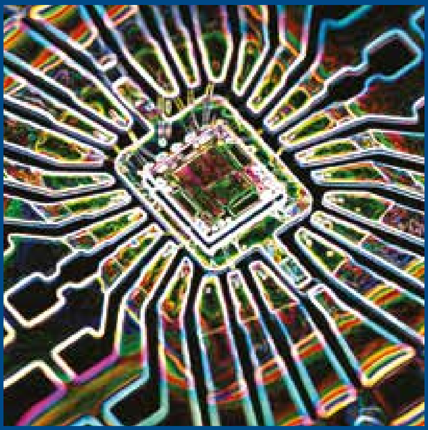
ilika

accelerated materials innovation

Accelerated materials innovation

Annual Report and Accounts 2014



Ilika plc accelerates the invention, testing and selection of materials that can be scaled-up for commercial use.

Technology

Ilika accelerates the development of new materials for energy and electronics applications through the use of its patented, high throughput techniques. Ilika's technology enables functional materials to be made, characterised and tested up to 100 times faster than traditional techniques. Ilika has commercial partnerships with international blue-chip companies.

Innovation

Ilika's high throughput technology creates large, robust datasets that can be used to fully define the performance of families of materials. This enhances the value of intellectual property and allows product performance to be fully optimised. The techniques can be used to support product improvement as well as radical new product development.

Collaboration

Companies choose to work with Ilika in order to extend the capabilities of their in-house R&D teams. This saves materials development costs, reduces time to market and captures market share, thereby increasing return on R&D investment. Partnering with Ilika also reduces both business and technical risk, maximising the likelihood of successful project outcomes.

Highlights 2014

Operational highlights

- Developed unique processing methodology to produce stacked solid-state batteries
- Validated stacked architecture through electrochemical testing
- Increased cross-sectional area of battery cells 25x
- Protected battery production processes through patents
- European fuel cell catalyst patent granted
- Secured 3-year grant-funded project to develop new alloys for aerospace applications

Financial highlights

£7.1m

Cash, cash equivalents and bank deposits of £7.1 million (2013: £1.9 million)

+5%

Revenues up 5% to £1.05 million (2013: £1.00 million)

-20%

Loss for the year reduced by 20% to £2.79 million (2013: £3.47 million)

-29%

Loss per share reduced by 29% to 5p (2013: 7p)

Commenting on the results Ilika's Chairman, Jack Boyer, said:
"The progress achieved this year in the development of the Company's stacked solid-state battery has been transformational. It has accelerated the engagement in discussions with new and existing commercialisation partners and has enabled the Company to reinforce the balance sheet through a fundraise which has refreshed and broadened our shareholder base. With over £600k of revenue already secured for 2014 we look forward to the coming year with optimism."

How we do it

How we generate growth

Rapid discovery of new materials for the energy and electronics sectors

Early engagement of large multinational partners which co-fund the route to commercialisation

Development agreements driving revenue growth and providing a strong product pipeline

Ilika's unique process is far quicker and more efficient than traditional materials discovery processes.

Ilika uses high throughput, or combinatorial, techniques which involve the rapid synthesis of a large number of different structurally related materials in a few automated steps.

Discovery

The production of a new material has traditionally been a slow and arduous process, taking between 7 and 10 years to move from an initial discovery through to the first commercial prototype.

Ilika's High Throughput Physical Vapour Deposition ('HT-PVD') proprietary technology platform delivers rapid new material discovery up to 100 times faster than traditional methods. The HT-PVD facility can deposit large numbers of films of different composition in one automated experimental run.

Patented technology ensures that the deposition of all elements occurs simultaneously and that the composition profile can be carefully varied across the substrate in a controlled manner. This process enables hundreds of materials to be made in a single, automated operation and subsequently analysed in a rapid manner for specific, sought-after behaviours.

Ilika's high-throughput process has the additional attraction of enabling materials to be rapidly scaled up for commercial application once the requisite chemical and physical properties have been achieved.

Partnerships

Ilika collaborates with multinational partners on joint research and development projects, using its proprietary high-throughput processes to develop new patentable functional materials. These materials are then used to develop new products or improve existing product performance.

By working in collaboration, business and technical risk is reduced and Ilika is able to target market areas where minimum potential for infringement exists and to fully define the surrounding area for patent protection.

Ilika is able to generate candidate materials for targeted scale-up for its partners in a much reduced development time, generating significant value for its customers by helping them increase R&D return on investment and reduce the time to market for new and improved products.

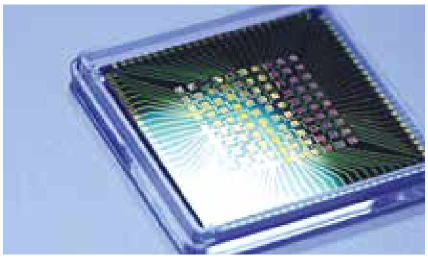
Ilika's high-throughput process enables the rapid, simultaneous collection of large datasets which are then processed, analysed and presented so that meaningful conclusions about material properties can be drawn and support the submission of patents to protect any new materials discovered.

Development projects

Fuel cell catalysts

The Carbon Trust's Polymer Fuel Cells Challenge is supporting the commercialisation of Ilika's proprietary high performing electro-catalysts for use in fuel cell vehicles as a platinum replacement. The Company has had kilogram scale quantities of its electrocatalyst manufactured and has provided material samples along with positive cell performance data to 3 global OEMs for evaluation.

Solid-state batteries

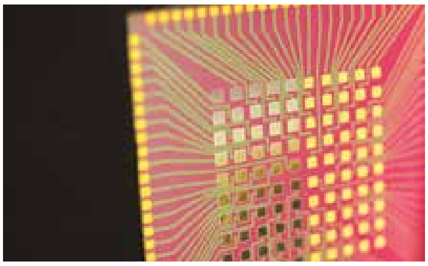


Lithium-ion batteries are widely used to store energy for consumer electronics products. There is a demand for new batteries which can store energy in a smaller volume, but can also charge and discharge rapidly while remaining safe. Ilika is working on battery designs to fulfil these criteria using solid-state technology.

Tuneable dielectrics

The rapidly growing consumer electronics market is driving the need for capacitors with improved performance for use as components in consumer electronic devices and other demanding applications. Working together, Ilika and a worldwide leader in the design, manufacture and sale of passive electronic components, communication modules and power supply modules, investigated a new class of dielectric materials with high voltage tuneability and low dielectric loss to deliver the necessary improved performance suitable for certain electronic components.

Piezoelectrics



The piezoelectric material of choice is PZT (lead zirconium titanate). The EU has now outlawed the use of PZT in its Restriction of Hazardous Substances Directive, prohibiting the use of lead in electronic materials and manufacturers have been tasked with developing piezoelectrically active materials which do not contain lead. Ilika has been working in collaboration with CeramTec to find potential replacement materials for PZT.

Superalloys

The aerospace industry is seeking new alloy compositions for gas turbine engines which have improved thermo efficiency which will increase performance, reduce CO_2 emissions and reduce noise levels at takeoff. Ilika has been awarded grant funding by the Technology Strategy Board as part of their Aerospace Industrial Strategy, to work together with the University of Cambridge, Diamond light source and Rolls Royce to develop the innovation of these materials.

Case study

Solid-state batteries: a world first for Ilika

Key features

- Market requirement: compact batteries that are safe, charge rapidly and last longer
- Solution: solid-state lithium-ion
- Status:
  - single cell battery that can be manufactured as a stack
  - partnering discussions in progress with battery manufacturers
- Plan for 2014:
  - conclude electrochemical testing
  - scale-up to production prototypes
  - initiate discussions for a licensing deal

What is driving the need for innovation in battery technology?

The biggest market for lithium-ion batteries is currently the consumer electronics market, for devices such as smartphones, tablets and laptops. In this market, improved energy density is the most urgent requirement. In other words, consumers want batteries that weigh the same and take up the same volume, but hold more charge and therefore last longer between charges. In addition, there is a need for batteries that charge more rapidly once they have run out of charge. One of the emerging markets for batteries is the transport market, particularly for electric and hybrid vehicles. Here, there is a need for an improved safety profile because, very occasionally, lithium-ion batteries catch fire and trigger costly product recalls.

Battery Scale and Timelines

What is the difference between a conventional lithium-ion battery and a solid-state battery?

A conventional lithium-ion battery uses a polymer separator soaked in liquid electrolyte to electrically isolate the electrodes from one another, while at the same time allowing lithium ions to migrate from one electrode to another. In a solid-state battery, the separator and liquid electrolyte are replaced by a solid electrolyte, which is often a ceramic or a glass.

What are the benefits of a solid-state battery?

A solid-state battery is non-flammable, charges faster, holds charge for longer and is smaller than a conventional lithium-ion battery.

Why haven't solid-state batteries already replaced conventional lithium-ion batteries?

Solid-state batteries were invented in the 1990's and some are commercially available but until now they have all been made as single cells with limited energy capacity. In particular, it has not been possible to make them in a format suitable for consumer electronic devices.

Why is the stacking of solid-state batteries such a breakthrough?

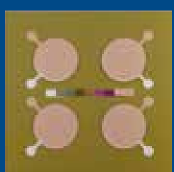
By using a novel process and discovering a new combination of materials, Ilika has been able to produce a stacked battery in which the cells are deposited directly on top of each other. This reduces the required packaging and therefore increases the energy density of the battery. Applying this technology enables batteries large enough to be useful for commercially relevant markets to be produced.

Which markets will Ilika be addressing first?

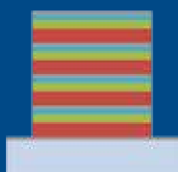
Ilika believes that the market for micro batteries is the most suitable one for the initial launch of its product. This is a rapidly growing sector where the benefits of solid-state batteries provide unique benefits. Micro batteries are in demand in increasing quantities to power sensors in wireless sensor networks (commonly referred to as the 'Internet of Things'). Typically, the batteries are used to store energy from energy harvesting devices, ensuring the sensors are powered 24/7. This market for micro batteries is expected to be worth $10 billion by 2020 and will be the second largest market for batteries after consumer electronics. Following successful roll-out of Ilika's solid-state battery technology for micro batteries, Ilika will continue to scale the technology for wearable devices and eventually consumer electronics.

