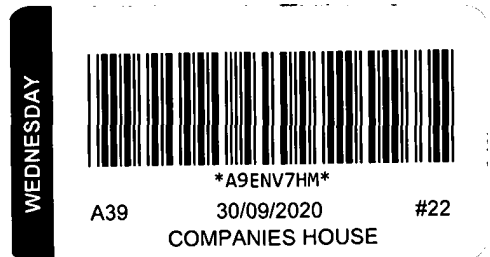


# ilika

# Powering the future



Ilika is a  
pioneer in  
solid state  
battery  
technology

**OUR PURPOSE**

Our purpose is to be  
a leading authority  
for the design and  
manufacture of  
solid state battery  
technology.

# 2019–20 Highlights

Turnover up 7 percent to

## £2.8m

(2019: £2.6m)

Adjusted EBITDA loss for the year

## £2.1m

(2019: Adjusted EBITDA loss £2.2m)

Loss per share

## 2.95p

(2019: 2.42p)

Cash, cash equivalents  
and bank deposits of

## £14.8m

(2019: £4.0m)

Raised net proceeds of

## c. £14.2m

via an over-subscribed placing  
in March 2020

### STRATEGIC REPORT

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## OPERATIONAL HIGHLIGHTS

- Increased commercial demand for evaluation samples of Stereax® miniature solid state batteries triggering investment in large volume manufacturing capacity
- Specified and ordered key equipment to support 70x increase in Stereax manufacturing capacity
- Implemented portfolio of MedTech and IIOT Stereax development and field trial programmes with five commercial partners, including:
  - High-value asset tagging with Lightricity
  - Wind turbine monitoring with Titan Wind
  - Rail network infrastructure monitoring with Network Rail
  - Environmental sensing with ePeas
  - Miniature medical implants with multiple MedTech partners
- Innovated Stereax performance by implementing photolithographic techniques compatible with low-cost industrial manufacturing processes and achieved 10x increase in energy density for ultra-thin cells for medical implants
- Grew Stereax patent portfolio with a further eight granted patents in five jurisdictions
- Secured a Goliath large format cell development programme with Jaguar Land Rover, bringing the total grant funding support from the Faraday Battery Challenge to £5.1 million over three projects
- Designed, outfitted and opened a new facility for the pre-pilot development of Goliath cells within nine months
- Received the Green Economy Classification from the London Stock Exchange for contributing to a more sustainable economy
- Maintained safe operations complying with Covid-19 government guidelines without a material impact on the business to date.

## OUTLOOK

With the funding in place for the next stage of development and a roadmap to grow its portfolio of products, the Company remains strongly positioned to take advantage of growing demand for solid state battery solutions. The Company remains well placed to fulfil the strategic objectives laid out at March's fundraise with the proposed transfer of Stereax into a 3rd-party fabrication ('FAB') facility. The shift to the make and sell model and the ability to intensify commercial scale-up of Stereax, added to further progress with Goliath, are expected to deliver significant revenue growth opportunities.

## 02 Chairman's statement

This has been an extraordinary year in more than one way, and I feel enormously proud of the way the team has delivered and taken advantage of challenges.

KEITH JACKSON  
CHAIRMAN

66  
Every increase  
in energy density  
increases the  
addressable market.

The installation of the Goliath large format battery labs was done at great pace, with very little waste and was accompanied with an overhead saving on premises to give us the facilities we require to progress Stereax and Goliath. The Covid-19 lockdown did temporarily limit access to our Stereax pilot line and restrict some of our working, but the team quickly set up new work processes and used the limited fallow time to investigate and improve the way they work, so on the safe return to the labs they could be even more effective.

At a technical level the team has made great progress on the batteries, particularly with the energy density of Stereax where every increase in density increases the addressable market. Not only have improvements

been made, there are options and opportunities to increase the density further and thereby the addressable markets. Finally, the team has worked hard to paint a clear picture of what we do and where we are going as a business to our investors, culminating in the Company's successful placing in March 2020, which underpins the next phase of our growth strategy. The team is now focused on the scale-up of new Stereax capacity and advancing the technology in Goliath. This will not be without its challenges but with our committed and agile team we are confident of a successful outcome.

