ilika

ANNUAL REPORT
AND ACCOUNTS 2019

POWERING THE FUTURE

ILIKA IS A PIONEER IN SOLID STATE BATTERY TECHNOLOGY

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Turnover up 26 percent to

£2.6m
(2018: £2.1m)

Reduced loss after tax for the year

£2.3m
(2018: £2.9m)

Loss per share

2.4p
(2018: 3.7p)

Cash, cash equivalents and bank deposits of

£4.0m
(2018: £2.8m)

Raised

c.£4.1m
at a price of 20p per share in July 2018

OPERATIONAL HIGHLIGHTS

- Implementation of Stereax® development programmes with five commercial partners:
  1. Combining with Lightricity photovoltaic technology for high-value asset tagging
  2. Deploying with Titan Wind Energy, in condition monitoring devices for wind turbines
  3. Developing and deploying track monitoring devices with Network Rail
  4. Demonstrating an autonomous smart sensor card for environmental sensing
  5. Developing batteries for miniature medical implants with a leading bioelectronics company
- Stereax® achieving significant technical development milestones with:
  - Record energy density from ultra-thin cells for medical implants
  - Development of photolithographic method to produce custom cells compatible with semiconductor manufacturing processes
  - Launch of M50 cells, mm-scale new product for MedTech
  - Demonstration of ability of P180 to withstand rapid ramps to high temperatures for industrial applications
- Establishing a Stereax® manufacturing collaboration with Semefab to enable lower cost industrial production
- Commencing Goliath large format cell programme:
  - Securing £4.2m of granting funding from the Faraday Battery Challenge to develop large format solid state cells for automotive applications
  - Commencing the PowerDrive Line collaboration with Honda and Ricardo to develop rapidly charging batteries
  - Starting the MoSESS collaboration led by McLaren Automotive to power high-performance vehicles
- Appointment of Keith Jackson as Chairman, and Monika Biddulph and Jeremy Millard as Non-Executive Directors

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ILIKA AT A GLANCE

PRINCIPAL ACTIVITIES

Ilika plc is the holding company for Ilika Technologies Limited, a pioneer in solid state battery technology. Ilika has developed ground-breaking solid state battery technology (Stereax®). The Stereax® roadmap commenced with miniature batteries designed to meet the demands of powering wireless devices, referred to as 'the Internet of Things ('IoT')' and has been extended to include large format cells for automotive.

PRODUCTS

STEREAX®M50

The healthcare sector, or MedTech, is changing to embrace the interconnectivity of the IoT for more proactive patient health management. This has created a demand for remote patient monitoring, with devices needed to monitor and report vital data to central healthcare providers. IoT healthcare sector revenues are forecast to be around $300 billion by 2020.

STEREAX®M250

The Stereax® M250 contains no liquid or polymer components and, like all Ilika solid state batteries, has no free lithium, either in the charged or discharged state, making it moisture resistant and appropriate for medical applications. Its low self-discharge allows it to be trickle-charged by an energy harvesting source such as vibration or a photovoltaic ('PV') panel. Its high peak current enables the transmission of data using protocols such as Bluetooth Low Energy. The combination of energy harvester, transmitter, sensor and the M250 is ideal for integration into small, 'fit and forget' autonomous sensor devices with multiple applications including smart homes, vehicles and medical devices. The M250 is provided on a rigid substrate (650 µm), though thinner substrates may also be used.

STEREAX®P180

The Stereax® P180 features similar benefits to the M250 in terms of energy density and fit for life performance, but with the additional capability of operating across a very wide temperature range, from -40°C to +150°C. This wide operating temperature range arises from Ilika's patented material innovation technology, which enables designers in an array of industries to develop new products that were previously not possible with legacy battery technology.

GOLIATH

Ilika's Goliath technology is a solid state lithium battery with the potential to transform the performance and safety of electric and plug-in hybrid electric vehicles ('EVs' and 'PHEVs').

APPLICATIONS

SENSORS: In vitro surface patches to sense body vital signs, skin stimulation and environment monitoring (e.g. mc10).

IMPLANTABLES: In vivo sensors for cardiac monitoring (e.g. Medtronic), fluid flow and temperature.

DRUG DELIVERY: Patches implantables, deliver long-term medication doses or specific point of efficacy drugs (Replenish).

OPHTHALMICS: Smart contact lenses (e.g. Google, Samsung), cataract correction, tear glucose monitoring and drug delivery.

NEUROSTIMULATORS: Stimulating organs, nerves, vessels or delivering medication (e.g. SetPoint Medical).

INDUSTRIAL IOT, AUTOMOTIVE AND SMART HOMES

Deployment of sensor nodes are required for:

- Full automation: 'smart factories', for machine to machine connection with creation of data (Big Data) to analyse performance of high temperature machines and improve production results
- Testing: For example, in the automotive industry, strain and temperature gauges to monitor engines and chassis
- Failure detection: Sensors providing information (e.g. temperature or vibration) to create early warning systems when machines are showing signs of failure
- Asset monitoring
- Supply chain traceability
- Defence and security applications

List of temperatures which sensors may be typically exposed to in various industries:

- Typical drilling: 150°C
- Deep drilling: 200°C
- Textile industry: 100°C
- Automotive (engines): 250°C
- Plastic packaging: 150°C
- Tarmac transport and storage: 150°C

The major benefits of solid state batteries are:

- Non-flammable solid electrolyte
- Much faster charging times (under 10 minutes)
- Increased energy density >500 Wh/kg and >1400 Wh/L in line with UK Autocouncil targets
- Increased life cycle of up to 10 years

CHAIRMAN'S STATEMENT

OUR FOCUS FOR THE YEAR IS ON SOLID STATE BATTERY TECHNOLOGY

I am delighted to write my first Chairman's statement following a positive year for Ilika.

I would like to thank my fellow Board members for enabling my transition to Chairman and, following the retirements of Mike Inglis and Prof. Sir William Wakeham, I am delighted to have welcomed both Jeremy Millard and Monika Biddulph to the Board as Non-Executive Directors. Both Jeremy and Monika bring a wealth of experience and augment an already strong Board. Jeremy has a strategic advisory and corporate governance background and Monika has commercial and technical expertise in Intellectual Property ('IP') licensing from her roles at ARM Holdings plc.

This year has seen Ilika exploiting its technical know-how to establish a multi-million pound programme for automotive traction batteries, supported by the UK Faraday Battery Challenge funding stream, to enable green transportation. Additionally, Ilika's micro-battery technology has now reached record levels of energy density for perpetual, fit and forget, power which cannot be addressed by existing cell technology. This, together with the improvements in pilot manufacturing processes and production rates, as well as stacking of cells, creates an order of magnitude more market application opportunities. Along with its prototype and pilot manufacturing line, Ilika is forming partnerships to scale battery manufacture for industrialisation. The growth in Ilika's research and development project funding is reflected in nearly 30 percent turnover growth and stronger than expected year-end cash balance. This strong technical and commercial progress forms a solid foundation for continued progress in the coming year.

// Perpetual, fit and forget, power

KEITH JACKSON
Non-Executive Chairman
10 July 2019

INVESTMENT CASE

WHY INVEST?

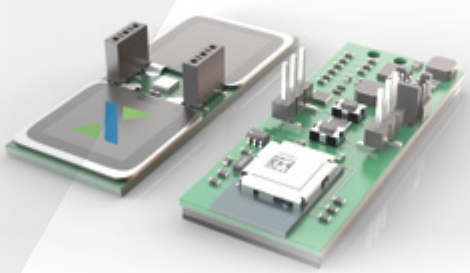
ONE
Next generation technology with safer, lighter, longer-lasting, faster-charging batteries

/

TWO
Strong collaborations with blue-chip global partners with clear routes to market

/

THREE
Capital light licence model



CHIEF EXECUTIVE'S REVIEW

SIGNIFICANT TECHNICAL PROGRESS WITH STEREAX®

BUSINESS STRATEGY

The Company's mission is to have its Stereax® solid state batteries integrated into market-leading products sold by leading commercialisation partners around the world. Initially targeting premium niche markets, the Company 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's revenue model involves three phases of activity: a) commercially-funded and grant-funded development projects; b) IP licensing; c) receipt of royalties when products incorporating Ilika IP reach market. Ilika is currently in the first phase of activity, with its revenue being generated from a portfolio of development programmes. The Company has built a pipeline of licensing opportunities to support the start of its second phase of revenue generation.

