RNS Number : 7973Z
Allergy Therapeutics PLC
23 September 2020

Allergy Therapeutics plc

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

Preliminary Results for the year ended 30 June 2020

- *Record level of pre R&D operating profit supported by robust sales and operational efficiency*
- *Strong cash position with Grass MATA MPL Phase III programme and initial Phase I peanut trial fully funded*
- *Exclusive licencing agreement signed for further virus like particle(VLP) candidates*

23 September 2020 Allergy Therapeutics plc (AIM: AGY), the fully integrated commercial biotechnology company specialising in allergy immunotherapy, today announces its preliminary results for the year ended 30 June 2020.

Financial Highlights

- 7% revenue growth at constant rate* and 6% at reported rate to £78.2m (2019: £73.7m)
- 25% increase in pre-R&D operating profit to £14.2m (2019: £11.3m) as a result of sales growth and lower overhead cost growth
- Strong cash balance of £37.0m at 30 June 2020 (2019: £27.4m)
- Net profit of £7.1m for the year including one-off, legal settlement of £3.2m (2019: Net profit of £3.5m)

Operating Highlights (including post period)

- Good growth across all key products in the portfolio with further incremental increase in market share in European business
- Exploratory field study for Grass MATA MPL will begin in Q4 2020, moving on to the second stage Phase III trial in H2 2022 to improve outcome and mitigate risk
- Licence agreement signed with Saiba and DeepVax, VLP partner to explore new therapeutic areas, including solid cancer tumours and asthma
- Signed exclusive rights to multi-allergy oral product ImmunoBON
- VLP-based Peanut product Phase I trial due to commence in 2021

Manuel Llobet, CEO at Allergy Therapeutics, stated: "*The robust, all-round performance of the business this year has shown the key qualities of Allergy Therapeutics, with strong financial results, a fast response to the COVID-19 challenge and continued development and expansion of our commercial portfolio and pipeline. These present new opportunities for us to strengthen our leadership in the allergy immunotherapy field and, longer-term, explore the broader immunology space, with the potential to deliver increased value to shareholders and the patients we serve.*"

*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.

Analyst briefing and webcast today

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

Dial-in details are:

Webcast link: https://www.lsegissuerservices.com/spark/AllergyTherapeutics/events/6b256adc-9c2f-4e00-985b-d90848ce4fd0

UK dial-in: +44 (0) 203 107 0289
US dial-in: +1 (918) 922 6506
Conference ID: 4299121

- ENDS -

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Notes for editors:
About Allergy Therapeutics

Allergy Therapeutics is an international commercial biotechnology company focused 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
Despite major challenges caused by the global COVID-19 pandemic, Allergy Therapeutics finished the year by announcing earnings ahead of expectations in July 2020, achieved through a combination of a robust operational performance, cost efficiencies and the timing of research and development spend. The relatively limited impact of COVID-19 on the business in 2020 could not have been achieved without the efforts of the management team and the Company's employees, and I would like to take this opportunity to thank them for their continuing flexibility in ensuring that performance was, and is, being maintained to enable us to transform patients' lives.

Innovation
As well as managing through the COVID-19 challenge, the Group has been active bringing new products into its commercial portfolio and further strengthening the pipeline. Having licensed exclusive rights to oral product ImmunoBON from Biomedical International R+D GmbH in July 2020, we intend to launch the product in Germany and Austria in the spring of 2021, providing patients with an add-on option in the allergy space.

The signing of the contract with Saiba AG and DeepVax GmbH in September 2020, which expands our licence to explore the potential of their VLP technology in new therapeutic areas, including solid cancer tumours, atopic dermatitis, asthma and psoriasis , is a key development of the business into the broader immunology space. This, in time, will allow the business to operate in a broader immunology market, while also using technologies that the Group has extensive experience with from the development of its peanut allergy vaccine candidate.

Intention to conduct audit tender
The Board has agreed that the Company will conduct an audit tender process during the autumn of 2020. The process is expected to complete with a recommendation from the Audit Committee to the Board by the end of October. The outcome will be announced once it has been agreed by the Board.

Outlook
Allergy Therapeutics continues to evolve, with a solid European business and a strong pipeline of

innovative, patient-focused products. This is in line with our three cultural objectives of visionary thinking, commitment to our stakeholders and fairness and honesty - or as we call it due to our large German presence, menschlichkeit. There are still a number of uncertainties to the performance of the Group over the short to medium term, including the cost and logistical impact of a hard Brexit in December 2020 and a changing regulatory environment. Of course, there also remains the potential for further waves of COVID-19, but we believe we are in a robust position to respond swiftly to ensure the best outcome for all stakeholders.