KEITH JACKSON  
NON-EXECUTIVE CHAIRMAN  
8th July 2020



### What is the demand forecast beyond the current pilot line capacity?

**A** Our forecasts for battery demand outstrip the capacity of the existing pilot line by Q1 2021. This has triggered our investment in capacity to enable a 70x increase in capacity, which we forecast we can fill by 2024.

## INVESTMENT CASE WHY INVEST?

# 01

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

# 02

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

# 03

Capital light business model

# Our focus is on solid state battery technology

## 04 Business model

We will adapt our business model as we scale up our volume of production. We are currently a battery producer, manufacturing at pilot scale. We are investing in equipment to support a FAB-less manufacturing model in which we will partner with a 3rd-party facility. Once demand grows beyond our production partner's capacity, we will make the technology available for licence by larger manufacturers.

### PILOT

**ILIKA**  
AS A BATTERY  
PRODUCER

**ILIKA**  
WAFER  
FABRICATION

**COMPANY B**  
DICING

**COMPANY C**  
THINNING

**ILIKA**  
STACKING

PURCHASE ORDER AND CONTRACT

### PARTNERSHIP

**ILIKA**  
AS A SUPPLY  
CHAIN MANAGER

**COMPANY A**  
WAFER  
FABRICATION

**COMPANY B**  
DICING

**COMPANY C**  
THINNING

**COMPANY D**  
STACKING

PURCHASE ORDER AND CONTRACT

PURCHASE ORDER AND CONTRACT

### LICENSING

**ILIKA**  
AS A DESIGN  
AUTHORITY ONLY  
SELLING INTELLECTUAL  
PROPERTY (IP)

**COMPANY A**  
WAFER  
FABRICATION

**COMPANY B**  
DICING

**COMPANY C**  
THINNING

**COMPANY D**  
STACKING

WAFER FAB ACTS AS BATTERY SUPPLY COMPANY

### LICENSING

In the partnership model we take orders and manage the supply chain to deliver finished batteries to our customers. We outsource wafer production to a 3rd-party facility and subsequently arrange for the batteries to be diced, thinned, stacked, formed and tested before we ship them to customers.

ILIKA  
FORMING

ILIKA  
TESTING

ILIKA  
LOGISTICS

CUSTOMER

COMPANY E  
FORMING

COMPANY F  
TESTING

ILIKA  
LOGISTICS

CUSTOMER

COMPANY E  
FORMING

COMPANY F  
TESTING

LOGISTICS

CUSTOMER

Once market demand outstrips the wafer capacity of our partner facility we will make the technology available for licence by larger manufacturers. By this point, the process will have been demonstrated at scale and will be suitable for remote implementation. Such larger manufacturers typically invest in their own equipment and operate under licence.

## 06 Market overview

### OVERVIEW

We are focusing on sectors where the unique benefits of solid state batteries enable a step-change in performance. This allows our customers to access market segments that were previously not possible to address using traditional battery technology and therefore we are not competing head-to-head with an existing alternative.

MedTech  
\$2.2bn (by 2024)

### THE OPPORTUNITY

Next-generation medical devices are being designed to be 'smart'. This requires the acquisition and transfer of data associated with the medical condition the device is designed to improve. These devices need a power source which is as small as possible, enabling unobtrusive device deployment often implanted within the body.

### OUR MARKET POSITION

Stereax cells are well positioned for this segment as they offer intrinsically safe, bio-compatible, long-life cells on a miniature footprint. Their low leakage means the batteries can hold their charge making them ideally suited for amongst others, cardiac devices, blood pressure monitors, neurostimulators, gastric stimulators, smart contact lenses and smart dental braces.

Consumer  
electronics  
\$50bn (by 2025)

### THE OPPORTUNITY

Most domestic appliance companies are now working on a roadmap to cordless devices. Their current generation of products are cabled and they are seeking high performance batteries that are fast charging to provide the convenience that their customers demand.

### OUR MARKET POSITION

We are developing lower-cost processes for making large format 'Goliath' pouch cells which will be ideally suited for domestic appliances and consumer electronics products.



# Realising significant potential

Industrial sensors  
**\$0.6bn** (by 2025)

#### THE OPPORTUNITY

Infrastructure condition monitoring, process monitoring and environmental monitoring of high value assets or processes is often expensive for remote or hard-to-reach locations and often not currently feasible for some hostile (usually high temperature) environments.