OPERATING REVIEW

SOLID STATE BATTERIES

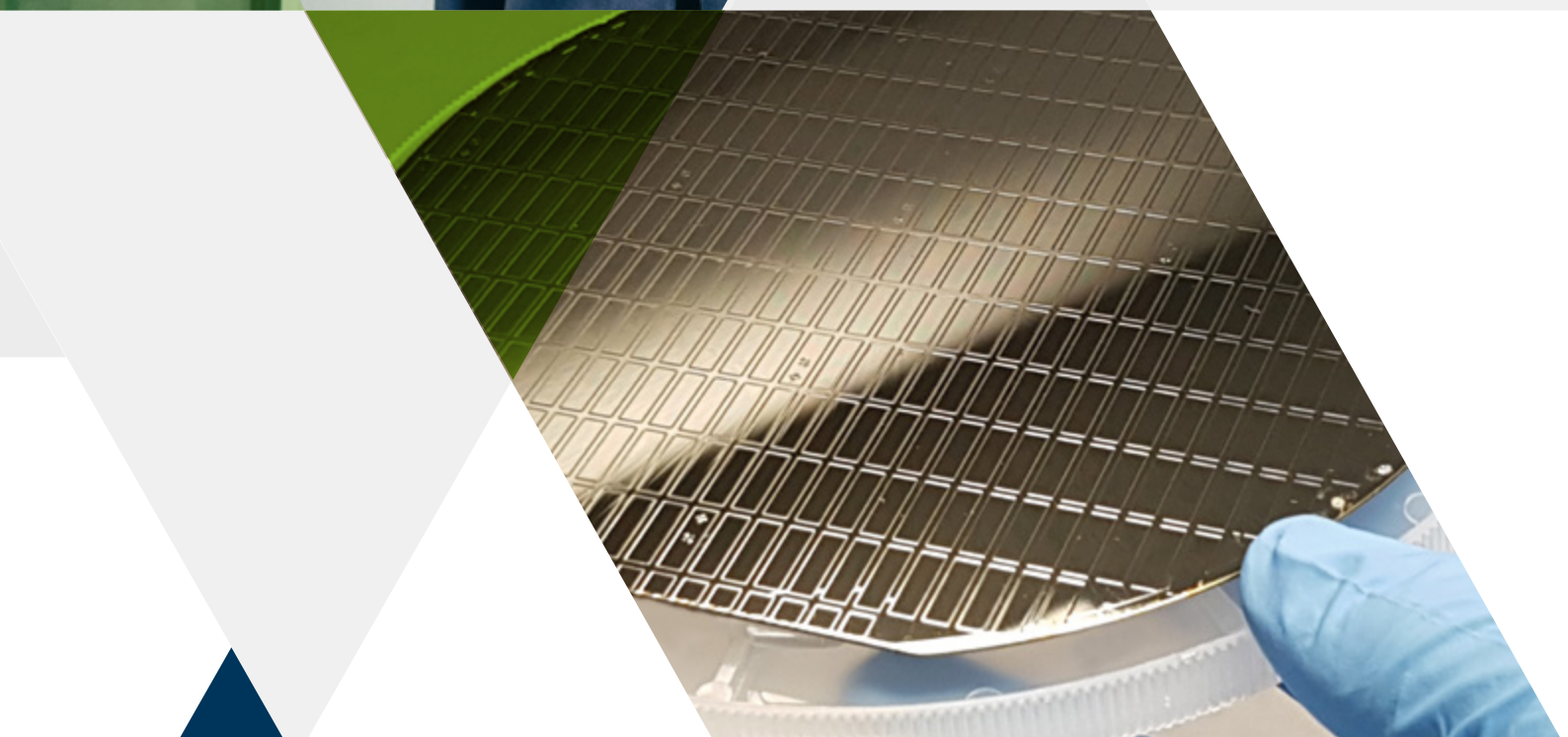
Ilika has been working with solid state battery technology since 2008 and has developed a type of lithium-ion battery, which, instead of using liquid or polymer electrolyte, uses a ceramic ion conductor.

Ilika's solid state batteries have a number of benefits over lithium-ion batteries, including the following:

- Non-flammable
- 6x faster to charge
- 2x energy density on a weight basis
- 10x longer storage without loss of charge

Relative to other miniature batteries, Ilika Stereax® batteries use patented materials and processes enabling superior energy density per battery footprint, up to 40 percent improvement on other solid state solutions. Ilika's batteries do not contain any free lithium metal which makes them more moisture resistant. Additionally, solid state batteries are expected to be easier to recycle because, unlike conventional batteries, they do not contain any toxic liquids.

// Benefits over lithium-ion



CHIEF EXECUTIVE'S REVIEW

STEREAX® TECHNOLOGY ROADMAP

Ilika elected to focus its initial cell development on miniature devices suitable for powering sensors, sometimes called IoT end-nodes, due to the size of the opportunity and speed to market. There are already up to 15 billion sensors on the planet and most of them are currently either hard-wired or powered by disposable coin cells. Hard-wired sensors are expensive to install because of the cost of cabling, but thereafter they have low maintenance costs. Sensors powered by disposable batteries are relatively cheap to install, but expensive to maintain because of the cost of the maintenance crews deployed to replace and dispose of the batteries at regular intervals. Ilika's miniature devices are designed to be combined with a small energy harvester (usually PV) to allow them to be recharged and therefore to operate for an extended period of time, usually up to 10 years. This concept is designed to offer a low cost of installation compared to hard-wired devices combined with lower maintenance costs relative to using disposable coin cells.

Wireless IoT devices offer a different set of battery challenges compared to other electronic devices. They have similar pressures, such as cost and availability, but they also have some specific requirements, depending on the environment in which they are deployed:

- Small size in both footprint and thickness
- Ability to be trickle charged
- Charged only when an energy harvester can get energy
- Longer life span to match those of sensors and microcontrollers
- Support wider temperature ranges

BATTERY PRODUCT LAUNCHES

Building on its existing Stereax® M250 and P180 solid state battery IP offerings, Ilika launched its mm-scale M50 for MedTech this year.

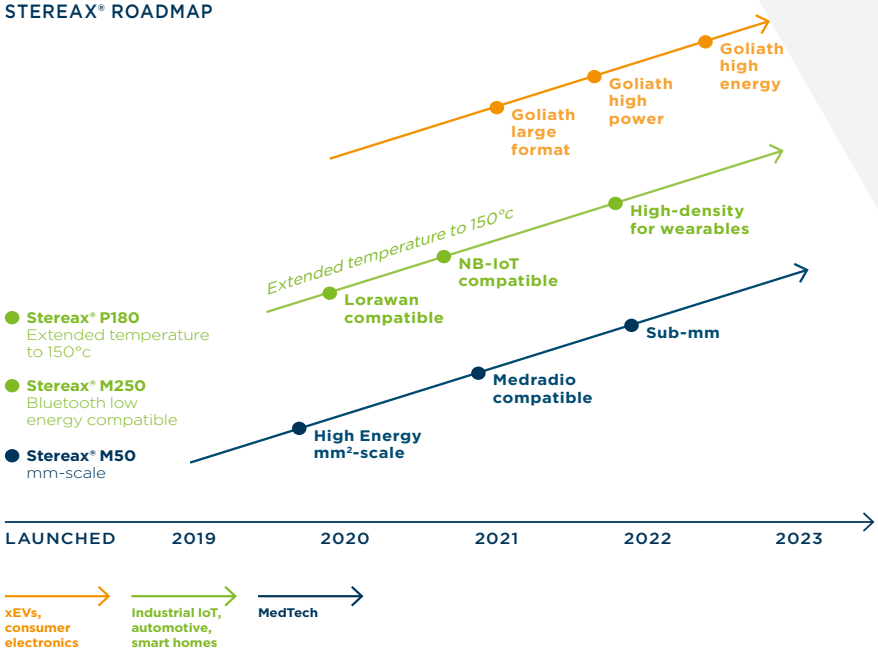
The Stereax® M250 operates in a temperature range to over 100°C, 30°C higher than other solid state products. The Stereax® P180 has the additional benefit of supporting a temperature up to 150°C. This higher temperature is required for many industrial IoT and automotive end applications enabling always on, self-charging energy efficient sensor solutions for more demanding environments. As the trend towards digitising industrial processes gathers momentum there is a growing requirement for components with enhanced tolerance to temperature, moisture and vibration. The M50 has been produced using a photolithographic process which is compatible with semi-conductor manufacturing processes. It also allows Ilika to produce custom size batteries, formed in a variety of sizes, from a single production wafer. The process also has the advantage over contact masks of being able to create smaller feature sizes of less than a micron. Examples of MedTech devices which can benefit from Stereax® battery technology are cardiac devices, blood pressure monitors, neurostimulators, gastric stimulators, smart contact lenses and smart dental braces.

BATTERY PRODUCTS UNDER DEVELOPMENT

The Ilika Stereax® roadmap focuses on three main areas:

- **Miniaturisation.** This looks at mm-scale batteries for small sensor-driven devices, making them ideal for medical devices
- **Capacity.** For the launch of both the M250 and the P180, Ilika designed and made wireless sensor nodes measuring temperature, humidity and light intensity. The power requirements of sensors do vary, depending on the nature of the sensor. For example, a motion detector has a higher power requirement than a temperature sensor. In order to be able to power a wider range of devices, Ilika is increasing the energy capacity of its batteries. Sensors are typically deployed in difficult to access locations where the long life of the device is paramount for a low total cost of ownership
- **Large format.** Solid state batteries are of great interest to the automotive industry because a change in battery capability is needed to make electric transportation an everyday reality. Ilika first started working on solid state materials through its collaboration with Toyota in 2008. Many automotive companies now have solid state cells on their electric vehicle roadmap and Ilika has responded to the rising number of inbound enquiries by commencing its large format cell development programme. This topic is discussed further below

STEREAX® ROADMAP



CHIEF EXECUTIVE'S REVIEW

STEREAX® DEVELOPMENT AND DEPLOYMENT PROJECTS

Ilika secured 2 additional microbattery deployment programmes with original equipment manufacturer ('OEM') partners during the period, building on 3 ongoing development and deployment programmes with global OEMs.

INTEGRATED ENERGY HARVESTER AND BATTERY

In December 2016, the Company commenced a collaborative project with Sharp Laboratories of Europe (now known as Lightricity) to create an autonomous energy harvesting power source which involves combining Ilika's battery with Lightricity's PV technology to create a compact, self-recharging power pack. This integration project is aligned with the development track for increasing the capacity of Stereax® batteries. Beta prototype samples have been shared with commercialisation partners for evaluation.

MINIATURE MEDICAL IMPLANT

In March 2017, the Company announced a collaborative project with a well-financed bioelectronics company to develop a battery for miniature medical implants to provide treatments for serious health conditions, through the body's own nervous system. The programme is supported by Innovate UK and the Medical Research Council.

WIND TURBINE CONDITION MONITORING

In November 2017, Ilika announced a partnership to deploy Stereax® powered devices for the condition monitoring of wind turbines with Titan Wind Energy, the largest manufacturer of wind turbines in China and the 4th largest globally. Beta prototype devices are nearing readiness for trial deployment.

