This document, which comprises an AIM admission document, has been drawn up in accordance with the POS Regulations as required by the AIM Rules and does not constitute a prospectus pursuant to the Public Offers of Securities Regulations 1995 (the "POS Regulations"). This document has been issued in connection with the application for admission to trading on AIM of Allergy Therapeutics plc's issued and to be issued Ordinary Shares. **If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

Application has been made for all of the issued Ordinary Shares in the capital of the Company immediately following the Placing to be admitted to trading on AIM. It is expected that First Admission will become effective and dealings in the existing Ordinary Shares and the Placing Shares being placed with venture capital trusts ("VCT Shares") will commence on AIM on 11 October 2004 and that Second Admission will become effective and dealings in the remaining Placing Shares ("Non-VCT Shares") will commence on AIM on 12 October 2004. The Ordinary Shares are not dealt with in or on any other recognised investment exchange and no other such applications have been made.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Prospective investors should carefully consider the section entitled "Risk Factors" in Part II of this document before taking any action.

London Stock Exchange plc has not itself examined or approved the contents of this document.

Allergy Therapeutics plc

(Incorporated and registered in England and Wales with No. 5141592)

Admission to trading on AIM

and

Placing of 21,917,808 Ordinary Shares at 73p per share

by

KBC Peel Hunt Ltd

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser and broker (for the purpose of the AIM Rules) in connection with the proposed admission of the issued and to be issued ordinary share capital of the Company to trading on AIM. Its responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). KBC Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not intended for distribution in or into the United States, Canada, Australia, Ireland, South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") as amended, or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to the registration requirements of, the Securities Act and applicable state securities laws. Nor have the securities been registered under the applicable securities laws of Canada, Australia, Ireland, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Ignace Robert Agnes Goethals *(Non-Executive Chairman)* Keith Iain Carter *(Chief Executive Officer)* Ian David Postlethwaite *(Finance Director)* Christian Grätz *(Director, Market Operations)* Thomas Alexander Hungerford Holdich *(R&D Director)* Andrew Peter Turnbull *(Director, Supply Operations)* Stephen Rushworth Smith *(Non-Executive Director)* all of
Registered Office	Dominion Way Worthing West Sussex BN14 8SA
Company Secretary	Ian Postlethwaite
Nominated Adviser and Broker	**KBC Peel Hunt Ltd** 111 Old Broad Street London EC2N 1PH
Solicitors to the Company	**Berwin Leighton Paisner** Adelaide House London Bridge London EC4R 9HA
Solicitors to the Placing	**Addleshaw Goddard** 150 Aldersgate Street London EC1A 4EJ
Auditors and Reporting Accountants	**Grant Thornton UK LLP** The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT
Principal bankers	**NatWest Bank** Broadwater Branch 5 Broadwater Street East Broadwater Worthing BN14 9AB
Registrars	**Capita Registrars** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"2001 Plan"	the Allergy Therapeutics (Holdings) Limited 2001 Share Option Plan
"Act"	the Companies Act 1985
"Admission"	unless the context otherwise requires, in relation to the existing issued Ordinary Shares and the VCT Shares, First Admission, and in relation to the Non-VCT Shares, Second Admission
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules for AIM companies and their nominated advisers as published by the London Stock Exchange
"Allergy Therapeutics Holdings"	Allergy Therapeutics (Holdings) Limited, a wholly owned subsidiary of the Company
"Allergy Therapeutics Holdings Share Options Plans"	the Founders Plan and the 2001 Plan and each of them as the context requires
"Allergy Therapeutics Iberica"	Allergy Therapeutics Iberica SL, a wholly owned subsidiary of the Company
"Allergy Therapeutics Italia"	Allergy Therapeutics Italia s.r.l, a wholly owned subsidiary of the Company
"Allergy Therapeutics" or the "Company"	Allergy Therapeutics plc
"Allergy Therapeutics (UK) Limited"	a wholly owned subsidiary of the Company
"Articles"	the Articles of Association of the Company adopted by the Company on 4 October 2004
"Bencard"	Bencard Allergie GmbH, a wholly owned subsidiary of the Company
"Board"	the board of directors of the Company
"Combined Code"	the combined code on corporate governance published in July 2003
"Corixa"	Corixa Corporation
"CREST"	the computerised settlement system (as defined in the Uncertificated Securities Regulations 2001) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
"CRESTCo"	CRESTCo Limited
"Deferred Shares"	deferred shares of 0.1 pence each in the capital of the Company
"Directors"	the directors of the Company, whose names are set out on page 3
"Elan"	Elan Corporation plc
"EMEA"	European Medicines Evaluation Agency, the European Union's agency responsible for the evaluation of medicines
"FDA"	Food and Drug Administration, the US governmental agency responsible for the evaluation and approval of pharmaceuticals
"First Admission"	the admission of the existing issued Ordinary Shares and the VCT Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Founders Plan"	the Allergy Therapeutics (Holdings) Limited Share Option Scheme 1998

"Group"	the Company and its subsidiaries from time to time
"GSK"	GlaxoSmithKline plc
"IPR"	Intellectual Property Rights
"KBC Peel Hunt"	KBC Peel Hunt Ltd
"London Stock Exchange"	London Stock Exchange plc
"MHRA"	Medicines and Healthcare Products Regulatory Agency, the UK governmental agency responsible for the evaluation and approval of pharmaceuticals
"Non-VCT Placing"	the conditional placing by KBC Peel Hunt of the Non-VCT Shares on behalf of and as agent for the Company pursuant to the Placing Agreement
"Non-VCT Shares"	the Placing Shares other than the VCT Shares
"Ordinary Shares"	ordinary shares of 0.1p each in the capital of the Company
"Placing"	the VCT Placing and the Non-VCT Placing
"Placing Agreement"	the conditional agreement dated 6 October 2004, between the Company, the Directors and KBC Peel Hunt relating to the Placing and Admission, further details of which are set out in paragraph 11 of Part IV of this document
"Placing Price"	73p per Placing Share
"Placing Shares" or "New Ordinary Shares"	the new Ordinary Shares to be placed pursuant to the Placing
"Pliva"	Pliva International A.G.
"R & D"	Research and Development
"Regulations"	the Public Offers of Securities Regulations 1995
"SAB"	Scientific Advisory Board
"Second Admission"	admission of the Non-VCT Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Shareholder"	a holder of one or more Ordinary Shares
"UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
"VCT Placing"	the conditional placing by KBC Peel Hunt of the VCT Shares on behalf of and as agent for the Company pursuant to the Placing Agreement
"VCT Shares"	the 3,066,507 new Ordinary Shares which are to be placed with, *inter alia,* certain venture capital trusts pursuant to the Placing Agreement
"Western Allergy"	Western Allergy Services Ltd

GLOSSARY OF TECHNICAL TERMS

The following technical terms apply throughout this document, unless the context requires otherwise:

Adjuvant	A substance, inactive on its own, which provides the benefits of improved immune response when incorporated in modern vaccines
Allergic march	The observed tendency for patients suffering from milder allergic conditions to progress to more severe ones, including asthma
Antigen	A substance which triggers an immune response as part of the body's protection against foreign substances or organisms
Anti-histamine	A class of anti-inflammatory treatments which act by reducing the release of histamine
Anti-leukotriene agents	Anti-inflammatory mediators used as respiratory drugs
ß-agonists	The most widely used treatment for the acute relief of asthma symptoms
Conjunctivitis	An inflamation of the mucosal membrane that both covers the eye and lines the eyelid and often occurs as a result of allergy to airborne allergens
Corticosteroids	Anti-inflammatory medicines used to treat chronic diseases such as asthma which are similar to naturally occurring cortisol produced by the adrenal gland
Cytokine	A member of a family of proteins released by cells that act on other cells through specific receptors. Cytokines control cell growth and differentiation, and regulate immune and inflammatory responses
Dendritic cells	Antigen presenting cells found in T-cell areas of lymph nodes
Depot adjuvant	An adjuvant which also creates a slow release effect, improving the safety and tolerability of injected vaccines
Granulomas	A collection of inflammatory cells
Histamine	A highly active natural chemical released from the mast cells as a result of an allergic reaction, and a major contributor to the symptoms of allergy
Humoral antibody	Antibodies which are secreted in the blood in response to the presence of antigens
IgA	An immunoglobulin found in blood, tears, saliva, and in the mucous membranes of the respiratory and intestinal tracts
IgE	An immunoglobulin found in trace amounts in the blood, which is responsible for allergic reactions
IgG	The most abundant of the five classes of immunoglobulins, it is the major antibody in the secondary humoral response of immunity
Immunoglobulin	An antibody or, more generally, antibodies which provide protection against infectious agents
IND	Investigational New Drug, an application filed with the FDA seeking to initiate human clinical trials with a new drug

Interleukin or IL	A cytokine secreted by immune cells in response to stimulation by T-cells that regulates a range of immune system functions
Lymph nodes	Organs located in the lymphatic vessels that act as filters, trapping and removing foreign organisms
MPL®	Monophosphoryl Lipid A
Phase II trial	The evaluation of a drug in patients for safety, tolerability and efficacy. Dosing regiments are tested for magnitude and duration of effect
Phase III trial	The final stage of the clinical trial process where the drug undergoes a 'dry run' of its ultimate proposed use on the market in its proposed dosage form
Registration	The process of obtaining a marketing authorisation in a particular jurisdiction for a specific pharmaceutical product for a specific indication
Rhinitis	An inflammation of the mucous membrane that lines the nose, and often occurs as a result of allergy to airborne allergens
Rhino-conjunctivitis	Combination of rhinitis and conjunctivitis (nose and eyes)
Salmonella minnesota	Species of salmonella, a fraction of which is used in the manufacture of MPL®
Specific immunotherapy	The treatment of a condition by the targeted modulation of the immune system
Subcutaneous	Beneath the skin
Sub-lingual	Beneath the tongue
Toll receptor	One of a family of receptors that provide a critical link between immune stimulants and the initiation of the host defence. Activation of the toll receptors causes the release of anti-microbial peptides, inflammatory cytokines, and molecules that initiate adaptive immunity
Tyrosine	An amino acid found in most proteins

EXPECTED ISSUE STATISTICS

Placing Price per share	73 pence
Number of new Ordinary Shares to be placed on behalf of the Company	21,917,808
Number of VCT Shares to be placed on behalf of the Company	3,066,507
Number of Non-VCT Shares to be placed on behalf of the Company	18,851,301
Number of Ordinary Shares in issue following the Placing	62,950,632
Market capitalisation following the Placing at the Placing Price	£46.0 million
Percentage of enlarged issued share capital subject to the Placing	34.8%
Gross proceeds of the Placing receivable by the Company	£16.0 million
Net proceeds of the Placing receivable by the Company	£15.0 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

First Admission effective and dealings commence in the existing issued Ordinary Shares and the VCT Shares on AIM	11 October 2004
Crediting of uncertificated VCT Shares to CREST accounts	11 October 2004
Second Admission effective and dealings commence in the Non-VCT Shares on AIM	12 October 2004
Crediting of uncertificated Non-VCT Shares to CREST accounts	12 October 2004
Where applicable, definitive share certificates despatched by	18 October 2004

KEY INFORMATION

The following summary should be read in conjunction with the full text of this document from which it is derived.

The Business

- Allergy Therapeutics is a fully integrated, specialty pharmaceuticals business currently focused on the treatment and prevention of allergies. The Group was formed in June 1998 following a management buy-in ("MBI") of the Bencard allergy vaccine business from SmithKline Beecham.
- The Group has a manufacturing, sales and marketing and product development infrastructure supporting a portfolio of marketed products and a development pipeline of innovative vaccines, focused on achieving Registrations world-wide. The treatment of allergies is one of the largest therapeutic areas with estimated related sales of over US$12 billion worldwide. In the US alone, it is estimated that between 40 and 60 million people suffer from allergies.
- The Group's marketed products are focused on short-course injected allergy vaccines sold under the Pollinex® Quattro and Pollinex® brand names and sublingual vaccines sold under the Oralvac® name.
- In the year ended 30 June 2004, the Group made gross sales of approximately £19.1 million resulting in a net profit of approximately £1.2 million. Pollinex®, Pollinex® Quattro, Oralvac® plus and Tyrosine S made up approximately 87 per cent. of the Group's total sales and approximately 67.1 per cent. of the Group's gross sales were made in Germany, the world's largest market for this type of product.
- The Directors believe that capturing maximum market share with allergy vaccines will come by improving the characteristics of the products. The Group has certain exclusive rights world-wide to MPL®, a novel vaccine adjuvant. Allergy Therapeutics' short term, well-tolerated, MPL®-based vaccines are designed, once registered, to achieve this market expansion.
- The Directors believe that the Group's subcutaneous development products, owing to the extensive clinical experience already gained, present unusually low development risk. Furthermore, the Directors consider that an efficacious, convenient sublingual allergy vaccine would have the potential to be a first line treatment for allergic disease.

The Placing and Admission to AIM

- The Placing is intended to raise £16.0 million before expenses for the Company. After the expenses of the Placing and Admission payable by the Company, the Placing is expected to raise £15.0 million for the Company. KBC Peel Hunt has conditionally placed, as agent for the Company, 21,917,808 new Ordinary Shares, representing, in aggregate, approximately 34.8 per cent. of the enlarged issued ordinary share capital of the Company following the Placing at the Placing Price of 73 pence per new Ordinary Share.
- It is intended that the net proceeds available from the Placing, when added to any annual operating cash surpluses, will be used primarily to fund the development of innovative MPL®-based products as follows:
  - subcutaneous vaccines: to develop through to the end of Phase III, gain regulatory approval and commercialise ultra-short course four-shot vaccines for allergies to grass, tree, ragweed and housedust mite; and
  - sublingual vaccines: to develop and commercialise efficacious injection-free vaccines delivered sublingually, taking a vaccine for grass pollen allergy through Phase III and Registration to develop vaccines for further major allergens to the end of Phase II.

PART I

INFORMATION ON THE GROUP

INTRODUCTION

Allergy Therapeutics is a fully integrated, specialty pharmaceuticals business currently focused on the treatment and prevention of allergies. The Group was formed in June 1998 following the MBI of the Bencard allergy vaccine business from SmithKline Beecham (now part of GSK). The Group has a manufacturing, sales and marketing and product development infrastructure dedicated to a portfolio of marketed products and a pipeline of development products, focused on achieving Registrations world-wide.

The Group has a history of pioneering innovative short course allergy vaccines by developing well-characterised modified allergens using tyrosine as a depot adjuvant. Allergy Therapeutics' short term development objective is to create allergy vaccines capable of use as a first line therapy for the treatment and cure of allergic diseases including allergic rhinitis, allergic conjunctivitis and allergic asthma. To achieve this the Group has a pipeline of new vaccines based on the patented innovative adjuvant MPL® to which the Group has certain licensed exclusive rights.

Through its own salesforce in Germany, Italy and Spain and indirectly in more than 20 countries, including 8 countries through licensing agreements, the Group currently sells and distributes four families of vaccine products, injected and sub-lingual, ranging from general seasonal pollen allergy vaccinations for common allergens (such as grass and trees) to patient-specific short run batches for less common allergens. The Group also sells a range of skin-prick diagnostic tests.

With its established business and current infrastructure, the Directors believe that the Group has the basis to build a broad-based specialty pharmaceutical business through product development and in-licensing and, in the longer term, the acquisition of both products and businesses.

COMPANY HISTORY

The Group can trace its roots back to CL Bencard Ltd, an allergy company founded in Devon in the 1930s. In 1949 this business was acquired by Beecham Group Ltd, at that time a consumer healthcare company. This represented the first step towards ethical prescription pharmaceuticals for the company which is now GSK. In June 1998, Allergy Therapeutics Holdings was formed as a vehicle for the MBI of this business.

Since the MBI the business has been grown both organically and by acquisition, through the addition of key functions, entry into new markets and new partnering relationships. The core MPL®-based intellectual property has been developed, pre-clinical and clinical trials have been successfully conducted and additional patents laid down.

Following successful double blind placebo controlled studies, the Group launched Pollinex® Quattro as a named-patient product in late 1999. This product, based on the MPL® adjuvant, achieves significant symptom relief and reduced use of symptomatic medication with just four injections, a major improvement on the dosing required by most allergy vaccines. Through this launch and extensive sales and marketing efforts the base business has grown and became profitable in 2003.

BACKGROUND

The treatment of allergies is one of the largest therapeutic areas worldwide. Allergies are caused by hypersensitivity to common substances found in the environment (allergens). Five types of immune hypersensitivity are recognised, the most common being type 1 in which the immune system becomes sensitised to allergens and reacts by excessive production of an allergen specific immunoglobin, IgE ("Type 1 Allergy"). Substances involved in Type 1 Allergy include seasonal pollens (grasses, trees and common weeds such as ragweed which can lead to the condition known as hay fever), perennial allergens (housedust mites and animal dander, for example from dogs, cats and horses) and insect venoms (bee and wasp). Both

seasonal and perennial allergens can be involved in allergic asthma. Allergy is a progressive condition where an allergic individual can become sensitised to many allergens and/or develop asthma.

The incidence of Type 1 Allergy in most developed countries is commonly in the range of 20 to 30 per cent. of the total population, of which one third may develop allergic asthma. This incidence has been rising since the early 1980s at a rate of 3 per cent. per annum. In the US alone, it is estimated that between 40 and 60 million people suffer from allergies. It is estimated that more than 30 million people suffer from allergies in Japan and over 50 million in Europe.

