Allergy Therapeutics plc
("Allergy Therapeutics", "ATL" or the "Group")

Preliminary Results for the Year ended 30 June 2021

- *Record pre-R&D operating profit ahead of market expectations reflecting continued sales growth*
- *Successful ex-vivo VLP Peanut biomarker study showing 24-fold reduction in allergenicity and beneficial efficacy profile paving the way for first-in-human trial in 2022*
- *Strong cash balance of £40.3m providing sufficient funds with a small amount of debt under current assumptions to support Grass MATA MPL pivotal Phase III field studies and Phase I VLP Peanut PROTECT trial*

23 September 2021 Allergy Therapeutics (AIM: AGY), the fully integrated specialty pharmaceutical company specialising in allergy vaccines, today announces its preliminary results for the year ended 30 June 2021.

Financial highlights

- 8% revenue growth in actual terms and 6% at constant rate* to £84.3m (2020: £78.2m)
- 19% increase in pre-R&D operating profit to £16.9m (2020: £14.2m) as a result of sales growth and lower overhead cost growth
- Strong cash balance of £40.3m at 30 June 2021 (2020: £37.0m)
- Net profit of £2.9m for the year (2020: Net profit of £7.1m including cash settlement of £3.2m)

Operating highlights (including post period)

- Successful *ex-vivo* VLP Peanut biomarker study ahead of Phase I trial (named PROTECT) anticipated in Q1 2022
- Robust growth across all key products and countries in a challenging year
- Successful launch of ImmunoBON in Germany and Austria
- Grass MATA MPL exploratory field trial to read out in autumn 2021
- Registration of Venomil in Austria

Manuel Llobet, CEO of Allergy Therapeutics, stated: *"Allergy Therapeutics has performed well in 2021, driving our European commercial business and progressing our clinical programmes amid challenging conditions. Our commercial and pipeline products demonstrate our commitment to allergy and immunology solutions to help people worldwide.*

"Engaging with our stakeholders is key to our success as a business. They trust us to deliver safe and effective products on time, to stand by our values and to operate our business with high standards of quality and integrity. Our three core values – Vision, Commitment and Menschlichkeit (Humanity), shape the way in which we work and are at the heart of every decision we make. I would like to thank our team and all our partners for their contribution to another successful year."

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

This announcement contains inside information for the purposes of Article 7 of Regulatory (EU) No596/2014.

- ENDS -

Analyst briefing and webcast today
Manuel Llobet, Chief Executive Officer, Nick Wykeman, Chief Financial Officer, and Alan Bullimore, Head of Business Innovation, will host a virtual presentation for analysts to provide an update on the Group, followed by a Q&A session, at 09.30am BST.

The live webcast can be accessed here.

For further information, please contact:

Allergy Therapeutics
+44 (0) 1903 845 820
Manuel Llobet, Chief Executive Officer
Nick Wykeman, Chief Financial Officer

Panmure Gordon
+44 (0) 20 7886 2500
Freddy Crossley, Emma Earl, Corporate Finance
Rupert Dearden, Corporate Broking

Consilium Strategic Communications
+44 20 3709 5700
Mary-Jane Elliott / David Daley / Carina Jurs
allergytherapeutics@consilium-comms.com

Stern Investor Relations, Inc.
+1 212 362 1200
Christina Tartaglia
christina@sternir.com

Notes for editors:

About Allergy Therapeutics

Allergy Therapeutics is an international commercial biotechnology company focussed on the treatment and diagnosis of allergic disorders, including aluminium free immunotherapy vaccines that have the potential to cure disease. The Group sells proprietary and third-party products from its subsidiaries in nine major European countries and via distribution agreements in an additional ten countries. Its broad pipeline of products in clinical development include vaccines for grass, tree and house dust mite, and peanut allergy vaccine in pre-clinical development. Adjuvant systems to boost performance of vaccines outside allergy are also in development.

Formed in 1999 out of Smith Kline Beecham, Allergy Therapeutics is headquartered in Worthing, UK with more than 11,000m^2 of state-of-the-art MHRA-approved manufacturing facilities and laboratories. The Group, which has achieved over 9% compound annual growth since formation, employs c.600 employees and is listed on the London Stock Exchange (AIM:AGY). For more information, please see www.allergytherapeutics.com.

Chairman's Report

Performance
This has been another year of growth for Allergy Therapeutics with impressive financial performance and the delivery of strong operating profit, well ahead of market expectations. The Group also made encouraging progress with key products in its innovative pipeline of potential new immunotherapeutic treatments for allergy patients. At the same time, we successfully managed the continued challenges posed by COVID-19, the logistical challenges of Brexit and continuing changes in the regulatory environment.

Research and Development
Developing innovative and patient-focused products remains the Group's priority. Results from the *ex-vivo* virus-like particle (VLP) Peanut biomarker study with Imperial College London, although early stage, demonstrate the exciting potential behind this next generation peanut allergy vaccine candidate. The R&D and regulatory teams have worked incredibly hard on the scale up and regulatory pathway for this potentially transformational product, and that hard work now continues. We look forward to providing the market with further updates as this candidate enters the clinic in 2022. Work has also continued on the Group's other main platform, Pollinex Quattro, with the Grass MATA MPL exploratory field study (G309) fully recruited and the treatment phase complete. The study remains on track, with results expected in the autumn.

Board changes
Steve Smith, who joined the Board at the AIM listing in 2004 and who has supported the business through a number of significant challenges over the years, will step down as a Director at the Group's next Annual

General Meeting. I would like to take this opportunity to thank Steve for his wise counsel and contribution over the years. He has been a highly valued and appreciated member of the Board.

New auditor
As announced in April and following a competitive tender process, the Board appointed BDO LLP as Group external auditor in place of Grant Thornton LLP. On behalf of Allergy Therapeutics, I would like to thank Grant Thornton for its service over the past 13 years.

Sustainable long-term value
Our purpose is to transform the lives of our patients and the people around them. Guided by our vision and values, we generate value for all our stakeholders. During the coming year, the business will adopt an environmental, social and governance (ESG) framework defining responsibilities in this area across the whole business and holding us to account over the coming years. We will aim to achieve net zero carbon emissions by 2030 and will publish defined timelines for this in 2022. All our activities are underpinned by a commitment to health & safety and ethical practices.

Outlook
Allergy Therapeutics continues to develop and innovate. The coming year will see further investment in the Group's infrastructure as the business matures as a well-established and growing European business. The Group also continues to invest in its pipeline of next generation allergy immunotherapeutics. Upcoming results from the Grass MATA MPL exploratory field study, the pre-Investigational New Drug (IND) application meeting with the U.S. Food and Drug Administration (FDA) for VLP Peanut, followed by the commencement of the Phase I trial (called PROTECT) in the U.S are all promising and exciting developments and set the course for the future of the business.

