

ILIKA PLC  
Co.No: 7187804


# Accelerated materials innovation

Annual Report and Accounts 2015

**ilika** accelerated  
materials  
innovation

ITC Management  
Sri Lanka

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# Highlights 2015

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## Operational highlights

- Grant of two patents covering methods for producing solid-state batteries
- 25 fold increase in solid-state battery size achieved
- Official opening of pilot line by Rt. Hon Greg Clark MP, in Southampton
- Proof of concept contract win with European partner for development of batteries for WSN
- Commencement of solid-state battery pilot production leading to
  - 20 times larger deposition area of key battery materials
  - 5 times increase in materials deposition rate
- Case study information released relating to aerospace alloy development work carried out with Rolls Royce and Boeing
- Board strengthened with the appointment as NEDs of Keith Jackson, CTO of Meggitt plc and Mike Inglis, former Chief Commercial Officer of ARM Holdings plc

## Financial highlights

### Revenue

+4%

Revenues up 4% to £1.09m  
(2014: £1.05m)

### Loss per share

-24%

Loss per share has reduced by  
24% to 4.10p (2014: 5.37p)

### Loss for the year

-4%

Loss for the year reduced by 4%  
to £2.7m (2014: £2.8m)

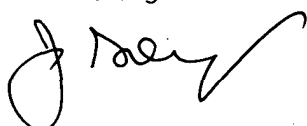
### Cash balance

£6.0m

Cash balance at period end  
£6.0m (2014: £7.1m)

“ The Company has made substantial progress this year in scaling up its proprietary solid-state battery technology. This operational progress has gone hand in hand with commercial discussions with OEM's and supply chain partners interested in integrating Ilika's battery technology into Internet of Things ('IoT') devices. ”

**Jack Boyer, Chairman**  
Commenting on the results



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

### **Technology**

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

### **Innovation**

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

### **Collaboration**

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

# At a glance

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

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

## How we generate growth

**Rapid discovery of new materials for the energy and electronics sectors**

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

**Development agreements driving revenue growth and providing a strong product pipeline**

## Significant milestones

2004 ————— 2006 ————— 2007 ————— 2008 ————— 2010

**May:**  
Ilika Technologies Ltd founded and seed-round secured

**August:**  
First commercial customer, Asahi Kasei, secured

**May:**  
A round venture capital funding secured

**February:**  
Operations expanded to current location on Southampton Science Park

**September:**  
B round venture capital funding secured

**October:**  
Shell becomes a partner for development of hydrogen storage technology

**February:**  
Toyota becomes a partner for development of battery materials

**May:**  
Successful IPO on London Stock Exchange

**July:**  
Announcement of Fuel Cell programme with a major vehicle manufacturer

**Discovery**

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

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

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

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

**Partnerships**

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

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

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

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

2011 ————— 2012 ————— 2013 ————— 2014 ————— 2015

**May:**  
First year results delivered in line with analyst's expectations

**April:**  
Successful Placing on London Stock Exchange

**January:**  
Completion of 200m<sup>2</sup> laboratory facility expansion

**October:**  
New contracts with two of the world's largest aerospace companies

**January:**  
World's first in solid-state battery technology

**May:**  
UK patent grants for solid-state battery methodology

**March:**  
Commencement of solid-state battery pilot production

# Development projects

Although Ilika's high-throughput technology platform is capable of addressing many materials development challenges, the Company has chosen to address only those market opportunities offering the strongest return on investment.

## Solid-state batteries

### At a glance

- Market requirement: compact batteries that are safe, charge rapidly and last longer
- Solution: solid-state lithium-ion
- Status:
  - single cell battery that can be manufactured as a stack
  - partnering discussions in progress with battery manufacturers
- Plan for 2015:
  - scale-up to production prototypes
  - enter into product integration projects
  - initiate discussions for a licensing deal

Ilika is perhaps best known for its pioneering work in developing solid-state battery technology.

The solid-state batteries developed by Ilika are a type of lithium-ion batteries in which the usual liquid or polymer electrolyte has been replaced by a ceramic ion-conductor. This results in a clear set of benefits relative to standard lithium ion technology, including:

- Faster charging (6 times faster)
- Increased energy density (2 times energy for the same volume)
- Increased cycle life (up to 10 years, compared to 2)
- Low leakage currents (nano Amps)
- Non flammability

### Commencement of solid-state battery pilot production

Since officially opening the pilot line for the production of solid-state batteries, the Company's technical team has carried out a series of operational tests to ensure the equipment meets the set of technical targets required for solid-state battery production. Having deposited the constituent materials required for forming batteries, the Company has now progressed to depositing arrays of battery structures.

Operational parameters of the pilot line are currently being optimised to maximise the yield and performance of the batteries. The Company continues to be on track to release batches of batteries and performance data for evaluation by commercial partners in 2015.

### Update on patents for solid-state batteries

Ilika has applied for patent coverage of the process it uses to make its solid-state batteries. Two patent applications, of which Ilika announced the successful British grant in May 2014, are part of the patent families that cover Ilika's proprietary vapour deposition processes used in producing solid-state batteries directly from the elements. Ilika has received a Communication of Intention to Grant in Europe for one of its patent applications and a Notice of Allowance in the United States for another. Both patent applications were jointly filed with Toyota Motor Company on 21 July 2011.

Further new international patent applications have also recently been filed under the Patent Co-operation Treaty ('PCT') based upon earlier British priority applications. It is the Company's intention to apply for patents in all significant economic jurisdictions.

## Markets and applications – Micro-batteries

The scalable, stacked cell architecture, which Ilika can produce, enables the simple fabrication of cells over a wide range of sizes. Ilika intends initially to produce micro-battery prototypes designed for powering wireless sensors, commonly referred to as the 'Internet of Things', which is a rapidly growing segment expected to create an addressable market for micro-batteries in excess of £1 billion by 2017. The battery architecture will subsequently be scaled-up, using the same process but with faster fabrication rates, to produce devices suitable for the largest markets for lithium-ion batteries in wearables and consumer electronics, including mobile phones.

### Smart Homes

Many homes and buildings in countries outside of northern Europe are fitted with HVAC (heating ventilation and air conditioning) systems which are significant energy users. The efficiency of these systems can be significantly increased and the energy costs reduced, by using sensors to control the distribution of heating and cooling. The installation cost of the sensors can be significantly reduced if they are autonomous. This means that they are wireless devices which are powered by an energy harvesting device, such as a photovoltaic panel. Ilika's solid-state batteries are particularly suited to this application, ensuring that energy is stored and available to power the sensor when the energy harvester is not functioning (for example, at night).

### Transport

There is a continuous drive to reduce the weight of both road vehicles and aeroplanes to reduce both manufacturing cost and fuel costs. Coupled with this is the trend towards increased monitoring of vehicle systems and the immediate environment around the vehicle. This monitoring is currently achieved with cabled sensors, which are expensive to install and contribute significantly towards vehicle weight. The increased reliability and reduced energy budget of wireless communication protocols has meant that interest in the concept of autonomous sensors is steadily increasing.

### Wearables

The wearables market is one of the most rapidly growing segments of consumer electronics. There is an expanding range of wearable devices, principally for applications focused on health and fitness monitoring and communication. Practically all of these devices require battery power. The main requirements for batteries are high volumetric energy density and a battery life that exceeds the life of the wearable device.