Current allergy treatment is almost exclusively concerned with the management of allergic symptoms using drugs such as anti-histamines and steroids supplemented with, in the case of allergic asthma, drugs to improve breathing such as β-agonists. These medicines are available, as oral or inhaled formulations, by prescription and over-the-counter ("OTC"). Although these palliative drugs provide temporary symptomatic relief, they can be inconvenient to use and can cause unwanted side effects. Most importantly, they need to be administered chronically and do not modify the underlying disease state, nor do they prevent the so-called Allergic March from seasonal/perennial rhino-conjunctivitis to allergic asthma. Sales of these palliative symptomatic anti-allergy drugs exceed US$12 billion.

An alternative to this palliative treatment is allergy vaccination (also referred to as specific immunotherapy or de-sensitisation). Allergy vaccination (both injectable and sublingual) is currently the only treatment for Type 1 Allergy hypersensitivity that can alter or cure the underlying disease process.

THE ALLERGY VACCINE MARKET

Allergy vaccination is employed to alter the underlying immune mechanisms that cause allergic rhinitis. Currently patients are recommended for allergy immunotherapy only after attempts to reduce allergic symptoms by drugs or limiting exposure to the allergen have been deemed inadequate. Conventional immunotherapy is a gradual immunisation process in which increasing individualised concentrations of pollen extracts are mixed by the allergist and administered to induce increased tolerance to natural allergen exposure. Practice varies, but typically the procedure involves gradually increasing doses (weekly and monthly) of the offending allergens which, over time, induce immunological tolerance. Usually three to five years of allergy vaccination is required for long term effect of the treatment. Because of the number of injections (as many as 180), length of treatment and potential risk of serious side effects, a significant portion of patients do not complete the therapy course. As a result, allergy vaccination has less than a 5 per cent. market share in most markets.

The Directors believe that conventional immunotherapy has not captured a significant portion of the growing market for the treatment and prevention of allergies because its complexity and risk limits its use to qualified allergists and its attractiveness to patients. The Directors believe that capturing maximum market share with allergy vaccines will come by improving the characteristics of the products by Registration and extending the use of this kind of treatment from the allergy specialist to a broader physician population. Allergy Therapeutics' short term, well-tolerated, MPL®-based vaccines are designed, once registered, to achieve this market expansion.

The Directors believe that the market for allergy vaccines is expected to transform as the result of a number of factors, including:

- advances in technology, such as MPL®, which will lead to fewer injections/injection-less therapies;
- the education of physicians, healthcare providers, payers, and patients, which will alert these stakeholders to the benefits of preventative therapy; and
- the increase in the patient population that undergoes diagnosis.

The range of MPL®-based vaccines marketed and under development by the Group is targeted at the most commonly encountered allergens in the respective markets. In the US, grass and ragweed allergies are the most common and are seen in up to 60 per cent. of allergic patients. In Japan, up to 40 per cent. of the population are sensitive to Japanese cedar. In Europe, grasses and trees cause the most suffering amongst allergics. Housedust mite allergy is a world-wide condition.

SCIENTIFIC BACKGROUND

The immunology of allergic conditions is complex and various theories exist as to its mechanisms. Set out in this section is an outline of mainstream thinking regarding allergies as at the date of this document.

The immune system of Type 1 Allergy sufferers is characterised by excessive production of inflammatory cytokines and IgE specific to the common substances (allergens) to which they are allergic. T-helper cells are a vital element of the human immune system, helping to determine what sort of immune response to mount to an invading organism. Type 1 helper cells ("TH1") encourage a cell mediated immune response and are usually associated with viral or bacterial infections, whereas Type 2 helper cells ("TH2") predispose a cytokine and humoral antibody response, encompassing the production of IgE, normally associated with parasitic infections. It seems, therefore, that allergic individuals respond to allergens by 'mistaking' the allergen (or material containing it, such as pollen) as a parasitic infection and accordingly mounting an inflammatory immune response in which there is high production of cytokines and IgE-antibodies specific to the allergen. A TH1 response results in the production of cytokines which have the effect of suppressing TH2 activity. Thus, vaccines that can induce a TH1-like immune response, resulting in safe and efficacious outcomes from reduced therapy regimens, would be ideal for the treatment and cure of allergic disease.

MPL® is a Lipopolysaccharide ("LPS") derived from the cell walls of salmonella minnesota that has been purified and detoxified. The non-specific human immune response system recognises LPS as being derived from bacterial sources and reacts to LPS as though it was a bacterial infection. As a result, the immune system mounts a cell mediated immune response (TH1) and synthesises IgG specific to the challenging material. This property of MPL® has been used to enhance vaccines produced by GSK, Corixa and others. Commercial cancer vaccines using this technology have been approved and GSK has a new hepatitis vaccine incorporating MPL®, Fendrix®, which has been submitted for approval by the EMEA. The clinical experience with MPL® is therefore extensive, demonstrating the adjuvant to be safe, well-tolerated and effective for human use.

Subcutaneous Vaccines

Allergy Therapeutics' short-course allergy vaccines use chemically modified allergens adsorbed onto L-Tyrosine, a partially soluble amino acid that naturally occurs in the human body. The chemical modification process reduces the IgE reactivity but maintains the IgG reactivity, thereby improving safety and allowing faster updosing regimes and consequently fewer injections. These modified allergen extracts are known as allergoids.

L-Tyrosine acts as a depot adjuvant and slowly releases the allergoid, giving a more sustained stimulation of the immune system which further improves efficacy and safety. The Directors believe that L-Tyrosine has significant advantages over the aluminium salts that are more commonly used as depots in vaccines. Not only is L-Tyrosine naturally occurring in the human body and therefore likely to have significant safety benefits over aluminium salts but it has been shown to be a TH1-inducing adjuvant in its own right. Aluminium salts, on the other hand, have been shown to induce a TH2 response in animal models, carry a significant risk of persistent granulomas at the site of injection and there are concerns about the metabolism of aluminium in the human body, its accumulation and its possible links to diseases such as Alzheimer's.

By combining MPL® with its core allergy vaccine technology, Allergy Therapeutics has been able to produce a highly effective and safe allergy vaccine that has been shown to produce an anti-inflammatory immune response by inducing a switch from a TH2 type immune reaction to a TH1 type reaction resulting in T-cell tolerance to the triggering allergen. In addition, a highly significant clinical improvement has been shown in patients after only four injections administered in as little as three weeks.

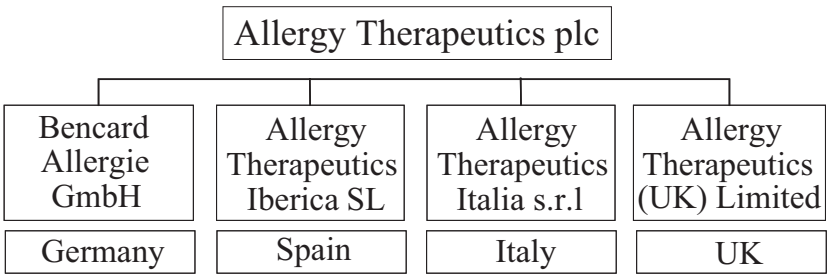
Sublingual Vaccines

The mucosal surfaces of the eyes, nose, mouth, throat and lungs constitute the first part of the immune system that makes contact with airborne allergens. Two particular elements of the mucosal immune system are dendritic cells, which process foreign material for presentation to the immune system, and the mucosal antibody IgA, which can provide specific protection by blocking an unwanted allergic response. The mucosal surfaces are thus an alternative target for allergy vaccines.

The clinical use of sublingual allergy vaccines has been confined so far mainly to Europe. Formulations consist of aqueous solutions of allergen extracts, which are administered as drops under the tongue. The safety record of these products is extremely good but there are issues which have inhibited widespread use. Patient compliance may be poor as administration generally involves complex dose increases and long term frequent use (two to three times weekly for three to five years). Although there is well-documented clinical data indicating few and minimal side-effects, it is also clear that the efficacy is inferior compared to injectable vaccines.

There is thus a strong need to boost the efficacy of sublingual allergy vaccines, which would also allow shorter treatment schedules. The addition of an immunological adjuvant such as MPL® should assist towards this goal. In joint studies with Corixa, sublingual experiments using a model allergen formulated with MPL® have been very encouraging, showing a clear stimulation of the mucosal IgA antibody. In addition, mechanistic studies performed by Corixa have given good theoretical back-up. The data has shown that MPL® binds to toll receptors 2 and 4 (these are triggers to kick-start an immune response). MPL® was also found to influence cytokines IL10 and IL12 (these are soluble proteins which signal to cells, and in particular can depress allergic inflammation).

THE GROUP'S OPERATIONS



Allergy Therapeutics has its corporate, product development and manufacturing base in Worthing, UK. The European subsidiaries are sales and marketing operations selling the Group's products in their associated territories.

Manufacturing

The Group's manufacturing facility recently passed an MHRA inspection and is licensed for sterile manufacture of injectables and for manufacture of named patient products and clinical trial materials. Staff associated with manufacturing, including quality assurance, quality control and product development, total 112, the majority of which are based in the UK.

The Group sources a number of the key raw materials (including a number of the allergens, such as pollens) and key components of the vaccines (including the adjuvants MPL® and Tyrosine) from third parties. It does, however, produce a number of raw materials in-house (such as moulds and mites) and manufacture the key allergoids required for the final production of the vaccines.

The Group also manufactures its own clinical trials materials, enabling it to be highly responsive to the requirements of the development program and to employ the pharmaceutics development expertise underlying its day-to-day commercial operations.

Sales and Marketing

The Group has sales and marketing subsidiaries in Germany, Italy and Spain with regional and product management, medical and customer support, order and financial administration, and teams of dedicated specialist sales representatives. The Group recently commenced sales and marketing operations in the UK, initially by use of a contract sales organisation. Including sales representatives calling on doctors, regional and product managers, and customer and medical support staff, the Group employs 50 commercial staff in Germany, 14 in Italy, nine in Spain and six in the UK.

The Group currently has corporate alliances with the European pharmaceutical companies Novartis, for whom the Company markets an anti-histamine eyedrop product in Germany, and Grifols, for whom the Group markets a range of blood fractionation products to hospital-based physicians in Italy.

The Group has licensing and distribution arrangements for specific geographic markets with a number of companies as follows:

Belgium	Stallergenes S.A.
Canada	Western Allergy Services Ltd
Central and Eastern Europe	Pliva
The Netherlands	Artu Biologicals N.V.
Portugal	Decomed Pharmaceutica S.A.
South Korea	Shinkwang New Drug Co. Ltd
Switzerland	Teomed AG

Intellectual Property

The Directors believe that the protection of the Group's intellectual property is fundamental to its future success. Accordingly, the Group has a policy of securing patent protection for its development programme, and in operating this policy has three key patent families affording broad coverage. As it proceeds with its development work, the Group will continue to assess, with a view to making further patent applications, any additional intellectual property as it is generated.

The key patent families cover the following:

- pharmaceutical composition comprising allergen, tyrosine and MPL®;
- pharmaceutical composition comprising antigen, sparingly soluble amino acid (such as tyrosine) and a TH1-inducing adjuvant (such as MPL®); and
- composition of antigen and glycolipid adjuvant (such as MPL®) for sublingual administration.

These key patent families cover not only the subcutaneous and sublingual allergy vaccine development pipelines but also certain IPR outside the field of allergy which may have applications in the prophylactic vaccine field and other cell-mediated conditions such as cancer.

The Group owns a large number of trade names and trade marks in many territories world-wide, assigned from SmithKline Beecham. In assessing the registration or renewal of these trade marks, the Directors operate a policy of judging the commercial importance of the trade name and the territory and only those trade names currently in use or potentially of future use in commercially important markets are renewed. Examples of important trade marks include Allergy Therapeutics®, Bencard®, Pollinex®, Oralvac® plus and Polymite®.

Further details of the patents held and applied for are set out in paragraph 10 of Part IV of this document.

CURRENT MARKETED PRODUCTS

A number of the Group's existing products have been used widely throughout Europe since the 1970s and have Registrations in several European countries, including the UK, Germany, the Netherlands, Belgium, the Czech Republic, the Slovac Republic, Croatia, Poland and Switzerland. The Group also has Registrations in Canada and Korea. The portfolio of marketed products illustrates that the Group has for many years been a leading proponent of short course products. Innovations originated by the Group include allergen modification (creating allergoids), tyrosine adsorbtion and, recently, the use of MPL® to adjuvant the vaccines.

The Group's specific allergy vaccines are used to treat allergy to individual allergens or groups of related (cross reacting) allergens, for example individual pollens, such as ragweed, or groups of pollens, such as grasses or trees.

The Group's product families are characterised by the mode of delivery: injected or sublingual. There are three injected lines: the ultra short course (four shots) MPL®-containing Pollinex® Quattro; the short course (six shots) registered Pollinex® range; and the long course (twelve shots) products marketed under the Tyrosine TU brand. The sublingual line is marketed under the brand name Oralvac®.

The Group has Registered products for the most common allergens, namely grasses and trees. Other products marketed (where permitted) are named patient specific products, where a wider variety of allergens are available and can be mixed (for example, birch, ragweed and plantain pollen extracts). The Group has taken advantage of its familiarity with named patient product distribution and its infrastructure for processing and fulfilling orders for named patient prescriptions to sell, on a limited basis, Pollinex® Quattro prior to its Registration.

LEAD DEVELOPMENT PRODUCTS

Ultra Short Course Subcutaneous Allergy Vaccines

The Group is developing a range of ultra-short course MPL®-based subcutaneous allergy vaccines, administered as four injections before the start of the pollen season. The products are for the treatment of allergic rhino-conjunctivitis to specific, high-prevalence pollens and house-dust mites. The objective of the products is to relieve the symptoms and reduce the dependence of the patient on symptomatic medication such as anti-histamines and steroids, by engendering a specific TH2 to TH1 switch.

The Group is in the advantageous position of having already conducted successful preliminary double-blind placebo controlled studies on these vaccines and, as a consequence, having marketed these products (Pollinex® Quattro) in certain European markets since 1999 as named products. With the benefit of these preliminary studies and the wealth of safety and efficacy data generated by the clinical use of the products (over 80,000 treatment sets have been sold to date), the Directors believe that the probability of success with the Phase III Registration studies is high.

The Group currently has ultra-short course vaccines for allergy to five key allergens in various stages of full scale development for Registration: grass, tree, ragweed, housedust mite and Japanese cedar. It is estimated that these allergy vaccines cover the needs of approximately two thirds of allergic rhino-conjunctivitis sufferers in the main pharmaceutical markets of Europe, the US and Japan.

Large Phase III pivotal trials for Registration of the grass, tree and ragweed products in Europe and the US are planned to start in 2005 and the Directors expect that first Registrations will be achieved in early 2008. First Registrations for the Japanese cedar and housedust mite products are expected to be achieved in 2009.

Short Course Sublingual Allergy Vaccines

Pre-clinical experiments with MPL® administered sub-lingually have demonstrated immune system stimulation and the induction of specific IgA and IgG. The Directors believe that if similar responses were to be shown in humans, highly efficacious sublingual allergy vaccines based on MPL® with allergen could be developed. Such sublingual allergy vaccines would be self-administered in the form of drops placed under the tongue using a pump that meters the dose, as with the currently marketed Oralvac® plus product. By incorporating MPL®, the intention is to improve the efficacy of sublingual vaccines and simplify the dosing regimes. The added convenience of safe and easy home administration would make the product suitable for prescription by family practitioners.

Allergy Therapeutics plans to conduct an initial proof of concept study in humans in the immediate future, as soon as the requisite toxicology work has been completed. Depending on the outcome of these studies, the Group intends to develop sublingual vaccines against allergy to the same range of allergens as Pollinex® Quattro (grass, tree, ragweed, Japanese cedar and housedust mite). A large scale development plan will be put in place and the Directors believe that first Registrations could be obtained as early as 2009. There is also potential to obtain significant revenues from this product as early as 2006 via a named patient launch targeting allergy specialists in some key European markets.

COMPETITION

Owing to the size of the commercial opportunity presented by the therapeutic area, some of the world's largest pharmaceutical companies are active in the allergy field. GSK, Aventis, AstraZeneca, Merck and Novartis, amongst others, all have interests in the symptomatic market. Many of the largest selling products in this sector are either off-patent or sold OTC in increasingly important markets.

Within the allergy vaccine niche there are no major pharmaceutical companies present, with the exception of Merck KGaA, parent of Allergopharma. In addition to Allergy Therapeutics and Allergopharma, there are three allergy vaccine companies operating multinationally: ALK-Abelló, Stallergènes and HAL. At the national level, there is a multiplicity of small players serving local markets. There is much similarity between all of these companies in terms of product offerings. Other than fast-melt tablet formulations of sublingual vaccines, where efficacy has proven difficult to establish, the Directors are not aware of any competitor having an innovative vaccine pipeline.

In the field of immune-system based treatments for allergy, such as those pursued by the Group, the most notable development by a potential competitor is DNA Immunostimulatory Sequences combined with the major allergen of ragweed, Amb A1, being developed in the US by Dynavax.

CURRENT TRADING

The table below sets out summary trading results for the Group for the three years to 30 June 2004. This information has been extracted from the financial information set out in Part III of this document.