Finally, on behalf of the Board, I would like to thank the leadership team and all members of staff for their determination, creativity and commitment throughout the last year with the continuing challenges of COVID-19 and Brexit.

CEO Report

Allergy Therapeutics has performed strongly in the period, as demonstrated by the Group's market expectation-beating growth, further cementing its technology leadership in the allergy immunotherapy field.

Financial Performance
The business continued to grow well, despite challenging market conditions, with revenue up 8% in actual terms at £84.3m (2020: £78.2m) and 6% at constant rate over the prior year. Growth from the year came from Northern Europe and Germany in particular, due to the benefit of allergy clinics being situated outside of hospitals and therefore able to maintain consultations with allergy patients during COVID-19 restrictions. Sales in Spain have also continued to grow and, overall, Southern Europe has defended its market share well, gaining market share, in some cases, in a depressed market due to COVID-19. The impact of COVID-19 will likely remain next year even if hospitals return to normal, due to the number of patients who missed their first year of treatment this year and would have been expected to return in the following year.

In our commercialised portfolio, our subcutaneous vaccines Pollinex Quattro, Pollinex, Acarovac and Venomil continued to lead the way with good growth, especially Germany (10%) and Austria (7%), in spite of a preference towards the use of oral products during the confinement period.

Non-R&D operating costs for the year at £45.9m (2020:£44.5m) were up 3% on the prior year, with approximately half of that increase due to exchange rates. This lower than expected increase in costs reflects the constricting impact of COVID-19 on travel and a reduction in scientific conference attendance and other promotional events. This reduction in costs significantly outstripped further investment made throughout the year in IT, pharmacovigilance and the additional costs of transport and testing due to the impact of Brexit. We continue to build first-class infrastructure to prepare the Group for the future. The Group also benefited from the spot revaluation of forward currency contracts to the value of £1.3m (2020: £0.4m loss).

Operating profit pre-R&D increased by 19% to £16.9m (2020:£14.2m), reflective of a strong Group performance in challenging market conditions, driven by continued growth in sales and cost savings due to COVID-19 and foreign exchange.

R&D expenditure in the year was £12.9m, up from the £9.0m last year (excluding legal cost recovery), as the Group invested significantly in its pipeline, with the successful manufacturing scale up of batches of VLP

Peanut for the upcoming Phase I PROTECT trial and execution of the Grass MATA MPL G309 exploratory field trial.

The Group achieved a net profit of £2.9m (2020:£7.1m).

Cash at the end of June 2021 stood at £40.3m which will be sufficient, under current assumptions, to fund the two Grass MATA MPL trials as well as the Peanut Phase I PROTECT trial, with a small amount of additional debt. If the Grass MATA MPL trials are successful, the only further trial that will be required before submission of the Biological Licence Application (BLA) is the completion of the safety database. The Board continually reviews the Group's funding requirements and options for the future including, but not limited to, a potential path to a Nasdaq dual listing.

Clinical development
The exciting results of the *ex-vivo* VLP Peanut biomarker study, with Imperial College London, provide us with further confidence in this development programme and the huge potential of this vaccine candidate. In tests with human blood samples from peanut allergic patients, the results showed an impressive 24-fold reduced basophil reactivity and basophil histamine release response (basophils are white blood cells playing a crucial role in allergic reactions) after treatment with VLP Peanut compared to Ara h 2 (the major peanut allergen) indicating that the product is likely to be hypoallergenic (the target was a 10 fold reduction), and unlikely to cause an allergic reaction in patients burdened by peanut allergy. In addition, the secondary endpoints demonstrated support for a beneficial efficacy profile promoting a class switch from the allergic Th2 pathway to the more tolerogenic Th1 pathway These results, which are consistent with our preclinical data package, form an important part of the submission to the FDA for the opening of the upcoming IND application. A Pre-IND meeting with the FDA is imminent.

We believe this product has the potential to be a ground-breaking, next-generation immunotherapy for peanut allergy sufferers and follows our strategy of developing ultra-short course treatments for patients that provide a long-lasting protective immune response. Though the current generation of peanut allergy products tend to increase the body's tolerance to peanuts, they require repeat administration and do not offer the same potential for long-term protection and a significant reduction in allergic reactions. The Group believes that VLP Peanut, incorporating our novel VLP technology platform, has the potential to provoke a disease-modifying effect and to bring a significant positive impact to the lives of patients and families affected by peanut allergy, and to health systems. The current US market for peanut allergy sufferers is estimated to be worth approximately $5bn. Around 6% of all children suffer from this life-threatening allergy with the number of sufferers increasing by 4% each year.

Completion of the treatment phase in the Group's innovative G309 exploratory field study to evaluate the safety and efficacy of our Grass MATA MPL product in May 2021 was an important milestone. This trial represents a truly innovative way to concurrently test a variety of dosing regimens in an allergy trial and will provide valuable information to optimise the study design of the pivotal Phase III study (G306). Results from the exploratory study are expected in the autumn. Following the data readout, work will begin to prepare for the pivotal trial, in parallel with readiness planning for the Group's commercial approach to the US market.

The Group has also registered Venomil in Austria to extend the markets where this important venom treatment is approved.

Pipeline
Beyond the significant progress being made in our peanut and grass allergy development programmes, preparatory work continues on a future Birch MATA MPL pivotal field trial (B302) which, subject to funding, would be expected to start following results from the Grass MATA MPL pivotal trial (G306). The Birch product would form part of the Group's US portfolio, along with a Ragweed MATA MPL product.

In addition to our VLP Peanut vaccine candidate, the Group continues to pursue the potential of VLP technology in applications beyond the allergy immunotherapy field. Following the exclusive licence agreement signed with Saiba AG and DeepVax GmbH in 2020 to use its patented VLP technology platform to develop and commercialise vaccines targeting asthma, solid cancer tumours, atopic dermatitis and psoriasis, early stage work has begun on two new VLP candidate programmes – melanoma and asthma. These programmes will build on the Group's technological skills, subcutaneous expertise and experience of adjuvant systems – a key element of Allergy Therapeutics' strategy given their potential to create immunotherapies that act faster, generate a sustained response, and work more efficiently than traditional therapies.

Mild allergy – a new market segment
ImmunoBON, the novel, patented protein-based oral product, which mimics the so-called 'farm effect', has made a strong start in our German and Austrian commercial markets. While sales of ImmunoBON are not yet

material to the business, the product has significant potential across Europe and in major pharmaceutical markets worldwide.

