## Consolidated income statement

	Note	<b>6 months to 31 Dec 2015 £'000 unaudited</b>	6 months to 31 Dec 2014 £'000 unaudited	12 months to 30 June 2015 £'000 audited
<b>Revenue</b>		<b>28,959</b>	28,183	43,230
Cost of sales	2	(7,328)	(6,796)	(12,179)
<b>Gross profit</b>		<b>21,631</b>	21,387	31,051
Sales, marketing and distribution costs		(9,842)	(8,874)	(17,060)
<i>Administration expenses – other</i>		<i>(3,879)</i>	<i>(3,926)</i>	<i>(10,218)</i>
<i>Research and development costs</i>		<i>(6,537)</i>	<i>(1,065)</i>	<i>(3,121)</i>
Administration expenses		(10,416)	(4,991)	(13,339)
Other income		–	–	73
<b>Operating profit</b>		<b>1,373</b>	7,522	725
Finance income		84	1	147
Finance expense		(154)	(110)	(218)
<b>Profit before tax</b>		<b>1,303</b>	7,413	654
Income tax		(249)	(108)	(546)
<b>Profit for the period</b>		<b>1,054</b>	7,305	108
<b>Earnings per share</b>	3			
Basic (pence per share)		<b>0.19p</b>	1.62p	0.02p
Diluted (pence per share)		<b>0.18p</b>	1.54p	0.02p

## Consolidated statement of comprehensive income

	<b>6 months to 31 Dec 2015 £'000 unaudited</b>	6 months to 31 Dec 2014 £'000 unaudited	12 months to 30 June 2015 £'000 audited
Profit for the period	<b>1,054</b>	7,305	108
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of net defined benefit liability	(255)	(1,137)	(932)
Remeasurement of investments-retirement benefit assets	(51)	44	8
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	366	(35)	(119)
<b>Total comprehensive income / (loss)</b>	<b>1,114</b>	6,177	(935)

## Consolidated balance sheet

	31 Dec 2015 £'000 unaudited	31 Dec 2014 £'000 unaudited	30 June 2015 £'000 audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8,787	6,785	8,750
Intangible assets - Goodwill	3,053	2,454	2,980
Intangible assets - Other	1,925	1,192	2,020
Investments - Retirement benefit asset	3,451	3,348	3,160
Deferred taxation asset	-	174	-
<b>Total non-current assets</b>	<b>17,216</b>	<b>13,953</b>	<b>16,910</b>
<b>Current assets</b>			
Trade and other receivables	7,141	7,236	5,060
Inventory	6,826	6,318	6,747
Cash and cash equivalents	33,206	7,985	21,199
Derivative financial instruments	3	163	783
<b>Total current assets</b>	<b>47,176</b>	<b>21,702</b>	<b>33,789</b>
<b>Total assets</b>	<b>64,392</b>	<b>35,655</b>	<b>50,699</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(7,906)	(6,227)	(7,169)
Current borrowings	(262)	(49)	(251)
<b>Total current liabilities</b>	<b>(8,168)</b>	<b>(6,276)</b>	<b>(7,420)</b>
<b>Net current assets</b>	<b>39,008</b>	<b>15,426</b>	<b>26,369</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	(7,465)	(7,546)	(6,755)
Deferred taxation	(296)	(128)	(298)
Non-current provisions	(252)	(217)	(211)
Other non-current liabilities	(113)	-	(113)
Long term borrowings	(1,378)	-	(1,433)
<b>Total non-current liabilities</b>	<b>(9,504)</b>	<b>(7,891)</b>	<b>(8,810)</b>
<b>Total liabilities</b>	<b>(17,672)</b>	<b>(14,167)</b>	<b>(16,230)</b>
<b>Net assets</b>	<b>46,720</b>	<b>21,488</b>	<b>34,469</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Issued capital	597	420	556
Share premium	102,389	67,750	91,463
Merger reserve – shares issued by subsidiary	40,128	40,128	40,128
Reserve – shares held by EBT	67	67	67
Reserve – share based payments	761	667	591
Reserve – convertible loan notes	-	3,652	-
Revaluation reserve	1,178	1,222	1,178
Foreign exchange reserve	226	(56)	(140)
Retained earnings	(98,626)	(92,362)	(99,374)
<b>Total equity</b>	<b>46,720</b>	<b>21,488</b>	<b>34,469</b>