ENVIRONMENTAL SENSING

In January 2019, Ilika entered into a demonstration project to deploy its Stereax® batteries to power an autonomous wireless sensor for environmental sensing and asset tracking.

RAIL TRACK CONDITION MONITORING

In March 2019, Ilika commenced a trial deployment of wireless sensors for monitoring rail infrastructure with Network Rail. In the initial deployment, sensors will measure track strain due to high temperatures. The ability of Ilika's batteries to withstand temperatures of up to 150°C makes them particularly suitable for deployment in the hostile trackside environment.

INNOVATE UK FARADAY BATTERY CHALLENGE

Innovate UK is expecting 50 percent of vehicle production by 2030 to be EVs or PHEVs. In July 2017, the UK government announced a £246 million commitment over 4 years for automotive battery development, covering cell manufacture, modules, battery pack design and deployment in vehicles. In November 2017, this was followed with the announcement of an £80 million National Battery Industrialisation Centre in Warwick. Innovate UK is administering a series of competitions, designed to promote battery innovation. In June 2018, Ilika announced that it had been offered £4.1 million of grant funding to participate in collaborations with Honda, Ricardo, McLaren and A123 Batteries. 2 projects are now under way.

The first, with Honda and Ricardo, is focused on the development of rapid charging battery packs. The second, with McLaren and A123 Batteries, is developing battery pack technology for high performance vehicles. The characteristics of Ilika's solid state batteries are particularly suited to these use cases.

The development of large format cells uses a different process to micro batteries and Ilika is building a lower cost printing platform, suitable for printing bulk materials. Work is now well under way to establish a pre-pilot line close to its current facility in Southampton. This line will be commissioned in Summer 2019. It is anticipated that a second stage of scale-up to a pilot line could be achieved in collaboration with the National Battery Industrialisation Centre. Ilika will validate its manufacturing processes on the pilot line so they can be licensed as proven to commercial partners, the same model as is used for Stereax®.

PATENT POSITION

Building Ilika's IP portfolio in solid state batteries has continued to be a focus this y ear. Ilika believes its patents ring fence and protect critical IP to avoid competitors working around a single patent. Ilika now maintains a portfolio of 11 patent families in solid state batteries, of which 3 are jointly owned with Toyota. This portfolio includes 15 granted patents.

QUALITY MANAGEMENT SYSTEM ('QMS')

In December 2018, Ilika announced that the annual independent audit of its QMS was successful. ISO 9001 is the world's most widely recognised QMS and helps organisations to meet the expectations and needs of their customers. The certification promotes the development of continual improvement, customer satisfaction, traceability and international best practices.

KEY PERFORMANCE INDICATORS ('KPIs')

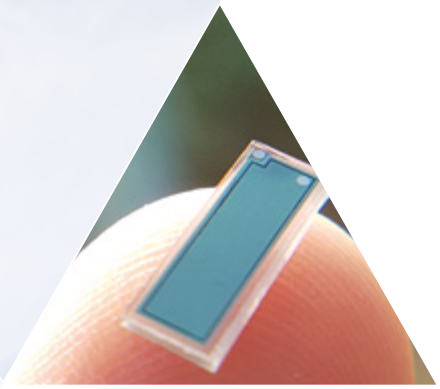
The Board monitors a small portfolio of KPIs, which define the progress being made by the Group. The technical KPIs benchmark battery development milestones and patent applications. Commercial KPIs link the technical development programmes to the sales pipeline and engagement of commercialisation partners. Operational KPIs ensure that overheads and cash resources are tightly controlled.

The most important financial KPIs are the cash position, turnover and profitability of the Group, which remain under constant focus and which are considered in the Financial Review.

GRAEME PURDY
Chief Executive Officer
10 July 2019

STRATEGY IN ACTION

CASE STUDY



MINIATURE MEDICAL IMPLANT

COLLABORATIVE PROJECT WITH BIOELECTRONICS COMPANY

Building on the progress made in this collaboration, in April 2019, Ilika launched its Stereax® M50 solid state battery which has a number of advantages for medical devices:

- Ultra-thin profile
- Various footprint shapes including custom sizes
- Potential to withstand autoclave temperatures
- Potential for biocompatibility and 0 percent toxicity
- No lithium metal at any stage of cycling

Ultra-thin profile

STRATEGY IN ACTION

CASE STUDY

RAIL TRACK CONDITION MONITORING

TRIAL DEPLOYMENT OF WIRELESS SENSORS

In this 18-month project, self-powered sensors for monitoring key parameters affecting the performance of the railway infrastructure (load, temperature and shock) will be developed, deployed, tested and evaluated. The sensors will combine Ilika's Stereax® solid state battery technology and a novel ultra-low power sensor platform that will be wirelessly connected to Network Rail's existing condition monitoring platform. The self-powered sensors will be maintenance free and will generate data 24/7, 365 days per year.

The self-powered sensors will be demonstrated on live Network Rail infrastructure as part of a trial deployment.

The solid state battery powered sensors will be the first of this type developed and tested for the railway industry. Solid state batteries offer substantial benefits over currently used lithium-ion batteries, including; low leakage currents, compact design with twice the volumetric energy density of lithium-ion batteries, high power density and cycle life of 5,000 cycles (equivalent to a 10-year lifespan).

FOR MORE INFORMATION
WWW.ILIKA.COM

STRATEGY IN ACTION

CASE STUDY

GOLIATH PROGRAMME

INNOVATE UK FARADAY BATTERY CHALLENGE

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Collaborations with Honda, Ricardo, McLaren and A123 Batteries

FOR MORE INFORMATION
WWW.ILIKA.COM

CEO Q&A INNOVATION AND TECHNOLOGY

THE BENEFITS OF SOLID STATE BATTERIES

GOLIATH

Q What are the advantages of solid state battery ('SSB') technology compared to conventional lithium-ion batteries ('LIB')?

A SSB consist solely of thick dense films forming the electrodes and electrolyte and contain none of the flammable liquid electrolytes present in conventional LIB. SSB are therefore intrinsically safer and will not catch fire or explode. Due to the lack of liquid electrolyte, SSB do not require as much of the packaging used in LIB to avoid the liquid from leaking, hence SSB can be made lighter, with less parasitic packaging weight. The solid state architecture also allows dense films to pack more energy and power to enables long driving range and fast charging.

Q Despite the advantages of SSB technology, why does conventional LIB technology still dominate the market? What obstacles are blocking SSBs for the EV market?

A Early SSB for EV applications used polymer electrolytes which needed heating to 60–80°C to make them conduct lithium-ions, this was not practical and limited adoption. Ilika's electrolyte is a ceramic thin film, not a polymer and operation can work at room temperature without having to heat up the electrolyte.

However, SSB for EVs are still very much in development; the main obstacles are technical: finding solid materials that can conduct ions as well as liquids; optimising layer interfaces; finding safe materials; establishing a robust and economical production process.

Q Will Goliath batteries be produced using the same methods and equipment as Stereax® solid state micro batteries?

A Vacuum-based SSB technologies for the evaporation of thin films to make microbatteries are not appropriate for large format EV batteries in terms of cost and production rates. Printing processes that allow bulk material deposition and optimised interface control at a low cost will be used instead.

Q Has the low cost printing technology been production (pilot) proven?

A We used Ilika's internal expertise combined with that of our partners for the formulation and processing of ink-based electrode materials. The scale up to large formats builds on this experience and expertise in battery materials optimisation but is being demonstrated at our new facility in Southampton.

Scale up to large formats

CEO Q&A INNOVATION AND TECHNOLOGY

Q Is it possible to use a flexible material as substrate and roll-to-roll printing for mass processing?

A Yes, Ilika is planning on testing roll-to-roll fabrication techniques to make flexible cells.

Q What will the energy density of the Goliath battery be?

A Our calculations show that SSB may be produced with superior energy density values compared to LIB with 550Wh/kg being targeted. This density level will be achieved through state-of-the-art materials and packaging techniques.

Q How fast will the Goliath be able to be charged?

A We believe that our cell may be charged in less than 10 minutes, just enough time for the driver to drink a coffee at the services.

Q Is integration of cells into packs with a battery management system planned?

A Yes, Ilika is working towards this level of integration with our lead partners.

Q Is Goliath SSB operation at room temperature? Or does it need to be heated?

A Goliath SSB operates at room temperature, as opposed to technologies using polymers ('PEO') which need heating.

M50 MINIATURE

Q What are the key areas in medical applications that need to consider battery technology?

A IoT has moved into the medical space to address the need for more proactive patient healthcare. This has created a demand for remote patient monitoring with mobile and small devices enabling data collection to be shared back to the medical carers. These devices need to be small in size, robust, have a low cost of ownership and provide long battery life. Implantables (neuro-stimulation, cardiac rhythm monitoring, leadless pacemakers, insulin pumps and blood pressure monitors) or small on the body devices (contact lenses, smart dental braces and glucose sensors) are typical applications for Stereax® M50. Stereax® batteries can be used in conjunction with energy harvesters to power these devices or they can be charged wirelessly.

Q Can Stereax® batteries be used in digestible monitoring solutions?

A Stereax® is based on SSB technology, which has less risk of leakage, making it safer to use. In addition, it is likely that the Stereax® battery will be packaged inside a small container with the rest of the electronics, designers of these devices will need to have them tested in full package.

Q Is the body turning into a network of sensors?

A The wireless body area network ('WBAN') – sensors can be either implanted, digested or worn by the user and can all be networked.

This enables the different vital signs to be looked at together giving a more holistic view of what is going on with a patient. Like other networks it has a centralised control point (normally held externally).

Q What energy harvesting can be used to charge these sensors and how does it work with Stereax®?