ImmunoBON provides not only relief for a wide variety of allergies, but also targets mild allergy patients, providing Allergy Therapeutics with a commercial product in the largest segment of the allergy market as an over-the-counter product. The product also has the advantages of being natural and, with a relatively short treatment period of three months, offers the potential for higher patient compliance compared to longer course allergy treatments. Existing early data support its use as a treatment for birch and house dust mite allergies and the Group is exploring its potential against grass, cat, dog and horse allergies.

Environmental, Social and Governance (ESG)
Like many other businesses, the Group is developing its ESG agenda. We are aiming to achieve net zero carbon by 2030 and we are focused on managing our operations responsibly. We seek to generate positive outcomes for all our stakeholders, ensuring good standards of professional ethics and corporate governance whilst maintaining an inclusive and diverse culture. This year we have launched our Leading Together programme which helps to develop our senior managers into business leaders. Our employees are key to our success and we promote an innovative culture which allows employees to reach their potential whilst creating value for our stakeholders.

We have a clear purpose, to transform the lives of our patients and the people around them. That purpose and our values shape the Group's vision which provides us with a long-term approach to deliver value and generate benefits for our stakeholders.

Outlook
As previously indicated in the Group's June 2021 trading update, revenue in the financial year to 30 June 2022 is expected to grow at low single-digits at a constant rate, reflecting a combination of factors. The Group is improving the quality of its portfolio by streamlining a number of non-differentiated older products to maintain its focus on short course subcutaneous immunotherapy (SCIT) and innovative allergy treatments. This, alongside the ongoing impact of COVID-19, means that sales are expected to grow at low single-digit levels at constant rates.

Non-R&D operating costs are expected to be around 20% higher than 2021 due to delayed 2021 commercial projects, further investment in infrastructure and increased R&D activities, and some delayed costs from 2021. Continued investments in infrastructure including IT, pharmacovigilance, market access and regulatory affairs, reflect the Group's growth and need to maintain business resilience within a challenging environment. Low sales growth and higher overheads are expected to affect operating margin.

Research and development expenditure next year is expected to be in the region of £4m more than 2021, reflecting completion of the Grass MATA MPL G309 exploratory field study and commencement of the VLP Peanut Phase I PROTECT trial.

The Group looks forward to the results of the Grass MATA MPL exploratory field study in the autumn as well as the start of the VLP peanut Phase I PROTECT trial in 2022. That trial is expected to read out in H2 2023, but the design of the trial should allow interim reporting of progress. Overall, the next year provides multiple key inflection points with clinical and regulatory progress, and we look forward to providing the market with further updates.

Financial Review

Overview
The Group has continued to grow profitably, achieving an operating profit excluding R&D[1] of £16.9m (2020: £14.2m) for the year to 30 June 2021 despite the impact of continued challenges of COVID-19 and Brexit. As in 2020, COVID-19 especially impacted Southern Europe with lower Italian sales and slower growth in Spain as can be seen in the segmental reporting section (see Note 4). Including R&D expense of £12.9m (2020: £5.8m after offsetting receipt from settlement of legal claims totalling £3.2m), the Group reported an operating profit of £4.0m (2020: £8.3m).The net profit after tax for the period was £2.9m (2020: £7.1m).The impact of IFRS 16, Leases, for 2021 has been similar to that of 2020 with all the Group's leases shown on the balance sheet as a 'right-of-use' asset and lease liability with the 2021 EBITDA uplifted by £1.9m (2020: £1.9m) and the operating profit by £0.2m (2020: £0.3m).

Revenue
Reported revenue increased by 8% to £84.3m (2020: £78.2m). The weighted average Euro exchange rate in the year was €1.12 to £1 compared to €1.14 in 2020. Revenue at constant currency [2] was 6% higher as shown in the table below:

	2021			2020		
	Germany £m	**Other £m**	**Total £m**	Germany £m	Other £m	Total £m
Revenue	**53.8**	**30.5**	**84.3**	48.0	30.2	78.2
Adjustment to retranslate at prior year foreign exchange rate	**(1.0)**	**(0.5)**	**(1.5)**			
Revenue at constant currency[2]	**52.8**	**30.0**	**82.8**	48.0	30.2	78.2

1. Operating profit (pre-R&D) is calculated by adding back total R&D expenditure for the year to the operating profit of the year to arrive at an operating profit (pre-R&D) of £16.9m (2020: £14.2m).
2. Constant currency uses prior year weighted average exchange rates to translate current year foreign currency denominated revenue to give a year-on-year comparison excluding the effects of foreign exchange movements.

Revenue from Germany was 64% (2020: 61%) of total reported revenue reflecting the relative impact of Covid 19 with clinics in Northern Europe staying open for most of the time while those in Southern Europe, which are inside hospitals, were closed. Rebates were higher this year due to increased revenue. Sales of Venomil and Pollinex continued to grow strongly while Oralvac and Pollinex Quattro achieved reasonable growth. Total sales from other products contributed £4.0m for the year ended 30 June 2021 (2020: £3.5m). Revenue in Germany grew well in the year with revenue at constant currency[2]2 increasing to £52.8m (2020: £48.0m), an increase of 10%.

All the main European markets (except for Italy and Switzerland) exhibited good sales growth at constant currency[2] with Spain showing 4%, the Netherlands 3%, Austria 7% and Germany 10%. The Group continues to develop new and existing markets to broaden its reach and reduce reliance on any one market or product.

Gross profit
Cost of sales increased to £22.1m (2020: £20.2m) reflecting additional Brexit costs. The gross margin was 74% (2020: 74%), leading to a gross profit of £62.2m (2020: £58.0m).

Operating expenses
Total overheads were £5.3m higher than prior year at £58.8m (2020: £53.5m). This included R&D expenditure that rose by £3.9m to £12.9m (2020: £9.0m excluding the one-off receipt in respect of a legal settlement) due to investment in 2021 reflecting work on VLP Peanut and Grass MATA MPL.

Non-R&D operating costs of £45.9m increased by £1.4m (2020: £44.5m) due to further investment in compliance, new products and rising labour costs while some expenses were deferred.

Sales, marketing and distribution costs increased by £0.3m to £25.2m (2020: £24.9m) mainly as a result of investment in new products (especially ImmunoBON). Other administration expenses increased by £1.1m to £20.7m (2020: £19.6m) as a result of additional investment in compliance and support functions.

Other income in the year of £0.6m (2020: £0.6m) was due to R&D tax credits in the UK.

Tax
The current and prior year tax charges are predominantly made up of provisions for tax in the Italian and German subsidiaries.

