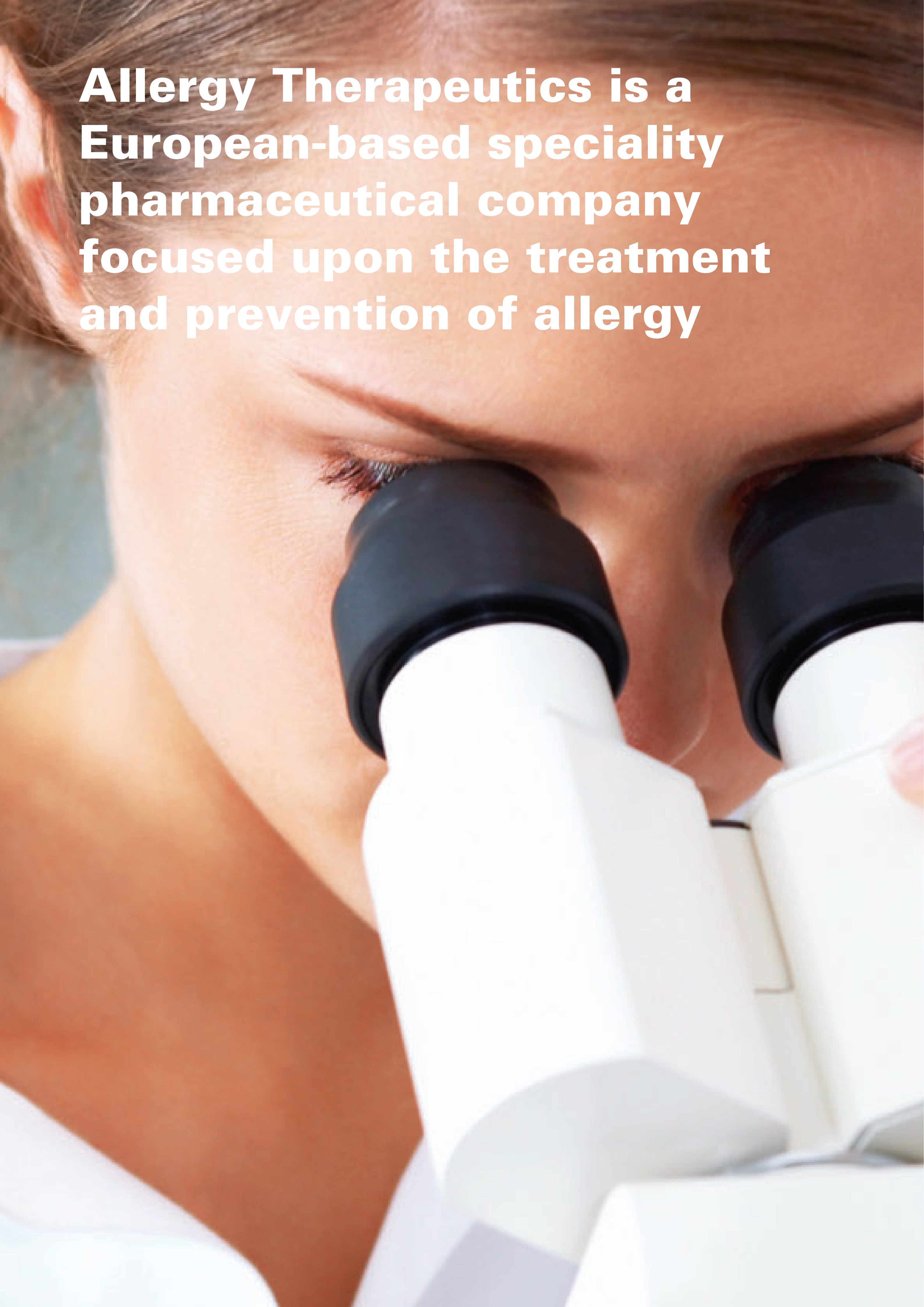
Allergy Therapeutics plc

Annual Report & Accounts 2009

Allergy Therapeutics®
Transforming Allergy Treatment

www.allergytherapeutics.com

Allergy Therapeutics is a European-based speciality pharmaceutical company focused upon the treatment and prevention of allergy



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Highlights

- Pollinex® Quattro Grass dossier submitted for Regulatory Review in EU in March 2009
- Pollinex Quattro Grass will become the first short course vaccine for hayfever registered across Europe following the process of mutual recognition
- Revenues increased by 22% to £37.8 million (2008: £31.0 million)
- Pollinex Quattro named-patient sales increased by 41% to £18.2 million
- Gross profit increased by 20% to £24.2 million (2008: £20.2 million)
- Operating loss reduced to £6.2 million (2008: £15.6 million)
- R&D expenditure reduced to £5.3 million (2008: £16.3 million)
- In July 2009 194,131,937 new shares issued, raising £22.1 million net of expenses
- On 3 July 2009 the Company repaid £9.4 million of debt and revised and amended the terms of its bank agreement

Our Strategy

- **Continue to build our European commercial infrastructure**
- **Continue developing improved allergy vaccines with novel adjuvants, improved dosing characteristics and hence patient compliance and new delivery formulations generating a patent protected, registered product portfolio**
- **Broaden the portfolio through the in-licensing and co-development of selected products**
- **Identify strong commercial partners for non European markets**

"Another good year from our manufacturing and supply operations, providing excellent service to our customers and continued compliance and quality excellence"

Chairman’s Statement

”A major achievement was the submission in March of our ultra-short course for injection grass allergy vaccine for marketing approval in Europe”

This financial year has been an eventful one in which we submitted Pollinex Quattro Grass for approval in Europe, grew year on year sales by 22%, funded the conclusion of a significant R&D programme, have been granted two further patents, enjoyed the best ever supply performance from our manufacturing units, and just after the year-end, in July, we refinanced the Group and strengthened the board.

Allergy Therapeutics is a strong business and we were able to raise £22.1m from shareholders in July 2009, with the Weinstein family, whose interests in pharmaceuticals span over 20 countries from their South American base, acting as a cornerstone investor. It is largely to the credit of our shareholders that they overwhelmingly approved the transaction and several shareholders increased their investment in the Company in a difficult market. We thank all the shareholders, new and old, for their support.

The refinancing in July involved a £9.4m repayment of debt to RBS and a revision of the terms of the loan facilities, providing the Company with ample financial headroom for the foreseeable future. The Group is now in a strong and stable financial position and is able to focus on the business of growing sales, achieving a profit and treating allergy sufferers across Europe.

As a consequence of the financing there have been changes to the board, with Keith Carter agreeing to step down as CEO to allow Manuel Llobet, a highly experienced executive from the Weinstein family pharmaceutical businesses, to take over the role. Keith will remain on the board as a non-executive and be joined in that capacity by Alejandro Weinstein as senior representative of the Weinstein family which now owns over 40% of the Company. Keith is one of the founders of Allergy Therapeutics, having played a leading role in the buy-in from SmithKline Beecham in 1998 and under his leadership the Group grew from £11m to £37m in sales, completed its IPO, raised over £90m in funding, conducted two successful development programmes, made a submission for regulatory approval and comprehensively upgraded all its operations. I thank Keith for his great contribution.

I welcome Manuel and Alejandro to the board. They are both pharmaceuticals professionals, with a wealth of experience in many markets, geographical and therapeutic. Their expertise, in particular with respect to sales and marketing, will be valuable to the Group as it continues its drive to grow sales and increase market share.

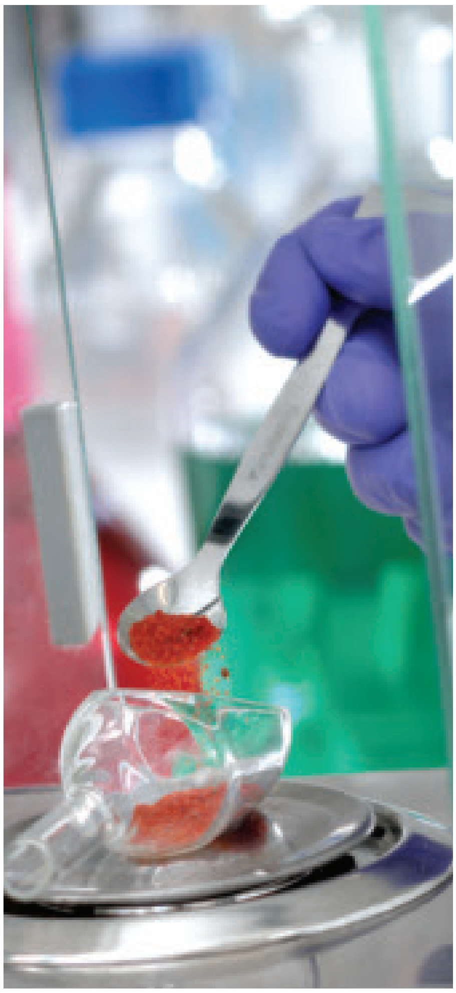
"The group is now in a strong and stable financial position and is able to focus on the business of growing sales"

A major achievement was the submission in March 2009 of Pollinex Quattro Grass our ultra-short course four injection grass allergy vaccine for marketing approval in Europe. This represents the culmination of a ten year journey from a pre-clinical idea through an exhaustive series of clinical trials to the successful completion of Phase III efficacy and safety studies. Product launch is expected in Germany in the second half of 2010 and subsequently elsewhere in Europe, and will enable Allergy Therapeutics to increase prices and accelerate sales growth in its current markets as well as entering new European markets.

Other highlights include another good year from our manufacturing and supply operations, providing excellent service to our customers and continued compliance and quality excellence. Investment continues in improved methods and equipment to both de-risk the business and improve future margins. Revenues grew 22% year-on-year supported by a stronger Euro, but despite a low pollen season which impacts Allergy Therapeutics as our main Pollinex Quattro product exclusively addresses the hay-fever market.

These last twelve months have been very eventful and have presented many challenges to the management and staff at Allergy Therapeutics. I am proud and unsurprised to say that the team has risen to these challenges, identified the opportunities contained within them, and that the Group is now much stronger as a result. We have strengthened the balance sheet with major financing; and added to our development strength with a major product submission; as well as improving manufacturing, sales and marketing operations capabilities.

Ignace Goethals
Chairman
18 September 2009



CEO's Review

"The company is starting anew its voyage to transform allergy treatment"

“We are confident that Allergy Therapeutics is well placed to capitalise on the investments of the past, win market share within Europe and grow profitably”

Following a period of heavy investment since the IPO in 2004 – completing one of the most extensive product development programmes in the field of allergy vaccines and also upgrading both the supply and the commercial operations – the Group is now capitalising on those investments. With a strengthened balance sheet and a new cornerstone investor, a product proceeding through the registration process in Europe (the biggest market for allergy vaccines), and a new Chief Executive with extensive and appropriate experience in the sales and marketing of pharmaceuticals, the Company is starting anew its voyage to transform allergy treatment.

Allergy vaccination continues its progress from a niche treatment into the mainstream of the pharmaceuticals industry. We welcome this development, as we have long believed in evidence-based medicine and registered products. This transition, as with all change, does bring challenges, one of which is responding to the requirements of the Paul Ehrlich Institut (‘PEI’). The PEI Ordinance, which aims to implement the EU Directive on pharmaceutical regulation and so bring allergy vaccination into regulatory line with mainstream pharmaceuticals, will require Allergy Therapeutics and other market participants to undertake some work, quality and clinical, as well as administrative, to achieve national registration of products treating the most common allergies. We have an extensive plan to meet these new requirements and anticipate that the competitive scene will change favourably in Germany over coming years as the PEI Ordinance is implemented and some products are removed from the market.

Our development programmes in the USA remain on FDA Clinical Hold. The situation is still likely to be determined by the context of an FDA review of vaccine adjuvants in general. It is notable that although the FDA has never approved a vaccine adjuvant, vaccines containing our adjuvant, MPL, have been granted marketing approvals in approximately 100 countries and, in GSK’s Cervarix, MPL has been approved by the World Health Organisation. Following the recent positive FDA Advisory Committee meeting we remain optimistic that GSK’s recent resubmission of Cervarix for US approval will be successful and will mark the end of the FDA adjuvant review, thereby providing an opportunity for us to open discussions with the FDA regarding lifting of our Clinical Hold. Such a discussion will cover the risk:benefit profile of our products and their ‘place in treatment’. It would be our hope to conclude these discussions with an agreed way forward to continue our development programme, which will involve further safety and efficacy trials. It is however, not possible to pre-judge the outcome.

It is worth remembering that for allergy vaccines manufactured under GMP by ethical pharmaceutical companies, Europe remains the biggest market by far and that other markets are generally considered to be undeveloped. We were pleased to announce earlier this year the granting of two further patents; one for Japan, covering the technology behind Pollinex Quattro, with the other covering the entire EU for the sub-lingual use of our MPL adjuvant for the oral vaccine delivery with any antigen. Our strategy remains to further develop the Company’s intellectual property with the assistance of partners who will provide the financial resources required.

Allergy can be a debilitating condition, and moderate to severe patients often do not respond to pharmacotherapies such as antihistamines. In these cases, specialist treatment is required. Injected allergy vaccines such as Pollinex Quattro are well-suited to these patients. Compliance is excellent and in the rare case of serious adverse events the physician’s office is the right place for these to be handled. The European market for allergy vaccines exceeds €600m; Allergy Therapeutics’ market share approximately 6%. We believe that with Pollinex Quattro, which offers efficacy comparable to that of traditional allergy desensitising immunotherapy which often requires 20 or more shots, and to that of sublingual allergy vaccines (SLIT), which requires daily dosing for several months, this market share can be grown.

We are confident that Allergy Therapeutics is well placed to capitalise on the investments of the past, win market share within Europe and grow profitably.

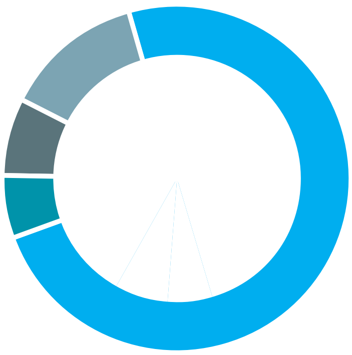
Keith Carter
Chief Executive Officer
(up to 31 August 2009)
18 September 2009

Manuel Llobet
Chief Executive Officer
18 September 2009

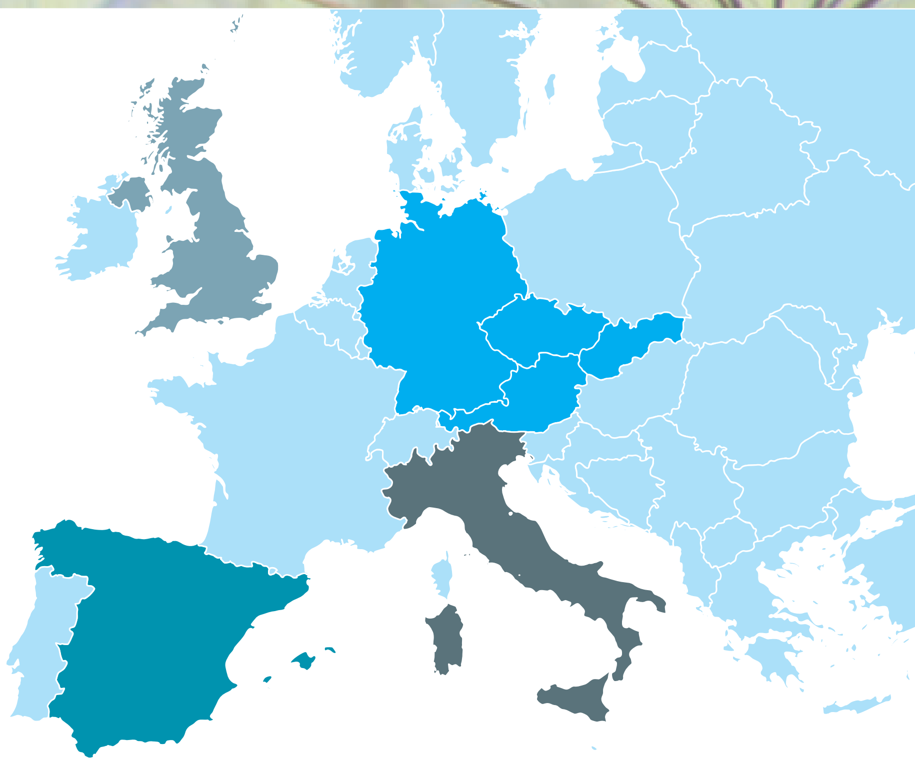
Our Markets

"Our goal is not just to continue to grow sales but to accelerate the growth of the business"

Net Sales by Country



Spain – 6%
Italy – 8%
UK & Export Market – 13%
Germany – 73%



Allergy Therapeutics has established commercial operations in most of the major immunotherapy markets in the world. We have a particularly strong presence in Europe with our own operations in important markets including Germany, Italy, Spain, Austria and the United Kingdom.