Timeline to Initial Commercialisation

	Development Phase I	Development Phase II	Development Phase III	Technical Transfer	Product Distributions and Sale
Duration	14 months	10 months	8 months	6 months	
Deliverables	Demonstration cell	Demonstration battery	Prototype batteries for customer validation	Production scale manufacturing	Mass market commercialisation



Phase I
Single Cell



Phase II
Stack Cells (side view)

Phase III
Prototype

Strategic review

Our Strategy

The Company is pursuing its objectives through the following strategies:

Developing leading-edge high-throughput development processes	Partnering with companies committed to developing and globally commercialising jointly developed products	Using high-throughput processes to invent patentable functional materials

Ilika plc is the holding company for Ilika Technologies Limited, the advanced materials innovation company.

Principal activities

Ilika accelerates the discovery of new and patentable materials using its unique, patent protected, high-throughput process for identified end uses in the energy and electronics sectors. This process enables hundreds of scalable materials to be made in a single, automated operation and subsequently tested for key properties.

Business strategy

The Company's strategy is to use its processes to discover and commercialise novel materials for integration into products with high-value end markets. In order to ensure a high probability of commercial success, the Company prefers to develop these materials in collaboration with large multinational companies, which have the expertise to bring new end products to market to address unmet needs in their sectors. On occasion, the Company has joint development programmes, which contribute to competing technologies (for instance, battery versus fuel cell technology). Thereby, the Company aims to create intellectual property such that it will benefit from commercialisation rewards associated with the ultimate generally adopted technology (or technologies). The Company's objective is to have its materials integrated into market-leading products sold by leading commercialisation partners around the world. The Company generally expects these end products to fit into or create end markets worth in excess of $1 billion per year, in which the Directors believe a number of the Company's commercialisation partners are positioned to have a leading share.

The Company is pursuing its objectives through the following strategies:

- Developing leading-edge high-throughput development processes;
- Partnering with companies committed to developing and globally commercialising jointly developed products; and
- Using high-throughput processes to invent patentable functional materials.

Operating review

The Company has increased the number of its customers in the year and developed a more even spread of commercial engagements between the US, Europe and Asia. The Company has also made significant progress during the year on its two lead programmes, the development of a solid-state battery and the development of a low cost fuel cell catalyst.

Solid-state batteries

The mass-market commercialisation of solid-state batteries will be a step change in the evolution of battery technology; enabling lighter, non-flammable batteries which contain the same energy in half the volume while charging up to 6 times faster than the highest performance lithium-ion incumbents.

The Company has been developing a proprietary solid-state battery chemistry and fabrication process, facilitating the scale-up manufacture of the next generation of solid-state lithium ion batteries. It has used its unique processing abilities to successfully turn a set of optimised high-performance materials into solid-state batteries with the following key advantages:

- A simple fabrication process
- Mechanical stability
- Stackable cells (necessary for building larger capacity batteries)

In January 2014, the company announced that it had achieved a unique and simple processing methodology for producing a stacked solid-state cell battery, a world-first and a solution to a key barrier to mass market entry for solid-state batteries. Electrochemical testing of the stacked solid-state batteries generated performance data that validates the stacked architecture, with two-cell stacks producing twice the voltage and power of a single cell. In one automated procedure, the Company successfully, simultaneously, produced one hundred identical solid-state batteries using the Company's proprietary process technology. Each battery consists of two cells deposited in series producing a composite device with a second cell on top of the first. This resulted in a doubling of the voltage available from the battery to approximately 8 volts.

The Company has had single solid-state lithium-ion battery cells on test, rapidly charging and discharging them over 2,200 times, which is equivalent to demonstrating a lifetime of around 6 years in a typical consumer electronics application. Demonstrations of longer lifetimes are ongoing.

Further development work is continuing to increase the number of cells in each stacked battery and also their cross-sectional area. This will result in micro-batteries containing sufficient energy for initial commercialisation in network sensor applications, a rapidly growing market segment expected to be in excess of £1 billion by 2017. This scalable stacked cell architecture enables the simple fabrication of cells over a wide range of sizes. The stacking of multiple cells opens up the pathway to larger, higher power solid-state devices for the consumer electronic industry.

In May 2014 Ilika announced that 2 of its patent applications, filed jointly with Toyota, had been granted in the UK. The patents cover the vapour deposition processes used to produce solid-state batteries and represent a key part of the family of patents and patent applications covering the complete methodology for producing solid-state batteries.

The performance data indicated above is now being shared with Ilika's OEM partners in the US, Japan and Europe reinforcing, and in some cases accelerating, commercialisation discussions.

The pilot line for the production of Ilika's solid-state battery technology is currently being fabricated and the infrastructure to accommodate the equipment is near completion. Prototype batteries for customer validation can be made available in H1 2015, followed by licensing and technical transfer as a prelude to production scale manufacturing.

Low-cost fuel cell catalyst

Reducing the cost of fuel cell technology is widely acknowledged as a key priority for enabling its adoption for both transport and stationary applications. The Company has proprietary materials that are suitable for use in so-called proton exchange membrane's ('PEM') fuel cells, which are of primary interest to transport applications. PEM fuel cell technology is also being used for stationary power applications, particularly for domestic power in Japan. 40 percent of the cost of a PEM fuel cell stack is currently associated with the use of platinum as the electrocatalyst. Platinum is a scarce precious metal and therefore its price is sensitive to supply and demand pressures. The Company's non-platinum electrocatalysts cost a third of the price, on a $/kW basis, of platinum-based equivalents.

The Company has signed materials transfer agreements and delivered samples of the catalyst for confirmatory testing to original equipment manufacturers ('OEMs') in the USA and Japan, where Ilika has strong patent coverage. Initial feedback is encouraging and further testing is expected in this financial year with a view to entering into a license agreement with one or more manufacturing partners.

Key performance indicators ('KPIs')

The Board considers that the most important KPIs are technical and operational and relate to the progress of the scientific programmes outlined above.

The most important financial KPIs are the cash position, the turnover from commercial engagements and the operating loss of the Group, all of which have improved in the year and remain under constant focus.

The Company has actions in hand to further drive commercial growth. These include a new customer relationship management system, an updated branding and a marketing communications programme.

Financial review

The Financial Review should be read in conjunction with the consolidated financial statements of the Company and Ilika Technologies Limited together ('the Group') and the notes thereto on pages 27 to 40. The consolidated financial statements are presented under International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial statements of the Company continue to be prepared in accordance with IFRSs and are set out on pages 41 to 45.

Statement of comprehensive income

Revenues

Revenue, all from continuing activities, for the year ended 30 April 2014 was £1.05 million (2013: £1.00 million). This includes £94.000 of grant income recognised from the Technology Strategy Board (2013: £nil), £64,000 for a polymer coatings grant and £30,000 as the front end of a £0.9 million grant to work together with the University of Cambridge, Diamond Light Source and Rolls Royce to develop new alloy compositions for gas turbine engines to increase performance, reducing CO_2 emissions and reduce noise levels at takeoff.

Payments made by the Company's Japan-based partners for research and development activities continue to fund the largest share of the Group's projects with 39 percent of revenues originating in Asia (2013: 78 percent). European based customer share increased from 13 percent in 2013 to 42 percent in 2014 and US-based customers increased from 9 percent in 2013 to 19 percent in 2014.

The current financial year has started strongly, with committed revenues amounting to £0.6 million secured at the time of publishing these accounts (2013: £0.2 million).

Administrative expenses

Total administrative costs for the year were reduced from £4.02 million in 2013, to £3.57 million in 2014. An accounting adjustment for a share-based payment calculation is included within administration expenses. In 2013, because a number of options lapsed in the year, there was a share-based payment credit of £0.25 million. In 2014, there was a share-based payment charge of £0.02 million. Therefore, the underlying decrease in administration expenses in the year, after taking account of this accounting adjustment, is £0.7 million.

£0.3 million of the reduction relates to reduced depreciation and amortisation charges. One-off costs in 2013 associated with the Company's laboratory expansion to increase capacity and accommodate staff and equipment transferred from the discontinued business, together with a focus in 2014 on cost reduction, accounts for the balance.

Loss on continuing activities has been reduced from £3.3 million in 2013 to £2.8 million in 2014 and loss and total comprehensive income and expense for the period has reduced from £3.5 million in 2013 to £2.8 million in 2014.

Statement of financial position and cash flows

At 30 April 2014, net assets amounted to £7.8 million (2013: £3.1 million), including net funds of £7.1 million (2013: £1.9 million).

The principal elements of the £5.2 million increase over the year ended 30 April 2014 in net funds were:

- Share proceeds (net of costs) of £7.4 million (2013: £0.1 million)
- Cash used in operations of £2.5 million (2013: £3.2 million);
- Research and development tax credits received of £0.3 million (2013: £0.1 million);

Subscription warrants were issued in 2010 with an exercise price of 51p per warrant. During the year 7,905,883 warrants were converted to Ordinary Shares with proceeds to the Company of £4.0 million. In May 2013, 2,375,000 Ordinary Shares were issued for net proceeds of £0.7 million and in February 2014, 4,854,093 Ordinary Shares were issued for a net consideration of £2.6 million.

Fundraising post year end

In May 2014, a further 2,617,647 subscription warrants were converted to Ordinary Shares generating proceeds of £1.3 million.

The remaining unconverted 15,686 warrants expired on 28 May 2014.

Treasury policy and financial risk management

Credit risk

The Group follows a risk-averse policy of treasury management. Sterling deposits are held with one or more approved UK-based financial institutions. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing prevailing market rates.

Interest rate risk

The Group's cash held in current bank accounts is subject to the risk of fluctuating base rates. An element of the Group's financial assets is placed on fixed-term interest deposits.

Currency risk

During the year under review, the Group was exposed to Euro, Japanese Yen and US Dollar currency movement as it engages business development staff in each of those territories. Additionally, a small element of expense and capital spend is denominated in these currencies. The Group has arranged for some of its programmes, with customers based in these territories, to be denominated in these currencies to hedge against this exposure.

Principal risks and uncertainties

Commercial risk

The Company is subject to competition from competitors who may develop more advanced and less expensive alternative technology platforms, both for existing materials and for those materials currently under development. The Company is largely dependent on its partners to commercialise the end products containing the Company's materials.