#### OUR MARKET POSITION

Stereax batteries recharged with a small energy harvester (usually photovoltaic) create a perpetual power source offering a low cost of installation compared to hard-wired devices and lower maintenance costs relative to disposable coin cells.

Electric vehicles  
**\$84bn** (by 2025)

#### THE OPPORTUNITY

Governments around the world are formulating stringent greenhouse gas and CO<sub>2</sub> emissions targets as well as providing incentives and subsidies to encourage electric vehicle adoption.

#### OUR MARKET POSITION

Ilika's large format 'Goliath' Solid state Battery pouch cells are lithium-ion batteries with the potential to transform the performance and safety of electric and plug-in hybrid electric vehicles ('EVs' and 'PHEVs').

## 08 Product overview

Ilika has developed ground-breaking solid state battery technology that includes miniature batteries (Stereax®) for smart MedTech devices and industrial wireless sensors (IIoT) as well as large format batteries (Goliath) for domestic appliances and EVs.

### BENEFITS

The major benefits of solid state batteries are:

- Non-flammable solid electrolyte
- Much faster charging times (under ten minutes)
- Increased energy density >500 Wh/kg and >1,400 Wh/L in line with Automotive Council UK targets
- Increased life cycle of up to 10 years

## STEREAX

### MEDTECH DEVICES

The Stereax M50 cells are miniature devices with a high volumetric energy density. They have been optimised especially for miniature implantable medical devices at a scale not achievable using conventional battery technology.

#### APPLICATIONS

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

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

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

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

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

### INDUSTRIAL SENSORS

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

#### APPLICATIONS

##### INDUSTRIAL IIOT

Deployment of sensor nodes are required for:

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

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

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

## GOLIATH

### ELECTRIC VEHICLES ('EVs')

Automotive OEMs such as Honda, McLaren and Jaguar Land Rover are working with Ilika to understand the benefits of using Goliath cells in their designs. The high power density of the cells promises rapid charge times combined with the advantages of an intrinsically safe, non-flammable product.

### CONSUMER ELECTRONICS

Manufacturers of domestic appliances all have cordless roadmaps for their product ranges. They are interacting with Ilika to understand how Goliath cells can be designed with the form, fit and function required to deliver the required user experience. As with EVs, the rapid charging capability of cells is a significant attraction.

### How do Ilika's products compare with the competition?

A Ilika's Stereax products are world-class and have few competitors anywhere in the world. Like other large format solid state cells, our Goliath cells are still under development but are showing promising performance relative to other prototypes in their peer group.

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I'd like to thank the FAB partners and equipment vendors who continue to work tirelessly with us to implement our manufacturing strategy for Stereax.

GRAEME PURDY  
CHIEF EXECUTIVE  
OFFICER

**PRINCIPAL ACTIVITIES**

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

**BUSINESS STRATEGY**

The Group's mission is to rapidly develop leading-edge IP, manufacture and sell solid state batteries for markets that cannot be addressed with conventional batteries due to their safety, charge rates, energy density and life limits. We will achieve this using ceramic-based lithium-ion technology that is inherently safe in manufacture and usage.

The Group's revenue model involves three phases of activity:

a) commercially-funded and grant-funded production of small quantities of cells on Company-operated pilot lines; b) technology transfer to 3rd-party operated facilities on a contract basis; c) licensing the technology, potentially into a joint venture ('JV'), for large volume production. Ilika is currently in the first phase of activity, with its revenue being generated from a portfolio of development programmes and initial commercial sales from its Stereax pilot line. The Group has commenced its transition into the second phase, funded by a successful equity placing completed in March 2020.

**OPERATING REVIEW  
SOLID STATE BATTERIES**

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

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

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

Moving  
into the  
next phase  
of Stereax®  
commercialisation

## INVESTMENT CASE

The Company's revenue model involves three phases of activity:

# 01

Commercially-funded and grant-funded development projects with pilot production

# 02

Partnering for initial manufacturing

# 03

Licensing technology for large scale production incorporating Ilika IP reach market

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

### ADDRESSABLE MARKETS

After a market analysis, Ilika has elected to focus its Stereax products on two segments:

- industrial wireless sensors in hostile environments (Industrial Internet of Things, or IIoT)
- miniature smart MedTech devices

Ilika has selected these market segments because they require power sources which favour the unique benefits that Stereax products offer and therefore avoid head-to-head competition with cheaper alternatives that are already mass-produced.

