












Allergy Therapeutics plc

Annual Report & Accounts 2010




Allergy Therapeutics®
Transforming Allergy Treatment

www.allergytherapeutics.com


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

Contents

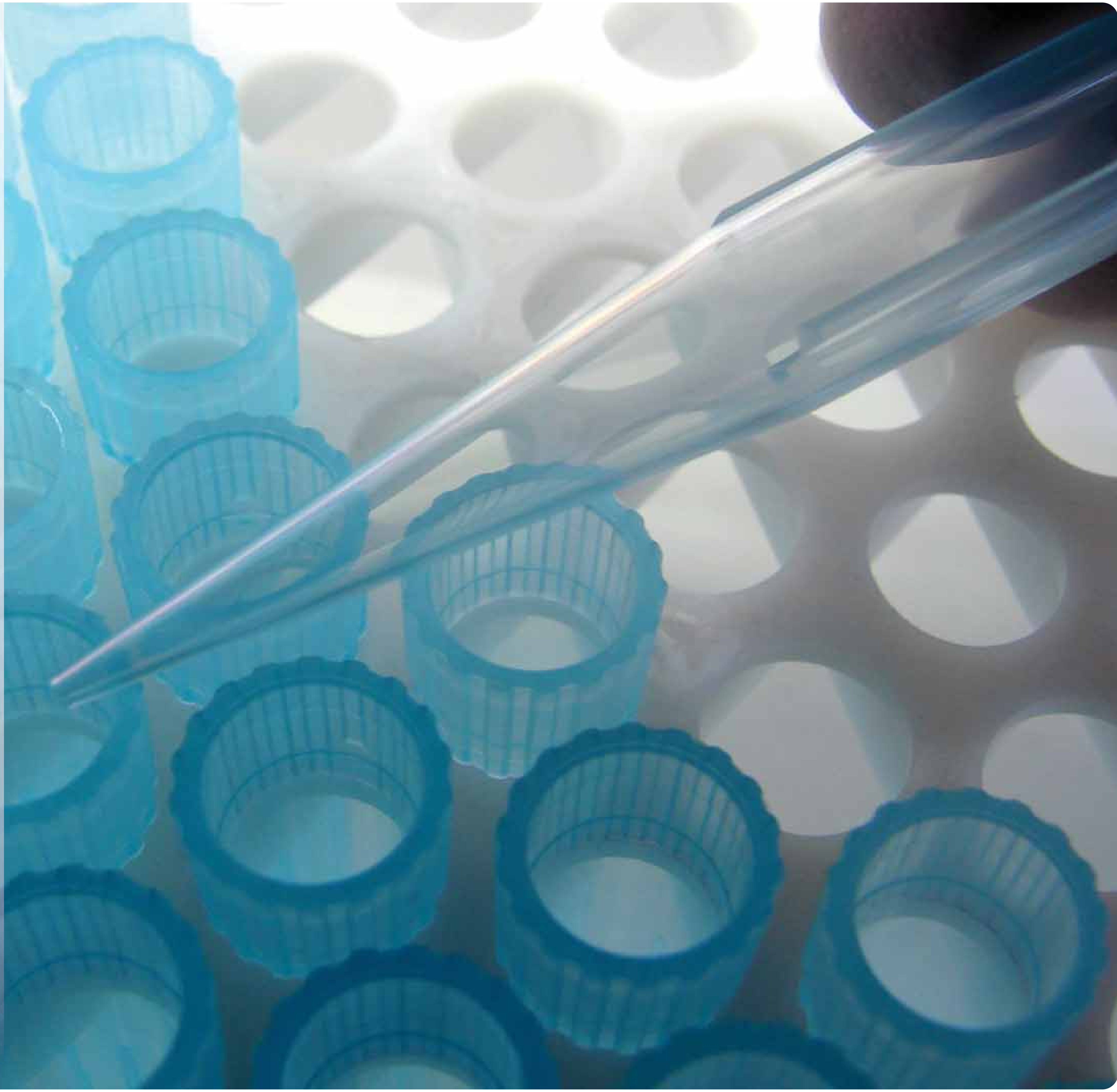
Highlights

- **Maiden operating profit of £1.5 million (2009 restated: loss £5.1 million)**
- **Cash generated by operations of £1.1 million (2009: used £0.1 million)**
- **Pollinex Quattro named-patient sales increased by 16% to £21.1 million**
- **Revenues increased by 8% to £40.8 million (2009: £37.8 million)**
- **Revenues increased by 5% on a constant currency basis**
- **Gross profit increased by 22% to £29.6 million (2009: £24.2 million)**
- **Profit after tax increases to £0.6 million (2009: loss £11.8 million)**
- **£11.7 million debt outstanding (2009: £30.9 million)**
- **Net debt reduced by £23.7 million to £7.2 million (2009: £30.9 million)**
- **Acquisition of Teomed AG on 1 July 2010**

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**

"To create a sustainable, fast-growing and profitable European pharmaceutical business with a substantial franchise in the allergy sector by developing innovative, patented, registered therapies for both the treatment and prevention of allergy-related conditions."



Chairman's Statement

"The last twelve months has seen Allergy Therapeutics pass a significant milestone. The Group is in a strong financial position, now profit-making and with a transformed balance sheet. Operationally the Group is stronger, not only in the targeted sales and marketing areas but also across the board in manufacturing and regulatory activities. I am proud of all that we have achieved and that our people have not only risen to their many challenges but identified the opportunities contained within them."

"Allergy Therapeutics is now one of few in its life sciences peer-group to be able to claim to be a profitable company."

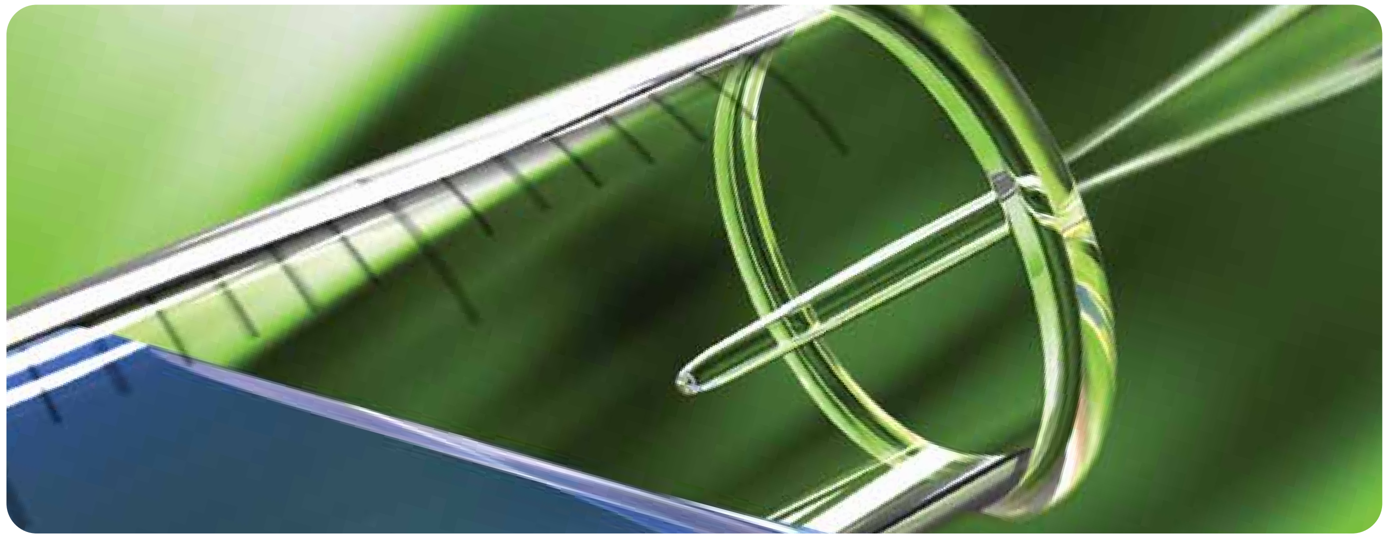
Chairman's Statement

I am very pleased to report that in the financial year ended 30 June 2010, Allergy Therapeutics has delivered against its strategy: for the first time as a public company it is now profitable, both at the operating and profit after tax levels. This has been achieved by investing in our European sales and marketing operations whilst improving the efficiency of the cost base. Immediately after the year-end the European commercial infrastructure was further strengthened by the acquisition of Teomed AG in Switzerland.

It was vital for the Group's success that it should achieve operating profitability. A £6.6m turnaround from an operating loss of £5.1m in the previous year to an operating profit this year of £1.5m is a tremendous achievement. Allergy Therapeutics is now one of few in its life sciences peer-group to be able to claim to be a profitable company. It is a milestone and I would like to thank each and every one of our employees for their efforts in helping to make this happen.

It also merits highlighting that our manufacturing and supply operations delivered considerable cost reductions and efficiencies whilst maintaining its excellent service to our customers with continued compliance and quality. Investment continues in improved methods and equipment both to reduce risk and further improve future margins.

On 1 July 2010 we announced the acquisition of Teomed AG, a Swiss speciality distribution company. Teomed is the first acquisition following the increased emphasis in the Group's strategy towards strengthening its European market position and will provide additional revenue growth and an opportunity to improve earnings.



The Group raised £25.7m in the year from its shareholders. £20.3m was raised from shareholders in July 2009, with a cornerstone investment from the Weinstein family, whose interests in pharmaceuticals span over 20 countries from their South American base. A further £3.4m was received from the exercise of warrants by the Weinstein family and a further £2.0m fundraising in March. We thank all our shareholders, new and old, for their support. The refinancing in July 2009 enabled the Group to make a £9.4m repayment of debt to RBS and resulted in a revision of the loan facilities terms.

As a consequence of the financing there were changes to the board. Keith Carter agreed to step down as CEO in September 2009 to allow Manuel Llobet, a highly experienced executive from the Weinstein family pharmaceutical businesses, to take over the role. Alejandro Weinstein joined the board as non-executive director as the senior representative of the Weinstein family. As we progress during the next year it is our aim to reduce the total size of the board and appoint a new independent non-executive director.

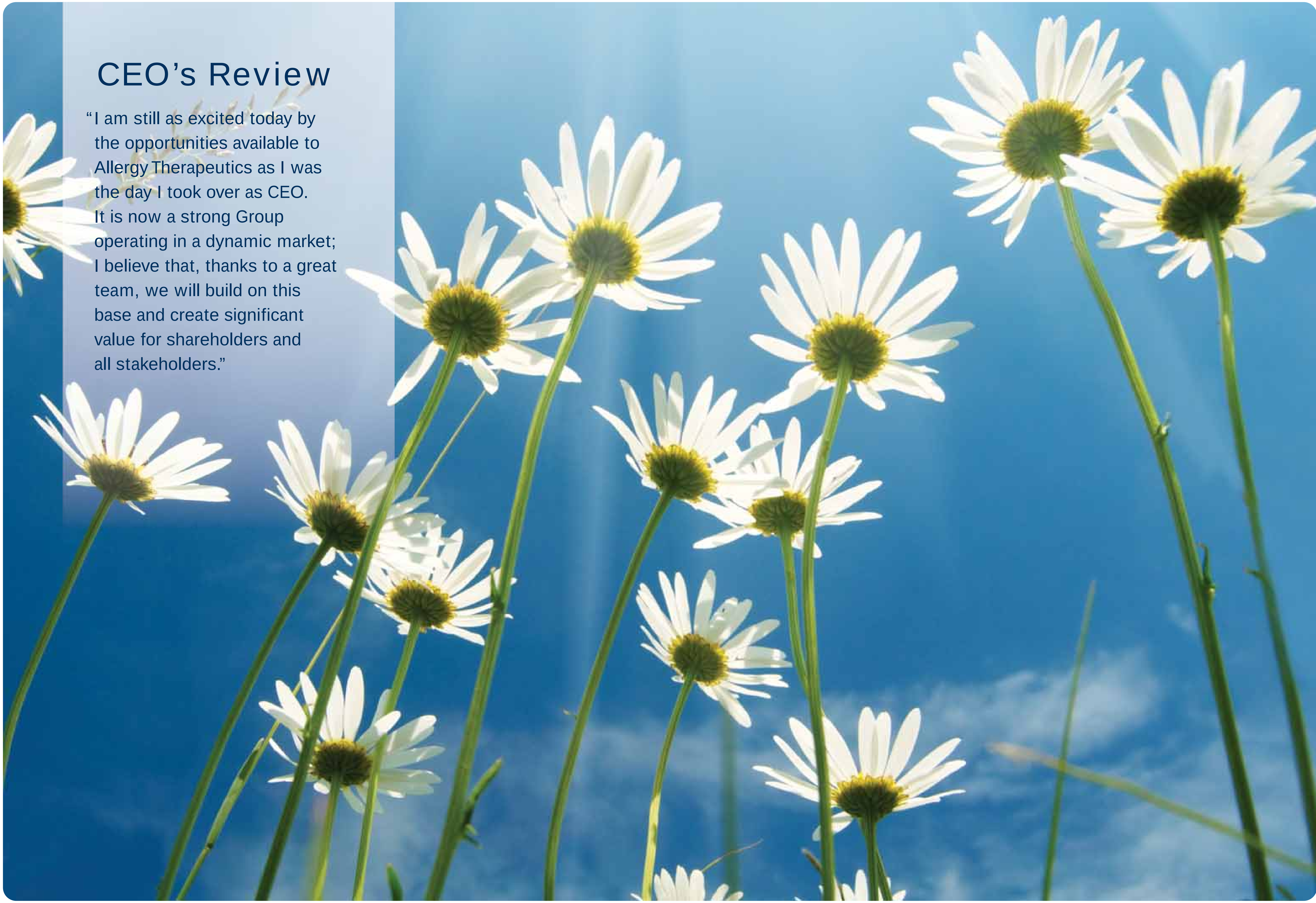
On the regulatory front, the submission in March 2009 of Pollinex Quattro Grass, our ultra-short course four injection grass allergy vaccine, remains under assessment by the Paul-Ehrlich Institute in Germany. Marketing approval is planned for Germany in early 2011 and subsequently elsewhere in Europe. This will enable Allergy Therapeutics to accelerate sales growth in its current markets as well as entering new European markets. Plans for the submission of 10 further marketing authorisations in Germany remain on track to achieve the end of November 2010 deadline, ultimately strengthening the Group's position in its most important market.

