

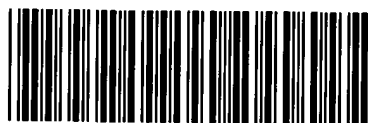
ILIKA PLC
REG: 07187804

ilika accelerated
materials
innovation

PIONEERS IN SOLID-STATE

ANNUAL REPORT
AND ACCOUNTS 2018
30 April

TUESDAY



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COMPANIES HOUSE

ILIKA IS A PIONEER IN SOLID-STATE BATTERY TECHNOLOGY AND MATERIALS INNOVATION

The past year has seen strong progress from Ilika both operationally and financially. The Stereax® pilot line has produced samples of Ilika's batteries for evaluation by 12 partners around the world. Feedback from those evaluations has been positive and underpins our ongoing commercialisation efforts. Following market demand we have extended our roadmap to include large format Stereax® cells for automotive power and I was delighted to see that Innovate UK has offered to support Ilika in two of the Faraday Challenge automotive collaborations with £4.1 million of funding working with key industry players such as Honda, McLaren and Ricardo. Financially, revenue climbed over the £2 million mark, with expectations of further growth in the year to come.

Mike Inglis
Chairman, Ilika

STRATEGIC REPORT

01	Highlights 2018
02	At a glance
06	Chief Executive's review
06	Operating review
12	Business strategy
20	Financial review
21	Principal risks and uncertainties

CORPORATE GOVERNANCE

22	Board of Directors
24	Directors' report
25	Directors' remuneration report
28	Statement of Directors' responsibilities
29	Corporate governance statement

FINANCIAL STATEMENTS

31	Independent auditor's report
34	Consolidated statement of comprehensive income
35	Consolidated balance sheet
36	Consolidated cash flow statement
37	Consolidated statement of changes in equity
38	Notes to the consolidated financial statements
50	Company balance sheet of Ilika plc
51	Company cash flow statement
52	Company statement of changes in equity
53	Notes to the Company financial statements
55	Corporate directory

STRATEGIC
REPORTCORPORATE
GOVERNANCEFINANCIAL
STATEMENTS**OPERATIONAL HIGHLIGHTS**

- Implementation of Stereax® development programmes with three commercial partners:
 - Deployment in miniature medical implants with a leading bioelectronics company
 - Collaboration with Lightricity (ex-Sharp) to integrate Stereax® solid-state batteries with photovoltaic ('PV') technology
 - Deployment of Stereax® M250 cells with Titan Wind Energy in condition monitoring devices for wind turbines
- Collaboration with eight global OEMs to develop new functional materials:
 - Protected anodes for lithium sulphur batteries with Johnson Matthey
 - Advanced battery materials and fuel cell catalysts that can power future zero-emissions and carbon-neutral vehicles with Toyota Research Institute
 - Photonic materials for high capacity Hard Disk Drives with Seagate
 - P-type semiconductors for flexible integrated circuits with PragmatIC and Arm
 - Superalloys with Rolls-Royce
 - Self-healing alloys with BAE Systems and GKN
- Award of ISO 9001 certification to Ilika's quality management system
- Post year end: offer of £4.1 million grant funding from the Faraday Challenge to develop large format solid-state cells for automotive in collaboration with Honda, Ricardo, McLaren and A123 Batteries

FINANCIAL HIGHLIGHTS**REVENUES**

£2.1M
(2017: £1.1m)

LOSS FOR THE YEAR

£2.9M
(2017: £3.5m)

LOSS PER SHARE

3.7P
(2017: 4.8p)

CASH, CASH EQUIVALENTS AND BANK DEPOSITS OF

£2.8M
(2017: £5.4m)

ILIKA AT A GLANCE

PRINCIPAL ACTIVITIES

Ilika plc is the holding company for Ilika Technologies Limited, a pioneer in solid-state battery technology and materials innovation. Ilika has developed ground-breaking solid-state battery technology (Stereax®). The Stereax® roadmap commences with miniature batteries designed to meet the demands of powering wireless devices, referred to as 'the Internet of Things ('IoT')'. Stereax® technology was developed on Ilika's unique, patent protected high throughput materials development platform, which accelerates the discovery of new and patentable materials for identified end uses in the automotive, aeronautical and electronics sectors.

STEREAX® BATTERY TECHNOLOGY

Miniaturised batteries are a critical enabler to current and emergent technologies, including wearables, medical devices and the IoT. Ilika has been working with solid-state battery technology since 2008 and offers its Stereax® battery technology to companies who need energy efficient batteries. These are energy dense batteries with the smallest possible footprint, with distinct benefits over lithium-ion batteries.

MATERIALS INNOVATION

Ilika's high throughput technology enables functional materials to be made, characterised and tested up to 100 times faster than traditional techniques. Its robust datasets fully define the performance of families of materials. This enhances intellectual property value, optimises product performance and reduces time to market, thereby minimising costs and maximising the return on your R&D investment.

The Stereax® P180 is a unique solid-state battery that can operate and be stored in the extended temperature range -40°C to +150°C.

APPLICATIONS

INDUSTRIAL IOT

- Small unobtrusive beacons
- High temperature environments
- Retro-fitting existing equipment

AUTOMOTIVE

- Autonomous - increased range of sensing
- Minimal wiring to decrease weight
- Constant monitoring

AEROSPACE

- Low temperature environment
- Fit and forget - minimal maintenance
- Stable power sources

INFRASTRUCTURE

- Easy to fit beacons
- Wide temperature range
- Minimise cost of ownership

MEDICAL

- Blood pressure monitoring
- Neurostimulation
- Cardiac rhythm management

REVENUE BY GEOGRAPHICAL MARKET

NORTH AMERICA

27.6%
(2017: 18.9%)

ASIA

1.9%
(2017: 2.0%)

UK & EUROPE

70.5%
(2017: 79.1%)

SUSTAINING THE ECONOMIC VIABILITY OF WIND ENERGY

CASE STUDY

NEW PARTNERSHIP WITH WIND TURBINE MANUFACTURER IN CHINA

In November 2017, we formed a partnership to deploy Stereax® solid-state battery powered devices for the condition monitoring of wind turbines with Titan Wind Energy, the largest manufacturer of wind turbine products in China.

The deployment is part of a two-year collaborative project with Titan Wind Energy, with expert support from the University of Chester and Nanjing University of Aeronautics and Astronautics ('NUAA'). The £1.0 million development project is supported by Innovate UK funding of £0.4 million. The Chinese partners will receive similar funding from Jiangsu Province.

The primary objective of this project is to develop an integrated smart sensor powered by a combined vibration harvester and a Stereax® battery, to be incorporated into the composite structure of wind turbine blades. The smart composite will be able to perform autonomous structural condition monitoring of the blades, to detect the early signs of damage and enable predictability in maintenance scheduling and prevent the icing of the blades. This will ensure operational efficiency, whilst also self-sustaining the power supply of these functionalities without the need for battery replacement.

+40%

China and the UK together contribute ca. 40 percent of the world's 500 GW wind power capacity.

We are very excited about the opportunity of using Ilika's Stereax® solid-state battery technology in the globally significant market of wind turbine blade condition monitoring.

Mr. Ji Jun
President of Titan Wind Energy

CHIEF EXECUTIVE'S REVIEW

OPERATING REVIEW

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

SOLID-STATE BATTERIES

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

- Non-flammable
- 6x faster to charge
- 2x energy density on a weight basis
- 10x lower leakage currents

We have continued to drive forward our Stereax® technology roadmap in response to clear customer guidance on the commercial opportunities it addresses. Our three Stereax® deployment programmes provide us with proof points on the differentiated properties of our technology.

Graeme Purdy
CEO, Ilika

STEREAX™ TECHNOLOGY ROADMAP

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

IoT devices offer a different set of battery challenges compared to other electronic devices. They have similar pressures, such as cost and availability, but they also have some specific requirements:

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

CHIEF EXECUTIVE'S REVIEW OPERATING REVIEW

In 2016 and 2017, Ilika launched its Stereax® M250 and P180 solid-state battery IP respectively. Both devices are designed to power IoT devices, with the P180 being specified to survive exposure to higher operating temperatures.