In markets where we do not have a direct presence, we often make our products available through partners. The most important distributor markets for us are Canada, Holland and South Korea.

We have recently completed the restructuring of many of our operations across Europe and have begun to see indications of success coming from these changes. A major part of the restructuring, while including changes to our processes and focus, was the appointment of new talented and experienced management teams in our most important markets.
Our goal is to not just continue to grow sales but to accelerate the growth of our business. The quality and quantity of our efforts in sales and marketing within our affiliates has improved dramatically and we expect to reap rewards from this in the coming years.

Germany

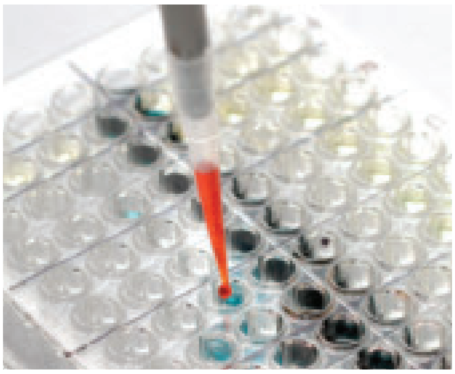
The most important market for the Group, Germany is also the single largest immunotherapy market in the world by value with annual sales in this market of €284 million. The market continues to show strong growth with annual increases in total sales continuing in the mid single digits. The market also continues to have a strong preference towards injectable rather than sublingual immunotherapy and this favours Pollinex Quattro.
This preference is only increasing with the injectable market growing faster than the sublingual market despite recent product launches into the sublingual market.

The Group completed much of the restructuring of the business in Germany in 2007 and we continue to see changes in the business and results related to this activity. We were particularly impacted, however, in Germany by a poor pollen season in 2008 which resulted in lower patient flows into allergy clinics which lead to lower than expected sales of allergy vaccines during the following prescribing season. Despite the poor pollen season, Pollinex Quattro has become one of the fastest growing allergy vaccines in this marketplace.

Spain

Total market sales per year in Spain are estimated to be €61 million with a mid single digit growth in value during the past year. Growth in this market has recently been negatively impacted by the economic slowdown as in Italy. It remains a very large market in terms of volume with approximately 150,000 patients a year estimated to receive immunotherapy. Injectable immunotherapy products continue as treatment of choice by Spanish physicians.

Our restructuring in Spain is complete and we expect to continue to gain market share as we have done during the past four years. This development will result from the accelerated growth of Pollinex Quattro and the continued support of our legacy products.



Italy

We estimate the total Italian immunotherapy market to be worth €55 million in sales per year. The Italian market as a whole has experienced little growth in recent years due to negative economic conditions impacting patients and their ability to pay for vaccines.

We have a much stronger organisation in place in Italy following our recent review. We believe there is a great opportunity to continue to grow our business despite the poor overall market performance as we move more prescriptions in this market away from sublingual therapy and towards injectable immunotherapy.

We now have the personnel and systems structures in place to continue to accelerate our growth and gain market share.
This accelerated growth will come through improved Pollinex Quattro sales and support of our existing portfolio.

UK

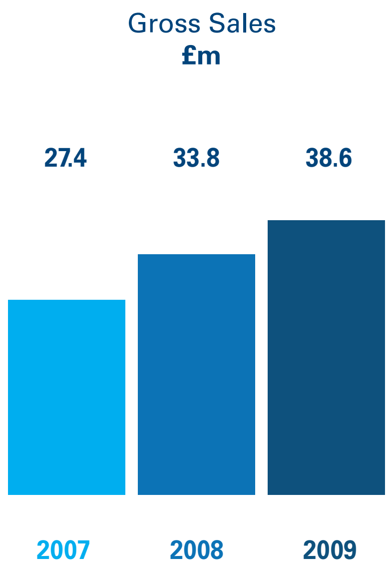
The United Kingdom, our home market, is an important marketplace and a potential area of future growth for the Group. While currently there is limited use of allergy vaccines, this is changing and there has been an increased focus at a government level and in the media on the benefits of immunotherapy. It is hoped that allergy services will improve in the near future. It is also a market with a disproportionately large number of opinion leaders and our work here leads to improving the Group's profile and that of Pollinex Quattro in other markets including the United States.

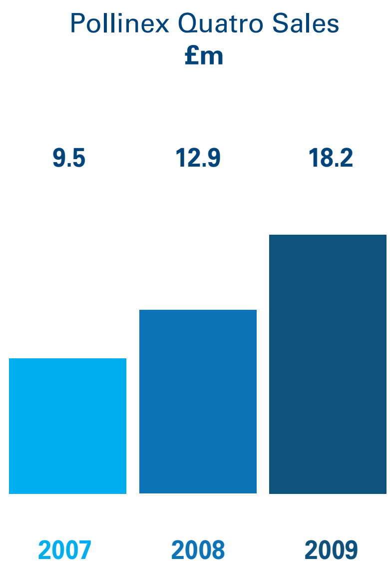
Our business in the United Kingdom has been growing quickly in a complex market. There is a focus on pharmaeconomics and this is a significant benefit of Pollinex Quattro. The short duration of treatment reduces direct and indirect costs. This leads to high rates of compliance and makes for compelling pharmaeconomic outcomes.

Our Products

"Pollinex Quattro, launched in 1999, began a transformation for immunotherapy by introducing allergy vaccination with only four injections per course"

How We're Doing





"Pollinex Quattro is the first in a new generation of allergy vaccines"

The Group sells a wide range of allergy vaccines and diagnostics. The main sales of the Group are in allergy vaccines and we sell both injectable vaccines and sublingual vaccines. Our vaccines and diagnostics trade under certain brand names, however, under each brand name is a product that is produced in many different forms depending upon the specific allergy needs of the patient as determined by the doctor. The majority of our sales are for the treatment of pollen related allergies related especially to allergies to grasses and trees.

According to current opinion, IgE mediated allergies (type one allergies) are due to dysregulation of the T helper lymphocyte (TH) cell. Whereas healthy people develop tolerance to allergens, allergy sufferers have a TH2-dominated immune response with increased IgE and corresponding clinical symptoms. This dysregulation of the immune system can be counteracted efficiently using specific immunotherapy (SIT). By administering high doses of allergen, the balance between TH1 and TH2 response to the allergen can be restored. Since SIT was first carried out successfully by Leonard Noon in 1911, it has become established as the only causal therapy for type 1 allergies.

Injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one new product, Pollinex Quattro, which is the largest and the fastest growing product in our portfolio and other legacy products. These legacy products trade under different names in different markets and include Pollinex, TA Mix top and Venomil.

Pollinex Quattro, launched in 1999, began a transformation of immunotherapy by introducing allergy vaccination with only four injections per course. The short treatment period is due to the use of L tyrosine absorbed allergoids and the innovative adjuvant, monophosphoryl-lipid A (MPL). An adjuvant is a substance which improves the immune response to an antigen or allergen. MPL is derived from a lipopolysaccharide (LPS) which is obtained from the cell wall of Salmonella Minnesota R 595 using a process of extraction, purification and detoxification.

As a vaccine adjuvant, MPL has been used for many years in vaccine studies and has been tested on over 30,000 subjects with more than 100,000 doses. Vaccines with systems containing MPL have been evaluated in various indications such as cervical cancer and malaria at GlaxoSmithKline. Two vaccines with an adjuvant system containing MPL have received broad approval, including in Europe: a hepatitis B vaccine and an HPV vaccine to protect against cervical cancer – Fendrix and Cervarix, respectively. These modern, successful vaccines are already widely used.

The adjuvant effect of MPL in SIT has been documented in numerous studies and is seen in its essential role of promoting the switch from a TH2-directed immune response (with IgE induction) to a TH1-directed immune response.

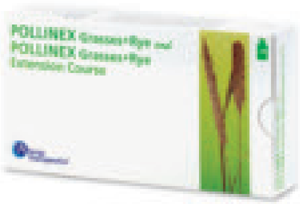
Our sublingual product is Oralvac. Recently we relaunched this product in a new and improved form as Oralvac Compact. Oralvac Compact's dosing schedule allows for a more rapid and simpler escalation of dosage making treatment more convenient for patients and doctors. The product launched in 2009 in Germany and is being launched into other European markets. We expect that this product will be very competitive and attract interest in the sublingual market at a time in which competitors are launching new products.

Our Portfolio

Allergy Therapeutics's current portfolio of competitive products is based on allergoids, (modified allergens) tyrosine depot and MPL adjuvant. These technologies offer significant benefits over older allergy vaccination technologies. Allergy Therapeutics' development programme is designed to improve product characteristics by providing an improved safety profile and reduce the number of injections over the treatment period, resulting in well-accepted registered products likely to be prescribed by a higher percentage of physicians.

Pollinex
Quattro

Tyrosine



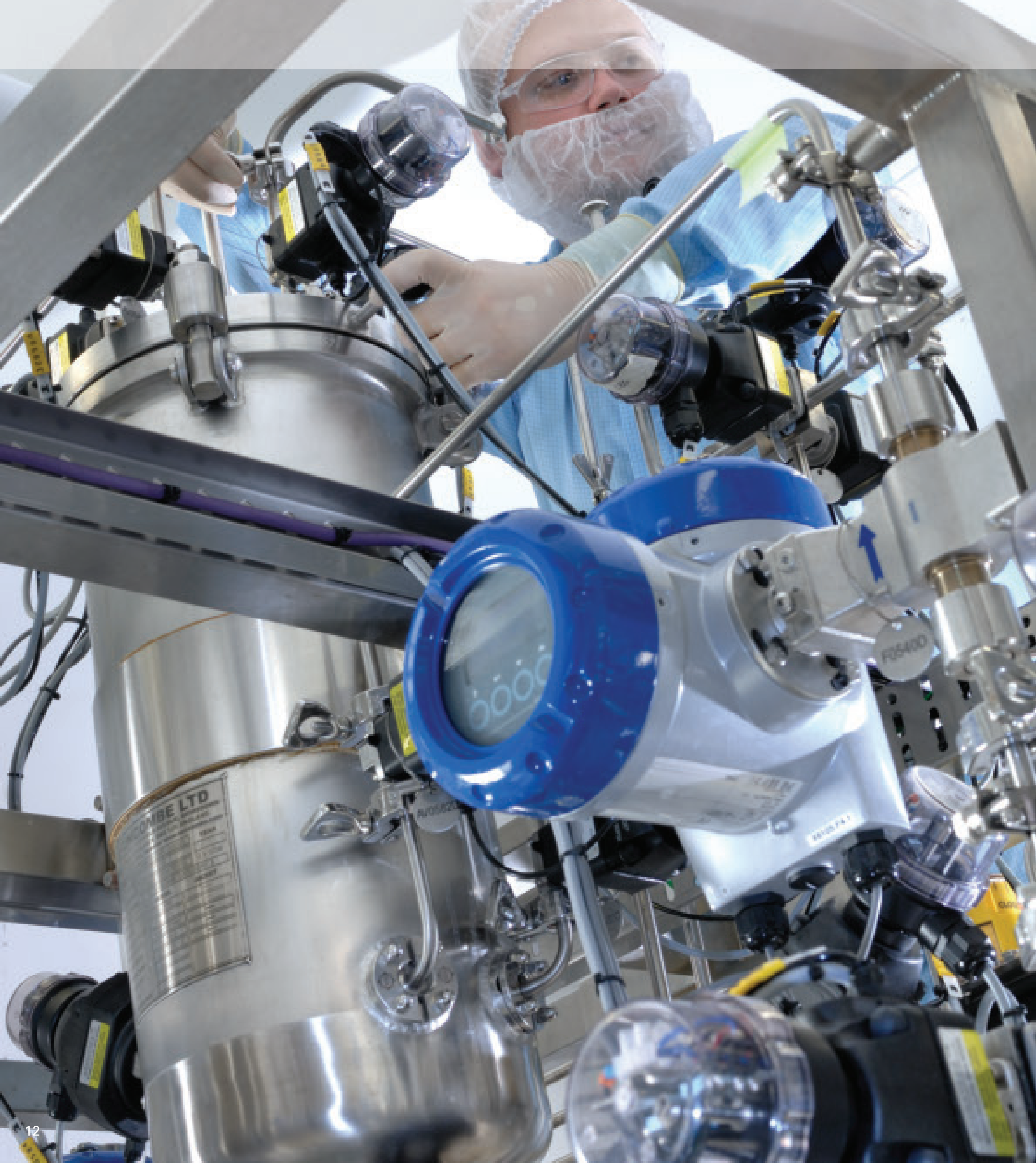
Pollinex
Grasses & Rye

Pollinex
Trees

Oralvac
(sublingual)

Research and Development

"The most significant event for Allergy Therapeutics during the year has been the Pollinex Quattro 0.5ml authorisation application"



Our Product Pipeline

Pre-clinical	Phase 1	Phase 2	Phase 3	Registration
Japanese Cedar	Sublingual MPL	Trees (US / Canada / Europe)	Grasses (US / Canada) Ragweed (US / Canada)	Grasses (Europe)

The most significant event for Allergy Therapeutics during the year has been the Pollinex Quattro Grass 0.5ml marketing authorisation application (MAA). It was submitted on schedule on the 3 March 2009. This new product licence application is the first in a new generation of ultra short course adjuvinated allergy vaccines. The submission to the leading regulatory authority in the field, the Paul Ehrlich Institute (PEI) in Germany, is now under review. We anticipate approval to support product launch in our biggest market, Germany, in the second half of 2010. Subsequent to PEI national approval we will extend the submission under the EU Mutual Recognition Procedure. Key markets under consideration are Italy, Spain, Austria, UK, France and the Netherlands.

The continued analyses of the landmark Pollinex Quattro Grass 0.5ml G301 Phase III study continues and the consistency of the positive outcomes underlines the robustness of the overall study result. Valuable additional information on important sub-groups of patients and various outcomes has been gathered. Of particular note is the 32% benefit ($p=0.034$) in the combined symptom and medication score (CSMS) demonstrated in European patients (completed cases dataset). The additional G301 data have been presented at the key scientific meetings ACAAI, AAAAI and EAACI.