## Development projects *continued*

### **High Entropy Alloys**

Ilika and Boeing have recently collaborated on an investigation of high entropy alloys to establish if this class of materials offers promising structural phases which merit further investigation and if high-throughput thin films techniques are comparable to the standard bulk approach. The high-throughput work was carried out in a two-month period. In that period 2,548 systematically varying compositions were made and characterised. Finally, some bulk samples were prepared using traditional ingot preparation methods for selected compositions, which gave equivalent results to the thin film alloys.

### **Corrosion-resistant Alloys**

Currently chromium and cadmium are widely used in the automotive and aerospace industries as corrosion-resistant coatings. However, the EU has banned their use as part of its Restriction of Hazardous Substances Directive and aerospace companies are seeking alternative materials with the same innovative characteristics. Ilika has been collaborating with a number of aerospace companies to develop new innovative materials to improve efficiency and environmental performance within this sector.

### **Superalloys**

Gas turbine engine development for the aerospace industry continues to strive for improved fuel efficiency, reduced emissions and a reduction in noise at take-off. This development effort demands materials, which can tolerate increasingly high operating temperatures while retaining their mechanical strength. Nickel-based superalloys are widely used in gas turbines, however, the scope for further developing them is diminishing and therefore the rate of improvement of aeroengine technology is decreasing. Ilika, the University of Cambridge and Rolls Royce are investigating alternative lightweight alloy systems, which may also be able to operate under high temperatures, handle greater stresses and remain in service for longer.

### **Hydrogen Storage Alloys**

Hydrogen is considered by some analysts to be a promising energy carrier in the long term and its pollution-free conversion into energy by fuel cells is a very attractive feature. However, one of the key technical hurdles to be overcome for the adoption of hydrogen, is its safe and energy-efficient storage within compact containers and converting it into electricity cheaply. Ilika believes the answer to effective hydrogen storage lies in the use of metal hydrides, (metal alloys which have reacted with hydrogen to form a stable solid). Ilika has a strong patent position in these materials, which it is seeking to commercialise.



## **Tuneable Dielectrics**

A worldwide leader in the design, manufacture and sale of passive electronic components has worked together with Ilika to deliver improved tunable dielectric thin film materials using Ilika's high-throughput synthesis and screening technology platform. The rapidly growing consumer electronics market is driving the need for capacitors with improved performance resulting in reduction of parts count, board space and power consumption for electronic devices such as smart phones etc.

## **Metal Gates for Dielectrics**

The rapid improvement in the performance of CMOS devices over the last 40 years has only been possible due to the ever reducing dimensions of the key components within them. However, the continued 'scaling' of such devices is limited by the performance of the dielectric material within the transistor. Therefore, alternative metal gate materials compatible with higher dielectric constants must be considered for future CMOS devices. Ilika has been working together with Applied Materials to achieve this goal.

## **Piezoelectrics**

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

## **Fuel Cell Catalysts**

Sales of fuel cells continue to be dominated by proton exchange membrane ('PEM') technology, which grew six fold over the last four years. The technology is dependent on platinum containing electrodes, which are the most expensive components in the fuel cells. To enable widespread commercialisation of PEM technology, it is important to reduce the cost of these electrodes and Ilika's palladium alloy electro-catalysts have the potential to be 70 percent cheaper than platinum electro-catalysts on a cost/performance basis. OEM trials commenced in 2014. Patents defining this technology have been granted in the USA, Japan and Europe securing the intellectual property in the three major geographical markets.

# Strategic review

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

## Our Strategy

**Developing leading-edge high-throughput development processes**

**Partnering with companies committed to developing and globally commercialising jointly developed products**

**Using high-throughput processes to invent patentable functional materials**

The Directors present their Strategic review for the year ended 30 April 2015.

### **Principal activities**

Ilika plc is the holding company for Ilika Technologies Limited, the advanced materials innovation company. Ilika accelerates the discovery of new and patentable materials using its unique, patent protected, high-throughput process for identified end uses in the energy and electronics sectors. This process enables hundreds of scalable materials to be made in a single, automated operation and subsequently tested for key properties. The process can be applied to many market sectors, but Ilika's recent focus has been in the field of solid-state batteries.

### **Business strategy**

The Company's strategy is to use its processes to discover and commercialise novel materials for integration into products with high value end-markets. In order to ensure a high probability of

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

The Company is pursuing its objectives through the following strategies:

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

### **Operating review**

The Company undertook a number of commercial and grant funded programmes in the year, but a significant part of the research and development effort in the year was focused on its lead programme, the development of a solid-state battery.

### Solid-state batteries

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

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

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

### Battery production progress

In July 2014 the Company announced that it had succeeded in increasing the cross-sectional area and the energy capacity of the cells by more than 25 times the energy capacity of the cells it had previously manufactured on its development workflow. These new cells have similar characteristics, albeit on a larger scale, to the smaller devices. These cells have now been deposited over an area of 64mm<sup>2</sup>, which is a footprint suitable for wireless sensor network ('WSN') and wearable applications.

The pilot line for the production of prototype batteries successfully completed its factory acceptance test in September 2014 and was then shipped from the fabricators in Finland to Southampton where,

it was officially opened by The Rt. Hon. Greg Clark MP, Minister for Universities, Science and Cities in November 2014. In March 2015, the Company announced commencement of pilot production of solid-state batteries. At this point, the Company was able to confirm that the rate of deposition of materials, which is a key factor in establishing the price point of the resulting batteries, had been increased 10 fold relative to the rate of deposition of materials previously achieved on the Company's development workflow over an area 20 times larger, therefore delivering a 200 fold productivity increase: Deposition rates of 2 microns/hour, which compare favourably to commercially available solid-state micro-batteries, have already been achieved.

Significant increases in deposition rates are anticipated as the pilot line's capabilities are tested further. Operational parameters of the pilot line are currently being optimised to maximise the yield and performance of the batteries.

### Battery patent application progress

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

In March 2015, Communication of Intention to Grant in Europe for 1 of these patent applications and a Notice of Allowance in the United States for the other, was received.

### Other materials development programmes Superalloys

Another significant area of activity in the year for Ilika has been the development of aerospace alloys. Gas turbine engine development for the aerospace industry continues to strive for improved fuel efficiency, reduced emissions and a reduction in noise at take-off. This development effort demands materials, which can tolerate increasingly high operating temperatures while retaining their mechanical strength. Nickel-based superalloys are widely used in gas turbines, however, the scope for further developing them is diminishing and therefore the rate of improvement of aeroengine technology is decreasing. Ilika, the University of Cambridge and Rolls Royce are investigating alternative lightweight alloy systems, which may also be able to operate under high temperatures, handle greater stresses and remain in service for longer.

### Key performance indicators ('KPIs')

The Board considers that the most important KPIs are technical and operational and relate to the progress of the technical development programmes outlined above leading to the engagement of commercialisation partners.

The most important financial KPIs are the cash position and the operating loss of the Group, which remain under constant focus and which are considered in the financial review.

# 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 29 to 41. The consolidated financial statements are presented under International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial statements of the Company continue to be prepared in accordance with IFRSs as adopted by the EU and are set out on pages 42 to 46.