On behalf of the Board, I would like to say how proud I am of the strong team of dedicated people across all the markets in which we operate. Their commitment, determination and creativity has enabled us to continue delivery of our products to patients throughout this intense period.

CEO Report

This year's performance has shown that our Group is resilient and has the ability to respond swiftly to changes in the market. Further, the business is developing on many fronts while continuing to trade well.

Financial Performance
We are pleased to report a strong set of financials for the year ended 30 June 2020, with net sales of £78.2m, an increase of 6% in actual terms and 7% in constant* terms over the prior year. The growth for the year was tempered by the impact of the COVID-19 crisis, with sales in March to May 2020 affected by clinics and hospitals being closed to all non-urgent cases. The impact was more keenly seen in Southern Europe, where most allergy clinics are situated in hospitals, whereas Northern Europe benefitted from separate allergy clinics that reopened earlier.
Overall, growth in Pollinex Quattro, Pollinex and Venomil were strongest, with most of the portfolio performing well in a tough market. Growth was strongest in our larger markets with only Italy exhibiting a reduction due to the severe COVID-19 impact.

As soon as the crisis hit, the Group took steps to ensure the safety of employees. This was followed by making operating efficiencies to compensate, where possible, for lower expected sales. This has proved very successful with the net effect of the efficiencies being £3.0m greater than the loss of sales. This resulted in the pre R&D operating profit increasing by 25%. This was above market expectations, as announced in the July 2020 trading update.

R&D spend in the year of £9.0m, excluding one-off legal expenses settlement with Inflamax, has been lower than the prior period due to timing (2019: £13.0m, excluding legal settlement) and has focused on the Pollinex Quattro and Peanut vaccine candidate development.

Overall, the financial performance was strong with a net income of £7.1m, up £3.6m on 2019 and a cash balance of £37.0m (2019 £27.4m).

Trials
Preparations for the pilot field study (G309) in the Grass MATA MPL clinical development programme are well underway with the trial due to start in Q4 2020 and readout expected in H2 2021. The Grass MATA MPL Phase III field trial will start in H2 2022 to improve the outcome and mitigate risk, which we and others have encountered in the past with these types of trials. It will also allow for any changes in the approach to patient selection, which typically starts in the month of August of the year in which the trial starts.

We were pleased in January to see the publication of encouraging preclinical data for our peanut allergy vaccine candidate in *The Journal of Allergy and Clinical Immunology*. Work on scale up and stability ahead of human trials is ongoing and, despite challenges, the team expects the Phase I trial to start in 2021. A pre-IND (Investigational New Drug Application) meeting with the FDA is planned for Q4 2020 to discuss the protocol for the first in-human study. An ex-vivo biomarker study is planned to take place by H1 2021 using the final product formulation to confirm translation of its hypo-allergic potential and biomarker profile using blood samples from peanut allergy patients. This will support progression to first-in-human studies.

As announced in July 2020, the analysis of the primary endpoint of the Birch B301 Phase III trial has been declared invalid by the German Regulatory Authority, the Paul Ehrlich Institute (PEI), owing to technical issues encountered in the study, which made it impossible to reconstruct the data. The Group intends to repeat the trial after the Grass Phase III Trial (G306) has met the expected endpoints.

The Grass MATA MPL Phase III programme and the initial Phase I peanut trial are both fully funded.

Pipeline
We announced on 3 September 2020 the signing of our new exclusive licensing agreement with the Swiss biotechnology companies, Saiba AG and DeepVax GmbH, to use their patented VLP technology platform to develop and commercialise vaccines targeting solid cancer tumours, atopic dermatitis, asthma and psoriasis. This is the first step of a long-term strategy for the Group to move into the broader immunology space while utilising its knowledge of vaccines, the VLP technology, immunotherapy and adjuvant systems. The relationship with Saiba AG has also been deepened with the knowledge sharing agreement in relation to VLP, announced in July 2020, which Saiba AG is using to develop COVID-19 vaccine candidates. This agreement will provide valuable information to the Group about the development of a VLP product through clinical studies.