The Company seeks to reduce this risk by continually assessing competitive technologies and competitors. The Company seeks to commercialise materials through multiple channels to reduce overreliance on individual partners and, in agreements with partners, it ensures that there are commercialisation milestones which must be met for the partner to retain the rights to commercialise the materials.

Financial risk

The Company is reliant on a small number of significant customers and partners. Termination of these agreements could have a material adverse effect on the Group's results or operations or financial condition. The Company expects to incur further operating losses as progress on development programmes continue. There can be no assurance that the Company will ever achieve significant revenues or profitability.

The Company seeks to reduce this risk by broadening the number of customers and partners and thereby reduce reliance on individual significant companies. The Company has reduced the level of its operating loss and has significantly reinforced the balance sheet with a substantial capital raise in the year along with additional funding shortly after the year end.

Intellectual property risk

The Group faces the risk that intellectual property rights necessary to exploit research and development efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete before the products and services can be fully commercialised.

The Company seeks to reduce this risk by employing in-house staff with extensive global experience of patenting and licensing using commercially available patent searching and landscaping software. External patent agents and attorneys are used to advise on the drafting and filing of patent applications.

Dependence on senior management and key staff

Certain members of staff are considered vital to the successful development of the business. Failure to continue to attract and retain such highly skilled individuals could adversely affect operational results.

The Group seeks to reduce this risk by offering appropriate incentives to staff through competitive salary packages and participation in long-term share option schemes.

By order of the Board

Jack Boyer
Chairman

Graeme Purdy
Chief Executive Officer
15 July 2014

Board of Directors

Jack Boyer
Chairman (independent)

Jack joined Ilika as Chairman in 2004. He is also chairman of iQur Ltd and a non-executive director of FTSE 250 companies Mitie plc and Laird plc and chairs the Remuneration Committee of the latter. He previously founded and was the CEO of pan-European engineering group TCG, an Executive Director at Goldman Sachs and a management consultant at Bain & Co. Jack was educated at Stanford University (B.A. Hons), the London School of Economics (M.Sc.) and INSEAD (MBA).

He is a Council member of the Engineering and Physical Sciences Research Council, the Higher Education Funding Council for England's Research Excellence Framework main panel for physical sciences and deputy Chairman of Godolphin & Latymer School in London.

Graeme Purdy
Chief Executive Officer

Graeme was appointed to head-up Ilika from the beginning of May 2004, just before completion of the company's seed round of funding. He led the company through two successful rounds of venture funding before floating the company on AIM in 2010.

Prior to joining Ilika, Graeme was Chief Operating Officer of a high-technology company in the Netherlands and before that worked internationally in a variety of technical and commercial roles for Shell. Graeme holds a Master's degree in Chemical Engineering from Cambridge and an MBA from INSEAD business school in France. Graeme is a Chartered Engineer and a Sainsbury Management Fellow.

Prof. Brian Hayden
Chief Scientific Officer

Brian is a founder of Ilika and holds the executive role of Chief Scientific Officer. He is also professor of Physical Chemistry at the University of Southampton, a Fellow of the Royal Society of Chemistry, Fellow of the Institute of Physics, and a member of the International Editorial Board of Surface Science.

Brian is a pioneer of surface science with a strong track record in running successful industrial collaborations and has published in excess of 100 papers in the fields of surface science, surface electrochemistry and fundamental aspects of heterogeneous catalysis and electro-catalysis.

He is also the author of over 12 active patents including new catalysts and materials for low temperature fuel cells and solid state Li-ion batteries.

Stephen Boydell
Finance Director

Having qualified with Deloittes in 1996, Stephen held a number of acquisition, treasury and group reporting roles at both Hays plc and then AGI Media before becoming Finance Director of Healthy Direct, a successful Guernsey-based group of companies. He was instrumental in the restructuring of that group and the subsequent trade sale to a competitor. He joined Ilika in 2009 as Finance Director and Company Secretary.

Stephen studied Economics at Nottingham University and is a Fellow of the Institute of Chartered Accountants.

Clare Spottiswoode CBE
Non-Executive Director

Clare's career started as an economist with the Treasury before establishing her own software company.

She is perhaps best known for her role as Director General of Ofgas between 1993 and 1998 where she oversaw the transformation of the gas industry from a monopoly, which controlled the whole gas supply chain, into a deregulated, competitive industry.

Clare was a commissioner on the Independent Commission on Banking Chaired by John Vickers, and currently chairs Gas Strategies Group Limited and Flow Energy plc. She is also a non-executive director of Energy Solutions Inc. and G4S plc. Awarded a CBE for services to industry in 1999, she holds degrees from Cambridge and Yale Universities and has an honorary doctorate from Brunel.

Prof. Sir William Wakeham
Non-Executive Director

Prof. Sir William Wakeham retired as Vice-Chancellor of the University of Southampton in September 2009. He studied Physics at Exeter University at both undergraduate and doctoral level.

He is a Fellow, Senior Vice-President and International Secretary of the Royal Academy of Engineering, a Fellow of the Institution of Chemical Engineers, the Institution of Engineering and Technology, the Institute of Physics and the Portuguese Academy of Engineering. He is a Visiting Professor at Imperial College London, Exeter and Lisbon, Chair of Exeter Science Park Limited and Trustee of Royal Anniversary Trust.

He was knighted in 2009 for services to Chemical Engineering and Higher Education.

Directors' report

The Directors present their report and the audited financial statements for Ilika plc ('Ilika') and its subsidiary ('the Group') for the year ended 30 April 2014.

Details of Directors' remuneration and share options are given in the Directors' remuneration report.

Directors

The Directors who served on the Board of Ilika during the year and to the date of this report were as follows:

Executive

Mr. S. Boydell (FD and Company Secretary)
Prof. B. E. Hayden (CSO)
Mr. G. Purdy (CEO)

Non-Executive

Mr. J. B. Boyer (Chairman)
Ms. C. Spottiswoode CBE
Prof. Sir W. Wakeham
Dr. W. Braun
(resigned 30 June 2013)

The Group maintained Directors' and officers' liability insurance cover throughout the period.

Research and development costs

In accordance with the policy outlined in note 1, the Group incurred research and development expenditure of £1,642,152 in the year (2013: £1,772,605). Commentary on the major activities is given in the Strategic report.

Financial instruments

The use of financial instruments and financial risk management policies is covered in the Strategic report and also in note 18 of the financial statements.

Dividends

The Directors do not recommend the payment of a dividend.

Political donations

The Group made no political donations during the year (2013: Nil).

Directors' interests in Ordinary Shares

The Directors, who held office at 30 April 2014, had the following interests in the Ordinary Shares of the Company:

	Number of shares	
	1 May 2013	30 April 2014
J. Boyer	394,009	394,009
G. Purdy	12,727	477,427
C. Spottiswoode	45,454	45,454
S. Boydell	9,090	9,090
W. Wakeham	–	–
B. Hayden[1]	–	–

1 B. Hayden had an interest in Preference Shares of the Company amounting to 593,800 at 1 May 2013 and 426,300 as at 30 April 2014.

Between 30 April 2014 and the date of this report, there has been no change in the interests of Directors in shares as disclosed in this report.

Substantial shareholdings

On 30 June 2014 the Company had been notified of the following holdings of more than 3 percent or more of the issued share capital of the Company.

Shareholder	No. of Ordinary Shares	% Shareholding
IP Group plc	9,508,779	14.6
Richard Griffiths	7,497,627	11.2
Ruffer LLP	6,105,454	9.4
Henderson Global	6,000,000	9.2
Mackin Holdings Inc	3,852,647	5.9
Southampton Asset Management	3,799,900	5.8
Charles Stanley Group plc	3,000,750	4.6
Southern Fox	2,147,000	3.3

Post balance sheet events

In May 2014, 2,617,647 subscription warrants, with an exercise price of 51p per warrant, were converted to Ordinary Shares and 15,686 subscription warrants lapsed.

In July 2014, 250,000 Convertible Preference Shares were converted into Ordinary Shares.

Auditors

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP will be proposed at the next Annual General Meeting.

By order of the Board

Steve Boydell
Company Secretary

Directors' remuneration report

This report is non-mandatory for AIM-quoted companies and has been produced on a voluntary basis. It includes and complies with the disclosure obligations of the AIM Rules.

Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration Committee ('the Committee'), which was established in May 2004. The terms of reference of the Committee are outlined in the Corporate governance statement on pages 18 to 19. The members of the Committee are Jack Boyer (Chairman), Clare Spottiswoode and Prof. Sir William Wakeham.

The Committee met twice during the year ended 30 April 2014. The Chief Executive Officer and certain executives may be invited to attend meetings of the Committee to assist it with its deliberations, but no executive is present when his or her own remuneration is discussed.

Remuneration policy

(i) Executive remuneration

The Committee has a duty to establish a remuneration policy which will enable it to attract and retain individuals of the highest calibre to run the Group. Its policy is to ensure that the executive remuneration packages of Executive Directors and the fee of the Chairman are appropriate given performance, scale of responsibility, experience, and consideration of the remuneration packages for similar executive positions in companies it considers to be comparable. Packages are structured to motivate executives to achieve the highest level of performance in line with the best interests of Shareholders. A significant element of the total remuneration package, in the form of bonus and share options, is performance driven.

Executive remuneration currently comprises a base salary, an annual performance-related bonus, a pension contribution to the Executive Director's individual money purchase scheme (at between 8 percent and 10 percent of base salary) and critical illness cover. Salaries and benefits were last reviewed in March 2014 with increases taking effect from 1 January 2014, taking into account Group and individual performance, external benchmark information and internal relativities. The Company operates a discretionary bonus scheme for Executive Directors for delivery of exceptional performance against a series of financial, commercial and technology objectives. The maximum bonus payable for the year to 30 April 2014 was restricted to 30 percent of CEO base salary, 20 percent of CSO base salary and 20 percent of CFO base salary. For the year to 30 April 2015, the maximum bonus payable to the CEO has been increased to 50 percent of base salary and to the CSO to 30 percent of base salary.

(ii) Chairman and Non-Executive Director remuneration

The Chairman, Mr Boyer receives a fixed fee of £61,200 per annum and declined any increase in this fee for the year to 31 December 2014. Clare Spottiswoode and Prof. Sir William Wakeham received a fixed fee of £30,600 per annum for the year to 31 December 2013 and will receive £31,212 per annum for the year to 31 December 2014. The fixed fee covers preparation for and attendance at meetings of the full Board and committees thereof. The Chairman and the Executive Directors are responsible for setting the level of non-executive remuneration. The Non-Executive Directors are also reimbursed for all reasonable expenses incurred in attending meetings.