## Statement of Comprehensive Income Revenues

Revenue, all from continuing activities, for the year ended 30 April 2015 was £1.09 million (2014: £1.05 million). This includes £384,000 of grant income recognised from Innovate UK (2014: £94,000), the majority of which relates to work together with the University of Cambridge, Diamond Light Source and Rolls Royce to develop new superalloy compositions for gas turbine engines.

Payments made by the Company's European-based partners for research and development activities increased from 33 percent of total revenues in 2014 to 40 percent in 2015 whilst those for US-based and Asian-based partners reduced from 19 percent and 38 percent to 13 percent and 12 percent respectively.

## Administrative expenses and losses for the period

Total administrative costs for the year were slightly increased at £3.59 million in 2015 relative to £3.57 million in 2014. An accounting adjustment for a share-based payment calculation is included within administration expenses. In 2015, because of the granting of a number of new options, there was an increase in the share-based payment charge of £0.02 million.

Depreciation and amortisation charges reduced from £557,000 in 2014 to £325,000 in 2015. This reduction was offset with some one-off costs associated with the recruitment of a new Non-Executive Director to the Board and a new business development Director for Japan.

Loss on continuing activities before tax is consistent at £3.0 million in 2015 (2014: £3.1 million) and loss and total comprehensive income and expense for the period has remained at £2.7 million for 2015 (2014: £2.8 million).

## Statement of financial position and cash flows

At 30 April 2015, net assets amounted to £6.5 million (2014: £7.8 million), including net funds of £6.0 million (2014: £7.1 million).

The principal elements of the £1.1 million decrease over the year ended 30 April 2015 in net funds were:

- Share proceeds (net of costs) of £1.4 million (2014: £7.4 million);
- Cash used in operations of £2.8 million (2014: £2.5 million); and
- Research and development tax credits received of £0.3 million (2014: £0.3 million).

Subscription warrants were issued in 2010 with an exercise price of 51p per warrant. During the year 2,617,647 warrants were converted to ordinary shares with proceeds to the Company of £1.3 million. The remaining unconverted 15,686 warrants expired on 28 May 2014.

## Treasury policy and financial risk management

### Credit risk

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

### Interest rate risk

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

### Currency risk

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

## Principal risks and uncertainties

### Commercial risk

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

The Company seeks to reduce this risk by continually assessing competitive technologies and competitors. The Company seeks to commercialise materials through multiple channels to reduce 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 materials.

### Financial risk

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

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

### Intellectual property risk

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

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

### Dependence on senior management and key staff

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

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

By order of the Board

  
**Jack Boyer**  
Chairman  
9 July 2015

  
**Graeme Purdy**  
CEO

# Board of Directors

**Jack Boyer OBE**  
Chairman (independent)

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

He is a Council member of the Engineering and Physical Sciences Research Council, the Higher Education Funding Council for England's Research Excellence Framework main panel for physical sciences. Jack has been awarded the OBE for his services to science and engineering.

**Graeme Purdy**  
Chief Executive Officer

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

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

**Prof. Brian Hayden**  
Chief Scientific Officer

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

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

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

**Steve Boydell**  
Finance Director

Having qualified with Deloitte in 1996, Steve 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 became 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.

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

**Mike Inglis**  
 Non-Executive Director

Mike Inglis was appointed a Non-executive Director of Ilika in July 2015. He is currently a Non-executive Director of Pace plc and Advanced Micro Devices Inc.

Formerly, Mike was a Director and member of the Executive of ARM Holdings for over a decade serving as Chief Commercial Officer until the end of March 2013, having previously been EVP & GM Processor Division and EVP Sales and Marketing. Before joining ARM, he worked in management consultancy with AT Kearney and held a number of senior operational and marketing positions at Motorola. Mike has previously worked in semi-conductor sales, marketing, engineering and consultancy with Texas Instruments, Fairchild and BIS Macintosh and gained his initial industrial experience with GEC Telecommunications. He is a Chartered Engineer and a Chartered Marketer.

**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.

**Prof. Sir William Wakeham**  
 Non-Executive Director

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

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

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

**Prof. Keith Jackson**  
 Non-Executive Director

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. 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.

## Directors' report

The Directors present their report and the audited financial statements for Ilika plc ('Ilika') and its subsidiary ('the Group') for the year ended 30 April 2015.

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

### Directors

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

#### Executive

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

#### Non-Executive

Mr. J. B. Boyer OBE (Chairman)  
Ms. C. Spottiswoode CBE  
Prof. Sir W. Wakeham  
Prof. K. Jackson  
(appointed 1 November 2014)

### Research and development costs

In accordance with the policy outlined in note 1, the Group incurred research and development expenditure of £1,740,173 in the year (2014: £1,642,152). 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 17 of the financial statements.

### Dividends

The Directors do not recommend the payment of a dividend.

### Political donations

The Group made no political donations during the year (2014: Nil).

### Directors' interests in Ordinary Shares

The Directors, who held office at 30 April 2015; had the following interests in the Ordinary Shares of the Company:

	Number of shares	
	1 May 2014	30 April 2015
G. Purdy	477,427	589,427
J. Boyer	394,009	394,009
C. Spottiswoode	45,454	45,454
S. Boydell	9,090	9,090
W. Wakeham	-	-
B. Hayden <sup>1</sup>	-	-
K. Jackson	-	-

<sup>1</sup> B. Hayden had an interest in Preference Shares of the Company amounting to 426,300 at 1 May 2014 and at 30 April 2015.

Between 30 April 2015 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 6 July 2015 the Company had been notified of the following holdings of more than 3 percent or more of the issued share capital of the Company.

Shareholder	No. of Ordinary Shares	% shareholding
Henderson Global	9,500,000	14.5
Charles Stanley Group plc	8,734,198	13.3
IP Group plc	6,458,779	9.8
Ruffer LLP	6,105,454	9.3
Baillie Gifford & Co.	4,956,616	7.5
Richard Griffiths	3,936,069	6.0
Southampton Asset Management	2,349,900	3.6
Herald Investment Management	2,250,000	3.4
Hargreave Hale	2,063,045	3.1
Mackin Holdings	2,017,647	3.1

**Post balance sheet events**

There are no significant post balance sheet events from the 30 April 2015 to the signing of this report.

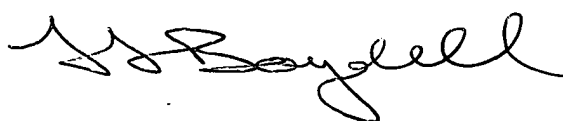
**Auditors**

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



9 July 2015

## Directors' remuneration report

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

### **Remuneration Committee**

The Company's remuneration policy is the responsibility of the Remuneration Committee ('the Committee'), which was established in May 2004. The terms of reference of the Committee are outlined in the Corporate Governance Statement on page 20. The members of the Committee are Jack Boyer (Chairman), Clare Spottiswoode, Prof. Keith Jackson and Prof. Sir William Wakeham.

The Committee met 4 times during the year ended 30 April 2015. The Chief Executive Officer and certain executives may be invited to attend meetings of the Committee to assist it with its deliberations, but no executive is present when his or her own remuneration is discussed.