BATTERY PRODUCT LAUNCHES

Relative to other miniature batteries, Ilika Stereax® batteries use patented materials and processes enabling superior energy density per battery footprint, up to 40 percent improvement on other solid-state solutions. Ilika's batteries do not contain any free lithium which makes them more moisture resistant. The Stereax® M250 operates in a temperature range to over 100°C, 30°C higher than other solid-state products. The Stereax® P180 has the additional benefit of supporting a temperature up to +150°C. This higher temperature is required for many industrial IoT and automotive end applications enabling always on, self-charging energy efficient IoT solutions for more demanding environments. As the trend towards digitising industrial processes gathers momentum there is a growing requirement for components with enhanced tolerance to temperature, moisture and vibration.

BATTERY PRODUCTS UNDER DEVELOPMENT

The Ilika Stereax® roadmap focuses on three main areas:

- Miniaturisation. This looks at progressively smaller footprints, down to mm-scale, delivering smaller currents (μAh), making them ideal for small sensor driven devices. The principal commercial pull for these batteries is coming from the medical device industry, accounting for about 50 percent of the value of Ilika's licensing pipeline.

- Capacity. For the launch of both the M250 and the P180, Ilika designed and made some wireless sensor nodes measuring temperature, humidity and light intensity. The power requirements of sensors does vary, depending on the nature of the sensor. For example, a motion detector has a higher power requirement than a temperature sensor. In order to be able to power a wider range of devices, Ilika is increasing the energy footprint of its batteries. Increasing the amount of energy for a given active footprint can be achieved by utilising Ilika's patented stacking feature, which allows multiple cells to be stacked on top of one another. The sector most interested in larger capacity devices is the industrial IoT and this sector accounts for about 25 percent of the value of the licensing pipeline.
- Large format. Solid-state batteries are of great interest to the automotive industry. Indeed, Ilika first started working on solid-state materials through its collaboration with Toyota, which commenced in 2008. Many automotive companies now have solid-state cells on their electric vehicle roadmap and Ilika has experienced a rising number of inbound enquiries on the possibility of scaling its technology to address the opportunity to use solid-state as a motive power battery. This topic is discussed further below.

SOLID-STATE BATTERY **ADVANTAGES FOR MEDICAL DEVICES**

CASE STUDY

ILIKA HAS A TWO-YEAR COLLABORATIVE PROJECT WITH A BIOELECTRONICS COMPANY TO DEVELOP A SOLID-STATE BATTERY FOR MINIATURE MEDICAL IMPLANTS

Ilika's Stereax[®] batteries have a high power density, a long battery life and they can be produced in miniature form, making them particularly suitable for these micro-devices.

This collaboration aims to deliver key components of bioelectronic devices, which have the potential to provide treatments for serious health conditions, through the body's own nervous system.

The £1.0 million development project is supported by funding of £0.7 million, which Ilika will receive from Innovate UK and the Medical Research Council.

This partnership may provide the potential to treat diseases that have so far been difficult to manage. Collaborations like this are critical to the delivery of advances in the field of solid-state battery development.

Graeme Purdy
CEO, Ilika

STRATEGIC
REPORT

CORPORATE
GOVERNANCE

FINANCIAL
STATEMENTS

CHIEF EXECUTIVE'S REVIEW BUSINESS STRATEGY

The Company's mission is to have its Stereax® solid-state batteries integrated into market-leading products sold by leading commercialisation partners around the world.

BUSINESS STRATEGY

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's revenue model involves three phases of activity:

- a) commercially-funded and grant-funded development projects;
- b) IP licensing; and
- c) receipt of royalties when products incorporating Ilika IP reach market. Ilika is currently in the first phase of activity, with its revenue being generated from a portfolio of development programmes. The Company has built a pipeline of licensing opportunities to support the start of its second phase of revenue generation.

The Company has developed its Stereax® batteries using its high throughput materials innovation platform. This platform uses

automated processes to simultaneously deposit large arrays of systematically varying materials, which can be rapidly evaluated to determine their functional properties. In addition to the Stereax¹ product development and commercialisation work, the Company executes a small portfolio of programmes with large multinational companies to develop materials for the automotive, aerospace and electronic sectors.

OUR BUSINESS MODEL

- Advanced solid-state technology developer
- Business model to potentially yield high margins over time
 - Upfront licence fee from flexible licensing models
 - Ongoing royalties, based on a percentage of system volume shipped
 - Technology deployed across multiple applications
- Long-term, global growth markets

3-4 YEARS
Ilika R&D

↓ ↓
R&D costs Development revenue
\$ \$

2-3 YEARS
Partner system development

↓ ↓
Licence revenue Royalty revenue
\$ \$

+20 YEARS
Multiple applications development and sales

Customers: semi, MEMS, battery, multiple sector OEMs

DELIVERING THE BENEFITS OF **SOLID-STATE BATTERIES** FOR ELECTRIC VEHICLES

CASE STUDY

ILIKA HAS EXTENDED ITS STEREAX® ROADMAP TO INCLUDE LARGE FORMAT SOLID-STATE BATTERIES (CODENAMED GOLIATH) SUITABLE FOR AUTOMOTIVE TRACTION BATTERIES

It has received offers of grant funding to support its participation in two development projects selected by the Faraday Challenge competition worth up to £4.2 million in aggregate to Ilika. Participation in both projects is subject to contract and certain other conditions being met.

Ilika is the lead partner in the PowerDrive Line project, in which it intends to collaborate with Honda, Ricardo, the Centre for Process Innovation ('CPI') and University College London. The proposed project grant funding for all partners is £4.4 million, of which Ilika will receive £2.3 million.

This 30-month collaborative project will develop a lithium-based solid-state Stereax® battery for plug-in hybrid and electric vehicles, establish a pre-pilot line for solid-state battery cell technology and develop processes for a solid-state materials supply chain. The innovative solid-state technology will enable safer, more energy and power dense cells that will facilitate ultra-fast charging, enabling plug-in hybrid electric vehicle ('PHEV') or battery electric vehicle ('BEV') drivers to charge their cars in under 25 minutes.

Effective, efficient and sustainable transport is key to addressing so many of today's challenges from industrial growth to social inclusion. Through advanced battery technology, we will unlock a new generation of electric vehicles, further improving vehicle performance and uptake, opening doors to innovative new transport ideas and significantly reducing environmental impacts. Today's investment shows we are catalysing collaboration between research teams and commercial partners across the UK to make this a reality.

Professor Sir Mark Walport
UK Research and Innovation
Chief Executive

CHIEF EXECUTIVE'S REVIEW

BUSINESS STRATEGY

STEREAX® DEVELOPMENT AND DEPLOYMENT PROJECTS

Ilika has secured three development and deployment programmes with global OEMs:

INTEGRATED ENERGY HARVESTER AND BATTERY

In December 2016, the Company announced a two-year collaborative project with Sharp Laboratories of Europe (now known as Lightricity) to create an autonomous energy harvesting power source which will involve the integration of Ilika's solid-state battery with Lightricity's PV technology creating the world's first fully integrated thin-film power source. This integration project is aligned with the development track for increasing the capacity of Stereax® batteries.

MINIATURE MEDICAL IMPLANT

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

WIND TURBINE CONDITION MONITORING

In November 2017, Ilika announced a partnership to deploy Stereax® powered devices for the condition monitoring of wind turbines with Titan Wind Energy, the largest manufacturer of wind turbines in China and the fourth largest globally.

INNOVATE UK FARADAY CHALLENGE

Innovate UK is expecting 50 percent of vehicle production by 2030 to be BEV or PHEV. In July 2017, the UK government announced a £246 million commitment over four years for automotive battery development, covering cell manufacture, modules, battery pack design and deployment in vehicles. In November 2017, this was followed with the announcement of an £80 million National Battery Manufacturing Development Facility in Warwick. Innovate UK is administering a series of competitions, designed to promote battery innovation. In a post year end development in June 2018, Ilika announced that it has been offered £4.1 million of grant funding to participate in collaborations with Honda, Ricardo, McLaren and A123 Batteries.