All remuneration policies will be reviewed regularly to maintain adherence with best market practice as appropriate.

Directors' remuneration

The aggregate remuneration received by Directors who served during the year ended 30 April 2014 and 2013 was as follows:

	Basic salary £	Fees £	Benefits in kind £	Bonus £	Total short-term benefits £	Pension £	Total £
Year to 30 April 2014							
G. Purdy	158,800	–	444	25,320	184,564	28,260	212,824
S. Boydell	102,788	–	292	11,140	114,220	18,244	132,464
B. Hayden[1]	53,468	–	–	5,347	58,815	–	58,815
J. Boyer	61,200	–	–	–	61,200	–	61,200
W. Braun	–	5,200	–	–	5,200	–	5,200
W. Wakeham	30,804	–	–	–	30,804	–	30,804
C. Spottiswoode	30,804	–	–	–	30,804	–	30,804
	437,864	5,200	736	41,807	485,607	46,504	532,111
Year to 30 April 2013							
G. Purdy	151,067	–	367	–	151,434	27,487	178,921
S. Boydell	98,950	–	241	–	99,191	16,137	115,328
B. Hayden	50,333	–	–	–	50,333	–	50,333
J. Boyer	60,400	–	–	–	60,400	–	60,400
W. Braun	–	30,200	–	–	30,200	–	30,200
W. Wakeham	30,200	–	–	–	30,200	–	30,200
C. Spottiswoode	30,200	–	–	–	30,200	–	30,20
	421,150	30,200	608	–	451,958	43,624	495,582

1 B. Hayden is employed by the University of Southampton. The amounts disclosed in the table above relate to payments made directly to B. Hayden. The University of Southampton recharged employment costs of £54,327 to the Company in the year in respect of B. Hayden. (2013: £53,186).

Share-based payment credit attributable to Directors in the year was £Nil (2013: £252,939).

Benefits in kind include critical illness cover.

Share options

The unapproved share options of the Directors are set out below:

	At 1 May 2013 and 30 April 2014 Number	Exercise price	Expiry date
G. Purdy	1,050,000	51p	May 2020
J. Boyer	1,050,000	51p	May 2020
B. Hayden	525,000	51p	May 2020
S. Boydell	117,600	51p	May 2020
W. Braun	65,100	51p	May 2020
W. Wakeham	65,100	51p	May 2020
C. Spottiswoode	50,100	51p	May 2020

The share options of the Directors in Ilika plc exchanged from share options in Ilika Technologies Limited.

Directors' remuneration report continued

Approved

	2013 Number	Exercised	**2014 Number**	Exercise price	Expiry date
G. Purdy	734,200	594,700	**139,500**	10p	9 June 2015
G. Purdy	26,500	–	**26,500**	80p	14 May 2017
S. Boydell	90,000	–	**90,000**	80p	1 December 2019

Unapproved

	2013 Number	Exercised	**2014 Number**	Exercise price	Expiry date
G. Purdy	136,200	–	**136,200**	80p	11 July 2017
J. Boyer	540,200	–	**540,200**	10p	29 June 2014
W. Braun	20,000	–	**20,000**	243p	11 November 2018
B. Hayden	59,300	–	**59,300**	80p	11 July 2017

Mr. Purdy exercised 594,700 options in the year (2013 – Nil) and no options lapsed.

Jack Boyer
Chairman of the Remuneration Committee

Statement of Directors' responsibilities
in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with IFRSs as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ('AIM').

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern
The Directors have prepared and reviewed financial forecasts. After due consideration of these forecasts and current cash resources, the Directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

By order of the Board

Graeme Purdy
Chief Executive Officer
15 July 2014

Corporate governance statement

The Board is accountable to the Company's shareholders for good corporate governance and it is the objective of the Board to attain a high standard of corporate governance. As an AIM listed company full compliance with the provisions of the UK Corporate Governance Code published in May 2010 ('the Code') is not a formal obligation. The Company has not sought to comply with the full provisions of the Code, however it has sought to adopt the provisions that are appropriate to its size and organisation and establish frameworks for the achievement of this objective. This statement sets out the corporate governance procedures that are in place.

Board of Directors
The Board of Directors ('the Board') consists of a Non-Executive Chairman, 3 Executive Directors and 2 Non-Executive Directors.

The responsibilities of the Non-Executive Chairman and the Chief Executive Officer are clearly divided. The Chairman is responsible for overseeing the formulation of the overall strategy of the Company, the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring that the Non-Executive Directors are properly briefed on matters. Prior to each Board meeting, Directors are sent an agenda and Board papers for each agenda item to be discussed. Additional information is provided when requested by the Board or individual Directors.

The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group through his chairmanship of the Executive Committee.

The Non-Executive Directors bring relevant experience from different backgrounds and receive a fixed fee for their services and reimbursement of reasonable expenses incurred in attending meetings.

The Board retains full and effective control of the Group. This includes responsibility for determining the Group's strategy and for approving budgets and business plans to fulfil this strategy. The full Board ordinarily meets bi-monthly.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the applicable rules and regulations are complied with. All Directors have access to the advice and services of the Company Secretary, and independent professional advice, if required, at the Company's expense. Removal of the Company Secretary would be a matter for the Board.

Performance evaluation
The Board has a process for evaluation of its own performance which is carried out annually.

Board Committees
As appropriate, the Board has delegated certain responsibilities to Board Committees as follows:

i) Audit Committee
The Audit Committee currently comprises Clare Spottiswoode CBE (Chairman), Professor Sir William Wakeham and Jack Boyer.

The Committee monitors the integrity of the Group's financial statements and the effectiveness of the audit process. The Committee reviews accounting policies and material accounting judgements. The Committee also reviews, and reports on, reports from the Group's auditors relating to the Group's accounting controls. It makes recommendations to the Board on the appointment of auditors and the audit fee. It has unrestricted access to the Group's auditors. The Committee keeps under review the nature and extent of non-audit services provided by the external auditors in order to ensure that objectivity and independence are maintained.

ii) Remuneration Committee
Until 30 June 2013, the Remuneration Committee comprised Dr. Werner Braun (Chairman), Clare Spottiswoode CBE and Jack Boyer. With the departure of Dr. Werner Braun, Professor Sir William Wakeham has joined the Committee and Jack Boyer has become Chairman.

The Committee is responsible for making recommendations to the Board on remuneration policy for Executive Directors and the terms of their service contracts, with the aim of ensuring that their remuneration, including any share options and other awards, is based on their own performance and that of the Group generally.

iii) Nomination Committee
Until 30 June 2013, the Nomination Committee comprised Jack Boyer (Chairman), Professor Sir William Wakeham and Dr. Werner Braun. Dr. Werner Braun has been replaced on the Committee by Clare Spottiswoode CBE.

It is responsible for providing a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and reviewing the performance of the Board each year.

Attendance at Board meetings and committees
The Directors attended the following Board and committees meetings during the year:

Attendance	Board	Audit	Nomination	Remuneration
Mr. S. Boydell	7/7	–	–	–
Mr. J. B. Boyer	7/7	2/2	1/1	2/2
Prof. B. E. Hayden	7/7	–	–	–
Mr. G. Purdy	7/7	–	–	–
Ms. C. Spottiswoode	7/7	2/2	–	2/2
Prof. Sir W. Wakeham	7/7	2/2	1/1	2/2

Risk management and internal control
The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee reviews the effectiveness of these systems primarily by discussion with the external auditor and by considering the risks potentially affecting the Group.

The Group does not consider it necessary to have an internal audit function due to the small size of the administration function. Instead there is a detailed Director review and authorisation of transactions. The annual audit by the Group auditor, which tests a sample of transactions, did not highlight any significant system improvements in order to reduce risk.

The Group maintains appropriate insurance cover in respect of actions taken against the Executive Directors because of their roles, as well as against material loss or claims of the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

Employment
The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors. A health and safety report is reviewed at each Board meeting and policies and procedures are independently reviewed to ensure compliance with best practice.

By order of the Board

Jack Boyer
Chairman
15 July 2014

Corporate and social responsibility statement

Ilika approaches its responsibilities to corporate social responsibility ('CSR') in a co-ordinated and committed way and applies a positive and systematic approach to environmental and social issues that impact on our business whilst at the same time delivering good value for the Company and continued benefit for society. We aim to include CSR in all aspects of our business.

Overall responsibility for developing and implementing our CSR policies and for reviewing their effectiveness lies ultimately with the Ilika Board. Regular and consistent reviews of the scope of the Company strategy ensures we remain focused on the material issues for the business. The CSR policy and procedures are reviewed by the management team regularly and are communicated to all employees. Strong communication ensures there is both an upward and downward flow of information and ideas. The management team reports to the Board regularly to ensure the Board are fully apprised of the status of the Company's efforts in this area.

The Main areas of CSR at Ilika are:

1. Health and safety
It is of paramount importance that, as a company, we ensure the well-being, safety and welfare of our employees and those who are affected by our business and to maintain a safe and healthy working environment. Health and safety has direct positive benefits for the Company and a commitment to a high level of safety makes good business sense. As a business function, health and safety must continually progress and adapt to change.

At Ilika, health and safety is considered at the highest level in the Company with the ultimate responsibility resting with the Board. Health and safety is an agenda item at each Board meeting and a full report is presented annually. Our Policies and procedures are independently reviewed by experts to ensure compliance with not only legislation but also best practice.

2. Environment and sustainability
Ilika is committed to achieving a real and sustainable positive impact on the broader community by adopting environmentally responsible policies. We believe it is essential that both as a Company and as individuals we operate in an environmentally conscious manner. Our objective is to minimise the impact of our business activity on the environment wherever possible. This includes ensuring our suppliers do likewise: we actively seek collaborations with those who are similarly aware of and active in this field.

Ilika has implemented many changes within the business in furtherance of our policies and continues to review and monitor progress against our own targets and to creatively consider new initiatives. Our ongoing objectives are to consider environmental issues in all of our decision-making processes; to evaluate future energy usage to see how we can use low energy systems and to fundamentally reduce our impact on the environment and ask our employees, suppliers and customers to do likewise.