The Pollinex Quattro Ragweed 0.5ml R301 analyses have also provided more information on the benefit of the Pollinex Quattro Range of products. In the full-dose group, efficacy has been proven over the entire season, a 13.5% difference ($p=0.012$). It is significant that this was accompanied by a marked change in immunology with a >11 fold increase in IgG after treatment, a benefit largely maintained throughout the season. The accompanying Quality of Life improvements were statistically and clinically significant ($p<0.016$) both in total score and in several individual domains. The positive outcome of the R301 study combined with the successful R204 study constitutes a package of clinical data potentially suitable for a new drug submission in Canada and thus combined with the G301 results are attractive to possible partners in Canada for both Pollinex Quattro Ragweed 0.5ml and Grass 0.5ml.

The FDA's review of new vaccine adjuvants continues with two important milestones during the period. First Allergy Therapeutics participated in a workshop held by FDA/ NIH in Washington in December 2008 at which the potential utility and safety-in-use of several vaccine adjuvants was evident. Second GSK have re-submitted their new drug application (NDA) for Cervarix, an MPL adjuvant vaccine for the prevention of cervical cancer.

Following the recent positive FDA Advisory Committee meeting we are optimistic that US approval of Cervarix will result and will mark the end of the FDA adjuvant review, thereby providing an opportunity for us to re-open discussions with the FDA regarding lifting of our Clinical Hold.

Such a discussion will cover the risk: benefit profile of our products and involve reviewing their safety, efficacy and 'place in treatment'. It would be our hope to conclude these discussions with an agreed way forward to continue our development programmes, which will involve further safety and efficacy trials. It is however, not possible to pre-judge the outcome.

In November 2008, the PEI introduced the Therapy Allergen Regulation, a statutory instrument to extend the German Drug Law (following incorporation of the EU Directive 2001/83/EC) to cover licensure of particular allergen products supplied on a Named Patient Product basis. Allergy Therapeutics has implemented a clear strategy and put in place the resources to submit marketing authorisation applications for its leading products.

> "Pollinex Quattro Ragweed 0.5ml R301 analyses have also provided more information on the benefit of the Pollinex Quattro range of products"

Board of Directors

Messages from the Board

Ignace Goethals
Non-Executive Chairman (64)
Ignace has had a successful career in the pharmaceutical industry, with Eli Lilly, Squibb/Bristol Myers Squibb and SmithKline Beecham rising to the highest levels prior to retiring at the end of 1998 when he was Head of World-wide Supply Operations. His experience is exceptionally broad, covering sales and marketing, country and regional general management positions, licensing and business development, business unit management (Biologicals and Animal Health) and supply. Ignace has a degree in Applied Economics from the University of Louvain (Belgium) and an MBA from the University of Chicago.

As Non-Executive Chairman, Ignace is responsible for leadership of the Board by ensuring Board effectiveness, good corporate governance and effective communication with shareholders.

Ignace sits on the Audit and Remuneration Committees.

Manuel Llobet
Chief Executive Officer (45)
Manuel Llobet joined the Company in September 2009 following the successful refinancing by Azure Ventures Limited. Prior to this appointment, Manuel was the Principal Consultant for Biohealth LLC and CEO of International Operations of the Weinstein family's group of companies. Mr Llobet was responsible for international development of the Weinstein family's group of pharmaceutical companies in 20 countries. Mr Llobet has over ten years experience working in the pharmaceutical industry, primarily in South America and has served as Executive Director of Corporación Drokasa where he was responsible for a US$25 million AAA-rated bond issue to finance the group's expansion plans; CEO of Laboratorios Andrómaco where he led the Company to an IPO on the Santiago Stock Exchange; and Business Development Manager for Laboratorio Chile. Mr Llobet participated in the Executive Program at the Graduate Business School of Stanford University and has an MBA from IESE, Universidad de Navarra, Barcelona. Mr Llobet also has degrees in Industrial Business Management and Chemical Engineering from Universitat Ramon Llull, Barcelona.

As Chief Executive Officer, Manuel is responsible for the executive management of Group operations, investor relations, and implementation of the Board's collective decisions overseeing all operational aspects of the Group and directing the long-term strategy.

Ian Postlethwaite
Finance Director (46)
Ian Postlethwaite joined Allergy Therapeutics in April 2002 as Finance Director. Prior to this he worked for Ellerman Investments (1997 - 2002), a UK private equity house, the roles of Chief Executive Officer with AFS, one of the largest independent finance houses in the UK, and Finance Director with a number of successful start up technology companies. Previously he held senior finance positions with Ericsson, from 1994 - 1997, and Philips Electronics from 1989 - 1994. He is a qualified accountant and a Fellow of the Chartered Association of Certified Accountants. Ian has a BSc (Hons) in Geological Sciences from Aston University.

As Finance Director Ian is responsible for Group financial reporting and control, tax, finance systems and internal audit. Ian is also the Company Secretary, a position he has held since 2004.

Thomas Holdich
R & D Director (50)
Tom is a pharmaceutical physician whose specialty is global drug development. Tom joined Allergy Therapeutics in August 2004. He has been involved in clinical research in both large pharmaceutical companies, such as AstraZeneca, and smaller companies such as Shire Pharmaceuticals for the last 20 years. He has directed international research projects from Phase I (first time into man) to Phase IV (life cycle management) in therapeutic areas ranging from epilepsy and schizophrenia to HIV and inflammatory bowel disease.

As R&D Director, Tom is responsible for establishing and maintaining the Group's R&D programmes.

Christian Grätz
Director, Market Operations (56)
Christian joined the Company in July 1998. Prior to this he was Marketing & Sales Director at Akzo Nobel/Organon GmbH

between 1996 and 1998. During his time at Organon he restructured the Company, in-licensed the entire gynaecology product portfolio from Orion (Finland) and successfully managed a Joint Venture with Janssen-Cilag. Previously Christian was Business Unit Director at American Cyanamid/ Lederle GmbH (1991-1996). He brought Lederle's vaccines from the USA to Europe where they were launched in 1994 and rapidly gained significant market share. When Lederle and American Home Corp. merged, Christian was responsible for restructuring the new Company and appointed Division Director Germany. Before joining Lederle he held a number of senior management positions with large companies including BASF/ Knoll AG and Beiersdorf AG. Christian lectured on economics at Universities of Hagen and Gelsenkirchen and has a Dr. (rer. oec.) from Bochum University.

As Market Operations Director, Christian is responsible for global sales activities.

Stephen Smith
Non-Executive Director (56)
Stephen Smith is a Chartered Management Accountant, Fellow of the Association of Corporate Treasurers and Member of the Institute for Turnaround who, since 1995, has operated as an independent consultant, non-executive director and interim manager (CRO/CEO/ COO/FD) on an international basis.

Up to 1995 Stephen held various senior financial positions in UK based international public companies including 6 years as Group Treasurer of The Rank Organisation and 3 years as Group Finance Director of a quoted hotel Company.

Stephen chairs the Remuneration and Audit Committees.

Virinder Nohria
Non-Executive Director (54)
Virinder works as a strategic consultant in international drug development. He has led teams in many successful interactions with regulatory bodies in several countries, particularly the US FDA. He is founder and Chief Medical Officer of Alaven Pharmaceutical LLC, a privately held specialty pharmaceutical Company in the areas of gastroenterology and women's health. Dr. Nohria served as Chief Medical Officer and Vice President of Xcel Pharmaceuticals, Inc., a US specialty pharmaceutical Company until the sale of the Company to Valeant Pharmaceutical International in early 2005. Prior to joining Xcel, Dr. Nohria held several positions in biotechnology and pharmaceutical companies including UCB Pharma and Eli Lilly and Company. Dr. Nohria is a board certified paediatric neurologist and received his medical degree from Cambridge University and doctorate in neuro-pharmacology from University of Bradford.

He is currently based in the US and has an affiliation with Mercer University.

Virinder sits on the Remuneration Committee.

Alejandro Weinstein Jr
Non-Executive Director (51)
Alejandro Weinstein Jr. is CEO of Laboratorios Recalcine Chile, a position held since 2000, and is responsible for the entire Weinstein family group of pharmaceutical companies. Mr Weinstein has been responsible for transforming the Recalcine Group from a local Chilean pharmaceutical Company into a global family pharmaceutical Company with a presence in 20 countries and double digit sales growth for the last five years. Mr Weinstein has been active in developing and managing several businesses and start ups in the pharmaceutical industry and the healthcare sector, including Genomika Foundation, a stem cell research organisation; Biomedical Research Consortium, a joint venture between a biotech R&D Company and a university; Vidacel and Banco de Vida, public and private stem cell banks in Chile; and several other joint ventures with local and foreign R&D companies.

Mr Weinstein has a BA, is a Certified Public Accountant and participated in the Owner/President Management Program (OPM) at Harvard Business School.

Keith Carter
Non-Executive Director (50)
Keith is a founding shareholder of Allergy Therapeutics, and was part of the team that orchestrated the MBI of the Company from SmithKline Beecham. Prior to this his career was spent in corporate advisory and corporate finance work with Lloyds Merchant Bank, Drexel Burnham Lambert and latterly at NatWest Markets, the investment banking arm of the National Westminster Bank, where he headed the Pharma Group. He began specialising in advice to the pharmaceuticals industry in 1990, when he ran his own corporate finance boutique. Keith has a First Class Honours degree in Economics from Cambridge University.

Keith was CEO of Allergy Therapeutics plc from 2004 to 2009.

Financial Review

" The Group's flagship product, Pollinex Quattro continued to sell very well, with gross sales of £18.2m (2008: £12.9m), an increase of 41% over the previous year. On a constant currency basis the increase was 21%"

The following review should be read in conjunction with the Group's consolidated financial statements and related notes appearing elsewhere in this annual report.

Revenue

For the year ended 30 June 2009 total gross sales increased by 14% to £38.9m (2008: £34.2m). Sales included the receipt of milestone payments from our Canadian licensees of £0.3m (2007: £2.7m).
After statutory rebates in the German market net sales were £37.8m (2007: £31.0m), an increase over the previous year of 22%. Sales benefited from the increasingly strong Euro; the relative strength of the Euro over the previous year adding £5.0m to the net sales.

Own markets

The Group competes directly in eight European markets, including three of Europe's four most important for allergy vaccination: Germany, Italy and Spain. The Group has a significant presence in Germany, which is the largest market in the world for allergy vaccines. The allergy vaccine market in Germany continued to grow during the year, albeit at a slower rate due to the low pollen count in the 2008 season, at the rate of 9% (2008: 20%). Company gross sales in Germany were £28.9m (2008: £23.8m), an increase over the previous year of 21% supported by the strong Euro. The rebate on pharmaceutical sales, which is market wide, has since May 1st 2006, included 100% of any price increases since 1 November 2005 on top of the basic rate of 6%.
On 1st May 2008 the rebate reverted back to its original form of a basic 6%. In Italy and Spain, supported by the strong Euro, the Group has demonstrated a positive performance. In Italy annual sales were £3.0m (2008: £2.5m), an increase of 21% and in Spain sales were £2.2m (2008: £1.9m), an increase of 16%. Operations in the UK, the Czech and Slovak Republics, Poland and Austria performed well contributing £2.6m to sales (2008: £1.5m).

Licensees

The Group also sells through licensees and distributors, accounting for 6% of the gross sales. Total sales for the year were £2.1m (2008: £4.5m) a decrease of 53% on the previous year due to the inclusion last year of a large milestone receipt of £2.7m (2009 £0.3m).
These milestone receipts were from the Group's Canadian licensees for Pollinex Quattro and were triggered by reaching certain development activities.

Product sales

The Group's flagship product, Pollinex Quattro continued to sell very well, with gross sales of £18.2m (2008: £12.9m), an increase of 41% over the previous year. On a constant currency basis the increase was 21%.

Cost of sales and net operating expenses

In general, manufacturing costs have increased as a result of an increase in general operating expenditure such as utility and maintenance costs together with an increase in heads to ensure compliance with recommended good manufacturing practice (GMP).
As a consequence of these increases, cost of goods sold was £13.6m (2008: £10.9m), an increase of 25% over the previous year. Marketing, promotion and selling costs increased in the year (£13.6m against the previous year figure of £11.8m) largely due to the stronger Euro making overseas purchases more expensive against Sterling. Distribution costs also grew for this reason and as a result of the increasing sales.
Administrative expenses have increased by 56% to £10.3m (2008: £6.6m) due to the impact of valuing financial derivatives under IFRS (£1.0m), foreign exchange losses on forward contracts (£1.8m), consultancy and professional fees in connection with the Company's refinancing activities (£0.6m) and additional regulatory fees to comply with the new EU directives (£0.4m). As the development programme for Pollinex Quattro nears its end, R&D costs have decreased by 67% to £5.3m (2008: £16.3m). Most of the activity relates to the extensive Phase III programme for Grass and Ragweed.

Results of operation

As a consequence of investment in the development programmes in preparation for the launch of Pollinex Quattro the Group recorded an operating loss on ordinary activities of £6.2m (2008: loss £15.6m).

Taxation

The Group in total has tax losses to carry forward of £71m (2008: £59m). However these losses are primarily in the UK and it is likely that corporation taxes will become payable in overseas subsidiaries in the near future.

Net assets

Due primarily to investments in R&D the balance sheet had net liabilities at 30 June 2009 of £23.2m (2008, liabilities: £11.3m), an increase of £11.9m. Capital expenditure on plant, property and equipment in the year was £1.3m (2008: £2.3m); contributing to the increase in the book value of tangible fixed assets to £7.2m from £6.9m. The main component of this spend is the improvement to the manufacturing capacity through the purchase of a new vial filling machine.
Inventory values increased marginally by 3% during the year to £6.0m (2008: £5.8m).
Current liabilities have increased significantly to £21.8m (2008: £8.1m).
This is primarily due to the reclassification of £9.4m of debt repaid on 3 July as a short term liability at the balance sheet date. Trade and other payables also rose to £9.0m (2008: £4.8m) as careful cash management strategies were actioned whilst awaiting the outcome of the funding negotiations.

Capital structure

The Group finances its operations through equity and debt. In July, £22.1m net of expenses was raised by means of a Subscription, Offer and Placing at a price of 12p per Ordinary share, approved by members in General Meeting on 30 June 2009. At the same time, the terms of the loan agreement were revised and amended; the Group now has a fixed term loan of €11m (fully drawn down in July 2009) and a revolving credit facility of €15.5m.

Cash flows

As at 30 June 2009 the cash/overdraft position was an overdrawn balance of £26k, a decrease of £2.3m from a £2.3m cash balance at 30 June 2008 due primarily to the significant investment in the year in the R&D programme.
For the year, net cash used in operations amounted to £0.1m (2008: £19.1m).

Ian Postlethwaite
Finance Director
18 September 2009

Directors Report

The Directors present their annual report and the audited financial statements for the 12 months ended 30 June 2009. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

Principal activities

The Group is engaged in the development, manufacture, marketing and sale of a range of pharmaceutical vaccine products designed for the immunological treatment of the allergic condition. Vaccinations take the form of allergen-specific, named-patient-specific and standard products in injectable and sublingual presentations. The business is headquartered in Worthing, West Sussex, where development and manufacturing is based, with sales and marketing subsidiaries in Germany, Austria, Italy and Spain and representative offices in Poland and the Slovak Republic.

Results

The loss for the year after taxation was £11,764k (2008: £20,297k). The results for the year are set out on page 28 and are dealt with in more detail in the Financial Review.