The development of large format cells will require Ilika to build a lower cost printing platform, suitable for printing bulk materials. This will involve establishing a pre-pilot line at its facility in Southampton. It is anticipated that a second stage of scale-up to a pilot line could be achieved in collaboration with the National Battery Facility. Ilika currently expects to use its licensing model to commercialise the large format cells in the same way it is bringing its miniature batteries to market.

PATENT POSITION

Building Ilika's intellectual property portfolio in solid-state batteries has continued to be a focus this year. Three additional filings relating to solid-state batteries were made, covering electrolyte and electrode compositions as well as processing methods for singulating cells. In addition, three filings were made covering new super-elastic and high-strength alloys from our self-healing alloy project. During the course of the year, three patents went to grant in the USA covering core-shell catalysts for fuel cells. These patents cover catalysts that are stable in the aggressive acidic environment of hydrogen fuel cells, while being active in the promotion of the chemical reactions necessary for converting hydrogen and oxygen into water. Ilika now maintains a portfolio of 22 patent families, comprising of 81 patents.

MATERIALS PORTFOLIO ACTIVITIES

While the Company's strategy has been to focus the majority of its resources on developing and commercialising its solid-state battery technology, Ilika was also active in the development of other energy materials, aerospace alloys and materials for electronics applications using its high throughput platform.

ENERGY MATERIALS

In August 2016, Ilika announced that it is taking part in a three-year project to develop protected anodes for lithium sulphur batteries, led by Johnson Matthey Plc. This project is developing an innovative protected lithium anode approach to discover new electrolyte composition options and fabricate a free-standing, lithium-containing protected anode/separator for integration into pouch cells. The novel protected anode will mitigate a commonly experienced problem in lithium sulphur cells, the so-called polysulphide shuttle effect, leading to enhanced performance cells that can be made with existing cell fabrication methods. The pouch cells being developed in this project are high capacity, low cost batteries for large scale renewable energy storage and therefore address a distinct market segment to the applications for which Ilika's Stereax® batteries are designed. This project will complete in 2019.

In March 2017, Ilika announced a \$1 million, one year commercially-funded programme with the Toyota Research Institute ('TRI') to develop game changing energy materials. The programme is part of a \$35 million investment by TRI over four years in research that uses artificial intelligence to accelerate the design and discovery of advanced materials. In this initial collaboration with the Company, Ilika's unique high-throughput platform was used to make and test candidate materials, which were identified using simulation, machine learning and artificial intelligence strategies. Ilika has now completed the initial screening activities associated with this phase of the project. Promising materials will be further scaled-up by Toyota and its suppliers for deployment in its future low-emission vehicles.

AEROSPACE ALLOYS

Ilika has continued in its lead role in a £2.15 million, three-year Innovate UK grant funded project with BAE Systems, GKN, Reliance Precision Engineering and the University of Sheffield. The project started in September 2015 to develop a new generation of self-healing alloys suitable for additive manufacturing ('AM') processes and to develop a metallic manufacturing process that takes advantage of the flexibility of AM and the precision of subtractive manufacturing. This will enable the manufacture of novel components with critical feature tolerances, meeting the challenges faced in the design of mechanisms for the aerospace industry with lower weight, structural integrity and functional performance. The programme has been productive in defining new alloy systems of interest and a series of patent filings have been made.

In January 2018, Ilika completed its role leading a three-year Innovate UK funded project with Rolls-Royce, Diamond Light Source and the University of Cambridge to develop new superalloy compositions for gas turbine engines with better thermo efficiency than current alloys. The alloys are designed to increase gas turbine performance, reducing CO₂ emissions and noise levels at take-off.

ELECTRONIC MATERIALS

Ilika has continued its collaboration with Seagate, developing materials and processes for Hard Disk Drive ('HDD') applications. The project is focused on materials with superior nanophotonic properties to achieve improved hard drive performance and reliability. These materials must operate at temperatures of up to 300°C for thousands of hours, requiring extremely robust nanomaterials that have specific photonic properties allowing light energy to be conducted.

In March 2018, Ilika announced an 18-month collaboration with PragmatIC and Arm to further progress development of ultra-thin and flexible semiconductors for mass market applications. The principal objective is to deliver P-type metal-oxide semiconductor circuit technology to enhance PragmatIC's flexible integrated circuit designs. The first application is the smart packaging market which is predicted to grow at a CAGR of 8 percent to a projected value of \$7.8 billion by 2021.

QUALITY MANAGEMENT SYSTEM

In January 2018, Ilika announced that its quality management system ('QMS') for the development of solid-state batteries and materials R&D programmes has been assessed and found to meet the requirements of ISO 9001:2015 by DAS certification. ISO 9001 is the world's most widely recognised QMS and helps organisations to meet the expectations and needs of their customers. The certification promotes the development of continual improvement, customer satisfaction, traceability and international best practices. Ilika aims to provide clients with the highest quality services and the ISO certification means that clients can have increased confidence in the service provided. The certification is independently audited annually.

KEY PERFORMANCE INDICATORS ('KPI'S')

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

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.

RAPIDLY DEVELOPING NOVEL THIN-FILM MATERIALS & DEVICES

CASE STUDY

TECHNICAL COLLABORATION WITH PRAGMATiC AND ARM HOLDINGS

In March 2018, we formed a collaboration with PragmatIC and Arm Holdings ('Arm') to further progress development in ultra-thin and flexible semiconductor technology for mass market applications.

The 18-month project is supported by Innovate UK funding of £0.6 million of which £0.4 million will be payable to Ilika.

The principal objective of this collaboration is to deliver novel P-type metal-oxide semiconductor ('PMOS') circuit technology that can significantly enhance the characteristics of PragmatIC's CMOS designs.

\$7.8BN

The first application for these flexible ICs is the smart packaging market which is predicted to grow to a projected value of \$7.8 billion by 2021.

The project focuses on investigating the operating parameters of PMOS, using Ilika's high throughput thin-film techniques which are proven for rapid identification and screening of functional thin-film materials. The initial phase of the project is intended to demonstrate the innovative thin film transistor performance, which is to be followed by scale-up and transfer of the material to deposition processes in a production environment.

This collaboration is a strong fit with our technology capability in rapidly developing novel thin-film materials and devices. A successful outcome would enable the collaboration partners to address large global markets in this disruptive sector.

Graeme Purdy
CEO, Ilika

STRATEGIC
REPORT

CORPORATE
GOVERNANCE

FINANCIAL
STATEMENTS

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 38 to 49. The consolidated financial statements are presented under International Financial Reporting Standards as adopted by the European Union. The financial statements of the Company continue to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are set out on pages 50 to 54.

STATEMENT OF COMPREHENSIVE INCOME

REVENUES

Revenue, all from continuing activities, for the year ended 30 April 2018 was £2.1 million (2017: £1.1 million). This includes £1.3 million of grant income recognised from nine projects that the Company has in progress with Innovate UK (2017: £0.7 million from six programmes). Details of the various programmes are provided in the Materials Portfolio activities on page 16.

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

ADMINISTRATIVE EXPENSES AND LOSSES FOR THE PERIOD

Administrative costs for the year were slightly decreased at £3.8 million in 2018 relative to £3.9 million in 2017. This excludes the share-based payment charge.

Combined cost of sales and administrative expenses were £4.9 million in the year which is up from the £4.4 million for 2017 and is associated with the increased level of commercial and grant supported programmes.

2,173,210 Options lapsed in the year, of which 1,386,650 lapsed due to performance criteria. No reduction has been made in the share-based payment charge in respect of these lapsed options. 1,266,117 options were granted in the period.

The lower share-based payment charge together with the improved margin meant that loss on continuing activities before tax reduced from £3.9 million in 2017 to £3.3 million in 2018.

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

At 30 April 2018, net assets amounted to £3.8 million (2017: £6.2 million), including net funds of £2.8 million (2017: £5.4 million).

The principal elements of the £2.6 million decrease over the year ended 30 April 2018 in net funds were:

- Cash used in operations of £2.6 million (2017: £3.2 million);
- Purchase of plant, property and equipment of £0.3 million (2017: £0.3 million); and
- R&D tax credits received of £0.4 million (2017: £0.4 million).