	Year ended 30 June		
	2002	*2003*	*2004*
	£'000	*£'000*	*£'000*
Net Sales	15,138	17,329	18,001
Cost of Sales	(5,271)	(5,327)	(5,513)
Gross Profit	9,867	12,002	12,488
Distribution costs	(5,436)	(5,756)	(6,569)
Administrative expenses	(8,682)	(5,225)	(4,786)
Other operating income	–	318	423
Operating profit/(loss)	(4,251)	1,339	1,556
Exceptional items	–	2,927	–
Interest	(521)	(6)	34
Tax	109	916	(372)
Retained profit/(loss)	(4,663)	5,176	1,218

In the year ended 30 June 2004, approximately 67.1 per cent. of the Group's gross sales were made in Germany. The German market is the largest in the world for finished form allergy vaccines and the Group's market share is growing gradually and last year amounted to approximately 13 per cent. of this market. During 2004, trading in Germany remained difficult as state budgetary pressures continued to impact on the healthcare sector. In addition to patient co-payment measures which temporarily reduced the frequency of patients' doctor visits, the rebate on pharmaceutical sales was increased in January 2004 to 16 per cent. from the 6 per cent. in force in the preceding year. These factors contributed to the reduction in the net sales growth between the years ended 30 June 2003 and 30 June 2004. The table below illustrates the effect of the rebate on pharmaceutical sales in the German market on the Group's gross sales for the three years ended 30 June 2004.

	Year ended 30 June		
	2002	*2003*	*2004*
	£'000	*£'000*	*£'000*
Gross Sales	15,138	17,508	19,122
Statutory rebates	–	(179)	(1,121)
Net Sales	15,138	17,329	18,001

In Italy and Spain the Group has continued to increase its market share. In the year ended 30 June 2004, sales in the Italian and Spanish markets formed approximately 15.2 per cent. of total gross sales.

The Group also sells through licensees and distributors, which in the year ended 30 June 2004, accounted for approximately 17.6 per cent. of gross sales.

In the year ended 30 June 2004, Pollinex®, Pollinex® Quattro, Oralvac® plus and Tyrosine S made up approximately 87 per cent. of the Group's gross sales compared to approximately 83 per cent. in 2002/3. Sales of these products have increased steadily throughout the past three years, with Pollinex® Quattro being the lead product.

The Group released the deferred tax asset in the year ended 2004, created in the year ended 2003. The asset had been created when forecasts demonstrated future suitable taxable profits. Further details of the deferred tax asset can be found set out in paragraph 8.12 in section B of Part III of this document.

During the year ended 30 June 2003 the collaboration with Elan was terminated resulting in the release of Elan's minority interest in and liabilities to Allergy Therapeutics (Bermuda) Limited resulting in the exceptional items in the year ended 30 June 2003.

PROSPECTS AND STRATEGY

Based on its profitable core business, its intellectual property and product development pipeline, and its fully integrated pharmaceutical company infrastructure, the Directors believe that the Group has a strong base from which to grow a substantial, high value, specialty pharmaceutical business.

In the short term, the Group will work to expand its share of the existing niche allergy vaccine market with continued promotion of its core short course products and entry of new markets, either directly or through distributors as appropriate. There may be some opportunities for consolidation within the allergy vaccine niche, which the Group will assess on strict economic criteria.

The Group's MPL®-based allergy vaccine development pipeline will be progressed with the clear objective of achieving product marketing authorisations from the major regulatory agencies world-wide. The Directors believe that this strategy will bring allergy vaccination into mainstream pharmaceutical markets.

The Group intends to obtain Registration of MPL®-based products for the most clinically relevant allergens in Europe (grass, tree and housedust mite) and for specific allergens that will enable the Group to penetrate new markets, such as ragweed (US) and Japanese cedar (Japan). The Directors believe that during 2005 the FDA will grant IND to conduct Phase III trials for Pollinex® Quattro for grass, tree and ragweed pollens.

As part of the development programme and its ongoing core business, the Group intends to seek licensing agreements with potential partners to fund the development of a particular vaccine or group of vaccines and generate revenues for the Group through milestone and/or royalty payments. The Directors are currently in discussion with potential partners for its ultra short course subcutaneous allergy vaccines.

In the medium to long term the strategy for the Group is to grow and diversify the business within the specialty pharmaceutical model, leveraging its existing infrastructure and building increased scale and geographic reach in sales, marketing and development organically and by acquisition and in-licensing.

THE DIRECTORS, SENIOR MANAGEMENT AND KEY EMPLOYEES

Directors

Ignace Goethals (59) *(Non-Executive Chairman)*

Ignace Goethals has worked in the pharmaceutical industry for a number of years, with Eli Lilly, Squibb/Bristol Myers Squibb and SmithKline Beecham prior to retiring at the end of 1998 when he was head of world-wide supply operations. His experience in the pharmaceutical industry is exceptionally broad, covering sales and marketing, country and regional general manager positions, licensing and business development, business unit management (vaccines and animal health) and supply. Mr Goethals has a degree in applied Economics from the University of Louvain (Belgium) and an MBA from the University of Chicago.

Keith Carter (45) *(Chief Executive Officer)*

Keith Carter was part of the team that orchestrated the Group's MBI. Prior to this his career was spent in corporate advisory and corporate finance roles with Lloyds Merchant Bank, Drexel Burnham Lambert and latterly at NatWest Markets, the investment banking arm of National Westminster Bank, where he co-headed the pharma group. He began specialising in advice to the pharmaceuticals industry in 1990, when he ran his own corporate finance boutique. Mr Carter has a First Class Honours Degree in Economics from the University of Cambridge.

Christian Grätz (51) *(Market Operations Director)*

Christian Grätz joined the Group in 1998. Prior to this he was marketing & sales director at Akzo Nobel/Organon GmbH from 1996 to 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. He was previously business unit director at American Cyanamid/Lederle GmbH (1991 to 1996). He brought Lederle's vaccines from US to Europe where they were launched in 1994 and rapidly gained significant market share. When Lederle and American Home Corp merged, he was responsible for restructuring the new company and was appointed division director in Germany. Before joining Lederle he held a number of senior management positions within BASF/Knoll AG and Beiersdorf AG. Dr Grätz lectured on economics at the Universities of Hagen and Gelsenkirchen and has a Dr. (rer. Oec.) from Bochum University. He is also the general manager for the Group's operations in Germany.

Tom Holdich (45) *(R&D Director)*

Tom Holdich joined the Group in 2004. Prior to this he was head of clinical research at Shire Pharmaceutical Development where he restructured and ran the European based department of global clinical research and set up and steered the global clinical management group with the US. As project physician at Shire Pharmaceutical Development, he was responsible for therapeutic leadership to multifunctional global project teams. Prior to Shire Pharmaceutical Development, Tom Holdich held senior medical positions in AstraZeneca from 1997 to 2001 and with SmithKline Beecham from 1992 to 1996. Dr. Holdich has a diploma in Pharmaceutical Medicine, MB BS (Lond) and membership of the Faculty of Pharmaceutical Medicine.

Ian Postlethwaite (41) *(Finance Director)*

Ian Postlethwaite joined the Group in April 2002 as Finance Director. Prior to this he undertook the roles of chief executive officer with Automotive Financial Services Limited and finance director with a number of start-up technology companies all owned by Ellerman investments. Previously he held senior finance positions with Ericsson from 1994 to 1997 and Philips Electronics from 1989 to 1994. He is a qualified accountant and a fellow of the Chartered Association of Certified Accountants. Mr Postlethwaite has a BSc (Hons) in Geological Sciences from Aston University.

Andrew Turnbull (31) *(Supply Operations Director)*

Andrew Turnbull joined the Group in August 1998 and was appointed to his present position in May 2001, having been the UK Operations Manager since February 2000. He is specifically responsible for production, technical services, purchasing, logistics, information technology and market support. Prior to this he managed the refurbishment of the Italian manufacturing facility to current Good Manufacturing Practice standards following the completion of a number of engineering projects he managed as part of the transition agreement with SmithKline Beecham. Before joining the Group he managed the process engineering function of Procip Ltd, a design and build company which specialises in the pharmaceutical sector. Mr Turnbull has a wealth of experience in process design, control and project management and gained a B ChemE (Hons) at Canterbury University, New Zealand.

Stephen Smith (51) *(Non-Executive Director)*

Stephen Smith is a chartered Management Accountant and fellow of the Association of Corporate Treasurers, who since 1995 has operated as an independent consultant and interim manager (chief executive, chief operating office and finance director) in companies including the provision of specialist cash flow

management services. Up to 1995 he 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.

Scientific Advisory Board ("SAB")

Allergy Therapeutics has a scientific advisory board of eminent international opinion leaders in the allergy field. The SAB comprises:

Prof. Hendrik Kees Kam Nolte, MD, PhD, chairman of the SAB

Hendrik Nolte is currently Professor of Medicine at the Department of Internal Medicine at Bispebjerg University Hospital of Copenhagen. He is a fellow of the American College of Allergy, Asthma and Immunology ("ACAAI") and American Academy of Allergy, Asthma and Immunology ("AAAAI") where he has chaired the Allergen Standardization and Immunotherapy committees. He has formerly held medical director positions at Lundbech Diagnostics, Roche Biomedical Laboratories Inc, Hycor Biomedical Inc and ALK-Abello Inc.

Prof. Anthony James Frew, MD, FRCP

Anthony Frew is currently Professor of Allergy & Respiratory Medicine at the University of Southampton; Secretary-General of the European Academy of Allergology and Clinical Immunology; associate editor of the Journal of Allergy and Clinical Immunology; chairman of the Europe and CIS region committee of the International Council of the AAAAI; member of the British Thoracic Society Asthma Guidelines Group.

Prof. Dr. med. Dr. phil. Johannes Ring

Johannes Ring is currently director and chairman of Department of Dermatology and Allergy Biederstein, Technical University of Munich. He is a former president and current board member of the German Society of Allergy and Clinical Immunology; former vice president and current executive committee member of the International Association of Allergy and Clinical Immunology; chairman of the Dermatology section of the European Academy of Allergy and Clinical Immunology; executive committee member of the European Dermatological Society and board member of the German Dermatological Society; president of the Collegium Internationale Allergologicum; president of the European Academy of Dermatology.

Lawrence M. Du Buske, MD

Lawrence M. Du Buske is clinical instructor in Medicine at Harvard Medical School in Boston. Dr. Du Buske is a Fellow of the American College of Physicians, the AAAAI, the ACAAI, and The American College of Rheumatology. Dr. Du Buske currently serves as vice-chair for the Literature Review Committee of the ACAAI. He also currently serves on the board of directors of Interasma, the International Association of Asthmology, and is president-elect of the American Association of Certified Allergists.

Senior management and key employees

Beverly Lees *(Head of Science & Quality Assurance)*

Ms Lees has overall responsibility for manufacturing quality, playing a key role in the continuous improvement of the Group's manufacturing processes, standardization, quality assurance, chemistry and biochemistry. Prior to joining the Group, Ms Lees spent nine years with SmithKline Beecham in various technical, development and quality roles.

Dr. Karl Jürgen Drachenberg *(International Medical Director)*

Dr. Drachenberg is the international medical director for the Group and also plays a key role in R&D. He has broad responsibilities covering drug safety, registration, development and regulatory affairs as well as specialist marketing and participation in scientific forums. Dr. Drachenberg is an MD and has 20 years experience of allergology.

Dr. Philipp Pfeiffer *(Director Marketing & Sales)*

Dr. Pfeiffer is responsible for the planning, co-ordination and management of marketing and sales in Germany. He holds a PhD in biology and has over eight years experience in sales force management and pharmaceutical marketing and 16 years experience in the allergy vaccine field.

Dr. Giacomo Pastore *(General Manager Italy)*

Dr. Pastore joined Allergy Therapeutics Italia in October 2000 previously working for Bayer for over 20 years where he had overall responsibility for the allergy and blood products business units. Dr. Pastore is responsible for all aspects of the Group's Italian sales and marketing subsidiary.

Felix Alonso *(General Manager Spain)*

Mr. Alonso is responsible for all aspects of the Group's Spanish sales and marketing subsidiary. Before joining Allergy Therapeutics Iberica in December 1999 he worked with Almirall-Prodesfarma as marketing manager responsible for the hospital area. He is also a qualified pharmacist and the responsible pharmacist for the Spanish Ministry.

CORPORATE GOVERNANCE

The Directors have responsibility for the overall corporate governance of Allergy Therapeutics and recognise the need for high standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and intend that the Company will comply with the principles of the Combined Code in such respects as are appropriate for a company of its size and nature.

The Board currently consists of a non-executive chairman, five executive Directors and a further non-executive Director. The terms of the Company's constitution relating to the appointment, election and retirement of Directors are set out in paragraph 4 of Part IV of this document. An audit committee (comprising the two non-executive Directors) has been established to operate with effect from Admission.

The audit committee, which will meet at least twice each year, comprises Steve Smith (chairman) and Ignace Goethals. The audit committee will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on. It will meet the auditors without the executive Directors being present and will review reports relating to accounts and internal control systems.

The Group's remuneration committee, which has been operating for over two years and reviews the performance of the executive Directors and senior management and sets their remuneration, comprises Ignace Goethals (chairman) and Steve Smith. The remuneration committee also makes recommendations to the Board concerning the allocation of share options to Directors and employees.

THE PLACING AND ADMISSION TO AIM

Reasons for Admission and the Placing

It is intended that the net proceeds available from the Placing, when added to any annual operating cash surpluses, will be used primarily to fund the development of innovative MPL®-based products as follows:

- subcutaneous vaccines: to develop through to the end of Phase III, gain regulatory approval and commercialise ultra-short course four-shot vaccines for allergies to grass, tree, ragweed and housedust mite; and
- sublingual vaccines: to develop and commercialise efficacious injection-free vaccines delivered sublingually, taking a vaccine for grass pollen allergy through Phase III and Registration and to develop vaccines for further major allergens to the end of Phase II.

The Directors believe that the benefits of Admission include the following:

Corporate Profile

The Directors believe that the Ordinary Shares' AIM traded status may provide additional flexibility and opportunities in the Group's commercial activities by improving the Group's corporate profile with the financial and professional communities.

Incentives for staff

The Directors consider that the recruitment, retention and incentivisation of key staff through the use of share options may be important to Allergy Therapeutics' continued development. They consider that the ability to grant options over publicly traded shares is potentially more attractive to key staff than the grant of options over unquoted shares.

Access to capital markets

The Directors believe that the cost of capital for a publicly traded company may be lower than for a private company and that capital should be more freely available than for an equivalent private company.

Details of the Placing

KBC Peel Hunt has conditionally placed, as agent for the Company, 3,066,507 VCT Shares and 18,851,301 Non-VCT Shares, representing, in aggregate, approximately 34.8 per cent. of the enlarged issued ordinary share capital of the Company following the Placing (assuming that both First Admission and Second Admission become effective) at the Placing Price. The Placing, which is not underwritten, is conditional, *inter alia*, on Admission. The Placing is intended to raise £16.0 million before expenses for the Company. After the expenses of the Placing and Admission payable by the Company, estimated in total at £1.0 million excluding VAT, the Placing is expected to raise £15.0 million for the Company.

Application has been made for the existing Ordinary Shares, the VCT Shares and the Non-VCT Shares to be admitted to trading on AIM. It is expected First Admission will become effective and dealings in the existing Ordinary Shares and the VCT Shares will commence on AIM on 11 October 2004, and that Second Admission will become effective and dealings in the Non-VCT Shares will commence on AIM on 12 October 2004.

It is expected that the proceeds of the Placing due to the Company will be received by it on or soon after Admission. In the case of placees requesting Non-VCT Shares in uncertificated form, it is expected that the appropriate stock accounts will be credited with the Non-VCT Shares comprising their Placing participation with effect from 12 October 2004. In the case of placees requesting VCT Shares in uncertificated form, it is expected that the appropriate stock accounts will be credited with the VCT Shares comprising their Placing participation with effect from 11 October 2004. In the case of placees requesting New Ordinary Shares in certificated form, it is expected that certificates in respect of such shares will be despatched by post within seven days after Admission.

Pending despatch of definitive share certificates or crediting of stock accounts, the Company's registrars will certify any instrument of transfer against the register.

The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

Equity participation

Further details of the interests of the Directors in Ordinary Shares and in options over Ordinary Shares are set out in paragraph 6 of Part IV of this document.

Lock-in arrangements

Each Director pursuant to the Placing Agreement has undertaken that, save in certain limited circumstances, he will not dispose of any of his interests in Ordinary Shares for a period of one year following Admission.

ING Bank N.V., SmithKline Beecham plc and certain other Shareholders have undertaken that, save in certain limited circumstances, they will not dispose of any of their interests in Ordinary Shares for a period of one year following Admission. Elan International Services Limited has given a similar undertaking. However, it is entitled to sell its interests in Ordinary Shares during the one year lock-in period provided such disposal is made with the prior written consent of KBC Peel Hunt (after consultation with the Company) and the transferee has undertaken that it will not dispose of the relevant Ordinary Shares during the lock-in period.

Dealing Arrangements and CREST

CREST is a computerised paperless settlement system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer. The Directors have applied for the Ordinary Shares in issue following Admission to be admitted to CREST with effect from, in the case of the existing Ordinary Shares and the VCT Shares, First Admission and, in the case of the Non-VCT Shares, Second Admission and CREST has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the individual shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

DIVIDEND POLICY

It is the Directors' intention to pay dividends when, in the view of the Directors, it is commercially prudent to do so and the Company has sufficient distributable reserves for this purpose.

TAXATION

Information regarding taxation in relation to the Placing and Admission is set out in paragraph 12 of Part IV of this document. **If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.**

PART II

RISK FACTORS

Prospective investors should be aware that an investment in the Company involves a high degree of risk and should only be made by those with the necessary expertise to appraise the investment. The following are considered by the Board to be the main risk factors which could have a material adverse effect on the business, financial condition, capital reserves, results or future operations of the Group. The following list is not intended to be exhaustive but it should be considered carefully by prospective investors in evaluating whether to make an investment in the Company in addition to the other information contained in this document.

