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

Unaudited Preliminary Results for the Year ended 30 June 2022

- *Phase I VLP Peanut PROTECT trial, incorporating ground-breaking VLP technology, commencing shortly*
- *Highly successful exploratory field trial for Grass MATA MPL, achieved 40% improvement in combined symptom and medication score compared to placebo, with pivotal Phase III trial on track to start in Q4 2022*
- *Robust 2022 trading with revenue of £72.8m (2021: £84.3m) on streamlined portfolio*
- *Continued growth of key commercial products, Pollinex, Venomil and Acarovac*

29 September 2022 Allergy Therapeutics (AIM: AGY), the fully integrated specialty pharmaceutical company specialising in allergy vaccines, today announces its unaudited preliminary results for the year ended 30 June 2022.

Highlights (including post-period events)

Financial

- Robust sales of £72.8m (2021: £84.3m) from commercial portfolio. Strategic streamlining of older products to focus on high value growth products has resulted in a decrease of 14% in actual terms (9%* in constant terms)
- Operating profit pre-R&D of £3.4m (2021: £16.9m) reflecting portfolio streamlining, COVID-19 headwinds and investment in supply chain
- Strong cash balance of £20.5m (2021: £40.3m) providing ongoing support for the Group's two key clinical trials
- Full year net loss of £13.8m (2021: Net profit of £2.9m)
- Announced the fundraise today for £7m (before expenses) and loan notes to the value of £10m to complete funding of October's Phase I VLP Peanut PROTECT trial, Phase III Grass MATA MPL trial as well as preparations for use of placebo arm of Grass MATA MPL trial to increase safety database and Phase II development of VLP Peanut. Fundraise supported by a number of the Company's largest shareholders.

Operational

- Acceptance by the US FDA of IND application for VLP Peanut with Phase I PROTECT trial in the US due to commence shortly
- Highly successful exploratory field trial for Grass MATA MPL, achieving 40% improvement in combined symptom and medication score compared to placebo
- Continued growth of key commercial products, Pollinex, Venomil and Acarovac, in streamlined portfolio

Manuel Llobet, CEO of Allergy Therapeutics, stated:

"Over the past financial year, we have made significant progress in advancing our clinical pipeline and we are excited to be approaching the start of two key clinical trials in our innovative immunotherapy pipeline. The first-in-human PROTECT trial of our peanut allergy vaccine candidate and the pivotal phase III trial for our grass pollen immunotherapy are significant milestones in our journey to bring these potentially life-changing treatments to patients.

"While market conditions remain challenging for many companies, our leading core European commercial business has been resilient. With a solid cash position and strong, established commercial capabilities that set us apart from solely R&D focused health companies, we are uniquely positioned to create value for our shareholders."

*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 meeting and webcast for analysts and investors at 12pm UK time today. The live webcast can be accessed here. Please contact Consilium Strategic Communications for more details on allergytherapeutics@consilium-comms.com.

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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 includes 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, 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

Introduction

2022 has been an important year of evolution for our business: firstly, preparing for entry into the US market with the start of two significant clinical trials and, secondly, strategically streamlining our commercial portfolio with a focus on differentiated, high margin and innovative allergy treatments. We are uniquely positioned to create shareholder value, combining a strong commercial business with an innovative R&D business. As such, we continue to benefit both from a solid trading performance and from the future opportunities provided by our innovative technologies.

Impressive results from the exploratory field trial investigating the Group's short-course grass pollen immunotherapy, Grass MATA MPL, alongside the industrial scale up and acceptance of the US Food and Drug Administration's (FDA) Investigational New Drug (IND) application for VLP Peanut, our peanut allergy vaccine candidate, incorporating virus-like particle (VLP) technology, have both set the business up very well for the coming year.

2023 will be a calendar year of great significance for our clinical development programmes as we anticipate clinical trial results from these two pipeline candidates which have potential to reshape the Group's future portfolio. Grass MATA MPL and VLP Peanut are both highly innovative products that could offer a paradigm shift in the treatment of allergic disorders.

Performance

The actions of firstly, strategic streamlining the Group's non-differentiated older products and secondly, repositioning the portfolio to maintain focus on high value, innovative and highly differentiated short-course subcutaneous immunotherapies (SCIT) are key to the continued success and growth of Allergy Therapeutics. The short-term revenue reduction from this streamlining, alongside continued headwinds from the COVID-19 pandemic and wider challenging economic conditions, during a time of regulatory uncertainty as the German therapy allergen ordinance (TAV) process comes into its final years, have challenged the business. From 2026, all allergy therapies in Germany will need to have acquired marketing authorisation through this process, underlining the importance of the Group's focus on high quality clinical evidence to support its portfolio. Despite the challenging environment, the business has remained resilient throughout, achieving a positive trading position, which is a testament to the quality of the team and the robust business model that Allergy Therapeutics operates.