Looking forward to the current financial year, some R&D expenditure originally expected in 2021 will now be incurred in 2022, due to the phasing of those costs.

IFRIC 23 continues to impact the tax provision reflecting the charge in the income statement of £0.8m (2020: £1.0m). The charge was also affected by the change in UK legislation in respect of use of losses.

Balance sheet
Property, plant and equipment (including IFRS 16) reduced by £0.7m to £19.7m (2020: £20.4m) reflecting higher depreciation (due to IFRS16) than investment in upgrading of plant in the UK factory and equipment for R&D.

Goodwill reduced by £0.2m to £3.3m (2020: £3.5m) due to exchange rate fluctuations, whilst other intangible assets increased by £0.1m to £1.4m (2020: £1.3m).

Total current assets, excluding cash, reduced to £17.6m (2020: £18.2m). Inventory increased further by £0.7m due to early production of stock to fill the extended Brexit supply chain. Trade and other receivables have reduced by £1.9m mainly due to improved collection of trade debtors. Cash and cash at hand increased to £40.3m from £37.0m in 2020 mainly as a result of a continued strong trading result. The Group had a net cash inflow of £3.7m in the year (2020: £9.5m cash inflow including legal settlement of £3.2m) primarily due to good trading.

The fair value of derivative financial instruments changed from a liability to an asset of £0.5m in 2021 (2020: £0.8m liability) due to exchange rate fluctuations.

Retirement benefit obligations, which relate solely to the German pension scheme, decreased to £11.3m (2020: £13.5m). The decrease in the liability was mainly driven by the increase in the discount rate from 0.8% to 1.15% (resulting from German bond yields).

Currency
The Group uses forward exchange contracts to mitigate exposure to the effects of exchange rates. The current policy of the Group is to cover, on average, about 70% of the net Euro exposure for a year on a declining basis.

Financing
The Group's bank debt on its balance sheet consists mainly of bank loans arranged to fund development of products in the Spanish market. Group borrowing totalled £3.4m (2020: £3.8m) at 30 June 2021. The overdraft facility of £7m was unused at 30 June 2021 and has since been renewed.

The Directors believe that the Group will have adequate facilities for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the full year results. For further details, see Note 1, Going Concern.

Legal
On 23 February 2015, the Company received notification that the Federal Office for Economics and Export ("BAFA") had made a decision to reverse their preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4m (£1.1m at that time, £1.2m now) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be reinstated. Therefore, as at 30 June 2021, no provision has been recognised for the repayment of the rebate refund of €1.4m (£1.2m). This position will be kept under review.

Consolidated income statement
for the year ended 30 June 2021

	Note	**Year to 30 June 2021 £'000**	**Year to 30 June 2021 £'000**	Year to 30 June 2020 £'000	Year to 30 June 2020 £'000
Revenue	3		84,331		78,204
Cost of sales			(22,106)		(20,201)
Gross profit			62,225		58,003
Sales, marketing and distribution costs			(25,200)		(24,853)
Administration expenses – other		(20,674)		(19,627)	
Research and development costs		(12,887)		(9,000)	
– expenditure for the year					
– credit relating to legal settlement		-		3,152	
– total research and development costs		(12,887)		(5,848)	
Total administrative expenses			(33,561)		(25,475)
Other income	5		567		634
Operating profit			4,031		8,309
Finance income	7		117		266
Finance expense	6		(491)		(504)
Profit before tax			3,657		8,071
Income tax			(771)		(1,013)
Profit for the period			2,886		7,058
Earnings per share					
Basic (pence per share)			0.45p		1.11p
Diluted (pence per share)			0.43p		1.05p

Consolidated statement of comprehensive income
for the year ended 30 June 2021

	Note	**Year to 30 June 2021 £'000**	Year to 30 June 2020 £'000
Profit for the period		**2,886**	7,058
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations		**1,689**	(1,287)
Remeasurement of investments – retirement benefit assets		**(58)**	(23)
Revaluation gains – freehold land and buildings		**94**	364
Deferred tax movement – freehold land and buildings		**5**	(146)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(503)**	160
Total comprehensive income		**4,113**	6,126

Consolidated balance sheet
as at 30 June 2021

	Note	**30 June 2021 £'000**	30 June 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment		**19,717**	20,417
Intangible assets – goodwill		**3,343**	3,467
Intangible assets – other		**1,411**	1,269
Investments – retirement benefit asset		**5,760**	5,902
Total non-current assets		**30,231**	31,055
Current assets			
Inventories	9	**10,838**	10,132
Trade and other receivables	10	**6,222**	8,076
Cash and cash equivalents		**40,273**	36,962
Derivative financial instruments		**525**	-
Total current assets		**57,858**	55,170
Total assets		**88,089**	86,225
Liabilities			
Current liabilities			
Trade and other payables		**(16,475)**	(15,148)
Current borrowings	11	**(963)**	(829)
Lease liabilities		**(792)**	(1,435)
Derivative financial instruments		**-**	(815)
Total current liabilities		**(18,230)**	(18,227)
Net current assets		**39,628**	36,943
Non-current liabilities			
Retirement benefit obligations		**(11,291)**	(13,526)
Deferred taxation liability		**(408)**	(470)
Non-current provisions		**(208)**	(304)
Lease liabilities		**(6,967)**	(6,988)
Long-term borrowings	11	**(2,450)**	(2,927)
Total non-current liabilities		**(21,324)**	(24,215)
Total liabilities		**(39,554)**	(42,442)
Net assets		**48,535**	43,783
Equity			
Capital and reserves			
Issued share capital	12	**651**	647
Share premium		**112,576**	112,576
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – share-based payments		**2,693**	3,104
Revaluation reserve		**1,073**	974
Foreign exchange reserve		**(1,188)**	(685)
Retained earnings		**(107,398)**	(112,961)
Total equity		**48,535**	43,783

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2021 and signed on its behalf by:

Manuel Llobet
Chief Executive Officer

Nicolas Wykeman
Chief Financial Officer

Registered number: 05141592

Consolidated statement of changes in equity
for the year ended 30 June 2021

	Issued capital £'000	Share premium £'000	Merger reserve – shares issued by subsidiary £'000	Reserve – share-based payment £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2019	646	112,576	40,128	3,023	1,207	(845)	(119,177)	37,558
Exchange differences on translation of foreign operations	—	—	—	—	—	160	—	160
Valuation gains taken to equity (land and buildings) – net of deferred tax	—	—	—	—	218	—	—	218
Remeasurement of net defined benefit liability	—	—	—	—	—	—	(1,287)	(1,287)
Remeasurement of investments – retirement benefit assets	—	—	—	—	—	—	(23)	(23)
Total other comprehensive loss	—	—	—	—	218	160	(1,310)	(932)
Profit for the period after tax	—	—	—	—	—	—	7,058	7,058
Total comprehensive income	—	—	—	—	218	160	5,748	6,126
Transfer of depreciation on revalued property	—	—	—	—	(451)	—	451	—
IFRIC 23 tax provision	—	—	—	—	—	—	(696)	(696)
Transactions with owners:								
Share-based payments	—	—	—	794	—	—	—	794
Shares issued	1	—	—	—	—	—	—	1
Transfer of lapsed options to retained earnings	—	—	—	(713)	—	—	713	—
At 30 June 2020	647	112,576	40,128	3,104	974	(685)	(112,961)	43,783
Exchange differences on translation of foreign operations	-	-	-	-	-	(503)	-	(503)
Valuation gains taken to equity (land and buildings) – net of deferred tax	-	-	-	-	99		-	99
Remeasurement of net defined benefit liability	-	-	-	-	-	-	1,689	1,689
Remeasurement of investments – retirement benefit assets	-	-	-	-	-	-	(58)	(58)
Total other comprehensive income	-	-	-	-	99	(503)	1,631	1,227
Profit for the period after tax	-	-	-	-	-	-	2,886	2,886

Total comprehensive income	-	-	-	-	99	(503)	4,517	4,113
Transactions with owners:								
Share-based payments	-	-	-	635	-	-	-	635
Shares issued	4	-	-	-	-	-	-	4
Transfer of lapsed options to retained earnings	-	-	-	(1,046)	-	-	1,046	-
At 30 June 2021	**651**	**112,576**	**40,128**	**2,693**	**1,073**	**(1,188)**	**(107,398)**	**48,535**

Consolidated cash flow statement
for the year ended 30 June 2021

	Note	**Year to 30 June 2021 £'000**	Year to 30 June 2020 £'000
Cash flows from operating activities			
Profit before tax		**3,657**	8,071
Adjustments for:			
Finance income	7	**(117)**	(266)
Finance expense	6	**491**	504
Non-cash movements on defined benefit pension plan		**85**	192
Depreciation and amortisation		**4,132**	3,914
Net monetary value of above the line R&D tax credit	5	**(567)**	(634)
Charge for share-based payments		**635**	794
Movement in fair valuation of derivative financial instruments		**(1,340)**	386
Decrease in trade and other receivables		**2,141**	3,694
(Increase) in inventories		**(1,117)**	(706)
Increase/(decrease) in trade and other payables		**548**	(2,399)
Net cash generated by operations		**8,548**	13,550
Bank loan and interest paid		**(190)**	(168)
Income tax received/(paid)		**41**	(897)
Net cash generated by operating activities		**8,399**	12,485
Cash flows from investing activities			
Interest received		**117**	266
Payments for retirement benefit investments		**(194)**	(228)
Payments for intangible assets		**-**	(283)
Payments for property, plant and equipment		**(2,562)**	(2,264)
Net cash used in investing activities		**(2,639)**	(2,509)
Cash flows from financing activities			
Proceeds from issue of equity shares		**4**	1
Repayment of bank loan borrowings		**(757)**	(654)
Repayment of principal lease liabilities and interest		**(1,605)**	(1,343)
Interest paid on lease liabilities		**(301)**	(321)
Proceeds from borrowings		**625**	1,886
Net cash used in financing activities		**(2,034)**	(431)
Net increase in cash and cash equivalents		**3,726**	9,545
Effects of exchange rates on cash and cash equivalents		**(415)**	(23)
Cash and cash equivalents at the start of the period		**36,962**	27,440
Cash and cash equivalents at the end of the period		**40,273**	36,962
Cash at bank and in hand		**40,273**	36,962
Bank overdraft		**-**	-
Cash and cash equivalents at the end of the period		**40,273**	36,962

Notes to the financial statements
for the year ended 30 June 2021

1. Basis of preparation
The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

Whist the financial information included in this announcement has been prepared in accordance with EU adopted IFRS, this announcement itself does not contain sufficient information to comply with EU adopted IFRS. Statutory accounts for the year ended 30 June 2020 have been delivered to the Registrar of Companies and those for the year to 30 June 2021 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Their reports were unqualified and did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

Allergy Therapeutics is an international commercial biotechnology Group focused on the treatment and diagnosis of allergic disorders including immunotherapy vaccines that have the potential to cure disease.

The Group's financial statements have been prepared in accordance with IFRS in issue as adopted by the UK and with those parts of the Companies Act 2006 that are relevant to the Group preparing its accounts in accordance with UK-adopted IFRS.

Allergy Therapeutics plc is the Group's parent company. The Company is a limited liability company incorporated and domiciled in England. The address of Allergy Therapeutics plc's registered office and its principal place of business is Dominion Way, Worthing, West Sussex BN14 8SA and its shares are listed on the AIM.

The consolidated financial statements for the year ended 30 June 2021 (including comparatives) have been prepared under the historical cost convention except for land and buildings, and derivative financial instruments, which have been measured at fair value. They were approved and authorised for issue by the Board of Directors on 22 September 2021.

New standards adopted
There are no IFRS or IAS interpretations that are effective for the first time in this financial period that have had a material impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Going concern
Operating profit in the period was £4.0m (2020: £8.3m profit); net cash inflow from operations was £8.4m (2020: £12.5m net cash inflow). The inflow was due to good trading. Excluding the R&D expenditure, the Group would have reported an operating profit of £16.9m (2020: £14.2m).

The Going concern period has been assessed as 12 months from the date of approval of the financial statements, hence the reason for this review period. Detailed budgets have been prepared, including cash flow projections for the periods ending 30 September 2022. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing bank facilities. The Group had a cash balance of £40.3m as at 30 June 2021 and the £7m overdraft facility was renewed in August 2021. The Directors have made appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the forecast period and the effects of sales and other sensitivities, such as Brexit, COVID-19 and other risks as noted in the principal risks section of the Annual Report on the Group's forecast cash balances. This was carried out via a stress test which included reducing sales by 10% (3 times the estimated COVID-19 impact) which the Directors consider to be no more than a highly remote possibility. The stress test resulted in a slightly positive cash balance at the end of the reviewed period. As a result of this review, the Directors have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in preparing these financial statements.

2. Accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Consolidation
The Group's financial statements consolidate those of the parent company and all of its subsidiaries drawn up to 30 June 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used in the Group.