As announced on 15 July, 2020, the Group has signed a commercial agreement for the exclusive rights to ImmunoBON, a patented protein-based oral product for the general treatment of allergies based on the lower allergic incidence shown by people who live near or are brought up on a livestock farm, the so-called "farm effect". This product adds to our strong portfolio of allergy products based on patient convenience and short course treatment. ImmunoBON comprises a three-month treatment period and therefore has the advantage of potentially higher compliance than longer course treatments.

Outlook

The outlook for the next financial year is hard to predict accurately, given the lack of clarity over the impact of COVID-19 over the next 12 months and the potential impact of a hard Brexit. Management expects that sales are likely to grow at a similar rate to 2020 due to the anticipated reduction of new patients in the autumn, caused by the reduced number of patient clinic visits made in spring and early summer 2020 resulting from COVID-19 restrictions.

Costs are expected to increase by a low double-digit percentage next financial year following the low levels this year, due to the investment in IT, regulatory and sales capabilities.

R&D expenses are anticipated to be approximately 70% higher than in 2020 (excluding the one-off legal settlement of £3.2m) as research continues with Grass MATA MPL and our peanut allergy candidate vaccine.

Overall, the management remains confident about the future of the business and the exciting new opportunities that we are creating in our product portfolio and pipeline.

Financial Review

Overview

The Group has continued to grow profitably achieving an operating profit excluding R&D[2] of £14.2m (2019: £11.3m) for the year to 30 June 2020 despite the impact of COVID-19 in the fourth quarter of the financial year. 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). It is estimated this took roughly two percentage points off the net sales growth this year. Including R&D expense of £5.8m (2019: £7.0m), the Group reported an operating profit of £8.3m (2019: £4.4m). The operating profit includes the £3.2m received in settlement of legal claims relating to the litigation with Inflamax. The net profit after tax for the period was £7.1m (2019: £3.5m). The implementation of IFRS 16, Leases, for the 2020 results has introduced all the Group's leases onto the balance sheet as a 'right-of-use' asset and lease liability and uplifted 2020 EBITDA by £1.9m and the operating profit by £0.3m.

Revenue

Reported revenue increased by 6% to £78.2m (2019: £73.7m). The weighted average Euro exchange rate in the year was €1.14 to £1 compared to €1.13 in 2019. Revenue at constant currency[1] was 7% higher as shown in the table below:

	2020 Germany	**2020 Other**	**2020 Total**	2019 Germany	2019 Other	2019 Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**48.0**	**30.2**	**78.2**	45.0	28.7	73.7
Add rebates	**5.0**	**-**	**5.0**	3.8	-	3.8
Gross revenue	**53.0**	**30.2**	**83.2**	48.8	28.7	77.5
Adjustment to retranslate at prior year foreign exchange rate	**0.5**	**0.1**	**0.6**			
Gross revenue at constant currency[1]	**53.5**	**30.3**	**83.8**	48.8	28.7	77.5

	2020 Germany	**2020 Other**	**2020 Total**	2019 Germany	2019 Other	2019 Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**48.0**	**30.2**	**78.2**	45.0	28.7	73.7
Adjustment to retranslate at prior year foreign exchange rate	**0.5**	**0.1**	**0.6**			
Revenue at constant currency[1]	**48.5**	**30.3**	**78.8**	45.0	28.7	73.7

1 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.

2 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 £14.2m (2019: £11.3m).

Revenue from Germany was 61% (2019: 61%) of total reported revenue. Rebates were higher this year due to changes in product mix sold. Sales of Venomil continued to grow very strongly while Pollinex and Pollinex Quattro achieved reasonable growth. Total sales from other products contributed £3.5m for the year ended 30 June 2020 (2019: £3.8m).

Revenue in Germany grew well in the year with revenue at constant currency[1] increasing to £48.5m (2019: £45.0m), an increase of 8%.

All the main European markets (except for Italy and Austria) exhibited good sales growth at constant currency[1] with Spain showing 10%; the Netherlands 22%; Switzerland 18% and Germany 8%. 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 £20.2m (2019: £18.4m). The gross margin was 74% (2019: 75%), leading to a gross profit of £58.0m (2019: £55.3m).

Operating expenses

Total overheads were £4.1m lower than prior year at £53.5m (2019: £57.6m), excluding the one-off receipt in respect of a legal settlement. This was due to a £4m reduction in R&D expenses in the year as a result of timing of clinical spend.