### **Remuneration policy**

#### **(i) Executive remuneration**

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

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

#### **(ii) Chairman and Non-Executive Director remuneration**

The Chairman, Mr Boyer receives a fixed fee of £61,200 per annum and declined any increase in this fee for the year to 31 December 2015. Clare Spottiswoode, Prof. Sir William Wakeham and Prof. Keith Jackson received a fixed fee of £31,312 per annum for the year to 31 December 2014 and will receive £32,500 per annum for the year to 31 December 2015. 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 2015 and 2014 was as follows:

	Basic salary £	Fees £	Benefits in kind £	Bonus £	Total short- term benefits £	Pension £	Total £
<b>Year to 30 April 2015</b>							
G. Purdy	176,667	-	543	24,000	201,210	29,833	231,043
S. Boydell	115,000	-	356	12,000	127,356	17,450	144,806
B. Hayden <sup>1</sup>	60,270	-	-	12,000	72,270	-	72,270
J. Boyer	61,200	-	-	-	61,200	-	61,200
K. Jackson	16,035	-	-	-	16,035	-	16,035
W. Wakeham	31,641	-	-	-	31,641	-	31,641
C. Spottiswoode	31,641	-	-	-	31,641	-	31,641
	<b>492,454</b>	<b>-</b>	<b>899</b>	<b>48,000</b>	<b>541,353</b>	<b>47,283</b>	<b>588,636</b>
<b>Year to 30 April 2014</b>							
G. Purdy	158,800	-	444	25,320	184,564	28,260	212,824
S. Boydell	102,788	-	292	11,140	114,220	18,244	132,464
B. Hayden <sup>1</sup>	53,468	-	-	5,347	58,815	-	58,815
J. Boyer	61,200	-	-	-	61,200	-	61,200
W. Braun	-	5,200	-	-	5,200	-	5,200
W. Wakeham	30,804	-	-	-	30,804	-	30,804
C. Spottiswoode	30,804	-	-	-	30,804	-	30,804
	<b>437,864</b>	<b>5,200</b>	<b>736</b>	<b>41,807</b>	<b>485,607</b>	<b>46,504</b>	<b>532,111</b>

<sup>1</sup> 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 £55,873 to the Company in the year in respect of B. Hayden. (2014: £54,327).

Share-based payment charge attributable to Directors in the year was £7,080 (2014: Enil).

Benefits in kind include critical illness cover.

### Share options

The share options of the Directors are set out below:

	2014 Number	Granted	2015 Number	Exercise price	Expiry date
<b>Unapproved</b>					
G. Purdy	1,050,000	-	1,050,000	51p	May 2020
J. Boyer	1,050,000	-	1,050,000	51p	May 2020
B. Hayden	525,000	-	525,000	51p	May 2020
B. Hayden	-	177,900	177,900	81.5p	February 2025
S. Boydell	117,600	-	117,600	51p	May 2020
W. Wakeham	65,100	-	65,100	51p	May 2020
C. Spottiswoode	50,100	-	50,100	51p	May 2020
<b>Approved</b>					
G. Purdy	-	245,300	245,300	81.5p	February 2025
S. Boydell	-	154,600	154,600	81.5p	February 2025

## Directors' remuneration report continued

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

	2014 Number	Exercised	2015 Number	Exercise price	Expiry date
<b>Approved</b>					
G. Purdy	139,500	139,500	-	10p	9 June 2015
G. Purdy	26,500	-	<b>26,500</b>	80p	14 May 2017
S. Boydell	90,000	-	<b>90,000</b>	80p	1 December 2019

	2014 Number	Lapsed	2015 Number	Exercise price	Expiry date
<b>Unapproved</b>					
G. Purdy	136,200	-	<b>136,200</b>	80p	11 July 2017
J. Boyer	540,200	540,200	-	10p	29 June 2014
B. Hayden	59,300	-	<b>59,300</b>	80p	11 July 2017

Mr. Purdy exercised 139,500 options in the year (2014: 594,700).

  
**Jack Boyer**

Chairman of the Remuneration Committee

9 July 2015

## Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

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

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

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

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

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

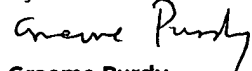
### Website publication

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

### Going concern

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

By order of the Board



**Graeme Purdy**  
Chief Executive  
9 July 2015

# Corporate governance statement

The Board is accountable to the Company's shareholders for good corporate governance and it is the objective of the Board to attain a high standard of corporate governance. As an AIM listed company full compliance with the provisions of the UK Corporate Governance Code published in September 2012 ('the Code') is not a formal obligation. The Company has not sought to comply with the full provisions of the Code, however it has sought to adopt the provisions that are appropriate to its size and organisation and establish frameworks for the achievement of this objective. This statement sets out the corporate governance procedures that are in place.

## **Board of Directors**

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

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

## **Performance evaluation**

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

## **Board Committees**

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

### **i) Audit Committee**

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

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

### **ii) Remuneration Committee**

The Remuneration Committee comprised Jack Boyer (Chairman), Clare Spottiswoode CBE, Professor Keith Jackson and Professor Sir William Wakeham.

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 Jack Boyer (Chairman), Professor Sir William Wakeham, Professor Keith Jackson and Clare Spottiswoode CBE.

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

**Attendance at Board meetings and committees**

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

Attendance	Board	Audit	Nomination	Remuneration
Mr. S. Boydell	6/6	-	-	-
Mr. J. B. Boyer	6/6	2/2	3/3	4/4
Prof. B. E. Hayden	6/6	-	-	-
Mr. G. Purdy	6/6	-	-	-
Ms. C. Spottiswoode	6/6	2/2	3/3	4/4
Prof. Sir W Wakeham	6/6	2/2	3/3	4/4
Prof. K. Jackson	2/2	1/1	1/1	2/2

**Risk management and internal control**

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


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

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

**Employment**

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

By order of the Board

  
**Jack Boyer**  
 Chairman  
 9 July 2015

# Corporate and social responsibility statement

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

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

The main areas of CSR at Ilika are:

## **1. Health and safety**

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

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

## **2. Environment and sustainability**

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

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

## **3. Employee rights**

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

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

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

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



#### **4. Ethics and values**

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

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

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

#### **5. Contribution to society**

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

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

# Independent auditor's report to the members of Ilika plc

We have audited the financial statements of Ilika plc for the year ended 30 April 2015 which comprise the consolidated balance sheet, the Parent Company balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the Parent Company cash flow statement, the consolidated statement of changes in equity and Parent Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of Directors and auditors

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 April 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

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

## Matters on which we are required to report by exception

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

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



## Malcolm Thixton (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
Southampton  
United Kingdom  
9 July 2015

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	
		2015 £	2014 £
<b>Revenue</b>	2	<b>1,093,978</b>	1,049,879
Cost of sales		<b>(591,044)</b>	(586,869)
<b>Gross profit</b>		<b>502,934</b>	463,010
Administrative expenses		<b>(3,588,837)</b>	(3,569,696)
Other operating income	5	-	810
<b>Operating loss</b>	3	<b>(3,085,903)</b>	(3,105,876)
Financial income	6	50,557	22,131
Financial expense	7	-	(1,513)
<b>Loss before tax</b>		<b>(3,035,346)</b>	(3,085,258)
Taxation	8	<b>333,647</b>	287,171
<b>Loss for period/total comprehensive income attributable to owners of parent</b>		<b>(2,701,699)</b>	(2,798,087)
<b>Loss per share from continuing operations</b>	9		
Basic		<b>(4.10)p</b>	(5.37)p
Diluted		<b>(4.10)p</b>	(5.37)p