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: a) fair value of consideration transferred; b) the recognised amount of any non-controlling interest in the acquiree; and c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e., gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill
Goodwill arising from business combinations is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities and contingent liabilities acquired. It is initially recognised as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Intangible assets acquired as part of a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an asset and can be identifiable. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their useful economic life as follows:

Trade names	15 years
Customer relationships	5 years
Know-how and patents	10 years
Distribution agreements	15 years/period of contract

Externally acquired intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over their useful economic life as below and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets is reviewed at least at each financial year end:

Computer software	7 years
Other intangibles	15 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the Consolidated Income Statement in the expense category consistent with the function of the intangible asset in either administration costs or marketing and distribution costs.

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

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

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, R&D expenditure is charged to the Consolidated Income Statement in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Amortisation of all intangible assets is calculated on a straight-line basis over the useful economic life using the following annual rates:

Manufacturing know-how	15 years
Non-competing know-how	4 years
Other intangibles	15 years

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

The cost of amortising intangible assets is included within administration expenses in the Consolidated Income Statement.

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

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

Foreign currency translation
Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's presentational currency is Sterling, which is also the functional currency of the Group's parent.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at reporting period end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the Consolidated Income Statement. Non-monetary items are carried at historical cost or translated using the exchange rate at the date of the transaction or a weighted average rate as an approximation where this is not materially different.

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the weighted average rate over the reporting period which approximates to actual rates. Exchange differences are charged or credited to Other Comprehensive Income ("OCI") and recognised in the currency translation reserve in equity. OCI includes those items which would be reclassified to profit or loss and those items which would not be reclassified to profit or loss.

Revenue recognition
The Group's revenue recognition policy is as follows:

Revenue generated from a contract for the sale of goods is recognised on delivery when all conditions have been fulfilled to the customer, such as the supply of vaccines.

The Group recognises revenue in accordance with the requirements of IFRS 15 and in the five-step model set out within the standard as follows:

STEP 1 Identifying the contract with the customer
The Group accounts for contracts with customers within the scope of IFRS 15 only when all of the following criteria are met:

a. the Group and the customer have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
b. the Group can identify each party's rights regarding the services to be transferred;
c. the Group can identify the payment terms for services to be transferred;

d. the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
e. it is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Significant new contracts with distributors are reviewed by senior management to ensure the relevant terms are identified and agreed.

Substantially all sales are via purchase orders received from the customer which specifies the product to be delivered.

STEP 2 Identifying the performance obligations
At contract inception, the Group assesses the goods or services promised within the contract and identifies as a performance obligation, each promise to transfer to the customer either:

a. a good or service that is distinct; or
b. a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

With the exception of trivial amounts, the only identifiable performance obligation is the delivery of products.

STEP 3 Determining the transaction price
For the majority of supplies, the goods are sold at an agreed list price (or a variation of the list price as agreed between the parties). In these cases there is no variable consideration.

One exception is in the Canadian market where the Group sells to a distributor at an initially low margin and there is further consideration receivable by the Group. This deferred consideration forms part of the fair valuation of consideration receivable by the Group for goods supplied and therefore forms part of the transaction price. In these instances, the deferred consideration is accrued at a discounted value at the point of delivery. This further consideration is calculated at a fixed percentage of the distributor's sales revenue in relation to these products less certain costs associated with their sale. No element of this variable consideration is constrained. The distributor revenue and selling costs are estimated based on their selling price lists and accumulated experience. Although this additional revenue is variable in nature, it is not of a significant value.

There is no material difference between the timing of cash receipts and the timing of revenue recognition in respect of revenue contracts.

STEP 4 Allocating the transaction price to the separate performance obligations
There is only one performance obligation and accordingly the transaction price is allocated to the delivery of the product.

STEP 5 Recognising revenue when performance obligations are satisfied
The performance obligation is satisfied at the point in time when the product is delivered to the customer. Each transaction is recognised as a separate chargeable event. There are no further obligations.

Agent vs principal considerations
Upon inception of a contract with a customer, the Group considers whether it is acting as agent or as principal in accordance with IFRS 15. The Group considers that it is acting as a principal if it controls the specified good or service before that good or service is transferred to a customer. In doing so the Group has determined that it has acted as a principal and not as an agent as part of all of its contracts with customers. In reaching this conclusion the Directors considered the following arrangements:

Arrangements for sales through distributors
For all distributor arrangements, the distributor is invoiced at the time of delivery and title to the product passes upon full and final settlement of the invoice to which the delivery relates. The distributor has full discretion over the setting of the final selling price to the end customer and is responsible for all customer returns of product.

Arrangements for sales through agents
For all agreements with agents, the agent places orders with the Group and goods are then shipped to them. The Group, however, holds title to these products until they are sold on to a third party. The selling price to the end user is set by the relevant government body and the agent receives a fixed percentage of this selling price. The agent notifies the Group monthly on stock levels and this is reconciled to a statement which generates an invoice for payment by the agent. The Group is responsible for any customer returns of product. Revenue is recognised by the Group when the products are sold by the agent.

Statutory rebates
In Germany, pharmaceutical companies are required to pay a manufacturer's rebate to the government as a contribution to the cost of medicines paid for by the State and private health funds. The rebates are not considered to meet the definition of variable consideration as set out in IFRS 15.50-53. This is because at the point of entering into a contract with a customer on which a rebate is likely to apply (for example the supply of an allergy vaccine to a patient in Germany), there is no variability relating to the consideration to be received by the Group in exchange for the supply of the goods – the sales price and associated rebate is crystallised at the point of the supply. The calculation of the rebate to be repaid by the Group is carried out and invoiced in arrears by the various health insurer rebate centres in Germany. Accordingly, the rebate is considered to be a reduction in the selling price and is therefore deducted from the transaction price.

Presentation of material items

In preparing the financial statements the Directors consider whether there have been any material or unusual items. These items are disclosed separately on the face of the primary financial statements.

Expenditure recognition
Operating expenses are recognised in the Consolidated Income Statement upon utilisation of the service or at the date of their origin.

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

Net realisable value is calculated based on the selling price in the normal course of business less any costs to sell.

Use of accounting estimates and judgements
Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Judgements in applying accounting policies

a) Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will be made only where there is evidence that an economic benefit will accrue to the Group. To date no development costs have been capitalised and all costs have been expensed in the income statement as R&D costs. Costs expensed in the year amounted to £12.9m (2020: £9.0m which together with a credit relating to a legal claim for reimbursement of £3.2m resulted in total net R&D expenditure of £5.8m).

b) The Group had been awarded a provisional exemption to the increased statutory rebate charge in Germany for the period July to December 2012 by BAFA. Revenue of £1.2m (equivalent of €1.4m) was recognised in the year ended 30 June 2013 in relation to this exemption and the refund from the German authorities was subsequently collected.