A The body offers a range of energy harvesting opportunities but a lot of these are still at the early stage of development and Stereax® batteries are more likely going to be recharged wirelessly. Yet, the movement of the lungs, the beating of the heart and temperature gradients between skin and ambient air are all areas of development in terms of human body energy harvesting.

Q You talk about the size of the Stereax® M50 – what are the actual dimensions of it?

A The Stereax® M50 measures 10.75mm x 3.75mm and 0.6mm thickness. Ilika is currently developing the technology to thin Stereax® batteries down to about 250 µm, and since this is a mature technology within the semi-conductor industry, we are expecting Stereax® batteries to be much thinner in the next few months. Stereax® M50 is an example of micro batteries that Ilika can develop and customize for OEMs. Stereax® micro batteries can be configured into a variety of shapes and sizes (mm-scale) dependent on the need of the end application. It offers a flexible solution that is driven by the needs of the end device rather than the device shape and size being dictated by the battery.

Q What is the capacity of Stereax® M50 and what can you power with such low capacity?

A The Stereax® M50 has a capacity of 50 µAh, which is enough to power a small sensing device which may require a few µW of average current. However, we have found that most implantables will require more energy than 50 µAh per day, and in general 0.5–1 mAh is a sweet spot for implantables that include some sensors, some memory and some communication, and needs to work for a couple of days between recharges. Here the Stereax® M50 can be considered as the starting block of a larger battery, constructed for example by stacking several M50 or similar batteries with different dimensions.

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 41 to 52. The consolidated financial statements are presented under International Financial Reporting Standards ('IFRS')as adopted by the European Union ('EU'). The financial statements of the Company continue to be prepared in accordance with IFRS as adopted by the EU and are set out on pages 53 to 57.

STATEMENT OF COMPREHENSIVE INCOME

TURNOVER

Turnover, all from continuing activities, for the year ended 30 April 2019 was £2.6 million (2018: £2.1 million). This includes £2.2 million of grant income recognised from 10 projects that the Company has in progress with Innovate UK (2018: £1.3 million from 9 programmes). Details of the larger programmes are provided in the Deployment Projects on pages 10 to 11.

More of the Company's activities are supported by grant or commercial funding than was the case in the prior year, with operational resources more heavily devoted to the internally funded battery development programmes.

ADMINISTRATIVE EXPENSES AND LOSSES FOR THE PERIOD

Administrative costs for the year were slightly decreased at £3.6 million in 2019 relative to £3.8 million in 2018. This excludes the share-based payment charge.

Combined cost of sales and administrative expenses were £5.0 million in the year which is up from the £4.9 million for 2018 and is associated with the increased direct costs as a result of the increased level of commercial and grant supported programmes.

The largest component of expenses is wages and salaries which remained level at £2.8 million despite an increase from 40 to 44 staff.

752,546 options lapsed in the year and 1,834,908 failed to vest due to market-related performance criteria. A charge of £162,461 has been included in the share-based payment charge for the year in relation to the options that failed to vest.

The lower share-based payment charge together with the improved margin meant that loss on continuing activities before tax reduced from £3.3 million in 2018 to £2.7 million in 2019.

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

At 30 April 2019, net assets amounted to £5.9 million (2018: £3.8 million), including net funds of £4.0 million (2018: £2.8 million).

The principal elements of the £1.2 million increase over the year ended 30 April 2019 in net funds were:

- Funds raised in the year £4.1 million from a placing and open offer (2018: £nil)
- Operating cash outflow of £2.2 million (2018: £2.6 million)
- Increase in receivables of £0.5 million (2018: decrease £0.1 million) due to the higher number of grants under way at the year end
- Increase in payables of £0.4 million (2018: decrease of £0.1 million) due to purchases relating to the establishment of the solid state battery facility
- Research and development tax credits received of £0.3 million (2018: £0.4 million)
- Purchase of plant, property and equipment of £1.0 million (2018: £0.3 million) which mostly relates to the establishment of the large format solid state battery facility

PRINCIPAL RISKS AND UNCERTAINTIES

Commercial risk	The Group 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 Group is largely dependent on its partners to commercialise the end-products containing the Group's materials. The Group seeks to reduce this risk by continually assessing competitive technologies and competitors. The Group seeks to commercialise its batteries and other materials through multiple channels to reduce over-reliance 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 IP.
Financial risk	The Group is reliant on a small number of significant customers, partners and grant funding bodies. Termination of these agreements or grant polices could have a material adverse effect on the Group's results or operations or financial condition. The Group expects to incur further operating losses as progress on development programmes continue. The Group seeks to reduce this risk by broadening the number of customers and partners, and thereby reduce reliance on individual significant companies and by leveraging its IP and resources over multiple projects. The Group applies for research and development tax credits to help mitigate its investment in these activities.
IP risk	The Group faces the risk that IP rights necessary to exploit research and development efforts may not be adequately secured or defended. The Group's I{ may also become obsolete before the products and services can be fully commercialised. The Group reduces 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 and a good working environment.
Brexit risk	The Group has reviewed the potential impact of Brexit on the risks identified above and believes that whilst IP risk will remain largely unaffected, there may be an impact in the future regarding the Group's ability to attract and retain highly skilled individuals. The Group is alert to and continuously reviewing this potential risk and formulating its response at the appropriate time. No Brexit detriment has been incurred to date.

The Strategic Report on pages 1–23 is approved by the Board of Directors and signed on behalf of the Board.

KEITH JACKSON
Chairman
10 July 2019

GRAEME PURDY
Chief Executive Officer

BOARD OF DIRECTORS

PROF. KEITH JACKSON
Chairman

Keith has had a wide-ranging and successful career in companies varying from start-ups to multinationals. He founded and grew an automotive control systems company whose engine control systems are used on millions of vehicles around the world. Following the sale of the Company to a major car company he joined Rolls-Royce plc, where he worked as Chief Technology Officer in the electrical power and control systems group.

Keith is Chief Technology Officer at Meggitt PLC, a global aerospace and energy components and systems company, where he is responsible for the technology strategy and research and technology. He is also actively involved on talent development at Meggitt through its fellowship and graduate programmes.

Keith is a Fellow of the Society of Automotive Engineers, a Rolls-Royce Engineering Fellow and a visiting Professor at Sheffield University. He is a graduate from University College 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 2 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 lithium-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, a diversified commercial, logistics and personnel group, and then AGI Media, a global creative packaging group. He then become Finance Director of Healthy Direct, a successful Guernsey-based group of companies, producing and supplying vitamins and supplements to the UK market. He was instrumental in the restructuring of that Group and its 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 Flowgroup plc. She is also a Non-Executive Director of G4S plc and EnQuest 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.

JEREMY MILLARD
Non-Executive Director

Jeremy has nearly 20 years' investment banking experience and was previously a partner at Smith Square Partners LLP where he provided strategic and corporate advice to clients in the science, technology and telecommunications sectors, prior to which he headed up the technology practice at Rothschild in London.

Jeremy is currently a Non-Executive Director and Chairman of the Audit Committee of AIM-listed Idox plc, a Non-Executive Director of Blackbullion Limited, Omega Diagnostics and a Director of Iridium Corporate Finance Limited. Previous Directorships over the last 5 years have included, Solar Communications Group Limited, Solar Communications Limited, Smith Square Partners LLP and 6PM Holdings PLC.

MONIKA BIDDULPH
Non-Executive Director

Until August 2018, Monika was a member of the Senior Leadership Team IP Product Groups at ARM Holdings plc ('ARM'), responsible for driving the execution of the product roadmaps across all lines of business and central engineering.

In over 20 years at ARM, Monika held various General Manager and licensing roles in the business. She was previously a Non-Executive Director at Linaro Limited, an open source software organisation. Monika holds a PhD in Physics from the ETH Zurich.

CORPORATE GOVERNANCE STATEMENT

We confirm that our governance structures and practices are in agreement with the provisions of the Quoted Companies Alliance ('QCA') Corporate Governance Code for small and mid-size quoted companies. Our full statement of compliance with the 10 principles of the QCA Corporate Governance Code is set out on our website at www.ilika.com/investors/corporate-governance.

BOARD OF DIRECTORS

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

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 (Chair), Professor Keith Jackson, Monika Biddulph and Jeremy Millard.

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

The Remuneration Committee comprised Professor Keith Jackson (Chairman), Clare Spottiswoode CBE (Senior Independent Director), Jeremy Millard and Monika Biddulph.

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

The Nomination Committee comprised Professor Keith Jackson (Chairman), Clare Spottiswoode CBE (Senior Independent Director), Jeremy Millard and Monika Biddulph.

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 Committee meetings during the year:

Attendance	Board	Audit	Nomination	Remuneration
Mr. S. Boydell	8/8	–	–	–
Prof. B. E. Hayden	7/8	–	–	–
Mr. M. Inglis	5/5	1/1	1/1	1/1
Mr. G. Purdy	8/8	–	–	–
Ms. C. Spottiswoode	7/8	2/2	1/1	2/2
Prof. Sir W. Wakeham	4/4	1/1	1/1	1/1
Prof K. Jackson	8/8	2/2	1/1	2/2
Mr. J. Millard	4/4	1/1	–	1/1
Ms. M. Biddulph	2/2	1/1	–	1/1

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 auditors 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 auditors, 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.

By order of the Board

KEITH JACKSON
Chairman
10 July 2019

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on. Its terms of reference and its current membership are outlined in the Corporate Governance Statement on page 26.

MATTERS COVERED BY THE COMMITTEE

The Committee, which is required to meet at least twice a year, met twice during the year ended 30 April 2019, with all members present, and covered the following matters:

- September 2018: audit completion meeting for the 2018 year-end audit, including review of the valuation model to support Ilika plc's investment in Ilika Technologies Limited, review of the financial forecast to support the Group's ability to account on a going concern basis, review of the auditors' report on the audit, and review of the Annual Report.
- January 2018: Half-Year Report completion meeting. Approval of the release of the Half-Year Report.