The last twelve months has seen Allergy Therapeutics pass a significant milestone. The Group is in a strong financial position, now profit-making and with a transformed balance sheet. Operationally the Group is stronger, not only in the targeted sales and marketing areas but also across the board in manufacturing and regulatory activities. I am proud of all that we have achieved and that our people have not only risen to their many challenges but identified the opportunities contained within them.

Ignace Goethals
Chairman
17 September 2010

CEO's Review

"I am still as excited today by the opportunities available to Allergy Therapeutics as I was the day I took over as CEO. It is now a strong Group operating in a dynamic market; I believe that, thanks to a great team, we will build on this base and create significant value for shareholders and all stakeholders."



> "One of our key ambitions for this year was for the Group to make a profit and I am very pleased to report that this has been achieved."

CEO's Review

I have enjoyed my first year as CEO and I am pleased that the Group is progressing well and in line with its strategy. One of our key ambitions for this year was for the Group to make a profit and I am very pleased to report that this has been achieved. Operating profit for the year is £1.5m (2009: loss £5.1m) and profit after tax for the year is £0.6m (2009: loss £11.8m).

During the year, one of the key areas I have focused on was sales and marketing, with the aim of strengthening sales performance in our markets. Total net sales for the year are £40.8m, an increase over the prior year by 8%; at a constant currency the growth was 5%. In Germany, the Group's most important market, we have simplified our portfolio in order to prepare the Group for the new regulatory environment and, despite the resulting reduction in the number of products we offer, sales grew by 5% at a constant currency. With the restructuring of the sales and marketing team now complete and an excellent marketing campaign focusing on the clinical benefits of Pollinex Quattro, we are doing all of the right things to improve sales in Germany further in the future. Sales teams in other key markets have also been reinforced and performance in most markets has been good.

The Group has a broad product portfolio that addresses the needs of the market: injectable (both short and longer course), oral and diagnostics. The flagship product is Pollinex Quattro; an injectable short course vaccine which requires only 4 injections over a period of 3 weeks. Pollinex Quattro is currently sold across a number of European countries on a named patient basis. Completion of the regulatory process outlined below will open up new markets to Pollinex Quattro and enable Allergy Therapeutics to improve pricing and market share in those countries where only named patient sales are currently possible.

On the day after the year-end the Group acquired Teomed AG of Switzerland for a consideration of CHF1.2m (£0.7m). Teomed specialises in the field of allergy and was the distributor for the Group's products and other companies' products in the Swiss market. Teomed was established in 1989 and employs 12 people with an office in Zurich. In its last full trading year Teomed delivered revenues of CHF3.1m (£1.9m) and made a small operating profit. Following this transaction Allergy Therapeutics will have a direct sales and marketing presence in 7 countries: Germany, Italy, Spain, UK, Austria, The Netherlands and Switzerland. The allergy vaccine market in Switzerland is sophisticated and well established, worth around € 10-15 million per annum. This is a great opportunity to improve earnings and provides us with an established infrastructure from which to launch Pollinex Quattro in the future.

The Group has also recently set up its own operation in the Netherlands where we expect to benefit not only from the sales of our own products but also from in-licensing complementary products to those already in our portfolio.

Another significant focus for the Group has been to improve its gross margin. Naturally, increasing the top line helps achieve this objective, but we have also been engaged in improving our manufacturing cost base. Through improving efficiencies within the cost base, focussing on the reduction of waste and rationalising the portfolio, the gross margin percent has improved from 64% to 73%. In turn, improving efficiency in the manufacturing plant will release production capacity permitting future growth without adding resources.

The year opened with the granting of two key patents in Europe and Japan and then later in the US for Pollinex Quattro but for the majority of the year the R&D focus has been on regulatory activities. The Therapeutic Allergen Regulation in Germany will change the allergy vaccination sector and we have made great progress to begin to meet the challenge in the preparation of regulatory dossiers for 10 products to be submitted in November 2010. In Germany, the Pollinex Quattro grass 0.5ml submission remains under the review of the Paul-Ehrlich Institute whilst further exciting data from the G301 study emphatically confirms the benefit of the product. The situation in the US is still on hold although, following the approval of GlaxoSmithKline plc's (GSK) Cervarix® (containing the same monophosphoryl-lipid A (MPL)® adjuvant as Pollinex Quattro), we have now re-opened discussions with the Food and Drug Administration (FDA).

Outlook

As a result of the new regulations in Europe, a new global market of registered allergy vaccine products is going to be created. Immunotherapy is receiving more attention and is the only segment of the Allergic Rhinitis market that is expected to show significant growth in the next few years according to a recent Datamonitor report. We are preparing the Group to take advantage of this opportunity. The first objective was to make the Group profitable; this we have achieved. Secondly, we have to strengthen our position in Europe. This process is now underway; restructuring of the German operation is now complete, marketing spend has been increased, a portfolio strategy has been adopted and new market operations have been set up in Switzerland and The Netherlands. Lastly we need to prepare the Group to move into new markets outside Europe and further develop our portfolio of products. We are very excited by the opportunities we have in the dynamic marketplace, we believe we can create value from it and I am sure we will succeed thanks to the great team we have.

The current economic climate may affect certain markets: in reimbursed markets there are pressures on authorities to lower the cost of medicines for the state and where products are not fully reimbursed there is pressure on the patient's pocket.

I am still as excited today by the opportunities available to Allergy Therapeutics as I was the day I took over as CEO. It is now a strong Group operating in a dynamic market; I believe that, thanks to a great team, we will build on this base and create significant value for shareholders and all stakeholders.

Manuel Llobet
Chief Executive
17 September 2010

Our Markets

"The quality and quantity of our efforts in sales and marketing within our affiliates has improved dramatically and we expect to benefit from this in the coming years."

Our Markets

This year has seen change for our Group with an expansion of our own sales infrastructure in Europe and further investment in our existing markets.

Allergy Therapeutics conducts 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; and through a recent acquisition and a new enterprise now have operations in Switzerland and The Netherlands.

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, Czech and Slovak Republics and South Korea. This year, we have seen growth in all distributor markets.

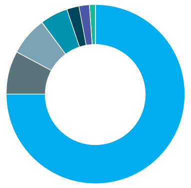
Our goal is to improve on this growth, investing profit back into the business to sustain and increase this growth in sales. The quality and quantity of our efforts in sales and marketing within our affiliates has improved dramatically and we expect to benefit from this in the coming years.

Germany

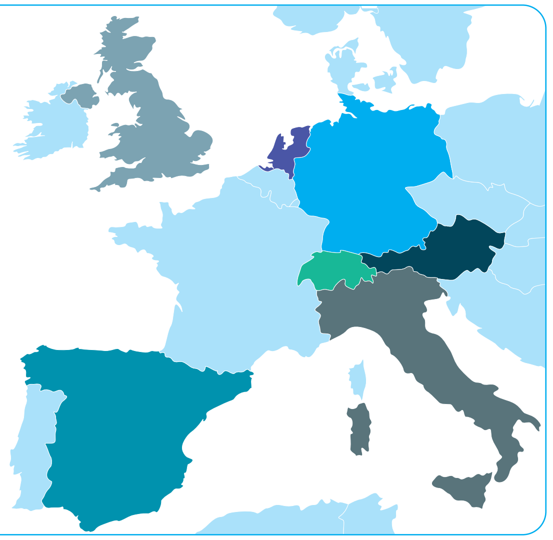
The most important market for the Group, Germany is also the single largest immunotherapy market in the world by value with annual sales in this market of over € 300 million. Germany has been a key focus for the Group this year and improvements have been made in a number of areas of the operation including management structure, new marketing material and employing a portfolio approach to marketing the products.

The market continues to show strong growth but the environment is challenging due to the changes being brought about by the Therapeutic Allergen Regulation by the Paul-Ehrlich Institute (PEI), the Regulatory Authority for biological products in Germany. The introduction of this new regulation signifies the beginning of a fundamental change in the allergy vaccine sector. This led during the year to a rationalisation of the product portfolio in Germany in anticipation of the new regulations coming into effect.

Net Sales by Country



Germany – 75%
Italy – 8%
UK & Export Market – 8%
Spain – 5%
Austria – 2%
The Netherlands – 2%
Switzerland – <1%



”This year has seen change for our Group with an expansion of our own sales infrastructure in Europe and further investments in our existing markets.”

Italy

We estimate the total Italian immunotherapy market to be worth € 55 million in sales per year; although growth is somewhat limited due to negative economic conditions impacting patients and their ability to pay for vaccines. Italy is largely a sublingual market.

With a stronger organisation in place, we believe there is a great opportunity to continue to grow our business despite the flat market performance.

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 although growth in this market has recently been negatively impacted by the economic slowdown. It still 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.

United Kingdom

The United Kingdom, our home market, is an important marketplace and a potential area of future growth for the Group, yet is one of our most challenging markets. Whilst there is limited use of allergy vaccines in this market, this is a changing picture and there has been an increased focus at a government level with the release of the second White Paper and with the recent reforms now being experienced within the NHS.

We are working with several groups who are actively seeking solutions to the lack of existing allergy services and it is envisaged that this will become an improving picture in the near future. Our business in the United Kingdom has been growing quickly in a complex market. There is a focus on pharma-economics 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.

Austria

Austria is an established market with total market sales of about € 18 million per year and our own operation is performing well with double-digit growth.

The Netherlands

This represents a new opportunity for the Group as we have set up our own operations here. The total market size is close to € 50 million annual sales. Like other European countries, new regulations require that only registered products will be able to be sold. This should be to our advantage as we already have registrations in this market for Pollinex products.

Switzerland

The allergy vaccine market in Switzerland is sophisticated and well established, worth around € 10-15 million per annum. Our recent acquisition of Teomed AG provides a great opportunity to improve earnings and gives us an established infrastructure from which to launch Pollinex Quattro in the future.

Our Products

"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."

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

Our Products

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 particularly to allergies to grasses and trees.

According to the current opinion of expert immunologists, 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 therapy addressing the cause of type one allergies.

Injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one key product, Pollinex Quattro, which is the largest and the fastest growing product in our portfolio and various other longer course products. These other 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 R595 using a process of extraction, purification and detoxification.