Board changes

As we shift our focus towards a global future, with entry into the US market, we have strengthened our Board of Directors with a key addition.

We have appointed Cheryl MacDiarmid, Head of Global Commercial Strategy at ViiV Healthcare (a joint venture between GSK, Pfizer and Shionogi), as a Non-Executive Director. Cheryl brings unparalleled, industry-leading experience of commercialising products in the US as well as excellent general management skills as a former member of the GSK US Executive team leading the respiratory sales and marketing team. She is a values-driven leader with significant experience managing commercial risk, compliance and alliance governance.

Nick Wykeman will step down as Chief Financial Officer in order to pursue a non-executive career, leaving the business in November 2022. On behalf of the Board and everyone at Allergy Therapeutics I would like to take this opportunity to thank Nick for his contribution and wish him the very best for the future.

Outlook

Allergy Therapeutics is built on a mission to deliver transformational outcomes for allergy patients through its pioneering research and products. The coming year will be key to advancing this mission as

we commence our pivotal Phase III Grass MATA MPL trial and Phase I VLP Peanut PROTECT trial. The successful progression of these trials has the potential to transform both this business and the lives of allergy patients.

Whilst we anticipate a return to near double digit revenue growth next year, our portfolio adjustment and ongoing business requirements, including an increase in clinical development delivery, will shift the performance of the business to target a trading profit pre-R&D that is in the low millions. This will also reflect further investment in the supply chain and the likely continuing challenging trading environment.

Finally, I would like to thank all our employees at Allergy Therapeutics for their performance during the year and their continued commitment to make 2023 a year of significant progress.

CEO Report

Introduction

Allergy Therapeutics' focus on innovative allergy immunotherapies with the potential to transform the lives of patients is proving successful, illustrated by the promising results seen within our innovative pipeline. Our grass pollen immunotherapy candidate, Grass MATA MPL, showed an unprecedented 40% improvement in the combined symptom and medication score compared to placebo in an exploratory field study and our peanut allergy vaccine candidate, VLP Peanut, which will very soon enter the clinic, has continued its excellent progress through strong pre-clinical trials and scale-up.

The second pillar of our strategy, our commercial business in Europe, has performed well in its fundamentals, despite trading challenges from factors affecting the wider market. This reflects the quality of the Group's portfolio and the robustness of the business.

The third pillar of the strategy, entry into the US market, moves closer, with the upcoming pivotal Phase III Grass MATA MPL trial. The total US allergy immunotherapy market is estimated to be worth $2bn with around 25% of the patients suffering from grass allergy. This indicates potential peak sales for Grass MATA MPL of approximately $300 to $400m per annum.

Clinical development

Delivering a step change in the management of grass pollen allergy

Clinical development of our short-course grass pollen immunotherapy, Grass MATA MPL, has continued to deliver positive results with the highly successful exploratory field trial (G309) achieving an efficacy of 40% in an extended posology, a result which, we believe, has not previously been achieved by any allergy company in a field trial. The purpose of the trial was to evaluate efficacy and safety, and the results indicated a significant reduction in daily symptoms and use of relief medication among participants receiving Grass MATA MPL. Both dosing regimens used in the trial were safe and well tolerated.

The exploratory field trial incorporated a novel study design and methodology to examine multiple endpoints, minimise the placebo effect and enable extensive biomarker analysis. Learnings from the trial, alongside the excellent results, have allowed us to optimally design our upcoming pivotal Phase III field trial (G306), which includes increasing the confidence level of the trial, to maximise the likelihood of success and support our future regulatory plans for entering the US market.

That pivotal Phase III trial is expected to commence before the end of 2022, recruiting approximately 1,200 patients at sites across Europe and the US. The first data read out is planned for Q4 2023. Treatment will last for an extended 13 weeks with a six-injection posology. Subject to success with this trial, the only further requirement before a Biological Licence Application (BLA) can be filed with the FDA will be completion of the safety database. To submit a regulatory filing in Germany, a one-year paediatric trial will be required. This is budgeted in clinical development plans for 2023 and 2024, subject to a successful outcome of the phase III trial and further funding. Data from that paediatric trial can also potentially be used to support the paediatric US filing.

We strongly believe that this product candidate has the potential to be a best-in-class therapy for patients suffering from allergic rhinoconjunctivitis due to grass pollen and could demonstrate higher efficacy compared to standard care, with improved adherence due to its short course nature. Although

rarely a life-threatening condition, allergic rhinitis can lead to ‘Asthma March’, a gradual progression of asthma symptoms, which can potentially become life threatening. New treatment approaches are vital.

A positive outcome of the upcoming Phase III trial would create the potential for Allergy Therapeutics to commercialise the only ultra-short course allergy vaccine in the world. No other company has been able to overcome the enormous difficulties associated with the major placebo effect that we were able to do in our exploratory field study. The innovative methodology tested in that study should allow us to successfully develop a state-of-the-art grass pollen immunotherapy that aims to guarantee patient compliance. Such a product profile has the potential to establish the Group’s MATA MPL platform in a dominant worldwide position in the specific immunotherapy market.