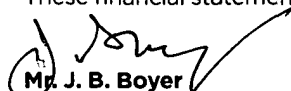
# Consolidated balance sheet

Company number 7187804

	Notes	As at 30 April	
		2015 £	2014 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	30,119	793
Property, plant and equipment	11	560,698	607,627
<b>Total non-current assets</b>		<b>590,817</b>	<b>608,420</b>
<b>Current assets</b>			
Trade and other receivables	12	496,985	572,304
Current tax receivable	8	304,122	248,191
Other financial assets - bank deposits	13	528,349	1,776,767
Cash and cash equivalents	14	5,479,035	5,329,967
<b>Total current assets</b>		<b>6,808,491</b>	<b>7,927,229</b>
<b>Total assets</b>		<b>7,399,308</b>	<b>8,535,649</b>
<b>Issued capital and reserves attributable to owners of parent</b>			
Issued share capital	18	663,748	632,660
Share premium		17,465,442	16,082,944
Capital restructuring reserve		6,486,077	6,486,077
Retained earnings		(18,094,830)	(15,426,779)
<b>Total equity</b>		<b>6,520,437</b>	<b>7,774,902</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	728,871	610,747
Provisions	16	150,000	150,000
<b>Total liabilities</b>		<b>878,871</b>	<b>760,747</b>
<b>Total equity and liabilities</b>		<b>7,399,308</b>	<b>8,535,649</b>

The notes on pages 29 to 41 form part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 9 July 2015.

  
**Mr. J. B. Boyer**  
 Chairman

## Consolidated cash flow statement

	Year ended 30 April	
	2015 £	2014 £
<b>Cash flows from operating activities</b>		
Loss before taxation continuing operations	(3,035,346)	(3,085,258)
Adjustments for:		
Amortisation	12,736	8,632
Depreciation	324,556	556,795
Equity settled share-based payments	33,648	15,000
Loss on disposal of plant, property and equipment	-	(145)
Net financial income	(50,557)	(20,618)
<b>Operating cash flow before changes in working capital, interest and taxes</b>	(2,714,963)	(2,525,594)
Decrease in trade and other receivables	79,918	5,200
Increase in trade and other payables	118,124	116,560
<b>Cash utilised by operations</b>	(2,516,921)	(2,403,834)
Tax received	277,716	269,266
<b>Net cash flow from operating activities</b>	(2,239,205)	(2,134,568)
<b>Cash flows from investing activities</b>		
Interest received	45,958	29,390
Sale of property plant and equipment	1,640	2,450
Purchase of property, plant and equipment	(279,267)	(61,021)
Purchase of intangible assets	(42,062)	-
Decrease/(Increase) in other financial assets	1,248,418	(321,675)
<b>Net cash from/(used in) investing activities</b>	974,687	(350,856)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary share capital	1,413,586	7,716,912
Share issue costs	-	(300,434)
Capital element of finance leases	-	(7,544)
Interest element of finance leases	-	(1,513)
<b>Net cash from financing activities</b>	1,413,586	7,407,421
<b>Net increase in cash and cash equivalents</b>	149,068	4,921,997
Cash and cash equivalents at the start of the period	5,329,967	407,970
Cash and cash equivalents at the end of the period	5,479,035	5,329,967

## Consolidated statement of changes in equity

	Share capital £	Share premium account £	Capital restructuring reserve £	Retained earnings £	Total attributable to equity holders of parent £
<b>As at 30 April 2013</b>	475,354	8,823,770	6,486,077	(12,643,692)	3,141,509
Share-based payment	-	-	-	15,000	15,000
Issue of shares	157,306	7,559,607	-	-	7,716,913
Expenses of share issue	-	(300,433)	-	-	(300,433)
Loss and total comprehensive income	-	-	-	(2,798,087)	(2,798,087)
<b>As at 30 April 2014</b>	<b>632,660</b>	<b>16,082,944</b>	<b>6,486,077</b>	<b>(15,426,779)</b>	<b>7,774,902</b>
Share-based payment	-	-	-	33,648	33,648
Issue of shares	31,088	1,382,498	-	-	1,413,586
Loss and total comprehensive income	-	-	-	(2,701,699)	(2,701,699)
<b>As at 30 April 2015</b>	<b>663,748</b>	<b>17,465,442</b>	<b>6,486,077</b>	<b>(18,094,830)</b>	<b>6,520,437</b>

### Share capital

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

### Share premium account

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

### Capital restructuring reserve

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

### Retained earnings

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

## Notes to the consolidated financial statements

### 1 Accounting policies

#### Basis of preparation

The financial statements have been prepared on the basis of the accounting policies which apply for the financial year to 30 April 2015 and in accordance with the recognition and measurement criteria of IFRSs adopted by the European Union.

The individual financial statements of Ilika plc are shown on pages 42 to 46.

#### Basis of consolidation

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

#### Going concern

The financial statements are prepared on a going concern basis which the Directors believe continues to be appropriate. The Group meets its day-to-day working capital requirements through existing cash resources which, at 30 April 2015, amounted to £6,007,383. The Directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. On the basis of this cash flow information the Directors believe that the Group will be able to continue to trade for the foreseeable future.

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

During the period ended 30 April 2015, there were no new or revised standards, amendments to standards or interpretations that have been adopted that affected the amounts reported in the financial statements.

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

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

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRIC 21	Levies	17 June 2014
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 19	Employee Benefits	1 July 2014
IAS 27	Consolidated and Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 38	Intangible Assets	1 January 2016

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

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

#### Revenue

Revenue comprises the fair value for the sale of goods and 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 completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

# Notes to the consolidated financial statements continued

## 1 Accounting policies continued

### Government grants

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

### Leases

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

### Financial income and financial expense

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

### Pension and other post retirement benefits

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

### Share-based payment transactions

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

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

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

### Research and development expenditure

Expenditure on the research phase is charged to the income statement in the period in which it is incurred. Development expenditure on new products is capitalised only once the criteria specified under IAS 38, Intangible Assets, have been met. Prior to and during the year ended 30 April 2015, no development expenditure satisfied the necessary conditions of IAS 38.

### Taxation

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

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

### Foreign currency

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



### Property, plant and equipment

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

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

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

### Impairment

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

### Intangible assets

#### Computer software

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

#### Intellectual property

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

### Financial instruments

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

### Cash and cash equivalents

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

### Key sources of estimation uncertainty

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

- **Revenue recognition**  
The Group's revenue substantially comprised revenues from the provision of research and development services. The contracts set out defined deliverables the achievement of which trigger milestone payments. Judgement is used to determine the stage of completion and the point at which revenue is recognised.
- **Share-based payments**  
The critical accounting estimates, assumptions and judgements underpinning the valuation of the option awards are disclosed in note 22.

## Notes to the consolidated financial statements continued

### 1 Accounting policies continued

#### ▪ Taxation

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

### 2 Segment reporting

IFRS 8 requires the Group to report on operating segments on the same basis as that used by the chief operating decision maker to assess the performance of the business segments and to allocate resources accordingly. For management purposes, the Group is analysed by the geographical location of its customer base and business development directors have been appointed to cover the Group's 3 territories of focus, Asia, North America and Europe. Previously, segmentation analysis was provided by the market categories, Energy, Electronics and Biomedical. The disposal of the wound care business and the subsequent reorganisation meant that this segmentation basis was no longer appropriate.