If any of the following risks actually occur, the Group's business, financial condition, capital reserves, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Regulatory Approval

As part of the regulatory approval process the Group must conduct pre-clinical studies and clinical trials for each of its unapproved products to demonstrate safety and efficacy. The number of pre-clinical studies and clinical trials that will be required varies depending on the product, the indication being evaluated, the trial results and regulations applicable to the particular product. The results of pre-clinical studies and initial clinical trials of the Group's unapproved products do not necessarily predict the results of later-stage clinical trials. Unapproved products in later stages of clinical trials may fail to show the desired safety and efficacy despite having progressed through initial clinical trials. There can be no assurance that the data collected from the pre-clinical studies and clinical trials of the Group's unapproved products will be sufficient to support FDA, EMEA or other regulatory approvals, or approvals from local ethics committees. In addition, the continuation of a particular study after review by an independent data safety monitoring board or review body does not necessarily indicate that all clinical trials will ultimately be successfully completed.

The Directors cannot accurately predict when the planned clinical trials will be completed, if at all. Successful and timely completion of clinical trials will require the Group to recruit a sufficient amount of patient candidates and enter into agreements with clinical research organisations to perform the trials.

The Group's unapproved products may produce unexpected side effects or serious adverse events which could interrupt, delay or halt clinical trials of the products and could result in the FDA, EMEA or other regulatory authorities denying approval of its products for any or all targeted indications. An independent safety monitoring board, the FDA, EMEA, other regulatory authorities or the Group itself may suspend or terminate clinical trials at any time. There can be no assurances that any of the Group's unapproved product candidates will ultimately prove to be safe for human use. The Group's clinical trials could also be delayed or terminated in the event that the product being tested is in the same class of drug as a marketed product that is revealed to cause side effects.

Dependence on retention and recruitment of key personnel

The success of Allergy Therapeutics and its business strategy are dependent on its ability to retain and attract key management, R & D, sales, marketing and other operating personnel with the relevant expertise and experience. As Allergy Therapeutics expands the commercialisation of its products, the Group will need to recruit and integrate additional personnel. In a period of high growth, the loss of the services of one or more members of the management group or the inability to recruit and effectively integrate additional personnel as needed could have an adverse effect on the Group's product development programmes and on its business, financial condition and results.

Competition and technical advances

The market in which the Group is operating is characterised by rapidly evolving technology and industry standards and many of the companies competing in this sector have substantially greater financial, technical

and marketing resources, longer operating histories, greater name recognition, larger customer bases and more established co-operative relationships. As the market grows, new alliances between competitors may emerge which could reduce the Group's sales, margins and market shares. Competitors could develop superior or more cost-effective techniques which could render the Group's products uncompetitive or develop products that achieve greater market acceptance than the Group's products. In the future, the Group may experience pricing pressures from competitors and customers which may adversely affect sales levels and/or gross margins.

The future success of the Group and the maintenance of its margins will therefore depend to a large extent upon the Group's ability to develop and introduce new products and enhancements to existing products to meet and broaden customer needs and to anticipate developments in the market and changes in industry standards. No assurance can be given that new products or product enhancements will satisfy customer requirements or can be developed in time to meet market opportunities, will achieve a sufficient level of acceptance in new and existing markets, or will successfully anticipate rapid technological changes or new industry standards.

Intellectual property and proprietary technology

The Group's success will depend in part on its ability to secure and maintain patent protection and copyright for its products and processes, to preserve its trade secrets and to operate without infringing the proprietary rights of third parties.

No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that the scope of any copyright or patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged or that third parties will not claim rights in or ownership of the copyright, patents and other proprietary rights held by the Group.

As product sales increase, the Group may be subject to claims in relation to infringement of patents, trademarks or other proprietary rights. Adverse judgments against the Group may give rise to significant liability in monetary damages, legal fees and an inability to manufacture, market or sell products either at all or in particular territories using existing trademarks and/or particular technology. Where the Group has given assurances to customers that its products do not infringe proprietary rights of third parties, any such infringement might also expose the Group to liabilities to those customers. Even claims without merit could deter customers and have a detrimental effect on the Group's business as well as being costly and time consuming to defend and diverting Group resources.

Further there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any patents held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group).

The Group relies on patents to protect, amongst other things, its products. These rights act only to prevent a competitor from copying and not to prevent a competitor from independently developing products that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire substantial equivalent techniques or otherwise gain access to the Group's un-patented proprietary technology or disclose such technology or that the Group can ultimately protect meaningful rights to such un-patented proprietary technology.

Dependence on collaborative arrangements

The Group is assisted by third parties in its research and development and in the production, marketing and commercialisation of its products. Disagreements between the Group and any of its collaborators could lead to delays in the Group's research and development programme and/or commercialisation plans. If any of those third parties were to terminate its relationship with the Group, the Group would be required to obtain development services from other parties or develop these functions internally. The process of entering into such similar relationships or developing these functions internally could require significant expenditure and

time. While the Directors believe that the Group would be able to enter into arrangements with other companies within a reasonable period of time, upon commercially reasonable terms, and in compliance with applicable regulatory requirements, no assurance can be given that it would be able to do so, and failure to do so, or in a timely manner, could materially and adversely affect the Group's business, operating results and financial condition.

Exchange rate fluctuations

The majority of the Group's revenues are in Euros whilst a substantial part of its operating costs are in Sterling. The Group is therefore exposed to foreign currency risk due to fluctuations in exchange rates. This may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Group's operating results.

Overseas activities

Allergy Therapeutics is exposed to additional risks related to operating in foreign countries. It has sizeable operations in both Germany and Italy and a large proportion of the products are sold outside the UK. These risks include export controls and/or other regulatory restrictions which may prevent the shipping of products into and from some markets or may increase the costs of doing so, the impact of foreign taxes and other applicable foreign regulations, an inability to repatriate earnings or overseas sales, difficulty in collecting debts or enforcing or protecting IPR, economic weakness or political instability in foreign economies or markets, changes in government healthcare policies and the difficulties involved in managing overseas activities.

Volatility in share price and liquidity

The share prices of publicly traded companies that are perceived to be within the technology sector are often subject to significant fluctuations. The market price of the Ordinary Shares may therefore be volatile and may be influenced by factors which affect the quoted pharmaceutical and biotechnology sectors (or quoted companies) generally and not just factors specific to the Group. Admission to AIM does not guarantee that there will be a liquid market for Ordinary Shares. An active public market for the Ordinary Shares may not develop or be sustained after Admission and the market price may fall below the price of which the Ordinary Shares are issued under the Placing.

PART III

ACCOUNTANTS' REPORTS

Section A – The Company

The following is the text of a report received from the Group's reporting accountants:

Grant Thornton UK LLP
Chartered Accountants
The UK Member Firm of
Grant Thornton International

Grant Thornton

The Directors
Allergy Therapeutics plc
Dominion Way
WORTHING
West Sussex
BN14 8SA

and

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
LONDON
EC2N 1PH

6 October 2004

ALLERGY THERAPEUTICS PLC (THE COMPANY)

1 INTRODUCTION

1.1 We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document issued by the Company on 6 October 2004 relating to the admission of the entire issued share capital of the Company to AIM ("the Alternative Investment Market").

1.2 The Company was incorporated on 1 June 2004 as Netstamp Limited and has not completed its first accounting reference period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

1.3 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

1.4 As at 6 October 2004, the Company had carried out no trading. As at 6 October 2004, the only transactions of the Company had been as follows.

1.5 On 1 June 2004 on incorporation one ordinary share of £1 was issued.

1.6 On 20 August 2004 each ordinary share of £1 was subdivided into 1,000 ordinary shares of 0.1p each.

1.7 On 20 August 2004 the Company's authorised share capital was increased from £1,000 to £800,000 by the creation of 789,151,667 ordinary shares of 0.1p each and 9,848,333 deferred shares of 0.1p.

1.8 On 1 October 2004 pursuant to a share exchange agreement dated 14 September 2004 the Company issued an aggregate of 41,031,824 ordinary shares of 0.1p each and 9,848,333 deferred shares of 0.1p each credited as fully paid as consideration for the acquisition of the entire issued share capital of Allergy Therapeutics (Holdings) Limited.

1.9 On 4 October 2004 the company was re-registered as a public limited company and its name was changed to Allergy Therapeutics plc.

1.10 No dividends have been paid or proposed.

RESPONSIBILITY

1.11 The directors of Allergy Therapeutics plc are responsible for the contents of the admission document dated 6 October 2004 in which this report is included.

OPINION

1.12 In our opinion, this information, which does not comprise full accounts, gives, for the purposes of this document dated 6 October 2004, a true and fair view of the state of affairs of the Company at 6 October 2004.

CONSENT

1.13 We consent to the inclusion in the admission document dated 6 October 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

GRANT THORNTON UK LLP

Section B – The Group

The following is the text of a report received from the Group's reporting accountants:

Grant Thornton UK LLP
Chartered Accountants
The UK Member Firm of
Grant Thornton International

Grant Thornton

The Directors
Allergy Therapeutics plc
Dominion Way
WORTHING
West Sussex
BN14 8SA

and

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
LONDON
EC2N 1PH

6 October 2004

ALLERGY THERAPEUTICS (HOLDINGS) LIMITED (THE COMPANY) AND ITS SUBSIDIARY UNDERTAKINGS (TOGETHER THE GROUP)

1 INTRODUCTION

1.1 We report on the financial information set out in Sections 2 to 8. This financial information has been prepared for inclusion in the admission document issued by Allergy Therapeutics plc on 6 October 2004 relating to the admission of the entire issued share capital of Allergy Therapeutics plc to AIM ("the Alternative Investment Market").

Basis of preparation

1.2 The financial information set out in Sections 2 to 8 below is based on the audited consolidated financial statements of Allergy Therapeutics (Holdings) Limited for the three years ended 30 June 2004 and has been prepared on the basis set out in Section 3 after making such adjustments as we considered necessary.

Responsibility

1.3 Such financial statements are the responsibility of the directors of Allergy Therapeutics (Holdings) Limited who approved their issue.

1.4 The directors of Allergy Therapeutics plc are responsible for the contents of the admission document dated 6 October 2004 in which this report is included.

1.5 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

1.7 We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

1.8 In our opinion the financial information gives, for the purposes of the admission document dated 6 October 2004, a true and fair view of the results and cash flows of the Group for the three years ended 30 June 2004 and the state of affairs of the Group at the end of each of those years.

Consent

1.9 We consent to the inclusion of this report in the admission document dated 6 October 2004 and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2 STATUTORY INFORMATION

2.1 The company was incorporated on 18 May 1998 as Hamsard One Thousand and Eighty Seven Limited, a private limited company.

2.2 The name of the company was changed to Allergy Therapeutics (Holdings) Limited on 26 June 1998.

2.3 On 26 June 1998, the company acquired the entire issued share capitals of Allergy Therapeutics Limited and Bencard GmbH.

2.4 On 28 June 1998, the name of Bencard GmbH was changed to Bencard Allergie GmbH.

2.5 On 27 May 1999, the company acquired Kallergen s.r.l. The name of Kallergen s.r.l. was changed to Allergy Therapeutics Italia s.r.l. on 9 July 1999.

2.6 On 29 July 1999, Allergy Therapeutics Iberica S L was incorporated as a wholly owned subsidiary.

2.7 On 18 April 2001, a subsidiary of Elan Corporation plc entered into a collaboration with the Group to develop products for the symptomatic treatment of allergic conditions. The collaboration was carried out by a subsidiary, Allergy Therapeutics (Bermuda) Limited, incorporated on 12 April 2001, which acquired a technology licence for $15 million. The arrangement was terminated on 12 December 2002 and the subsidiary is now dormant.

3 ACCOUNTING POLICIES

Basis of preparation

The financial information has been prepared under the historical cost convention of accounting and in accordance with applicable United Kingdom accounting standards.

The financial information is prepared on a going concern basis.

Basis of consolidation

The Group financial information consolidates that of the company and its subsidiary undertakings drawn up to 30 June 2004.

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life of 15 years.

Negative goodwill, arising on consolidation in respect of acquisitions, is included within fixed assets and released to the profit and loss account in the years in which the fair values of the non-monetary assets purchased on the same acquisitions are recovered, whether through depreciation or sale.

Depreciation

Depreciation has been provided on a straight line basis in order to write off the cost less the estimated residual value of depreciable fixed assets over their estimated useful lives.

The rates applicable are:

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

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Intangible fixed assets and amortisation

Non-competing know how is amortised over four years reflecting its estimated useful life to the Group. Acquired licences, patents, trademarks, manufacturing know-how and other intangible fixed assets are capitalised and amortised over their estimated useful economic lives (15 years). Any development costs which are incurred by the Group and are associated with an acquired licence, patent or know how are written off to the profit and loss when incurred.

Research and development

Laboratory equipment used for research and development is capitalised as plant and equipment and written off in accordance with the company's depreciation policy. Other research and development expenditure is written off in the year when occurred.

Pension

The Group operates private personal pension schemes for all employees in the UK and Germany. The assets of the scheme are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stock valuation

Stocks have been valued at the lower of cost and net realisable value. Costs include manufacturing overhead where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19. Deferred taxation assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of taxation that have been enacted or substantially enacted at the balance sheet date.

Turnover

Turnover represents the amounts (excluding value added tax and other sales taxes) derived from the provision of goods or services to third party customers, net of statutory rebates where due.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash or close to their carrying values or traded in an active market.

Employee Benefit Trust (EBT)

The financial statements include the assets and liabilities of a trust, set up for the benefit of the Group's employees. Shares are issued to those exercising share options at the exercise price. The trust is managed by a third party.

The EBT has acquired shares in the Company and these are deducted from shareholders funds on the balance sheet within "other reserves" initially at the cost at which the shares were acquired. The net proceeds received from the issue of these shares through the exercise of employee owned options are recognised through this reserve. All shares held by the EBT are under option.

Financial Instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

4 CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Note	*Year ended 30 June 2002 £'000*	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Turnover	8.1	15,138	17,329	18,001
Cost of sales		(5,271)	(5,327)	(5,513)
Gross Profit		9,867	12,002	12,488
Distribution costs		(5,436)	(5,756)	(6,569)
Administrative expenses		(8,682)	(5,225)	(4,786)
Other operating income		–	318	423
Operating profit/(loss)		(4,251)	1,339	1,556
Exceptional items relating to terminated operation	8.3	–	2,927	–
Other interest receivable and similar income		24	33	60
Interest payable and similar charges	8.5	(545)	(39)	(26)
Profit/(loss) on ordinary activities before tax	8.2	(4,772)	4,260	1,590
Tax on profit/(loss) on ordinary activities	8.6	109	916	(372)
Retained profit/(loss) for the financial year	8.17	(4,663)	5,176	1,218
Basic earnings/(loss) per share	8.7	(12.9p)	13.6p	3.0p
Diluted earnings/(loss) per share	8.7	(12.9p)	10.0p	2.5p

5 CONSOLIDATED BALANCE SHEETS

	Note	*As at 30 June 2002* £'000	*As at 30 June 2003* £'000	*As at 30 June 2004* £'000
Fixed assets				
Intangible assets				
Goodwill		3,548	3,328	2,945
Negative goodwill		(108)	(108)	–
		3,440	3,220	2,945
Other intangible assets		1,318	1,212	1,072
	8.8	4,758	4,432	4,017
Tangible assets	8.9	1,342	1,221	1,650
		6,100	5,653	5,667
Current assets				
Stocks	8.11	1,865	1,915	1,825
Debtors: amounts falling due within one year	8.12	1,655	1,578	2,062
Debtors: amounts falling due after one year	8.12	–	736	223
Cash at bank and in hand	8.24	56	1,267	1,457
		3,576	5,496	5,567
Creditors: amounts falling due within one year	8.13	(4,593)	(3,997)	(3,891)
Net current assets/(liabilities)		(1,017)	1,499	1,676
Total assets less current liabilities		5,083	7,152	7,343
Creditors: amounts falling due after one year	8.14	(9,481)	(1,605)	(881)
Net assets/(liabilities)		(4,398)	5,547	6,462
Capital and reserves				
Called up share capital	8.19	48	51	51
Share premium account	8.17	33,141	40,098	40,128
Profit and loss account	8.17	(39,646)	(34,602)	(33,344)
Other reserve	8.17	–	–	(373)
		(6,457)	5,547	6,462
Shareholders' funds				
Equity		(6,469)	5,537	6,452
Non-equity		12	10	10
	8.18	(6,457)	5,547	6,462
Minority interest	8.20	2,059	–	–
		(4,398)	5,547	6,462

6 STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Profit/(loss) for the financial year	(4,663)	5,176	1,218
Currency translation differences on foreign currency net investments	(40)	(132)	40
Total recognised gains and losses relating to the year	(4,703)	5,044	1,258

7 CASH FLOW STATEMENTS

	Note	*Year ended 30 June 2002 £'000*	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Cash inflow/(outflow) from operating activities	8.21	(1,596)	1,921	1,508
Returns on investment and servicing of finance				
Interest received		24	33	60
Interest paid		(545)	(39)	(26)
		(521)	(6)	34
Taxation recovered		109	180	364
Capital expenditure and financial investment				
Purchase of fixed assets and intellectual property		(328)	(406)	(760)
Sales of tangible fixed assets		–	28	–
		(328)	(378)	(760)
Acquisitions and disposals				
Deferred consideration		–	(190)	(308)
Cash inflow/(outflow) before financing		(2,336)	1,527	838
Financing	8.23	2,066	(316)	(648)
Increase/(decrease) in cash in year	8.22	(270)	1,211	190

8 NOTES TO THE FINANCIAL INFORMATION

8.1 Segmental information

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Turnover by destination			
UK	85	93	101
Germany	10,419	11,941	11,715
Rest of Europe	3,750	4,301	5,197
Rest of World	884	994	988
	15,138	17,329	18,001
Turnover by origin			
UK	2,864	2,939	3,369
Germany	10,419	11,941	11,715
Rest of Europe	1,855	2,449	2,917
	15,138	17,329	18,001
Profit after taxation by origin			
UK	(6,466)	4,215	642
Germany	489	1,662	(69)
Rest of Europe	961	(701)	645
Rest of World	353	–	–
	(4,663)	5,176	1,218
Net assets/(liabilities)			
UK	(3,517)	5,697	7,208
Germany	(137)	1,782	399
Rest of Europe	(744)	(1,932)	(1,145)
	(4,398)	5,547	6,462

8.2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Auditors' remuneration:			
Audit services	64	42	51
Non audit fees paid to the auditor and associates in respect of other services	97	–	32
Company audit (included in audit services above)	30	20	24
Depreciation of tangible assets	779	479	319
Amortisation of intangible assets	1,140	465	333
Operating lease rentals – plant & machinery	–	8	7
– other	43	303	312
Research and development	2,541	527	451

8.3 Exceptional items

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Release of amounts due by Bermudan subsidiary	–	1,211	–
Minority interest relating to Bermudan subsidiary	–	2,059	–
Costs of terminating strategic alliance	–	(343)	–
	–	2,927	–

The strategic alliance with Elan Corporation plc was terminated on 12 December 2002.