Non-R&D operating costs of £44.5m (2019: £44.6m) were unchanged from last year due to reduced spend in sales, marketing and distribution offsetting an increase in administration costs.

Sales, marketing and distribution costs reduced by £2.1m to £24.9m (2019: £27.0m) mainly as a result of reduced sales and marketing activity due to COVID-19. Other administration expenses increased by £2.0m to £19.6m (2019: £17.6m) as a result of additional investment in compliance and support functions.

Other income in the year of £0.6m (2019: £0.6m) was all due to R&D tax credits in the UK.

Tax

IFRIC 23 has been adopted by the Group with effect from 1 July 2019, with the modified retrospective approach being applied (i.e. the cumulative effect of initially applying the interpretation is recognised as an adjustment to the opening balance of retained earnings, with no change being made to the prior year comparative numbers).

The effect of IFRIC 23 provisions in these financial statements amounts to £1.0m of which £0.7m has been dealt with through retained earnings, and a current year charge of £0.3m.

Balance sheet

Property, plant and equipment (excluding IFRS 16) increased by £0.5m to £12.0m (2019: £11.5m) with investment in new manufacturing plant to replace older equipment and increase automation. The implementation of IFRS 16, Leases, for the 2020 results has introduced the Group's leases onto the balance sheet as a lease liability and a corresponding 'right-of-use' asset. Further detail on the adoption of IFRS 16 is set out in Note 1.

Goodwill was broadly in line with last year at £3.5m (2019: £3.4m), whilst other intangible assets were reduced slightly to £1.3m (2019: £1.4m) due to amortisation exceeding additions.

Total current assets, excluding cash, reduced to £18.2m (2019: £19.2m). Inventory increased further by £0.7m due to early production of commercial stock as part of Brexit preparations (cover for approved products for the 2021 financial year). Trade and other receivables have reduced due to the collection of all outstanding monies relating to the litigation settlement accrued in the prior year and improved collection of trade debtors. Cash and cash at hand increased to £37.0m from £27.4m in 2019 mainly as a result of the £3.2m legal costs settlement and additional bank loans taken out for the Spanish market (£1.9m). The Group had a net cash inflow of £9.4m in the year (2019: £1.6m cash inflow excluding equity raise of £10.2m) primarily due to good trading, the reimbursement of legal settlement costs and net borrowing increase of £1.2m.

The fair value of derivative financial instruments was a liability of £0.8m in 2020 (2019: £0.4m).

Retirement benefit obligations, which relate solely to the German pension scheme, increased to £13.5m (2019: £11.7m). The increase in the liability was mainly driven by the reduction in the discount rate from 1.45% to 0.8% (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 £3.8m (2019: £2.4m) at 30 June 2020. The overdraft facility of £7m was unused at 30 June 2020 and has since been renewed for a further 12 months.

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, £1.3m 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 2020, no provision has been recognised for the repayment of the rebate refund of €1.4m (£1.3m). This position will be kept under review.

Consolidated Income Statement

for the year ended 30 June 2020

	Note	**Year to 30 June 2020 £'000**	**Year to 30 June 2020 £'000**	Year to 30 June 2019 £'000	Year to 30 June 2019 £'000
Revenue	3		**78,204**		73,717
Cost of sales			**(20,201)**		(18,379)
Gross profit			**58,003**		55,338
Sales, marketing and distribution costs			**(24,853)**		(26,995)
Administration expenses - other		**(19,627)**		(17,595)	
Research and development costs - expenditure for the year		**(9,000)**		(12,987)	
- credit relating to legal settlement		**3,152**		6,037	
- total research and development costs		**(5,848)**		(6,950)	
Total administrative expenses			**(25,475)**		(24,545)
Other income	5		**634**		593
Operating Profit			**8,309**		4,391
Finance income	7		**266**		103
Finance expense	6		**(504)**		(201)
Profit before tax			**8,071**		4,293
Income tax			**(1,013)**		(826)
Profit for the period			**7,058**		3,467
Profit per share	8				
Basic (pence per share)			**1.11p**		0.55p
Diluted (pence per share)			**1.05p**		0.52p

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	**Year to 30 June 2020 £'000**	Year to 30 June 2019 £'000
Profit for the period		**7,058**	3,467