Business Review

The purpose of this business review is to inform members of the Company and help them to assess the Group's performance during the year, through financial and non-financial activities, outlining the trends and factors which are likely to influence future developments. A review of development and performance of the Group, including important events, progress during the year, the financial performance during the year and likely future developments, can be found in the Chairman's Statement on pages 4 and 5, the Chief Executive's Review and the Financial Review on pages 6 to 17 and are incorporated in this report by reference.

Fair review of the Company's business

Revenue in the year increased to £37.8m compared to £31.0m in the previous year, an increase of 22%. The operating loss was £6.2m (2008: £15.6m), the reduction being largely a consequence of reduced research and development costs in the year.

Staff turnover in the UK during the year was 19.2% (2008: 13.4%), compared to an average UK staff turnover rate of 19.2% (2008: 19.2%) (data supplied by the Chartered Institute of Personnel and Development.)

Description of the principal risks and uncertainties facing the Company

In common with other pharmaceutical companies the Group faces a number of risks and uncertainties. Internal controls are in place to help identify, manage and mitigate these risks. The main risks have been identified as follows;

Risk that the Group is unable to provide effective commercially successful products

Continued development of viable new products is key to the success of the Group and is a costly and lengthy process. All development projects and business cases are reviewed and Board approval sought to ensure budgets are maintained. The clinical hold imposed by the FDA on Pollinex Quattro in 2007 remains as part of a wider ongoing investigation into adjuvant technologies. A key risk facing the Company with respect to new development in the US is whether the clinical hold is lifted and if so, on what terms. The registration of Pollinex Quattro in Europe is a key priority and a dossier for Pollinex Quattro Grass was submitted in February this year.

Product liability risk

Despite extensive product testing prior to market launch, products may produce unanticipated adverse side effects that may hinder their marketability. The Group may be insufficiently covered for any potential litigation which in some cases can potentially be open-ended. The Group's manufacturing facilities and those of some of its suppliers are subject to regulatory requirements and there is a risk that such facilities may not comply with such requirements.

Intellectual property risk

Group patents may be challenged at any time and any unsuccessful defence may cause the Group to lose protection for its products and subsequently affect further development and sales. The Group is reliant on some intellectual property owned by external stakeholders that, if lost, will hinder or cease production for some of it products.

Economic risks

A high level of risk is attached to the research, development and commercialisation of innovative drugs. The Group ensures that business cases are scrutinised before Board approval and that any increases in costs are justified. Key suppliers may be unable to execute contractual requirements that hamper product development and/or the route to markets, but the Group maintains appropriate measures to protect its supply chains. The Group may be unable to attract partners or licencees on favourable terms or recruit the right staff to help develop and market its products. Approximately 70% of Group sales are made in Germany and therefore Group results are sensitive to German legislation and government policies.

Financial risks

Adequate funding may not be available to the Group, either through reserves or external partners for the advancement of clinical trials, manufacturing and marketing. Failure to obtain further funding may lead to postponement or cancellation of programmes and a scale back of operations. The Board actively review the financial requirements of the Group on a regular basis to preserve a routine level of investment. Currency risk is regularly reviewed and foreign currency forward contracts are initiated when and where appropriate.

Financial risk management objectives and policies

Note 23 in the Notes to the Financial Statements gives details of the Company's objectives and policies for risk management of financial instruments.

Development and performance of the Company's business during the financial year

Pollinex Quattro, the Group's flagship product, continued to sell well with sales increasing by 41% over the previous year (at a constant currency growth was 21%). In R&D, the dossier for registration of Pollinex Quattro Grass was submitted in March this year.

Position of the Company's business at the end of the year

The implementation of commercial and marketing initiatives across all territories has helped to maintain and strengthen the Group. The submission of Pollinex Quattro Grass dossier in Europe in March 2009 will allow the Group to focus on European markets and further strengthen its core business.

Main trends and factors likely to affect the future development performance and position of the Company's business

Allergy remains a fast growing market with largely unmet market needs. The allergy "epidemic" continues to grow and it is increasingly recognised that for many suffering from hayfever, it is far from being a trivial matter. There are currently very few competitors in the niche market in which the Group performs with none at such advanced stages of product development. The Board is confident in achieving European registration for Pollinex Quattro Grass and expects further expansion of product sales worldwide.

Environmental matters

The Board is committed to minimising the Group's impact on the environment and ensuring compliance with environmental legislation. The Board considers that its activities have a low environmental impact. The Group strives to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations. Disposal of hazardous waste is handled by specialist agencies.

Employees

The Group currently employs over 350 people in seven countries and is committed to achieving equality of opportunity in all employment practices. A thorough review of all employees is performed annually to identify and promote areas that require development and growth; feedback is encouraged and sought. Staff are motivated by performance related incentives, which help to attract and retain the right people, and are encouraged to achieve business targets through market-rate pay, discretionary performance based bonuses and long term incentive programmes. The Board is committed to retaining staff as a high priority for the Group and implementing well balanced, challenging incentives makes this possible. Training and development appropriate to individual and business needs is offered and remuneration for professional development is considered on a case by case basis.

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

The Group implements equality of opportunity in all of its employment practices, policies and procedures. Employees are highly valued and their rights and dignity are respected. The Group practices equal treatment of all staff and potential staff irrespective of their race, creed, colour, sexual orientation, nationality, ethnic origin, religion, disability, age, gender or marital status. The equal opportunities section of the Staff Handbook covers all permanent and temporary employees, job applicants, agency staff, consultants and contractors.

A full review of the Group's activities, important events affecting the Group and its development programme is contained in the Chief Executive's Review on pages 6 and 7 and the Financial Review on pages 16 and 17, both of which form part of this report.

Corporate social responsibility

The Directors recognise the increasing importance of corporate social responsibility and endeavour to take into account the interests of the Group's stakeholders, including its investors, employees, customers, suppliers and business partners when operating its business. The Group is committed to empowering responsible employees who display sound judgement and awareness of the consequences of corporate decisions and actions, and who act in an ethical and moral way.

Directors and Directors' interests

The Directors who held office during the period were as follows:

	Date of appointment
Ignace Goethals Non-executive Chairman	8 September 2004
Keith Carter Chief Executive Officer	1 July 2004
Christian Grätz Market Operations Director	8 September 2004
Thomas Holdich R&D Director	8 September 2004
Ian Postlethwaite Finance Director	1 July 2004
Stephen Smith Non-executive Director	8 September 2004
Virinder Nohria Non-executive Director	1 November 2005

The dates of appointment above refer to appointment as Directors of Allergy Therapeutics plc. All the Directors, with the exception of Dr Nohria, were previously Directors of Allergy Therapeutics (Holdings) Limited.

Under a Compromise Agreement and Letter of Appointment between Mr Carter and the Company dated 11 June 2009, Mr Carter stepped down as Chief Executive Officer and became a Non-executive Director on 1 September 2009.

Under a Service Agreement dated 11 June 2009 between Mr Manuel Llobet and the Company, Mr Llobet assumed the role of Chief Executive Officer on 1 September 2009 and relinquished his position as a Non-executive director held from 1 July 2009.

Under a Letter of Appointment dated 11 June 2009, Mr Alejandro Weinstein was appointed a Non-executive Director of the Company effective from 1 July 2009.

Mr Keith Carter, Mr Ian Postlethwaite and Dr Virinder Nohria retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Mr Manuel Llobet and Mr Alejandro Weinstein were elected as directors effective 1 July 2009 by shareholders in General Meeting on 30 June 2009.

The Directors' who held office at the end of the financial year had the following interests in the ordinary shares of the Company:

		AT BEGINNING OF YEAR:
Name	Ordinary Shares	Options + LTIPs
Ignace Goethals*	1,897,912	1,150,000
Keith Carter*	3,172,669	1,862,654
Christian Grätz	510,658	2,539,986
Thomas Holdich	-	698,471
Ian Postlethwaite	-	3,844,690
Stephen Smith	6,513	900,000
Virinder Nohria	5,211	100,000

		AT END OF YEAR:
Name	Ordinary Shares	Options + LTIPs
Ignace Goethals*	2,897,912	150,000
Keith Carter*	3,172,669	1,662,654
Christian Grätz	510,658	2,409,986
Thomas Holdich	-	568,471
Ian Postlethwaite	-	3,714,690
Stephen Smith	756,513	150,000
Virinder Nohria	5,211	100,000

*All or part are shares held in trust of which the Director is a beneficiary.

Mr Weinstein, appointed on 1 July 2009, held an interest in 116,666,666 ordinary shares in the Company owned by Azure Ventures Limited and held no options as at 1 July 2009.
As of 1 July 2009 Azure Ventures Limited also held an interest in Warrants over £4.0m of ordinary shares in the Company, of which £1.5m were exercised on 2 July 2009.

Mr Llobet, appointed on 1 July 2009, held an interest in 3,125,000 ordinary shares in the Company owned by Wild Indigo Limited and held no options.

Under a Compromise Agreement between Mr Carter and the Company dated 11 June 2009, Mr Carter's share options remain exercisable for either six or twelve months from 1 September 2009 in accordance with the rules of the various schemes.
Mr Carter's provisional grant of shares of 487,656 under the Long Term Incentive Plan expired on 1 September 2009.

Directors' indemnity

The Directors and officers of the Company are insured against any claims arising against them for any wrongful act in their capacity as a Director, officer or employee of the Company, subject to the terms and conditions of the policy.

Structure of the Company's capital

The Company's share capital traded on the AIM market of the London Stock Exchange comprises a single class of ordinary shares of 0.1pence each, each carrying one voting right and all ranking equally with each other. At 30 June 2009 82,366,614 shares were allotted and fully paid. Details of movements in the Company's share capital during the period are shown in Note 26 to the financial statements.

Following acceptance by shareholders in General Meeting of the Offer, Subscription and Placing on 30 June 2009, the issued share capital of the Company on 1 July 2009 was 263,998,551 ordinary shares. Following an exercise of Warrants by Azure Ventures Limited over 12,500,000 ordinary shares on 2 July 2009, the issued share capital of the Company, after admission to the AIM market on 10 July 2009 was 276,498,551 ordinary shares.

Details of employee share option schemes are set out in Note 27 to the financial statements. Participants in employee share schemes have no voting or other rights in respect of the shares subject to their awards until the options are exercised, at which time the shares rank pari passu in all respects with shares already in issue.

Substantial shareholders

At 6 September 2009 the Company had been notified of the following major interests, each representing 3% or more of the existing issued ordinary share capital:

Shareholder	Ordinary shares	% held
Azure Ventures Limited	116,666,666	42.19
Prudential Corporation Group of Companies	14,999,999	5.42
Highclere International Investors Limited	12,874,895	4.66
Smithkline Beecham Biologicals Manufacturing S.A	10,118,748	3.66
Invesco Limited	9,053,332	3.27
Fidelity Limited	8,854,410	3.20

Changes to interest in own shares

During the year the Company allocated 1,378,293 ordinary shares out of the Employee Benefit Trust to satisfy share options that were exercised. The Employee Benefit Trust no longer holds any shares in the Company.

Corporate governance

The Company's shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company is therefore subject to the AIM Rules for Companies, and is consequently not required to comply with the best practice corporate governance provisions contained within the Combined Code-June 2008 (the "Code") appended to the Listing Rules of the Financial Services Authority. Nevertheless, the Company fully recognises the importance of good corporate governance and fully endorses the spirit and principles of the Code and seeks voluntarily to adhere to the Code where possible, taking into consideration the Group's size and constitution of the Board.

The Board

The Board is led by the Chairman and comprises the Chief Executive Officer, the Finance Director, two further executive Directors and four non-executive Directors. Biographical details of all Board members are shown on pages 14 to 15. The roles of Chairman, who is non-executive, and Chief Executive Officer are separate. The Directors feel that given the current size of the Company, the roles of Company Secretary and Finance Director are not deemed necessary to be separated. All Directors have direct access to the services and advice of the Company Secretary and to external independent professional advice at the expense of the Company.

The Board has a formal schedule of matters specifically reserved to it for decision at Board meetings. This covers strategy and management, financial reporting and controls, internal controls, major contracts, external communications with investors, executive committee appointments and remuneration, appropriate delegation of authority, corporate governance matters and appropriate policies for key areas including health and safety, corporate social responsibility and the environment. The Board delegates certain other responsibilities to committees, details of which are set out below.

Board Committees

The Company has an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The chairman of each committee reports directly to the Board. The Board is considering whether to have a separate Nominations Committee but currently reserves for itself the responsibility for the appointment of new Directors under the leadership of the Non-Executive Chairman.

The Audit Committee, with written terms of reference, comprises Stephen Smith (Chairman) and Ignace Goethals. It meets at least twice each year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored, meeting with the auditors and reviewing the reports from the auditors relating to the financial statements.

The Remuneration Committee, also with written terms of reference, comprises Stephen Smith (Chairman), Ignace Goethals and Virinder Nohria. The Human Resources manager takes the minutes of the meeting and acts as an employee representative. It reviews the compensation policy and strategy for the Group as a whole and the scale and structure of the executive Directors' remuneration packages including the terms of their service contracts. No Director takes part in the discussion of his own remuneration. It is also responsible for grant of shares under the Group's Long Term Share Incentive Plan

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report on pages 24 to 26.

Internal control

The Board has ultimate responsibility for the system of internal control maintained by the Group. The system is designed to manage rather than eliminate risk. It can provide only reasonable and not absolute assurance against material misstatement or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk. The Company has an internal audit function, reporting directly to the Audit Committee, which carries out reviews periodically of the Company's subsidiaries in the UK, Germany, Austria, Italy and Spain. The Group also has a budgeting and reporting system in place, with results compared to budget, variance analysis and re-forecasting of projected results.

Shareholder relations

The Company maintains a policy of open dialogue with all shareholders to ensure that the objectives of the Group are understood. The Chief Executive Officer, R&D Director and the Finance Director make regular presentations to stakeholders and discuss any areas of concern and meet regularly with analysts and major shareholders to provide updated information about the Group. Press releases, general information on the Group, shareholder presentations and investor information are to be accessed via the Group's website, www.allergytherapeutics.com.

Annual General Meeting

The notice convening and giving details of the Annual General Meeting of the Company accompanies this report.

Engagement of auditors for the supply of non-audit services

It is the Company's policy that it will only engage the Company's auditor to supply other professional services to the Company and its subsidiary undertakings if it is satisfied that all the usual conditions of engagement and benchmarks are met.

Any agreement to purchase services costing more than £10,000 per engagement must have the prior approval of the Audit Committee.

In determining the policy, the Audit Committee has taken into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that the external auditor audits its own work, the external auditor makes management decisions for the Company, a mutuality of interest is created or the external auditor is put in the role of advocate for the Company.

Research and development

The Group will continue its policy of investment in research and development, although this will be at a lower level of spend than that seen in previous years, in order to improve its competitive position in the market. In accordance with International Accounting Standards, during the year the Group expensed to the income statement £5.3m (2008: £16.3m) on research and development. Further details on the Group's research and development are included in the Chief Executive's Review on pages 6 and 7.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 18 and 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Finance Review on pages 16 and 17. In addition, Note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to foreign currency risk, interest rate risk and liquidity risk.

After making appropriate enquiries, which included a review of the annual budget, considering the cash flow requirements for the foreseeable future and the effects of sales sensitivity on the Company's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements.

Market value of land and buildings

Whilst the market values of some properties differ from book values, the Directors believe that the differences are not material.