8.4 Remuneration of directors

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Directors' emoluments	912	931	648
Pension contributions	81	36	52
	993	967	700
Severance costs (included within directors' emoluments)	–	412	4
Emoluments of highest paid director	180	90	156
The Group contributes to a Group personal pension plan.			
Pension contributions paid by the Group for highest paid director	36	11	21
The number of directors who are in the Group personal pension plan and for whom payments are made is:	5	6	4
The number of directors who exercised options in the year	–	2	2

8.4 Remuneration of directors (continued)

Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category was as follows:

	Year ended 30 June 2002 Number	*Year ended 30 June 2003 Number*	*Year ended 30 June 2004 Number*
R & D, marketing and administration	87	83	85
Sales	46	48	57
Production	105	100	103
	238	231	245

The aggregate payroll costs for these persons were as follows:

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Aggregate wages and salaries	5,853	6,366	6,332
Social security costs	859	975	961
Other pension costs	299	253	267
	7,011	7,594	7,560

The average number of employees involved in pension schemes across the Group for 2004 was 131 (2003: 138; 2002: 148).

8.5 Interest payable and similar charges

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Bank loans and overdrafts	34	39	26
Interest payable on loans due within 5 years	511	–	–
	545	39	26

8.6 Tax on profit/(loss) on ordinary activities

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
The taxation (charge)/credit is made up as follows:			
UK corporation tax at 30 per cent.	–	–	–
Adjustment in respect of prior years	109	180	364
Current tax charge	109	180	364
Deferred tax	–	736	(736)
	109	916	(372)

Current tax reconciliation

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Profit/(loss) before tax	(4,772)	4,260	1,590
Tax at standard rate of 30 per cent. on profit/(loss) for year	(1,431)	1,278	477
Expenses not deductible for tax purposes	758	135	83
Capital allowances in excess of depreciation	24	(24)	(117)
Other adjustments not taxable	–	–	(172)
Overseas adjustments not taxable	(621)	(229)	(383)
Utilisation of tax losses	–	–	(325)
Unrelieved tax losses carried forward	1,118	(533)	–
Tax losses not utilised	290	270	494
Exceptional item not taxable	–	(878)	–
Allowances for R&D expenditure	(138)	(19)	(57)
Current tax charge	–	–	–

Unrelieved tax losses of £5,940,000 (2003: £5,680,000, 2002: £6,802,000) remain available to offset against future taxable trading profits.

8.7 Earnings per share

Basic and diluted earnings per share have been calculated in accordance with Financial Reporting Standard 14 'Earnings per share'.

The calculation of basic earnings per share is based on profits/(losses) of £1,218,000 for the year ended 30 June 2004 (2003: £5,176,000; 2002: (£4,663,000)) and the weighted average number of ordinary shares in issue during the year of 40,935,583 (2003: 37,931,765; 2002: 36,031,782).

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the assumed conversion of all dilutive share options. The basic and diluted weighted average number of shares are reconciled as follows:

	Year ended 30 June 2002 Number	*Year ended 30 June 2003 Number*	*Year ended 30 June 2004 Number*
Undiluted weighted average number of shares in issue	36,031,782	37,931,765	40,935,583
Dilution due to potential conversion of share options	–	13,606,516	8,358,483
Diluted weighted average number of shares in issue	36,031,782	51,538,281	49,294,066

8.8 Intangible fixed assets

	Goodwill £'000	*Negative Goodwill £'000*	*Manu-facturing know how £'000*	*Non competing know how £'000*	*Trademarks and other intangibles £'000*	*Total £'000*
Cost						
At 30 June 2001	4,694	(108)	1,000	2,713	11,447	19,746
Write off	–	–	–	–	(150)	(150)
Exchange differences	145	–	–	171	2	318
At 30 June 2002	4,839	(108)	1,000	2,884	11,299	19,914
Asset reclassification	–	–	–	–	15	15
Written off	–	–	–	–	(10,344)	(10,344)
Exchange differences	153	–	–	–	17	170
At 30 June 2003	4,992	(108)	1,000	2,884	987	9,755
Asset reclassification	–	–	–	–	(25)	(25)
Exchange differences	(84)	–	–	82	(9)	(11)
At 30 June 2004	4,908	(108)	1,000	2,966	953	9,719
Amortisation						
At 30 June 2001	939	–	200	2,040	10,690	13,869
Provided in period	323	–	67	692	58	1,140
Write off	–	–	–	–	(39)	(39)
Exchange differences	29	–	–	152	5	186
At 30 June 2002	1,291	–	267	2,884	10,714	15,156
Asset reclassification	–	–	–	–	(6)	(6)
Provided in period	332	–	67	–	66	465
Written off	–	–	–	–	(10,344)	(10,344)
Exchange differences	41	–	–	–	11	52
At 30 June 2003	1,664	–	334	2,884	441	5,323
Provided/(released) in period	327	(108)	67	–	47	333
Exchange differences	(28)	–	–	82	(8)	46
At 30 June 2004	1,963	(108)	401	2,966	480	5,702
Net book amount						
At 30 June 2004	2,945	–	599	–	473	4,017
At 30 June 2003	3,328	(108)	666	–	546	4,432
At 30 June 2002	3,548	(108)	733	–	585	4,758

8.9 Tangible fixed assets

	Plant & Machinery £'000	*Fixtures & Fittings £'000*	*Motor Vehicles £'000*	*Computer Equipment £'000*	*Freehold Land & Buildings £'000*	*Total £'000*
Cost						
At 30 June 2001	1,492	339	14	1,759	229	3,833
Additions	242	34	–	98	6	380
Disposals	(31)	(15)	–	(5)	–	(51)
Exchange differences	18	21	–	12	18	69
At 30 June 2002	1,721	379	14	1,864	253	4,231
Asset reclassification	(114)	(50)	–	166	–	2
Additions	252	36	4	113	–	405
Disposals	(105)	(5)	(10)	(2)	–	(122)
Exchange differences	10	7	–	24	19	60
At 30 June 2003	1,764	367	8	2,165	272	4,576
Additions	217	94	–	449	–	760
Exchange differences	(2)	(4)	–	(18)	(10)	(34)
At 30 June 2004	1,979	457	8	2,596	262	5,302
Depreciation						
At 30 June 2001	742	243	13	1,034	51	2,083
Charge for year	239	10	1	501	28	779
Disposals	–	(5)	–	–	–	(5)
Exchange differences	3	18	–	6	5	32
At 30 June 2002	984	266	14	1,541	84	2,889
Asset reclassification	(67)	(22)	–	112	–	23
Charge for year	237	22	–	191	29	479
Disposals	(61)	–	(10)	(2)	–	(73)
Exchange differences	6	3	–	21	7	37
At 30 June 2003	1,099	269	4	1,863	120	3,355
Charge for year	89	46	1	152	31	319
Exchange differences	(2)	(2)	–	(13)	(5)	(22)
At 30 June 2004	1,186	313	5	2,002	146	3,652
Net book amount						
At 30 June 2004	793	144	3	594	116	1,650
At 30 June 2003	665	98	4	302	152	1,221
At 30 June 2002	737	113	–	323	169	1,342

8.10 Fixed asset investments

The undertakings in which the company's interest at the year end is more than 20 per cent. are as follows:

Subsidiary undertakings	*Country of incorporation*	*Principal activity*	*Class and percentage of shares held (all ordinary unless noted)*
Allergy Therapeutics (UK) Limited	UK	Manufacture & sale of pharmaceutical products	100%
Allergy Therapeutics Developments Ltd	UK	Dormant	100%
Bencard Allergie GmbH	Germany	Sale of pharmaceutical products	100%
Allergy Therapeutics Italia s.r.l	Italy	Sale of pharmaceutical products	100%
Allergy Therapeutics Iberica S L	Spain	Sale of pharmaceutical products	100%
Allergy Therapeutics (Canada) Ltd	Canada	Dormant	100%
Allergy Therapeutics (Bermuda) Ltd	Bermuda	Dormant	100%

8.11 Stocks

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Raw materials and consumables	601	727	591
Work in progress	496	672	658
Finished goods	768	516	576
	1,865	1,915	1,825

8.12 Debtors

Amounts falling due within one year

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Trade debtors	954	990	1,405
Social security and other taxes	–	–	52
Prepayments and accrued income	314	451	222
Other debtors	387	137	383
	1,655	1,578	2,062

Amounts falling due after one year

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Trade debtors	–	–	223
Deferred tax	–	736	–
	–	736	223

The deferred tax asset arose as a result of the partial recognition of corporation tax losses in 2003 and was subsequently released to reflect forecast losses arising from the Group's research and development strategy.

8.13 Creditors: amounts falling due within one year

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Trade creditors	1,182	1,196	827
Social security and other taxes	232	192	365
Other creditors	1,409	193	614
Bank loans and overdraft	–	500	278
Accruals and deferred income	1,770	1,608	1,807
Deferred consideration	–	308	–
	4,593	3,997	3,891

On 18 December 2002 ING agreed to release the Group from £6,932,979 of debt leaving £1,250,000 as medium term non-interest bearing debt in exchange for 1 ordinary share.

The current bank loan is secured by a fixed and floating charge over all of the Group's assets. The loan is repayable in instalments between April 2004 and March 2007. Both are subject to a variable interest rate of base rate plus 1.5 per cent.

The deferred consideration related to the acquisition of the Italian subsidiary. All outstanding amounts were settled during the year ended 30 June 2004.

At 30 June 2004, included within 'other creditors falling due within one year' is an amount of £614,000 relating to professional services provided to the Group in prior years by Accenture. This liability crystallises on a successful IPO by the Group. At 30 June 2003 and 30 June 2002 this amount was included within 'other long term creditors'.

Included within 'accruals and deferred income' is an amount of £213,000 (2003: £391,000, 2002: £533,000) due to Jones Day in respect of professional services rendered to the Group in prior years. The amount outstanding falls due for payment on 1 December 2004.

8.14 Creditors: amounts falling due after one year

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Bank loan	8,183	750	667
Deferred consideration	471	–	–
Other long term creditors	827	855	214
	9,481	1,605	881

8.15 Analysis of debt

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Debt can be analysed as falling due:			
Within one year	–	500	278
Between two and five years	8,183	750	667
	8,183	1,250	945

8.16 Financial instruments and derivatives

The Group uses financial instruments comprising borrowings, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivatives transactions such as forward foreign currency contracts. The purpose of such transactions is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risk arising from the Group financial instruments is foreign currency risk while to a lesser extent there is interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

All transactions in derivatives, principally forward foreign currency contracts, are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

It is and has been throughout the period under review, the Group policy that no trading in financial instruments shall be undertaken.

Short -term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Currency risk

The Group does not hedge its exposure of foreign investments held in foreign currencies.

The Group is exposed to translation and transaction foreign exchange risk. In relation to translation risk the repatriation of assets is insignificant and the only exposure is revaluation of the assets at year end for accounting purposes. Therefore, group policy does not deem it necessary to cover this risk.

Transaction exposures are hedged when known, mainly using the forward hedge market. The Group seeks to hedge its exposures using a variety of financial instruments, with the objective of minimising fluctuations in exchange rates on future transactions and cash flows.

The majority of the Group's revenue is denominated in Euros, whilst a material element of the cost base is denominated in Sterling. The Group policy is to eliminate approximately 50 per cent. of currency exposures on a rolling twelve month basis through the use of forward currency contracts.

8.16 Financial instruments and derivatives (continued)

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

	Net foreign currency monetary assets/(liabilities)				
Functional currency of operation	*Sterling £'000*	*US Dollar £'000*	*Euro £'000*	*Other currencies £'000*	*Total £'000*
2004					
Sterling	1,093	(10)	72	228	1,383
Euro	–	–	886	–	886
	1,093	(10)	958	228	2,269
2003					
Sterling	541	(29)	(8)	172	676
Euro	–	–	207	–	207
	541	(29)	199	172	883
2002					
Sterling	(819)	(49)	25	161	(682)
Euro	–	–	490	–	490
Other Currencies	–	–	–	37	37
	(819)	(49)	515	198	(155)

8.16 Financial instruments and derivatives (continued)

Gains and losses on hedges

The Group policy implemented in June 2003, is to hedge exposures to currency risk. The table below shows the extent to which the Group has unrecognised and/or deferred gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. The table also shows the amount of gains and losses which have been included in the profit and loss account for the year and those that are expected to be recognised in future profit and loss accounts.

2004

	Gains £'000	*Losses £'000*	*Total net gains/(losses) £'000*
Unrecognised gains and losses on hedges at 1 July 2003	14	–	14
Gains and losses arising in previous years that were recognised in 2004	(14)	–	(14)
Gains and losses arising before 1 July 2003 that were not recognised in 2004	–	–	–
Gains and losses arising in 2004 that were not recognised in 2004	142	–	142
Unrecognised gains and losses on hedges at 30 June 2004	142	–	142
Of which:			
Gains and losses expected to be recognised in 2005	142	–	142
Gains and losses expected to be recognised in 2006 or later	–	–	–

2003

	Gains £'000	*Losses £'000*	*Total net gains/(losses) £'000*
Unrecognised gains and losses on hedges at 1 July 2002	–	–	–
Gains and losses arising in previous years that were recognised in 2003	–	–	–
Gains and losses arising before 1 July 2002 that were not recognised in 2003	–	–	–
Gains and losses arising in 2003 that were not recognised in 2003	14	–	14
Unrecognised gains and losses on hedges at 30 June 2003	14	–	14
Of which:			
Gains and losses expected to be recognised in 2004	14	–	14
Gains and losses expected to be recognised in 2005 or later	–	–	–

Interest rate risk

The Group finances its operations through a mixture of cash and bank borrowings. The Group's exposure to interest rate fluctuations is minimal given the current low level of gearing in the company. Unless significant new debt is obtained, the Group do not feel it is necessary to separately manage the impact of interest rate risk.

8.16 Financial instruments and derivatives (continued)

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group policy throughout the year has been to ensure continuity of funding to address the seasonal cash cycle of the business. This is shown through the repayment profile of the term loan with repayments scheduled to occur only in the cash generative months for the business.

Short-term flexibility is achieved by overdraft facilities.

The Group's financial liabilities are set out in Note 8.15.

Borrowing facilities

The Group has various undrawn committed borrowing facilities. The facilities available in respect of which all conditions precedent had been met were as follows:

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Expiring in one year or less	655	923	1,581

The UK facility of £1 million is due for review during November 2004.

All other facilities are reviewed annually.

8.17 Reserves

	Profit and loss account £'000
At 30 June 2001	(34,943)
Retained loss for the year	(4,663)
Currency translation losses on foreign currency investments	(40)
At 30 June 2002	(39,646)
Retained profit for the year	5,176
Currency translation losses on foreign currency investments	(132)
At 30 June 2003	(34,602)
Retained profit for the year	1,218
Currency translation gain on foreign currency investments	40
At 30 June 2004	(33,344)

	Share premium account £'000
At 30 June 2001	32,656
Premium on shares issued in the year	485
At 30 June 2002	33,141
Premium on shares issued in the year	6,957
At 30 June 2003	40,098
Premium on shares issued in the year	30
At 30 June 2004	40,128

	Other reserve £'000
At 30 June 2003	–
Purchase of shares by EBT	(375)
Sale of shares by EBT	2
	(373)

8.18 Reconciliation of movement in shareholders' funds

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Profit/(loss) for the financial period	(4,663)	5,176	1,218
Other recognised gains and losses relating to the period (net)	(40)	(132)	40
New share capital subscribed (net of issue costs and redemptions)	–	3	–
Increase in share premium	485	6,957	30
Purchase of shares by EBT	–	–	(375)
Sale of shares by EBT	–	–	2
Net addition to/(reduction in) to shareholders' funds	(4,218)	12,004	915
Opening shareholders' funds/(deficit)	(2,239)	(6,457)	5,547
Closing shareholders' funds/(deficit)	(6,457)	5,547	6,462

8.19 Called up share capital

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Authorised			
Equity: ordinary shares of 0.1p each	788	790	790
Non-equity Convertible Exchangeable Preference shares of 0.1p each	12	–	–
Non-equity deferred shares of 0.1p each	–	10	10
Total	800	800	800
Allotted, called up and fully paid			
Equity: ordinary shares of 0.1p each	36	41	41
Non-equity Convertible Exchangeable Preference shares of 0.1p each	12	–	–
Non-equity deferred shares of 0.1p each	–	10	10
	48	51	51

During the year ended 30 June 2004 239,948 ordinary shares of 0.1p each were issued for cash consideration of £29,913.