Profit for the period	**7,058**	3,467
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	**(1,287)**	(906)
Remeasurement of investments - retirement benefit assets	**(23)**	(42)
Revaluation gains - freehold land and buildings	**364**	312
Deferred tax movement - freehold land and buildings	**(146)**	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**160**	130
Total comprehensive profit	**6,126**	2,961

Consolidated Balance Sheet

	Note	**30 June 2020**	30 June 2019
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment		**20,417**	11,481
Intangible assets - goodwill		**3,467**	3,432
Intangible assets - other		**1,269**	1,408
Investments - retirement benefit asset		**5,902**	5,551
Total non-current assets		**31,055**	21,872
Current assets			
Inventories	9	**10,132**	9,409
Trade and other receivables		**8,076**	9,776
Cash and cash equivalents		**36,962**	27,440
Total current assets		**55,170**	46,625
Total assets		**86,225**	68,497
Liabilities			
Current liabilities			
Trade and other payables		**(15,148)**	(15,736)
Current borrowings	10	**(829)**	(694)
Lease liabilities		**(1,435)**	-
Derivative financial instruments		**(815)**	(429)
Total current liabilities		**(18,227)**	(16,859)
Net current assets		**36,943**	29,766
Non-current liabilities			
Retirement benefit obligations		**(13,526)**	(11,747)
Deferred taxation liability		**(470)**	(318)
Non-current provisions		**(304)**	(273)
Lease liabilities		**(6,988)**	-
Long-term borrowings	10	**(2,927)**	(1,742)
Total non-current liabilities		**(24,215)**	(14,080)
Total liabilities		**(42,442)**	(30,939)
Net assets		**43.783**	37.558

Equity			
Capital and reserves			
Issued share capital	11	**647**	646
Share premium		**112,576**	112,576
Merger reserve - shares issued by subsidiary		**40,128**	40,128
Reserve - share-based payments		**3,104**	3,023
Revaluation reserve		**974**	1,207
Foreign exchange reserve		**(685)**	(845)
Retained earnings		**(112,961)**	(119,177)
Total equity		**43,783**	37,558

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2020 and signed on its behalf by

Manuel Llobet Nicolas Wykeman

Chief Executive Officer Chief Financial Officer

Registered number: 05141592

Consolidated Statement of Changes in Equity

	Issued capital	Share premium	Merger reserve - shares issued by subsidiary	Reserve - share-based payment	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2018	606	102,420	40,128	1,656	949	(975)	(121,750)	23,034
Exchange differences on translation of foreign operations	-	-	-	-	-	130	-	130
Valuation gains taken to equity (land and buildings)	-	-	-	-	312	-	-	312
Remeasurement of net defined benefit liability	-	-	-	-	-	-	(906)	(906)
Remeasurement of investments - retirement benefit assets	-	-	-	-	-	-	(42)	(42)
Total other comprehensive income	-	-	-	-	312	130	(948)	(506)
Profit for the period after tax	-	-	-	-	-	-	3,467	3,467
Total comprehensive income	-	-	-	-	312	130	2,519	2,961
Transfer of depreciation on revalued property	-	-	-	-	(54)	-	54	-
Transactions with owners:								
Share-based payments	-	-	-	1,367	-	-	-	1,367

Shares issued	40	10,560	-	-	-	-	-	10,600
Share issue costs	-	(404)	-	-	-	-	-	(404)
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 (See Note 1)	-	-	-	-	-	-	(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**

Consolidated Cash Flow Statement

	Note	**Year to 30 June 2020**	Year to 30 June 2019
		£'000	£'000
Cash flows from operating activities			
Profit before tax		**8,071**	4,293
Adjustments for:			
Finance income	7	**(266)**	(103)
Finance expense	6	**504**	201
Non-cash movements on defined benefit pension plan		**192**	273