Tyrosine

Pollinex Grasses & Rye

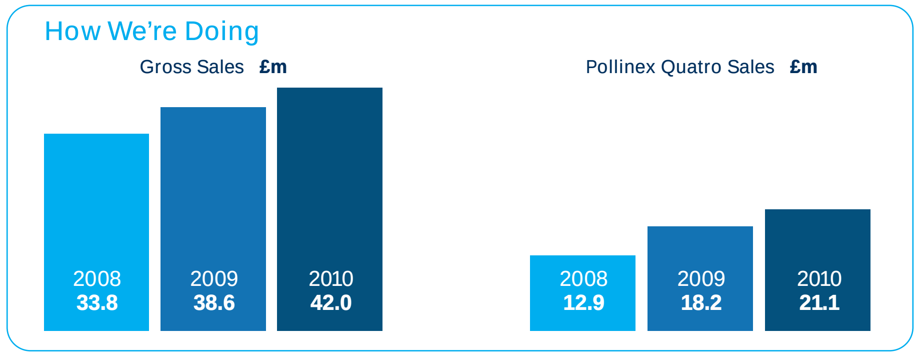
Pollinex Trees

Oralvac (sublingual)

As a vaccine adjuvant, MPL has been used for many years. 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 include a hepatitis B vaccine and an HPV vaccine to protect against cervical cancer – Fendrix and Cervarix respectively – have received broad approval in Europe, the US, Japan and Canada. 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.



Research and Development

"Having submitted the MAA (Marketing Authorisation Application) for Pollinex Quattro Grass 0.5ml last year, the Group is on course now to submit 10 MAA's during the next year."

Research and Development

This year, much of the R&D effort has been focussed on regulatory activity.

Last year's annual report mentioned the introduction of the Therapeutic Allergen Regulation by the Paul-Ehrlich Institute (PEI), the Regulatory Authority for biological products in Germany.
The introduction of this new regulation signifies the beginning of a fundamental change in the allergy vaccine sector and a new phase in Allergy Therapeutics' business. The regulation requires that in Germany products to treat common allergies (eg bee or wasp sting, grass or tree pollen or house dust mite allergy) will require licensing and lays out a timeframe for a transition period for such products currently in use on a named patient basis to become approved.

To that end, the preparation of Marketing Authorisation Applications (MAAs) for our key products has been a major activity throughout this year. A multidisciplinary team was formed and, following a commercial prioritisation of the appropriate products in our portfolio, set about the generation and collation of the required data. Having submitted the MAA for Pollinex Quattro Grass 0.5ml last year, the Group is on course now to submit 10 more MAAs during the next year. Finally regarding the Pollinex Quattro Grass 0.5ml MAA submission made last year, the Group is still closely tracking progress of the review by the PEI but they have not produced an update on the assessment.

Further analyses of the G301 study were presented at the European Academy of Allergy Asthma and Immunology meeting in London in June 2010. These have allowed us to look at the data from different angles including, for example, 'Well days' (the proportion of the season where patients have minimal symptoms and do not require relief medication) which demonstrated a 78% relative benefit ($p=0.0066$) of Pollinex Quattro. Furthermore, the unique geography of G301 enabled a re-definition of 'peak season' by placebo score which demonstrated a benefit in the combined symptom + medication score of 19.4% and a benefit in 'Well subjects' (patients with minimal average symptom + medication score during the peak season) of 105% relative to placebo ($p=0.0001$).

"This year, much of the R&D effort has been focussed on Regulatory activity."

Also on the regulatory front, during the course of the year GSK's cervical cancer vaccine Cervarix® (which, like Pollinex Quattro, also contains the adjuvant MPL®) was approved in the US (and Japan and Canada). This is the first time that the US regulatory authority, the FDA, has approved a vaccine containing a new adjuvant. Subsequent to this, we have re-opened discussions with the FDA concerning the lifting of the clinical hold on Pollinex Quattro in the US and are providing them with further information and evaluation. We hope to be able to agree a way forward for the conduct of further safety and efficacy trials which would stimulate further partnership discussions, although it is not possible to predict the outcome and the timing of this.

Finally, the Group has been granted three key patents, two relating to Pollinex Quattro in Japan and the US and the third relating to vaccines involving the sub-lingual use of MPL. Allergy Therapeutics will continue to seek to extend and defend its intellectual property.

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)

Messages from the Board

Board of Directors

Ignace Goethals
Non-Executive Chairman (65)

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, Nomination and Remuneration Committees.

Manuel Llobet
Chief Executive Officer (46)

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. Manuel 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. Manuel participated in the Executive Program at the Graduate Business School of Stanford University and has an MBA from IESE, Universidad de Navarra, Barcelona. Manuel 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 (47)

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, undertaking 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 (51)

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 (57)

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 Marketing and Sales in Europe.

Stephen Smith
Non-Executive Director (57)

Stephen Smith is a Chartered Management Accountant, Fellow of the Association of Corporate Treasurers and Member of the Institute for Turnaround. Since 1995, he 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 six years as Group Treasurer of The Rank Organisation and three years as Group Finance Director of a quoted hotel Company.

Stephen chairs the Audit, Nomination and Remuneration Committees and is the Senior Non-Executive Director.

Alejandro Weinstein Jr
Non-Executive Director (52)

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

Alejandro sits on the Nomination Committee.

Virinder Nohria
Non-Executive Director (55)

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. Virinder 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, Virinder held several positions in biotechnology and pharmaceutical companies including UCB Pharma and Eli Lilly and Company. Virinder is a board certified paediatric neurologist and received his medical degree from Cambridge University and doctorate in neuropharmacology from University of Bradford. He is currently based in the US and has an affiliation with Mercer University.

Virinder sits on the Remuneration Committee.

Keith Carter
Non-Executive Director (51)

Keith is an entrepreneur and a strategic consultant in business development to life sciences companies. He is a founder of Allergy Therapeutics and was part of the team that orchestrated the acquisition of the Company from SmithKline Beecham in 1998. Prior to this his career was spent in investment banking with Lloyds Merchant Bank, Drexel Burnham Lambert and NatWest Markets, where he was a director in corporate finance and 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 sits on the Audit Committee and was CEO of Allergy Therapeutics plc from 2004 to 2009.

Financial Review

"The results for the twelve months to 30 June have been very good with the Group posting its maiden operating profit."

”The improvements in gross margin reflect the efforts the Group has made to improve its productivity.”

Financial Review

The results for the twelve months to 30 June 2010 have been very good with the Group posting its maiden operating profit of £1.5m (2009 restated due to the transfer of derivative costs from administration expenses to finance expenses: loss £5.1m) and a profit after tax of £0.6m (2009: loss £11.8m).

Gross sales for the period, before the statutory sales rebate in Germany of £1.3m, were £42.0m (2009: £38.9m). This represents an increase of 8% over the previous year and at constant currency a growth rate of 5%. This growth is driven primarily by an increase of 13% in named-patient sales of Pollinex Quattro at a constant currency, and by the increasing strength of the Euro which added £1.1m to the sales over the prior year. After the rebate, group net sales increased by 8% to £40.8m (2009: £37.8m).

Gross profit increased by 22% to £29.6m (2009: £24.2m), representing a gross margin of 73% of sales; a 9 percentage point increase from the previous year at 64%. This is a strong performance, delivered largely by reduced scrapping costs, closely managing overhead and material costs, and also marginally benefiting by the manufacture of £0.5m of validation batches; used for the marketing authorisation submissions in Germany (charged to administration expenses). The improvements in gross margin reflect the efforts the Group has made to improve its productivity through a cost reduction exercise initiated at the beginning of the financial period.

Sales and marketing expenses, the major component of distribution costs, have increased by 9% over the previous period due to the strategy of improving our marketing capabilities in all of our key markets. Total distribution costs increased to £16.1m (2009: £14.9m), an increase of 8% over the previous year. Administration costs of £10.2m (2009 restated: £9.1m) were higher by £1.1m than in the previous period due to increased costs for preparing marketing authorisations in Germany of £1.4m and £0.5m relating to compensation payments for the outgoing CEO (Mr Carter) offset by a provision release of £1.2m (2009: £0.1m) on the movement in fair value of foreign exchange derivative financial instruments.

Research and development costs decreased significantly during the period to £2.2m (2009: £5.3m) as the development activity for the MPL based vaccine range has now completed its current programme. Other income represents funds received from a partner to build in-house specific manufacturing plant.

The operating profit for the period was £1.5m (2009 restated: loss £5.1m)

Finance expense costs are significantly lower than the prior year at £1.6m (2009 restated: £6.4m) with the lower cost being due to a smaller revaluation loss of £0.1m in the current year compared to a revaluation loss of £2.0m in the previous year on the Euro denominated loan, a £1.4m reduced loss (2010: gain of £0.3m, 2009: loss of £1.1m) in the fair value of the interest rate swap and a lower charge on interest and fees of £1.8m (2009: £3.2m) on the bank facility due to lower outstanding balances throughout the year. During the year a research and development tax credit was received for the previous financial year for £0.8m, offset by a small tax charge in Germany. The profit after tax for the period was £0.6m (2009: loss £11.8m).

Spend on capital items was broadly in line with the charges for depreciation and amortisation in the year. Property, plant and equipment however, increased by £1.7m, to £8.9m due mainly to the revaluation upwards of the Italian freehold to market value.

Net current assets excluding cash are £0.3m (2009: net liability of £12.3m). This improvement of £12.6m is due principally to the repayment of £9.4m in July 2009 following the equity fundraising with current borrowings reducing to £1.1m (2009: £11.7m) and the write back of £1.2m regarding the fair valuation of financial derivatives. The last hedging contract expired in June 2010 thus leaving no further liabilities. Stock also rose by £0.9m due to a stock-build exercise in anticipation of the high season in the autumn.

Net assets of £3.9m (2009: net liability of £23.2m) show an increase in assets of £27.1m due primarily to cash received from the equity financing used to repay debt.

Net cash generated by operations for the period was an inflow of £1.1m (2009: outflow £0.1m), better than the previous period by £1.2m due principally to an improvement in operating performance offset by an increase in working capital, with the opening working capital balance being lower than in the previous period.

Financing

Trends in the currency markets over the past 12 months, with the Euro weakening against Sterling, have been unfavourable to the Group’s operations. Over 90% of our sales are denominated in Euros whereas roughly 50% of costs are incurred in the United Kingdom and denominated in Sterling. Furthermore, changes in the reimbursement regime in Germany, our key market, whereby there will be a price freeze on reimbursed products from the prices in the market on 1 August 2009 and the rebate paid to sick-funds increasing from the current level of 6% to 16%, will increase the cost of the rebate.

The Group raised £25.7m from shareholders during the year; using some of the proceeds to repay £9.4m of debt in July 2009. Following the fundraisings and warrant exercises, the Group’s issued share capital as at 30 June 2010 is 320,604,947 composed of 310,756,614 ordinary shares of 0.1p each with voting rights attached (one vote per ordinary share) and 9,848,333 deferred shares of 0.1p each with no voting rights attached. The Group has no shares in Treasury; therefore the total number of voting rights in Allergy Therapeutics as at 30 June 2010 is 310,756,614.

The Group meets its ongoing financing obligations through a combination of a term loan facility of € 11m, a revolving credit facility of € 15.5m and a small bank overdraft. At the balance sheet date £11.7m was drawn on these facilities (2009: £30.9m). The Directors believe that the Company and the Group will have access to adequate facilities for the foreseeable future and accordingly, they continue to adopt the going concern basis in preparing the full year results.

Ian Postlethwaite
Finance Director
17 September 2010

Directors' Report

Directors' Report

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 14 and 15 and the Financial Review on pages 36 and 37, 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
Manuel Llobet Chief Executive Officer	1 July 2009
Ian Postlethwaite Finance Director	1 July 2004
Thomas Holdich R&D Director	8 September 2004
Christian Grätz Market operations Director	8 September 2004
Stephen Smith Non-Executive Director	8 September 2004
Alejandro Weinstein Non-Executive director	1 July 2009
Virinder Nohria Non-Executive Director	1 November 2005
Keith Carter Non-Executive Director	1 September 2009*

*Refers to date of appointment as a Non-Executive Director

The dates of appointment above refer to appointment as Directors of Allergy Therapeutics plc. All the Directors, with the exception of Dr Nohria, Mr Llobet and Mr Weinstein 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.

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*	2,897,912	150,000
Manuel Llobet*	-	-
Ian Postlethwaite	-	3,714,690
Thomas Holdich	-	568,471
Christian Grätz	510,658	2,409,986
Stephen Smith	756,513	150,000
Alejandro Weinstein*	-	-
Virinder Nohria	5,211	100,000
Keith Carter*	3,172,669	1,662,654

At end of year:

Name	Ordinary shares	Options + LTIPs
Ignace Goethals	4,897,912	150,000
Manuel Llobet*	3,125,000	750,000
Ian Postlethwaite	493,000	2,833,191
Thomas Holdich	-	874,205
Christian Grätz	510,658	2,386,820
Stephen Smith	756,513	150,000
Alejandro Weinstein*	140,568,287	-
Virinder Nohria	462,160	100,000
Keith Carter*	3,347,669	231,000

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

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 2010 310,756,614 shares were allotted and fully paid. Details of movements in the Company's share capital during the period are shown in note 27 to the financial statements.