Creditors' payment policy and practice

The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and generally seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. During the last quarter of the year terms with some trade creditors were temporarily renegotiated but shortly after the year end returned to the normal terms. The number of trade creditor days at 30 June 2009 was 55 days (2008: 28 days).

Dividend

The Company is unable to declare a dividend.

Charitable and political contributions

The Group made no political or charitable contributions during the year.

Employment policies

Equal opportunities

The Group is committed to providing equal opportunities in employment irrespective of background, age, sexual orientation, religion, gender, nationality, marital status or disability. Our aim is to attract the best people in the industry and we believe in maximising every employee's potential. The Group does not tolerate any harassment or discrimination.

Disabled people

The Group, in considering applications for employment from disabled people, seeks to ensure that fair consideration is given to the abilities and aptitudes of the applicant while having regard to the requirements of the job for which he or she has applied. Employees who become unable to carry out the requirements of the job for which they have been employed are given individual consideration and, depending on the nature, severity and duration of the disability, may be considered for alternative work.

Communication

The Group has an open communication policy with its employees. Regular communication on the strategy, plans and performance of the Group is undertaken and reinforced by site meetings of staff as well as briefings by Directors and line management. In the UK, employees have access to Company information on the intranet. Information about the Group is also available on the internet at www.allergytherapeutics.com.

Health & Safety

The Group is committed in providing a safe environment for its employees and others who are engaged in or may be impacted by the Group's operations and considers health & safety a priority. Policies relating to Health & Safety are set out on the Group's Intranet and Staff Handbook. Procedures are monitored and improvements identified through periodic audits and safety inspections. The Group's Health and Safety Committee meets regularly to discuss issues and promote good practice with Health & Safety Officers promoting and monitoring safe working conditions.

Statement of Directors' responsibilities – Group Financial Statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS' is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRS', subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' responsibilities – Company Financial Statements

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

Company law requires the Directors to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for ensuring compliance with the AIM Rules.

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

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 489 of the Companies Act 2006. A resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

By order of the Board on 18 September 2009.

Ian Postlethwaite
Company Secretary

The Remuneration Report

The Remuneration Committee

The Remuneration Committee comprises Stephen Smith (Chairman), Ignace Goethals and Dr Virinder Nohria.
The Committee held four meetings during the past financial year. The principle purpose of the Committee is to determine and agree the directors' salary increases, annual bonuses, scope of pension arrangements and any changes in benefits. In addition, the Committee also agrees the share-related compensation for the directors and other executive management and other executive compensation matters. For the purpose of reaching appropriate decisions the Committee has used information from the Alan Jones & Associates 'Pharmaceutical Salary Survey', benchmarking reports from MM&K and Watson Wyatt Data Services and a sample taken from AIM listed pharmaceutical companies of similar size and value (the "Comparator Group").

Remuneration policy

The Committee's policy is to set remuneration packages for executive directors that are competitive with the market, allowing the Company to attract, motivate and retain executives of the highest calibre. Remuneration packages are designed to reward executives for performance via annual bonus payments and awards of share-related compensation, which together constitute a potentially significant proportion of the total remuneration opportunity.

The remuneration of executive directors comprises the following elements:

(i) Basic salary

Basic salary reflects the market rate for each position and the individual director's experience and value to the business. Salaries are reviewed annually as at 1 October, taking into account personal performance, and are benchmarked against the Comparator Group.

(ii) Taxable benefits

Taxable benefits represent the provision of a car allowance and private medical insurance.

(iii) Share options

The share options granted to individual executive directors to date are disclosed later in this report and comprise grants made in prior years under previous approved and unapproved option schemes. Share options previously granted by Allergy Therapeutics (Holdings) Limited were surrendered on 5 October 2004 for share options in Allergy Therapeutics plc, on substantially the same terms.

(iv) Long Term Incentive Plan

During the year ended 30 June 2009 no provisional shares were awarded to directors and senior management under the Allergy Therapeutics plc 2005 Long Term Incentive Plan. Distribution of shares under the Plan is conditional on the Company's performance over the 3-year Plan Cycle. The number of provisional shares awarded to executive directors under the Plan is shown in the Directors' share option table.

(v) SAYE Plan

The 2005 SAYE Plan was open to all employees and full-time executive directors who had completed 12 months continuous service at the offer date. Share options were granted at a discount to the share price at the date of grant. The number of options granted to each participant is related to the amount which the participant has contracted to save over the 3-year term of the Plan. The number of share options granted to executive directors under the Plan is shown in the Directors' share options table.

(vi) Bonus

In the case of the executive team the Company operates a performance-related cash bonus based upon individual performance and achievement of personal and corporate objectives. Annual bonus payments are capped under service contracts at 40% for Keith Carter and 30% for all other directors except Christian Grätz, whose bonus is uncapped. The bonus is determined and agreed by the Remuneration Committee in September each year for the preceding financial year.

(vii) Pension arrangements

The UK Company operates a defined-contribution Personal Pension scheme and currently makes pension contributions equal to 10% of salary for executive directors, with the exception of Keith Carter for whom the Company contributes 15% of salary. Christian Grätz is a member of the Bencard Allergie GmbH pension scheme in Germany.

Service contracts

Executive directors	Date of contract*	Notice period
Keith Carter	1 November 2003	6 months
Ian Postlethwaite	7 May 2002	12 months
Christian Grätz	1 April 2001	12 months
Tom Holdich	2 August 2004	6 months

*The above dates refer to service contracts with Allergy Therapeutics (Holdings) Limited and, for Christian Grätz, with Bencard Allergie GmbH. All the service contracts, except that of Christian Grätz, were amended on 5 October 2004 to reflect the change of employer to Allergy Therapeutics plc.

Non-executive directors	Date of contract	Notice period
Ignace Goethals	8 September 2004	3 months
Stephen Smith	8 September 2004	3 months
Virinder Nohria	1 November 2005	3 months

The above contracts for Ignace Goethals and Stephen Smith replaced previous service contracts in respect of non-executive director roles in the Group's former holding Company.

Directors' remuneration

Details of remuneration of those who served as directors during the year are set out below.

	Basic salary £	Bonus for the year £	Taxable benefits £	Fees £	Total £	Pension £	Year ended 30 June 2008 Total £	Year ended 30 June 2008 Pension £
Keith Carter	**181,750**	–	**11,170**	–	**192,920**	**23,627**	184,170	22,490
Ian Postlethwaite	**140,250**	–	**10,782**	–	**151,032**	**14,492**	143,587	13,245
Christian Grätz	**177,041**	–	**15,466**	–	**192,507**	**42,277**	161,651	27,556
Tom Holdich	**145,250**	–	**11,170**	–	**156,420**	**14,525**	149,607	13,844
Ignace Goethals	**33,500**	–	–	–	**33,500**	–	40,000	–
Stephen Smith	–	–	–	**27,000**	**27,000**	–	36,000	–
Virinder Nohria	**31,750**	–	–	–	**31,750**	–	38,000	–
Totals	**709,541**	–	**48,588**	**27,000**	**785,129**	**94,921**	753,015	77,135

Christian Grätz' salary is paid in Euros and is shown here converted at a spot rate of £1:€1.17334 as at 30 June 2009.

Directors' share options

	Options held at 1 July 2008	Options granted in the year	Options exercised in the year	Options lapsed in the year	Options held at 30 June 2009	Subscription price (pence)	Exercise date from	Expiry date
Executive directors								
Keith Carter	350,000	–	–	–	350,000	120.0	31/07/2002	31/07/2011
	175,000	–	–	–	175,000	5.0	18/12/2002	18/12/2012
	450,000	–	–	–	450,000	45.0	26/02/2005	26/02/2014
	199,998	–	–	–	199,998	100.4	08/03/2008	08/03/2015
	*14,609	–	–	–	14,609	64.0	01/03/2009	01/09/2009
	**687,656	–	–	200,000	487,656	–	–	–
Ian Postlethwaite	400,000	–	–	–	400,000	30.0	03/06/2002	03/06/2012
	1,000,000	–	–	–	1,000,000	0.1	02/10/2002	02/10/2012
	1,500,000	–	–	–	1,500,000	5.0	17/12/2002	17/12/2012
	450,000	–	–	–	450,000	45.0	26/02/2005	26/02/2014
	99,999	–	–	–	99,999	100.4	03/03/2008	08/03/2015
	*14,609	–	–	–	14,609	64.0	01/03/2009	01/09/2009
	**394,691	–	–	130,000	264,691	–	–	–
Christian Grätz	200,000	–	–	–	200,000	120.0	31/07/2002	31/07/2011
	1,400,000	–	–	–	1,400,000	5.0	18/12/2002	18/12/2012
	450,000	–	–	–	450,000	45.0	26/02/2005	26/02/2014
	66,666	–	–	–	66,666	100.4	08/03/2008	08/03/2015
	**423,320	–	–	130,000	293,320	–	–	–
Tom Holdich	222,222	–	–	–	222,222	45.0	02/08/2005	02/08/2014
	7,778	–	–	–	7,778	45.0	02/08/2005	02/08/2014
	66,666	–	–	–	66,666	100.4	08/03/2008	08/03/2015
	**401,805	–	–	130,000	271,805	–	–	–
Non-executive directors								
Ignace Goethals	1,000,000	–	1,000,000	–	–	5.0	18/12/2002	18/12/2012
	150,000	–	–	–	150,000	45.0	26/02/2005	26/02/2014
Stephen Smith	750,000	–	750,000	–	–	5.0	18/12/2002	18/12/2012
	150,000	–	–	–	150,000	45.0	26/02/2005	26/02/2014
Virinder Nohria	100,000	–	–	–	100,000	45.0	15/12/2003	15/12/2013
Totals	**11,125,019**	**–**	**1,750,000**	**590,000**	**8,785,019**			

* SAYE Scheme

** Long Term Incentive Plan

The aggregate amount of gains made by Directors upon the exercise of share options in the year ended 30 June 2009 was £166,250 (year ended 30 June 2008 £185,395)

At 30 June 2009 the London Stock Exchange market value of shares was 14p per share. The range of values during the period from 1 July 2008 to 30 June 2009 was 6.5p to 26.5p per share.

Under a Compromise Agreement between Mr Carter and the Company dated 11 June 2009, Mr Carter's share options will remain exercisable for six or twelve months from 1 September 2009 in accordance with the rules of the various schemes.

Mr Carter's provisional grant of shares of 487,656 under the Long Term Incentive Plan expired on 1 September 2009.

Stephen R Smith
Chairman, Remuneration Committee
18 September 2009

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

We have audited the group financial statements of Allergy Therapeutics plc for the period ended 30 June 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 22 and 23, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2009 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Separate opinion in relation to IFRSs

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent Company financial statements of Allergy Therapeutics Plc for the period ended 30 June 2009.

Stephen P.S. Weatherseed
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
18 September 2009

Consolidated Income Statement

For the year ended 30 June 2009

	Note	**Year to 30 June 2009 £'000**	**Year to 30 June 2009 £'000**	Year to 30 June 2008 £'000	Year to 30 June 2008 £'000
Revenue	3		**37,757**		31,022
Cost of sales			**(13,563)**		(10,865)
Gross profit			**24,194**		20,157
Distribution costs			**(14,893)**		(12,852)
Administration expenses – other		**(10,250)**		(6,640)	
Research and development costs		**(5,297)**		(16,300)	
Administration expenses			**(15,547)**		(22,940)
Other income			–		42
Operating loss			**(6,246)**		(15,593)
Finance income	9		**30**		201
Finance expense	8		**(5,222)**		(4,852)
Loss before tax			**(11,438)**		(20,244)
Income tax	10		**(326)**		(53)
Loss for the period	28		**(11,764)**		(20,297)
Loss per share					
Basic & diluted (pence per share)	12		**(14.3p)**		(24.8p)

The results for the year are derived solely from continuing operations.

Consolidated Balance Sheet

	Note	30 June 2009 £'000	30 June 2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	**7,191**	6,883
Intangible assets – Goodwill	13	**2,555**	2,468
Intangible assets – Other	14	**1,065**	1,073
Investments	16	**1,824**	1,400
Derivative financial instruments	23	**–**	42
Total non-current assets		**12,635**	11,86
Current assets			
Trade and other receivables	18	**3,440**	3,199
Derivative financial instruments	23	**–**	3
Inventories	17	**6,002**	5,817
Cash and cash equivalents	19	**–**	2,298
Total current assets		**9,442**	11,317
Total assets		**22,077**	23,183
Liabilities			
Current liabilities			
Trade and other payables	20	**(8,950)**	(4,760)
Current borrowings	21	**(11,652)**	(2,422)
Derivative financial instruments	23	**(1,172)**	(923)
Total current liabilities		**(21,774)**	(8,105)
Net current assets		**(12,332)**	3,212
Non current liabilities			
Retirement benefit obligation	25	**(2,821)**	(2,324)
Non current borrowings	21	**(19,255)**	(23,413)
Derivative financial instruments	23	**(1,126)**	(382)
Non current provisions	22	**(277)**	(249)
Total non current liabilities		**(23,479)**	(26,368)
Total liabilities		**(45,253)**	(34,473)
Net liabilities		**(23,176)**	(11,290)
Equity			
Capital and reserves			
Issued capital	26	**92**	92
Share premium	28	**33,193**	33,173
Merger reserve – shares issued by subsidiary	28	**40,128**	40,128
Reserve – shares held by EBT	28	**67**	(1)
Reserve – share based payments	28	**1,291**	1,031
Revaluation reserve	28	**189**	165
Foreign exchange reserve	28	**(1,113)**	(628)
Retained earnings	28	**(97,023)**	(85,250)
Total equity		**(23,176)**	(11,290)

These financial statements were approved by the Board of Directors on 18 September 2009 and were signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Consolidated Statement of Recognised Income and Expense

	Note	Year to 30 June 2009 £'000	Year to 30 June 2008 £'000
Actuarial gain / (loss) on defined benefit pension scheme	25	**(9)**	576
Exchange differences on translation of foreign operations		**(485)**	(495)
Revaluation gains / (losses)		**(24)**	61
Net (losses) / profits recognised directly in equity		**(470)**	20
Loss for the period		**(11,764)**	(20,297)
Total recognised income and (expense)		**(12,234)**	(20,277)

Consolidated Cash Flow Statement

	Note	**Year to 30 June 2009 £'000**	Year to 30 June 2008 £'000
Cash flows from operating activities			
Loss before tax		**(11,438)**	(20,244)
Adjustments for:			
Foreign exchange gain	28	**(485)**	(495)
Finance income	9	**(30)**	(201)
Finance expense	8	**3,236**	1,972
Exchange loss on retranslation of loan	8	**1,986**	2,880
Non cash movements on defined benefit pension plan		**107**	158
Depreciation and amortisation	14, 15	**1,315**	1,159
Charge for share based payments		**260**	356
Financial derivative instruments		**1,038**	1,261
Disposal of property, plant and equipment		**41**	(1)
Decrease in trade and other receivables	18	**(241)**	174
Increase in inventories	17	**(185)**	(906)
(Decrease) / increase in trade and other payables		**4,313**	(5,246)
Net cash used in operations		**(83)**	(19,133)
Interest paid		**(31)**	(136)
Income tax paid	10	**(326)**	(53)
Net cash used in operating activities		**(440)**	(19,322)
Cash flows from investing activities			
Interest received	9	**30**	201
Investments	16	**(296)**	(256)
Payments for intangible assets		**(295)**	(151)
Payments for property plant and equipment		**(1,426)**	(2,472)
Net cash used in investing activities		**(1,987)**	(2,678)
Cash flows from financing activities			
Proceeds from issue of equity shares	28	**88**	35
Net proceeds from borrowings		**2,262**	20,411
Bank loan fees and interest paid		**(2,247)**	(1,844)
Net cash generated by financing activities		**103**	18,602
Net decrease in cash and cash equivalents		**(2,324)**	(3,398)
Cash and cash equivalents at the start of the period		**2,298**	5,696
Cash and cash equivalents at the end of the period	19, 21	**(26)**	2,298

Notes to the Financial Statements

1. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in issue as adopted by the European Union ('EU') and applied in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and investment assets which have been measured at fair value.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2009 financial statements

At the date of authorisation of these financial statements, certain new Standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not adopted any of these pronouncements early. The new Standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows:

IAS 1 Presentation of Financial Statements (Revised 2007) (effective for reporting periods beginning on or after 1 January 2009)

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income).