Depreciation and amortisation		**3,914**	2,090
Net monetary value of above the line R&D tax credit	5	**(634)**	(593)
Charge for share-based payments		**794**	1,367
Movement in fair valuation of derivative financial instruments		**386**	332
Foreign exchange revaluation on US Dollar cash deposits		**(154)**	(36)
Decrease/(increase) in trade and other receivables		**3,694**	(1,864)
(Increase) in inventories		**(706)**	(543)
(Decrease)/increase in trade and other payables		**(2,399)**	162
Net cash generated by operations		**13,396**	5,579
Bank loan fees and interest paid		**(489)**	(204)
Income tax (paid)/ received		**(897)**	225
Net cash generated by operating activities		**12,010**	5,600
Cash flows from investing activities			
Interest received		**266**	151
Payments for retirement benefit investments		**(228)**	(405)
Payments for intangible assets		**(283)**	(289)
Payments for property, plant and equipment		**(2,264)**	(2,810)
Net cash used in investing activities		**(2,509)**	(3,353)
Cash flows from financing activities			
Proceeds from issue of equity shares		**-**	10,600
Share issue costs		**-**	(404)
Proceeds from issue of equity shares		**1**	**-**
Repayment of bank loan borrowings		**(654)**	(651)
Repayment of finance lease creditors		**(1,343)**	**-**
Proceeds from borrowings		**1,886**	**-**
Net cash (used in)/generated by financing activities		**(110)**	9,545
Net increase in cash and cash equivalents		**9,391**	11,792
Effects of exchange rates on cash and cash equivalents		**131**	115
Cash and cash equivalents at the start of the period		**27,440**	15,533
Cash and cash equivalents at the end of the period		**36,962**	27,440

Cash at bank and in hand	**36,962**	27,440
Bank overdraft	**-**	-
Cash and cash equivalents at the end of the period	**36,962**	27,440

Notes to the Financial Statements

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 2019 have been delivered to the Registrar of Companies and those for the year to 30 June 2020 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 (2) 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 European Union ("EU") and with those parts of the Companies Act 2006 that are relevant to the Group preparing its accounts in accordance with EU 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 2020 (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 2020.

New standards adopted

IFRS 16 'Leases' (effective 1 January 2019)

During the year the Group adopted IFRS 16 'Leases'. The adoption of this new Standard has resulted in the Group recognising a right of use asset and related lease liability in connection with former operating leases except those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

The Group has applied the modified retrospective approach in transitioning to IFRS 16, recognising the cumulative effect of transition as at 1 July 2019. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets, the Group has applied the optional exemptions to not recognise right of use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There was no transitional impact on the Group's previously reported financial position as at 1 July 2019.

There were no leases previously classified as finance leases under IAS 17 immediately before the date of initial application.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 July 2019:

	Carrying amount at 30 June 2019	Remeasurement	IFRS 16 carrying amount at 1 July 2019
	£'000	£'000	£'000
Property plant and equipment	11,481	9,766	21,247
Lease liabilities	-	(9,766)	(9,766)
Total	11,481	-	11,481

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019:

	£'000	£'000

Total Operating lease commitment disclosed at 30 June 2019		11,124
Recognition exemptions:		
Low value assets	(9)	
Leases with remaining lease term of less than 12 months	(52)	
Other adjustments relating to commitment disclosures	(142)	
		(203)
Operating lease liabilities before discounting		10,921
Discounted using incremental borrowing rate		(1,755)
Operating lease liabilities		9,166
Reasonably certain extension options		600
Total lease liabilities recognised under IFRS 16 at 1 July 2019		**9,766**

The Group does not have any lease agreements in which it is a lessor.

IFRIC 23 "Uncertainty over income tax treatments"

The Group prepares provisions against uncertain tax positions in accordance with IFRIC 23. IFRIC 23 has been adopted by the Group with effect from 1 July 2019, with the modified retrospective approach being applied (i.e. the cumulative effect of initially applying the interpretation is recognised as an adjustment to the opening balance of retained earnings, with no change being made to the prior year comparative numbers).

The effect of IFRIC 23 provisions in these financial statements is a transitional opening balance adjustment to retained reserves of £0.7m and a current period additional tax charge of £0.3m.

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 £8.3 million (2019: £4.4 million profit); net cash inflow from operations was £12.0 million (2019: £5.6 million net cash inflow). The inflow was due to good trading and settlement of the legal claim reimbursement. Excluding the R&D expenditure, the Group would have reported an operating profit of £14.2 million (2019: £11.3 million).

Detailed budgets have been prepared, including cash flow projections for the periods ending 30 September 2021. 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 £37.0m as at 30 June 2020 and the £7m overdraft facility was renewed in August 2020. 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 30% (15 times the estimated COVID-19 impact and more than the combined downsides sensitivities identified with no upsides) 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 2020. 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 is 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. 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.

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.

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 rebates are considered to be a reduction in the selling price and is therefore deducted from the transaction price.