## 12 Chief Executive's review

Industrial sensors often offer a return on investment for condition monitoring of high-value assets or processes. When deployed in remote locations, 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 are expensive to maintain because of the cost of the maintenance crews deployed to replace and dispose of the batteries at regular intervals. Ilika's miniature devices are designed to be combined with a small energy harvester (usually photovoltaic) 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. Some industrial deployments are in processes that are not possible to connect using cabling and may involve conditions that are not suitable (typically too hot) for using disposable batteries. IIoT applications for Stereax include infrastructure condition monitoring, process monitoring and environmental monitoring.

The MedTech industry is currently experiencing a significant wave of innovation as next-generation devices are being designed that are 'smart'. This usually involves the acquisition and transfer of data associated with the medical condition the device is designed to improve. This needs a power source and the intrinsically-safe, miniature Stereax cells are well-positioned for this segment. Examples of MedTech devices which can benefit from Stereax battery technology are cardiac devices, blood pressure monitors, neurostimulators, gastric stimulators, smart contact lenses and smart dental braces.

Ilika has experienced substantial interest from automotive companies searching for improved batteries for use in electric vehicles (EVs). Stereax miniature cells are too expensive to be used for vehicle propulsion, so Ilika is developing lower-cost processes for making large format Goliath pouch cells. Variants of Goliath cells are also useful for domestic appliances and consumer electronics products. Companies making such devices often have a cordless roadmap, in which products that were historically cabled use batteries to allow the products to be used more flexibly.

### **PRODUCTION TECHNOLOGY**

Stereax batteries are made using Ilika's proprietary vacuum deposition process. Ilika currently operates a pilot line in Southampton which produces evaluation samples using a photolithographic process which is compatible with semi-conductor manufacturing processes. It also allows Ilika to produce custom size batteries, formed in a variety of sizes, from a single production wafer. The process also has the advantage over contact masks of being able to create smaller feature sizes of less than a micron.

In contrast, Goliath batteries are made using a large-scale printing process. This low-cost process leverages Ilika's expertise in solid state materials, which are formulated into inks, printed to rapidly deposit larger amounts of material and dried into a composite ceramic structures. After a short nine month design and build programme, Ilika opened a pre-pilot facility in September 2019 in Romsey, UK in which this printing process is currently under development.

#### STEREAX DEVELOPMENT AND DEPLOYMENT PROJECTS

Ilika executed a portfolio of Stereax development and deployment programmes with global OEMs during the period, including the following:

- High-value asset tagging with Lightricity
- Wind turbine monitoring with Titan Wind
- Rail network infrastructure monitoring with Network Rail
- Environmental sensing with ePeas
- Miniature medical implants with multiple MedTech partners

#### STEREAX SCALE-UP

In the course of this financial year, Ilika has experienced a gradually increasing demand for evaluation samples of its Stereax cells to the point where utilisation of the pilot line is expected to be dominated by commercial demand in FY21. Given the need to continue to improve the Stereax product line, it is important that sufficient capacity is reserved on the pilot line for development work. This has triggered the need for a transition for Ilika from pilot line production to 3rd-party FAB-based manufacturing. Accordingly, Ilika completed an over-subscribed equity placing in March 2020, generating net proceeds of c. £14.2 million, of which approximately £8 million will be used to finance the establishment of production facilities. In a post-period implementation, Ilika placed the purchase order for the most significant long-lead equipment item, 'Tool 1', in May 2020. The remaining equipment required to establish a full production line will be purchased in a phased manner in FY21, with the expectation of installing and qualifying equipment in a 3rd-party facility and commencing production in FY22.



### What are the advantages of solid state battery technology compared to conventional lithium-ion batteries?

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

# Stereax production technology and scale-up

## GOLIATH DEVELOPMENT PROJECTS

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 Industrialisation Centre in Warwick. Innovate UK is administering a series of competitions, designed to promote battery innovation. Ilika has been successful in securing a total of £5.1 million of grant funding to support three collaborations based around its Goliath technology.