This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)

The option to recognise immediately, as an expense, the borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale is removed.

All borrowing costs thus arising must therefore be capitalised. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for reporting periods beginning on or after 1 July 2009)

The revised Standards introduce major changes to the accounting treatment for business combinations, transactions with non-controlling interests (a new term for minority interests) and a loss of control of a subsidiary. Management are currently assessing the detailed impact of this amendment on the Group's financial statements.

IFRS 8 Operating segments (effective for reporting periods beginning on or after 1 January 2009)

This IFRS specifies how an entity should report information about its operating segments in its financial statements. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Implementation of this standard is expected to increase the number of reportable segments as well as the manner in which the segments are reported. i.e in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash generating units based on segment level, the change will also require the reallocation of goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment of goodwill.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2009)

This IFRIC addresses the interaction between minimum funding requirements (which are commonly imposed by laws and regulations in some jurisdictions) and the measurement of a defined benefit asset. Management are currently assessing the detailed impact of this amendment on the Group's financial statements.

IFRS 2 amendment to share based payments

The revised Standard will apply retrospectively from 1st January 2009 and specifies that all cancellations of share based payment arrangements, including those by an employee or other counterparty, should receive the same accounting treatment of requiring immediate recognition in the income statement of the charge that would otherwise have been recognised over the remainder of the service period.

Management anticipate that all the above pronouncements will be adopted in the Group's financial statements for the period beginning 1 July 2009.

Other new Standards and Interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Going concern

The Group incurred losses for the financial years ended 2007 to 2009 primarily as a consequence of its investment in research and development activities; these losses have been funded by equity issues, debt facilities and cash generated by the operating business.

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2010 to 30 June 2012. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Company's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

2. ACCOUNTING POLICIES

Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of over one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

The Group uses the purchase method of accounting for the acquisition of a subsidiary. The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

Inter-Company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated except for unrealised losses if they show evidence of impairment.

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 intangible asset and their fair values can be measured reliably. 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.

Internally generated intangible assets

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, research and development expenditure is charged to profit or loss 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 of these 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
Computer software	7 years

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

The cost of amortising intangible assets is included within administration costs on the consolidated income statement.

Segmental reporting

A business segment is a group of assets and operations engaged in production that is subject to risks and returns that are different from those of other business segments.
A geographical segment is engaged in production within a particular economic environment that is different from that in segments operating in other economic environments.

The Group's one principal activity is the research, development, manufacturing, marketing and sales of allergy treating drugs. This forms the single business stream and primary reporting segment. The Group's secondary reporting segment is geographical and is based both on customer location and country of origin.

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.

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 income statement.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at actual exchange rates or using an average rate as an approximation;
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. The Group has taken advantage of the exemption in IFRS 1 which allows all foreign exchange differences on consolidation to be set at zero at transition and the foreign exchange reserve therefore only shows post transition foreign exchange differences.

Income recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, net of statutory rebates paid in Germany and excluding value added tax. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the customer has physically received the goods.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is again when the customer has physically received the goods.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalties

Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement.

Milestones

Revenues with performance milestones are received from our licensees in Canada and are treated as royalties. These are recognised on the satisfactory occurrence of critical events as pre-defined in the relevant agreement.

Expenditure recognition

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

Borrowing costs

All borrowing costs are expensed to the income statement on an accruals basis using the effective interest method.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Provision for depreciation of all tangible assets of the Group is made over their estimated useful lives, principally using the following annual rates:

Buildings	10 years
Computer equipment	3 – 7 years
Motor vehicles	4 years
Fixtures and fittings	5 – 10 years
Plant and equipment	5 – 10 years

Asset 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 fixed asset 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.

Assets under course of construction are capitalised but not depreciated. Once the asset is ready for use, it is transferred to the relevant heading and depreciated accordingly. This category consists of plant and machinery which is being constructed with the intention of bringing these assets into the production line over the next two to three years.

Impairment

The Group's goodwill, other intangible assets and property plant & equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash generating units that include goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories

Inventory is carried at the lower of cost or net realisable value. The costs of raw materials, consumables, work in progress and finished goods are measured by means of weighted average cost using standard costing techniques. Cost of finished goods comprises direct production costs such as raw materials, consumables, utilities and labour, and production overheads such as employee costs, depreciation, maintenance and indirect factory costs. Standard costs are reviewed regularly in order to ensure relevant measures of utilisation, production lead time and appropriate levels of manufacturing expense are reflected in the standards.

Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell.

Leases

Operating leases are deemed to be those leasing agreements which do not transfer to the Group substantially all the benefits and risks of ownership of an asset. Operating lease rentals are charged to the income statement over the term of the lease. There are no finance leases.

Financial assets

Financial assets consist of loans and receivables, which consist of cash and trade and other receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the contractual arrangements. Cash and cash equivalents comprise cash on hand, demand deposits and overdrafts, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument and are initially recognised at fair value plus transaction costs, and subsequently at amortised cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are ransferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Group's financial liabilities include bank loans, trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the income statement.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings comprise secured bank borrowings, and are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The Group uses interest rate swaps, Euro forward contracts and Euro exchange swaps to manage the exposure to changes in interest and translation rates and these are classified as derivative financial instruments. All derivative financial instruments are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. Any change in the fair value of the instruments is recognised in the Income Statement.

Equity

Equity comprises the following:

- "Issued capital" represents the nominal value of equity shares that have been issued.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Merger reserve" represents shares issued by the subsidiaries.
- "Reserve - Shares held in EBT" represent the shares acquired by a trust set up for the benefit of the Group's employees. These shares are deducted from shareholders funds at the cost that the shares were acquired. The net proceeds received from the issue of these shares through the exercise of options are also recognised through this reserve.
- "Share based payments reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Revaluation reserve" represents the revaluations of investment assets.
- "Foreign Exchange reserve" represents the foreign currency translation differences that have occurred since the transition date in respect of the retranslation of foreign operations. Exchange differences prior to this date are included within retained earnings.
- "Retained earnings" represents retained profits and losses.

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. All changes to current tax liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the 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 not 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 and joint ventures 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. In addition, 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 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 equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Defined Benefit Pension Scheme
Scheme assets are measured at fair values. The expected return on plan assets is determined based on market expectations. Scheme liabilities 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. Appropriate adjustments are made for past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately through the statement of recognised income and expense (SORIE). The net surplus or deficit is presented with other net assets on the balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged against administrative expenses in the income statement. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs.

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Defined Contribution Pension Scheme
The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by the Group for the accounting period in respect of this scheme.

Investments
Investments relate to long-term insurance policies that cannot be directly deducted from the German pension obligation. These are recognised as a separate asset, rather than as a deduction in determining the defined benefit liability. Investment gains and losses are taken via the statement of recognised income and expense to the revaluation reserve except where they relate to foreign exchange gains and losses when they are taken to the foreign exchange reserve.

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.

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 rights awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

All share based compensation is ultimately recognised as an expense in profit and loss with a corresponding credit to the share based payments reserve, net of deferred tax where applicable. 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 options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Employee Benefit Trust

The financial statements include the assets and liabilities of a trust set up for the benefit of the Group's employees.
The employee benefit trust has acquired shares in the Company and these are deducted from equity on the balance sheet at the cost of acquisition.

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) Identification of functional currencies requires analysis of the economic environments of the subsidiaries of the Group and the selection of the presentational currency must reflect the requirements of the users of those statements.

b) During the year the Group earned milestone payments to the value of £282k (2008: £2,701k). This has been recognised as revenue in accordance with the terms of the contract.

c) Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will be made only where there is evidence that an economic benefit will accrue to the Group. To date no development costs have been capitalised and all costs have been expensed in the Income statement as research and development expenditure, £5.3m (2008: £16.3m).

Sources of estimation uncertainty

a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.

b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.

c) Estimates are required as to asset carrying values and impairment charges.

d) Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which the goodwill has been allocated. This value in use calculation requires an estimation of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

3. REVENUE

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

	2009 £'000	2008 £'000
Sale of goods	**35,643**	26,476
Royalties	**1,832**	1,845
Milestones	**282**	2,701
	37,757	31,022

4. SEGMENTAL REPORTING

The Group's sole principal activity is the research, development, manufacturing, marketing and sale of allergy treating pharmaceuticals. This forms the single business stream and primary reporting segment.

The Group's secondary reporting segments are based on geographical location. The following table provides a breakdown of the Group's sales by geographical market irrespective of the origin of the products and are shown net of inter-segmental sales of £31,145k (2008: £23,602k):

	Year to 30 June 2009 £'000	Year to 30 June 2008 £'000
Germany	**27,724**	20,596
Rest of Europe	**8,798**	6,763
North America	**894**	3,346
Asia	**341**	317
	37,757	31,022

The following table provides a breakdown of the Group's sales by the country of origin of the products sold:

	Year to 30 June 2009 £'000	Year to 30 June 2008 £'000
Germany	**27,724**	20,596
Rest of Europe	**5,846**	4,734
UK	**4,187**	5,692
	37,757	31,022

The following analysis shows the carrying value of the assets, excluding cash and cash equivalents, and the additions to those assets in each of the segments:

	Carrying amount of segment assets		Additions to property, plant & equipment and intangible assets	
	Year to 30 June 2009 £'000	Year to 30 June 2008 £'000	**Year to 30 June 2009 £'000**	Year to 30 June 2008 £'000
Germany	**4,111**	3,511	**70**	96
Rest of Europe	**1,282**	1,539	**47**	19
UK	**16,684**	15,835	**1,516**	2,289
	22,077	20,885	**1,633**	2,404

5. LOSS BEFORE TAX

	2009 £'000	2008 £'000
Loss for the period has been arrived at after charging/(crediting):		
Foreign exchange loss	**485**	495
Depreciation and amortisation:		
Depreciation of property plant and equipment (Note 15)	**1,008**	909
Amortisation of intangible assets (Note 14)	**307**	250
Research and development	**5,297**	16,300
Employee benefits expense:		
Employee costs (Note 7)	**16,110**	14,092
Land and buildings held under operating leases	**518**	387
Other operating leases	**620**	448
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**21**	25
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**75**	97
Tax services	**11**	(6)
Other services pursuant to legislation	**51**	31
Share based payment expense (Note 27)	**260**	356

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2009 £'000	2008 £'000
Salaries and short-term employee benefits	**865**	753
Post employment benefits – defined benefit plans	**42**	28
Post employment benefits – defined contribution plans	**53**	49
Share based payment	**104**	194
	1,064	1,024

7. EMPLOYEES

	2009 £'000	2008 £'000
Employee costs:		
Wages and salaries	**13,473**	11,611
Social security costs	**1,970**	1,713
Share based payments	**260**	356
Pension costs – defined benefit plans	**233**	204
Pension costs – defined contribution plans	**174**	208
	16,110	14,092

The average number of employees during the period was made up as follows:

	2009	2008
R & D, marketing and administration	**125**	126
Sales	**71**	69
Production	**178**	167
	374	362

8. FINANCE EXPENSE

	2009 £'000	2008 £'000
Interest on facility borrowing and short term loans	**3,045**	1,724
Bank interest on overdraft	**24**	120
Employee defined benefit scheme interest expense	**167**	128
Other charges	**1,986**	2,880
	5,222	4,852

Other charges represent the exchange loss arising on the year-end translation of the Euro denominated borrowing facility.

9. FINANCE INCOME

	2009 £'000	2008 £'000
Bank interest	**30**	201

10. INCOME TAX EXPENSE

	2009 £'000	2008 £'000
Current Tax:		
Overseas tax	**326**	53
Tax charge for the period	**326**	53

The tax assessed for the period is higher than the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The differences are explained below:

	2009 £'000	2008 £'000
Loss for the period before tax	**(11,438)**	(20,244)
Loss for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 28%).	**(3,203)**	(5,972)
Effects of:		
Disallowable expenses	**184**	365
Capital allowances in excess of depreciation	**(170)**	(228)
Other differences, adjustments and movements	**52**	51
Tax losses (utilised)	**51**	(349)
Allowances for R&D expenditure	**(778)**	(55)
Tax losses not utilised	**4,170**	6,266
Adjustment for different tax rates	**67**	32
Relief for shares acquired by employees and Directors	**(47)**	(57)
Tax charge for the period	**326**	53

11. UNRECOGNISED DEFERRED TAX

	2009 Deferred tax assets £'000	2009 Deferred tax liabilities £'000	2008 Deferred tax assets £'000	2008 Deferred tax liabilities £'000
Non Current Assets				
Property, plant and equipment	**–**	(652)	–	(520)
Derivative financial instruments	**–**	–	258	–
Current Liabilities				
Derivative financial instruments	**328**	–	–	–
Non Current Liabilities				
Pension and other employee obligations	**789**	–	270	–
Derivative financial instruments	**315**	–	107	–
Unused tax losses	**20,262**		16,458	–
	21,694	(652)	17,093	(520)
Offset	**(652)**	652	(520)	520
Total	**21,042**	–	16,573	–

No deferred tax has been provided for in respect of these temporary differences.

12. LOSS PER SHARE

	2009 £'000	2008 £'000
Loss for the period attributable to equity shareholders	**(11,764)**	(20,297)

	Shares '000	Shares '000
Issued ordinary shares at start of the period	**81,951**	81,951
Ordinary shares issued in the period	**416**	–
Issued ordinary shares at end of the period	**82,367**	81,951
Weighted average number of shares in issue for the period.	**81,985**	81,951
Basic and diluted loss per share (pence)	**(14.3p)**	(24.8p)

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

On 1 July 2009 181,631,937 ordinary shares of 0.1p each issued pursuant to an Offer, Placing and Subscription at a price of 12p per ordinary share were admitted to trading on AIM having been approved by shareholders of the Company in General Meeting on 30 June 2009. On 10 July, 12,500,000 ordinary shares of 0.1p each issued pursuant to the exercise of a Warrant by Azure Ventures Limited were admitted to trading on AIM. The total issued share capital of the Company on 10 July was 276,498,551 ordinary shares.

13. GOODWILL

	2009 £'000	2008 £'000
At 1 July	**2,468**	2,295
Exchange difference	**87**	173
At 30 June 2009	**2,555**	2,468

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

	2009 £'000	2008 £'000
Germany	**2,555**	2,468

The recoverable amount for the cash-generating unit 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 12% discount rate reflecting the Group's weighted average cost of capital. Key assumptions include sales growth, which has been determined based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Apart from the considerations described in determining the value in use of the cash generating unit described above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. At each half-year end the directors have reviewed the goodwill for possible impairment and concluded that no impairment provision is required.