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 £9.0 million which together with a credit relating to a legal claim for reimbursement of £3.2 million resulted in total net R&D expenditure for the year of £5.8 million (2019: £13.0 million together with a credit relating to a legal settlement of £6.0 million resulted in total net R&D expenditure of £7.0 million).

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 £1.1 million (equivalent of €1.4 million) 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 €1.4 million (£1.3 million now) with a corresponding impact on net income and net assets.

c) In respect of net revenue of £7.4m cumulative recognised (2019: £4.0m cumulative recognised) relating to certain products, an assessment has been made on the likelihood of a retrospective change in the level of rebates being applied. Details of this have been noted in Note 12, (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 1000% or annual cash inflows would have to reduce by more than £20m pa 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 27% and alternatively with reduced annual cash inflows of £0.5m 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.

3. Revenue

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

	2020	2019
	£'000	£'000
Sale of goods at a point in time	**78,179**	73,676
Rendering of services transferred over time	**25**	41
	78,204	73,717

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 Portugal), 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 2020	**Inter segment revenue 2020**	**Total segment revenue 2020**	Revenue from external customers 2019	Inter segment revenue 2019	Total segment revenue 2019

	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central Europe						
Germany	**47,977**	**-**	**47,977**	45,021	-	45,021
Other	**12,272**	**-**	**12,272**	10,967	-	10,967
	60,249	**-**	**60,249**	55,988	-	55,988
Southern Europe						
Italy	**4,493**	**-**	**4,493**	4,989	-	4,989
Spain	**7,939**	**-**	**7,939**	7,308	-	7,308
Other	**690**	**-**	**690**	682	-	682
	13,122	**-**	**13,122**	12,979	-	12,979
Rest of World (including UK)	**4,833**	**35,262**	**40,095**	4,750	35,056	39,806
	78,204	**35,262**	**113,466**	73,717	35,056	108,773

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 following revenue table is based on a budget currency rate of €1.21: £1.00 which was the rate used in the 2020 budget.

	Revenue from external customers 2020	Revenue from external customers 2019
	£'000	£'000
Central Europe		
Germany	**45,230**	42,065
Other	**11,610**	10,388
	56,840	52,453
Southern Europe	**12,411**	12,169
UK	**1,911**	1,966
Other	**2,890**	2,719
	74,052	69,307

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

Depreciation and amortisation by segment

2020	2019

	£'000	£'000
Central Europe	**1,014**	279
Southern Europe	**811**	407
Rest of World (including UK)	**2,089**	1,404
	3,914	2,090

EBITDA by segment

	2020	2019
	£'000	£'000
Allocated EBITDA		
Central Europe	**3,042**	283
Southern Europe	**886**	(448)
Rest of World (including UK)	**8,295**	6,646
Allocated EBITDA	**12,223**	6,481
Depreciation and amortisation	**(3,914)**	(2,090)
Operating Profit	**8,309**	4,391
Finance income	**266**	103
Finance expense	**(504)**	(201)
Profit before tax	**8,071**	4,293

The negative EBITDA in the Southern Europe segment in the prior year arose as a result of applying the Group's transfer pricing policy.

Total assets by segment

	2020	2019
	£'000	£'000
Central Europe	**23,492**	17,562
Southern Europe	**12,269**	8,674
Rest of World (including UK)	**87,755**	78,756
	123,516	104,992
Inter-segment assets	**(6,934)**	(7,728)
Inter-segment investments	**(30,357)**	(28,767)
Total assets per balance sheet	**86,225**	68,497

Included within Central Europe are non-current assets to the value of £2,641,000 (2019: £2,620,000) relating to goodwill and within Southern Europe assets to the value of £4,251,000 of which £1,125,000 relates to adoption of IFRS16 (2019: £2,863,000) 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 £1,584,000 (2019: £2,439,000).