Once the Phase III Grass MATA MPL trial has been completed, the Company intends to undertake its paediatric trial investigating Grass MATA MPL as well as a Phase III Birch MATA MPL trial in order to strengthen the approved product platform in Europe and potentially the US.

A next-generation peanut allergy immunotherapy
Our highly innovative peanut allergy vaccine candidate, VLP Peanut, has been successfully scaled up ready for the first-in-human Phase I PROTECT trial, which is expected to begin dosing trial participants via subcutaneous injection shortly. Following acceptance by the US FDA of the Group’s IND application and successful site initiations, skin prick tests among peanut-allergic patients are about to start, marking another major milestone in the clinical development of this product. The Group expects to communicate the transitions between cohorts that will serve to update on the trial’s progress.

VLP Peanut is a truly novel, next-generation allergy immunotherapy candidate with potential to be disease-modifying. The likely posology of VLP Peanut is just three injections, followed by a further boost after a number of years, representing a significantly lower burden of dosing for patients compared with currently available oral treatments. These only increase tolerability to the peanut allergen and require daily dosing over many months or years, which can limit adherence. While transient monoclonal antibody treatments have shown potential in the field of peanut allergy therapeutics, they remain expensive, require regular treatment and are not disease modifying.

The availability of a safe and effective short-course vaccine that provides long-term protection and induces a long-lasting protective immune response would present a paradigm shift in how peanut allergy can be managed and has the potential to be a significant product in the $8bn worldwide food allergy market. VLP Peanut reflects the Company’s commitment to the development of transformative treatment options, with the ultimate goal of improving the patient experience and delivering better patient outcomes.

Financial Performance
Overview
The Group performed robustly, achieving sales of £72.8m. This represents a 14% reduction in actual terms (9%* in constant currency terms) compared to £84.3m in 2021. This short-term revenue decrease is primarily due to the previously disclosed strategic streamlining of older products to maintain focus on high value and highly differentiated SCIT and innovative allergy treatments. The underlying business continues to perform.

Rapid spread of the COVID-19 Omicron variant impacted Group performance, with physicians in Germany being redeployed to support the COVID-19 vaccination efforts. The challenges to the supply chain caused by the continued spread of COVID-19 and manufacturing upgrades, which led to delays in shipping in 2022, are expected to improve in 2023. The regulatory environment continues to be a challenge. The Group is managing this by continuing to invest in market access expertise. The Group sees the transition from a named-patient product market to a registered market to be an important mid-term opportunity. This is being capitalised on through investments in clinical trials such as the upcoming Grass MATA MPL Phase III trial and VLP Peanut’s Phase I PROTECT trial.

The business has performed robustly and continued to grow in most markets in 2022. Pollinex, Venomil and Acarovac sales all grew, while Pollinex Quattro was affected by the market disruption as a named patient product in Germany.

A new Paper Wasp (Polisties) allergy immunotherapy treatment, based on the Group's Venomil product, was launched in Spain in June, where the incidence of this type of allergy, as well as the need for new treatment options, is high.

The Group has successfully implemented cost saving strategies to achieve the planned operating profit pre-R&D. Capital investment in infrastructure and personnel training is also ensuring the Group's continuing compliance with the latest GMP standards, with further investment expected in future years to maintain the required high levels of quality.

Post period, on 29 September 2022, the Company announced a subscription to raise £7 million (before expenses) along with £10m of loan notes and the issue of associated warrants. The fundraise is conditional on shareholder approval at a General Meeting to be held on 18 October 2022. This funding will complete the funding of the Phase I VLP Peanut PROTECT trial and the pivotal Phase III trial for Grass MATA MPL, enable preparation for the future extension of the Grass MATA MPL field trial to treat placebo patients (reducing the size of the final safety database trial) and manufacture clinical batches for a Phase II VLP Peanut trial. The Board continues to review the Group's funding requirements, including opportunities to further de-risk its clinical trial programmes to optimise future value creation. These options include, but are not limited to, a potential path to a Nasdaq dual listing once conditions in the market improve.

Outlook

Next year will be an important year for the business with the pivotal Grass MATA MPL Phase III trial expected to read out in Q4 2023 and results from the Phase I VLP Peanut PROTECT trial also becoming available in the summer of 2023.

The trading business is in a transition process with the Grass and Birch MATA MPL products in the TAV process. This means that the outlook for next year is likely to show a recovery, with near double-digit growth expected.

While expenses in the current financial year have been suppressed by the effect of COVID-19 on business travel and a reduced scientific conference circuit, alongside robust cost control measures, this is unlikely to continue next year. The end of COVID-19 restrictions will allow for a return to scientific conference attendance and execution of a normalised commercial strategy. The Group also intends to make further investment in the supply chain. This is likely to create an operating profit before R&D in the low single millions.