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

	Year ended 30 April	
	2015 £	2014 £
Turnover		
<b>Analysis by geographical market:</b>		
By destination		
Asia	125,875	406,585
Europe	441,219	347,751
North America	142,351	201,764
UK Grants	384,533	93,779
	<b>1,093,978</b>	<b>1,049,879</b>

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

	Year ended 30 April	
	2015 £	2014 £
Turnover		
Customer 1	384,533	332,218
Customer 2	247,200	108,597
Customer 3	189,052	107,900
Customers less than 10 percent	273,193	501,164
	<b>1,093,978</b>	<b>1,049,879</b>

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

The loss before tax per the management accounts is the same as the loss before tax on the consolidated statement of comprehensive income with the exception of the share-based payment expense which is only calculated as a year end adjustment. For details of the calculation see note 22. The total assets and liabilities per the management accounts are the same as the consolidated balance sheet with the exception of the period end tax adjustment.

### 3 Operating loss

	Year ended 30 April	
	2015 £	2014 £
This is arrived at after charging:		
Research and development expenditure in the year	1,740,173	1,642,152
Depreciation	324,556	556,795
Amortisation of intangible assets	12,736	8,632
Auditors remuneration:		
Fees payable to the Group's auditor for the audit of the Group's accounts	19,700	19,700
Fees payable to the Group's auditor for other services:		
- The Audit of the Group's subsidiaries	6,800	6,800
Operating lease rentals	202,964	201,784
Share-based payment	33,648	15,000
Foreign exchange differences	5,123	3,281

### 4 Employees

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

	Year ended 30 April	
	2015 Number	2014 Number
Administration	8	8
Materials synthesis	23	26
	<b>31</b>	<b>34</b>

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

	Year ended 30 April	
	2015 £	2014 £
Wages and salaries	1,641,465	1,603,975
Social security costs	153,801	137,254
Share-based payment expense	18,648	-
Pension costs	98,206	102,441
	<b>1,912,120</b>	<b>1,843,670</b>

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

	Year ended 30 April	
	2015 £	2014 £
Wages and salaries	541,353	485,607
Pension costs	47,283	46,504
Directors' emoluments	588,636	532,111
Social security costs	60,858	59,688
Share-based payment expense	7,080	-
Key management personnel	<b>656,574</b>	<b>591,799</b>

The Directors represent key management personnel and further details are given in the Directors' remuneration report on pages 16 to 18.

## Notes to the consolidated financial statements continued

### 5 Other operating income

	Year ended 30 April	
	2015 £	2014 £
Sundry other income	-	810

### 6 Financial income

	Year ended 30 April	
	2015 £	2014 £
Income from short-term deposits	50,558	22,131

### 7 Financial expense

	Year ended 30 April	
	2015 £	2014 £
Interest on: Finance leases	-	1,513

### 8 Taxation

#### (a) Tax on profit from ordinary activities

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

	Year ended 30 April	
	2015 £	2014 £
Current tax on loss for the year	304,122	248,191
Adjustments to prior period	29,525	38,980
	<b>333,647</b>	<b>287,171</b>

#### (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 21 percent (2014: 23 percent). The differences are reconciled below:

	2015 £	2014 £
Loss on ordinary activities before tax	(3,035,346)	(3,085,258)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 21 percent (2014: 23 percent)	(637,423)	(709,609)
Effects of:		
Expenses not deductible for corporation tax	956	1,426
R&D relief	(304,122)	(248,191)
Origination of unrecognised tax losses	629,401	704,733
Share options	7,066	3,450
Under provision in previous years	(29,525)	(38,980)
<b>Total tax credit for the year</b>	<b>(333,647)</b>	<b>(287,171)</b>

#### Unrecognised deferred taxation

There are tax losses available for carry forward against future trading profits of approximately £15,290,000 (2014: £13,010,000). A deferred tax asset in respect of these losses of approximately £3,058,000 (2014: £2,602,000) has not been recognised in the accounts, as the full utilisation of these losses in the foreseeable future is uncertain.

## 9 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	
	2015 Number	2014 Number
Weighted average number of equity shares	65,895,078	52,153,675
	£	£
Earnings, being loss after tax	(2,701,699)	(2,798,087)
	Pence	Pence
Loss per share	(4.10)	(5.37)

The loss attributable to Ordinary Shareholders and weighted average number of Ordinary Shares for the purpose of calculating the diluted earnings per Ordinary Share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per Ordinary Share and is therefore not dilutive under the terms of IAS 33. At 30 April 2015 there were 5,414,848 options outstanding (2014: 6,925,766 options outstanding) as detailed in notes 18 and 22.

## 10 Intangible assets

	Software licences £	Intellectual property £	Total £
<b>Cost</b>			
As at 30 April 2013 and 2014	27,918	75,000	102,918
Additions	42,062	-	42,062
Disposals	(15,615)	-	(15,615)
<b>As at 30 April 2015</b>	<b>54,365</b>	<b>75,000</b>	<b>129,365</b>
<b>Amortisation</b>			
As at 30 April 2013	18,493	75,000	93,493
Provided for the year	8,632	-	8,632
As at 30 April 2014	27,125	75,000	102,125
Provided for the year	12,736	-	12,736
Disposals	(15,615)	-	(15,615)
<b>As at 30 April 2015</b>	<b>24,246</b>	<b>75,000</b>	<b>99,246</b>
<b>Net book value</b>			
As at 30 April 2013	9,425	-	9,425
As at 30 April 2014	793	-	793
<b>As at 30 April 2015</b>	<b>30,119</b>	<b>-</b>	<b>30,119</b>

The amortisation charge of £12,736 (2014: £8,632) is included within administrative expenses.

## Notes to the consolidated financial statements continued

### 11 Property, plant and equipment

	Leasehold improvements £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
As at 30 April 2013	552,058	4,132,297	169,712	4,854,067
Additions	9,692	51,329	-	61,021
Disposals	-	(3,300)	-	(3,300)
<b>As at 30 April 2014</b>	<b>561,750</b>	<b>4,180,326</b>	<b>169,712</b>	<b>4,911,788</b>
Additions	5,750	271,439	2,078	279,267
Disposals	-	(25,688)	-	(25,688)
<b>As at 30 April 2015</b>	<b>567,500</b>	<b>4,426,077</b>	<b>171,790</b>	<b>5,165,367</b>
<b>Depreciation</b>				
As at 30 April 2013	394,102	3,212,928	141,331	3,748,361
Provided for the year	106,936	442,289	7,570	556,795
Disposals	-	(995)	-	(995)
<b>As at 30 April 2014</b>	<b>501,038</b>	<b>3,654,222</b>	<b>148,901</b>	<b>4,304,161</b>
Provided for the year	66,462	250,981	7,113	324,556
Disposals	-	(24,048)	-	(24,048)
<b>As at 30 April 2015</b>	<b>567,500</b>	<b>3,881,155</b>	<b>156,014</b>	<b>4,604,669</b>
<b>Net book value</b>				
As at 30 April 2013	157,956	919,369	28,381	1,105,706
As at 30 April 2014	60,712	526,104	20,811	607,627
As at 30 April 2015	-	544,922	15,776	560,698

There are no commitments for capital expenditure contracted but not provided for (2014: £nil).