AUDITOR INDEPENDENCE

The auditors do not supply any non-audit services and this policy safeguards auditor objectivity and independence.

INTERNAL AUDIT FUNCTION

The Group does not have an internal audit function, but the Committee considers that this is appropriate, given the size and relative lack of complexity of the Group. The Committee keeps this matter under review annually.

CLARE SPOTTISWOODE
Chair of the Audit Committee
10 July 2019

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The Group's remuneration policy is the responsibility of the Remuneration Committee ('the Committee'). The terms of reference of the Committee are outlined in the Corporate Governance Statement on page 26. The Committee members are Prof. Keith Jackson (Chairman), Clare Spottiswoode, Jeremy Millard and Monika Biddulph, all of whom are independent Non-Executive Directors. The Chief Executive Officer and certain executives may be invited to attend Committee meetings to assist with its deliberations, but no executive is present when their own remuneration is being 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 proportion of the total remuneration package, in the form of bonus and share options, is performance driven and has been constructed following consultation with major shareholders.

COMPONENTS OF REMUNERATION

Component	Purpose and link to strategy	Operation	Performance metrics
Base salary	To attract and retain talent.	Reflecting the individual's role, experience and performance. Base salaries are reviewed annually in January.	Take into account Group and individual performance, external benchmark information and internal relativities.
Benefits and Pension	To offer market competitive package.	Contribution to the Executive Director's individual money purchase scheme (at between 8 percent and 10 percent of base salary) and critical illness cover.	n/a
Short-Term Incentive Plan – annual performance-related bonus	Rewards the achievement of short-term financial and strategic project milestones.	Maximum bonus of base salary: 100 percent CEO, 60 percent CSO and 40 percent CFO. 50 percent of the bonus is payable in cash and 50 percent is deferred into shares (using nominal cost options) for one year, subject to continued employment.	Delivery of exceptional performance against a series of financial, commercial and technology objectives.
Long-Term Incentive Plan – restricted share unit awards	Incentivise, retain and reward the Executive Directors for successfully taking the Company through the next stage of its growth.	Ilika plc Long-Term Incentive Plan 2018 ('the LTIP'), was adopted by shareholders at the 2018 Annual General Meeting. Single awards of share options with an exercise price of the nominal value of the shares were made which will vest after 3 years.	Awards vest to the extent that challenging share price targets have been met.
Shareholding guidelines	To increase shareholder alignment.	100 percent of the net of tax share awards which vest must be retained until the following guidelines are met: CEO 300 percent of salary. CSO 250 percent of salary. CFO 150 percent of salary.	n/a

DIRECTORS' REMUNERATION REPORT

(II) CHAIRMAN AND NON-EXECUTIVE DIRECTOR REMUNERATION

The Chairman, Prof. Keith Jackson receives a fixed fee of £65,000 per annum. Clare Spottiswoode, Jeremy Millard and Monika Biddulph receive a fixed fee of £32,988 per annum. 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 2019 and 30 April 2018 was as follows:

	Basic salary £	Benefits in kind £	Bonus £	Total short-term benefits £	Pension £	Total £
Year to 30 April 2019						
G. Purdy	**193,000**	**622**	**57,728**	**251,350**	**30,300**	**281,650**
S. Boydell	**127,361**	**412**	**15,066**	**142,839**	**17,749**	**160,588**
B. Hayden[1]	**64,960**	**–**	**17,838**	**82,798**	**–**	**82,798**
M. Inglis	**43,983**	**–**	**–**	**43,983**	**–**	**43,983**
K. Jackson	**43,658**	**–**	**–**	**43,658**	**–**	**43,658**
W. Wakeham	**13,745**	**–**	**–**	**13,745**	**–**	**13,745**
C. Spottiswoode	**32,988**	**–**	**–**	**32,988**	**–**	**32,988**
J. Millard	**19,243**	**–**	**–**	**19,243**	**–**	**19,243**
M. Biddulph	**10,996**	**–**	**–**	**10,996**	**–**	**10,996**
	549,934	**1,034**	**90,632**	**641,600**	**48,049**	**689,649**
Year to 30 April 2018						
G. Purdy	193,000	622	25,502	219,124	30,300	249,424
S. Boydell	125,405	405	6,630	132,440	17,592	150,032
B. Hayden[1]	64,960	–	8,144	73,104	–	73,104
M. Inglis	65,975	–	–	65,975	–	65,975
K. Jackson	32,988	–	–	32,988	–	32,988
W. Wakeham	32,988	–	–	32,988	–	32,988
C. Spottiswoode	32,988	–	–	32,988	–	32,988
	548,304	1,027	40,276	589,607	47,892	637,499

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 £69,972 to the Company in the year in respect of B. Hayden (2018: £68,544).

Benefits in kind include critical illness cover.

SHARE OPTIONS

The share options of the Directors are set out below:

	2018 Number	**2019 Number**	Exercise price	Expiry date	Performance conditions
Unapproved					
G. Purdy	1,050,000	**1,050,000**	51p	May 2020	n/a
G. Purdy[1]	872,727	**–**	1p	September 2025	n/a
G. Purdy	145,810	**145,810**	1p	August 2027	n/a
G. Purdy[2]	–	**1,127,777**	1p	January 2029	See note 3
B. Hayden	525,000	**525,000**	51p	May 2020	n/a
B. Hayden[1]	527,272	**–**	1p	September 2025	n/a
B. Hayden	56,211	**56,211**	1p	August 2027	n/a
B. Hayden[2]	–	**712,394**	1p	January 2029	See note 3
S. Boydell	117,600	**117,600**	51p	May 2020	n/a
S. Boydell[1]	274,909	**–**	1p	September 2025	n/a
S. Boydell	37,846	**37,846**	1p	August 2027	n/a
S. Boydell[2]	–	**373,222**	1p	January 2029	See note 3
W. Wakeham[1]	65,100	**–**	51p	May 2020	n/a
C. Spottiswoode	50,100	**50,100**	51p	May 2020	n/a
M. Inglis[1]	120,000	**–**	68.75p	September 2025	n/a
K. Jackson[1]	40,000	**–**	68.75p	September 2025	n/a
Approved					
S. Boydell	90,000	**90,000**	80p	December 2019	n/a

1 Share options lapsed in the year.
2 Shareholders' approval to adopt and establish the Ilika plc LTIP 2018 was received at the Annual General Meeting in October 2018.
3 These awards will vest on the achievement of the following share price targets, assessed over a three year performance period:
(a) Less than 27p – no vesting.
(b) 27p – 25 percent of the shares subject to award will vest.
(c) 36p – 75 percent of the shares subject to award will vest.
(d) 54p – 100 percent of the shares subject to award will vest.
Awards will vest between points (b) and (c) and between (c) and (d) on a straight-line basis.

Share-based payment charge attributable to Directors in the year was £289,396 (2018: £409,502).

During the year, the Committee received independent advice on executive remuneration matters from FIT Remuneration Consultants LLP. FIT received £8,813 in fees for these services.

KEITH JACKSON
Chair of the Remuneration Committee
10 July 2019

DIRECTORS' 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
Prof. K. Jackson (Chairman)
Mr. M. Inglis (Chairman) (retired 1 January 2019)
Ms. C. Spottiswoode CBE (Senior Independent Director)
Prof. Sir W. Wakeham (retired 30 September 2018)
Mr. J. Millard (appointed 1 October 2018)
Ms. M. Biddulph (appointed 16 January 2019)

RESEARCH AND DEVELOPMENT COSTS
In accordance with the policy outlined in note 1, the Group incurred research and development expenditure of £2,080,264 in the year (2018: £2,009,023). 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 13 of the financial statements.

FUTURE DEVELOPMENTS
Information on the future developments of the business is included in the Strategic Report on page 2.

DIVIDENDS
The Directors do not recommend the payment of a dividend.

DIRECTORS' INTERESTS IN ORDINARY SHARES
The Directors, who held office at 30 April 2019, had the following interests in the Ordinary Shares of the Company:

	Number of shares	
	1 May 2018	30 April 2019
G. Purdy	609,427	734,427
K. Jackson	20,000	70,000
C. Spottiswoode	45,454	45,454
S. Boydell	9,090	12,000
J. Millard	n/a	–
M. Biddulph	n/a	–
B. Hayden[1]	–	–

1 B. Hayden had an interest in preference shares of the Company amounting to 426,300 at 1 May 2018 and at 30 April 2019.

Between 30 April 2019 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 2 July 2019, 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	Number of Ordinary Shares	Percent shareholding
GPIM Limited	14,090,525	14
Janus Henderson Group plc	13,300,000	13
Canaccord Genuity Group plc	11,075,816	11
Parkwalk Advisors	8,791,410	9
Baillie Gifford & Co.	7,893,978	8
Herald Investments	5,215,000	5

POST BALANCE SHEET EVENTS
There are no significant post balance sheet events from the 30 April 2019 to the signing of this report.