Financial Review

Overview

The Group made an operating profit excluding R&D[1] of £3.4m (2021: £16.9m) for the year to 30 June 2022 reflecting the planned strategic streamlining of the product portfolio, COVID-19 and commercial headwinds in Germany. Including R&D expense of £15.7m (2021: £12.9m), the Group reported an operating loss of £12.2m (2021: operating profit of £4.0m). The net loss after tax for the period was £13.8m (2021: net profit of £2.9m). The impact of IFRS 16, Leases for 2022 has been similar to that of 2021, with all the Group's leases shown on the balance sheet as a 'right-of-use' asset and lease liability with the 2022 EBITDA uplifted by £1.8m (2021: £1.9m) and the operating profit by £0.2m (2021: £0.2m).

Revenue

Reported revenue decreased by 13.6% to £72.8m (2021: £84.3m). The weighted average Euro exchange rate in the year was €1.17 to £1 compared to €1.12 in 2021. Revenue at constant currency[2] was 9.4% lower, as shown in the table below.

Revenue from Germany was 59% (2021: 64%) of total reported revenue, reflecting the streamlining of the product portfolio which solely affected Germany, COVID-19, supply disruption due to upgrades and commercial headwinds. Sales of Venomil, Pollinex and Acarovac continued to grow. Total sales from other products contributed £3.3m for the year ended 30 June 2022 (2021: £4.0m).

Revenue in Germany decreased in the year with revenue at constant currency[2] down to £44.8m (2021: £53.8m), a decrease of 17%.

Some European markets exhibited good sales growth at constant currency[2] with Spain showing 11%, the Netherlands 8%, Czech Republic 7% and UK 5%. 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 £23.3m (2021: £22.1m) reflecting investment in the supply chain and the fixed nature of the manufacturing facility costs. The gross margin was 68% (2021: 74%) reflecting investment in manufacturing, leading to a gross profit of £49.5m (2021: £62.2m).

	2022			2021		
	Germany £m	**Other £m**	**Total £m**	Germany £m	Other £m	Total £m
Revenue	**42.6**	**30.2**	**72.8**	53.8	30.5	84.3
Adjustment to retranslate at prior year foreign exchange rate	**2.2**	**1.4**	**3.6**			
Revenue at constant currency[2]	**44.8**	**31.6**	**76.4**	53.8	30.5	84.3

1. Operating profit (pre-R&D) is calculated by adding back total R&D expenditure for the year to the operating (loss)/profit of the year to arrive at an operating profit (pre-R&D) of £3.4m (2021: £16.9m).
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.

Operating expenses
Total overheads were £3.7m higher than prior year at £62.5m (2021: £58.8m). This included R&D expenditure that rose by £2.8m to £15.7m (2021: £12.9m) due to investment in the VLP Peanut and Grass MATA MPL studies.

Non-R&D operating costs of £46.8m increased by £0.9m (2021: £45.9m) due to further investment in compliance and rising labour costs partly offset by cost savings.

Sales, marketing and distribution costs increased by £0.8m to £26.0m (2021: £25.2m) mainly as a result of recovery post COVID-19. Other administration expenses were broadly in line with last year at £20.8m (2021: £20.7m).

Other income in the year of £0.7m (2021: £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.

The overall charge in the income statement is £1.1m (2021: £0.8m). IFRIC23 continues to impact the overall charge.

Balance sheet
Property, plant and equipment (including IFRS 16) increased by £0.5m to £20.2m (2021: £19.7m) reflecting investment in the Worthing energy centre and upgrade of plant in the UK.

Goodwill remained the same at £3.3m (2021: £3.3m), whilst other intangible assets increased by £0.3m to £1.7m (2021: £1.4m).

Total current assets, excluding cash, increased to £21.9m (2021: £17.6m). Inventory increased by £0.6m due to more raw materials being held to protect against worldwide shortages resulting from COVID 19. Trade and other receivables have increased by £4.2m, mainly due to prepayments related to R&D trial activities. Cash and cash at hand decreased to £20.5m from £40.3m and there was a net cash outflow of £20.2m in the year (2021: net inflow of £3.7m) as a result of trading losses, investment in R&D and capital items.

The fair value of derivative financial instruments was a liability of £0.1m in 2022 (2021: asset of £0.5m) due to exchange rate fluctuations.

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
Post period, on 29 September 2022, the Company announced a subscription to raise £7 million (before expenses) as well as loan notes to the value of £10m with associated warrants. The subscription is conditional on shareholder approval at a General Meeting. This funding will enable Allergy Therapeutics to secure complete funding for the Phase I VLP Peanut PROTECT trial and the pivotal Phase III trial for Grass MATA MPL, and enable preparation for the future extension of the Grass MATA MPL field trial to treat placebo patients. The funding will also allow the production of the batches for the Phase II VLP Peanut trial, reducing the timeline of development as well as supporting the extended R&D in house resources for the trials in process and to come.