The first project is being led by Ilika in collaboration with Honda and Ricardo and is focused on the development of rapid charging of battery packs. The second project is being led by McLaren in collaboration with A123 Batteries, with the objective of developing battery pack technology for high performance vehicles. The third project is being led by Jaguar Land Rover and is focused on assessing how Ilika's solid state process capability can be integrated into existing lithium-ion production technology.

## COVID-19 IMPACT AND RESPONSE

In order to prioritise the safety of our staff, their families and our customers we are ensuring our compliance with UK government directives to avoid non-essential travel and maximise home-working. Any employees falling into at-risk categories and those showing Covid-19 symptoms are following self-isolation procedures.

Throughout the lockdown period, the Company's headquarters in Romsey, UK have remained open for those employees who need access to our Goliath large format cell development facilities. Through the implementation of risk assessments, enhanced cleaning and hygiene procedures and social distancing we have maintained a safe working environment.

In March, the Company's Stereax pilot line temporarily closed and subsequently re-opened in June 2020. We are deploying similar practices at the Stereax pilot facility to those we have used successfully at our headquarters. We are continuing to communicate regularly with our Stereax customers to advise them of the measures we have taken and the likely impact on delivery times of evaluation samples. As a result, we have not received any order cancellations and we are currently executing our order backlog.

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Throughout the lockdown period, the Company's headquarters in Romsey, UK have remained open.

## PATENT POSITION

Building Ilika's intellectual property portfolio in solid state batteries has continued to be a focus this year. Ilika believes its patents ring-fence and protect critical IP to avoid competitors working around a single patent. Ilika now maintains a portfolio of 15 patent families in solid state batteries, of which three are jointly owned with Toyota. This portfolio includes 20 granted patents.

## QUALITY MANAGEMENT SYSTEM

In December 2019, the annual independent audit of its Quality Management System ('QMS') was successful. ISO 9001 is the world's most widely recognised QMS and helps organisations to meet the expectations and needs of their customers. The certification promotes the development of continual improvement, customer satisfaction, traceability and international best practices.

## KEY PERFORMANCE INDICATORS ('KPIs')

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

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

GRAEME PURDY  
CHIEF EXECUTIVE OFFICER  
8th July 2020





## Section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Group's employees and other stakeholders, the impact of its activities on the community, the environment and the Group's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Group for its members in the long term. The Board regularly reviews the Group's principal stakeholders and how it engages with them.

This is achieved through information provided by management and also by direct engagement with stakeholders themselves.

During the year, the key decisions taken by the Board included:

- Strategic focus on solid state battery development only. Revenues are therefore only associated with battery grant projects and Stereax product sales. No non-battery materials development services were undertaken in the period. The relocation of the Head Office to our new large format battery facility in Romsey and the ending of the lease for the materials development facility.

- To progress with in-house scale-up to volume manufacturing of Stereax batteries to meet the initial commercial demand for applications in industrial condition monitoring and miniature medical devices.
- Fundraising to enable the next phase of Stereax volume manufacturing as well as providing support for large format battery development.

### WHY ENGAGEMENT IS IMPORTANT

#### INVESTORS

To communicate and secure support for our long-term strategic objectives effectively and to promote long-term holdings.

#### EMPLOYEES

To deliver our long-term strategic objectives. To promote our culture, purpose and values and support their well-being whilst maintaining low turnover and high productivity rates.

#### COMMUNITY AND ENVIRONMENT

To ensure activities are socially and environmentally responsible and meet the highest standards.

### ENGAGEMENT PROCESS

AGM, analyst presentations, institutional investor presentations, a capital markets day for institutions and retail investors. Use of Investor Meet Company and Director's Talk platforms to extend reach to retail investors.

Transparent cascading Key Performance Measures that link directly to the Company objectives.

Twice yearly performance evaluations with objective setting and reviews. Formal policies and procedures.

Educational outreach and PPE donations to local healthcare providers during Covid-19 crisis.

### STRATEGIC DECISIONS IN THE YEAR

Placing and Open Offer to secure £14.2 million funding to enable the execution of the Stereax manufacturing plan and support the large format battery development.

Employee Assistance Programme provided offering various legal, financial and life coaching advice.

Maintain most key operations throughout the Covid-19 shutdown by promoting working from home and fully risk-assessed social distancing policies in the labs and offices.