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC
REPORTCORPORATE
GOVERNANCEFINANCIAL
STATEMENTS

COMMERCIAL RISK

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

The Group seeks to reduce this risk by continually assessing competitive technologies and competitors. The Group seeks to commercialise 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 Group 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 Group expects to incur further operating losses as progress on development programmes continue.

The Group seeks to reduce this risk by broadening the number of customers and partners and thereby reduce reliance on individual significant companies. The Group applies for R&D tax credits to help mitigate its investment in these activities.

INTELLECTUAL PROPERTY RISK

The Group faces the risk that intellectual property rights necessary to exploit R&D 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 Group 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.

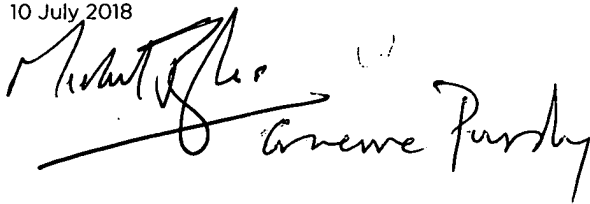
BREXIT RISK

The Group has reviewed the potential impact of Brexit on the risks identified above and believes that whilst intellectual property risk will remain largely unaffected, there may be an impact in the future regarding the Group's ability to attract and retain highly skilled individuals.

The Group is alert to and continuously reviewing this potential risk and formulating its response at the appropriate time.

By order of the Board

Mike Inglis Graeme Purdy
Chairman CEO
10 July 2018



BOARD OF DIRECTORS

MIKE INGLIS

Chairman (independent)

Mike Inglis was appointed a Non-Executive Director of Ilika in July 2015 and Chairman in September 2015. He is currently a Non-Executive Director of Advanced Micro Devices Inc and as of 1 September 2015 of BT plc. Mike is also a member of the BT Technology Committee.

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.

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 lithium-ion batteries.

STEPHEN BOYDELL

Finance Director

Having qualified with Deloitte in 1996, Stephen held a number of acquisition, treasury and Group reporting roles at both Hays plc, a diversified commercial, logistics and personnel group, and then AGI Media, a global creative packaging group. He then 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.

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

CLARE SPOTTISWOODE CBE

Non-Executive Director

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

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

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

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 whose engine control systems are used on millions of vehicles around the world. Following the sale of the Company to a major car company he joined Rolls-Royce plc, where he worked as Chief Technology Officer in the electrical power and control systems group.

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

Keith is a Fellow of the Society of Automotive Engineers, a Rolls-Royce Engineering Fellow and a visiting Professor at Sheffield University. He is a graduate from University College London.

DIRECTORS' REPORT

DIRECTORS

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

EXECUTIVE

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

NON-EXECUTIVE

Mr. M. Inglis (Chairman)
Ms. C. Spottiswoode CBE
Prof. Sir W. Wakeham (Senior Independent Director)
Prof. K. Jackson

R&D COSTS

In accordance with the policy outlined in note 1, the Group incurred R&D expenditure of £2,009,023 in the year (2017: £2,110,843). Commentary on the major activities is given in the Strategic Report.

FINANCIAL INSTRUMENTS

The use of financial instruments and financial risk management policies is covered in the Strategic Report and also in note 13 of the financial statements.

FUTURE DEVELOPMENTS

Information on the future developments of the business are included in the Strategic Report on page 2.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

DIRECTORS' INTERESTS IN ORDINARY SHARES

The Directors, who held office at 30 April 2018, had the following interests in the Ordinary Shares of the Company:

	Number of Shares	
	1 May 2017	30 April 2018
G. Purdy	609,427	609,427
C. Spottiswoode	45,454	45,454
S. Boydell	9,090	9,090
M. Inglis	115,000	115,000
W. Wakeham	20,000	20,000
K. Jackson	20,000	20,000
B. Hayden ¹	-	-

¹ B. Hayden had an interest in Preference Shares of the Company amounting to 426,300 at 1 May 2017 and at 30 April 2018.

Between 30 April 2018 and the date of this report, there has been no change in the interests of Directors in shares as disclosed in this report.

SUBSTANTIAL SHAREHOLDINGS

On 2 July 2018 the Company had been notified of the following holdings of more than 3 percent or more of the issued Share capital of the Company.

Shareholder	Number of Ordinary Shares	Percent shareholding
Sapia Partners	11,374,800	14.5
Henderson Global	11,300,000	14.4
Hargreave Hale	8,326,220	10.6
Parkwalk Advisors	5,300,000	6.8
Charles Stanley Group plc	4,763,216	6.1
Baillie Gifford & Co.	4,643,978	5.9
Southampton Asset Management	2,349,900	3.0

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events from 30 April 2018 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 re-appoint BDO LLP will be proposed at the next Annual General Meeting.

By order of the Board

Steve Boydell
Company Secretary



10 July 2018

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The Group's remuneration policy is the responsibility of the Remuneration Committee (the 'Committee'). The terms of reference of the Committee are outlined in the Corporate Governance Statement on page 29. The Committee members are Mike Inglis (Chairman), Clare Spottiswoode, Prof. Keith Jackson and Prof. Sir William Wakeham, all of whom are independent Non-Executive Directors.

The Chief Executive Officer and certain executives may be invited to attend Committee meetings to assist with its deliberations, but no executive is present when their own remuneration is being discussed.

REMUNERATION POLICY

(I) EXECUTIVE REMUNERATION

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

COMPONENTS OF REMUNERATION

Component	Purpose and link to strategy	Operation	Performance metrics
Base salary	To attract and retain talent.	Reflecting individual's role, experience and performance. Base salaries are reviewed annually in January.	Take into account Group and individual performance, external benchmark information and internal relativities.
Benefits and Pension	To offer market competitive package.	Contribution to the Executive Director's individual money purchase scheme (at between 8 percent and 10 percent of base salary) and critical illness cover.	n/a
Short-Term Incentive Plan - annual performance-related bonus	Rewards the achievement of short-term financial and strategic project milestones.	Maximum bonus of base salary: 100 percent CEO, 60 percent CSO and 40 percent CFO. 50 percent of the bonus is payable in cash and 50 percent is deferred into shares (using nominal cost options) for one year, subject to continued employment.	Delivery of exceptional performance against a series of financial, commercial and technology objectives.
Long-Term Incentive Plan - restricted share unit awards	Incentivise, retain and reward the Executive Directors for successfully taking the Company through the next stage of its growth.	Ilika plc Long-Term Incentive Plan 2015 (the 'LTIP'), was adopted by shareholders at the 2015 AGM. Single awards of share options with an exercise price of the nominal value of the shares were made which will vest after three years.	Awards vest to the extent that challenging share price targets have been met.
Shareholding guidelines	To increase shareholder alignment.	100 percent of the net of tax share awards which vest must be retained until the following guidelines are met: CEO 300 percent of salary.	n/a

DIRECTORS' REMUNERATION REPORT

(II) CHAIRMAN AND NON-EXECUTIVE DIRECTOR REMUNERATION

The Chairman, Mr. Inglis receives a fixed fee of £65,975 per annum. Clare Spottiswoode, Prof. Sir William Wakeham and Prof. Keith Jackson received a fixed fee of £32,988 per annum. The fixed fee covers preparation for and attendance at meetings of the full Board and committees thereof. The Chairman and the Executive Directors are responsible for setting the level of non-executive remuneration. The Non-Executive Directors are also reimbursed for all reasonable expenses incurred in attending meetings.