Total liabilities by segment

	2020	2019
	£'000	£'000
Central Europe	**(22,915)**	(18,450)
Southern Europe	**(8,432)**	(5,090)

Southern Europe	**(6,432)**	(5,090)
Rest of World (including UK)	**(18,029)**	(15,127)
	(49,376)	(38,667)
Inter-segment liabilities	**6,934**	7,728
Total liabilities per balance sheet	**(42,442)**	(30,939)

5. Other income

	2020	2019
	£'000	£'000
Net monetary value of above line R&D tax credit	**634**	593

6. Finance expense

	2020	2019
	£'000	£'000
Interest on borrowing facility	**18**	11
Net interest expenses on defined benefit pension liability	**165**	190
Interest on lease liabilities	**321**	**-**
	504	201

7. Finance income

	2020	2019
	£'000	£'000
Bank interest	**216**	12
Interest on investment assets	**45**	76
Other finance income	**5**	15
	266	103

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

8. Earnings per share

	2020	2019
	£'000	£'000
Profit after tax attributable to equity shareholders	**7,058**	3,467

	Shares	Shares
	'000	'000
Issued Ordinary Shares at start of the period	**636,169**	596,169
Ordinary Shares issued in the period	**1,117**	40,000
Issued Ordinary Shares at end of the period	**637,286**	636,169

Issued Ordinary Shares at end of the period	**637,286**	636,169
Weighted average number of Ordinary Shares for the period	**636,169**	632,835
Potentially dilutive share options	**37,323**	36,868
Weighted average number of Ordinary Shares for diluted earnings per share	**673,492**	669,703
Basic earnings per Ordinary Share (pence)	**1.11p**	0.55p
Diluted earnings per Ordinary Share (pence)	**1.05p**	0.52p

9. Inventories

	2020	2019
	£'000	£'000
Raw materials and consumables	**2,874**	2,343
Work in progress	**3,696**	2,845
Finished goods	**3,562**	4,221
	10,132	9,409

The value of inventories measured at fair value less cost to sell was £336,000 (2019: £322,000). The movement in the value of inventories measured at fair value less cost to sell during the year gave rise to a charge of £14,000 which was dealt with in the Consolidated Income Statement.

10. Borrowings

	2020	2019
	£'000	£'000
Due within one year		
Bank loans	**829**	694
	829	694

	2020	2019
	£'000	£'000
Due in more than one year		
Bank loans	**2,927**	1,742
	2,927	1,742

There is an overdraft facility provided by NatWest Bank plc which has a maximum limit during the year of up to £7 million. 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 the Company and its principal subsidiaries and share pledge agreements relating to Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L. In addition, the Group has issued a lien over the Group's interest in the equity of subsidiary undertakings as security against the banking facilities. The overdraft facility was renewed in August 2020. The overdraft was unused at 30 June 2020 (2019: Nil).

The loans below were taken out by Allergy Therapeutics SL and are secured by way of a charge on land and

buildings owned by Allergy Therapeutics SL.

		Capital repayments due		
		<1 year	1-5 years	>5 years
	Interest rate	£'000	£'000	£'000
Bank Inter (1)	3 month Euribor +0.55%	98	-	-
Bank Inter (2)	1 month Euribor +5.0%	36	145	91
Santander (1)	12 month Euribor +2.5%	117	-	-
Tecnoalcala	Interest free	27	53	-
Santander (2)	Fixed rate of 2.5%	445	585	-
CDTI (1)	Interest free	19	156	149
Santander (3)	Fixed rate of 2.3%	87	333	-
CDTI (2)	Fixed rate of 0.2%	-	49	-
Santander (4)	Fixed rate of 2.3%	-	1,366	-
		829	2,687	240

During the year, Allergy Therapeutics SL took out a number of loans for €2.2m (included above) to further expand the Group's manufacturing and quality control facilities. Warranties in respect of €2m of these loans were provided by Allergy Therapeutics plc.

11. Issued share capital

	2020	**2020**	2019	2019
	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	**636,168,616**	**636**	596,168,616	596
Issued during the year:				
Share options exercised	**1,117,188**	**1**	-	-
Share placing	**-**	**-**	40,000,000	40
At 30 June	**637,285,804**	**637**	636,168,616	636
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	**647,134,137**	**647**	646,016,949	646

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 £66,000 (2019: £Nil).

12. Contingent liabilities

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

During the year, Allergy Therapeutics Iberica S.L. took out a number of loans for €2.2m to further expand the Group's manufacturing and quality control facilities. Warranties in respect of €2m of these loans was provided by Allergy Therapeutics plc.

In respect of net revenue relating to certain products there is a risk that up to £7.4m cumulative revenue recognised (2019:£4.0m) may be reversed due to a retrospective change in the level of rebate being applied (2020: £3.4m recognised and periods up to 2019: £4.0m recognised).

On 23 February 2015, the Company received notification that the 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, now £1.3m) 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 2020, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

13. Ultimate control

There is no overall ultimate controlling party.