The Group's existing bank debt on its balance sheet consists mainly of bank loans arranged to fund development of products in the Spanish market. Group borrowing totalled £2.4m (2021: £3.4m) at 30 June 2022. In February 2022 the Group agreed a secured revolving credit facility (RCF) of £10m with NatWest Bank plc. The RCF replaced the previous £7m overdraft facility provided by NatWest Bank plc. The facility is for a three-year period with the ability to extend annually for a further two years. This new facility is intended to provide additional security to the Group's credit facilities. The £10m RCF was unused at 30 June 2022

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.

Unaudited consolidated income statement

for the year ended 30 June 2022

	Note	**Year to 30 June 2022 £'000**	**Year to 30 June 2022 £'000**	Year to 30 June 2021 £'000	Year to 30 June 2021 £'000
Revenue	3		**72,768**		84,331
Cost of sales			**(23,262)**		(22,106)
Gross profit			**49,506**		62,225
Sales, marketing and distribution costs			**(26,004)**		(25,200)
Administration expenses – other		**(20,828)**		(20,674)	
Research and development costs		**(15,659)**		(12,887)	
Total administrative expenses			**(36,487)**		(33,561)
Other income	5		**740**		567
Operating (loss)/profit			**(12,245)**		4,031
Finance income	7		**257**		117
Finance expense	6		**(669)**		(491)
(Loss)/profit before tax			**(12,657)**		3,657
Income tax			**(1,119)**		(771)
(Loss)/profit for the period			**(13,776)**		2,886
(Loss)/earnings per share	8				
Basic (pence per share)			**(2.14)p**		0.45p
Diluted (pence per share)			**(2.14)p**		0.45p

Unaudited consolidated statement of comprehensive income

for the year ended 30 June 2022

	Note	**Year to 30 June 2022 £'000**	Year to 30 June 2021 £'000
(Loss)/profit for the period		**(13,776)**	2,886
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations		**3,094**	1,689
Remeasurement of investments – retirement benefit assets		**(193)**	(58)
Revaluation gains – freehold land and buildings		**—**	94
Deferred tax movement – freehold land and buildings		**—**	5
Total other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**265**	(503)
Total comprehensive (loss)/income		**(10,610)**	4,113

Unaudited consolidated balance sheet

as at 30 June 2022

	Note	**30 June 2022 £'000**	30 June 2021 £'000
Assets			
Non-current assets			

Property, plant and equipment		**20,190**	19,717
Intangible assets – goodwill		**3,347**	3,343
Intangible assets – other		**1,688**	1,411
Investments – retirement benefit asset		**5,962**	5,760
Total non-current assets		**31,187**	30,231
Current assets			
Inventories	9	**11,410**	10,838
Trade and other receivables	10	**10,468**	6,222
Cash and cash equivalents		**20,515**	40,273
Derivative financial instruments		**—**	525
Total current assets		**42,393**	57,858
Total assets		**73,580**	88,089
Liabilities			
Current liabilities			
Trade and other payables		**(15,669)**	(16,475)
Current borrowings	11	**(952)**	(963)
Lease liabilities		**(1,064)**	(792)
Derivative financial instruments		**(116)**	—
Total current liabilities		**(17,801)**	(18,230)
Net current assets		**24,592**	39,628
Non-current liabilities			
Retirement benefit obligations		**(8,319)**	(11,291)
Deferred taxation liability		**(406)**	(408)
Non-current provisions		**(144)**	(208)
Lease liabilities		**(7,016)**	(6,967)
Long-term borrowings	11	**(1,497)**	(2,450)
Total non-current liabilities		**(17,382)**	(21,324)
Total liabilities		**(35,183)**	(39,554)
Net assets		**38,397**	48,535
Equity			
Capital and reserves			
Issued share capital	12	**654**	651
Share premium		**112,576**	112,576
Merger reserve		**40,128**	40,128
Reserve – share-based payments		**2,799**	2,693
Revaluation reserve		**1,073**	1,073
Foreign exchange reserve		**(923)**	(1,188)
Retained earnings		**(117,910)**	(107,398)
Total equity		**38,397**	48,535

Unaudited consolidated statement of changes in equity

for the year ended 30 June 2022

	Issued capital £'000	Share premium £'000	Merger reserve £'000	Reserve – share-based payment £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
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
Exchange differences on translation of foreign operations	—	—	—	—	—	265	—	265
Valuation gains taken to equity (land and buildings) – net of deferred tax	—	—	—	—	—	—	—	—
Remeasurement of net defined benefit liability	—	—	—	—	—	—	3,094	3,094
Remeasurement of investments – retirement benefit assets	—	—	—	—	—	—	(193)	(193)
Total other comprehensive income	—	—	—	—	—	265	2,901	3,166
Loss for the period after tax	—	—	—	—	—	—	(13,776)	(13,776)
Total comprehensive income	—	—	—	—	—	265	(10,875)	(10,610)
Transactions with owners:	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	469	—	—	—	469
Shares issued	3	—	—	—	—	—	—	3