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

DIRECTORS' REMUNERATION

The aggregate remuneration received by Directors who served during the year ended 30 April 2018 and 30 April 2017 was as follows:

	Basic salary £	Benefits-in-kind £	Bonus £	Total short-term benefits £	Pension £	Total £
Year to 30 April 2018						
G. Purdy	193,000	622	25,502	219,124	30,300	249,424
S. Boydell	125,405	405	6,630	132,440	17,592	150,032
B. Hayden ¹	64,960	-	8,144	73,104	-	73,104
M. Inglis	65,975	-	-	65,975	-	65,975
K. Jackson	32,988	-	-	32,988	-	32,988
W. Wakeham	32,988	-	-	32,988	-	32,988
C. Spottiswoode	32,988	-	-	32,988	-	32,988
	548,304	1,027	40,276	589,607	47,892	637,499
Year to 30 April 2017						
G. Purdy	191,000	615	50,250	241,865	30,100	271,965
S. Boydell	123,429	399	13,043	136,871	17,434	154,305
B. Hayden ¹	64,320	-	19,372	83,692	-	83,692
M. Inglis	65,325	-	-	65,325	-	65,325
J. Boyer	32,662	-	-	32,662	-	32,662
K. Jackson	32,662	-	-	32,662	-	32,662
W. Wakeham	32,662	-	-	32,662	-	32,662
C. Spottiswoode						
	542,060	1,014	82,665	625,739	47,534	673,273

¹ B. Hayden is employed by the University of Southampton. The amounts disclosed in the table above relate to payments made directly to B. Hayden. The University of Southampton recharged employment costs of £68,544 to the Company in the year in respect of B. Hayden. (2017: £67,313).

Benefits-in-kind include critical illness cover.

SHARE OPTIONS

The Share options of the Directors are set out below:

	2017 Number	2018 Number	Exercise price	Expiry date	Performance conditions
Unapproved					
G. Purdy ¹	136,200	-	80p	July 2017	n/a
G. Purdy	1,050,000	1,050,000	51p	May 2020	n/a
G. Purdy ²	872,727	872,727	1p	September 2025	See note 4
G. Purdy	-	145,810	1p	August 2027	n/a
B. Hayden ¹	59,300	-	80p	July 2017	n/a
B. Hayden	525,000	525,000	51p	May 2020	n/a
B. Hayden ¹	177,900	-	81.5p	-	See note 4
B. Hayden ²	527,272	527,272	1p	September 2025	See note 4
B. Hayden	-	56,211	1p	August 2027	n/a
S. Boydell	117,600	117,600	51p	May 2020	n/a
S. Boydell ²	274,909	274,909	1p	September 2025	See note 4
S. Boydell	-	37,846	1p	August 2027	n/a
W. Wakeham	65,100	65,100	51p	May 2020	n/a
C. Spottiswoode	50,100	50,100	51p	May 2020	n/a
M. Inglis ³	120,000	120,000	68.75p	September 2025	See note 4
K. Jackson ³	40,000	40,000	68.75p	September 2025	See note 4
Approved					
G. Purdy ¹	26,500	-	80p	May 2017	n/a
G. Purdy ¹	245,300	-	81.5p	-	See note 4
S. Boydell	90,000	90,000	80p	December 2019	n/a
S. Boydell ¹	154,600	-	81.5p	-	See note 4

1 Share options lapsed in the year.

2 Shareholders' approval to adopt and establish the Ilika plc Long-Term Incentive Plan 2015 (the 'LTIP') was received at the AGM in September 2015.

3 Shareholders' approval to grant unapproved share options to the Non-Executive Directors Mike Inglis and Professor Keith Jackson was received at the AGM in September 2015.

4 These awards will vest on the achievement of the following share price targets, assessed over a three year performance period:

(a) Less than 50 percent growth in share price - no vesting.

(b) 50 percent growth in share price - 25 percent of the shares subject to award will vest.

(c) 100 percent growth in share price - 75 percent of the shares subject to award will vest.

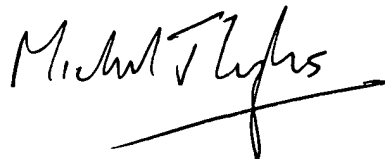
(d) 200 percent growth in share price - 100 percent of the shares subject to award will vest.

Awards will vest between points (b) and (c) and between (c) and (d) on a straight-line basis.

Share-based payment charge attributable to directors in the year was £409,502 (2017: £428,587).

During the year, the Committee received independent advice on executive remuneration matters from FIT Remuneration Consultants LLP. FIT received £7,380 in fees for these services.

Mike Inglis
Chairman of the Remuneration Committee



10 July 2018

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 International Financial Reporting Standards ('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. Following the signing of the financial statements the Directors anticipate raising additional funds from the issue of shares to assist in the financing of the Group's operations.

By order of the Board

Graeme Purdy
Chief Executive
10 July 2018



CORPORATE GOVERNANCE STATEMENT

We note that the AIM rules are due to be updated, which is proposed to take effect from 30 June 2018, to require a statement as to how we comply with a recognised corporate governance code. The Directors intend that the Group will comply with the provisions of the Quoted Companies Alliance Corporate Governance Code, insofar as they are appropriate given its size, nature and stage of development.

BOARD OF DIRECTORS

The Board of Directors (the 'Board') consists of a Non-Executive Chairman, three Executive Directors and three 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 (Senior Independent Director), Professor Keith Jackson and Mike Inglis.

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 Mike Inglis (Chairman), Clare Spottiswoode CBE, Professor Keith Jackson and Professor Sir William Wakeham (Senior Independent Director).

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 Mike Inglis (Chairman), Professor Sir William Wakeham (Senior Independent Director), 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.

CORPORATE GOVERNANCE STATEMENT

ATTENDANCE AT BOARD MEETINGS AND COMMITTEES

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

Attendance	Board	Audit	Nomination	Remuneration
Mr. S. Boydell	6/6	-	-	-
Prof. B. E. Hayden	6/6	-	-	-
Mr. M. Inglis	6/6	2/2	1/1	2/2
Mr. G. Purdy	6/6	-	-	-
Ms. C. Spottiswoode	5/6	2/2	1/1	2/2
Prof. Sir W. Wakeham	6/6	2/2	1/1	2/2
Prof. K. Jackson	6/6	2/2	1/1	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

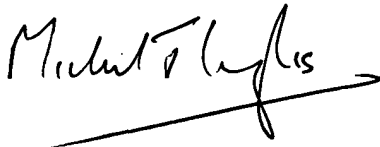
The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee reviews the effectiveness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

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

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

By order of the Board

Mike Inglis
Chairman
10 July 2018



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ILIKA PLC

STRATEGIC
REPORTCORPORATE
GOVERNANCEFINANCIAL
STATEMENTS

OPINION

We have audited the financial statements of Ilika plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2018 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the Company balance sheet, the Company cash flow statement, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2018 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.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

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

Key audit matter	How we addressed the matter
Impacting the group financial statements	
We have determined that there are no key audit matters to communicate in our report that relate to the Group financial statements.	
Impacting the Parent financial statements only	
Investment in subsidiary	We have tested the integrity of the client's model and challenged the impairment review through assessing the appropriateness of the key assumptions such as the discount rate, the scale of market opportunities and risk weighting of estimated future cash flows to available market information when they are fully commercialised. We have re-performed the calculation of management's discounted cash flow workings.

Impacting the group financial statements

We have determined that there are no key audit matters to communicate in our report that relate to the Group financial statements.

Impacting the Parent financial statements only

Investment in subsidiary

As set out in note 21 the Company holds an investment of £24.2 million in its subsidiary, Ilika Technologies Limited. At each reporting date, management carries out an impairment review in accordance which includes assessing future cash flows and discounting to present value and comparing this to its carrying amount. The risk is in the estimation of future cash flows and applying an appropriate discount rate to arrive at the present value.

We have tested the integrity of the client's model and challenged the impairment review through assessing the appropriateness of the key assumptions such as the discount rate, the scale of market opportunities and risk weighting of estimated future cash flows to available market information when they are fully commercialised. We have re-performed the calculation of management's discounted cash flow workings.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ILIKA PLC

OUR APPLICATION OF MATERIALITY

Group materiality: £156,000 (2017: £183,000).

Parent Company materiality: £148,000 (2017: £173,000).

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

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

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Performance materiality was set at £117,000. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements based on past experience and other factors.

Materiality for the trading subsidiary of the Group was set at a lower level than that of the Group at £148,000 (2016: £173,000).