Acceptance of the London Stock Exchange Green Economy Classification and Mark awarded to companies that contribute to the global green economy.

# Scaling up Stereax<sup>®</sup> production



### Why has Ilika elected to partner with a 3rd-party FAB rather than build its own facility?

A Ilika has calculated that it can achieve a better return on investment by installing its proprietary equipment in an existing 3rd-party facility. The advantages of speed of deployment and avoiding facility building costs offset the margin payable. In addition, we will be leveraging the operational expertise of an established manufacturing organisation.

## Tool 1 is designed to deliver a 70x productivity increase.

In March 2020, Ilika issued Requests for Information (RFIs) to four 3rd-party FAB facilities in Europe and North America to prepare for the selection of its preferred FAB partner. Initial responses have been received, allowing Ilika to enter the next phase of its selection process.

In addition, after a detailed specification and tendering process, Ilika has awarded a contract for the

procurement of a custom-designed evaporation tool (Tool 1) for the rapid deposition of cathode materials for Ilika's Stereax batteries. Tool 1 is designed to deliver a 70x productivity increase relative to Ilika's current pilot line capability. The tool has the longest lead time of the manufacturing equipment required for FAB implementation and is expected to be ready for delivery to the selected FAB for process development in Q4 2020.

# Goliath programme

The objective of Ilika's Goliath programme is to develop large format solid state batteries for domestic appliances and electric vehicles.

In September 2019 Ilika opened a new headquarters and large format development facility to support its Goliath programme, which underpins its portfolio of industrial collaboration programmes. These industrial collaborations include the Granite programme announced in September 2019, led by Jaguar Land Rover, as well as the MoSESS and PowerDrive Line projects, which started earlier with collaboration partners including Honda and Ricardo.

The new facilities are being partially funded from the £5 million funding granted to Ilika through the Faraday Battery Challenge, which is part of the Industrial Strategy Challenge Fund delivered by UK Research & Innovation.

The new building has a c. 750m<sup>2</sup> footprint, including over 600m<sup>2</sup> of battery development laboratories and production equipment. Two dry rooms, installed to ISO 7 standard, ensure high level particle filtration and near zero humidity for handling moisture sensitive materials. The labs include state-of-the-art equipment for the characterisation of source materials, the preparation of solid state batteries and the testing of produced cells. The facility is a pre-pilot line to accelerate the scale-up and transfer of the solid state battery technology to pilot production level.

## GOLIATH DEVELOPMENT PARTNERSHIPS

### DEVELOPMENT PROGRAMME

- Establish Ilika as leader in development of manufacturing methods for production of solid state batteries
- Commercialise the large format solid state battery

- ▶ **POWERDRIVE LINE**  
Innovate UK
- ▶ **MOSESS**  
Innovate UK
- ▶ **GRANITE**  
Innovate UK
- ▶ **LEAD PARTNER**  
**FRAMEWORK**

Ilika has a reputation for being able to respond to commercial opportunities in a rapid, agile manner. This facility has been designed, built and commissioned from a standing start in Q4 2018. The facility will support Ilika to further develop and scale up its solid state technology for electric vehicles and give the UK its first footprint for the development of a technology expected to significantly disrupt the automotive industry.

# Commercialising the large format solid state battery

## 20 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 35 to 51. 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 EU and are set out on pages 52 to 56.

### STATEMENT OF COMPREHENSIVE INCOME TURNOVER

Turnover, all from continuing activities, for the year ended 30 April 2020 was £2.8 million (2019: £2.6 million). This includes £2.5 million of grant income recognised from nine projects that the Company has in progress with Innovate UK (2019: £2.2 million from ten programmes). Details of the larger programmes are provided in the deployment projects on page 14.

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

Non-grant turnover in the year was £367,000 (2019: £345,000). This year the Group has solely focused on battery development and so turnover is associated with the supply of battery samples for evaluation by customers. Previously this turnover was associated with a broader range of materials development service contracts which are no longer being undertaken.

### ADMINISTRATIVE EXPENSES AND LOSSES FOR THE PERIOD

Administrative costs for the year increased to £4.4 million relative to £3.6 million in 2019. This increase is primarily as a result of additional depreciation of property, plant and equipment of £0.7 million as a result of the extensive capital expenditure to fit out the Romsey premises which began in early 2019. This excludes the share-based payment charge.