### 12 Trade and other receivables

	As at 30 April	
	2015 £	2014 £
Trade receivables	5,108	30,450
Prepayments and accrued income	323,516	389,990
Other receivables	168,361	151,864
	<b>496,985</b>	<b>572,304</b>

The ageing of trade receivables is as follows:

	As at 30 April	
	2015 £	2014 £
0-29 days	1,322	20,123
30-59 days	3,595	-
60-89 days	191	10,327
90+ days	-	-
	<b>5,108</b>	<b>30,450</b>

### 13 Other financial assets - bank deposits

	As at 30 April	
	2015 £	2014 £
Amounts receivable within 1 year:		
Sterling fixed rate deposits of greater than 3 months' maturity at inception	528,349	1,776,767

#### 14 Cash and cash equivalents

	As at 30 April	
	2015 £	2014 £
Current bank accounts	220,843	172,392
Short-term deposits with less than 3 months' maturity	5,258,192	5,157,575
	<b>5,479,035</b>	<b>5,329,967</b>

#### 15 Trade and other payables

	As at 30 April	
	2015 £	2014 £
Trade payables	219,567	208,135
Other payables	15,845	14,034
Other taxes and social security costs	40,079	37,824
Accruals and deferred income	453,380	350,754
	<b>728,871</b>	<b>610,747</b>

The ageing of trade payables is as follows:

	As at 30 April	
	2015 £	2014 £
0-29 days	157,324	86,893
30-59 days	15,113	51,361
60-89 days	-	5,162
90+ days	47,130	64,719
	<b>219,567</b>	<b>208,135</b>

#### 16 Provisions

	Leasehold Dilapidations £
As at 1 May 2014 and at 30 April 2015	150,000

All provisions are due within 1 year.

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

#### 17 Financial instruments

The risks associated with financial instruments are set out below.

##### Foreign currency risk

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

##### Credit risk

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

## Notes to the consolidated financial statements continued

### 17 Financial instruments continued.

#### Liquidity risk

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

#### Interest rate risk

The main risk arising from the Group's financial instruments is interest rate risk. The Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based banks. These balances are placed at floating rates of interest and deposits have maturities of 1 to 12 months. The Group's cash and short-term deposits are set out in note 14. 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 2015 had a weighted average period to maturity of 32 days and a weighted average annualised rate of interest of 0.81 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 2015 by approximately £31,000 (2014: £20,000).

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 2015 by approximately £62,000 (2014: £25,000).

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

#### Capital management

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

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

	As at 30 April	
	2015 £	2014 £
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Trade receivables	5,108	30,450
Accrued income	107,595	185,173
Other receivables	168,361	151,864
Current bank accounts	220,843	172,392
Bank deposits	528,349	1,776,767
Short-term deposits	5,258,192	5,157,575
<b>Total loans and receivables</b>	<b>6,288,488</b>	<b>7,474,221</b>
<b>Financial Liabilities</b>		
<b>Other financial liabilities</b>		
Trade payables	219,567	208,135
Other payables	15,845	14,034
Other taxes and social security costs	40,079	37,824
Accruals	453,380	350,754
Provisions	150,000	150,000
<b>Total other financial liabilities (see notes 15 and 16)</b>	<b>878,871</b>	<b>760,747</b>



## 18 Share capital

	As at 30 April	
	2015 £	2014 £
<b>Authorised</b>		
65,736,416 Ordinary Shares of £0.01 each (2014: 62,240,019)	<b>657,364</b>	622,400
1,781,400 Convertible Preference Shares of £0.01 each	<b>17,814</b>	17,814
<b>Allotted, called up and fully paid</b>		
65,736,416 Ordinary Shares of £0.01 each (2014: 62,240,019)	<b>657,364</b>	622,400
638,400 Convertible Preference Shares of £0.01 each (2014: 1,025,900)	<b>6,384</b>	10,259
	<b>663,748</b>	632,659

### 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 Share holders have the right, at any time, to convert the Preference Shares held to the same number of Ordinary Shares.

On 14 July 2014, 2 January 2015 and 10 March 2015, 250,000, 50,000 and 87,500 respectively, £0.01 convertible Preference Shares were converted to £0.01 Ordinary Shares.

On 6 May 2014 and 12 May 2014, 450,000 and 2,167,647 respectively, subscription warrants with an exercise price of 51p per warrant, were converted into Ordinary Shares.

### Share options and warrants

Employee related share options are disclosed in note 22. In addition to these, there were 107,300 non-employee share options over Ordinary Shares of £0.01 at the year end. The Company's previous brokers also have a warrant to subscribe to 130,100 Ordinary Shares of £0.01.

491,250 share options were converted into 491,250 £0.01 Ordinary Shares in the year for a total consideration of £78,618.

10,539,216 warrants to subscribe to Ordinary Shares of £0.01 were issued on 14 May 2010 with an exercise price of £0.51 per warrant and an expiry date of 28 May 2014. During the year ended 30 April 2015, 2,617,647 warrants were exercised and 15,686 expired.

## 19 Operating leases

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

	As at 30 April	
	2015 £	2014 £
Property leases which expire:		
Within 1 year	-	70,329
	-	70,329

## 20 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 £98,206 (2014: £102,441).

## Notes to the consolidated financial statements continued

### 21 Related party transactions

The Directors consider that no one party controls the Group.

During the year ended 30 April 2015, the Company incurred costs of £245,576 (2014: £147,371) with the University of Southampton in connection with research and development activities. The University of Southampton is the controlling shareholder of Southampton Asset Management Limited, which has an interest in the Company. At 30 April 2015, the amount unpaid in respect of these costs was £2,765 (2014: £nil).

The Company incurred fees from the University of Southampton in respect of Prof. B. Hayden, a Director of the Company. These amounts are included in the costs shown above. Further details are given in the Directors' Remuneration Report on pages 16 to 18.

Details of key management personnel and their compensation are given in note 4 and in the Directors' remuneration report on pages 16 to 18.

### 22 Share-based payments expense and share options

#### Share-based payment expense

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

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

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

At 30 April 2015, 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
30 March 2006	15,200	10 years	£0.10
14 May 2007	156,100	10 years	£0.80
15 January 2008	46,400	10 years	£1.00
02 February 2009	78,000	10 years	£0.80
01 December 2009	90,000	10 years	£0.80
14 May 2010	41,500	10 years	£0.51
01 February 2012	45,028	10 years	£0.53

139,500 options with an exercise price of £0.10 per share were exercised in the year.

Unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
11 July 2007	195,500	10 years	£0.80
11 November 2008	40,000	10 years	£2.4283
14 May 2010	2,947,800	10 years	£0.51

### Black-Scholes valuation

	Weighted average exercise price		Number	
	2015 £	2014 £	2015	2014
Outstanding:				
At start of the period	0.4121	0.3436	1,693,523	2,305,523
Granted in the period	0.8150	-	1,521,920	-
Exercised in the period	0.1038	0.1000	(423,250)	(594,700)
Lapsed in the period	0.1508	0.4969	(604,045)	(17,300)
At the end of the period	0.8341	0.4121	2,188,148	1,693,523

The exercise price of options outstanding at the end of the period ranged between £0.10 and £2.4283 and their weighted average contractual life was 7.85 years (2014: 2.2 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	
	2015 £	2014 £	2015	2014
Outstanding:				
At start of the period	0.51	0.51	3,057,300	3,062,900
Exercised in the period	0.51	0.51	(68,000)	-
Lapsed during the period	0.51	0.51	-	(5,600)
At the end of the period	0.51	0.51	2,989,300	3,057,300

The exercise price of options outstanding at the end of the period was £0.51 (2014: £0.51) and their weighted average contractual life was 6 years (2014: 7 years).