Transfer of lapsed options to retained earnings	—	—	—	(363)	—	—	363	—
At 30 June 2022	**654**	**112,576**	**40,128**	**2,799**	**1,073**	**(923)**	**(117,910)**	**38,397**

Unaudited consolidated cash flow statement

for the year ended 30 June 2022

	Note	**Year to 30 June 2022 £'000**	Year to 30 June 2021 £'000
Cash flows from operating activities			
(Loss)/profit before tax		**(12,657)**	3,657
Adjustments for:			
Finance income	7	**(257)**	(117)
Finance expense	6	**669**	491
Non-cash movements on defined benefit pension plan		**27**	85
Depreciation and amortisation		**4,166**	4,132
Net monetary value of above-the-line	5		
R&D tax credit		**(740)**	(567)
Charge for share-based payments		**469**	635
Movement in fair valuation of derivative financial instruments		**640**	(1,340)
(Increase)/decrease in trade and other receivables		**(3,885)**	2,141
(Increase) in inventories		**(586)**	(1,117)
(Increase)/decrease in trade and other payables		**(1,872)**	548
Net cash (used)/generated by operations		**(14,026)**	8,548
Bank loan and interest paid		**(296)**	(190)
Income tax (paid)/received		**(51)**	41
Net cash (used)/generated by operating activities		**(14,372)**	8,399
Cash flows from investing activities			
Interest received		**257**	117
Payments for retirement benefit investments		**(179)**	(194)
Payments for intangible assets		**—**	—
Payments for property, plant and equipment		**(3,276)**	(2,562)
Net cash used in investing activities		**(3,198)**	(2,639)
Cash flows from financing activities			
Proceeds from issue of equity shares		**3**	4
Repayment of bank loan borrowings		**(957)**	(757)
Repayment of principal on lease liabilities		**(1,311)**	(1,605)
Interest paid on lease liabilities		**(373)**	(301)
Proceeds from borrowings		**—**	625
Net cash used in financing activities		**(2,638)**	(2,034)
Net (decrease)/increase in cash and cash equivalents		**(20,209)**	3,726
Effects of exchange rates on cash and cash equivalents		**451**	(415)
Cash and cash equivalents at the start of the period		**40,273**	36,962
Cash and cash equivalents at the end of the period		**20,515**	40,273
Cash at bank and in hand		**20,515**	40,273
Bank overdraft		**—**	—
Cash and cash equivalents at the end of the period		**20,515**	40,273

Notes to the financial statements

For the year ended 30 June 2022

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. The financial statements are unaudited.

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 2022 (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 28 September 2022.

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 loss in the period was £12.2m (2021: £4.0m profit); net cash outflow from operations was £14.4m (2021: £8.4m net cash inflow). The outflow was due to the planned strategic streamlining of the product portfolio, COVID-19 and commercial headwinds in Germany. Excluding the R&D expenditure, the Group would have reported an operating profit of £3.4m (2021: £16.9m).

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 2023. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing bank facilities as well as the equity raise of £7m and the £10m loan notes announced today. The Group had a cash balance of £20.5m as at 30 June 2022 and the new £10m revolving credit facility which was taken out in February 2022 remained unused. 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, Ukraine conflict 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 sensitivity modelling which included reducing sales by 5% compared to budget which the Directors consider to be a severe but plausible scenario. Sufficient mitigating actions were identified to ensure adequate funds remain available to the Group. 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 2022. 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.

After 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 specify 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.

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.

IFRS 15 other disclosures

All revenue recognised in the income statement is from contracts with customers and no other revenue has been recognised.

Disclosures regarding impairment losses are detailed in Note 10, Trade and other receivables.

A disaggregation of revenue is reported in Note 3, Revenue. Revenue by segment is reported in Note 4, Segmental reporting.

Revenue for each item is recognised when the goods are provided to the client and the obligation to pay the Group arises at the same time. Control passes to the customer once the goods are delivered, at which point the Group becomes entitled to consideration for the goods provided. The Group sells on credit and debtors are typically recovered between 20 to 90 days later. Further details regarding this are detailed in Note 10, Trade and other receivables.

As at 30 June 2022 there were no remaining performance obligations for revenue recognised in the year.

All obligations pertaining to revenue recognised have been met. No revenue was recognised relating to obligations not yet performed. No revenue has been recognised in the period relating to obligations met in the preceding period.

Significant judgements regarding the timing of transactions or price are detailed in Note 2, Judgements in applying accounting policies.

The transaction price is set out in individual contractual agreements and there is a range of prices based on the goods sold.