3. Employee rights
Ilika adheres to legislation relating to employment rights and equal opportunities, with particular reference to non-discrimination on the basis of ethnic origin, religion, gender, age, marital status, disability or sexual orientation. However, Ilika's policies go beyond the legal requirements and the Company acknowledges its moral rights to provide a safe and dignified working environment.

We maintain the highest level of integrity with regard to employees, customers and all others with whom we interact. We recognise the value that our employees create for the business and our commitment to training and personal development, together with remuneration policies, are designed to reward achievement and emphasise the importance of retaining staff.

Ilika will not tolerate discrimination, bullying or any other kind of harassment within our business community. The concept of 'mutual respect' is one of our guiding principles. Employees are expected to abide by Company rules and to be honest and considerate in their various roles.

Internal procedures have been established to report grievances or alleged inappropriate behaviour to other individuals or organisations. We treat dishonest actions and accusations seriously; this may result in disciplinary action in accordance with Company rules and disciplinary procedures.

4. Ethics and values

Ilika supports the principles of the Universal Declaration of Human Rights. This means we support freedom from torture, unjustified imprisonment without fair trial and any other oppression. In addition, we support the right of any individual to have freedom of expression and religion, political representation or in respect of any other matter. Accordingly, we will not support or work with organisations which fail to uphold basic human rights or are involved in the manufacture or transfer to an oppressive regime or are involved in the manufacture of equipment used in the violation of human rights. Neither will we work with organisations which are involved in the funding or carrying out of terrorist activities.

Ilika will not provide support or work with organisations which do not conform to the most widely accepted standards for minimum labour rights or which do not cover the use of under-age or forced labour.

Ilika does not give or receive any bribes, extra contractual gratuities, inducements, facilitation fees or similar payments. Any gifts, whether in cash or kind, received by employees or the Company in the course of normally accepted business entertainment are accepted subject to the prior written approval of the management. We do not donate (including sponsorship, subscriptions or provision of employee time or facilities) to any political party or similar organisation.

5. Contribution to society

Ilika accepts and acknowledges that we have a corporate responsibility towards society not only by paying taxes and creating and maintaining jobs but also by using our unique research skills to develop knowledge, skills and products which will ultimately benefit society.

We actively support and encourage the study of science at all levels from pre-GCSE through to post-doctoral level. We have an active Outreach department and participate in many activities designed to encourage and support the study of science.

Independent auditor's report to the members of Ilika plc

We have audited the financial statements of Ilika plc for the year ended 30 April 2014 which comprise the consolidated balance sheet, the parent company balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the Parent Company cash flow statement, the consolidated statement of changes in equity and Parent Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ('FRC's') Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 April 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Anthony (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom
15 July 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

	Notes	Year ended 30 April 2014 £	2013 £
Revenue	2	**1,049,879**	1,003,943
Cost of sales		**(586,869)**	(561,584)
Gross profit		**463,010**	442,359
Administrative expenses		**(3,569,696)**	(4,020,375)
Other operating income	6	**810**	17,133
Operating loss	4	**(3,105,876)**	(3,560,883)
Financial income	7	**22,131**	67,437
Financial expense	8	**(1,513)**	(4,575)
Loss before tax		**(3,085,258)**	(3,498,021)
Taxation	9	**287,171**	239,741
Loss for period on continuing activities		**(2,798,087)**	(3,258,280)
Loss for the period on discontinued activities	3	**–**	(216,693)
Loss for period/total comprehensive income attributable to owners of parent		**(2,798,087)**	(3,474,973)
Loss per share	10		
Basic		**(0.05)**	(0.07)
Diluted		**(0.05)**	(0.07)
Continuing operations		**(0.05)**	(0.06)
Discontinued operations		**(0.00)**	(0.01)

Consolidated balance sheet

Company number 7187804

	Notes	As at 30 April 2014 £	2013 £
ASSETS			
Non-current assets			
Intangible assets	11	**793**	9,425
Property, plant and equipment	12	**607,627**	1,105,706
Total non-current assets		**608,420**	1,115,131
Current assets			
Trade and other receivables	13	**572,304**	577,505
Current tax receivable	9	**248,191**	230,000
Other financial assets – bank deposits	14	**1,776,767**	1,455,092
Cash and cash equivalents	15	**5,329,967**	407,970
Total current assets		**7,927,229**	2,670,567
Total assets		**8,535,649**	3,785,698
Issued capital and reserves attributable to owners of parent			
Issued share capital	19	**632,660**	475,354
Share premium		**16,082,944**	8,823,770
Capital restructuring reserve		**6,486,077**	6,486,077
Retained earnings		**(15,426,779)**	(12,643,692)
Total equity		**7,774,902**	3,141,509
LIABILITIES			
Current liabilities			
Trade and other payables	16	**610,747**	494,189
Provisions	17	**150,000**	150,000
Total liabilities		**760,747**	644,189
Total equity and liabilities		**8,535,649**	3,785,698

The notes on pages 27 to 40 form part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 15 July 2014.

Mr. J. B. Boyer
Chairman

Consolidated cash flow statement

	Year ended 30 April 2014 £	2013 £
Cash flows from operating activities		
Loss before taxation continuing operations	**(3,085,258)**	(3,498,021)
Loss before taxation discontinued operations	**–**	(216,693)
Adjustments for:		
Amortisation	**8,632**	52,438
Depreciation	**556,795**	803,345
Equity settled share-based payments	**15,000**	(251,851)
Loss on disposal of plant, property and equipment	**(145)**	155
Loss on disposal of intangible assets	**–**	–
Net financial income	**(20,618)**	(62,862)
Operating cash flow before changes in working capital, interest and taxes	**(2,525,594)**	(3,173,489)
Decrease in trade and other receivables	**5,200**	74,734
Decrease in inventory	**–**	34,135
Increase/(Decrease) in trade and other payables	**116,560**	(175,966)
Cash utilised by operations	**(2,403,834)**	(3,240,586)
Tax received	**269,266**	124,905
Net cash flow from operating activities	**(2,134,568)**	(3,115,681)
Cash flows from investing activities		
Interest received	**29,390**	59,055
Sale of discontinued operations	**–**	50,000
Sale of property plant and equipment	**2,450**	–
Purchase of property, plant and equipment	**(61,021)**	(551,591)
Decrease/(increase) in other financial assets	**(321,675)**	2,544,908
Net cash used in investing activities	**(350,856)**	2,102,372
Cash flows from financing activities		
Proceeds from issuance of Ordinary Share capital	**7,716,912**	149,380
Share issue costs	**(300,434)**	–
Capital element of finance leases	**(7,544)**	(22,633)
Interest element of finance leases	**(1,513)**	(4,540)
Net cash from financing activities	**7,407,421**	122,207
Net increase/(decrease) in cash and cash equivalents	**4,921,997**	(891,102)
Cash and cash equivalents at the start of the period	**407,970**	1,299,072
Cash and cash equivalents at the end of the period	**5,329,967**	407,970

Consolidated statement of changes in equity

	Share capital £	Share premium account £	Capital restructuring reserve £	Retained earnings £	Total attributable to equity holders of parent £
As at 30 April 2012	472,638	8,677,106	6,486,077	(8,916,868)	6,718,953
Share-based payment	–	–	–	(251,851)	(251,851)
Issue of shares	2,716	146,664	–	–	149,380
Loss and total comprehensive income	–	–	–	(3,474,973)	(3,474,973)
As at 30 April 2013	475,354	8,823,770	6,486,077	(12,643,692)	3,141,509
Share-based payment	–	–	–	15,000	15,000
Issue of shares	157,306	7,559,607	–	–	7,716,913
Expenses of share issue	–	(300,433)	–	–	(300,433)
Loss and total comprehensive income	–	–	–	(2,798,087)	(2,798,087)
As at 30 April 2014	**632,660**	**16,082,944**	**6,486,077**	**(15,426,779)**	**7,774,902**

Share capital
The share capital represents the nominal value of the equity shares in issue.

Share premium account
When shares are issued, any premium paid above the nominal value is credited to the share premium reserve.

Capital restructuring reserve
The capital restructuring reserve arises on the accounting for the share for share exchange. It represents the difference between the value of the issued equity instruments of Ilika Technologies Limited immediately before the share-for-share exchange and the equity instruments of Ilika plc along with the shares issued to effect the share for share exchange.

Retained earnings
The retained earnings reserve records the accumulated profits and losses of the Group since inception of the business.

Notes to the consolidated financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the basis of the accounting policies which apply for the financial year to 30 April 2014 and in accordance with the recognition and measurement criteria of IFRSs adopted by the European Union.

The individual financial statements of Ilika plc are shown on pages 41 to 45.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The financial statements are prepared on a going concern basis which the Directors believe continues to be appropriate. The Group meets its day-to-day working capital requirements through existing cash resources which, at 30 April 2014, amounted to £7,106,734. The Directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. On the basis of this cash flow information the Directors believe that the Group will be able to continue to trade for the foreseeable future.

(a) New standards, amendments to standards or interpretations adopted early

During the period ended 30 April 2014, there were no new or revised standards, amendments to standards or interpretations that have been adopted and affected the amounts reported in the financial statements.

(b) New standards, amendments to standards or interpretations not yet applied

The following standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Group's future financial statements:

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IFRS 9	Financial Instruments	To be confirmed
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRIC 21	Levies	1 January 2014
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 19	Employee Benefits	1 July 2014
IAS 27	Consolidated and Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Financial Instruments: Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 38	Intangible Assets	1 January 2016
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2014

No other new standards or amendments are expected to have an effect on the Group.

Revenue comprises the fair value for the sale of goods and services, net of value added tax and is recognised as follows:

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

Notes to the consolidated financial statements continued

1 Accounting policies continued

Revenue

Sales of services

Sales of research and development services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Government grants

Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised.

Leases

Where a Group company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as property, plant and equipment and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the consolidated income statement, and the capital element which reduces the outstanding obligation for future instalments. All other leases are accounted for as 'operating leases' and the rental charges are charged to the consolidated income statement on a straight-line basis over the life of the lease.

Financial income and financial expense

Financial income and financial expense is recognised in the income statement as it accrues, using the effective interest method.

Pension and other post retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Share-based payment transactions

The Group issues equity-settled share-based payments to all employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of market-based and non-market based vesting conditions.