During the year ended 30 June 2003 2,500,000 new ordinary shares of 0.1p each were issued for cash consideration of £27,000. Additionally 2,166,667 of the Convertible Exchangeable Preference shares were redesignated as ordinary shares of 0.1p each and 9,848,333 of the preference shares were redesignated as deferred shares. The deferred shares have no voting rights and no entitlement to any participation in the profit or assets of the company.

During the year ended 30 June 2002 12,015,000 convertible exchangeable preference shares of 0.1p each were issued.

8.19 Called up share capital (continued)

Share Options

Details of the share options over the company's ordinary shares are as follows:

As at 1 July 2001	*Granted during 2002*	*Exercised 2002*	*Lapsed in 2002*	*As at 30 June 2002*	*Exercise price*	*Exercise date from*	*Exercise date to*
1,108,150	–	–	(33,350)	1,074,800	0.1p	On exit only	
2,960,290	–	–	–	2,960,290	92p	31/03/01	31/07/12
–	1,745,550	–	(129,700)	1,615,850	120p	31/07/01	31/07/12
–	400,000	–	–	400,000	30p	03/06/02	03/06/12
4,068,440	2,145,550	–	(163,050)	6,050,940			

As at 1 July 2002	*Granted during 2003*	*Exercised 2003*	*Lapsed in 2003*	*As at 30 June 2003*	*Exercise price*	*Exercise date from*	*Exercise date to*
1,074,800	–	–	–	1,074,800	0.1p	On exit only	
2,960,290	–	–	(2,960,290)	–	92p	31/03/01	31/07/12
1,615,850	–	–	(351,000)	1,264,850	120p	31/07/01	31/07/12
400,000	–	–	–	400,000	30p	03/06/02	03/06/12
–	5,000,000	(2,000,000)	–	3,000,000	0.1p	02/10/02	02/10/12
–	8,366,866	(500,000)	–	7,866,866	5p	18/12/02	18/12/12
6,050,940	13,366,866	(2,500,000)	(3,311,290)	13,606,516			

As at 1 July 2003	*Granted during 2004*	*Exercised 2004*	*Lapsed in 2004*	*As at 30 June 2004*	*Exercise price*	*Exercise date from*	*Exercise date to*
1,074,800	–	(271,300)	–	803,500	0.1p	On exit only	
1,264,850	–	–	(43,500)	1,221,350	120p	31/07/01	31/07/12
400,000	–	–	–	400,000	30p	03/06/02	03/06/12
3,000,000	–	(1,000,000)	–	2,000,000	0.1p	02/10/02	02/10/12
7,866,866	–	(13,267)	(53,333)	7,800,266	5p	18/12/02	18/12/12
–	2,564,000	–	–	2,564,000	45p	26/02/04	26/02/14
13,606,516	2,564,000	(1,284,567)	(96,833)	14,789,116			

8.20 Minority interest

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
At beginning of the year	2,059	2,059	–
Disposal/written off in year	–	(2,059)	–
	2,059	–	–

8.21 Reconciliation of operating profit/(loss) to operating cash flow

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Operating profit/(loss)	(4,251)	1,339	1,556
Depreciation	779	479	319
Amortisation of intangibles	1,140	465	333
Loss on disposal of fixed assets	48	21	–
Effect of foreign exchange rate changes	(170)	(272)	109
(Increase)/Decrease in stocks	168	(50)	90
Decrease/(Increase) in debtors	(361)	77	(682)
(Decrease)/Increase in creditors	1,051	(138)	(217)
Net cash inflow/(outflow) from continuing activities	(1,596)	1,921	1,508

8.22 Reconciliation of net cash flow to movement in net debt

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Increase/(decrease) in cash in the year	(270)	1,211	190
Net loans (advanced)/prepaid	(2,066)	–	305
Other non-cash changes	–	6,933	–
Movement in net debt in year	(2,336)	8,144	495
Net debt at beginning of year	(5,791)	(8,127)	17
	(8,127)	17	512

8.23 Analysis of financing

	Year ended 30 June 2002 £'000	*Year ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Repayment of loans	–	–	(1,305)
New loan facility	2,066	–	1,000
Issue of ordinary shares	–	27	30
Cash paid to close joint venture	–	(343)	–
Purchase of shares by EBT	–	–	(375)
Issue of shares by EBT	–	–	2
	2,066	(316)	(648)

8.24 Analysis of net debt

	As at 1 July 2001 £'000	*Cashflow £'000*	*Other changes*	*As at 30 June 2002 £'000*
Cash at bank and in hand	326	(270)	–	56
Debt due	(6,117)	(2,066)	–	(8,183)
	(5,791)	(2,336)	–	(8,127)

	As at 1 July 2002 £'000	*Cashflow £'000*	*Other changes*	*As at 30 June 2003 £'000*
Cash at bank and in hand	56	1,211	–	1,267
Debt due	(8,183)	–	6,933	(1,250)
	(8,127)	1,211	6,933	17

	As at 1 July 2003 £'000	*Cashflow £'000*	*Other changes*	*As at 30 June 2004 £'000*
Cash at bank and in hand	1,267	190	–	1,457
Debt due	(1,250)	305	–	(945)
	17	495	–	512

8.25 Capital commitments

Capital commitments at the year end of the financial period, for which no provision has been made, are as follows:

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
	19	250	408

Included above are £225,000 of commitments for new plant and machinery capital projects already underway in the UK, (including £165,000 (2003: £28,000; 2002: £19,000)) for a syringe filler and £98,000 (2003: £222,000; 2002: nil) for a new Enterprise Resource Planning system.

On 19 November 2003, three separate contracts were arranged for the sale of €5,000,000 at future dates ranging from 15 October to 30 November 2004.

8.26 Leasing commitments

Group operating lease payments amounting to £321,000 (2003: £313,000, 2002: £307,000) are due within one year. The leases to which these amounts relate expire as follows:

	As at 30 June 2002 £'000	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Land and buildings			
In one year or less	–	–	–
Between one and five years	123	135	172
In five years or more	28	28	–
	151	163	172
Other			
In one year or less	34	36	44
Between one and five years	122	114	105
	156	150	149

8.27 Contingent liabilities

At 30 June 2004, 30 June 2003 and 30 June 2002 the Group did not have any contingent liabilities.

Yours faithfully

GRANT THORNTON UK LLP

PART IV

ADDITIONAL INFORMATION

1. Responsibility statement

The Directors, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated and registered in England on 1 June 2004 under the Companies Acts 1985 to 1989 with registered number 5141592 as a private company limited by shares with the name Netstamp Limited.

2.2 The registered office of the Company is Dominion Way, Worthing, West Sussex, BN14 8SA.

2.3 On 4 October 2004, the Company re-registered as a public limited company with the name Allergy Therapeutics plc.

2.4 The Company operates under the Act and the regulations made under it and the liability of its members is limited.

3. Share and loan capital

3.1 The following changes have taken place in the authorised and issued share capital of the Company since the date of its incorporation :

3.1.1 The authorised share capital of the Company on incorporation was £1,000 divided into 1,000 ordinary shares of £1 each.

3.1.2 On 20 August 2004, the subscriber share was transferred to Christian Grätz.

3.1.3 Pursuant to written resolutions of the Company dated 20 August 2004:

3.1.3.1 the authorised share capital of the Company of £1,000 divided into 1,000 ordinary shares of £1 each was sub-divided into 1,000,000 ordinary shares of 0.1 pence each;

3.1.3.2 the authorised share capital of the Company was increased from £1,000 to £800,000 by the creation of 789,151,667 ordinary shares of 0.1 pence each and 9,848,333 deferred shares of 0.1 pence each;

3.1.3.3 the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £62,000, such authority to expire on 20 August 2009; and

3.1.3.4 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the resolution referred to in 3.1.3.3 above as if section 89(1) of the Act did not apply to any such allotment, such authority to expire on 20 August 2009.

3.1.4 Pursuant to written resolutions of the Company dated 14 September 2004:

3.1.4.1 the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities (within the meaning of section 80(2) of the Act) up to

a maximum aggregate nominal amount of £80,000, such authority to expire on 13 September 2009; and

3.1.4.2 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the resolution referred to in 3.1.4.1 above as if section 89(1) of the Act did not apply to any such allotment, such authority to expire on 13 September 2009.

3.1.5 Pursuant to a share for share exchange agreement between the existing shareholders of Allergy Therapeutics Holdings ("Vendors"), Allergy Therapeutics Holdings and the Company dated 14 September 2004, the Vendors agreed to sell and the Company agreed to purchase the entire issued share capital of Allergy Therapeutics Holdings (the "Acquisition"). The consideration for the Acquisition was the allotment and issue of shares in the capital of the Company, credited as fully paid. Following completion of the Acquisition, the Vendors held shares in the Company of the same class, nominal amount, number and with the same rights as the shares they had previously held in Allergy Therapeutics Holdings. Accordingly, 41,031,824 Ordinary Shares and 9,848,333 Deferred Shares were each allotted and issued as part of the reorganisation prior to Admission.

3.1.6 By a written resolution passed on 4 October 2004 it was resolved:

3.1.6.1 conditionally on Admission, to authorise the Directors generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of the section 80(2) of the Act) up to an aggregate nominal amount of £53,500, such authority to expire on 3 October 2009, but so as to enable the Company before that date to make an offer or agreement which would or might require relevant securities to be allotted after that date and to enable the Directors to allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by the resolution had not expired;

3.1.6.2 conditionally on Admission, to empower the Directors to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority referred to in paragraph 3.1.6.1 above as if section 89(1) of the Act did not apply to any such allotment, such power to be limited to:

(a) the allotment of equity securities pursuant to the Placing;

(b) the allotment of equity securities in connection with an issue or offer by way of rights in favour of holders of equity securities of the Company on any fixed record date where the equity securities respectively attributable to those holders are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date, subject only to such exclusions or other arrangements as the Directors deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and

(c) the allotment of equity securities (other than pursuant to sub paragraphs (a) and (b) above) up to an aggregate nominal amount of £7,250;

and shall expire on 3 October 2009, save that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired; and

3.1.6.3 to adopt the Articles.

3.2 At the date of this document the authorised and issued fully paid share capital of the Company is as follows:

	Authorised		*Issued (fully paid)*	
Class of shares	*(£)*	*(no)*	*(£)*	*(no)*
Ordinary Shares	790,152	790,151,667	41,033	41,032,824
Deferred Shares	9,848	9,848,333	9,848	9,848,333

3.3 The authorised and issued share fully paid capital of the Company immediately following the Placing will be as follows:

	Authorised		*Issued (fully paid)*	
Class of shares	*(£)*	*(no)*	*(£)*	*(no)*
Ordinary Shares	790,152	790,151,667	62,951	62,950,632
Deferred Shares	9,848	9,848,333	9,848	9,848,333

3.4 The provisions of section 89(1) of the Act (to the extent not disapplied pursuant to section 95 of the Act) confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and, on Admission, will apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolution referred to in paragraph 3.1.6.2 above.

3.5 The Company has granted, and currently has outstanding, options over an aggregate of 14,665,879 Ordinary Shares on the terms of the Allergy Therapeutics Holdings Share Option Plans (summarised in paragraph 5 below), of which 5,930,633 are under the employee benefit trust and are included in the issued ordinary share capital set out in paragraph 3.3 above.

3.6 Pursuant to an agreement in respect of strategic assessment development and the implementation of a market expansion strategy, dated 8 February 2004, entered into between Allergy Therapeutics (UK) Limited and Sage Healthcare Limited (the "Sage Agreement") the Company has agreed to grant to Sage Healthcare Advisors LLC an option to subscribe for a total of 930,000 Ordinary Shares. The option to be granted to Sage is to vest in whole upon the merger or sale of the Company to a counterparty identified by Sage; or as to 465,000 Ordinary Shares upon the closing of certain transactions envisaged under the Sage Agreement; or as to 232,500 Ordinary Shares upon the closing of a transaction in relation to Japan or the sale of the Company to certain named companies as envisaged under the Sage Agreement. The exercise price of the option is 45p per Ordinary Share. The option expires on 8 February 2014.

3.7 Save as disclosed in this Part IV, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

3.8 Save as disclosed in this Part IV:

3.8.1 no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, whether for cash or for a consideration other than cash;

3.8.2 no share or loan capital of the Company or any of its subsidiary undertakings is under option or is agreed conditionally or unconditionally to be put under option; and

3.8.3 no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

4. Memorandum and articles of association

The memorandum of association of the Company provides that the Company's principal object is to act as a holding company and as a general trading company. The objects of the Company are set out in full in clause 3 of its memorandum of association.

As described in paragraph 3.1.6 of this Part IV, the Company has adopted the Articles. The Articles contain, *inter alia*, the following provisions:

4.1 *Voting rights*

Subject to the rights or restrictions referred to in paragraph 4.2 below and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every holder of Ordinary Shares who is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate member could exercise if it were an individual member present at the meeting.

The Deferred Shares shall not confer on the holders thereof any entitlement to receive notice of or attend or vote at any general meeting of the Company.

4.2 *Restrictions on voting*

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

A member of the Company shall not, if the Directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 212 of the Act within 14 days. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are sold in the circumstances set out in the Articles.

4.3 *Dividends*

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit (up to the amount recommended by the board). The Directors may pay such interim dividends as appear to the Board to be justified by the financial position of the Company. No dividends payable in respect of an Ordinary Share shall bear interest. The Directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of a dividend ("a scrip dividend"). The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its Directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of twelve years from the date when it became due for payment shall be forfeited and cease to remain owing by to the Company.

The Deferred Shares shall not confer on the holders thereof any entitlement to any participation in the profits or the assets of the Company.

4.4 *Return of capital*

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the whole of the assets in trustees on trusts for the benefit of the members as he with the same sanction thinks fit, but no member shall be compelled to accept any assets on which there is a liability.

Notwithstanding the above, in the event of winding up of the Company or other return of capital the holders of Deferred Shares shall be entitled to receive an amount equal to the nominal value of such Deferred Shares provided that each holder of Ordinary Shares has first received an amount equal to £1,000,000 per Ordinary Share.

4.5 *Variation of rights*

Any rights attaching to a class of shares in the Company may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class.

4.6 *Transfer of shares*

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes (as defined in the Articles) or in any other manner which the Directors approve. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or which the Directors approve. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved.

The Directors have discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis) without giving a reason. The Directors must provide the transferee with a notice of the refusal within two months from the date on which the transfer was lodged in the case of certificated shares or, in respect of uncertificated shares, the date on which an instruction was received by the Company through the relevant system. The Directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is delivered to the office of the Company or at another place which the Directors determine, accompanied by the certificate for the shares to which it relates and other evidence which the Directors reasonably require to prove the title of the transferor; (ii) the instrument of transfer is in respect of only one class of share; and (iii) the number of joint holders to whom the share is to be transferred does not exceed four. The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 212 of the Act and which represent at least 0.25 per cent. of the issued shares of their class, and in respect of which the required information has not been received by the Company within 14 days after service of the notice.

4.7 *Alteration of capital and purchase of own shares*

The Company may alter its share capital as follows:

4.7.1 by ordinary resolution, it may increase its share capital, consolidate or divide all or any of its shares into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person;

4.7.2 by special resolution and subject to the provisions of the Statutes, it may reduce its share capital, any capital redemption reserve or any share premium account or other undistributable reserves in any manner; and

4.7.3 subject to the provisions of the Statutes, the Company may purchase all or any of its shares of any class, including redeemable shares.

4.8 *Directors*

4.8.1 Number

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall be not less than three but there is no maximum.

4.8.2 Remuneration

The Directors (other than Directors holding executive office) shall be paid out of the funds of the Company for their services determined by the Directors. The aggregate of the fees shall not exceed £200,000 per annum or such larger sum as may from time to time be determined by ordinary resolution. Any fee shall be distinct from any remuneration or other amounts payable to a Director under other provisions of the Articles and shall accrue from day to day. The Directors may be paid all travel, hotel and other expenses properly incurred in the performance of their duties as Directors including expenses incurred in attending meetings of the Board, committees of the Board and general meetings or separate meetings of the holders of any class of securities of the Company.

4.8.3 Retirement of Directors by rotation

At each annual general meeting of the Company, one-third of the Directors (excluding any Director who has been appointed by the Directors since the previous annual general meeting) or, if their number is not three or a multiple of three, the number nearest to but not more than one-third shall retire from office. In addition, each Director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the Directors to retire by rotation.

The Directors to retire shall be those of the other Directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Directors to retire shall be determined (both as to number and identity) by the composition of the Board at the commencement of business on the date of the notice convening the annual general meeting. A Director shall not be required, or be relieved from the obligation, to retire by reason of a change in the Board after that time but before the close of the meeting.

A retiring Director shall be eligible for re-appointment and (unless he is removed from office or his office is vacated in accordance with the Articles) shall retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.