No assets were recognised from costs to obtain or fulfil a contract with any customer.

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.

Leasing

The right-of-use asset is initially measured at the amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), plus any initial direct costs incurred in agreeing the lease, plus an estimate of future dismantling, removal and restoration costs. After the initial measurement, the right-of-use asset is accounted for using the cost model set out in IAS 16, Property, Plant and Equipment, which is based on depreciating the asset over the estimated useful economic life.

In connection with the Group's right-of-use assets, as at 30 June 2022 there were no lease payments that had been made prior to the commencement of the lease, nor any lease incentives, nor has the Group made any structural or other changes to any right-of-use assets that would require material costs in respect of dismantling, removal or restoration.

The initial recognition of the lease liability has been based on discounting the cash flows associated with the lease using the rate implicit in the lease agreement, or where this is not available, the Group's incremental borrowing rate, which the Directors consider to be similar to the Group's bank borrowing rate, currently 3.4%. After initial measurement the Group charges the lease liability with the interest cost to unwind the discount factor and reduces the liability by the amount of contractual payments made annually.

In reviewing the leases, the Directors took into consideration those which were long-term leases, those which were short-term leases, the underlying asset value and the lease and non-lease components.

Leases of low-value assets and short-term leases with a term of 12 months or less have continued to be recognised as an operating expense and it was determined that all of these short-term leases had termination clauses of three months or less and therefore could be readily terminated if required. The Directors have set a guideline of £5,000 or less lease value as the threshold for determining the value of a potential lease asset. All the short-term leases are therefore also considered low-value assets and have been excluded from right-of-use assets.

Low-value and short-term leases

Where the Group is a lessee, payments on low-value and short-term operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Benefits received and receivable as an incentive to enter an operating lease are also spread on a straight-line basis over the lease term.

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 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 £15.7m (2021: £12.9m).

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 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 950% 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:

	2022 £'000	2021 £'000
Sale of goods at a point in time	**72,768**	84,331
	72,768	84,331

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 2022 £'000	**Inter-segment revenue 2022 £'000**	**Total segment revenue 2022 £'000**	Revenue from external customers 2021 £'000	Inter-segment revenue 2021 £'000	Total segment revenue 2021 £'000
Central Europe						
Germany	**42,579**	**—**	**42,579**	53,802	—	53,802
Austria	**5,229**	**—**	**5,229**	5,604	—	5,604
Netherlands	**4,281**	**—**	**4,281**	4,166	—	4,166
Switzerland	**3,295**	**—**	**3,295**	3,137	—	3,137

	55,384	**—**	**55,384**	66,709	—	66,709
Southern Europe						
Italy	**3,402**	**—**	**3,402**	3,967	—	3,967
Spain	**8,871**	**—**	**8,871**	8,422	—	8,422
Other	**562**	**—**	**562**	532	—	532
	12,835	**—**	**12,835**	12,921	—	12,921
Rest of World (including UK)	**4,549**	**39,371**	**43,920**	4,701	53,981	58,682
	72,768	**39,371**	**112,139**	84,331	53,981	138,312

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. 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

	2022	2021
	£'000	£'000
Central Europe	**1,173**	1,244
Southern Europe	**728**	795
Rest of World (including UK)	**2,265**	2,093
	4,166	4,132

EBITDA by segment

	2022	2021
	£'000	£'000
Allocated EBITDA		
Central Europe	**4,186**	2,803
Southern Europe	**1,187**	1,080
Rest of World (including UK)	**(13,452)**	4,280
Allocated EBITDA	**(8,079)**	8,163
Depreciation and amortisation	**(4,166)**	(4,132)
Operating (loss)/profit	**(12,245)**	4,031
Finance income	**257**	117
Finance expense	**(669)**	(491)
(Loss)/profit before tax	**(12,657)**	3,657

Total assets by segment

	2022	2021
	£'000	£'000
Central Europe	**24,526**	23,820
Southern Europe	**11,686**	12,052
Rest of World (including UK)	**79,209**	89,779
	115,421	125,651
Inter-segment assets	**(9,278)**	(5,937)
Inter-segment investments	**(32,563)**	(31,625)
Total assets per balance sheet	**73,580**	88,089

Included within Central Europe are non-current assets to the value of £2.6m (2021: £2.6m) relating to goodwill and within Southern Europe assets to the value of £3.5m (2021: £3.8m) 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 £2.6m and comprised plant and machinery £1.9m, fixtures and fittings £0.2m, computer equipment £0.1m and computer software £0.4m (2021: £2.0m total).