The fair value of market-based options granted by the Group is measured by use of the stochastic valuation model taking into account the following inputs: the exercise price of the option; the life of the option; the market price on the date of grant of the option; the expected volatility of the share price; the dividends expected on the shares; and the risk free interest rate for the life of the option.

The fair value of non market-based options granted by the Group is measured by use of the Black-Scholes pricing model taking into account the following inputs: the exercise price of the option; the life of the option; the market price on the date of grant of the option; the expected volatility of the share price; the dividends expected on the shares; and the risk free interest rate for the life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Research and development expenditure

Expenditure on the research phase is charged to the income statement in the period in which it is incurred. Development expenditure on new products is capitalised only once the criteria specified under IAS 38, Intangible Assets, have been met. Prior to and during the year ended 30 April 2013, no development expenditure satisfied the necessary conditions of IAS 38.

Taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvements	lease term
Plant, machinery and equipment	3–5 years
Fixtures & fittings	3–5 years

Impairment

The carrying amounts of the Group’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised to administrative expenses using the straight-line method over their estimated useful lives (1–3 years).

Intellectual property

Acquired intellectual property is included at cost and is amortised to administrative expenses on a straight-line basis over its useful economic life of 15 years.

Financial instruments

Financial assets and financial liabilities are recognised on the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group’s financial assets are all classified as loans and receivables and carried at amortised cost. The Group’s financial liabilities are all classified as ‘other’ liabilities which are carried at amortised cost. Cash and cash equivalents comprise cash balances and call deposits.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with the bank.

Key sources of estimation uncertainty

The preparation of the Group’s financial statements, in accordance with IAS 1, Presentation of Financial Statements, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Group’s financial statements. The Group’s estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- Revenue recognition
  The Group’s revenue substantially comprised revenues from the provision of research and development services. The contracts set out defined deliverables the achievement of which trigger milestone payments. Judgement is used to determine the stage of completion and the point at which revenue is recognised.

Notes to the consolidated financial statements continued

1 Accounting policies continued

- Share-based payments
  The critical accounting estimates, assumptions and judgements underpinning the valuation of the option awards are disclosed in note 23.

- Taxation
  The current tax receivable is the expected tax receivable on the expenditure for the period using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. The ultimate receivable may vary from the amounts provided and is dependent upon negotiations with the relevant tax authorities.

2 Segment reporting

IFRS 8 requires the Group to report on operating segments on the same basis as that used by the chief operating decision maker to assess the performance of the business segments and to allocate resources accordingly. For management purposes, the Group is analysed by the geographical location of its customer base and business development directors have been appointed to cover the Group's three territories of focus, Asia, North America and Europe. Previously, segmentation analysis was provided by the market categories, Energy, Electronics and Biomedical. The disposal of the wound care business and the subsequent reorganisation meant that this segmentation basis was no longer appropriate.

The Group's activities originate from the production, design and development of high throughput methods of material synthesis, characterisation and screening. The Group has materials development programmes for a wide range of applications including in the battery, fuel cell and hydrogen storage sectors.

	Year ended 30 April	
Turnover	2014 £	2013 £
Analysis by geographical market:		
By destination		
Asia	**406,585**	785,989
Europe	**347,751**	131,617
North America	**201,764**	86,337
UK Grants	**93,779**	–
Continuing operations total	**1,049,879**	1,003,943
Discontinued operations – By destination – Europe	**–**	97,475
	1,049,879	1,101,418

A number of customers individually account for more than 10 percent of the total turnover of the Group. The revenues from these companies are indicated below:

	Year ended 30 April	
Turnover	2014 £	2013 £
Customer 1	**332,218**	654,918
Customer 2	**108,597**	–
Customer 3	**107,900**	–
Customers less than 10 percent	**501,164**	446,500
	1,049,879	1,101,418

The chief operating decision maker only reviews turnover by operating segment then reviews expenses and profit on an aggregate basis. Therefore the segmental loss before tax information, along with the segmental total assets and liabilities information has not been split out in this note.

The loss before tax per the management accounts is the same as the loss before tax on the consolidated statement of comprehensive income with the exception of the share-based payment expense which is only calculated as a year end adjustment. For details of the calculation see note 23. The total assets and liabilities per the management accounts are the same as the consolidated balance sheet with the exception of the period end tax adjustment.

3 Discontinued operations

The results of the discontinued wound care division which have been included in the consolidated income statement were as follows:

	Year ended 30 April	
	2014 £	2013 £
Revenue	–	97,475
Cost of sales	–	(97,248)
Gross profit	–	227
Administrative expenses	–	(233,819)
Other operating income	–	16,899
Operating loss, loss before tax and loss for period on discontinued activities	–	(216,693)

The net book value of assets sold along with the Altrika business equated to £73,000. Proceeds of disposal were £90,000 (£50,000 on disposal and deferred consideration of £40,000) less legal costs of £17,000.

4 Operating loss

	Year ended 30 April	
This is arrived at after charging/(crediting):	2014 £	2013 £
Research and development expenditure in the year	1,642,152	1,772,605
Depreciation	556,795	803,345
Amortisation of intangible assets	8,632	52,438
Auditors remuneration:		
Fees payable to the Group's auditor for the audit of the Group's accounts	19,700	15,000
Fees payable to the Group's auditor for other services:		
– The Audit of the Group's subsidiaries	6,800	6,800
– Other assurance services – interim review	–	10,750
Operating lease rentals	201,784	234,836
Share-based payment	15,000	(251,851)
Foreign exchange differences	3,281	(2,464)

5 Employees

The average number of employees during the year, including Executive Directors, was:

	Year ended 30 April	
	2014 Number	2013 Number
Administration	8	9
Materials synthesis	26	30
	34	39

Staff costs for all employees, including Executive Directors, consist of:

	Year ended 30 April	
	2014 £	2013 £
Wages and salaries	1,603,975	1,716,057
Social security costs	137,254	163,602
Share-based payment expense	–	(252,939)
Pension costs	102,441	112,373
	1,843,670	1,739,093

Notes to the consolidated financial statements continued

5 Employees continued

The total remuneration of the Directors of the Group was as follows:

	Year ended 30 April	
	2014 £	2013 £
Wages and salaries	**485,607**	451,958
Pension costs	**46,504**	43,624
Directors' emoluments	**532,111**	495,582
Social security costs	**59,688**	51,842
Share-based payment expense	**–**	(252,939)
Key management personnel	**591,799**	294,485

The Directors represent key management personnel and further details are given in the Directors' Remuneration Report on pages 14 to 16.

6 Other operating income

	Year ended 30 April	
	2014 £	2013 £
Sundry other income	**810**	17,133

7 Financial income

	Year ended 30 April	
	2014 £	2013 £
Income from short-term deposits	**22,131**	67,437

8 Financial expense

	Year ended 30 April	
	2014 £	2013 £
Interest on:		
Finance leases	**1,513**	4,575

9 Taxation

(a) Tax on profit from ordinary activities

There is no taxation charge due to the losses incurred by the Group during the year. The taxation credit represents R&D tax credit claims as follows:

	Year ended 30 April	
	2014 £	2013 £
Current tax on loss for the year	**248,191**	230,000
Adjustments to prior period	**38,980**	9,741
	287,171	239,741

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 23 percent (2013: 24 percent). The differences are reconciled below:

	2014 £	2013 £
Loss on ordinary activities before tax	**(3,085,258)**	(3,714,714)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 23 percent (2013: 24 percent)	**(709,609)**	(891,531)
Effects of:		
Expenses not deductible for corporation tax	**1,426**	89,901
R&D relief	**(248,191)**	(30,824)
Origination of unrecognised tax losses	**704,733**	662,899
Share options	**3,450**	(60,445)
Under provision in previous years	**(38,980)**	(9,741)
Total tax credit for the year	**(287,171)**	(239,741)

Unrecognised deferred taxation

There are tax losses available for carry forward against future trading profits of approximately £13,010,000 (2013: £11,415,000). A deferred tax asset in respect of these losses of approximately £2,602,000 (2013: £2,740,000) has not been recognised in the accounts, as the full utilisation of these losses in the foreseeable future is uncertain.

10 Loss per share

Earnings per Ordinary Share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being loss after tax, are as follows:

	Year ended 30 April	
	2014 Number	2013 Number
Weighted average number of equity shares	**52,153,675**	47,431,258

	£	£
Earnings, being loss after tax	**(2,798,087)**	(3,474,973)

	£	£
Loss per share	**(0.05)**	(0.07)
Continuing operations	**(0.05)**	(0.06)
Discontinued operations	**(0.00)**	(0.01)

The loss attributable to Ordinary Shareholders and weighted average number of Ordinary Shares for the purpose of calculating the diluted earnings per Ordinary Share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per Ordinary Share and is therefore not dilutive under the terms of IAS 33. At 30 April 2014 there were 6,925,766 options outstanding (2013: 16,145,039 options outstanding) as detailed in notes 19 and 23.

Notes to the consolidated financial statements continued

11 Intangible assets

	Software licences £	Intellectual property £	Total £
Cost			
As at 30 April 2012, 2013 and 2014	27,918	75,000	102,918
Amortisation			
As at 30 April 2012	12,305	28,750	41,055
Provided for the year	6,188	46,250	52,438
As at 30 April 2013	18,493	75,000	93,493
Provided for the year	8,632	–	8,632
As at 30 April 2014	27,125	75,000	102,125
Net book value			
As at 30 April 2012	**15,613**	**46,250**	**61,863**
As at 30 April 2013	**9,425**	**–**	**9,425**
As at 30 April 2014	**793**	**–**	**793**

The amortisation charge of £8,632 (2013: £52,438) is included within administrative expenses.