14. INTANGIBLE ASSETS

	Manufacturing know-how £'000	Non-competing know-how £'000	Other intangibles £'000	Computer software £'000	Total £'000
Cost					
At 1 July 2007	1,000	2,978	954	1,066	5,998
Additions	–	–	–	151	151
Foreign exchange	–	438	38	60	536
At 30 June 2008	1,000	3,416	992	1,277	6,685
Additions	–	–	–	295	295
Foreign exchange	–	218	19	32	269
At 30 June 2009	**1,000**	**3,634**	**1,011**	**1,604**	**7,249**
Amortisation					
At 1 July 2007	600	2,978	640	621	4,839
Charge for the year	67	–	51	132	250
Foreign exchange	–	438	36	49	523
At 30 June 2008	667	3,416	727	802	5,612
Charge for the year	66	0	51	190	307
Foreign exchange	0	218	18	29	265
At 30 June 2009	**733**	**3,634**	**796**	**1,021**	**6,184**
Net book value					
At 1 July 2007	400	–	314	445	1,159
At 30 June 2008	333	–	265	475	1,073
At 30 June 2009	**267**	**–**	**215**	**583**	**1,065**

15. PROPERTY, PLANT AND EQUIPMENT

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Computer equipment £'000	Assets under course of construction £'000	Freehold land & buildings £'000	Total £'000
Cost or valuation							
At 1 July 2007	4,179	2,920	16	1,571	–	263	8,949
Additions	424	420	–	228	1,182	–	2,254
Asset reclassification	(647)	(7)	–	(267)	921	–	–
Foreign exchange	14	76	–	14	–	46	150
Disposals	6	(3)	–	–	–	–	3
At 30 June 2008	3,976	3,406	16	1,546	2,103	309	11,356
Additions	810	116	20	161	231	–	1,338
Asset reclassification	204	(11)	–	214	(407)	–	–
Foreign exchange	8	40	–	36	0	23	107
Disposals	–	(3)	–	(60)	0	–	(63)
At 30 June 2009	**4,998**	**3,548**	**36**	**1,897**	**1,927**	**332**	**12,738**
Depreciation							
At 1 July 2007	1,616	848	5	754	–	240	3,463
Charge for the year	276	420	3	184	–	26	909
Foreign exchange	9	45	–	3	–	42	99
Disposals	5	(3)	–	–	–	–	2
At 30 June 2008	1,906	1,310	8	941	-	308	4,473
Charge for the year	360	442	6	200	–	–	1,008
Foreign exchange	5	28	–	32	–	23	88
Disposals	–	(1)	–	(21)	–	–	(22)
At 30 June 2009	**2,271**	**1,779**	**14**	**1,152**	**–**	**331**	**5,547**
Net book value							
At 1 July 2007	2,563	2,072	11	817	–	23	5,486
At 30 June 2008	2,070	2,096	8	605	2,103	1	6,883
At 30 June 2009	**2,727**	**1,769**	**22**	**745**	**1,927**	**1**	**7,191**

All assets in the UK are secured under the Group's UK borrowings. In June 2009 an impairment review has been carried out on the assets under course of construction. The recoverable amount for these assets was determined based on a value-in-use calculation, covering a detailed three-year forecast of future cash flows using budgeted projections assuming a 12% discount rate reflecting the Group's weighted average cost of capital. Key assumptions include sales growth, which has been determined based on past experience. The Group's management believes that this is the best available input for forecasting this mature market.

Apart from the considerations described in determining the value in use of the cash generating unit described above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. At each half-year end the directors have reviewed the assets under the course of construction for possible impairment and concluded that no impairment provision is required.

16. INVESTMENTS

The Group carries an insurance policy which is designed to contribute towards the obligation in respect of the defined benefit pension scheme. It is valued at fair value (market price) by the Group's actuaries each year.

	2009 £'000	2008 £'000
At 1 July	**1,400**	1,011
Additions	**296**	256
Gains / (losses) in the investment	**24**	(61)
Gains in foreign exchange	**104**	194
	1,824	1,400

17. INVENTORIES

	2009 £'000	2008 £'000
Raw materials and consumables	**1,643**	1,763
Work in progress	**3,707**	3,620
Finished goods	**652**	434
	6,002	5,817

The cost of inventories recognised as an expense during the year was £13.6m (2008: £10.9m) including write-downs in the year amounting to £2.7m (2008: £2.9m)

18. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
Trade receivables	**1,742**	1,956
Other receivables	**378**	447
VAT	**164**	296
Prepayments	**1,156**	500
	3,440	3,199

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. Certain trade receivables were found to be impaired and a provision of £144k (2008: £267k) has been recorded accordingly. Of the £144k, £132k is in addition to the provision of £258k booked last year in relation to the impaired receivable which arose due to the non-performance of a supplier to Allergy Therapeutics Italia s.r.l. In addition, some of the unimpaired trade receivables are past due as at the reporting date.

The age of financial assets past due but not impaired is as follows:

The following financial assets were overdue by:

	2009 £'000	2008 £'000
Trade receivables		
Not more than 3 months	**304**	494
More than 3 months but not more than 6 months	**66**	43
More than 6 months but not more than 1 year	**58**	229
More than one year	**135**	8
	563	774

Bad and doubtful debt provision

	2009 £'000	2008 £'000
Balance b/f	**267**	57
Foreign exchange adjustments	**10**	–
Charge for the year	**144**	267
Utilised	**–**	(57)
Balance c/f	**421**	267

19. CASH AND CASH EQUIVALENTS

	2009 £'000	2008 £'000
Cash at bank and in hand	**–**	2,298

20. TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Trade payables	**3,742**	2,312
Social security and other taxes	**1,302**	403
Other creditors	**187**	292
Accrued expenses and deferred income	**3,719**	1,753
	8,950	4,760

21. BORROWINGS

	2009 £'000	2008 £'000
Due within one year		
Facility borrowing	**9,376**	1,582
Short term loans	**2,250**	840
Overdraft	**26**	–
	11,652	2,422
Due after more than one year		
Facility borrowing	**19,048**	22,444
Long term loan	**207**	969
	19,255	23,413

The facility borrowing is denominated in Euros and provided by The Royal Bank of Scotland plc. The interest on the loan is Euribor plus a variable margin. The loan is secured in favour of The Royal Bank of Scotland plc by means of a debenture over the Group's assets, an Intellectual Property Rights Agreement with Bencard Allergie GmbH and share pledge agreements with Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L

On 3 July 2009 £9.4m of the outstanding balance was repaid, classifying this amount of the loan as short-term at the balance sheet date. At the same time, the terms of the loan agreement were revised and amended; the Group now has a fixed term loan of €11m (fully drawn down in July 2009) and a revolving credit facility of €15.5m.

22. PROVISIONS

The provision refers to a leaving indemnity reserve in Allergy Therapeutics Italia s.r.l. Under Italian law, alongside each monthly salary payment an amount is paid into this reserve for each employee. When the employee leaves the Company the accrued amount is paid in the form of a deferred salary payment.

	2009 £'000
At 1 July 2008	**249**
Additions in year	**28**
At 30 June 2009	**277**

23. 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 stakeholders through the effective management of liquid resources raised through share issues and facility loan arrangements. The IAS 39 categories of financial assets and liabilities included in the balance sheet and the headings under which they are shown are as follows:

Categories of financial instrument

	2009 £'000	2008 £'000
Financial assets		
Current		
Derivative instruments at fair value through profit and loss	**–**	3
Loans and receivables (including cash and cash equivalents)	**2,284**	4,997
Non current		
Derivative instruments at fair value through profit and loss	**–**	42
	2,284	5,042
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(15,581)**	(5,026)
Derivative instruments at fair value through profit and loss	**(1,172)**	(923)
Non current		
At amortised cost (including borrowings and payables)	**(19,532)**	(23,662)
Derivative instruments at fair value through profit and loss	**(1,126)**	(382)
	(37,411)	(29,993)

Derivative financial instruments

The Group uses derivative financial instruments to mitigate the effects of exchange rate exposure through the use of forward exchange contracts and interest rate volatility through the use of interest rate swap arrangements. The fair value is calculated by reference to market rates and supported by counterparty confirmation.

Interest rate swap

Although management consider the interest rate swaps as an effective hedging tool they are not formally designated as such. They are arranged to convert 60% of the Group's loan borrowings from floating to fixed rates.

Euro forward contracts

The Group has Euro forward contracts with its bank that are arranged for the sale of €14,275k to purchase Sterling at an average blended rate of £1:€1.2985 at future dates from July 2009 to June 2010.

Analysis of derivative financial instruments

	2009 £'000	2008 £'000
Current assets		
Derivative financial instruments		
– Euro exchange swap – held for trading	–	3
Non current assets		
Derivative financial instruments		
– Interest rate swap – held for trading	–	42
Current liabilities		
Derivative financial instruments		
– Euro forward contracts – held for trading	1,172	897
– Interest rate swap – held for trading	–	26
	1,172	923
Non current liabilities		
Derivative financial instruments		
– Euro forward contracts – held for trading	–	382
– Interest rate swap – held for trading	1,126	–
	1,126	382

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 majority of the active subsidiaries, or Sterling. In addition some costs are denominated in US dollars and Canadian dollars.

The Group carries bank balances in the following currencies:

	2009 £'000	2008 £'000
Sterling	862	1,812
Euro	(1,084)	(624)
US dollars	1	418
Canadian dollars	191	671
Slovak koruna	–	13
Polish zloty	4	8
	(26)	2,298

The risks resulting from transaction exposure are mitigated by the use of forward contracts which are used to eliminate approximately 70% of the exposure on a 12 month basis. Foreign currency denominated financial assets and liabilities, translated into Sterling at closing rates, are as follows:

	2009			2008		
	Sterling £'000	Euro £'000	Other £'000	Sterling £'000	Euro £'000	Other £'000
Financial assets	299	1,626	359	2,698	1,192	1,110
Financial liabilities	(2,016)	(13,850)	(887)	(2,393)	(3,556)	–
Short term exposure	(1,717)	(12,224)	(528)	305	(2,364)	1,110
Financial assets	–	–	–	–	42	–
Financial liabilities	–	(20,658)	–	(382)	(23,662)	–
Long term exposure	–	(20,658)	–	(382)	(23,620)	–

The following table illustrates the sensitivity of the net result for the year and the equity of the Group with regard to its financial assets and liabilities and the Euro to Sterling exchange rate. Foreign exchange movements over the last three years have been considered and an average taken, and on this basis a 5% movement is considered to be a reasonable benchmark.

	2009 £'000	2008 £'000
If Sterling had strengthened against the Euro by 5%		
Net results for the year	763	895
Equity	778	405
	1,546	1,300
If Sterling had weakened against the Euro by 5%		
Net results for the year	(842)	(639)
Equity	(860)	(448)
	(1,702)	(1,087)

Interest rate risk

The Group finances its operations through both equity and debt. The main debt facility is at a floating rate of interest with an interest rate swap covering 60% of the debt which converts floating to fixed rates of interest. The following table illustrates the sensitivity of the net result for the year and equity to possible changes in interest rates of + 1% and – 1%, with effect from the beginning of the year on the remaining element of borrowings. These changes 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:

	2009		2008	
	£'000	£'000	£'000	£'000
	+ 1%	- 1%	+ 1%	- 1%
Net results for the year	(138)	138	(83)	83
Equity	–	–	–	–
	(138)	138	(83)	83

Credit risk

Credit risk refers to the risk that a 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 continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

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.

Liquidity risk

The Group does not hold substantial cash balances but does have the ability to make further drawings against its facilities with its bank as agreed on 3 July 2009. Management also continues to have the option to raise funds from the issue of equity shares.

As at 30 June 2009 the Group's undiscounted cashflows are summarised as follows:

Current liabilities

	2009		2008	
	£'000 Within 6 months	£'000 6 to 12 months	£'000 Within 6 months	£'000 6 to 12 months
Borrowing Facility	11,230	1,149	–	2,422
Trade payables	3,725	17	2,506	9
Other short term liabilities	5,208	–	2,245	–
Derivatives	836	336	555	368
	20,999	1,502	5,306	2,799

Non-current liabilities

	£'000 1 to 5 years	£'000 Later than 5 years	£'000 1 to 5 years	£'000 Later than 5 years
Borrowing Facility	18,472	3,912	23,413	–
Other long term liabilities	–	3,098	–	2,573
Derivatives	1,126	–	382	–
	19,598	7,010	23,795	2,573

There is no material difference between the fair values and the book values of these financial instruments.

24. OPERATING LEASE COMMITMENTS

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

	Land & buildings		Other		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Within one year	**413**	384	**413**	276	**826**	660
Two to five years	**763**	836	**397**	436	**1,160**	1,272
Over five years	**340**	431	**–**	–	**340**	431
	1,516	1,651	**810**	712	**2,326**	2,363

Of the operating lease commitments for land and buildings of £1,516k, £866k relates to the UK based premises. The production facility accounts for £614k of this commitment and expires in February 2016. Premises in Spain account for £320k expiring in 2020 and in Germany for £316k expiring in December 2010.

Of the other commitments, £703k relates to leased vehicles, all expiring within 3 years.

25. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution scheme

The Group operates a defined contribution pension scheme for certain employees in the UK. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against the profits represents the contributions payable under the scheme in respect of the accounting period totalling £174k (2008: £208k).

Defined benefit scheme

The Group operates a defined benefit pension scheme for certain employees in Germany. The actuarial valuation was carried out by Swiss Life Pensions Management GmbH at 30 June 2009. The major assumptions used were as follows:

	2009 % pa	2008 %pa
Retail price inflation	**2.0**	3.3
Salary increases	**4.0**	4.0
Pension increases in payment	**2.0**	2.0
Discount rate at the beginning of the year	**6.0**	5.0
Discount rate at the end of the year	**6.0**	6.0
Expected return on assets	**4.1**	4.1
Increase of social security contribution ceiling	**2.0**	3.25
Average life expectancies		
Male, 65 years of age at the balance sheet date	**18.2**	18.0
Female, 65 years of age at the balance sheet date	**22.3**	22.2
Male, 45 years of age at the balance sheet date	**40.9**	40.8
Female, 45 years of age at the balance sheet date	**44.9**	44.8

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

	2009 £'000	2008 £'000
Fair value of plan assets	**1,104**	932
Present value of scheme liabilities	**(3,925)**	(3,256)
Deficit in the scheme	**(2,821)**	(2,324)
Experience gains / (losses) on plan assets	**(10)**	23
Experience gains / (losses) on plan liabilities	**1**	201

The plan assets consist of long-term insurance policies that cannot be directly deducted from the German pension obligation. These are recognised as a separate asset, rather than as a deduction in determining the defined benefit liability. The basis used to determine the overall expected rate of return is the expected market return as determined by Swiss Life Pensions Management GmbH using the projected unit credit method. The actual return on plan assets for the year is £32k (2008: £54k). The pension charge generates an unrecognised deferred tax asset of £279k (2008: £270k), however this is unrecognised in the Group accounts as there is uncertainty over the recoverability.