Details of employee share option schemes are set out in note 28 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 2010 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	140,568,287	45.23
Fidelity Limited	18,522,976	5.96
Prudential Corporation Group of Companies	17,773,135	5.72
Highclere International Investors Limited	11,851,363	3.81
Southern Fox Investments	10,366,666	3.34
Smithkline Beecham Biologicals Manufacturing S.A	10,118,748	3.26

Changes to interest in own shares

Neither the Company nor any Employee Benefit Trust holds any shares in the Company.

The Board

Members	Director since	Meeting attendance 2009-10
Ignace Goethals	September 2004	12 / 12
Manuel Llobet	July 2009	12 / 12
Ian Postlethwaite	July 2004	11 / 12
Tom Holdich	September 2004	12 / 12
Christian Graetz	September 2004	11 / 12
Stephen Smith	September 2004	11 / 12
Alejandro Weinstein	July 2009	12 / 12
Virinder Nohria	November 2005	11 / 12
Keith Carter	September 2004	11 / 12

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 30 to 32. The roles of Chairman, who is non-executive, and Chief Executive Officer are separate. The Directors feel that given the current size of the Group, 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 Group.

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, a Remuneration Committee and a Nominations Committee with formally delegated duties and responsibilities. The chairman of each committee reports directly to the Board.

The Audit Committee, with written terms of reference, comprised Stephen Smith (Chairman), Ignace Goethals and Keith Carter. The Audit Committee 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, reviewing the reports from the auditors relating to the financial statements and monitoring the internal control function.

The Remuneration Committee, also with written terms of reference, comprised 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. This committee is also responsible for grant of shares under the Group's Long Term Share Incentive Plan.

The Nomination Committee comprises Stephen Smith (Chairman), Ignace Goethals and Alejandro Weinstien. The Committee held three meetings during the past financial year. The Nominations Committee was established in September 2009 and its principle purpose is to consider and proffer proposals for the composition and size of the Board and its Committees as well as Board refreshment and succession planning. It also has written terms of reference.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report on pages 47 to 49.

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 Group 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 annual budgets and quarterly forecasts using variance analysis.

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 auditor for the supply of non-audit services

It is the Group's policy that it will only engage the Group's auditor to supply other professional services to the Group 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 Group, a mutuality of interest is created or the external auditor is put in the role of advocate for the Group.

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 Financial Reporting Standards (IFRS), during the year the Group expensed to the income statement £2.2m (2009: £5.3m) on research and development. Further details on the Group's research and development are included in the Chief Executive's Review on pages 14 and 15.

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 Chairman's Statement on page 10 and 11, the Chief Executive's Review on pages 14 and 15 and the Financial Review on pages 36 and 37. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Director's Financial Review on pages 36 and 37. In addition, note 24 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 and foreign exchange sensitivities on the Group's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in 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.

Market value of land and buildings

The book values of all properties are at market value.

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 2010 was 72 days (2009: 55 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 Group 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 & 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 financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable IFRS's have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 each of the Directors is aware:

- There is no relevant audit information of which the Group'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 the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments 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.
- 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 company 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 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 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 17 September 2010.

Ian Postlethwaite
Company Secretary

Directors' Remuneration Report

The remuneration committee
The Remuneration Committee comprised 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.

Members	Member since	Attendance at meetings 2009-10
Stephen Smith	November 2004	4 / 4
Ignace Goethals	November 2004	4 / 4
Virinder Nohria	November 2005	4 / 4

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 2010 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 Group'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. During the year ended 30 June 2010 no offer was made to employees or executives under the SAYE scheme.

(vi) Bonus
In the case of the executive team, the Group 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 Manuel Llobet 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 Manuel Llobet 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
Manuel Llobet	1 July 2009	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 for Ian Postlethwaite and Tom Holdich refer to service contracts with Allergy Therapeutics (Holdings) Limited and for Christian Grätz, with Bencard Allergie GmbH. The service contracts for Ian Postlethwaite and Tom Holdich, 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
Alejandro Weinstein	1 July 2009	3 months
Keith Carter	1 September 2009	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 (audited information)

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 2009 Total £	Pension £
Manuel Llobet	**155,233**	**64,000**	**9,308**	**-**	**228,541**	**21,100**	-	-
Ian Postlethwaite	**143,420**	**45,000**	**10,782**	**-**	**199,202**	**14,484**	191,032	14,492
Christian Grätz	**187,849**	**22,000**	**31,136**	**-**	**240,985**	**40,957**	197,507	42,277
Tom Holdich	**148,470**	**19,000**	**11,170**	**-**	**178,640**	**14,994**	191,420	14,525
Ignace Goethals	**36,000**	**-**	**-**	**-**	**36,000**	**-**	33,500	-
Stephen Smith	**-**	**-**	**-**	**36,000**	**36,000**	**-**	27,000	-
Alejandro Weinstein	**36,000**	**-**	**-**	**-**	**36,000**	**-**	-	-
Virinder Nohria	**36,167**	**-**	**-**	**-**	**36,167**		31,750	-
Keith Carter	**34,559**	**-**	**1,862**	**676,060**	**712,481**	**20,265**	192,920	23,627
Totals	**777,698**	**150,000**	**64,258**	**712,060**	**1,704,016**	**111,800**	865,129	94,921

Christian Grätz' salary is paid in Euros and is shown here converted at a rate of £1:€1.13836.

A severance payment of £542,000 was paid to Keith Carter in the year.

This figure is included in the fees column within the table above.

The audited information detailed above is summarised in note 6 to the accounts.

Directors' share options

	Options held at 1 July 2009	Options granted in the year	Options exercised in the year	Options lapsed in the year	Options held at 30 June 2010	Subscription price (pence)	Exercise date from	Exercise date
Executive Directors								
Manuel Llobet	-	**750,000	-	-	**750,000	-	-	-
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
	-	163,500	-	-	163,500	18.5	18/10/2009	18/10/2019
	**264,691	**600,000	-	**95,000	**769,691	-	-	-
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
	-	188,500	-	-	188,500	18.5	18/10/2009	18/10/2019
	**293,320	**600,000	-	**95,000	**798,320	-	-	-
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
	-	97,400	-	-	97,400	18.5	18/10/2009	18/10/2019
	**271,805	**600,000	-	**95,000	**776,805	-	-	-
Non-Executive Directors								
Ignace Goethals	150,000	-	-	-	150,000	45.0	26/02/2005	26/02/2014
Stephen Smith	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
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
	-	231,000	-	-	231,000	18.5	18/10/2009	18/10/2019
	**487,656	-	-	**487,656	-	-	-	-
Totals	**8,785,019**	**3,230,400**	**1,175,000**	**3,365,203**	**7,475,216**			

* SAYE ** Long term incentive plan

Options lapsed during the year includes 2,563,329 which were cancelled and 680,400 new options issued under a share option replacement programme for underwater share options which was a voluntary programme open to all option holders. The number of options issued was based on a Black-Scholes model under which the value of options granted equalled those which were cancelled. The options were granted at an exercise price of 18.5 pence which was the market price at the date of grant and are exercisable in tranches of one third every year starting on the anniversary of the date of grant.

The aggregate amount of gains made by Directors upon the exercise of share options in the year ended 30 June 2010 was £153,813 (year ended 30 June 2009 £166,250). At 30 June 2010 the London Stock Exchange market value of shares was 11.5p per share. The range of values during the period from 1 July 2009 to 30 June 2010 was 9.5p to 20.25p per share.

Stephen Smith
Chairman, Remuneration Committee
17 September 2010

Nominations Committee Report

The Nominations Committee comprises Stephen Smith (Chairman), Ignace Goethals and Alejandro Weinstein. The Nominations Committee was established in September 2009 and held three meetings during the past financial year. Its principle purpose is to consider and proffer proposals for the composition and size of the Board and its Committees as well as Board refreshment and succession planning.

Members	Member since	Attendance at meetings 2009-10
Stephen Smith	September 2009	3 / 3
Ignace Goethals	September 2009	3 / 3
Alejandro Weinstein	September 2009	3 / 3

When proposing appointments of Directors, the Committee considers the skills, knowledge and experience that a candidate possesses compared to the skill sets and experience of the Board as it currently stands. Selection of candidates also takes into consideration the breadth of knowledge that the Board has and that it may require to provide a well balanced environment which encourages scrutiny and appropriate challenge of the Executive management. Independence of Non-Executive Directors is of paramount importance being a cornerstone of good corporate governance. During the year under report, the Committee concentrated on reducing the size of the Board and searching for a new independent Non-Executive Director.

Professional search agencies are engaged to ensure that the best candidates are sourced and appointments of high calibre individuals take place. Candidates are short listed from a suitable pool for interview on merit and against objective criteria and relevant qualifications. Executive Director appointments are made taking into account the required qualification and experience of the job role, considering both internal and external candidates before making a recommendation. For the purpose of sourcing appropriate Non-Executive Director candidates, the Committee used the services of Hanson Green during the financial year.

Stephen Smith
Chairman, Nomination Committee
17 September 2010

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

Independent auditor's report to the members of Allergy Therapeutics plc
We have audited the group financial statements of Allergy Therapeutics plc for the year ended 30 June 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated 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 Chapter 3 of Part 16 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 page 45 and 46, 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 2010 and of its profit for the year 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.

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 year ended 30 June 2010.

Stephen P.S. Weatherseed
Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants Gatwick
17 September 2010.

Consolidated Income Statement

Consolidated income statement for the year ended 30 June 2010	Note	Year to 30 June 2010 £'000	Year to 30 June 2010 £'000	Year to 30 June 2009 Restated £'000	Year to 30 June 2009 Restated £'000
Revenue	3		**40,750**		37,757
Cost of sales			**(11,164)**		(13,563)
Gross profit			**29,586**		24,194
Distribution costs			**(16,141)**		(14,893)
Administration expenses – other		**(10,235)**		(9,108)	
Research and development costs		**(2,210)**		(5,297)	
Administration expenses			**(12,445)**		(14,405)
Other income	8		**456**		-
Operating profit / (loss)			**1,456**		(5,104)
Finance income	10		**9**		30
Finance expense	9		**(1,581)**		(6,364)
Loss before tax	5		**(116)**		(11,438)
Income tax	11		**702**		(326)
Profit/(loss) for the period			**586**		(11,764)
Earnings / (loss) per share	13				
Basic (pence per share)			**0.20p**		(14.35p)
Diluted (pence per share)			**0.19p**		(14.35p)

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income for the year ended 30 June 2010			
Profit / (loss) for the period		**586**	(11,764)
Actuarial loss on defined benefit pension scheme	26	**(612)**	(9)
Exchange differences on translation of foreign operations		**(79)**	(485)
Revaluation gains		**1,265**	24
Income tax relating to components of other comprehensive income		**(31)**	-
Total comprehensive income / (expense)		**1,129**	**(12,234)**

Consolidated Balance Sheet

Consolidated balance sheet	Note	30 June 2010 £'000	30 June 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**8,938**	7,191
Intangible assets – Goodwill	14	**2,496**	2,555
Intangible assets – Other	15	**860**	1,065
Investments – Retirement benefit asset	17	**2,017**	1,824
Total non-current assets		**14,311**	12,635
Current assets			
Trade and other receivables	19	**3,390**	3,440
Inventories	18	**6,894**	6,002
Cash and cash equivalents	20	**4,520**	-
Total current assets		**14,804**	9,442
Total assets		**29,115**	**22,077**
Liabilities			
Current liabilities			
Trade and other payables	21	**(8,875)**	(8,950)
Current borrowings	22	**(1,109)**	(11,652)
Derivative financial instruments	24	**-**	(1,172)
Total current liabilities		**(9,984)**	(21,774)
Net current assets / (liabilities)		**4,820**	**(12,332)**
Non current liabilities			
Retirement benefit obligation	26	**(3,573)**	(2,821)
Non current borrowings	22	**(10,596)**	(19,255)
Derivative financial instruments	24	**(830)**	(1,126)
Non current provisions	23	**(246)**	(277)
Total non current liabilities		**(15,245)**	(23,479)
Total liabilities		**(25,229)**	**(45,253)**
Net assets / (liabilities)		**3,886**	**(23,176)**
Equity			
Capital and reserves			
Issued capital	27	**321**	92
Share premium		**58,704**	33,193
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – shares held by EBT		**67**	67
Reserve – share based payments		**1,323**	1,291
Revaluation reserve		**1,381**	189
Foreign exchange reserve		**(62)**	(1,113)
Retained earnings		**(97,976)**	(97,023)
Total equity		**3,886**	**(23,176)**