12 Property, plant and equipment

	Leasehold improvements £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
Cost				
As at 30 April 2012	421,342	3,888,822	172,771	4,482,935
Additions	190,273	342,331	18,987	551,591
Disposals	(59,557)	(98,856)	(22,046)	(180,459)
As at 30 April 2013	552,058	4,132,297	169,712	4,854,067
Additions	9,692	51,329	–	61,021
Disposals	–	(3,300)	–	(3,300)
As at 30 April 2014	**561,750**	**4,180,326**	**169,712**	**4,911,788**
Depreciation				
As at 30 April 2012	392,759	2,550,110	159,809	3,102,678
Provided for the year	51,059	743,025	9,262	803,345
Disposals	(49,716)	(80,207)	(27,740)	(157,662)
As at 30 April 2013	394,102	3,212,928	141,331	3,748,361
Provided for the year	106,936	442,289	7,570	556,795
Disposals	–	(995)	–	(995)
As at 30 April 2014	**501,038**	**3,654,222**	**148,901**	**4,304,161**
Net book value				
As at 30 April 2012	28,583	1,338,712	12,962	1,380,257
As at 30 April 2013	157,956	919,369	28,381	1,105,706
As at 30 April 2014	**60,712**	**526,104**	**20,811**	**607,627**

The net book value of plant, machinery and equipment includes an amount of £Nil (2013: £31,114) in respect of assets held under finance lease contracts.

There are no commitments for capital expenditure contracted but not provided for (2013: £Nil).

13 Trade and other receivables

	As at 30 April 2014 £	2013 £
Trade receivables	**30,450**	79,049
Prepayments and accrued income	**389,990**	289,066
Other receivables	**151,864**	209,390
	572,304	577,505

The ageing of trade receivables is as follows:

	As at 30 April 2014 £	2013 £
0–29 days	**20,123**	77,664
30–59 days	**–**	424
60–89 days	**10,327**	661
90+ days	**–**	300
	30,450	79,049

14 Other financial assets – bank deposits

	As at 30 April 2014 £	2013 £
Amounts receivable within one year:		
Sterling fixed rate deposits of greater than three months' maturity at inception	**1,776,767**	1,455,092

15 Cash and cash equivalents

	As at 30 April 2014 £	2013 £
Current bank accounts	**172,392**	55,664
Short-term deposits with less than three months' maturity	**5,157,575**	352,306
	5,329,967	407,970

16 Trade and other payables

	As at 30 April 2014 £	2013 £
Trade payables	**208,135**	214,372
Other payables	**14,034**	17,341
Other taxes and social security costs	**37,824**	40,997
Lease purchase agreements	**–**	7,544
Accruals and deferred income	**350,754**	213,935
	610,747	494,189

The ageing of trade payables is as follows:

	As at 30 April 2014 £	2013 £
0–29 days	**86,893**	128,708
30–59 days	**51,361**	66,626
60–89 days	**5,162**	–
90+ days	**64,719**	19,038
	208,135	214,372

Notes to the consolidated financial statements continued

16 Trade and other payables continued

Lease purchase agreements

	As at 30 April	
	2014 £	2013 £
Amounts payable		
Within 1 year	–	7,544

Lease purchase agreements are secured on the related assets and carry interest at fixed rates. The total amount payable under leases as at 30 April 2014 was £Nil (2013: £9,058).

17 Provisions

	Leasehold Dilapidations £
As at 1 May 2013 and at 30 April 2014	150,000

All provisions are due within one year.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms.

18 Financial instruments

The risks associated with financial instruments are set out below.

Foreign currency risk

The Group buys goods and services in currencies other than Sterling. The Group's non-Sterling liabilities and cash flows can be affected by movements in exchange rates. These transactions are not significant and therefore no forward exchange contracts have been entered into. It is Group policy not to engage in any speculative trading in financial instruments. Any risk is mitigated by sales transactions being denominated in Sterling.

Credit risk

The Group's credit risk is attributable to its trade receivables and banking deposits. The Group places its deposits with reputable financial institutions to minimise credit risk. The maximum exposure to credit risk for each period is the amount disclosed above as total loans and receivables. For the periods above there were no trade receivables which were past due or impaired. Risk is further mitigated through the use of credit limits, but also through the nature of the customers, who, for the most part, are large multinationals. There is no bad debt provision.

Liquidity risk

The Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. All Group payable balances fall due for payment within one year. Cash balances are placed on deposit for varying periods with reputable banking institutions to ensure there is limited risk of capital loss. The Group does not maintain an overdraft facility.

Interest rate risk

The main risk arising from the Group's financial instruments is interest rate risk. The Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based banks. These balances are placed at floating rates of interest and deposits have maturities of 1 to 12 months. The Group's cash and short-term deposits are set out in note 15. Fixed-rate financial liabilities comprised of a finance lease which expired in August 2013. It had a weighted average interest rate of 13.4 percent. Floating-rate financial assets comprise cash on deposit and cash at bank. Short-term deposits are placed with banks for periods of up to 12 months and are categorised as floating-rate financial assets. Contracts in place at 30 April 2014 had a weighted average period to maturity of 127 days and a weighted average annualised rate of interest of 1.05 percent.

Interest rate risk sensitivity analysis

It is estimated that a change in base rate to zero would have increased the Group's loss before taxation for the year to 30 April 2014 by approximately £20,000 (2013: £15,000).

It is estimated that an increase in base rate by 1 percent would decrease the Group's loss before taxation for the year to 30 April 2014 by approximately £25,000 (2013: £30,000).

There is no difference between the book and fair value of financial assets and liabilities.

Capital management

The primary aim of the Group's capital management is to safeguard the Group's ability to continue as a going concern, to support its businesses and maximise shareholder value. The Group monitors its capital structure and makes adjustments as and when it is deemed necessary and appropriate to do so using such methods as the issuing of new shares. At present, other than finance leases, all funding is raised by equity. See note 1 for the fundraising that occurred during the year.

The Group's principal financial instruments comprise, lease financing arrangements, cash and short-term deposits as well as other various items arising from its operations such as trade receivables and trade payables which are shown in the table below. The main purpose of these instruments is to finance the Group's working capital requirements as well as funding its capital expenditure programmes. The Group does not enter into derivative transactions such as interest rate swaps or forward exchange contracts.

	As at 30 April	
	2014 £	2013 £
Financial Assets		
Loans and receivables		
Trade receivables	**30,450**	79,049
Accrued income	**185,173**	78,977
Other receivables	**151,864**	284,390
Current bank accounts	**172,392**	55,664
Bank deposits	**1,776,767**	1,455,092
Short-term deposits	**5,157,575**	352,306
Total loans and receivables	**7,474,221**	2,305,478
Financial Liabilities		
Other financial liabilities		
Trade payables	**208,135**	214,372
Other payables	**14,034**	17,341
Other taxes and social security costs	**37,824**	40,997
Lease purchase agreements	**–**	7,544
Accruals	**350,754**	213,935
Provisions	**150,000**	150,000
Total other financial liabilities (see notes 16 and 17)	**760,747**	644,189

19 Share capital

	Year ended 30 April	
	2014 £	2013 £
Authorised		
62,240,019 Ordinary Shares of £0.01 each (2013: 45,874,033)	**622,400**	458,740
1,781,400 Convertible Preference Shares of £0.01 each	**17,814**	17,814
Allotted, called up and fully paid		
62,240,019 Ordinary Shares of £0.01 each (2013: 45,874,033)	**622,400**	458,740
1,025,900 Convertible Preference Shares of £0.01 each (2013: 1,661,400)	**10,259**	16,614
	632,659	475,354

Notes to the consolidated financial statements continued

19 Share capital continued

Share Rights

The Ordinary Shares and Preference Shares rank pari passu in all respects other than:

- The profits which the Group may determine to distribute in respect of any financial period shall be distributed only among the holders of the Ordinary Shares. The Preference Shares shall not entitle the holders of them to any share in such distributions
- On a return of capital or assets on a liquidation, reduction of capital or otherwise the surplus assets of the Group remaining after payment of its obligations shall be applied:
  - First, in paying to the holders of the Preference Shares the amount paid thereon, being the amount equal to the par value of the Preference Shares excluding any premium; and
  - Secondly, the balance of such surplus assets shall belong to and be distributed amongst the holders of the Ordinary Shares.

The Preference Shareholders have the right, at any time, to convert the Preference Shares held to the same number of Ordinary Shares.

On 22 May 2013, 2 August 2013, 20 February 2014 and 14 July 2014, 100,000, 200,000, 335,500 and 250,000 respectively, £0.01 Convertible Preference Shares were converted to 100,000, 200,000 and 335,500 £0.01 Ordinary Shares respectively.

On 22 May 2013, 2,375,000 Ordinary Shares were issued for a total consideration of £712,500 and total issue costs incurred were £3,500. On 20 February 2014, 4,854,903 Ordinary Shares were issued for a total consideration of £2,912,942 and total issue costs incurred were £296,933.

Share options and warrants

Employee related share options are disclosed in note 23. In addition to these, there were 107,300 non-employee share options over Ordinary Shares of £0.01 at the year end. The Company's previous brokers also have a warrant to subscribe to 130,100 Ordinary Shares of £0.01.

594,700 share options were converted into 594,700 £0.01 Ordinary Shares on 20 February 2014 for a total consideration of £59,470.

10,539,216 warrants to subscribe to Ordinary Shares of £0.01 were issued on 14 May 2010 with an exercise price of £0.51 per warrant and an expiry date of 28 May 2014. During the year ended 30 April 2014, 7,905,883 warrants were exercised. A further 2,617,647 warrants were exercised after the year end.

20 Operating leases

The total future minimum rent payable under non-cancellable operating leases is as follows:

	As at 30 April	
	2014 £	2013 £
Property leases which expire:		
Within 1 year	**70,329**	–
In 1 to 2 years	**–**	221,598
	70,329	221,598

21 Pensions

The Group operates a defined contribution group personal pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £102,441 (2013: £112,373).

22 Related party transactions

The Directors consider that no one party controls the Group.

During the year ended 30 April 2014, the Company incurred costs of £147,371 (2013: £226,724) with the University of Southampton in connection with research and development activities. The University of Southampton is the controlling shareholder of Southampton Asset Management Limited, which has an interest in the Company. At 30 April 2014, the amount unpaid in respect of these costs was £Nil (2013: £2,066).

The Company incurred fees from the University of Southampton in respect of Prof. B. Hayden, a Director of the Company. These amounts are included in the costs shown above. Further details are given in the Directors' Remuneration Report on pages 14 to 16.

Details of key management personnel and their compensation are given in note 5 and in the Directors' Remuneration Report on pages 14 to 16.

23 Share-based payments expense and share options

Share-based payment expense

The Group has incentivised and motivated staff through the grant of share options under the Enterprise Management Incentive ('EMI') scheme and through unapproved share options.