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
10 July 2019

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 IFRS as adopted by the EU. 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 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 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 IFRS as adopted by the EU, 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
10 July 2019

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ILIKA PLC

OPINION
We have audited the financial statements of Ilika plc ('the Parent Company') and its subsidiaries ('the Group') for the year ended 30 April 2019 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the company balance sheet, the company cash flow statement, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRS as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU 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.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK')) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council ('FRC') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter
Revenue and grant recognition As set out in the accounting policies in note 1 to the financial statements, sales of research and development services are recognised in the accounting period in which the services are rendered, by reference to the actual costs incurred as a proportion of the total expected cost of the services to be provided. 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. With an increased number of agreements in place at the year end, and significant levels of accrued and deferred income at the year end, there is considered to be a risk that income is not recognised in the correct period and in line with the Group's accounting policies. The audit procedures on these income streams represented a significant part of our audit strategy in terms of the level of direction and supervision and allocation of resources.	We have vouched all significant revenue customers to invoices raised and signed agreements. There were no agreements which had not been completed at the year end and as such we have confirmed that all revenues have been accurately recorded within the year. We have reviewed invoices raised both before and after the year end to ensure that the revenues were complete and recorded in the correct period. We obtained the agreements in respect of all grant agreements and recalculated the income to be received by reference to the costs incurred by the Group. We have vouched receipts to bank statements and third-party confirmations to gain assurance over the accuracy of the submissions and calculations thereon. We have considered the timing of submissions made for grant monies to be received and the timing of amounts received in respect of these and recalculated the level of accrued or deferred income to be recognised on the balance sheet.

OUR APPLICATION OF MATERIALITY

Group materiality: £127,000 (2018: £156,000).

Parent Company materiality: £116,000 (2018: £148,000).

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Our Group materiality, for both the current and prior year, has been based upon 5 percent of the loss before tax. We consider the loss before tax to be one of the principal considerations for stakeholders in assessing the performance of the Group, particularly as the Group moves towards future profitability.

Materiality in respect of the audit of the Parent Company has been set using a benchmark of 1 percent of total assets for both the current and prior year. We consider total assets to be the most appropriate measure for the basis of materiality as the Parent Company is a holding company.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £95,250 (2018: £117,000) which represents 75 percent (2018: 75 percent) of the above materiality levels. The same percentage has been used for the Parent Company with performance materiality set at £87,000 (2018: £111,000). In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements based on past experience and other factors.

Materiality for the only subsidiary of the Group was set at a lower level than that of the Group at £116,000 (2018: £148,000).

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of £2,540 (2018: £3,120). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of our Group audit was established by obtaining an understanding of the Group, including its control environment, and assessing the risks of material misstatement.

Both components, Ilika plc and Ilika Technologies Limited, are considered significant components and were subject to a full-scope audits by BDO LLP.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ILIKA PLC

RESPONSIBILITIES OF THE DIRECTORS
As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF OUR REPORT
This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditors' 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
10 July 2019

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 2019 £	2018 £
Turnover	2	**2,589,736**	2,051,177
Revenue		**345,307**	798,430
UK grants		**2,244,429**	1,252,747
Cost of sales		**(1,388,598)**	(1,090,898)
Gross profit		**1,201,138**	960,279
Total administrative expenses			
Administrative expenses		**(3,630,369)**	(3,793,686)
Share-based payment charge		**(264,250)**	(434,382)
		3,894,619	4,228,068
Operating loss	3	**(2,693,481)**	(3,267,789)
Income from short-term deposits		**25,800**	17,156
Loss before tax		**(2,667,681)**	(3,250,633)
Taxation	5	**346,922**	353,309
Loss for period/total comprehensive income		**(2,320,759)**	(2,897,324)
Loss per share from continuing operations	6		
Basic		**(2.42)p**	(3.67)p
Diluted		**(2.42)p**	(3.67)p

CONSOLIDATED BALANCE SHEET

COMPANY NUMBER 7187804

	Notes	As at 30 April 2019 £	2018 £
ASSETS			
Non-current assets			
Intangible assets	7	**23,815**	2,453
Property, plant and equipment	8	**1,728,122**	578,103
Total non-current assets		**1,751,937**	580,556
Current assets			
Trade and other receivables	9	**1,542,996**	1,024,359
Current tax receivable	5	**360,000**	330,000
Other financial assets – bank deposits		**351,963**	–
Cash and cash equivalents	10	**3,599,216**	2,811,155
Total current assets		**5,854,175**	4,165,514
Total assets		**7,606,112**	4,746,070
Issued capital and reserves attributable to owners of parent			
Issued share capital	14	**1,013,070**	789,911
Share premium		**27,103,356**	23,179,756
Capital restructuring reserve		**6,486,077**	6,486,077
Retained earnings		**(28,725,868)**	(26,669,347)
Total equity		**5,876,647**	3,786,397
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,439,465**	809,673
Provisions	12	**290,000**	150,000
Total liabilities		**1,729,465**	959,673
Total equity and liabilities		**7,606,112**	4,746,070

The notes on pages 41 to 52 form part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 10 July 2019.

Mr. K. Jackson
Chairman
10 July 2019

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 30 April	
	2019 £	2018 £
Cash flows from operating activities		
Loss before taxation	**(2,667,681)**	(3,250,633)
Adjustments for:		
Amortisation	**3,621**	3,282
Depreciation	**233,744**	196,415
Equity-settled share-based payments	**264,250**	434,382
Financial income	**(25,800)**	(17,156)
Operating cash flow before changes in working capital, interest and taxes	**(2,191,866)**	(2,633,710)
(Increase)/decrease in trade and other receivables	**(518,637)**	92,008
Increase/(decrease) in trade and other payables	**357,472**	(102,380)
Cash utilised by operations	**(2.353,031)**	(2,644,082)
Tax received	**316,922**	353,309
Net cash flow used in operating activities	**(2,036,109)**	(2,290,773)
Cash flows from investing activities		
Interest received	**25,800**	17,156
Purchase of intangible assets	**(24,983)**	(3,154)
Purchase of property, plant and equipment	**(971,443)**	(322,958)
(Increase)/decrease in other financial assets	**(351,963)**	2,900,000
Net cash (used in)/from investing activities	**(1,322,589)**	2,591,044
Cash flows from financing activities		
Proceeds from issuance of Ordinary Share capital	**4,463,178**	–
Cost of share issue	**(316,419)**	–
Net cash from financing activities	**4,146,759**	–
Net increase in cash and cash equivalents	**788,061**	300,271
Cash and cash equivalents at the start of the period	**2,811,155**	2,510,884
Cash and cash equivalents at the end of the period	**3,599,216**	2,811,155

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 2017	789,911	23,179,756	6,486,077	(24,206,405)	6,249,339
Share-based payment	–	–	–	434,382	434,382
Loss and total comprehensive income	–	–	–	(2,897,324)	(2,897,324)
As at 30 April 2018	789,911	23,179,756	6,486,077	(26,669,347)	3,786,397
Share-based payment	–	–	–	264,250	264,250
Issue of shares	223,159	4,240,019	–	–	4,463,178
Cost of share issue	–	(316,419)	–	–	(316,419)
Loss and total comprehensive income	–	–	–	(2,320,759)	(2,320,759)
As at 30 April 2019	**1,013,070**	**27,103,356**	**6,486,077**	**(28,725,856)**	**5,876,647**

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

These financial statements have been prepared in accordance with IFRS adopted by the EU. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented.

The individual financial statements of Ilika plc are shown on pages 53 to 55.

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. The Company controls an investee if all 3 of the following elements are present: power over the investee; exposure to variable returns over the investee; and the ability of the investee to use its power to affect the variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that the Company will have sufficient funds available to enable it to continue to trade for the foreseeable future. In making their assessment that this assumption is correct the Directors have undertaken an in-depth review of the business, its current prospects and cash resources as set out below.

The Directors have prepared and reviewed financial forecasts. The Group meets its day-to-day working capital requirements through existing cash resources which, at 30 April 2019, amounted to £3,951,179. 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.

The Directors have also considered the likely sales, contracts and announcements that the Company anticipate being able to make over the coming months, the current share price, levels of trading in the Company's shares and past history of raising funds with the Company's brokers.

After taking account of all the above factors the Directors believe that as the market becomes more aware of the Company's prospects and the scale of the opportunities that the Company's technologies create, the Company will continue to be able to raise any funds required to enable it to continue to trade and grow towards self-sufficiency.

CHANGES IN ACCOUNTING POLICIES

(a) New standards, amendments to standards or interpretations

IFRS 9 – Financial Instruments

The Group adopted IFRS 9 which addresses the classification, measurement and derecognition of financial assets and financial liabilities, on 1 May 2018, considering the cumulative impact at this date in assessing whether an adjustment to opening reserves is required. This standard also had no financial impact on either the current or comparative periods.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 has replaced IAS 18, effective for accounting periods beginning on or after 1 January 2018. The Group has transitioned to the new standard through means of the cumulative effect method as at 1 May 2018 (the date of initial application). No transitional entries were required on the adoption of IFRS 15 at its date of initial application. An explanation of the accounting treatment adopted for completed contracts in all periods presented, and in future accounting periods, is set out in the turnover accounting policy below.

The grant income continues to be accounted for under IAS 20.

No other new standards, interpretations and amendments adopted in the year have had a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES CONTINUED

(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 and have an effective date commencing after 1 May 2019, will or may have an effect on the Group's future financial statements:

International Accounting Standards (IAS/IFRS)	Effective date for periods commencing
IFRS 16 – Leases	1 January 2019

Under the provisions of IFRS 16 most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated and the liability increased for the accretion of interest and reduced by lease payments.

The Group currently has 3 operating leases as disclosed in note 15. The first is cancellable by the Group on 6 months' notice and this was served on 31 January 2019. The second is also cancellable by the Group on 6 months' notice and ends on 11 October 2020. As these lease commitments are less than 1 year, the Group expects to adopt the practical expedient not to recognise a right-of-use asset and the associated liability. The third lease has a contractual liability of £76,526 in the year ended 30 April 2020 and ends in January 2024. Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right to use assets.

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

TURNOVER

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

Sales of services

Sales of research and development services are recognised in the accounting period in which the services are rendered, by reference to the actual costs incurred as a proportion of the total expected cost of the services to be provided. The Group has an enforceable right to payment over the period of the contract. Invoices are raised at agreed milestones with timing differences recognised within accrued or deferred income.