These financial statements were approved by the Board of Directors on 17 September 2010 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 5141592

Consolidated Statement of Changes in Equity

	Issued Capital	Share premium	Merger reserve – shares issued by subsidiary	Reserve – shares held in EBT	Reserve – share based payments	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 losses								(9)	(9)
Valuation gains 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 comprehensive income	-	-	-	-	-	24	(485)	(11,773)	(12,234)
Share based payments					260				260
Sale of shares by Employee Benefit Trust			68					68	
Shares issued	-	20							20
At 30 June 2009	**92**	**33,193**	**40,128**	**67**	**1,291**	**189**	**(1,113)**	**(97,023)**	**(23,176)**

Consolidated statement of changes in equity (continued)

	Issued Capital	Share premium	Merger reserve – shares issued by subsidiary	Reserve – shares held in EBT	Reserve – share based payments	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2009	**92**	**33,193**	**40,128**	**67**	**1,291**	**189**	**(1,113)**	**(97,023)**	**(23,176)**
Exchange differences on translation of foreign operations							(79)		(79)
Actuarial losses								(612)	(612)
Valuation gains taken to equity						1,265			1,265
Income tax relating to components of other comprehensive income					(31)			(31)	
Net income recognised directly in equity	-	-	-	-	-	1,234	(79)	(612)	543
Profit / (Loss) for the period after tax								586	586
Total comprehensive income	-	-	-	-	-	1,234	(79)	(26)	1,129
Share based payments					193				193
Shares issued	229	25,511							25,740
Transfer of depreciation on revalued property						(42)		42	-
Transfer of foreign exchange loss to retained earnings							1,130	(1,130)	-
Transfer of lapsed options to retained earnings					(161)			161	-
At 30 June 2010	**321**	**58,704**	**40,128**	**67**	**1,323**	**1,381**	**(62)**	**(97,976)**	**3,886**

Consolidated Cashflow Statement

	Note	Year to 30 June 2010 £'000	Year to 30 June 2009 Restated £'000
Cash flows from operating activities			
Loss before tax		**(116)**	(11,438)
Adjustments for:			
Foreign exchange loss		**-**	(485)
Finance income	10	**(9)**	(30)
Finance expense	9	**1,499**	4,378
Revaluation loss on loan	9	**82**	1,986
Non cash movements on defined benefit pension plan		**155**	107
Depreciation and amortisation	15,16	**1,427**	1,315
Charge for share based payments		**193**	260
Financial derivative instruments		**(1,172)**	(104)
Disposal of property, plant and equipment		**-**	41
Increase in trade and other receivables		**(112)**	(241)
Increase in inventories		**(911)**	(185)
Increase in trade and other payables		**14**	4,313
Net cash generated by / (used in) operations		**1,050**	(83)
Interest paid		**(15)**	(31)
Income tax refunded / (paid)		**667**	(326)
Net cash generated by / (used in) operating activities		**1,702**	(440)
Cash flows from investing activities			
Interest received		**9**	30
Investments	17	**(319)**	(296)
Payments for intangible assets		**(56)**	(295)
Payments for property plant and equipment		**(1,642)**	(1,426)
Net cash used in investing activities		**(2,008)**	(1,987)
Cash flows from financing activities			
Proceeds from issue of equity shares		**25,740**	88
Repayment of borrowings		**(41,040)**	(814)
Proceeds from borrowings		**22,442**	3,076
Bank loan fees and interest paid		**(2,248)**	(2,247)
Net cash generated by financing activities		**4,894**	103
Net increase / (decrease) in cash and cash equivalents		**4,588**	(2,324)
Effects of exchange rates on cash and cash equivalents		**(42)**	-
Cash and cash equivalents at the start of the period		**(26)**	2,298
Cash and cash equivalents at the end of the period	20,22	**4,520**	(26)

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').

AllergyTherapeutics Plc is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in England. The address of AllergyTherapeutics Plc's registered office and its principal place of business is Dominion Way, Worthing, West Sussex and its shares are listed on the Alternative Investment Market (AIM).

The consolidated financial statements for the year ended 30 June 2010 (including comparatives) have been prepared under the historical cost convention except for land and buildings and derivative financial instruments which have been measured at fair value. They were approved and authorised for issue by the Board of Directors on 17 September 2010.

Change of accounting policy

The accounting policy in respect of the measurement basis, subsequent to initial recognition, of the Group's freehold land and buildings has been changed from depreciated cost to the revaluation basis. This change in accounting policy has been applied from the date of change of accounting policy as required by IAS 8 'Accounting policies, accounting estimates and errors', and has resulted in an increase in the carrying amount of the Group's freehold land and buildings by £1,281,000.

Revaluations are performed by independent qualified valuers periodically. In the intervening years between independent revaluations, the directors review the carrying values of the freehold land and buildings and adjustments are made if the carrying values differ significantly from their respective fair values. Increases in the carrying value from revaluations are credited to the revaluation reserve. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to the consolidated income statement.

Restatement of previous year figures

A decision was made in the year to reclassify the movement in the fair value of the interest rate swap financial derivative from administration expenses to finance expenses. The reason for this change is to report the derivative valuation changes in the same place as the actual interest rate swap charges. In order to present a fully comparable position, the 2009 comparative information has been restated on the same basis as detailed in note 33. This restatement has had no effect on profit after tax nor total equity.

New standards adopted

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board which are relevant to and effective for the Group's financial statements for the year beginning 1 July 2009.

IAS 1 Presentation of Financial Statements (Revised 2007)

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. In accordance with the new standard the entity does not present a 'Statement of recognised income and expenses (SORIE)', as was presented in the 2009 consolidated financial statements. Further, a 'Statement of changes in equity' is presented.

In addition, two comparative periods are presented for the consolidated balance sheet when the Group:

- Applies an accounting policy retrospectively;
- makes a retrospective restatement of items in its financial statements; or
- reclassifies items in the financial statements.

Whilst there has been a restatement of certain items in the consolidated income statement (see note 33) this has had no impact on the consolidated balance sheet at 30 June 2008 and therefore only one comparative period has been presented for the consolidated balance sheet.

IAS 23 (Revised Borrowing Costs)

The revised standard requires the capitalisation of borrowing costs, to the extent that they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. This has had no significant effect on the Group's results as all relevant borrowing costs were already being capitalised as is now required.

1. Basis of preparation (continued)

IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised Standards introduce major changes to the accounting treatment for business combinations, transactions with non-controlling interests and a loss of control of a subsidiary. There has been no activity in the year under review, however a business combination that has taken place shortly after the year-end and all subsequent combinations will follow this new standard (see note 32).

Adoption of amendments to IFRS 7 Financial Instruments: Disclosures – improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments that are measured at fair value in the consolidated balance sheet. These fair value measurements are categorised into a three level fair value hierarchy (see note 24) which reflects the extent to which they are based on observable market data. A separate quantative maturity analysis (see note 24) must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cashflows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

IFRS 8 Operating segments

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 has not increased the number of reportable segments, but has brought them in line with the way in which the segments are reported in the Group's monthly management accounts as reviewed by the chief operating decision-maker (see note 4). This change only affects presentational aspects of the financial statements and there is no impact on earnings per share.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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. Application of this IFRIC has not given rise to any change in the Group's results.

IFRS 2 amendment to share based payments

This amendment clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment does not have a material effect upon the Group's financial statements.

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 2010 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 39/IFRIC 9 Financial Instruments: Recognition and measurement on hedged items.
- This IFRIC addresses the treatment of embedded derivatives and whether an assessment should be made only at the commencement of such a contract or throughout the life of the contract. Management are currently assessing the detailed impact on the Group's financial statements.
- IFRIC 16 Hedges of Net Investments in Foreign Assets
  This IFRIC addresses the consistency of treatment of hedges of net investments in overseas operations. Management are currently assessing the detailed impact on the Group's financial statements.

Management anticipate that the above pronouncements will be adopted in the Group's financial statements for the period beginning 1 July 2010. These developments are not expected to have a material impact on the Group's financial statements.

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

For the year ended 2010 the Group has reported a profit, however for the financial years ended 2007 to 2009 primarily as a consequence of its investment in research and development activities, it reported losses. 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 2011 and 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

The Group's financial statements consolidate those of the parent company and all of its subsidiaries drawn up to 30 June 2010. 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the conditions for recognition under IFRS 3 Revised Business Combinations, are recognised at their fair values at the acquisition date. 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 in the consolidated income statement.

2. Accounting Policies (continued)

Segmental reporting

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

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

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 with all resulting exchange differences being recognised as a separate component of equity.
- Income and expenses for each income statement are translated at actual exchange rates or using an average rate as an approximation with resulting exchange differences recognised within the income statement.

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.

A small proportion of the Group's overseas sales are made though licensees and distributors.

For all licensee arrangements, the licensee is invoiced at the time of delivery and title to the product passes upon full and final settlement of the invoice to which the delivery relates. The licensee has full discretion over the setting of the final selling price to the end customer and pays a fixed percentage of the final selling price back to the Group as 'royalties' as and when those sales are made. The licensee is responsible for all customer returns of product.

It is considered that the significant risks and rewards of ownership of the product are transferred to the licensee at the point of delivery and therefore revenue is recognised at this point in accordance with IAS 18. Royalties are recognised on an accruals basis as the licensee books the sale to the end customer in accordance with IAS 18 paragraph 30 (b).

For all distributor agreements, the distributor places orders with the Group, at which point goods are shipped to them. The Group however, holds title to these products until they are sold on to a third party with the distributor effectively acting as an agent. The selling price to the end user is set by the relevant Government body and the distributor receives a fixed percentage of this selling price. The distributor notifies the Group monthly on stock levels and this is reconciled to a statement which generates an invoice for payment by the distributor. The Group is responsible for any customer returns of product.

It is considered that the significant risks and rewards of ownership of the product are not transferred from the Group until the distributor has sold the product to a third party and therefore revenue on these sales is recognised at this point by the Group in accordance with IAS 18 appendix 2 (c).

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

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

Property, plant and equipment

The accounting policy in respect of the measurement basis, subsequent to initial recognition, of the Group's freehold land and buildings has been changed from depreciated cost to the revaluation basis. This change in accounting policy has been applied from the date of change of accounting policy as required by IAS 8 'Accounting policies, accounting estimates and errors', and has resulted in an increase in the carrying amount of the Group's freehold land and buildings by £1,281,000.

The estimated useful life of the Group's land and buildings has been increased from ten years to thirty three years. Prior to the revaluation, the assets had been fully depreciated. The effect of the revaluation through the consolidated income statement has been calculated as a charge of £39,000.

Revaluations are performed by independent qualified valuers periodically. In the intervening years between independent revaluations, the directors review the carrying values of the freehold land and buildings and adjustments are made if the carrying values differ significantly from their respective fair values. Increases in the carrying value from revaluations are credited to the consolidated statement of comprehensive income. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to the consolidated income statement.

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, on a straight line basis principally using the following annual rates:

Land and buildings	33 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.

Impairment

The Group's goodwill, other intangible assets, freehold land and buildings and 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.

2. Accounting Policies (continued)

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 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 cash 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 transferred 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 agreements 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 and land and buildings.
- "Foreign Exchange reserve" represents the foreign currency translation differences that have occurred since the transition date. Exchange differences prior to this date are included within retained earnings.
- "Retained earnings" represents retained profits and losses.

Equity is any contract which evidences a residual interest in the assets of the Group after deducting all its liabilities.

Income taxes
Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. 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 the consolidated statement of comprehensive income (such as the revaluation of land and buildings) in which case the related deferred tax is also charged or credited directly to the consolidated statement of comprehensive income.

Defined Benefit Pension Scheme
Scheme assets are measured at fair values. 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 consolidated statement of comprehensive income. 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.

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. They are held at fair value with any gains or losses on valuation charged or credited to the consolidate statement of comprehensive income.

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 option 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).

2. Accounting Policies (continued)

All share based compensation is ultimately recognised as an expense in the consolidated income statement with a corresponding credit to the share based payments reserve, 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 share options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. 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 the shareholders' funds 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 no milestone payments (2009: £282k). The amount in the previous year had been recognised as revenue because it was considered that a significant milestone had been reached for which the earnings process, based on cumulative sales, had been completed.
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, £2.2m (2009: £5.3m)
d) Land and buildings were not revalued to fair value at the reporting date as management determined that the effect of the changes in market prices between the dates of revaluation and the reporting dates were immaterial.