   In February 2015, the provisional exemption was withdrawn by BAFA. The Group has lodged an appeal and, following legal advice, believe that the exemption will be reinstated. While the Group is confident that the exemption will be confirmed, there is a possibility that this will not happen. If the exemption is not confirmed, then the Group will ultimately have to repay €1.4m (£1.2m now) with a corresponding impact on net income and net assets.

c) In respect of net revenue relating to certain products there is a risk that up to £10.7m cumulative revenue recognised (2020: £7.4m) may be reversed due to a retrospective change in the level of rebate being applied (2021: £3.3m recognised and periods up to 2020: £7.4m recognised). Details of this have been noted in Note 13, Contingent liabilities.

Sources of estimation uncertainty

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

   In relation to the goodwill in respect of the German CGU, there is no likely scenario in which this goodwill would be impaired. Discount rates would have to rise beyond 850% or annual cash inflows would have to reduce by more than £20m p.a. before the goodwill would be impaired.

   In relation to the goodwill in respect of the Spanish CGU, possible impairment was sensitised with a discount rate of 24% and alternatively with reduced annual cash inflows of £0.75m with neither of these scenarios indicating an impairment.

b) The Group operates equity-settled share-based compensation plans for remuneration of its employees comprising LTIP schemes. Employee services received in exchange for the grant of any share-based compensation are measured at their fair values and expensed over the vesting period. The fair value of this compensation is dependent on whether the provisional share awards will ultimately vest, which in turn is dependent on future events which are uncertain. The Directors use their judgement and experience of previous awards to estimate the probability that the awards will vest, which impacts the fair valuation of the compensation.

   The key variables to be estimated are the number of awards that will lapse before the vesting date due to leavers, and the number of awards that will vest in relation to the non-market condition performance tests.

c) The Group operates a partly funded non-contributory defined benefit pension scheme for certain employees in Germany. The defined assets and liabilities of this scheme are estimated using actuarial methods by an independent expert.

3. Revenue

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

	2021 £'000	2020 £'000
Sale of goods at a point in time	**84,331**	78,179
Rendering of services transferred over time	**-**	25
	84,331	78,204

Rendering of services relates to the supply of services to a new distributor to assist them in setting up operations in their territory.

4. Segmental reporting

The Group's operating segments are reported based on the financial information provided to the Executive Directors, who are defined as the CODM, to enable them to allocate resources and make strategic decisions.

The CODM reviews information based on geographical market sectors and assesses performance at an EBITDA (operating profit before interest, tax, depreciation and amortisation) and operating profit level. Management have identified that the reportable segments are Central Europe (which includes the following operating segments: Germany, Austria, Switzerland and the Netherlands), Southern Europe (Italy, Spain and Other), the UK and Rest of World.

For all material regions that have been aggregated, management consider that they share similar economic characteristics. They are also similar in respect of the products sold, types of customer, distribution channels and regulatory environments.

Revenue by segment

	Revenue from external customers 2021 £'000	**Inter-segment revenue 2021 £'000**	**Total segment revenue 2021 £'000**	Revenue from external customers 2020 £'000	Inter-segment revenue 2020 £'000	Total segment revenue 2020 £'000
Central Europe						
Germany	**53,802**	—	**53,802**	47,977	—	47,977
Austria	**5,604**	—	**5,604**	5,146	—	5,146
Netherlands	**4,166**	—	**4,166**	3,965	—	3,965
Switzerland	**3,137**		**3,137**	3,161	—	3,161
		-				
	66,709	—	**66,709**	60,249	—	60,249
Southern Europe						
Italy	**3,967**	—	**3,967**	4,493	—	4,493
Spain	**8,422**	—	**8,422**	7,939	—	7,939
Other	**532**	—	**532**	690	—	690
	12,921	—	**12,921**	13,122	—	13,122
Rest of World (including UK)	**4,701**	**53,981**	**58,682**	4,833	35,262	40,095
	84,331	**53,981**	**138,312**	78,204	35,262	113,466

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

Rest of World revenues include sales through distributors and agents in several markets including the Czech Republic, Slovakia, Canada and South Korea. These include rendering of services revenues (Note 3). Inter-segment revenues represent sales of product from the UK to the operating subsidiaries. The price is set on an arm's-length basis which is eliminated on consolidation.

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

The Group has no customers which individually account for 10% or more of the Group's revenue.

Depreciation and amortisation by segment

	2021	2020

	£'000	£'000
Central Europe	**1,244**	1,014
Southern Europe	**795**	811
Rest of World (including UK)	**2,093**	2,089
	4,132	3,914

EBITDA by segment

	2021 £'000	2020 £'000
Allocated EBITDA		
Central Europe	**2,803**	3,042
Southern Europe	**1,080**	886
Rest of World (including UK)	**4,280**	8,295
Allocated EBITDA	**8,163**	12,223
Depreciation and amortisation	**(4,132)**	(3,914)
Operating profit	**4,031**	8,309
Finance income	**117**	266
Finance expense	**(491)**	(504)
Profit before tax	**3,657**	8,071

Total assets by segment

	2021 £'000	2020 £'000
Central Europe	**23,820**	23,492
Southern Europe	**12,052**	12,269
Rest of World (including UK)	**89,779**	87,755
	125,651	123,516
Inter-segment assets	**(5,937)**	(6,934)
Inter-segment investments	**(31,625)**	(30,357)
Total assets per balance sheet	**88,089**	86,225

Included within Central Europe are non-current assets to the value of £2.6m (2020: £2.6m) relating to goodwill and within Southern Europe assets to the value of £3.8m (2020:£4.3m) relating to freehold land and buildings. There were no material additions (excluding foreign exchange differences) to non-current assets in any country except the UK where non-current asset additions totalled £2.0m and comprised plant & machinery £1.2m, fixtures and fittings £0.2m, computer equipment £0.3m and computer software £0.3m (2020: £1.6m).