### Ilika plc Executive Share Option Scheme 2010

At 30 April 2015 the following share options were outstanding in respect of the Ilika plc Executive Share Option Scheme 2010:

Date of grant	Number of shares	Period of option	Exercise price per share
14 May 2010	41,500	10 years	£0.51
01 February 2012	45,028	10 years	£0.53
26 February 2015	1,344,020	10 years	£0.815

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.

54,845 options lapsed in the year and 6,650 options were exercised.

### Ilika plc unapproved share options

At 30 April 2015 the following share options were outstanding in respect of Ilika plc unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
14 May 2010	2,947,800	10 years	£0.51
26 February 2015	177,900	10 years	£0.815

65,100 options were exercised in the year. There are 3,655,528 options which were capable of being exercised as at 30 April 2015.

	2015 £	2014 £
Share-based payment expense		
Black-Scholes calculation	33,648	15,000
	33,648	15,000

Company balance sheet of Ilika plc  
Company number 7187804

	Notes	As at 30 April	
		2015 £	2014 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertaking	24	121,339	121,339
<b>Current assets</b>			
Trade and other receivables	25	18,195,689	16,732,341
<b>Total net assets</b>		<b>18,317,028</b>	<b>16,853,680</b>
<b>Equity</b>			
Issued share capital	26	663,748	632,660
Share premium		17,444,653	16,062,155
Retained earnings		75,276	42,515
		<b>18,183,677</b>	<b>16,737,330</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		133,351	116,350
<b>Total liabilities</b>		<b>133,351</b>	<b>116,350</b>
<b>Total equity and liabilities</b>		<b>18,317,028</b>	<b>16,853,680</b>

The notes on pages 45 to 46 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 9 July 2015.

  
Mr. J. B. Boyer  
Chairman

## Company cash flow statement

	Year ended 30 April	
	2015 £	2014 £
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(887)	14,453
Adjustments for:		
Equity settled share-based payments	33,648	15,000
<b>Operating cash flow before changes in working capital, interest and taxes</b>	32,761	29,453
Increase in trade and other receivables	(1,463,348)	(7,495,026)
Increase in trade and other payables	17,001	49,093
<b>Cash utilised by operations</b>	(1,413,586)	(7,416,480)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of Ordinary Share capital	1,413,586	7,716,913
Share issue costs	-	(300,433)
<b>Net cash from financing activities</b>	1,413,586	7,416,480
<b>Net increase in cash and cash equivalents</b>	-	-
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 £
<b>As at 30 April 2013</b>	475,354	8,802,981	13,062	9,291,397
Issue of shares	157,306	7,559,607	-	7,716,913
Expenses of share issue	-	(300,433)	-	(300,433)
Share-based payment	-	-	15,000	15,000
Profit and total comprehensive income	-	-	14,453	14,453
<b>As at 30 April 2014</b>	632,660	16,062,155	42,515	16,737,330
Issue of shares	31,088	1,382,498	-	1,413,586
Share-based payment	-	-	33,648	33,648
Profit and total comprehensive income	-	-	(887)	(887)
<b>As at 30 April 2015</b>	<b>663,748</b>	<b>17,444,653</b>	<b>75,276</b>	<b>18,183,677</b>

### 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

### 23 Accounting policies

#### Basis of preparation

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

No Directors report has been presented and the Directors responsibilities in respect of these financial statements are set out on page 19.

#### Taxation

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

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

#### Share-based payments

The critical accounting estimates, assumptions and judgements underpinning the valuation of the option awards are disclosed in note 22.

#### Investments in subsidiary undertakings

Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from some of its activities.

#### Financial instruments

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

#### Profit of the Parent Company

Profit in the year

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's loss for the year was £887 (2014: profit of £14,453).

#### Directors' remuneration

The remuneration of the Directors is disclosed in the Directors' Remuneration Report on pages 16 to 18.

#### Auditors' remuneration

Auditors' remuneration is disclosed in note 3.

### 24 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 £2,700,812 (2014: £2,812,409) and had net liabilities as at 30 April 2015 of £11,541,901 (2014: £8,841,089).

Shares in Group undertakings (at cost)	2015 £	2014 £
At 1 May 2014 and 30 April 2015	121,339	121,339

## Notes to the Company financial statements continued

### 25 Trade and other receivables

	As at 30 April	
	2015 £	2014 £
Prepayments	6,218	594
Other debtors	-	-
Amounts due from subsidiary undertakings	18,189,471	16,731,747
	<b>18,195,689</b>	<b>16,732,341</b>

### 26 Share capital

	As at 30 April	
	2015 £	2014 £
<b>Authorised</b>		
65,736,416 Ordinary Shares of £0.01 each (2014: 62,240,019)	657,364	622,400
1,781,400 Convertible Preference Shares of £0.01 each	17,814	17,814
<b>Allotted, called up and fully paid</b>		
65,736,416 Ordinary Shares of £0.01 each (2014: 62,240,019)	657,364	622,400
638,400 Convertible Preference Shares of £0.01 each (2014: 1,025,900)	6,384	10,260
	<b>663,748</b>	<b>632,660</b>

#### Share rights

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

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- On a return of capital or assets on a liquidation, reduction of capital or otherwise the surplus assets of the Group remaining after payment of its obligations shall be applied:
  - First, in paying to the holders of the Preference Shares the amount paid thereon, being the amount equal to the par value of the Preference Shares excluding any premium; and
  - Secondly, the balance of such surplus assets shall belong to and be distributed amongst the holders of the Ordinary Shares

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

On 14 July 2014, 2 January 2015 and 10 March 2015, 250,000, 50,000 and 87,500 respectively, £0.01 Convertible Preference Shares were converted to £0.01 Ordinary Shares.

On 6 May 2014 and 12 May 2014, 450,000 and 2,167,647 respectively, subscription warrants with an exercise price of 51p per warrant, were converted into Ordinary Shares.

491,250 share options were converted into 491,250 £0.01 Ordinary Shares in the year for a total consideration of £78,618.



## Notes

## Notes

# Corporate directory

<b>Company number</b>	7187804
<b>Directors Executive</b>	Graeme Purdy Prof. Brian Hayden Steve Boydell
<b>Non-Executive</b>	Jack Boyer OBE (Chairman) Mike Inglis Clare Spottiswoode CBE Prof. Sir William Wakeham Prof. Keith Jackson
<b>Secretary</b>	Steve Boydell
<b>Registered office</b>	Kenneth Dibben House Enterprise Road University of Southampton Science Park Chilworth Southampton SO16 7NS
<b>Website</b>	<a href="http://www.ilika.com">www.ilika.com</a>
<b>Advisers Independent auditors</b>	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL
<b>Nominated adviser and broker</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
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