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.
e) Determining the goodwill position on the acquisition of Teomed AG on 1 July 2010 requires an estimation of the future cashflows relating to distributor agreements in place with Teomed AG on that date. It also requires estimation of 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:

	2010 £'000	2009 £'000
Sale of goods	**38,735**	35,643
Royalties	**2,015**	1,832
Milestones	**-**	282
	40,750	37,757

4. Segmental reporting

The Group has implemented the amended (2007) IFRS 8 "Operating Segments" with effect from 1 July 2009. This has resulted in a change to the segmental information reported. Comparative information has been presented on a consistent basis.

The Group's operating segments are being reported based on the financial information provided to the Board of Directors, which is the Chief Operating Decision-Maker (CODM), to enable it to allocate resources and make strategic decisions.

The CODM reviews information based on geographical market sectors and assesses performance at an operating profit level. Management have identified that the operating segments are Germany and Austria; Italy and Spain; the UK and Other.

Revenue by segment	**Revenue from external customers 2010 £'000**	**Inter segment revenue 2010 £'000**	**Total segment revenue 2010 £'000**	Revenue from external customers 2009 £'000	Inter segment revenue 2009 £'000	Total segment revenue 2009 £'000
Germany and Austria	**30,906**		**30,906**	28,349		28,349
Italy and Spain	**5,562**		**5,562**	5,227		5,227
UK	**490**	**35,024**	**35,514**	329	31,152	31,481
Other	**3,792**		**3,792**	3,852		3,852
	40,750	**35,024**	**75,774**	37,757	31,152	68,909

Revenues from external customers in all segments are derived from the sale of a range of pharmaceutical products designed for the immunological treatment of the allergic condition.

Other revenues include licensee and distributor sales and royalties through several world-wide markets including Czech and Slovak Republics, Netherlands and Canada.

The CODM also reviews revenue by segment on a constant currency basis to provide relevant year on year comparisons.

The following revenue table is based on a constant currency rate of €1.11: £1.00 which was the rate used in the 2010 budget.

	Revenue from External Customers 2010 £'000	Revenue from External Customers 2009 £'000
Germany and Austria	**31,539**	29,858
Italy and Spain	**5,687**	5,507
UK	**490**	329
Other	**3,792**	3,852
	41,508	39,546

Depreciation and amortisation by segment

	2010 £'000	2009 £'000
Germany and Austria	**58**	70
Italy and Spain	**99**	62
UK	**1,270**	1,183
	1,427	1,315

4. Segimental reporting (continued)

Operating profit / (loss) by segment

Allocated operating profit / (loss)	2010 £'000	2009 £'000
Germany and Austria	**463**	801
Italy and Spain	**214**	(39)
UK	**779**	(5,866)
Allocated operating profit / (loss)	**1,456**	(5,104)
Finance income	**9**	30
Finance expense	**(1,581)**	(6,364)
Loss before tax	**(116)**	(11,438)
Taxation	**702**	(326)
Profit / (loss) for the year	**586**	(11,764)

Total assets by segment

	2010 £'000	2009 £'000
Germany and Austria	**6,538**	6,395
Italy and Spain	**3,255**	1,733
UK	**34,810**	30,344
	44,603	38,472
Inter-Segment Assets	**(1,620)**	(2,525)
Inter-Segment Investments	**(13,868)**	(13,870)
Total assets per balance sheet	**29,115**	22,077

Total liabilities by segment

	2010 £'000	2009 £'000
Germany and Austria	**(5,633)**	(6,588)
Italy and Spain	**(1,289)**	(1,202)
UK	**(19,927)**	(39,988)
	(26,849)	(47,778)
Inter-Segment Liabilities	**1,620**	2,525
Total liabilities per balance sheet	**(25,229)**	(45,253)

5. Loss before tax

Loss for the period has been arrived at after charging / (crediting):	2010 £'000	2009 £'000 Restated
Foreign exchange loss	**730**	3,533
Depreciation and amortisation:		
Depreciation of property plant and equipment (note 16)	**1,172**	1,008
Amortisation of intangible assets (note 15)	**255**	307
Research and development	**2,210**	5,297
Employee benefits expense:		
Employee costs (note 7)	**19,029**	16,110
Land and buildings held under operating leases	**398**	518
Other operating leases	**520**	620
Consultancy and professional fees relating to Group refinancing	**-**	620
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**21**	21
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**62**	75
Tax services	**2**	11
Other services pursuant to legislation	**11**	51
Share based payment expense (note 28)	**193**	260

The Foreign exchange loss in 2009 has been restated from that which was previously reported (£485,000 to £3,533 000).

6. Remuneration of key management personnel

	2010 £'000	2009 £'000
Salaries and short-term employee benefits	**1,162**	865
Severance payments	**542**	-
Post employment benefits – defined benefit plans	**41**	42
Post employment benefits – defined contribution plans	**71**	53
	1,816	960
Over accrual of bonuses	**(50)**	-
Share based payment	**75**	104
	1,841	1,064

Full details of key management personnel remuneration are set out in the audited information included in the Directors' Remuneration Report on pages 47 to 49.

7. Employees

	2010 £'000	2009 £'000
Wages and salaries	**16,093**	13,473
Social security costs	**2,278**	1,970
Share based payments	**193**	260
Pension costs – defined benefit plans	**244**	233
Pension costs – defined contribution plans	**221**	174
	19,029	16,110
The average number of employees during the period was made up as follows:		
R & D, marketing and administration	**136**	125
Sales	**72**	71
Production	**186**	178
	394	374

8. Other Income

	2010 £'000	2009 £'000
Contribution from third party	**456**	-

During the year a facility has been constructed to manufacture a product component; previously this stage in the manufacturing process was carried out by the Company's supplier. A contribution of £456,000 has been made towards the cost of this construction by the supplier. Under IFRS, this contribution is included in the consolidated income statement as other income whilst the asset is included under fixed assets in the consolidated balance sheet and depreciation is charged annually on the gross amount.

9. Finance expense

	2010 £'000	2009 £'000 Restated
Interest on borrowing facility	**1,580**	3,045
Change in fair value of financial derivative instrument	**(289)**	1,142
Bank interest	**6**	24
Employee defined benefit scheme interest expense	**193**	167
Other interest and charges	**9**	-
	1,499	4,378
Revaluation loss on Euro denominated borrowing facilities	**82**	1,986
	1,581	6,364

The revaluation loss represents the translation difference on the Group's Euro based borrowing facility caused by the movement of the Euro against Sterling throughout the year.

A decision was made in the year to show the change in value brought about by the fair valuation of the interest rate swap financial derivative from administration expenses to finance expenses. The reason for this change is to report the derivative valuation changes in the same place as the actual interest swap charges. In order to present a fully comparable position, the 2009 comparative information has been restated on the same basis (see note 33).

10. Finance income

	2010 £'000	2009 £'000
Bank interest	**9**	30

11. Income tax expense

Current Tax:	2010 £'000	2009 £'000
Prior period tax	(831)	-
Overseas tax	129	326
Tax (credit) / charge for the period	**(702)**	326

The tax credit 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:

	2010 £'000	2009 £'000
Loss for the period before tax	**(116)**	(11,438)
Loss for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 28%)	**(32)**	(3,203)
Effects of:		
Disallowable adjustments	**(437)**	184
Capital allowances in excess of depreciation	**(147)**	(170)
Other fixed asset temporary differences, adjustments and movements	**31**	52
Tax (utilised)/losses	**(26)**	51
Allowances for R&D expenditure	**(386)**	(778)
Tax losses not utilised	**243**	4,170
Adjustment for difference tax rates	**26**	67
Relief for shares acquired by employees and Directors	**(43)**	(47)
Tax loss surrendered to R&D tax credit	**900**	-
R&D tax credit received in the period	**(831)**	-
Tax (credit) / charge for the period	**(702)**	326

12. Unrecognised deferred tax

	2010 Deferred tax assets £'000	2010 Deferred tax liabilities £'000	2009 Deferred tax assets £'000	2009 Deferred tax liabilities £'000
Non Current Assets				
Property, plant and equipment	**-**	**(697)**	-	(652)
Current Liabilities				
Derivative financial instruments	**-**	**-**	328	-
Non Current Liabilities				
Pension and other employee obligations	**436**	**-**	789	-
Derivative financial instruments	**232**	**-**	315	-
Unused tax losses	**18,776**	**-**	20,262	-
	19,444	**(697)**	21,694	(652)
Offset	**(697)**	**697**	(652)	652
Total	**18,747**	**-**	21,042	-

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

13. Earnings / (loss) per share

	2010 £'000	2009 £'000
Profit / (loss) after tax attributable to equity shareholders	**586**	(11,764)
	Shares '000	Shares '000
Issued ordinary shares at start of the period	**82,367**	81,951
Ordinary shares issued in the period	**228,390**	416
Issued ordinary shares at end of the period	**310,757**	82,367
Weighted average number of shares in issue for the period	**293,143**	81,985
Weighted average number of shares for diluted earnings per share	**305,581**	93,952
Basic earnings / (loss) per share (pence)	**0.20p**	(14.35p)
Diluted earnings / (loss) per share (pence)	**0.19p**	(14.35p)

The diluted loss per share in the prior year 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.

14. Goodwill

	2010 £'000	2009 £'000
At 1 July	**2,555**	2,468
Exchange difference	**(59)**	87
At 30 June 2010	**2,496**	2,555

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

	2010 £'000	2009 £'000
Germany	**2,496**	2,555

The recoverable amount for the CGU above was determined based on a value-in-use calculation, covering a detailed three-year forecast of future cash flows using budgeted projections assuming a 12% discount rate which the Group has estimated to be the approximate weighted average cost of capital to the Group.

Management's key assumptions include sales growth (average 4%), 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 CGU described above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

15. Intangible assets

	Manufacturing know-how £'000	Non-competing know-how £'000	Other intangibles £'000	Computer software £'000	Total £'000
Cost					
At 1 July 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
Additions	-	-	-	53	53
Foreign exchange	-	(150)	(14)	(20)	(184)
At 30 June 2010	**1,000**	**3,484**	**997**	**1,637**	**7,118**
Amortisation					
At 1 July 2008	667	3,416	727	802	5,612
Charge for the year	66	-	51	190	307
Foreign exchange	-	218	18	29	265
At 30 June 2009	733	3,634	796	1,021	6,184
Charge for the year	67	-	51	137	255
Foreign exchange	-	(150)	(12)	(19)	(181)
At 30 June 2010	**800**	**3,484**	**835**	**1,139**	**6,258**
Net book value					
At 1 July 2008	333	-	265	475	1,073
At 30 June 2009	267	-	215	583	1,065
At 30 June 2010	**200**	**-**	**162**	**498**	**860**

16. Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Freehold land & buildings £'000	Total £'000
Cost or valuation							
At 1 July 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	-	23	107
Disposals	-	(3)	-	(60)	-	-	(63)
At 30 June 2009	4,998	3,548	36	1,897	1,927	332	12,738
Revaluation	-	-	-	-	-	950	950
Additions	150	184	-	78	1,238	-	1,650
Asset reclassification	7	-	-	105	(112)	-	-
Foreign exchange	(6)	(28)	-	(24)	-	(17)	(75)
Disposals	(6)	(50)	-	(10)	-	-	(66)
At 30 June 2010	**5,143**	**3,654**	**36**	**2,046**	**3,053**	**1,265**	**15,197**
Depreciation							
At 1 July 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
Charge for the year	409	450	8	266	-	39	1,172
Revaluation	-	-	-	-	-	(331)	(331)
Foreign exchange	(4)	(20)	-	(22)	-	(17)	(63)
Disposals	(6)	(50)	-	(10)	-	-	(66)
At 30 June 2010	**2,670**	**2,159**	**22**	**1,386**	**-**	**22**	**6,259**
Net book value							
At 1 July 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
At 30 June 2010	**2,473**	**1,495**	**14**	**660**	**3,053**	**1,243**	**8,938**

All assets are secured against the Group's bank borrowings.

In June 2010 an impairment review has been carried out on the assets under 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 which the Group has estimated to be the approximate weighted average cost of capital to the Group. 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 construction for possible impairment and concluded that no impairment provision is required.

The Group's land and buildings were revalued in July 2009 by independent valuers. The land and buildings were previously valued using the cost model and had a carrying value of £1. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings.