Total liabilities by segment

	2022	2021
	£'000	£'000
Central Europe	**(16,618)**	(22,266)
Southern Europe	**(10,046)**	(11,301)
Rest of World (including UK)	**(17,797)**	(11,924)
	(44,461)	(45,491)
Inter-segment liabilities	**9,278**	5,937
Total liabilities per balance sheet	**(35,183)**	(39,554)

5. Other income

	2022	2021
	£'000	£'000
Net monetary value of above-the-line R&D tax credit	**740**	567

6. Finance expense

	2022	2021
	£'000	£'000
Interest on borrowing facility	**168**	85
Net interest expenses on defined benefit pension liability	**128**	105
Interest on lease liabilities	**373**	301
	669	491

7. Finance income

	2022 £'000	2021 £'000
Bank interest	**55**	39
Interest on investment assets	**199**	68
Other finance income	**3**	10
	257	117

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

8. (Loss)/earnings per share

	2022 £'000	2021 £'000
(Loss)/profit after tax attributable to equity shareholders	**(13,776)**	2,886

	Shares '000	Shares '000
Issued Ordinary Shares at start of the period	**641,773**	637,286
Ordinary Shares issued in the period	**2,332**	4,487
Issued Ordinary Shares at end of the period	**644,105**	641,773
Weighted average number of Ordinary Shares for the period	**642,990**	639,190
Potentially dilutive share options	**41,086**	37,468
Weighted average number of Ordinary Shares for diluted earnings per share	**684,076**	676,658
Basic earnings per Ordinary Share (pence)	**(2.14)p**	0.45p
Diluted earnings per Ordinary Share (pence)	**(2.14)p**	0.45p

The diluted loss per share for 2022 does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

9. Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	**3,598**	2,969
Work in progress	**3,265**	2,737
Finished goods	**4,547**	5,132
	11,410	10,838

The value of inventories measured at fair value less cost to sell was £719,000 (2021: £949,000). The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a credit of £230,000 which was included within the costs of goods sold in the consolidated income statement.

10. Trade and other receivables

	2022	2021
	£'000	£'000
Trade receivables	**2,694**	2,960
Other receivables	**1,950**	1,219
VAT	**1,261**	439
Prepayments and accrued revenue	**4,563**	1,604
	10,468	6,222

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, £27,000 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 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 2022 and 30 June 2021 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.

Expected loss allowance

	2022	2021
	£'000	£'000
Balance brought forward	**432**	541

Foreign exchange adjustments	**1**	(28)
Write back of previous credit losses	**(27)**	(81)
Utilised	**—**	—
Balance carried forward	**406**	432

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 2022 and 30 June 2021 was determined as follows:

	2022			2021	
	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	**—**	**1,980**	**—**	—	2,514	—
Not more than three months	**—**	**532**	**—**	—	240	—
More than three months but not more than six months	**5%**	**100**	**5**	1%	164	1
More than six months but not more than one year	**33%**	**60**	**20**	40%	27	11
More than one year	**89%**	**428**	**381**	94%	447	420
		3,100	**406**		3,392	432

11. Borrowings

	2022	2021
	£'000	£'000
Due within one year		
Bank loans	**952**	963
	952	963

	2022	2021
	£'000	£'000
Due in more than one year		
Bank loans	**1,497**	2,450
	1,497	2,450

In February 2022, the Group agreed a revolving credit facility ("RCF") of £10m with NatWest Bank plc. The RCF replaced the previous £7m overdraft facility provided by NatWest Bank plc. The facility is for a three-year period with the ability to extend annually for a further two years. This new facility is intended to provide additional security to the Group's credit facilities. Interest on the RCF is at the bank's base rate plus a margin of 2.25% on the amount borrowed. The facility is secured in favour of

NatWest Bank plc by means of debentures granted by Allergy Therapeutics (Holdings) Ltd, Allergy Therapeutics (UK) Ltd and pledge agreements by Bencard Allergie GmbH and Allergy Therapeutics Netherlands B.V. as security against the banking facilities. The Group had a cash balance of £20m as at 30 June 2022 and the £10m RCF was unused at 30 June 2022 (2021 overdraft: £nil).

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%	126	317	—
Bank Inter	1 month Euribor +5.0%	36	151	—
Tecnoalcala	Interest free	25	—	—
Santander (1)	Fixed rate of 2.5%	272	—	—
CDTI (1)	Interest free	37	147	49
Santander (2)	Fixed rate of 2.3%	87	142	—
CDTI (2)	Fixed rate of 0.2%	50	31	—
Santander (3)	Fixed rate of 2.3%	319	660	—
		952	1,448	49

No new loans were taken out during the year. In the prior 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 €0.6m loan were provided by Allergy Therapeutics plc.

12. Issued share capital

	2022		2021	
	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	**641,772,718**	**641**	637,285,804	637
Issued during the year:				
Share options exercised	**2,331,903**	**3**	4,486,914	4

At 30 June	**644,104,621**	**644**	641,772,718	641
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	**653,952,954**	**654**	651,621,051	651

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 £2,000 (2021: £4,000).

13. Related party transactions and ultimate control

There is no overall ultimate controlling party.