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. Submissions are made for pre-arranged time periods with timing differences recognised within accrued or deferred income.

FINANCIAL INCOME

Income from short-term deposits 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 options to all employees. Equity-settled share options are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share options 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 non-market-based vesting conditions.

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

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity within the Group can demonstrate all of the following:

i. Its ability to measure reliably the expenditure attributable to the asset under development.
ii. The product or process is technically and commercially feasible.
iii. Its future economic benefits are probable.
iv. Its ability to use or sell the developed asset.
v. The availability of adequate technical, financial and other resources to complete the asset under development.
vi. Its intention is to use or sell the developed asset.

Prior to and during the year ended 30 April 2019, no development expenditure satisfied all of these conditions.

TAXATION

Companies within the Group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

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 reporting 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 profit or loss.

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 statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment less their estimated residual value. The estimated useful lives are as follows:

Leasehold improvements	lease term
Plant, machinery and equipment	2–5 years
Fixtures and fittings	3–5 years

IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at the present value of the future expected cash flows associated with the impaired asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES CONTINUED

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).

IP

Acquired IP 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 carried at amortised cost. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. 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. Deposits of over 3 months' maturity, judged at inception, are classified as other financial assets.

PROVISIONS

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are either charged as an expense to income statement or capitalised within property, plant and equipment in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision carried in the balance sheet.

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses 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.

The Directors do not believe there to be any estimates or judgements that have a significant impact on the Group's financial statements.

2 SEGMENT REPORTING

The Group operates in one area of activity, namely the production, design and development of high throughput methods of material synthesis, characterisation and screening. The Group has materials development programmes addressing a wide range of applications including the solid state battery, aerospace alloys and electronic materials.

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 3 territories of focus, Asia, North America and Europe (with the UK further split out below).

	Year ended 30 April	
	2019	2018
	£	£
Turnover		
Analysis by geographical market:		
By destination		
Asia	**66,230**	38,241
Europe	**–**	134,302
North America	**3,163**	565,887
UK	**2,520,343**	1,312,747
	2,589,736	2,051,177

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

	Year ended 30 April 2019 £	2018 £
Turnover		
UK Grants	**2,244,429**	1,252,747
Customer 1	**3,163**	565,887
Customers less than 10 percent	**342,144**	232,543
	2,589,736	2,051,177

3 OPERATING LOSS

	Year ended 30 April 2019 £	2018 £
This is arrived at after charging:		
Research and development expenditure in the year	**2,080,264**	2,009,023
Depreciation	**233,744**	196,415
Amortisation of intangible assets	**3,621**	3,282
Auditors' remuneration:		
Fees payable to the Group's auditors for the audit of the Group's accounts	**23,200**	22,200
Fees payable to the Group's auditors for other services:		
The Audit of the Group's subsidiaries	**6,800**	6,800
Operating lease rentals	**227,638**	207,511
Share-based payment	**264,250**	434,382

4 EMPLOYEES

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

	Year ended 30 April 2019 Number	2018 Number
Administration	**5**	6
Materials synthesis	**39**	34
	44	40

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

	Year ended 30 April 2019 £	2018 £
Wages and salaries	**2,182,710**	2,055,959
Social security costs	**244,577**	225,480
Share-based payment expense	**264,250**	434,382
Pension costs	**149,601**	150,120
	2,841,138	2,865,941

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

	Year ended 30 April 2019 £	2018 £
Wages and salaries	**641,600**	589,607
Pension costs	**48,049**	47,892
Directors' emoluments	**689,649**	637,499
Social security costs	**81,946**	75,072
Share-based payment expense	**222,535**	409,502
Key management personnel	**994,130**	1,122,073

The Directors represent key management personnel and further details are given in the Directors' Remuneration Report on pages 29 to 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 TAXATION

(A) TAX ON LOSS 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	
	2019 £	2018 £
R&D tax credits	**360,000**	330,000
Adjustments to prior period	**(13,078)**	23,309
	346,922	353,309

(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 19 percent (2018: 19 percent). The differences are reconciled below:

	2019 £	2018 £
Loss on ordinary activities before tax	**(2,667,681)**	(3,120,313)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19 percent (2018: 19 percent)	**(506,871)**	(592,859)
Effects of:		
Expenses not deductible for corporation tax	**50,390**	57,772
R&D relief	**(360,000)**	(330,000)
Origination of unrecognised tax losses	**456,481**	535,087
Under provision in previous years	**13,078**	(23,309)
Total tax credit for the year	**(346,922)**	(353,309)

Unrecognised deferred taxation

There are tax losses available for carry forward against future trading profits of approximately £23,810,000 (2018: £21,529,000). A deferred tax asset in respect of these losses of approximately £4,048,000 (2018: £3,660,000) has not been recognised in the accounts, as the full utilisation of these losses in the foreseeable future is uncertain.

6 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	
	2019 Number	2018 Number
Weighted average number of equity shares	**95,789,335**	78,991,110

	£	£
Earnings, being loss after tax	**(2,320,759)**	(2,897,324)

	Pence	Pence
Loss per share	**(2.42)**	(3.67)

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. At 30 April 2019, there were 7,583,438 options outstanding (2018: 6,727,499) as detailed in notes 14 and 18.

7 INTANGIBLE ASSETS

	Software licences £	IP £	Total £
Cost			
As at 30 April 2017	39,043	75,000	114,043
Additions	3,154	–	3,154
As at 30 April 2018	42,197	75,000	117,197
Additions	24,983	–	24,983
Disposals	(12,140)	–	(12,140)
As at 30 April 2019	55,040	75,000	130,040
Amortisation			
As at 30 April 2017	36,462	75,000	111,462
Provided for the year	3,282	–	3,282
As at 30 April 2018	39,744	75,000	114,744
Provided for the year	3,621	–	3,621
Disposals	(12,140)	–	(12,140)
As at 30 April 2019	**31,225**	**75,000**	**106,225**
Net book value			
As at 30 April 2017	2,581	–	2,581
As at 30 April 2018	2,453	–	2,453
As at 30 April 2019	**23,815**	**–**	**23,815**

The amortisation charge of £3,621 (2018: £3,282) is included within administrative expenses.

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
Cost				
As at 30 April 2017	567,500	4,541,790	167,720	5,277,010
Additions	33,974	287,969	1,015	322,958
Disposals	–	(11,939)	–	(11,939)
As at 30 April 2018	601,474	4,817,820	168,735	5,588,029
Additions	–	1,383,135	628	1,383,763
As at 30 April 2019	601,474	6,200,955	169,363	6,831,792
Depreciation				
As at 30 April 2017	567,500	4,094,176	163,774	4,825,450
Provided for the year	8,144	185,482	2,789	196,415
Disposals	–	(11,939)	–	(11,939)
As at 30 April 2018	575,644	4,267,719	166,563	5,009,926
Provided for the year	13,367	219,540	837	233,744
As at 30 April 2019	**589,011**	**4,487,259**	**167,400**	**5,243,670**
Net book value				
As at 30 April 2017	–	447,614	3,946	451,560
As at 30 April 2018	25,830	550,101	2,172	578,103
As at 30 April 2019	**12,463**	**1,713,696**	**1,963**	**1,728,122**

There are no commitments for capital expenditure contracted but not provided for (2018: £nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES

	As at 30 April 2019 £	2018 £
Trade receivables	**24,094**	5,163
Prepayments	**317,625**	337,887
Other receivables	**476,016**	242,097
Accrued income	**725,261**	439,212
	1,542,996	1,024,359

The ageing of trade receivables is as follows:

	As at 30 April 2019 £	2018 £
0–29 days	**–**	5,163
30–59 days	**24,094**	–
	24,094	5,163

Included in other receivables is an amount of £150,000 (2018: £150,000) which represents cash held in a separate bank account used as security against a bond provided by the Company's bankers (refer to note 12). The bond relates to the potential dilapidations costs due at the end of the Company's property lease.

The accrued income of £725,261 (2018: £439,212) relates to performance obligations satisfied but not invoiced, all of which is due to be settled within the next 12 months. The increase in accrued income is due to the level of grants under way at the current and prior year end.

10 CASH AND CASH EQUIVALENTS

	As at 30 April 2019 £	2018 £
Current bank accounts	**833,326**	435,108
Short-term deposits with less than 3 months' maturity	**2,765,890**	2,376,047
	3,599,216	2,811,155

11 TRADE AND OTHER PAYABLES

	As at 30 April 2019 £	2018 £
Trade payables	**699,330**	269,191
Other payables	**36,183**	24,927
Other taxes and social security costs	**56,928**	51,372
Accruals and deferred income	**647,024**	464,183
	1,439,465	809,673

The ageing of financial liabilities is as follows:

	As at 30 April 2019 £	2018 £
0–29 days	**1,203,615**	482,162
30–59 days	**36,794**	133,788
60–89 days	**14,770**	17,404
90+ days	**127,358**	124,947
	1,382,537	758,301

Within accruals and deferred income is deferred income of £171,499 (2018: £nil) that represent unfulfilled performance obligations on grants to be satisfied in the next 12 months.

12 PROVISIONS

	Leasehold dilapidations £
As at 1 May 2018	150,000
Additions	140,000
As at 30 April 2019	290,000

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. The additions in the year are in respect of work carried out at the new leased premises in the year.

13 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. The Group has denominated some of it sales transactions in non-Sterling currencies and has entered into a forward exchange contract to mitigate this risk.

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.

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 1 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 11. 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 2019 had a weighted average period to maturity of 35 days (2018: 28 days) and a weighted average annualised rate of interest of 0.8 percent. (2018: 0.6 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 2019 by approximately £26,000 (2018: £17,000).