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of £3,120 (2017: £3,660). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

OTHER INFORMATION

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

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

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

10 JULY 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April

	Notes	2018 £	2017 £
Turnover	2	2,051,177	1,050,667
Revenue		798,430	311,946
UK grants		1,252,747	738,721
Cost of sales		(1,090,898)	(574,272)
Gross profit		960,279	476,395
Total Administrative expenses			
Administrative expenses		(3,793,686)	(3,863,411)
Share-based payment charge		(434,382)	(547,347)
		4,228,068	4,410,758
Operating loss	3	(3,267,789)	(3,934,363)
Income from short-term deposits		17,156	23,844
Loss before tax		(3,250,633)	(3,910,519)
Taxation	5	353,309	370,274
Loss for period/total comprehensive income attributable to owners of parent		(2,897,324)	(3,540,245)
Loss per share from continuing operations	6		
Basic		(3.67)p	(4.84)p
Diluted		(3.67)p	(4.84)p

CONSOLIDATED BALANCE SHEET

COMPANY NUMBER 7187804

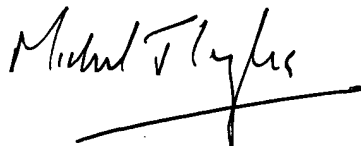
STRATEGIC
REPORTCORPORATE
GOVERNANCEFINANCIAL
STATEMENTS

	Notes	As at 30 April	
		2018 £	2017 £
ASSETS			
Non-current assets			
Intangible assets	7	2,453	2,581
Property, plant and equipment	8	578,103	451,560
Total non-current assets		580,556	454,141
Current assets			
Trade and other receivables	9	1,024,359	1,116,367
Current tax receivable	5	330,000	330,000
Other financial assets - bank deposits		-	2,900,000
Cash and cash equivalents	10	2,811,155	2,510,884
Total current assets		4,165,514	6,857,251
Total assets		4,746,070	7,311,392
Issued capital and reserves attributable to owners of parent			
Issued share capital	14	789,911	789,911
Share premium		23,179,756	23,179,756
Capital restructuring reserve		6,486,077	6,486,077
Retained earnings		(26,669,347)	(24,206,405)
Total equity		3,786,397	6,249,339
LIABILITIES			
Current liabilities			
Trade and other payables	11	809,673	912,053
Provisions	12	150,000	150,000
Total liabilities		959,673	1,062,053
Total equity and liabilities		4,746,070	7,311,392

The notes on pages 38 to 49 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 10 July 2018.

Mr. M Inglis
Chairman



CONSOLIDATED CASH FLOW STATEMENT

	Year ended 30 April	
	2018 £	2017 £
Cash flows from operating activities		
Loss before taxation	(3,250,633)	(3,910,519)
Adjustments for:		
Amortisation	3,282	13,014
Depreciation	196,415	192,331
Equity settled share-based payments	434,382	547,347
(Profit)/loss on disposal of plant, property and equipment	-	(30,783)
Financial income	(17,156)	(23,844)
Operating cash flow before changes in working capital, interest and taxes	(2,633,710)	(3,212,454)
Decrease/(increase) in trade and other receivables	92,008	(598,672)
(Decrease)/increase in trade and other payables	(102,380)	163,925
Cash utilised by operations	(2,644,082)	(3,647,201)
Tax received	353,309	415,274
Net cash flow used in operating activities	(2,290,773)	(3,231,927)
Cash flows from investing activities		
Interest received	17,156	23,844
Sale of property, plant and equipment	-	40,129
Purchase of intangible assets	(3,154)	
Purchase of property, plant and equipment	(322,958)	(253,913)
(Increase)/decrease in other financial assets	2,900,000	(2,900,000)
Net cash from/(used in) investing activities	2,591,044	(3,089,940)
Cash flows from financing activities		
Proceeds from issuance of Ordinary Share capital	-	6,300,000
Cost of share issue	-	(464,661)
Net cash from financing activities	-	5,835,339
Net increase/(decrease) in cash and cash equivalents	300,271	(486,528)
Cash and cash equivalents at the start of the period	2,510,884	2,997,412
Cash and cash equivalents at the end of the period	2,811,155	2,510,884

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium account £	Capital restructuring reserve £	Retained earnings £	Total attributable to equity holders of parent £
As at 30 April 2016	663,911	17,470,417	6,486,077	(21,213,507)	3,406,898
Share-based payment	-	-	-	547,347	547,347
Issue of shares	126,000	6,174,000	-	-	6,300,000
Cost of share issue	-	(464,661)	-	-	(464,661)
Loss and total comprehensive income	-	-	-	(3,540,245)	(3,540,245)
As at 30 April 2017	789,911	23,179,756	6,486,077	(24,206,405)	6,249,339
Share-based payment	-	-	-	434,382	434,382
Loss and total comprehensive income	-	-	-	(2,897,324)	(2,897,324)
As at 30 April 2018	789,911	23,179,756	6,486,077	(26,669,347)	3,786,397

SHARE CAPITAL

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

SHARE PREMIUM ACCOUNT

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

CAPITAL RESTRUCTURING RESERVE

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

RETAINED EARNINGS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented.

The individual financial statements of Ilika plc are shown on page 50 to 54.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns over the investee, and the ability of the investee to use its power to affect the variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

GOING CONCERN

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

The Directors have prepared and reviewed financial forecasts. The Group meets its day to day working capital requirements through existing cash resources which, at 30 April 2018, amounted to £2,811,155. After due consideration of these forecasts and current cash resources, the Directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

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

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

CHANGES IN ACCOUNTING POLICIES

(A) NEW STANDARDS, AMENDMENTS TO STANDARDS OR INTERPRETATIONS ADOPTED EARLY

During the period ended 30 April 2018, there were no new or revised standards, amendments to standards or interpretations that have been adopted and affected the amounts reported in the financial statements.

(B) NEW STANDARDS, AMENDMENTS TO STANDARDS OR INTERPRETATIONS NOT YET APPLIED

The following standards, interpretations and amendments, which have not been applied in these financial statements and have an effective date commencing after 1 May 2018, will or may have an effect on the Group's future financial statements:

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IFRS 15	Revenue from Contracts with Customers	1 January 2018

The Directors will assess the impact of IFRS 15, with particular focus on the recognition of revenue over the life of contracts and projects.

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

TURNOVER

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

SALES OF SERVICES

Sales of R&D services are recognised in the accounting period in which the services are rendered, by reference to the actual service provided as a proportion of the total services to be provided.

GOVERNMENT GRANTS

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

FINANCIAL INCOME

Income from short-term deposits is recognised in the income statement as it accrues, using the effective interest method.

PENSION AND OTHER POST-RETIREMENT BENEFITS

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

SHARE-BASED PAYMENT TRANSACTIONS

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

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

R&D EXPENDITURE

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

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

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

Prior to and during the year ended 30 April 2018, no development expenditure satisfied all of these conditions.

TAXATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES CONTINUED

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

FOREIGN CURRENCY

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

IMPAIRMENT

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

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

INTANGIBLE ASSETS

COMPUTER SOFTWARE

Acquired computer software licences 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. Deposits of over three months' maturity, judged at inception, are classified as Other Financial Assets.

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

2 SEGMENT REPORTING

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

For management purposes, the Group is analysed by the geographical location of its customer base and business development Directors have been appointed to cover the Group's three territories of focus: Asia, North America and Europe.