The land and buildings were not revalued to fair value at the reporting date as management determined that the effect of changes in market prices between the date of revaluation and reporting dates were immaterial.

If the cost basis was used, the carrying amounts of the revalued land and buildings would be £1. The revalued amounts include a revaluation surplus of £1,281,000 before tax (of which £331,000 writes back the accumulated depreciation) which is not available for distribution to the shareholders of the Group.

17. 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.

	2010 £'000	2009 £'000
At 1 July	**1,824**	1,400
Additions	**319**	296
(Loss) / gain on the investment	**(15)**	24
(Loss) / gain on foreign exchange	**(111)**	104
	2,017	1,824

18. Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	**2,072**	1,643
Work in progress	**4,474**	3,707
Finished goods	**348**	652
	6,894	6,002

The cost of inventories recognised as an expense in cost of sales during the year was £11.2m (2009: £13.6m) including write-downs in the year amounting to £1.5m (2009: £2.7m).

The value of inventories measured at fair value less cost to sale was £175,000 (2009: £236,000).

19. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	**2,132**	1,742
Other receivables	**373**	378
VAT	**158**	164
Prepayments	**727**	1,156
	3,390	3,440

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 increase of £84,000 (2009: £144,000) has been recorded accordingly. 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:	2010 £'000	2009 £'000
Trade receivables		
Not more than 3 months	**334**	304
More than 3 months but not more than 6 months	**138**	66
More than 6 months but not more than 1 year	**42**	58
More than one year	**119**	135
	633	563
Bad and doubtful debt provision		
Balance b/f	**421**	267
Foreign exchange adjustments	**(21)**	10
Charge for the year	**84**	144
Utilised	**-**	-
Balance c/f	**484**	421

20. Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank and in hand	**4,520**	-

21. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	**3,948**	3,742
Social security and other taxes	**1,657**	1,302
Other creditors	**134**	187
Accrued expenses and deferred income	**3,136**	3,719
	8,875	8,950

22. Borrowings

	2010 £'000	2009 £'000
Due within one year		
Facility borrowing	**891**	9,376
Short term loans	**218**	2,250
Overdraft	**-**	26
	1,109	11,652
Due after more than one year		
Facility borrowing	**10,596**	19,048
Long term loan	**-**	207
	10,596	19,255

The facility borrowing is denominated in Euros and provided by Royal Bank of Scotland plc. The interest on the loan is a floating rate of 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.

23. 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 to him in the form of a deferred salary payment.

	2010 £'000	2009 £'000
At 1 July	**277**	249
Additions	**36**	31
Utilisation	**(56)**	(18)
Foreign exchange movement	**(11)**	15
At 30 June	**246**	277

24. Financial instruments

The Group has adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the consolidated balance sheet. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the year ended 30 June 2010.

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.

	2010 £'000	2009 £'000
Total equity	3,886	(23,176)
Cash and cash equivalents	(4,520)	-
Capital	(634)	(23,176)
Total equity	3,886	(23,176)
Borrowings	11,705	30,907
Overall financing	15,591	7,731
Capital-to-overall financing ratio	(0.04)	(3.00)

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	2010 £'000	2009 £'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	7,183	2,284
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	(5,191)	(15,581)
Fair value through profit and loss	-	(1,172)
Non current		
At amortised cost (including borrowings and payables)	(10,842)	(19,532)
Fair value through profit and loss	(830)	(1,126)
	(16,863)	(37,411)

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 were arranged to convert 60% of the Company's loan borrowings from floating to fixed rates. Within the fair value hierarchy, this financial derivative is classified as level 2.

Euro forward contracts

As at 30 June 2010 the Group has no currency forward hedges. In the previous year, it had Euro forward contracts with its bank that were arranged for the sale of Euros to purchase GBP.

Analysis of Derivative Financial Instruments	2010 £'000	2009 £'000
Credit / (Charge) to the Income Statement		
Euro forward contacts – held for trading	1,172	104
Euro forward contracts – matured in the period	(1,755)	(1,820)
	(583)	(1,716)
Interest rate swap – held for trading	296	(1,172)
Interest rate swap – charges in the period	(689)	(311)
	(393)	(1,483)

The credits / (charges) above were included under administration expenses in the 2009 income statement. However, in 2010, the interest rate swap credit has now been included under finance expense in the income statement and the 2009 figures restated accordingly (see note 33).

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

Derivative of financial instrument	2010 £'000	2009 £'000
Current liabilities		
Derivative financial instruments		
– Euro forward contracts – held for trading	-	1,172
	-	1,172
Non current liabilities		
Derivative financial instruments		
– Interest rate swap – held for trading	830	1,126
	830	1,126

24. Financial instruments (continued)

Foreign currency risk

The Group conducts most of its day to day financial activities in either the Euro, which is the functional currency of the active subsidiaries in Germany, Italy, Spain and Austria, or Sterling which is the functional currency of the UK subsidiary. Some costs are denominated in US dollars and some income is denominated in Canadian dollars. In addition a balance of Swiss Francs was obtained during the year to help finance the acquisition of Teomed AG (whose functional currency is Swiss Francs) on 01 July 2010 (see note 32). The Group carries bank balances in the following currencies:

	2010 £'000	2009 £'000
Sterling	**1,582**	862
Euro	**2,114**	(1,084)
US dollars	**17**	1
Canadian dollars	**8**	191
Swiss franc	**795**	-
Polish zloty	**4**	4
	4,520	(26)

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

	2010 Sterling £'000	2010 Euro £'000	2010 Other £'000	2009 Sterling £'000	2009 Euro £'000	2009 Other £'000
Financial assets	**1,824**	**4,099**	**1,260**	299	1,626	359
Financial liabilities	**(1,408)**	**(2,325)**	**(1,458)**	(2,016)	(13,850)	(887)
Short term exposure	**416**	**1,774**	**(198)**	(1,717)	(12,224)	(528)
Financial assets	-	-	-	-	-	-
Financial liabilities	**-**	**(11,672)**	**-**	-	(20,658)	-
Long term exposure	**-**	**(11,672)**	**-**	-	(20,658)	-

The following table illustrates the sensitivity of the net result for the year and the equity of the Group with regard to its financial assets and liabilities and the Euro to Sterling exchange rate. Foreign exchange movements over the last two years have been considered and an average taken, and on this basis a 10% movement is considered to be a reasonable benchmark. For 2009, a 5% movement was used.

If Sterling had strengthened against the Euro by	2010 £'000 10%	2009 £'000 5%
Net results for the year	**984**	768
Other comprehensive income	**(211)**	778
	773	1,546

If Sterling had weakened against the Euro by	**10%**	5%
Net results for the year	**(720)**	(842)
Other comprehensive income	**254**	(860)
	(466)	(1,702)

Interest rate risk

The Group finances its operations through equity fundraising and bank facilities. Interest is charged at a floating rate on the borrowing facility; hedged by an interest rate swap covering 60% of the total outstanding, converting floating to fixed rates of interest. This borrowing facility was amended on 03 July 2009 and is now tailored in such a way as to give greater flexibility to the Group. This allows the Group to utilise a higher proportion of the facility in the low sales season and pay down the debt in the high sales season. The following table illustrates the sensitivity of the net result for the year and equity to possible changes in interest rates of + 1% with effect from the beginning of the year on the remaining element of borrowings. Due to the current low interest rates it is unfeasible to illustrate the results were the interest rates to fall by 1%. The 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.

	2010 £'000 + 1%	2010 £'000 - 1%	2009 £'000 + 1%	2009 £'000 - 1%
Net results for the year	**19**	**n/a**	(138)	138
Equity	**-**	**n/a**	-	-
	19	**n/a**	(138)	138

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's capital management objectives are to ensure the Group's ability to continue as a going concern, and to provide adequate funding for its day to day operations. Management has access to funding through a bank facility and continues to have the option to raise funding from the issue of equity shares to ensure the Group remains able to meet its commitments as they fall due. As at 30 June 2010 the Group's contractual maturities are summarised as follows:

Current liabilities	2010 £'000 Within 6 months	2010 £'000 6 to 12 months	2009 £'000 Within 6 months	2009 £'000 6 to 12 months
Borrowing Facility	**996**	**1,413**	11,230	1,149
Trade payables	**3,948**	**-**	3,725	17
Other short term liabilities	**4,927**	**-**	5,208	-
Derivatives	**-**	**-**	836	336
	9,871	**1,413**	20,999	1,502

Non-current liabilities	2010 £'000 1 to 5 years	2010 £'000 Later than 5 years	2009 £'000 1 to 5 years	2009 £'000 Later than 5 years
Borrowing Facility	**13,859**	**-**	18,472	3,912
Derivatives	**830**	**-**	1,126	-
	14,689	**-**	19,598	3,912

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

25. Operating lease commitments

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

	Land & buildings 2010 £'000	Land & buildings 2009 £'000	Other 2010 £'000	Other 2009 £'000	Total 2010 £'000	Total 2009 £'000
Within one year	**315**	413	**409**	413	**724**	826
Two to five years	**733**	763	**335**	397	**1,068**	1,160
Over five years	**821**	340	**8**	-	**829**	340
	1,869	1,516	**752**	810	**2,621**	2,326

Of the operating lease commitments for the land and buildings of £1,869,000 (2009: £1,516,000) £1,453,000 relates to the UK based premises. The production facility accounts for £784,000 (2009 £614,000) of this commitment and expires in December 2018. Premises in Spain account for £330,000 (2009 £320,000) expiring in 2020 and in Germany for £114,000 (2009: £316,000) expiring in December 2010.

Of the other commitments, £581,000 (2009: £703,000) relates to leased vehicles all expiring within 3 years.

26. 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 £221,000 (2009: £174,000).

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 2010. The major assumptions used were as follows:

	2010 % pa	2009 % pa
Retail price inflation	**1.5**	2.0
Salary increase rate	**4.0**	4.0
Rate of pension increase	**1.5**	2.0
Discount rate at the beginning of the year	**6.0**	6.0
Discount rate at the end of the year	**5.0**	6.0
Expected return on assets	**4.1**	4.1
Increase of social security contribution ceiling	**2.0**	2.0
Average life expectancies		
Male, 65 years of age at the balance sheet date	**18.3**	18.2
Female, 65 years of age at the balance sheet date	**22.4**	22.3
Male, 45 years of age at the balance sheet date	**41.0**	40.9
Female, 45 years of age at the balance sheet date	**45.0**	44.9

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

	2010 £'000	2009 £'000
Fair value of planned assets	**1,076**	1,104
Present value of scheme liabilities	**(4,649)**	(3,925)
Deficit in the scheme	**(3,573)**	(2,821)
Experience losses on plan assets	**(9)**	(10)
Experience (losses) / gains on plan liabilities	**(108)**	1

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 £37,000 (2009: £32,000). The pension charge generates an unrecognised deferred tax asset of £436,000 (2009: £279,000), however this is unrecognised in the Group accounts as there is uncertainty over the recoverability.

	2010 £'000	2009 £'000
Amounts charged to operating profit/(loss)		
Current service costs	**244**	233
Amounts included in other finance expenses		
Expected return on pension scheme assets	**(46)**	(42)
Interest on pension scheme liabilities	**239**	209
Net charge	**193**	167
Amounts recognised in the statement of comprehensive income		
Actual return less expected return on pension scheme assets	**(9)**	(10)
Experience gains and (losses) arising on scheme liabilities	**(108)**	1
Changes in assumptions underlying the present value of scheme liabilities	**(495)**	-
Total amount relating to year	**(612)**	(9)
Opening cumulative losses	**(534)**	(525)
Actuarial loss recognised	**(1,146)**	(534)
Net movement recognised	**(1,146)**	(534)

Movement in assets during the year	2010 £'000	2009 £'000
Balance as at 1 July	**1,104**	932
Foreign currency differences	**(56)**	70
Expected return	**46**	42
Actuarial losses	**(9)**	(10)
Contributions	**74**	70
Assets transferred to finance benefits paid	**(83)**	-
Balance as at 30 June	**1,076**	1,104

Movement in liabilities in the year	2010 £'000	2009 £'000
Balance as at 1 July	**(3,925)**	(3,256)
Foreign currency differences	**265**	(242)
Service cost	**(244)**	(233)
Interest cost	**(239)**	(209)
Actuarial (losses)/gains	**(108)**	1
Benefits paid by employer	**15**	14
Benefits paid from assets	**83**	-
Changes in assumptions	**(495)**	-
Balance as at 30 June	**(4,648)**	(3,925)

The expected contributions over the forthcoming year are £230,500.