The Group has recognised an expense to the consolidated statement of comprehensive income representing the fair value of outstanding equity-settled share-based payment awards to employees. The fair values were charged to the consolidated statement of total comprehensive income over the relevant vesting periods adjusted to reflect actual and expected vesting levels.

The Group has calculated the fair market value of options which had market-based performance conditions at the time of grant, using the stochastic valuation model. Options with no market based performance conditions at the time of grant, have been valued using the Black-Scholes model.

At 30 April 2014, the following options, whose fair values have been fully charged to the consolidated statement of total comprehensive income, were outstanding:

Approved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
9 June 2005	139,500	10 years	£0.10
30 March 2006	15,200	10 years	£0.10
14 May 2007	156,100	10 years	£0.80
15 January 2008	50,400	10 years	£1.00
2 February 2009	83,000	10 years	£0.80
1 January 2009	90,000	10 years	£0.80

594,700 options with an exercise price of £0.10 per share were exercised in the year.

Unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
29 June 2004	273,100	10 years	£0.10
1 December 2005	280,000	10 years	£0.10
8 May 2006	115,500	8 years	£0.10
11 July 2007	195,500	10 years	£0.80
30 August 2007	151,600	7 years	£0.10
11 November 2008	40,000	10 years	£2.4283

Notes to the consolidated financial statements continued

23 Share-based payments expense and share options continued

Black -Scholes valuation

	Weighted average exercise price		Number	
	2014 £	2013 £	**2014**	2013
Outstanding:				
At start of the period	**0.3436**	0.3612	**2,305,523**	2,414,470
Exercised in the period	**0.1000**	–	**(594,700)**	–
Lapsed in the period	**0.4969**	0.7500	**(17,300)**	(108,947)
At the end of the period	**0.4121**	0.3436	**1,693,523**	2,305,523

The exercise price of options outstanding at the end of the period ranged between £0.10 and £2.4283 and their weighted average contractual life was 2.2 years (2013: 2.9 years). These share options are exercisable and must be exercised within 10 years from the date of grant.

Stochastic valuation

	Weighted Average Exercise Price		Number	
	2014 £	2013 £	**2014**	2013
Outstanding:				
At start of the period	**0.51**	0.51	**3,062,900**	5,327,100
Lapsed during the period	**0.51**	0.51	**(5,600)**	(2,264,200)
At the end of the period	**0.51**	0.51	**3,057,300**	3,062,900

The exercise price of options outstanding at the end of the period was £0.51 (2013: £0.51) and their weighted average contractual life was 7 years (2013: 8 years).

Ilika plc Executive Share Option Scheme 2010

At 30 April 2014 the following share options were outstanding in respect of the Ilika plc Executive Share Option Scheme 2010:

Date of grant	Number of shares	Period of option	Exercise price per share
14 May 2010	44,400	10 years	£0.51
01 February 2012	103,623	10 years	£0.53

Members of staff in the Group have options in respect of Ordinary Shares in Ilika plc, which are conditional upon the achievement of a series of financial and commercial milestones.

17,900 options lapsed in the year and no options were exercised.

Ilika plc unapproved share options

At 30 April 2014 the following share options were outstanding in respect of Ilika plc unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
14 May 2010	3,012,900	10 years	£0.51

No options lapsed in the year and no options were exercised. There are 4,477,723 options which were capable of being exercised as at 30 April 2014.

	2014 £	2013 £
Share-based payment expense/(credit):		
Black-Scholes calculation	**15,000**	9,375
Stochastic valuation	**–**	(261,226)
	15,000	(251,851)

Company Balance sheet of Ilika plc

Company number 7187804

	Notes	Year ended 30 April 2014 £	2013 £
ASSETS			
Non-current assets			
Investments in subsidiary undertaking	24	**121,339**	121,339
Current assets			
Trade and other receivables	25	**16,732,341**	9,237,447
Total net assets		**16,853,680**	9,358,786
Equity			
Issued share capital	26	**632,660**	475,354
Share premium		**16,062,155**	8,802,981
Retained earnings		**42,515**	13,062
		16,737,330	9,291,397
LIABILITIES			
Current liabilities			
Trade and other payables		**116,350**	67,389
Total liabilities		**116,350**	67,389
Total equity and liabilities		**16,853,680**	9,358,786

The notes on pages 44 to 45 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 15 July 2014.

Mr. J. B. Boyer
Chairman

Company cash flow statement

	Year ended 30 April 2014 £	2013 £
Cash flows from operating activities		
Profit/(loss) before tax	14,453	279,258
Adjustments for:		
Equity settled share-based payments	15,000	(251,851)
Operating cash flow before changes in working capital, interest and taxes	29,453	27,407
Increase in trade and other receivables	(7,495,026)	(153,605)
Increase/(decrease) in trade and other payables	49,093	(23,182)
Cash utilised by operations	(7,416,480)	(149,380)
Cash flows from financing activities		
Proceeds from issuance of Ordinary Share capital	7,716,913	149,380
Share issue costs	(300,433)	–
Net cash from financing activities	7,416,480	149,380
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at the start of the period	–	–
Cash and cash equivalents at the end of the period	–	–

Company statement of changes in equity

	Share capital £	Share premium account £	Retained earnings £	Total attributable to equity holders £
As at 30 April 2012	472,639	8,656,317	(14,345)	9,114,611
Issue of shares	2,715	146,664	–	149,379
Share-based payment	–	–	(251,851)	(251,851)
Profit and total comprehensive income	–	–	279,258	2,79,258
As at 30 April 2013	475,354	8,802,981	13,062	9,291,397
Issue of shares	157,306	7,559,607	–	7,716,913
Expenses of share issue	–	(300,433)	–	(300,433)
Share-based payment	–	–	15,000	15,000
Profit and total comprehensive income	–	–	14,453	14,453
As at 30 April 2014	**632,660**	**16,062,155**	**42,515**	**16,737,330**

Share capital
The share capital represents the nominal value of the equity shares in issue.

Share premium account
When shares are issued, any premium paid above the nominal value is credited to the share premium reserve.

Retained earnings
The retained earnings reserve records the accumulated profits and losses of the Company since inception of the business.

Notes to the financial information

24 Accounting polices

Basis of preparation

These financial statements have been prepared in accordance with IFRSs adopted by the European Union.

No Directors report has been presented and the Directors responsibilities in respect of these financial statements are set out on page 17.

Taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Share-based payments

The critical accounting estimates, assumptions and judgements underpinning the valuation of the option awards are disclosed in note 23.

Financial instruments

The accounting policy relating to financial instruments is disclosed in note 1.

Profit of the Parent Company

Profit in the year

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year was £14,453 (2013: £279,258).

Directors' remuneration

The remuneration of the Directors is disclosed in the Directors' remuneration report on pages 14 to 16.

Auditors' remuneration

Auditors' remuneration is disclosed in note 4.

25 Investment in subsidiary undertaking

Investments in Group undertakings are stated at cost.

Ilika plc has a wholly-owned subsidiary, Ilika Technologies Limited. Ilika Technologies Limited (Incorporated in the UK) made a loss for the year of £2,812,409 (2013: £5,109,602) and had net liabilities as at 30 April 2014 of £8,841,089 (2013: £6,028,679).

Shares in Group undertakings (at cost)	2014 £	2013 £
At 1 May 2013 and 30 April 2014	**121,339**	121,339

26 Trade and other receivables

	As at 30 April	
	2014 £	2013 £
Prepayments	**594**	5,983
Other debtors	**–**	4,016
Amounts due from subsidiary undertakings	**16,731,747**	9,227,448
	16,732,341	9,237,447

27 Share capital

	As at 30 April 2014 £	2013 £
Authorised		
62,240,019 Ordinary Shares of £0.01 each (2013: 45,874,033)	**622,400**	458,740
1,781,400 Convertible Preference Shares of £0.01 each	**17,814**	17,814
Allotted, called up and fully paid		
62,240,019 Ordinary Shares of £0.01 each (2013: 45,874,033)	**622,400**	458,740
1,025,900 Convertible Preference Shares of £0.01 each (2013: 1,661,400)	**10,259**	16,614
	632,659	475,354

Share Rights

The Ordinary Share and Preference Shares rank pari passu in all respects other than:

- The profits which the Group may determine to distribute in respect of any financial period shall be distributed only among the holders of the Ordinary Shares. The Preference Shares shall not entitle the holders of them to any share in such distributions
- On a return of capital or assets on a liquidation, reduction of capital or otherwise the surplus assets of the Group remaining after payment of its obligations shall be applied:
  - First, in paying to the holders of the Preference Shares the amount paid thereon, being the amount equal to the par value of the Preference Shares excluding any premium; and
  - Secondly, the balance of such surplus assets shall belong to and be distributed amongst the holders of the Ordinary Shares

The Preference Shareholders have the right, at any time, to convert the preference shares held to the same number of Ordinary Shares.

On 22 May 2013, 2 August 2013, 20 February 2014 and 14 July 2014, 100,000, 200,000, 335,500 and 250,000 respectively, £0.01 convertible Preference Shares were converted to £0.01 Ordinary Shares.

The number of subscription warrants, with an exercise price of 51p per warrant, converted into Ordinary Shares during the year were converted on the following dates, 10 February 2014 – 98,039, 14 February 2014 – 238,432, 20 February 2014 – 5,078,432, 13 March 2014 – 1,980,784 and 14 April 2014 – 510,196. 450,000 warrants were converted on 6 May 2014 and 2,167,647 were converted on the 12 May 2014.

On 22 May 2013, 2,375,000 Ordinary Shares were issued for a total consideration of £712,500 and total issue costs incurred were £3,500. On 20 February 2014, 4,854,903 Ordinary Shares were issued for a total consideration of £2,912,942 and total issue costs incurred were £296,933.

594,700 share options were converted into 594,700 £0.01 Ordinary Shares on 20 February 2014 for a total consideration of £59,470.

Notes

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Corporate directory

Company number	7187804
Directors	
Executive	Graeme Purdy Stephen Boydell Brian Hayden
Non-Executive	Jack Boyer (Chairman) Clare Spottiswoode Prof. William Wakeham
Secretary	Stephen Boydell
Registered office	Kenneth Dibben House Enterprise Road University of Southampton Science Park Chilworth Southampton SO16 7NS
Website	www.ilika.com
Advisers	
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL
Nominated adviser and broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
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