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 2019 by approximately £30,000 (2018: £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 all funding is raised by equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SHARE CAPITAL

	As at 30 April 2019 £	2018 £
Authorised		
100,718,600 (2018: 78,402,710) Ordinary Shares of £0.01 each	**1,007,186**	784,027
1,781,400 Convertible Preference Shares of £0.01 each	**17,814**	17,814
Allotted, called up and fully paid		
100,718,600 (2018: 78,402,710) Ordinary Shares of £0.01 each	**1,007,186**	784,027
588,400 Convertible Preference Shares of £0.01 each	**5,884**	5,884
	1,013,070	789,911

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. There are no further redemption rights.

On 30 July 2018, 22,315,890 Ordinary Shares of £0.01 each were issued for a total consideration of £4,463,178 and costs incurred were £316,419.

SHARE OPTIONS AND WARRANTS

Employee related share options are disclosed in note 18.

15 OPERATING LEASES

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

	2019 £	2018 £
Property leases which expire:		
Within 1 year	**65,814**	97,143
In more than 1 year but less than 5 years	**362,710**	–
	428,524	97,143

16 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 £149,601 (2018: £150,120). Included within other creditors is £18,679 (2018: £15,679) relating to outstanding pension contributions.

17 RELATED PARTY TRANSACTIONS

The Directors consider that no one party controls the Group.

Details of key management personnel and their compensation are given in note 4 and in the Directors' Remuneration Report on pages 29 to 31.

18 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.

At 30 April 2019, 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
01/12/09	90,000	10 years	£0.80
14/05/10	23,200	10 years	£0.51
01/02/12	30,798	10 years	£0.53
22/03/16	510,880	10 years	£0.59

Unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
14/05/10	1,832,700	10 years	£0.51

BLACK-SCHOLES VALUATION

	Weighted average exercise price		Number	
	2019 £	2018 £	**2019**	2018
Outstanding:				
At start of the period	**0.2856**	0.4930	**4,806,499**	5,710,692
Granted in the period	**0.0736**	0.1721	**3,511,393**	1,266,117
Lapsed in the period	**0.2069**	0.7652	**(2,587,454)**	(2,170,310)
At the end of the period	**0.1912**	0.2856	**5,730,438**	4,806,499

The exercise price of options outstanding at the end of the period ranged between £0.01 and £0.80 and their weighted average contractual life was 8.9 years (2018: 8.0 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	
	2019 £	2018 £	**2019**	2018
Outstanding:				
At start of the period	**0.51**	0.51	**1,921,000**	1,923,900
Lapsed during the period	**0.51**	0.51	**(68,000)**	(2,900)
At the end of the period	**0.51**	0.51	**1,853,000**	1,921,000

The exercise price of options outstanding at the end of the period was £0.51 (2018: £0.51) and their weighted average contractual life was 2 years (2018: 3 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SHARE-BASED PAYMENTS EXPENSE AND SHARE OPTIONS CONTINUED

ILIKA PLC EXECUTIVE SHARE OPTION SCHEME 2010

At 30 April 2019, 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
14/05/10	20,300	10 years	£0.51
01/02/12	30,798	10 years	£0.53
22/03/16	510,880	10 years	£0.59
16/03/17	590,000	10 years	£0.485
08/02/18	757,500	10 years	£0.21
24/01/19	1,282,000	10 years	£0.182

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.

700,446 options lapsed in the year.

ILIKA PLC UNAPPROVED SHARE OPTIONS

At 30 April 2019, 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
14/05/10	1,832,700	10 years	£0.51
15/08/17	239,867	10 years	£0.01
24/01/19	16,000	10 years	£0.182
24/01/19	2,213,393	10 years	£0.01

1,955,008 options lapsed in the year and no options were exercised.

There are 1,973,798 options which were capable of being exercised as at 30 April 2019.

	2019 £	2018 £
Share-based payment expense		
Black-Scholes calculation	**264,250**	434,382

COMPANY BALANCE SHEET OF ILIKA PLC

COMPANY NUMBER 7187804

	Notes	As at 30 April 2019 £	2018 £
ASSETS			
Non-current assets			
Investments in subsidiary undertaking	21	**28,229,684**	24,229,684
Amount due from subsidiary undertaking	23	**81,229**	33,834
		28,310,913	24,263,518
Current assets			
Trade and other receivables	22	**24,609**	10,119
Total assets		**28,335,522**	24,273,637
Equity			
Issued share capital		**1,013,070**	789,911
Share premium		**27,082,567**	23,158,967
Retained earnings		**220,697**	181,889
		28,316,334	24,130,767
LIABILITIES			
Current liabilities			
Trade and other payables	24	**19,188**	142,870
Total liabilities		**19,188**	142,870
Total equity and liabilities		**28,335,522**	24,273,637

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's loss for the year was £225,442 (2018: loss of £398,797).

The notes on pages 56 to 57 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 10 July 2019.

Mr. K. Jackson
Chairman
10 July 2019

COMPANY CASH FLOW STATEMENT

	Year ended 30 April	
	2019 £	2018 £
Cash flows from operating activities		
Loss before tax	**(225,442)**	(398,797)
Adjustments for:		
Equity settled share-based payments	**264,250**	434,382
Operating cash flow before changes in working capital, interest and taxes	**38,808**	35,585
Decrease/(increase) in trade and other receivables	**(14,490)**	3,527
(Decrease)/increase in trade and other payables	**(123,682)**	(5,278)
Increase in amounts due from subsidiary undertaking	**(47,395)**	(33,834)
Cash utilised by operations	**(146,759)**	–
Cash flows from investing activities		
Investment in subsidiary company	**(4,000,000)**	–
Net cash used in investing activities	**(4,000,000)**	–
Cash flows from financing activities		
Proceeds from issuance of Ordinary Share capital	**4,463,178**	–
Costs of share issue	**(316,419)**	–
Net cash from financing activities	**4,146,759**	–
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 2017	789,911	23,158,967	146,304	24,095,182
Share-based payment	–	–	434,382	434,382
Profit and total comprehensive income	–	–	(398,797)	(398,477)
As at 30 April 2018	789,911	23,158,967	181,889	24,130,767
Issue of shares	223,159	4,240,019	–	4,463,178
Costs of issue	–	(316,419)	–	(316,419)
Share-based payment	–	–	264,250	264,250
Profit and total comprehensive income	–	–	(225,442)	(225,442)
As at 30 April 2019	**1,013,070**	**27,082,567**	**220,697**	**28,316,334**

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 COMPANY FINANCIAL STATEMENTS

19 ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS adopted by the EU.

TAXATION, SHARE BASED PAYMENTS AND FINANCIAL INSTRUMENTS

For the relevant accounting policies please see note 1.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment.

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The Company holds a significant investment in its subsidiary, Ilika Technologies Limited, of £28.2 million (2018: £24.2 million). In assessing the carrying value of this asset for impairment, the Directors have exercised judgement in estimating its recoverable amount. The determination of the valuation for this asset is based on the discounted estimated future cash flows generated from out-licensing transactions. The valuation is derived from a financial model that evaluates a range of potential outcomes from what are considered the key variables, including the probability of licensing agreements being signed, the expected licensing terms that will be negotiated and the anticipated revenues generated as a result. Given the level of headroom indicated by the impairment review, the discount rate assumption is not considered to be sufficiently sensitive to change to impact the conclusion of the review.

20 DIRECTORS' REMUNERATION

The only employees of the Company are the Directors. In respect of Directors' remuneration, the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the detailed disclosures in the audited section of the Directors' Remuneration Report on pages 29 to 31, which are ascribed as forming part of these financial statements.

21 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 £2,095,380 (2018: £2,498,527) and had net assets as at 30 April 2019 of £5,789,934 (2018: £3,885,314).

	2019 £	2018 £
Shares in Group undertakings (at cost)		
At 1 May	**24,229,684**	121,339
Additions	**4,000,000**	24,108,345
At 30 April	**28,229,684**	24,229,684

The registered address of Ilika Technologies Limited is Kenneth Dibben House, Enterprise Road, University of Southampton Science Park, Chilworth, Southampton, SO16 7NS.

During the year, the Company converted inter-company debtors of £4,000,000 into Ordinary Shares in its subsidiary, Ilika Technologies Limited

22 TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Prepayments	**18,360**	10,119

23 AMOUNT DUE FROM SUBSIDIARY UNDERTAKING

	2019 £	2018 £
Ilika Technologies Limited	**81,229**	33,834

24 TRADE AND OTHER PAYABLES

	2019 £	2018 £
Trade payables	**13,124**	26,170
Accruals	**6,000**	116,700
	19,124	142,870

25 RELATED PARTY TRANSACTIONS

During the year, the Company recharged costs totalling £110,182 (2018: £211,618) to its subsidiary, Ilika Technologies Limited. Amounts owed to Ilika Technologies Limited are disclosed in note 23.

Details of key management personnel and their compensation are given in note 4 and in the Directors' Remuneration Report on pages 29 to 31.

The Directors consider that no one party controls the Company.

26 FINANCIAL INSTRUMENTS

CREDIT RISK

The Company's credit risk is attributable to its receivable of £81,229 from its subsidiary undertaking, Ilika Technologies Limited. As at 30 April 2019, Ilika Technologies Limited had net assets of £5.7 million. The Company makes no allowance for impairment of this balance. Impairment is considered by management based on prior experience, current market and third-party intelligence while considering the current economic environment.

CORPORATE DIRECTORY

COMPANY NUMBER	7187804
DIRECTORS Executive	Graeme Purdy Prof. Brian Hayden Steve Boydell
Non-Executive	Prof. Keith Jackson (Chairman) Jeremy Millard Monika Biddulph
SECRETARY	Steve Boydell
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