If at any meeting at which the appointment of a Director ought to take place the office vacated by a retiring director is not filled, the retiring Director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to appoint him is put to the meeting and lost.

No person shall be required to vacate from office by reason only of the fact that he has attained the age of 70 years or any other age.

4.8.4 Executive Directors

The Directors may appoint a Director to an executive office in the Company. The appointment may be on the terms the Directors determine.

The appointment of a Director to an executive office terminates if he ceases to be a Director, but without prejudice to any claim for damages for breach of any contract of employment.

4.8.5 Directors' interests

A Director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the Board concerning any contract, arrangement, transaction or proposal in which he has a material interest (including by virtue of the interests of persons connected with him).

The prohibition will not apply to the following:

4.8.5.1 the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company (or any of its subsidiary undertakings) or in respect of a debt or obligation of the Company (or any of its subsidiary undertakings) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;

4.8.5.2 any contract concerning an offer of shares, debentures or other securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

4.8.5.3 any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

4.8.5.4 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;

4.8.5.5 an arrangement for the benefit of the employees of the Company (or any of its subsidiary undertakings) which does not award the Director a privilege or benefit not generally awarded to the employees to whom the arrangement relates; or

4.8.5.6 a proposal concerning the purchase or maintenance of insurance for the benefit of persons who include Directors.

Subject to the Statutes and provided he has disclosed to the Directors the nature and extent of his interest, a Director may contract with the Company, the contract shall not be avoided on the grounds of his interest or benefit and the Director is not liable to account to the Company for any benefit realised as a result of the contract.

A Director may not vote or be counted in the quorum in relation to a resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more Directors, a separate resolution may be put in relation to each Director. In each case, each Director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

4.9 *Benefits*

The Directors may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits to any person who is or who has at any time been a director of the Company (and for any of his relations or dependants) or in the employment or service of the Company or any of its subsidiary undertakings (or the relatives or dependants of any such person).

4.10 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.11 *Indemnity of officers*

Subject to the Statutes, the Company may indemnify any Director or other officer out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution or discharge of his duties or in connection with his duties, powers or office including (but without limitation) any liability incurred by him in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or where he is acquitted or in connection with any application in which relief is granted to him by the court.

5. Share Option Arrangements

Holders of options over shares in Allergy Therapeutics Holdings (the former holding company of the Group) granted under the Allergy Therapeutics Holdings Share Option Plans exchanged their options for equivalent options over Ordinary Shares in September 2004. No further options may be granted under the Allergy Therapeutics Holdings Share Option Plans. The new options take effect on substantially the same terms as the old options. The principal terms of the new options are as follows:

5.1 *The Founders Plan*

The Founders Plan has not been approved by the Inland Revenue.

5.1.1 Exercise of options

In normal circumstances, an option may only be exercised upon the earliest to occur of the following: (a) Admission; or (b) immediately before a sale of the entire issued share capital of the Company.

An option will normally cease to be exercisable if the participant ceases to be an employee or director of a participating company for whatever reason unless the Board in its absolute discretion directs.

In the event of a reconstruction, amalgamation or voluntary winding-up of the Company, options may within the specified period after the relevant event, be exercised.

No option may be exercised more than ten years after its date of grant.

5.1.2 Terms of options and issue of ordinary shares

Options are neither transferable nor assignable. After the exercise of an option granted over unissued shares, the appropriate number of Ordinary Shares will be allotted and issued to the option holder or his nominee. The Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their allotment. Existing Ordinary Shares may also be transferred on the exercise of an option.

5.1.3 Variation of capital

In the event of a variation of share capital of the Company including by way of a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of the Company the number and option price of Ordinary Shares subject to options shall be adjusted in such manner as the Board considers appropriate.

5.1.4 Amendment and termination

The Board may at any time alter or add to all or any of the provisions of the Founders Plan, or the terms of any option in any respect. No alteration or addition to the Founders Plan to the advantage of participants may be made (except for minor alterations to benefit the administration of the Founders Plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Company or any participating company) without the prior approval of the members of the Company in general meeting. As soon as reasonably practicable after making any alteration or addition, the Board will give notice in writing thereof to any participant affected by it.

5.2 *The 2001 Plan*

The 2001 Plan comprises of two parts, namely the Allergy Therapeutics (Holdings) Limited 2001 Share Option Plan ("Unapproved Plan"), and the UK Enterprise Management Incentive Scheme ("EMI Plan"). Each part of the 2001 Plan is in similar form. The 2001 Plan has not been approved by the Inland Revenue.

5.2.1 Exercise of options

In normal circumstances, an option may only be exercised to the extent that it has become exercisable in accordance with the exercise schedule set out in the relevant option certificate. Options become exercisable in full upon the occurrence of any of the following (a) immediately before a sale of the entire issued share capital of the Company; (b) in the case of any person obtaining control of the Company; and (c) on a winding-up, compromise or arrangement or demerger of the Company.

An option will cease to be exercisable if the participant ceases to be an employee or director of a member of the Group by reason of fraud, dishonesty or in the event that the Board reasonably considers that the participant has committed any serious or fundamental breach of any obligation under any contract of employment. Where a participant ceases to be an employee or director of a member of the Group for any other reason he will have six months from the date of leaving within which to exercise his option to the extent that it has become capable of exercise.

If a participant dies, his options lapse immediately unless the Board in its absolute discretion decides otherwise.

In the event of a reconstruction, amalgamation or voluntary winding-up of the Company, options may within the specified period after the relevant event, be exercised.

No option may be exercised more than ten years after its date of grant.

5.2.2 Terms of options and issue of ordinary shares

Options are neither transferable nor assignable. After the exercise of an option granted over unissued shares, the appropriate number of Ordinary Shares will be allotted and issued to the option holder or his nominee. The Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing Ordinary Shares may also be transferred on the exercise of an option.

5.2.3 Variation of capital

In the event of a variation of share capital of the Company the number and option price of Ordinary Shares subject to options shall be adjusted in such manner as the grantor (after consulting the Board) considers appropriate.

5.2.4 Amendment and termination

The Board may at any time alter or add to all or any of the provisions of the 2001 Plan, or the terms of any option in any respect. No alteration or addition to the 2001 Plan to the

disadvantage of participants or potential participants may be made (except for minor alterations to benefit the administration of the 2001 Plan or to obtain favourable tax, exchange control or regulatory treatment for participants or the Company or any participating company) without the optionholder's prior written consent or the consent of the majority of optionholders affected by such alteration or otherwise without the prior approval of the members of the Company in general meeting. As soon as reasonably practicable after making any alteration or addition, the Board will give notice in writing thereof to any participant affected by it.

5.3 Following Admission the Company intends to put in place a new share option scheme on appropriate terms in order to incentivise its employees going forward.

6. Directors' and other interests

6.1 The interests (all of which are beneficial) of the Directors and their immediate families and, so far as is known to the Directors or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of section 346 of the Act) which if the connected person were a Director would otherwise be disclosed pursuant to this paragraph 6, in the share capital of the Company as at the date of this document and on Admission, which are or will be required to be notified to the Company pursuant to sections 324 and 328 of the Act (or to be entered in the register maintained pursuant to section 325 of the Act), are or are expected to be as follows:

	Before Admission		*Following Admission*	
	Number of Ordinary Shares	*Percentage of issued ordinary share capital*	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*
Ignace Goethals[1]	2,573,343	6.27	2,573,343	4.09
Keith Carter[2]	2,584,643	6.30	2,584,643	4.11
Ian Postlethwaite	0	0.00	0	0.00
Christian Grätz	1,095,540	2.67	1,095,540	1.74
Tom Holdich	0	0.00	0	0.00
Andrew Turnbull	211,398	0.52	211,398	0.34
Stephen Smith	0	0.00	0	0.00
Total	6,464,924	15.76	6,464,924	10.28

NOTES:

1. 819,089 of the Ordinary Shares in which Ignace Goethals is interested are held by Ignace Robert Goethals (account T) as Trustee of the Ignace Goethals Grantor Retained Annuity Trust 2001. 925,396 of the Ordinary Shares in which Ignace Goethals is interested are held by Ignace Robert Goethals (account T2) as Trustee of the Ignace Goethals Grantor Retained Annuity Trust 2003.

2. The Ordinary Shares in which Keith Carter is interested are held by Apic Trustees Limited, a company registered in Jersey, as trustees and Keith Carter is one of the beneficiaries.

	0.1p Founders Plan Options[1]	*0.1p 2001 Plan Options*[2]	*5p 2001 Plan Options*[3]	*30p 2001 Plan Options*[4]	*45p 2001 Plan Options*[5]	*120p 2001 Plan Options*[6]	*Total*
Ignace Goethals	–	–	1,000,000	–	150,000	–	1,150,000
Keith Carter	–	–	750,000	–	450,000	350,000	1,550,000
Ian Postlethwaite	–	1,000,000	1,500,000	400,000	450,000	–	3,350,000
Christian Grätz	6,000	–	1,500,000	–	450,000	200,000	2,156,000
Tom Holdich	–	–	–	–	230,000	–	230,000
Andrew Turnbull	57,100	1,000,000	1,500,000	–	450,000	200,000	3,207,100
Stephen Smith	–	–	750,000	–	150,000	–	900,000
Total							12,543,100

NOTES:

1. Granted between 1998 and 2001. All options have vested. Options exercisable at 0.1p per share until between 2008 and 2011.

2. Granted October 2002. All options have vested. Options exercisable at 0.1p per share until October 2012.

3. Granted December 2002. Vest in three equal tranches – December 2002, December 2003 and December 2004. Options exercisable at 5p per share until December 2012.

4. Granted June 2002. All options have vested. Options exercisable at 30p per share until June 2012.

5. Granted February 2004. Vest in three equal tranches – February 2005, February 2006 and February 2007. Options exercisable at 45p per share until February 2014.

6. Granted July 2001. All options have vested. Options exercisable at 120p per share until July 2011.

6.2 In addition to the interests of Directors disclosed in paragraph 6.1 above, the Company is aware of the following persons who at the date of this document have, or who is expected on Admission to have, an interest in three per cent. or more of the issued share capital of the Company.

	Before Admission		*Following Admission*	
	Number of Ordinary Shares	*Percentage of issued ordinary share capital*	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*
SmithKline Beecham plc	10,118,748	24.66	10,118,748	16.07
ING Bank N.V.	7,642,001	18.62	7,642,001	12.14
OTC Limited	5,930,633	14.45	5,930,633	9.42
Elan International Services Limited[1]	5,500,000	13.40	5,500,000	8.74
Antony Berry	1,584,643	3.86	1,584,643	2.52
Alan Wheeler	1,479,000	3.60	1,479,000	2.35

NOTES:

1. Elan International Services Limited also holds 9,848,333 Deferred Shares.

6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Company is not aware of any person who will, immediately following Admission, be interested (for the purposes of section 198 of the Act) directly or indirectly in three per cent. or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.

6.4 Save for entry into the share for share exchange agreement referred to in paragraph 3.1.5 above, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

6.5 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships (other than the Company).

Name	*Current directorships/ partnerships*	*Previous directorships/ partnerships*
Ignace Goethals	Allergy Therapeutics (Holdings) Limited Allergy Therapeutics Italia s.r.l. Allergy Therapeutics (UK) Limited Bencard Allergie GmbH indiGENE Pharmaceuticals Inc. The Fort Hill Company Inc.	LifetecNet Inc.
Keith Carter	Allergy Therapeutics Developments Limited Allergy Therapeutics (Holdings) Limited Allergy Therapeutics (UK) Limited Carter Edwards & Partners Ltd Kappa Management Ltd	Devco Pharmaceuticals Limited Kenley Partners Limited Neurona Limited
Ian Postlethwaite	Allergy Therapeutics (Bermuda) Ltd Allergy Therapeutics Developments Limited Allergy Therapeutics (Holdings) Limited Allergy Therapeutics Italia s.r.l. Allergy Therapeutics (UK) Limited Bencard Allergie GmbH	Automotive Financial Services Limited Eye 2 Eye Vision Limited Level 88 Limited Red Castle Recoveries Limited
Christian Grätz	Allergy Therapeutics (Holdings) Limited Allergy Therapeutics Italia s.r.l. Allergy Therapeutics (UK) Limited Bencard Allergie GmbH	None
Tom Holdich	Allergy Therapeutics (Holdings) Limited	None
Andrew Turnbull	Allergy Therapeutics (Bermuda) Ltd Allergy Therapeutics (Holdings) Limited Allergy Therapeutics (UK) Limited	Allergy Therapeutics Italia s.r.l.
Stephen Smith	Allergy Therapeutics (Holdings) Limited Corporate Doctors Limited Corporate Redesign Management BV (Holland) Icknield Limited Leisuretime (WWD) Limited Stephen R Smith Associates Limited Texon International Limited The Sweater Shop (UK) Limited	Buckingham European Ltd Buckingham International Ltd Buckingham Overseas Limited Buckingham Portugal SGPS Limitada Buckingham Portuguese Holdings Ltd ER Trotman Ltd GB Dee Knitwear Ltd MN-Investimentos Hoteleiros e Turisticos SA Sociedade Hoteleira Luso Britanica SA The Sweater Shop (Scotland) Ltd The Sweater Shop Group Limited The Sweater Shop Limited

6.6 None of the Directors has any unspent convictions in relation to indictable offences.

6.7 None of the Directors have been the subject of any public criticism by any statutory or regulatory authority or any recognised professional body.

6.8 Save as provided below, none of the Directors has been a director of a company at the time of, or within the preceding twelve months of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

6.8.1 In addition to being a non-executive director of the Company, Stephen Smith acts as a company doctor advising companies in distressed situations and in some cases to ensure an orderly winding down of business. In providing such services, Stephen Smith was appointed as a director of companies in the Buckingham International Group and the Sweater Shop Group as set out below.

Stephen Smith was appointed as a director of the following companies in the Buckingham International Group in 1992: Buckingham International Limited, Buckingham Overseas Limited, Buckingham European Limited, Buckingham Portuguese Holdings Limited, Buckingham Holdings (Netherlands) Limited, Leisuretime (WWD) Limited and Country Care Homes Limited. All these companies had administrative receivers appointed or were put into compulsory liquidation between 1993 and 2003.

Stephen Smith was appointed as a director of the following companies in the Sweater Shop Group in 1997: The Sweater Shop Group Limited, The Sweater Shop Limited, The Sweater Shop (UK) Limited, The Sweater Shop (Scotland) Limited, Lifeguard Knitwear Limited, E R Trotman Limited, G B Dee Knitwear Limited, Arthur H Allen Knitwear Limited, Charles Smith Knitwear Limited, Rendon Knitwear Limited and Toller & Lankester Limited. All these companies had administrative receivers appointed between 1998 and 2002.

6.9 None of the Directors has been a partner of a partnership at the time of, or within the twelve months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.

6.10 No asset of any Director has at any time been the subject of a receivership.

6.11 None of the Directors is or has been bankrupt nor made at any time an individual voluntary arrangement.

6.12 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6.13 There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for their benefits.

7. Directors' service agreements

The following agreements have been entered into between the Directors and members of the Group:

7.1 a service agreement dated 1 November 2003 between (1) Allergy Therapeutics Holdings and (2) Keith Carter (as varied by Deed of Variation dated 5 October 2004) pursuant to which Mr Carter is employed as chief executive officer of the Company, at a salary (subject to annual review) of £130,000 per annum and with other benefits commensurate with his position including pension contributions of 15 per cent. of annual salary, private medical insurance, long-term disability insurance, life assurance and a company car allowance of £10,200 per annum (subject to annual review). Mr Carter is also entitled to receive an annual performance bonus up to a maximum of 40 per cent. of annual salary. The agreement is terminable by either party on six months' written notice;

7.2 a service agreement dated 7 May 2003 between (1) Allergy Therapeutics Holdings and (2) Ian Postlethwaite (as varied by Deed of Variation dated 5 October 2004) pursuant to which Mr Postlethwaite is employed as finance director of the Company, at a salary (subject to annual review) of £94,500 per annum and with other benefits commensurate with his position including pension contributions of 10 per cent. of annual salary, private medical insurance, long-term disability insurance, life assurance and a company car allowance of £10,200 per annum (subject to annual

review). Mr Postlethwaite is also entitled to receive an annual performance bonus up to a maximum of 30 per cent. of annual salary. The agreement is terminable by either party on twelve months' written notice;

7.3 a service agreement dated 16 March 2001 between (1) Bencard and (2) Christian Grätz pursuant to which Mr Grätz is employed as managing director of Bencard at a salary (subject to annual review) of €177,996 plus a discretionary bonus and with other benefits commensurate with his position including accident insurance, voluntary social insurance contributions, a company pension and a company car. The agreement is terminable on at least twelve months' notice ending on a quarter date;

7.4 a service agreement dated 12 July 2004 between (1) Allergy Therapeutics Holdings and (2) Tom Holdich (as varied by Deed of Variation dated 5 October 2004) pursuant to which Mr Holdich is employed as R&D director of the Company, at a salary (subject to annual review) of £118,000 per annum and with other benefits commensurate with his position including pension contributions of 10 per cent. of annual salary, private medical insurance, long-term disability insurance, life assurance and a company car allowance (subject to annual review) of £10,200 per annum. Mr Holdich is also entitled to receive an annual performance bonus up to a maximum of 30 per cent. of annual salary. The agreement is terminable by either party on six months' written notice;

7.5 a service agreement dated 1 September 2003 between (1) Allergy Therapeutics Holdings and (2) Andrew Turnbull (as varied by Deed of Variation dated 5 October 2004) pursuant to which Mr Turnbull is employed as supply operations director of the Company, at a salary (subject to annual review) of £78,750 per annum and with other benefits commensurate with his position including pension contributions of 10 per cent. of annual salary, private medical insurance, long-term disability insurance, life assurance and a company car allowance of £10,200 per annum (subject to annual review). Mr Turnbull is also entitled to receive an annual performance bonus up to a maximum of 30 per cent. of annual salary. The agreement is terminable by either party on six months' written notice;

7.6 a letter of appointment with the Company dated 5 October 2004 pursuant to which Stephen Smith is appointed as a non-executive director of the Company, the appointment being terminable by either party on three months' written notice, at a fee of £12,000 per annum; and

7.7 a letter of appointment with the Company dated 5 October 2004 pursuant to which Ignace Goethals is appointed as a non-executive chairman of the Company, the appointment being terminable by either party on three months' written notice, at a fee of £24,000 per annum.