	Year ended 30 April	
	2018 £	2017 £
Analysis by geographical market:		
By destination		
Asia	38,241	21,280
Europe	134,302	-
North America	565,887	197,818
UK	1,312,747	831,569
	2,051,177	1,050,667

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	
	2018 £	2017 £
UK Grants	1,252,747	738,721
Customer 1	565,887	197,819
Customers less than 10 percent	232,543	114,127
	2,051,177	1,050,667

3 OPERATING LOSS

	Year ended 30 April	
	2018 £	2017 £
This is arrived at after charging:		
R&D expenditure in the year	2,009,023	2,110,843
Depreciation	196,415	192,331
Amortisation of intangible assets	3,282	13,014
Auditor's remuneration:		
Fees payable to the Group's auditor for the audit of the Group's accounts	22,200	20,700
Fees payable to the Group's auditor for other services:		
The audit of the Group's subsidiaries	6,800	6,800
Operating lease rentals	207,511	207,511
Share-based payment	434,382	547,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 EMPLOYEES

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

	Year ended 30 April	
	2018 £	2017 £
Administration	6	6
Materials synthesis	34	32
	40	38

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

	Year ended 30 April	
	2018 £	2017 £
Wages and salaries	2,055,959	1,954,655
Social security costs	225,480	215,648
Share-based payment expense	434,382	532,347
Pension costs	150,120	139,286
	2,865,941	2,841,936

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

	Year ended 30 April	
	2018 £	2017 £
Wages and salaries	589,607	624,726
Pension costs	47,892	47,534
Directors' emoluments	637,499	672,260
Social security costs	75,072	80,177
Share-based payment expense	409,502	428,587
Key management personnel	1,122,073	1,181,024

The Directors represent key management personnel and further details are given in the Directors' Remuneration Report on pages 25 to 27.

5 TAXATION

(A) TAX ON LOSS FROM ORDINARY ACTIVITIES

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

	Year ended 30 April	
	2018 £	2017 £
Current tax on loss for the year	330,000	330,000
Adjustments to prior period	23,309	40,274
	353,309	370,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INTANGIBLE ASSETS

	Software licences £	Intellectual property £	Total £
Cost			
As at 30 April 2016	46,293	75,000	121,293
Disposals	(7,250)		(7,250)
As at 30 April 2017	39,043	75,000	114,043
Additions	3,154	-	3,154
As at 30 April 2018	42,197	75,000	117,197
Amortisation			
As at 30 April 2016	30,698	75,000	105,698
Provided for the year	13,014	-	13,014
Disposals	(7,250)	-	(7,250)
As at 30 April 2017	36,462	75,000	111,462
Provided for the year	3,282	-	3,282
As at 30 April 2018	39,744	75,000	114,744
Net book value			
As at 30 April 2016	15,595	-	15,595
As at 30 April 2017	2,581	-	2,581
As at 30 April 2018	2,453	-	2,453

The amortisation charge of £3,282 (2017: £13,014) is included within administrative expenses.

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
Cost				
As at 30 April 2016	567,500	4,523,026	167,525	5,258,051
Additions	-	253,172	741	253,913
Disposals	-	(234,408)	(546)	(234,954)
As at 30 April 2017	567,500	4,541,790	167,720	5,277,010
Additions	33,974	287,969	1,015	322,958
Disposals	-	(11,939)	-	(11,939)
As at 30 April 2018	601,474	4,817,820	168,735	5,588,029
Depreciation				
As at 30 April 2016	567,500	4,131,647	159,580	4,858,727
Provided for the year	-	187,591	4,740	192,331
Disposals	-	(225,062)	(546)	(225,608)
As at 30 April 2017	567,500	4,094,176	163,774	4,825,450
Provided for the year	8,144	185,482	2,789	196,415
Disposals	-	(11,939)	-	(11,939)
As at 30 April 2018	575,644	4,267,719	166,563	5,009,926
Net book value				
As at 30 April 2016	-	391,379	7,945	399,324
As at 30 April 2017	-	447,614	3,946	451,560
As at 30 April 2018	25,830	550,101	2,172	578,103

There are no commitments for capital expenditure contracted but not provided for (2017: £nil).

9 TRADE AND OTHER RECEIVABLES

	As at 30 April	
	2018 £	2017 £
Trade receivables	5,163	133,655
Prepayments	337,887	299,032
Other receivables	242,097	312,769
Accrued income	439,212	370,911
	1,024,359	1,116,367

The ageing of trade receivables is as follows:

	As at 30 April	
	2018 £	2017 £
0-29 days	5,163	67,181
30-59 days	-	66,474
	5,163	133,655

Included in other receivables is an amount of £150,000 (2017: £150,000) which represents cash held in a separate bank account used as security against a bond provided by the Company's bankers (refer to note 12). The bond relates to the potential dilapidations costs due at the end of the Company's property lease.

10 CASH AND CASH EQUIVALENTS

	As at 30 April	
	2018 £	2017 £
Current bank accounts	435,108	238,371
Short-term deposits with less than three months' maturity	2,376,047	2,272,513
	2,811,155	2,510,884

11 TRADE AND OTHER PAYABLES

	As at 30 April	
	2018 £	2017 £
Trade payables	269,191	308,635
Other payables	24,927	28,454
Other taxes and social security costs	51,372	57,768
Accruals	464,183	517,196
	809,673	912,053

The ageing of financial liabilities is as follows:

	As at 30 April	
	2018 £	2017 £
0-29 days	482,162	562,725
30-59 days	133,788	163,854
60-89 days	17,404	3,010
90+ days	124,947	124,696
	758,301	854,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 PROVISIONS

	Leasehold dilapidations £
As at 1 May 2017 and at 30 April 2018	150,000

All provisions are due within one year.

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

13 FINANCIAL INSTRUMENTS

The risks associated with financial instruments are set out below.

FOREIGN CURRENCY RISK

The Group buys goods and services in currencies other than Sterling. The Group's non-Sterling liabilities and cash flows can be affected by movements in exchange rates. The Group has denominated some of its sales transactions in non-Sterling currencies and has entered into a forward exchange contract to mitigate this risk.

CREDIT RISK

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

LIQUIDITY RISK

The Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. All Group payable balances fall due for payment within 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 one to 12 months. The Group's cash and short-term deposits are set out in note 11. Floating-rate financial assets comprise cash on deposit and cash at bank. Short-term deposits are placed with banks for periods of up to 12 months and are categorised as floating-rate financial assets. Contracts in place at 30 April 2018 had a weighted average period to maturity of 28 days (2017: 26 days) and a weighted average annualised rate of interest of 0.6 percent (2017: 0.6 percent).

INTEREST RATE RISK SENSITIVITY ANALYSIS

It is estimated that a change in base rate to zero would have increased the Group's loss before taxation for the year to 30 April 2018 by approximately £17,000 (2017: £24,000).

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 2018 by approximately £30,000 (2017: £45,000)

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

CAPITAL MANAGEMENT

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

14 SHARE CAPITAL

	As at 30 April	
	2018 £	2017 £
Authorised		
78,402,710 Ordinary Shares of £0.01 each	784,027	784,027
1,781,400 Convertible Preference Shares of £0.01 each	17,814	17,814
Allotted, called up and fully paid		
78,402,710 Ordinary Shares of £0.01 each	784,027	784,027
588,400 Convertible Preference Shares of £0.01 each	5,884	5,884
	789,911	789,911

SHARE RIGHTS

The Ordinary Share and preference shares rank pari passu in all respects other than:

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

The Preference Shareholders have the right, at any time, to convert the preference shares held to the same number of Ordinary Shares. There are no further redemption rights.

SHARE OPTIONS AND WARRANTS

Employee related share options are disclosed in note 18.

15 OPERATING LEASES

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

	2018 £	2017 £
Property leases which expire:		
Within one year	97,143	97,143

16 PENSIONS

The Group operates a defined contribution Group personal pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £150,120 (2017: £139,286).

17 RELATED PARTY TRANSACTIONS

The Directors consider that no one party controls the Group.

Details of key management personnel and their compensation are given in note 4 and in the Directors' Remuneration Report on pages 25 to 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SHARE-BASED PAYMENTS EXPENSE AND SHARE OPTIONS

SHARE-BASED PAYMENT EXPENSE

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

At 30 April 2018, 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
02/02/09	53,000	10 years	£0.80
01/12/09	90,000	10 years	£0.80
14/05/10	23,200	10 years	£0.51
01/02/12	39,634	10 years	£0.53

Unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
11/11/08	40,000	10 years	£2.4283
14/05/10	1,897,800	10 years	£0.51

BLACK-SCHOLES VALUATION

	Weighted average exercise price		Number	
	2018 £	2017 £	2018	2017
Outstanding:				
At start of the period	0.4930	0.5021	5,710,692	4,956,912
Granted in the period	0.1721	0.4850	1,266,117	906,500
Lapsed in the period	0.7652	0.7384	(2,170,310)	(152,720)
At the end of the period	0.2856	0.4930	4,806,499	5,710,692

The exercise price of options outstanding at the end of the period ranged between £0.01 and £2.4283 and their weighted average contractual life was 8.0 years (2017: 8.1 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	
	2018 £	2017 £	2018	2017
Outstanding:				
At start of the period	0.51	0.51	1,923,900	1,923,900
Lapsed during the period	0.51	-	(2,900)	-
At the end of the period	0.51	0.51	1,921,000	1,923,900

The exercise price of options outstanding at the end of the period was £0.51 (2017: £0.51) and their weighted average contractual life was three years (2017: four years).