## Consolidated statement of changes in equity

	Issued capital	Share premium	Merger reserve shares issued by subsidiary	Reserve shares held in EBT	Reserve share based payments	Reserve convertible Loan Note	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 December 2014</b>	<b>420</b>	<b>67,750</b>	<b>40,128</b>	<b>67</b>	<b>667</b>	<b>3,652</b>	<b>1,222</b>	<b>(56)</b>	<b>(92,362)</b>	<b>21,488</b>
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(84)	-	(84)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	205	205
Remeasurement of investments- Retirement benefit assets	-	-	-	-	-	-	(44)	-	8	(36)
Total other comprehensive income	-	-	-	-	-	-	(44)	(84)	213	85
Loss for the period after tax	-	-	-	-	-	-	-	-	(7,197)	(7,197)
Total comprehensive income	-	-	-	-	-	-	(44)	(84)	(6,984)	(7,112)
Transactions with shareholders -Convertible loan note	-	-	-	-	-	-	-	-	(86)	(86)
Conversion of loan note to equity	42	3,832	-	-	-	(3,652)	-	-	(222)	-
Share based payments	-	-	-	-	204	-	-	-	-	204
Shares issued	94	19,881	-	-	-	-	-	-	-	19,975
Transfer of lapsed options to retained reserves	-	-	-	-	(280)	-	-	-	280	-
<b>At 30 June 2015</b>	<b>556</b>	<b>91,463</b>	<b>40,128</b>	<b>67</b>	<b>591</b>	<b>-</b>	<b>1,178</b>	<b>(140)</b>	<b>(99,374)</b>	<b>34,469</b>
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	366	-	366
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	(255)	(255)
Remeasurement of investments - Retirement benefit assets	-	-	-	-	-	-	-	-	(51)	(51)
Total other comprehensive income	-	-	-	-	-	-	-	366	(306)	60
Profit for the period after tax	-	-	-	-	-	-	-	-	1,054	1,054
Total comprehensive income	-	-	-	-	-	-	-	366	748	1,114
Share based payments	-	-	-	-	170	-	-	-	-	170
Shares issued	41	10,926	-	-	-	-	-	-	-	10,967
<b>At 31 December 2015</b>	<b>597</b>	<b>102,389</b>	<b>40,128</b>	<b>67</b>	<b>761</b>	<b>-</b>	<b>1,178</b>	<b>226</b>	<b>(98,626)</b>	<b>46,720</b>

## Condensed consolidated cash flow statement

	<b>6 months to 31 Dec 2015 £'000 unaudited</b>	6 months to 31 Dec 2014 £'000 unaudited	12 months to 30 June 2015 £'000 audited (as restated)
<b>Cash flows from operating activities</b>			
Profit before tax	1,303	7,413	654
<b>Adjustments for:</b>			
Finance income	(84)	(1)	(147)
Finance expense	154	110	218
Non cash movements on defined benefit pension plan	148	143	290
Depreciation and amortisation	782	644	1,293
Charge for share based payments	170	202	406
Derivative financial instruments	781	183	(438)
Foreign exchange revaluation on US Dollar cash deposits	(1,087)	-	1,118
(Increase)/decrease in trade and other receivables	(2,112)	(1,922)	(448)
Decrease/(increase) in inventories	2	90	(424)
Increase/(Decrease) in trade and other payables	550	(358)	1,079
<b>Net cash generated by operations</b>	<b>607</b>	<b>6,504</b>	<b>3,601</b>
Interest paid	(154)	(111)	(304)
Income tax received/(paid)	44	-	(174)
<b>Net cash generated by operating activities</b>	<b>497</b>	<b>6,393</b>	<b>3,123</b>
<b>Cash flows from investing activities</b>			
Interest received	11	1	65
Investments	(128)	(166)	(275)
Acquisition of Alerpharma Group	-	-	(2,653)
Cash acquired on acquisition of Alerpharma Group	-	-	1,301
Payments for intangible assets	(142)	(48)	(13)
Payments for property plant and equipment	(335)	(221)	(1,091)
<b>Net cash used in investing activities</b>	<b>(594)</b>	<b>(434)</b>	<b>(2,666)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares (net of share issue costs)	10,967	34	20,079
Repayment of borrowings	(120)	-	-
<b>Net cash generated by financing activities</b>	<b>10,847</b>	<b>34</b>	<b>20,079</b>
Net increase in cash and cash equivalents	10,750	5,993	20,536
Effects of exchange rates on cash and cash equivalents	1,257	(37)	(1,366)
Cash and cash equivalents at the start of the period	21,199	2,029	2,029
<b>Cash and cash equivalents at the end of the period</b>	<b>33,206</b>	<b>7,985</b>	<b>21,199</b>