Total liabilities by segment

	2021 £'000	2020 £'000
Central Europe	**(22,266)**	(22,915)
Southern Europe	**(11,301)**	(8,432)
Rest of World (including UK)	**(11,924)**	(18,029)
	(45,491)	(49,376)
Inter-segment liabilities	**5,937**	6,934
Total liabilities per balance sheet	**(39,554)**	(42,442)

5. Other income

	2021 £'000	2020 £'000
Net monetary value of above the line R&D tax credit	**567**	634

6. Finance expense

	2021 £'000	2020 £'000
Interest on borrowing facility	**85**	18
Net interest expenses on defined benefit pension liability	**105**	165
Interest on lease liabilities	**301**	321
	491	504

7. Finance income

	2021 £'000	2020 £'000
Bank interest	**39**	216

Interest on investment assets	**68**	45
Other finance income	**10**	5
	117	266

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

8. Earnings per share

	2021 £'000	2020 £'000
Profit after tax attributable to equity shareholders	**2,886**	7,058
	Shares '000	Shares '000
Issued Ordinary Shares at start of the period	**637,286**	636,169
Ordinary Shares issued in the period	**4,487**	1,117
Issued Ordinary Shares at end of the period	**641,773**	637,286
Weighted average number of Ordinary Shares for the period	**639,190**	636,169
Potentially dilutive share options	**37,468**	37,323
Weighted average number of Ordinary Shares for diluted earnings per share	**676,658**	673,492
Basic earnings per Ordinary Share (pence)	**0.45p**	1.11p
Diluted earnings per Ordinary Share (pence)	**0.43p**	1.05p

9. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	**2,969**	2,874
Work in progress	**2,737**	3,696
Finished goods	**5,132**	3,562
	10,838	10,132

The value of inventories measured at fair value less cost to sell was £949,000 (2020: £336,000). The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a charge of £613,000 which was included within the cost of goods sold in the Consolidated Income Statement.

10. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**2,960**	3,491
Other receivables	**1,219**	1,622
VAT	**439**	540
Prepayments and accrued revenue	**1,604**	2,423
	6,222	8,076

All amounts due as shown above are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All trade and other receivables have been reviewed for indicators of impairment. During the year, £81,000 of trade receivables were written back and none of the provision utilised. The impaired trade receivables are mostly due from private customers in the Italian market who are experiencing financial difficulties.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

All of the Group's trade receivables in the comparative periods have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.
In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile over the past 24 months to 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off (i.e. derecognised) where there is no reasonable expectation of recovery. An allowance is made for credit losses when there is an indication that the debt may not be recovered. Failure to make payments within five months from the invoice due date is considered an indicator of possible non-recovery.

Bad and doubtful debt provision

	2021 £'000	2020 £'000
Balance brought forward	**541**	460
Foreign exchange adjustments	**(28)**	12
(Write back of previous credit losses)/ allowance for credit losses	**(81)**	69
Utilised	**-**	-
Balance carried forward	**432**	541

This note includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

On the above basis the expected credit loss for trade receivables as at 30 June 2021 and 30 June 2020 was determined as follows:

	2021			2020		
	Expected credit loss rate %	**Gross carrying amount £'000**	**Lifetime expected credit loss £'000**	Expected credit loss rate %	Gross carrying amount £'000	Lifetime expected credit loss £'000
Trade receivables						
Current	**-**	**2,514**	**-**	-	2,301	-
Not more than three months	**-**	**240**	**-**	-	863	-
More than three months but not more than six months	**1%**	**164**	**1**	2%	243	4
More than six months but not more than one year	**40%**	**27**	**11**	66%	136	90
More than one year	**94%**	**447**	**420**	91%	489	447
		3,392	**432**		4,032	541

11. Borrowings

	2021 £'000	2020 £'000
Due within one year		
Bank loans	**963**	829
	963	829

	2021 £'000	2020 £'000
Due in more than one year		
Bank loans	**2,450**	2,927
	2,450	2,927

There is an overdraft facility provided by NatWest Bank plc which has a maximum limit during the year of up to £7m. Interest on the overdraft is at the bank's base rate plus a fixed margin of 2.50%. The facility is secured in favour of NatWest Bank plc by means of debentures granted by Allergy Therapeutics plc, Allergy Therapeutics (Holdings) Ltd and Allergy Therapeutics (UK) Ltd as security against the banking facilities. The Group had a cash balance of £40.3m as at 30 June 2021 and the £7m overdraft facility was unused at 30 June 2021 (2020: £nil). The overdraft facility was renewed in August 2021.

The loans below were taken out by Allergy Therapeutics Iberica S.L. and are secured by way of a charge on land and buildings owned by Allergy Therapeutics Iberica S.L.

		Capital repayments due		
	Interest rate	<1 year £'000	1–5 years £'000	>5 years £'000
BBVA	Fixed rate of 2.5%	72	443	-
Bank Inter	1 month Euribor +5.0%	30	149	43
Tecnoalcala	Interest free	25	25	-
Santander (1)	Fixed rate of 2.5%	354	271	-
CDTI (1)	Interest free	37	147	86
Santander (2)	Fixed rate of 2.3%	85	228	-
CDTI (2)	Fixed rate of 0.2%	50	81	-
Santander (3)	Fixed rate of 2.3%	310	977	-
		963	2,321	129

During the year, Allergy Therapeutics Iberica S.L. took out a loan for €0.6m (included above) to further expand the Group's manufacturing and quality control facilities. Warranties in respect of this €0.6m loan were provided by Allergy Therapeutics plc.

12. Issued share capital

	2021		2020	
	Shares	**£'000**	Shares	£'000
Authorised share capital				
Ordinary Shares of 0.10 pence each				

1 July and 30 June	**790,151,667**	**790**	790,151,667	790
Deferred shares of 0.10 pence each				
1 July and 30 June	**9,848,333**	**10**	9,848,333	10
Issued and fully paid				
Ordinary Shares of 0.10 pence				
At 1 July	**637,285,804**	**637**	636,168,616	636
Issued during the year:				
Share options exercised	**4,486,914**	**4**	1,117,188	1
At 30 June	**641,772,718**	**641**	637,285,804	637
Issued and fully paid				
Deferred shares of 0.10 pence				
At 1 July	**9,848,333**	**10**	9,848,333	10
Issued during the year	**-**	**-**	-	-
At 30 June	**9,848,333**	**10**	9,848,333	10
Issued share capital	**651,621,051**	**651**	647,134,137	647

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

Share options issued on vesting of LTIP awards were exercised in the year with proceeds of £4,000 (2020: £1,000).

13. Contingent liabilities

During the year, Allergy Therapeutics Iberica S.L. took out a loan for €0.6m to further expand the Group's manufacturing and quality control facilities. Warranties in respect of this loan were provided by Allergy Therapeutics plc.

In respect of revenue relating to certain products there is a risk that up to £10.7m cumulative revenue recognised (2020: £7.4m) may be reversed due to a retrospective change in the level of rebate being applied (2021: £3.3m recognised and periods up to 2020: £7.4m recognised).

On 23 February 2015, the Company received notification that BAFA had made a decision to reverse their preliminary exemption to the increased manufacturer's rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4m (£1.1m at that time, now £1.2m) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be reinstated. Therefore, as at 30 June 2021, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

14. Ultimate control

There is no overall ultimate controlling party.