	2009 £'000	2008 £'000
Amounts charged to operating loss		
Current service costs	**233**	222
Amounts included in other finance costs		
Expected return on pension scheme assets	**(42)**	(31)
Interest on pension scheme liabilities	**209**	159
Net charge	**167**	128
Amounts recognised in the statement of recognised income and expense		
Actual return less expected return on pension scheme assets	**(10)**	23
Experience gains and losses arising on scheme liabilities	**1**	201
Changes in assumptions underlying the present value of scheme liabilities	**–**	352
Total amount relating to year	**(9)**	57
Opening cumulative (losses)	**(525)**	(1,101)
Actuarial loss recognised	**(534)**	(525)
Net movement recognised	**(534)**	(525)

Movement in assets in the year

	2009 £'000	2008 £'000
Balance as at 1 July	**932**	718
Foreign currency differences	**70**	95
Expected return	**42**	31
Actuarial (loss)/gain	**(10)**	23
Contributions	**70**	64
Balance at 30 June	**1,104**	932

Movement in liabilities in the year

	2009 £'000	2008 £'000
Balance as at 1 July	**(3,256)**	(2,901)
Foreign currency differences	**(242)**	(539)
Service cost	**(233)**	(222)
Interest cost	**(209)**	(159)
Actuarial gains	**1**	201
Benefits paid	**14**	12
Changes in assumptions	**–**	352
Balance at 30 June	**(3,925)**	(3,256)

The expected contributions over the forthcoming year are £226,097.

History of experience gains and losses

	2009 %	2009 £'000	2008 %	2008 £'000	2007 %	2007 £'000
Scheme assets						
Difference between the expected and actual return	**(0.9)**	**(10)**	2.6	23	1.5	(11)
Scheme liabilities						
Experience gains and (losses)	**–**	**1**	6.7	201	1.0	(30)
Changes in assumptions underlying present value		**–**		352		174
Total amount recognised	**(0.2)**	**(9)**	17.7	576	4.6	133

The Group has taken advantage of the exemption from the requirement to disclose the history of experience prior to the date of transition contained within IFRS 1.

26. ISSUED SHARE CAPITAL

	2009 Shares	2009 £'000	2008 Shares	2008 £'000
Authorised share capital				
Ordinary shares of 0.10p each 1 July and 30 June	**790,151,667**	**790**	790,151,667	790
Deferred shares of 0.10p each 1 July and 30 June	**9,848,333**	**10**	9,848,333	10
Issued and fully paid Ordinary shares of 0.10p at 1 July	**81,950,632**	**82**	81,950,632	82
Issued during the year	**415,982**	**0**	–	–
At 30 June	**82,366,614**	**82**	81,950,632	82
Issued and fully paid				
Deferred shares of 0.10p at 1 July	**9,848,333**	**10**	9,848,333	10
Issued during the year	**–**	**–**	–	–
At 30 June	**9,848,333**	**10**	9,848,333	10
Issued share capital	**92,214,947**	**92**	91,798,965	92

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

On 1 July 2009 181,631,937 ordinary shares of 0.1p each issued pursuant to the Offer, Placing and Subscription at a price of 12p per ordinary share were admitted to trading on AIM having been approved by shareholders of the Company in General Meeting on 30 June 2009. On 10 July, 12,500,000 ordinary shares of 0.1p each issued pursuant to the exercise of a Warrant by Azure Ventures Limited were admitted to trading on AIM. The total issued share capital of the Company on 10 July was 276,498,551 ordinary shares.

27. SHARE BASED PAYMENTS

The Group has a Savings Related Share Option Plan for the benefit of all employees and Executive directors with 12 months continuous service. There were no options granted in 2008/09. (The 2006 and 2007 schemes carried a 15% discount while the 2008 scheme carried a 10% discount to the average market share price on the date of grant). The vesting period is three years. The options are settled in equity once exercised. If the options remain unexercised after a period of six months from the end of the vesting period, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Group has a Long Term Incentive Plan under which Executive directors and senior employees may receive annual provisional awards of performance vesting shares. The number of shares that vest depends on the Group's performance during the Plan cycle in terms of total shareholder return (TSR) compared to the TSR performance of the companies in the Plan's peer group. If the Group's position in the peer group at the end of the Plan cycle is at or above the 75th percentile, 100% of the shares provisionally awarded may vest; between the 75th and 50th percentile the percentage of shares that may vest will be calculated on a straight-line basis between 100% and 33.33%; below the 50th percentile no shares will vest. Each Plan cycle will comprise not less than three consecutive financial years. Awards are forfeited if the employee leaves the Group before the shares vest.

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

There were no share based payments issued during the year:

For the following disclosure, Long Term Incentive Plan awards, with a nil exercise price have been disclosed separately to avoid distorting the weighted average exercise price (WAEP):

	2009 WAEP		2008 WAEP	
	Number	**Price (£)**	Number	Price (£)
Outstanding at the beginning of the year	**11,453,300**	**0.31**	13,064,761	0.38
Granted during the year	**–**	**–**	632,576	0.31
Exercised during the year	**(1,794,275)**	**0.05**	(710,206)	0.05
Forfeited during the year	**(161,405)**	**0.66**	(1,533,831)	0.98
Outstanding at the year end	**9,497,620**	**0.36**	11,453,300	0.31
Exercisable at the year end	**8,769,055**	**0.35**	10,362,224	0.30

Included in the above numbers outstanding at 30 June 2009 are 6,901,478 (2008: 8,983,191) share options granted before 7 November 2002 or vested before 1 July 2006 which have been excluded from the share-based payments charge in accordance with the IFRS 1 'First-time Adoption of International Financial Reporting Standards' transitional provisions.

Options exercised during the year had a weighted average share price at date of exercise of 14p (2008: 28p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 3.4 years (2008: 5.4 years) and have the following range of exercise prices:

	30 June 2009	30 June 2008
Exercise price (p)	Number	Number
0.1-5	4,441,486	6,260,261
6-45	3,135,480	3,194,244
46-120	1,920,654	1,998,795
	9,497,620	11,453,300

The fair value of options granted under the Savings Related Share Option Plan has been arrived at using the Black-Scholes model. The assumptions made to value options granted were as follows:

Date of grant	Vesting period (yrs)	Date of vesting	Expected life (yrs)	Exercise price (£)	Risk-free rate	Share price at grant (£)	Volatility of share price	Fair value (£)	Number outstanding
10/04/08	3	01/05/11	3.2	0.3060	5%	0.34	41.6%	0.17	628,812
26/03/07	3	01/05/10	3.2	0.9945	5%	1.17	30%	0.41	99,753
11/01/06	3	01/03/09	3.2	0.6400	5%	0.75	30%	0.26	339,602

- Expected volatility was based on historic volatility at the date of grant
- The share-based payment charge assumes an expected option life of 3.2 years, an employee attrition rate of 5% per annum and an early surrender risk of 5% per annum.
- The expected number of shares vesting was 'trued-up' for actual leavers at the balance sheet date.

Details of the shares provisionally awarded under the Long Term Incentive Plan are as follows:

Date of grant	Vesting period (yrs)	Date of vesting	Expected life (yrs)	Exercise price (£)	Risk-free rate	Share price at grant (£)	Volatility of share price	Fair value (£)	Number outstanding
21/12/07	3	04/07/10	3	0.0000	n/a	0.385	n/a	0.385	1,680,575
09/10/06	3	01/07/09	3	0.0000	n/a	1.000	n/a	1.000	788,733
14/12/05	3	14/12/08	3	0.0000	n/a	0.695	n/a	0.695	–

- Awards granted under the LTIP are valued at the market price at the date of grant.
- The share-based payment charge assumes an employee attrition rate of 5% per annum and a vesting probability of 41.5%.

The Group recognised total expenses of £260,000 (2008: £356,000) related to equity-settled share based payment transactions during the year.

28. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital £'000	Share premium £'000	Merger reserve – shares issued by subsidiary £'000	Reserve – shares held in EBT £'000	Reserve – share based payments £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2007	**92**	**33,173**	**40,128**	**(36)**	**675**	**226**	**(133)**	**(65,529)**	**8,596**
Exchange differences on translation of foreign operations							(495)		(495)
Actuarial gains								576	576
Valuation losses taken to equity						(61)			(61)
Net income recognised directly in equity						(61)	(495)	576	20
Loss for the period after tax								(20,297)	(20,297)
Total recognised income and expense						(61)	(495)	(19,721)	(20,277)
Share based payments					356				356
Sale of shares by Employee Benefit Trust				35					35
At 30 June 2008	**92**	**33,173**	**40,128**	**(1)**	**1,031**	**165**	**(628)**	**(85,250)**	**(11,290)**
Exchange differences on translation of foreign operations							(485)		(485)
Actuarial gains								(9)	(9)
Valuation losses taken to equity						24			24
Net income recognised directly in equity						24	(485)	(9)	(470)
Loss for the period after tax								(11,764)	(11,764)
Total recognised income and expense						24	(485)	(11,773)	(12,234)
Share based payments					260				260
Sale of shares by Employee Benefit Trust				68					68
Shares issued	0	20							20
At 30 June 2009	**92**	**33,193**	**40,128**	**67**	**1,291**	**189**	**(1,113)**	**(97,023)**	**(23,176)**

29. CONTINGENT LIABILITIES

Allergy Therapeutics (UK) Ltd, a subsidiary of Allergy Therapeutics plc, has guaranteed the deposits required for leases on Group cars and rented office space occupied by a fellow subsidiary, Bencard Allergie GmbH. The amount as at 30 June 2009 was €107,568; £91,469 (2008: €78,000; £52,000).

A cross-guarantee exists between Allergy Therapeutics (Holdings) Ltd, Allergy Therapeutics (UK) Ltd, Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L. in which the liabilities of each entity under the RBS loan agreement are guaranteed by all the others.

30. CAPITAL COMMITMENTS

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

	30 June 2009 £'000	30 June 2008 £'000
Capital commitments	**482**	1,123

Included in the above is £389,000 for ongoing factory refurbishments in the UK (2008: £126,000); £72,000 for new plant and machinery (2008: £623,000) and £21,000 for IT equipment and systems upgrades (2008: £374,000).

31. RELATED PARTY TRANSACTIONS

Allergy Therapeutics plc's related parties include its subsidiary companies and its key management. Key management personnel are the Company's directors, and as such full disclosure of their remuneration can be found in the Directors' Remuneration report on pages 24 to 26.

Stephen Smith and Virinder Nohria, Non Executive Directors of the Company also received fees during the year in addition to their fees earned as Non Executive Directors of £85k and US$99k respectively for professional advice given to the Company.

At 30 June 2009, 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
Allergy Therapeutics Development Ltd	UK	Dormant	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

32. EVENTS AFTER THE BALANCE SHEET DATE

On 1 July 2009 181,631,937 ordinary shares of 0.1p each issued pursuant to the Offer Placing and Subscription were admitted to trading on AIM having been approved by shareholders of the Company in General Meeting on 30 June 2009; raising approximately £20.6m net of expenses. On the same day Alejandro Weinstein and Manuel Llobet were appointed as directors of the Company.

On the 3 July the Company repaid £9.4m of debt and revised and amended the terms of its loan agreement with The Royal Bank of Scotland.

On 10 July, 12,500,000 ordinary shares of 0.1p each issued pursuant to the exercise of a Warrant by Azure Ventures Limited were admitted to trading on AIM raising approximately £1.5m net of expenses.

Report of the Independent Auditor to the Members of Allergy Therapeutics Plc

We have audited the parent Company financial statements of Allergy Therapeutics plc for the period ended 30 June 2009 which comprise the parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 22 and 23, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2009
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

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

Other matter

We have reported separately on the group financial statements of Allergy Therapeutics plc for the period ended 30 June 2009.

Stephen P.S. Weatherseed
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
18 September 2009

Company Balance Sheet

	Note	30 June 2009 £'000	30 June 2008 £'000
Fixed Assets			
Investments	3	**51**	51
Current assets			
Debtors: amounts falling due within one year	4	**795**	121
Current liabilities			
Creditors: amounts falling due within one year	5	**(463)**	(117)
Net current assets		**332**	4
Total assets less current liabilities		**383**	55
Net assets		**383**	55
Capital and reserves			
Called up share capital	6	**92**	92
Share premium	7	**33,193**	33,173
Other reserves – shares held by EBT	7	**67**	(1)
Other reserves – share based payments	7	**1,291**	1,031
Profit and loss account	7	**(34,260)**	(34,240)
Total equity		**383**	55

These financial statements were approved by the Board of Directors on 18 September 2009 and were signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Notes to the Company Balance Sheet

1. ACCOUNTING POLICIES

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Going concern

The Group incurred losses for the financial years ended 30 June 2008 and 2009 primarily as a consequence of its investment in research and development activities; these losses have been funded by equity issues, debt facilities and cash generated by the operating business.

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2010 to 30 June 2012. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Company's funding plans, the Directors continue to believe that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

Investments

Investments in shares in subsidiary undertakings are included at cost less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the preceding month-end. 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 and loss account.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences, between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

Employee Benefit Trust (EBT)

The financial statements include the assets and liabilities of a trust, set up for the benefit of the Company's employees.

The Employee Benefit Trust has acquired shares in the Company and these are deducted from shareholders' funds on the balance sheet within 'Other reserves' initially at the cost that the shares were acquired. (At the end of June 2009, all the shares in the EBT had been issued). The net proceeds received from the issue of these shares through the exercise of options are recognised through this reserve.

Share based payments

The Company has adopted FRS 20 with effect from 1 July 2006. FRS 20 requires the recognition of a charge to the profit and loss account for all applicable share based payments, including share options, SAYE schemes and share based Long Term Incentive Plan.

The Company has equity-settled share based payments but no cash-settled share based payments. All share based payment awards granted after 7 November 2002 which had not vested prior to 1 July 2006 are recognised in the financial statements.

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.

2. Loss for the financial period

The Company has taken advantage of s.408 (3) of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the period was £20,123 (2008; £514,000).

3. Investments

	Shares in subsidiary undertaking £'000
Cost	
Investment brought forward and carried forward	51
Provision	
Provision brought forward and carried forward	–
Net book value	
At 30 June 2009 and 30 June 2008	**51**

At 30 June 2009 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
Allergy Therapeutics Development Ltd	UK	Dormant	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

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

4. Debtors

	30 June 2009 £'000	30 June 2008 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**305**	117
Other debtors	**66**	4
Prepayments	**424**	–
	795	121

5. Creditors – amounts falling due within one year

	30 June 2009 £'000	30 June 2008 £'000
Taxation and social security	**39**	117
Accruals and deferred income	**424**	–
	463	117

6. Called up share capital

Full details of the Company's share capital are set out in Note 26 of the consolidated financial statements.

7. Reserves

	Profit and loss account £'000
At 30 June 2008	(34,240)
Retained loss for the year	(20)
At 30 June 2009	**(34,260)**

	Share premium account £'000
At 30 June 2008	33,173
Shares issued in the year	20
At 30 June 2009	**33,193**

	Other reserve – share based payments £'000
At 30 June 2008	1,031
Provision in year for share based payments	260
At 30 June 2009	**1,291**

	Other reserve – EBT £'000
At 30 June 2008	(1)
Sale of shares by EBT	68
At 30 June 2009	**67**

8. Share based payments

Full details of the Company's share based payments are set out in Note 27 of the consolidated financial statements.

9. Director's emoluments

Full details of the Company's directors' emoluments are set out in the Directors' Remuneration Report in the Report of the Directors.

10. Reconciliation of movement in shareholders' funds

	Year to 30 June 2009 £'000	Year to 30 June 2008 £'000
(Loss)/profit for the financial year	**(20)**	(514)
Issue of shares from EBT	**68**	35
Share based payments	**260**	356
Shares issued	**20**	–
Net (deduction from)/addition to shareholders' funds	**328**	(123)
Opening shareholders' funds	**55**	178
Closing shareholders' funds	**383**	55

11. Contingent Liabilities

Full details of the Company's contingent liabilities are set out in Note 29 of the consolidated financial statements.

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