26. Retirement benefit obligations (continued)

History of experience gains and losses

	2010 %	2010 £'000	2009 %	2009 £'000	2008 %	2008 £'000	2007 %	2007 £'000
Scheme assets								
Difference between the expected and actual return	(0.7)	(9)	(0.9)	(10)	2.6	23	1.5	(11)
Scheme liabilities								
Experience gains and (losses)	(2.1)	(108)	-	1	6.7	201	1.0	(30)
Changes in assumptions underlying present value		(495)		-		352		174
Total amount recognised	(12.1)	(612)	(0.2)	(9)	17.7	576	4.6	133

27. Issued share capital

	2010 Shares	2010 £'000	2009 Shares	2009 £'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	82,366,614	82	81,950,632	82
At 1 July				
Issued during the year	228,390,000	229	415,982	-
At 30 June	**310,756,614**	**311**	**82,366,614**	**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	**320,604,947**	**321**	**92,214,947**	**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 were issued pursuant to an Offer, Placing and Subscription at a price of 12.00p per ordinary share and were admitted to trading on AIM having been approved by shareholders of the company in General Meeting on 30 June 2009. Following the exercise of Warrants by Azure Ventures Limited, 12,500,000 ordinary shares were admitted to trading on 10 July 2009 at a price of 12.00p and 16,273,393 ordinary shares on 1 October 2009 at a price of 12.29p. On 9 March 2010, 16,809,670 ordinary shares were issued pursuant to a Placing and Subscription at a price of 12.50p.

28. Share based payments

The Group has a Savings Related Share Option Plan ('SAYE') for the benefit of all employees and Executive directors with 12 months continuous service. No options were granted in 2008/09 or 2009/10 under this scheme. (The 2007 SAYE carried a 15% discount while the 2008 SAYE carried a 10% discount to the average market share price on the date of grant). The vesting period is three years and 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 ('LTIP') 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 LTIP 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.

During the year a new grant under the LTIP was provisionally awarded. This scheme falls under the initial 2005 award and therefore, all calculations and assumptions have been performed under the same conditions as the previous LTIPs.

During the year an Option Replacement Programme (ORP) was approved by the Board and was offered to share option-holders in September 2009. The programme permitted share option-holders, whose options had an exercise price below the market share price as at the date of the offer, to voluntarily revoke that original grant of options and replace them with new options. The new grant was made under an existing share option plan at an exercise price equal to the market share price at the date of grant, 18 October 2009. The ORP was structured so as to have no additional costs attached bar a clause which stated that participants were guaranteed a minimum of 15% of their original options.

The model used to calculate the amounts was the Black Scholes Model. The inputs into this model were obtained from an independent advisor and included the volatility of the options, the risk free interest rate, the exercise price and the expected life of the options. The net effect of this grant is a cost to the Company of £4,455 in this financial year and a further cost of £4,877 spread over the next three years

For the following outstanding share options disclosure, LTIP awards, with a nil exercise price have been disclosed separately to avoid distorting the weighted average exercise price (WAEP):

	2010 WAEP Number	2010 WAEP Price (£)	2009 WAEP Number	2009 WAEP Price (£)
Outstanding at the beginning of the year	9,497,620	0.36	11,453,300	0.31
Granted during the year	740,656	0.18	-	-
Exercised during the year	(1,175,000)	0.01	(1,794,275)	0.05
Forfeited during the year	(353.508)	0.64	(161,405)	0.66
Cancelled during the year	(2,941,563)	0.75	-	-
Outstanding at the year end	5,768,713	0.19	9,497,620	0.36
Exercisable at the year end	4,399,245	0.17	8,769,055	0.35

Included in the above numbers outstanding at 30 June 2010 are 3,993,386 (2009: 6,901,478) 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.

28. Share based payments (continued)

Options exercised during the year had a weighted average share price at date of exercise of 14p (2009: 14p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 3.2 years (2009: 3.4 years) and have the following range of exercise prices:

Exercise price (p)	**30 June 2010 Number**	30 June 2009 Number
0.1-5	**3,258,580**	4,441,486
6-45	**2,276,136**	3,135,480
46-120	**233,997**	1,920,654
	5,768,713	9,497,620

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	42%	0.13	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	-

- 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
20/07/09	3	20/07/12	3	0.0000	n/a	0.148	n/a	0.148	5,544,000
21/12/07	3	27/12/10	3	0.0000	n/a	0.385	n/a	0.385	1,125,124
09/10/06	3	09/10/09	3	0.0000	n/a	1.000	n/a	1.000	-
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 £193,000 (2009: £260,000) related to equity-settled share based payment transactions during the year.

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 2010 was €107,426; £86,999 (2009: €107,568; £91,469).

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 2010 £'000	30 June 2009 £'000
Capital commitments	**252**	482

Included in the above is £192,000 for ongoing factory refurbishments in the UK (2009: £389,000); £29,000 for new plant and machinery (2009: £72,000) and £31,000 for IT equipment and systems upgrades (2009: £21,000).

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 47 to 49. At 30 June 2010, 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 2010, Allergy Therapeutics plc acquired 100% of the issued share capital of Teomed AG. Teomed was established in 1989 and specialises in the field of allergy and is the distributor for the Company's products and other company's products in the Swiss market. It employs 12 people with offices in Zurich.

Teomed is the first acquisition following the increased emphasis in the Group's strategy towards strengthening its European market position and will provide additional revenue growth and an opportunity to improve earnings.

The total consideration was CHF1,200,000 (£740,000) and comprises an initial cash payment of CHF800,000 (£494,000) on signing, and a deferred payment of CHF400,000 (£246,000), paid into an escrow account, payable twelve months from date of completion. The deferred consideration is contingent on the basis that existing distributor agreements continue for a period of at least one year from the acquisition date.

The allocation of the purchase price to the assets and liabilities of Teomed AG at the acquisition date are as follows:

	Pre-acquisition carrying amount £'000	Adjustment to fair value £'000	Recognised at acquisition date £'000
Property, plant and equipment	15	-	15
Intangible assets	-	884	884
Total non-current assets	**15**	**884**	**899**
Trade and other receivables	217	(10)	207
Inventories	133	-	133
Cash and cash equivalents	3	-	3
Total Assets	**368**	**874**	**1,242**
Trade and other payables	(139)	-	(139)
Deferred taxation liability	-	(177)	(177)
Net identifiable assets and liabilities	229	697	926
Gain on bargain purchase			(186)
Cost of acquisition			**740**

Acquisition costs incurred up to 30 June 2010 relating to the purchase of Teomed AG of £120,000 have been expensed under administration costs within the consolidated income statement in the year ended 30 June 2010.

The adjustment to fair value on trade and other receivables relates to trade debtors which existed at the acquisition date.

The acquisition gave rise to a gain on bargain purchase primarily due to the fair valuation of the existing distribution agreements exceeding the consideration paid. These intangible assets represent the potential future discounted cashflows lost to the Group should these existing agreements be terminated within the next 12 months. They were not recognised on the balance sheet of the acquired company. The gain will be included in the Group's consolidated income statement in the year ending 30 June 2011.

The pre-existing distributor agreement between the Group and Teomed AG had expired prior to the acquisition taking place.

Also in July 2010, the Group terminated its relationship with its existing distributor in the Netherlands and set up its own Limited Company.

33. Restatement of prior year figures

A decision was made in the year to reallocate the fair valuation of the interest rate swap financial derivative from administration expenses to finance expenses. The reason for this change is to report the derivative valuation changes in the same place as the actual interest swap charges. In order to present a fully comparable position, the 2009 comparative information has been restated on the same basis. The amount of the restatement for each financial statement line item is as follows:

Consolidated income statement

	As Originally Reported 2009 £'000	Amount of Restatement 2009 £'000	As Restated 2009 £'000
Gross Profit	24,194		24,194
Distribution costs	(14,893)		(14,893)
Administrative expenses – other	(10,250)	1,142	(9,108)
Research and development costs	(5,297)		(5,297)
Administrative expenses	(15,547)	1,142	(14,405)
Other income	-		-
Operating loss	(6,246)		(5,104)
Finance income	30		30
Finance expense	(5,222)	(1,142)	(6,364)
Loss before tax	(11,438)		(11,438)

Consolidated cash flow statement

	As Originally Reported 2009 £'000	Amount of Restatement 2009 £'000	As Restated 2009 £'000
Finance expenses	3,236	1,142	4,378
Financial derivative instruments	1,038	(1,142)	(104)

Finance Expense note

	As Originally Reported 2009 £'000	Amount of Restatement 2009 £'000	As Restated 2009 £'000
Change in fair value of financial derivative instrument	3,045	1,142	4,187
Total Finance Expenses	5,222	1,142	6,364

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

We have audited the parent company financial statements of Allergy Therapeutics plc for the year ended 30 June 2010 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 Chapter 3 of Part 16 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 page 45 and 46, 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 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 year ended 30 June 2010.

Stephen P.S. Weatherseed
Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants
Gatwick
17 September 2010

Company Balance Sheet

	Note	30 June 2010 £'000	30 June 2009 £'000
Fixed Assets			
Investments	3	**51**	51
Current assets			
Debtors: amounts falling due within one year	4	**646**	795
Current liabilities			
Creditors: amounts falling due within one year	5	**(39)**	(463)
Net current assets		**607**	332
Total assets less current liabilities		**658**	383
Net assets		**658**	383
Capital and reserves			
Called up share capital	6	**321**	92
Share premium	7	**58,704**	33,193
Other reserves – shares held by EBT	7	**67**	67
Other reserves – share based payments	7	**1,324**	1,291
Profit and loss account	7	**(59,758)**	(34,260)
Total equity		**658**	383

These financial statements were approved by the Board of Directors on 17 September 2010 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director
Registered number: 5141592

Notes to the Comapany 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

For the year ended 2010 the Group has reported a profit, however for the financial years ended 2007 to 2009 primarily as a consequence of its investment in research and development activities, it reported losses. 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 2011 and 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, in the following year, 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. The net proceeds received from the issue of these shares through the exercise of options are recognised through this reserve. There are no shares remaining in the EBT.

Share based payments

The Company 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 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 £25,658,000 (2009: £514,000).

3. Investments

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

	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 2010	**51**

At 30 June 2010 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.

In July 2010 the Company acquired a 100% owned subsidiary in Switzerland and also set up a new 100% owned Limited Company in the Netherlands. See note 32 in the consolidated financial statements for further details.

4. Debtors

	30 June 2010 £'000	30 June 2009 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**642**	305
Other debtors	**-**	66
Prepayments	**4**	424
	646	795

The amount owed by subsidiary undertakings is stated net of provisions of £58,055,000 (2009: £32,732,000).

5. Creditors – amounts falling due within one year

	30 June 2010 £'000	30 June 2009 £'000
Taxation and social security	**39**	39
Accruals and deferred income	**-**	424
	39	463

6. Called up share capital

Full details of the Company's share capital are set out in note 27 of the consolidated financial statements.

7. Reserves

	Profit and loss account £'000
At 30 June 2009	(34,260)
Retained loss for the year	(25,658)
Lapsed share based payments recycled to retained losses	160
At 30 June 2010	**(59,758)**

	Share premium account £'000
At 30 June 2009	33,193
Shares issued in the year	25,511
At 30 June 2010	**58,704**

	Other reserve – share based payments £'000
At 30 June 2009	1,291
Provision in year for share based payments	193
Lapsed share based payments recycled from retained losses	(160)
At 30 June 2010	**1,324**

	Other reserve – EBT £'000
At 30 June 2009	67
Sale of shares by EBT	-
At 30 June 2010	**67**

8. Share based payments

Full details of the Company's share based payments are set out in note 28 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 2010 £'000	Year to 30 June 2009 £'000
Loss for the financial year	**(25,658)**	(20)
Issue of shares from EBT	**-**	68
Share based payments	**193**	260
Shares Issued	**25,740**	20
Net addition to shareholders' funds	**275**	328
Opening shareholders' funds	**383**	55
Closing shareholders' funds	**658**	**383**

11. Contingent liabilities

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

12. Events after the balance sheet date

Full details of events after the balance sheet date are set out in note 32 of the consolidated financial statements.

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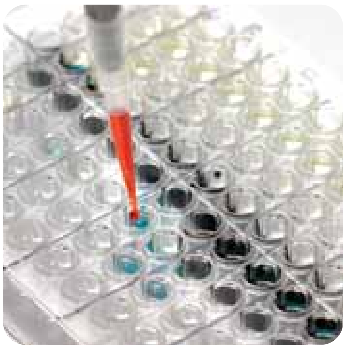


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