ILIKA PLC EXECUTIVE SHARE OPTION SCHEME 2010

At 30 April 2018 the following share options were outstanding in respect of the Ilika plc Executive Share Option Scheme 2010:

Date of grant	Number of shares	Period of option	Exercise price per share
14/05/10	23,200	10 years	£0.51
01/02/12	35,884	10 years	£0.53
22/03/16	729,090	10 years	£0.59
16/03/17	757,500	10 years	£0.485
08/02/18	1,026,250	10 years	£0.21

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.

1,676,610 options lapsed in the year.

ILIKA PLC UNAPPROVED SHARE OPTIONS

At 30 April 2018 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
11/11/08	40,000	10 years	£2.4283
14/05/10	1,897,800	10 years	£0.51
26/02/15	177,900	10 years	£0.815
30/09/15	160,000	10 years	£0.688
30/09/15	1,674,908	10 years	£0.01

496,600 options lapsed in the year and no options were exercised.

There are 2,139,884 options which were capable of being exercised as at 30 April 2018.

	2018 £	2017 £ -
Share-based payment expense		
Black-Scholes calculation	434,382	547,347

COMPANY BALANCE SHEET OF ILIKA PLC

COMPANY NUMBER 7187804

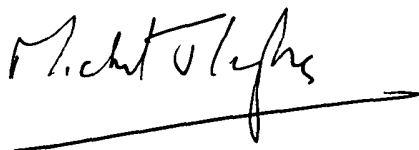
	Notes	As at 30 April	
		2018 £	2017 £
ASSETS			
Non-current assets			
Investments in subsidiary undertaking	21	24,229,684	121,339
Amount due from subsidiary undertaking	23	33,834	24,108,345
		24,263,518	24,229,684
Current assets			
Trade and other receivables	22	10,119	13,646
Total assets		24,273,637	24,243,330
Equity			
Issued share capital		789,911	789,911
Share premium		23,158,967	23,158,967
Retained earnings		181,889	146,304
		24,130,767	24,095,182
LIABILITIES			
Current liabilities			
Trade and other payables	24	142,870	148,148
Total liabilities		142,870	148,148
Total equity and liabilities		24,273,637	24,243,330

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 £398,797 (2017: loss of £509,726).

The notes on pages 53 to 54 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 10 July 2018.

Mr. M Inglis
Chairman



COMPANY CASH FLOW STATEMENT

	Year end 30 April	
	2018 £	2017 £
Cash flows from operating activities		
Loss before tax	(398,797)	(509,726)
Adjustments for:		
Equity settled share-based payments	434,382	547,347
Operating cash flow before changes in working capital, interest and taxes	35,585	37,621
Decrease/(increase) in trade and other receivables	3,527	(11,127)
(Decrease)/increase in trade and other payables	(5,278)	11,842
Increase in amounts due from subsidiary undertaking	(33,834)	(5,873,675)
Cash utilised by operations	-	(5,835,339)
Cash flows from financing activities		
Proceeds from issuance of Ordinary Share capital	-	6,300,000
Costs of share issue	-	(464,661)
Net cash from financing activities	-	5,835,339
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the start of the period	-	-
Cash and cash equivalents at the end of the period	-	-

STRATEGIC
REPORTCORPORATE
GOVERNANCEFINANCIAL
STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium account £	Retained earnings £	Total attributable to equity holders of parent £
As at 30 April 2016	663,911	17,449,628	108,683	18,222,222
Issue of shares	126,000	6,174,000	-	6,300,000
Costs of issue	-	(464,661)	-	(464,661)
Share-based payment	-	-	547,347	547,347
Profit and total comprehensive income	-	-	(509,726)	(509,726)
As at 30 April 2017	789,911	23,158,967	146,304	24,095,182
Share-based payment	-	-	434,382	434,382
Profit and total comprehensive income	-	-	(398,797)	(398,477)
As at 30 April 2018	789,911	23,158,967	181,889	24,130,767

SHARE CAPITAL

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

SHARE PREMIUM ACCOUNT

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

RETAINED EARNINGS

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

19 ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union.

TAXATION, SHARE-BASED PAYMENTS AND FINANCIAL INSTRUMENTS

For the relevant accounting policies please see note 1.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

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

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The Company holds a significant investment in its subsidiary, Ilika Technologies Limited, of £24.3 million (2017: £0.1 million). In assessing the carrying value of this asset for impairment, the Directors have exercised judgement in estimating its recoverable amount. The determination of the valuation for this asset is based on the discounted estimated future cash flows generated from out-licensing transactions. The valuation is derived from a financial model that evaluates a range of potential outcomes from what are considered the key variables, including the probability of licensing agreements being signed, the expected licensing terms that will be negotiated and the anticipated revenues generated as a result. Given the level of headroom indicated by the impairment review, the discount rate assumption is not considered to be sufficiently sensitive to change to impact the conclusion of the review.

20 DIRECTORS' REMUNERATION

The only employees of the Company are the Directors. In respect of Directors' remuneration, the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the detailed disclosures in the audited section of the Directors' Remuneration Report on pages 25 to 27, which are ascribed as forming part of these financial statements.

21 INVESTMENT IN SUBSIDIARY UNDERTAKING

Investments in Group undertakings are stated at cost.

Ilika plc has a wholly-owned subsidiary, Ilika Technologies Limited. Ilika Technologies Limited (Incorporated in the UK) made a loss for the year of £2,498,527 (2017: £3,030,519) and had net assets as at 30 April 2018 of £3,885,314 (2017: net liabilities of £17,724,504).

	2018 £	2017 £
At 1 May	121,339	121,339
Additions	24,108,345	-
At 30 April	24,229,684	121,339

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

During the year, the Company converted intercompany debtors of £24,108,345 into Ordinary Shares in its subsidiary, Ilika Technologies Limited.

22 TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Prepayments	10,119	13,646

23 AMOUNT DUE FROM SUBSIDIARY UNDERTAKING

	2018 £	2017 £
Ilika Technologies Limited	33,834	24,108,345

NOTES TO THE COMPANY FINANCIAL STATEMENTS

24 TRADE AND OTHER PAYABLES

	2018 £	2017 £
Trade payables	26,170	32,903
Accruals	116,700	115,245
	142,870	148,148

25 RELATED PARTY TRANSACTIONS

During the year the Company recharged costs totalling £211,618 (2017: £163,744) to its subsidiary, Ilika Technologies Limited. Amounts owed to Ilika Technologies Limited are disclosed in note 23.

Details of key management personnel and their compensation are given in note 4 and in the Directors' Remuneration Report on pages 25 to 27.

The Directors consider that no one party controls the Company.

26 FINANCIAL INSTRUMENTS

CREDIT RISK

The Company's credit risk is attributable to its receivables of £33,834 from its subsidiary undertaking, Ilika Technologies Limited. As at 30 April 2018, Ilika Technologies Limited had net assets of £3,885,314. The Company makes no allowance for impairment of this balance. Impairment is considered by management based on prior experience, current market and third party intelligence while considering the current economic environment.

CORPORATE DIRECTORY

COMPANY NUMBER	7187804
DIRECTORS EXECUTIVE	Graeme Purdy Prof. Brian Hayden Steve Boydell
NON-EXECUTIVE	Mike Inglis (Chairman) Clare Spottiswoode CBE Prof. Sir William Wakeham Prof. Keith Jackson
SECRETARY	Steve Boydell
REGISTERED OFFICE	Kenneth Dibben House Enterprise Road University of Southampton Science Park Chilworth Southampton SO16 7NS
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