## 1. Interim financial information

The unaudited consolidated interim financial information is for the six month period ended 31 December 2015. The financial information does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 30 June 2015, which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The interim financial information has not been audited nor has it been reviewed under ISRE 2410 of the Auditing Practices Board. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Company's statutory financial statements for the year ended 30 June 2015 prepared under IFRS have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006.

## 2. Basis of preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except for land and buildings and derivative financial instruments which have been measured at fair value. The accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 30 June 2015 as described in those financial statements. There are no accounting standards that have become effective in the current period that would have a material impact upon the financial statements.

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

With effect from 1 July 2015, the Company will prepare its individual company financial statements in accordance with Financial Reporting Standard (FRS) 101 – Reduced disclosure framework. The

application of FRS 101 is not expected to have a significant impact on the Company. There will be no impact on the Group consolidated financial statements which will continue to be prepared under International Financial Reporting Standards (IFRS). If any shareholder has any objections to the adoption of FRS 101 they should write to the company secretary at the registered office address before 31 March 2016.

## Going Concern

The Group has been profit making in the six months to 31 December 2015, as it was in the corresponding period ending 31 December 2014 and has made operating profits in the years ending 30 June 2010 onwards.

Detailed budgets have been prepared, including cash flow projections for the periods ending 30 June 2016 and 30 June 2017. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing bank facilities. The Group had a cash balance of £33.2m at 31 December 2015 and expects to renew its banking facilities when they are due for renewal in April 2016. After making appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Group's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in preparing these interim financial statements.

### 3. Earnings per share

	<b>6 months to 31 Dec 2015 £'000 unaudited</b>	6 months to 31 Dec 2014 £'000 unaudited	12 months to 30 June 2015 £'000 audited
Profit after tax attributable to equity shareholders	<b>1,054</b>	7,305	108
	<b>Shares '000</b>	Shares '000	Shares '000
Issued ordinary shares at start of the period	<b>545,848</b>	409,867	409,867
Ordinary shares to be issued on conversion of loan note	-	41,675	-
Ordinary shares issued in the period	<b>41,005</b>	189	135,981
Issued ordinary shares used in EPS calculation	<b>586,853</b>	451,731	545,848
Weighted average number of shares in issue for the period	<b>559,516</b>	451,636	475,197
Weighted average number of shares for diluted earnings per share	<b>581,827</b>	475,191	498,242
Basic earnings per share (pence)	<b>0.19p</b>	1.62p	0.02p
Diluted earnings per share (pence)	<b>0.18p</b>	1.54p	0.02p

### 4. Contingent liabilities

On 23 February 2015, the Company received notification that The Federal Office for Economics and Export ("BAFA") had made a decision to reverse their preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4m (£1.1m) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be re-instated. Therefore, as at 31 December 2015, no provision has been recognised for the

repayment of the rebate refund. This position will be kept under review.

The European Commission has concluded its investigation into whether the exemption of pharmaceutical manufacturers from the increase in rebates in Germany constitutes state aid. The European Commission has determined that the exemptions do not constitute state aid. Subsequent to this announcement, the Group has been advised that an appeal has been lodged at the EU Court against this decision. If successful, and the exemptions are determined to be illegal state aid, then the exemption refunds may have to be repaid. The maximum sum to be repaid would be approximately £5m (including the £1.1m referred to above); however, the Group considers this to be an unlikely outcome and consequently has not recognised any contingent liability.



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