The aggregate remuneration paid (including benefits in kind) to the Directors by members of the Group in respect of the year ended 30 June 2004 was approximately £700,000. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) will be approximately £850,000.

8. The Company and its subsidiaries

8.1 The Company is the holding company of the Group and has the following principal subsidiaries:

Name	*Principal activity*	*Issued share capital*	*Company Number*
Allergy Therapeutics (Holdings) Limited	Holding company	£50,881	3565290
Allergy Therapeutics (UK) Limited	Manufacture and sale of pharmaceutical products	£1.25	3489885
Allergy Therapeutics Developments Limited	Dormant	£1	4084998
Bencard Allergie GmbH	Sale of pharmaceutical products	€25,565	HRB120095
Allergy Therapeutics (Canada) Ltd	Dormant	CAN$925,863	–
Allergy Therapeutics Italia s.r.l	Sale of pharmaceutical products	€255,000	09453740152
Allergy Therapeutics Iberica SL	Sale of pharmaceutical products	€1,041,900	–

Allergy Therapeutics (Bermuda) Ltd	Dormant	US$12,000	–

8.2 The above companies are directly or indirectly wholly-owned by the Company. Each of Allergy Therapeutics Holdings Limited, Allergy Therapeutics (UK) Limited and Allergy Therapeutics Developments Limited are registered in England and Wales and operate principally within the United Kingdom and have their registered office at Dominion Way, Worthing, West Sussex BN14 8SA.

8.3 The registered offices of the Company's foreign subsidiaries are as follows:

8.3.1 Bencard Allergie GmbH – Messerschmittstrasse 4, D-80992 Munich, Germany;

8.3.2 Allergy Therapeutics (Canada) Limited – Suite 2600, South Tower, Royal Bank Plaza, 200 Bay Street, Ontario MJ5 2J4, Canada;

8.3.3 Allergy Therapeutics Italia s.r.l – Via IV Novembre 76, 20019 Settimo Milanese, Italy;

8.3.4 Allergy Therapeutics Iberica SL – Cornella de Llobregat, Ctra. De L'Hospitalet, 147-149, Ronda de Dalt Citypark, Barcelona, Spain; and

8.3.5 Allergy Therapeutics (Bermuda) Ltd – Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

9. Principal establishments

9.1 The Company's head office and principal place of business is at Dominion Way, Worthing West Sussex BN14 8SA.

9.2 The principal establishments of the Group are as follows:

Company	*Location*	*Tenure*
Allergy Therapeutics (UK) Limited	Dominion Way, Worthing, West Sussex BN14 8SA	Leasehold
Allergy Therapeutics (UK) Limited	Unit 4, Harn Bridge Trading Estate, Willowbrook Road, Worthing BN14 8SA	Leasehold
Bencard Allergie GmbH	Messerschmittstrasse 4, 80992 Munich Germany	Leasehold
Allergy Therapeutics Italia s.r.l	Via IV Novembre 76, Settimo Milanese 20019, Italy	Freehold
Allergy Therapeutics Italia s.r.l	Via Melegnano, Settimo Milanese, Italy	Leasehold
Allergy Therapeutics Iberica S.L.	Corinella de Llobregat Ctra. De L'Hospitalet, 147-149, Ronda de Dalt Citypark Barcelona, Spain	Leasehold

10. Intellectual Property

This section is intended as a general summary of some of the more important aspects of the Group's IPR position.

10.1 *General*

The Group has a coherent policy for developing and acquiring IPR and for considering and appropriately responding to the existence of third party IPR which affects its business. The Group's registered IPR is professionally managed by its patent and trade mark attorneys, D Young & Co., who also advise on issues regarding the IPR of third parties.

10.2 *Patents*

The Group has varying degrees of patent protection for four basic "families" of invention as follows:

10.2.1 A pharmaceutical composition of tyrosine and polymerised allergen with a molecular weight of less than 100kDaltons. Patents and patent applications exist in various countries but the invention is no longer of significant commercial interest to Allergy Therapeutics (UK) Limited and so patents are being or have been abandoned in some countries including Europe, USA and Japan.

10.2.2 A pharmaceutical composition of tyrosine, an optionally modified allergen and 3-DMPL. There are granted patents in Australia, Columbia, Austria, Belgium, France, Germany, Greece, Italy, Liechtenstein, the Netherlands, Portugal, Spain, Switzerland, the UK, New Zealand and South Africa. There are patent applications in Argentina, Canada, India, Japan, Pakistan, the Philippines, South Korea, Taiwan, the US and Venezuela. In the US, the application procedure is proving protracted and Allergy Therapeutics (UK) Limited has filed an appeal against an initial refusal. Allergy Therapeutics (UK) Limited expects to succeed, but the cost of completing the appeal procedure is likely to be of the order of US$25,000 to US$35,000.

10.2.3 A pharmaceutical composition, such as a vaccine, of an antigen, a TH1-inducing adjuvant, and a sparingly soluble amino acid. There are granted patents in Australia, New Zealand, the UK and the US. There are patent applications in Australia, Canada, Europe (designating many of the major European countries including the UK and Germany), Japan, South Korea and the US. The exact nature of the composition claimed varies: in some countries, the patent/application is for a more restricted composition. For example, in Australia and the UK, the antigen must not be an allergen; in Australia the amino acid is tyrosine or tryptophan; in the US for the granted patent, the amino acid is tyrosine. For the European patent application, Allergy Therapeutics (UK) Limited is required to conduct experiments to support its application.

10.2.4 A pharmaceutical composition of antigen and glycolipid adjuvant for sublingual administration. There are patent applications in Argentina, Canada, the Czech Republic, Europe (designating many of the major European countries including the UK and Germany), Hungary, Japan, Poland, Slovak Republic and the US. All applications are at an early stage and there are as yet no granted patents.

These applications are co-owned by Allergy Therapeutics (UK) Limited and Corixa. Allergy Therapeutics (UK) Limited has an agreement with Corixa under which Allergy Therapeutics (UK) Limited has exclusive rights to use Corixa's share of the patent applications subject to payment of royalties and annual payments.

Allergy Therapeutics (UK) Limited has a licence to use certain patents and patent applications wholly owned by Corixa. The licence is exclusive for the European Economic Community, parts of Eastern Europe and for Canada. For the rest of the world, Corixa has agreed to grant a licence to no more than one other party. The licence is subject to payment of royalties and annual payments. Corixa has also granted Allergy Therapeutics (UK) Limited a non-exclusive worldwide licence of certain patents and know how owned by SmithKline Beecham.

As part of the arrangements with Corixa described above, Allergy Therapeutics (UK) Limited has also been granted a non-exclusive, royalty-free worldwide licence to use certain SmithKline Beecham Biologicals S.A. patents covering use of allergens or allergen epitopes and MPL 3-0-deacylated monophosphoryl lipid A from s. Minnesota R595.

Patent rights are territorial, so, for example, a US patent provides no protection in other countries. The maximum term of a patent in nearly all countries is twenty years calculated from the filing date of the patent application in the relevant country. The existence of a patent application is no guarantee that a patent will be obtained in the form applied for, or at all. Once granted, it is possible for a patent's scope to be further narrowed or the patent can be fully or partially invalidated, usually as a result of attack by third parties. A granted patent gives its owner the right to prevent other persons from doing acts/making products which come within the scope of the patent. It does not itself give its owner the right to do such acts/make such products, as, for example, to do so might infringe a third party's patent.

10.3 *Trade Marks*

The Group owns various trade mark registrations in various countries throughout the world. Marks protected include BENCARD (includes the UK, Germany), MIGEN (includes UK, Germany), MIGENEX (UK), POLLINEX (includes the UK, Germany, Canada), POLLAGEN, POLYMITE (UK), ORALVAC (includes Germany), VENOMIL (includes Germany), POLVAC, the Allergy Therapeutics logo (UK) and the "eyeball" logo (UK). In addition, the Group has a trade mark application for POLLINEX in Romania.

Trade mark rights are territorial, so, for example, a UK trade mark registration provides no protection in other countries. The fact that a trade mark application exists does not mean that a trade mark registration will be granted with the scope applied for, or at all. It is possible for third parties to attack registrations once granted. Note that a trade mark registration does not necessarily confer on its owner the right to use the mark in question. It is possible for third parties to own conflicting rights which could entitle them to prevent use of the marks and similar marks.

Pursuant to distribution agreements, Allergy Therapeutics (UK) Limited has granted Western Allergy a non-exclusive licence to use POLLINEX in Canada and has granted Pliva an exclusive licence to use, in various eastern European countries, all its trademarks which are registered or applied for in these countries and used in relation to the products covered by the agreements.

10.4 *Key IPR*

The Group is dependant on the following IPR which is of fundamental importance to its business:

10.4.1 the patent "families" described in paragraphs 10.2.2 to 10.2.4 above; and

10.4.2 the arrangements with Corixa described in paragraph 10.2 above which relate to the licencing and supply of MPL®.

11. Placing Agreement

Under the Placing Agreement:

11.1 KBC Peel Hunt has agreed, subject to the conditions referred to below, as agent for the Company to use its reasonable endeavours to procure persons to subscribe for 21,917,808 Placing Shares at the Placing Price, to submit applications for Admission to the London Stock Exchange and to act as the Company's nominated adviser in respect of such applications;

11.2 the Company has agreed to pay KBC Peel Hunt a fee and a commission equal to three per cent. (3%) of the aggregate value at the Placing Price of all the Placing Shares in respect of which subscribers are procured;

11.3 the Company and the Directors have given certain warranties to KBC Peel Hunt as to the accuracy of the information contained in this document and other matters relating to the Company and its business;

11.4 the Company has agreed to indemnify KBC Peel Hunt against all charges, costs, damages, expenses, liabilities and other losses which KBC Peel Hunt may incur in relation to the Placing and Admission; and

11.5 the obligations of KBC Peel Hunt (i) are conditional on certain matters and events including, *inter alia*, in the case of the existing Ordinary Shares and the VCT Shares, First Admission taking place on or before 9.00 a.m. 11 October 2004 and in the case of the Non-VCT Shares, Second Admission taking place on or before 9.00 a.m. 12 October 2004, or such later date as KBC Peel Hunt may determine, and (ii) may be terminated before Admission in the event of a material breach on the part of the Company or the Directors (including a material breach of warranty) and certain *force majeure* circumstances.

12. United Kingdom Taxation

This paragraph is intended as a general guide to UK current tax law and practice in the areas referred to below. It applies to persons who (unless the position of non-resident shareholders is expressly referred to) are resident or ordinarily resident in the UK for tax purposes and who beneficially own shares as investments. Any person who is in doubt as to his or her tax position or requires further information should consult an appropriate professional adviser.

12.1 *UK taxation of dividends*

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

12.2 *Individual and trustee shareholders*

12.2.1 An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one ninth of the amount of the net dividend which is also equivalent to a tax credit of 10 per cent. of the sum of the net dividend and the tax credit (the "gross dividend").

12.2.2 Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in sub-paragraph 12.2.1 above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to income tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate tax payer will be liable to an additional income tax charge equal to 25 per cent. of the net dividend. However, if an individual United Kingdom resident shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim from the Inland Revenue repayment of the excess.

12.2.3 For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent. with a tax credit equal to 10 per cent. of the gross dividend.

12.2.4 The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust, will not be repaid.

12.3 *Corporate shareholders*

A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on dividends received.

12.4 *Non-resident shareholders*

The amount of the tax credit will mean that, in many cases, no amount in respect of the tax credit may be claimed under a relevant double taxation agreement.

12.5 *Taxation on capital gains for shareholders*

12.5.1 If a shareholder disposes of all or any of his or its Ordinary Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

12.5.2 The Inland Revenue have confirmed that securities dealt with on AIM will not fall to be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on this should consult an appropriate professional adviser.

12.6 *Stamp duty and stamp duty reserve tax ("SDRT")*

12.6.1 Except as mentioned in sub-paragraph 12.2.4 above, no liability to stamp duty or SDRT will arise on the issue or allotment of new Ordinary Shares by the Company pursuant to the Placing.

12.6.2 Except as mentioned in sub-paragraph 12.2.4 above, the transfer on sale of the new Ordinary Shares, both before and after the issue of certificates, and the transfer on sale of existing Ordinary Shares will generally be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value of the consideration paid or, if an unconditional agreement to transfer the shares is not immediately completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay the stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

12.6.3 Where a charge to stamp duty or SDRT arises under sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or subsequent transfer.

12.7 *EIS and VCT tax relief*

The Company has made an application to the Inland Revenue for clearance that the Company is a qualifying company for the purposes of the Venture Capital Trust ("VCT") legislation. The Company has sought assurances from the Inland Revenue that the VCT Shares will be eligible shares for the purposes of section 842 AA (14) Income and Corporation Taxes Act 1988 and that the VCT Shares held by VCTs immediately following First Admission will be "qualifying holdings" for the purposes of Schedule 28B Income and Corporation Taxes Act 1988. A positive response to that clearance application has been received.

The clearance sought relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT reliefs should consult their own tax advisers regarding this.

The Company has also made an application to the Inland Revenue for clearance that the VCT Shares to be issued by the Company are qualifying shares, and that the Company is a qualifying company for the purposes of the Enterprise Investment Scheme ("EIS") legislation. The Company has sought assurances from the Inland Revenue that it will be able to issue certificates under section 306(2) Income and Corporation Taxes Act 1988 in respect of the VCT Shares issued. A positive response to that clearance has also been received.

The Company cannot guarantee or undertake to conduct its business, following Admission, in a way to ensure that the Company will continue to meet the requirements of section 293, section 297 and/or Schedule 28B Income and Corporation Taxes Act 1988.

13. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years preceding the date of this document and which are or may be material:

13.1 the Placing Agreement, details of which are set out in paragraph 11 above;

13.2 the share for share exchange agreement dated 14 September 2004, details of which are set out in paragraph 3.1.5 above;

13.3 the Sage Agreement, details of which are set out in paragraph 3.6 above; and

13.4 a deed of termination dated December 2002 between Allergy Therapeutics Holdings, Allergy Therapeutics (UK) Limited, Allergy Therapeutics (Bermuda) Limited, Elan and certain members of its group as varied by a deed of variation dated 27 September 2004 (the "Deed"). The Deed was executed to unwind the joint venture between the Group and Elan by virtue of which Allergy Therapeutics (Bermuda) Ltd was incorporated. Pursuant to the Deed, Allergy Therapeutics Holdings paid Elan US$500,000, assigned certain intellectual property and issued a number of Ordinary Shares and Deferred Shares to Elan in consideration of the cancellation of certain rights in relation to warrants and convertible shares in Allergy Therapeutics Holdings and the transfer of Elan's shares in Allergy Therapeutics (Bermuda) Ltd to Allergy Therpeutics Holdings.

14. Working capital

The Directors are of the opinion (having made due and careful enquiry) that the Group has sufficient working capital available to it for its present requirements, that is, for at least the period of twelve months from Admission.

15. Litigation

No member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group's financial position and, so far as the Directors are aware, there are no proceedings pending or threatened against any member of the Group.

16. Miscellaneous

16.1 The total costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 11 above) payable by the Company are estimated to amount to approximately £1.0 million (excluding VAT). The net proceeds of the Placing will be £15.0 million.

16.2 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Group or the New Ordinary Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

16.3 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 240 of the Act. Grant Thornton, Chartered Accountants of The Explorer Building, Fleming Way, Manor Royal, Crawley RH10 9GT have been the auditors of the Group for the two financial years ended 30 June 2004 and KPMG Audit plc of Forest Gate, Brighton Road, Crawley RH11 9PT were the auditors of the Group for the financial year ended 30 June 2002 and both Grant Thornton and KPMG Audit plc have given unqualified audit reports on the statutory accounts of the Group for those financial years for which they were the Group's auditors within the meaning of section 235 of the Act. None of those reports contained any statements under section 237(2) or (3) of the Act. Statutory accounts of the Group for each of the three financial years ended 30 June 2004 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

16.4 KBC Peel Hunt is registered in England and Wales under number 2320252 and its registered office is at 111 Old Broad Street, London EC2N 1PH. KBC Peel Hunt is regulated by the Financial Services Authority.

16.5 KBC Peel Hunt has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

16.6 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) other than EquityGate AG who may become entitled to commissions of up to £30,000 in connection with the Placing, has received, directly or indirectly, from the Company within the twelve months preceding the date of application for Admission, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

16.6.1 fees totalling £10,000 or more;

16.6.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

16.6.3 any other benefit with a value of £10,000 or more at the date of Admission.

17. Availability of Admission Document

Copies of this document will be available to the public during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH and shall remain available for at least one month after Admission.

6 October 2004