Combined cost of sales and administrative expenses were £6.0 million in the year which is up from the £5.0 million for 2019. The largest component of expenses is wages and salaries which increased from £2.8 million to £3.0 million. This, alongside the increased depreciation noted above are the primary reasons for this increase to the Group's cost base.

The underlying level of loss that is measured by Earnings Before Interest, Tax, Depreciation and Amortisation and Share-based payments (adjusted EBITDA) shows a reduction in loss from £2.2 million in 2019 to £2.1 million in 2020.

### STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

At 30 April 2020, current assets amounted to £16.5 million (2019: £5.9 million), including net funds of £14.8 million (2019: £4.0 million).

The principal elements of the £10.8 million increase over the year ended 30 April 2020 in net funds were:

- Net funds raised in the year £14.2 million from a Placing and Open Offer (2019: £4.1 million).
- Operating cash outflow of £2.1 million (2019: £2.2 million).
- Decrease in receivables of £0.2 million (2019: increase £0.5 million) due to the favourable timing of the Innovate UK programmes quarterly project reviews.
- Decrease in payables of £0.5 million (2019: increase of £0.4 million) principally due to purchases relating to the establishment of the solid state battery facility being settled in the year.
- Additions of plant, property and equipment of £0.9 million (2019: £1.0 million) which mostly relates to the establishment of the large format solid state battery facility.

# Principal risks and uncertainties

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RISK	DESCRIPTION	MITIGATION
Commercial risk	The Group is subject to competition from competitors who may develop more advanced and less expensive alternative technology platforms, both for existing materials and for those materials currently under development. The Group is largely dependent on its partners to commercialise the end products containing the Group's materials.	The Group seeks to reduce this risk by continually assessing competitive technologies and competitors. The Group seeks to commercialise its batteries and other materials through multiple channels to reduce over-reliance on individual partners and, in agreements with partners, it ensures that there are commercialisation milestones which must be met for the partner to retain the rights to commercialise the intellectual property.
Financial risk	The Group is reliant on a small number of significant customers, partners and grant funding bodies. Termination of these agreements or grant policies could have a material adverse effect on the Group's results or operations or financial condition. The Group expects to incur further operating losses as progress on development programmes continue.	The Group seeks to reduce this risk by broadening the number of customers and partners and thereby reduce reliance on individual significant companies and by leveraging its IP and resources over multiple projects. The Group applies for research and development tax credits to help mitigate its investment in these activities.
Intellectual property risk	The Group faces the risk that intellectual property rights necessary to exploit research and development efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete before the products and services can be fully commercialised.	The Group reduces this risk by contracting specialist patent agents and attorneys with extensive global experience of patenting and licensing.
Dependence on senior management and key staff	Certain members of staff are considered vital to the successful development of the business. Failure to continue to attract and retain such highly skilled individuals could adversely affect operational results.	The Group seeks to reduce this risk by offering appropriate incentives to staff through competitive salary packages and participation in long-term share option schemes and a good working environment.
Brexit risk	The Group has reviewed the potential impact of Brexit on the risks identified above and believes that whilst 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 and no Brexit detriment has been incurred to date.
Covid-19 risk	The Group is not immune to the risks associated with Covid-19. There are the day-to-day risks to our employees and other stakeholders of working in an environment with a virus present.	The Group are managing these circumstances with risk assessments and method statements to ensure we provide a safe working environment in line with the guidance set out specific to our industry, together with the latest UK governments guidance. Further information on the impact of Covid-19 on the Group has been set out in the Operating Review.

By order of the Board

KEITH JACKSON  
CHAIRMAN  
8 July 2020



GRAEME PURDY  
CHIEF EXECUTIVE OFFICER



## 22 Board of Directors

The Board is responsible for developing the Company's strategy, general management of its activities and control over the activity of the Executive Body.

### **PROF. KEITH JACKSON NON-EXECUTIVE CHAIRMAN**

#### **EXPERIENCE**

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.

#### **EXTERNAL APPOINTMENTS**

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

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

### **GRAEME PURDY CHIEF EXECUTIVE OFFICER**

#### **EXPERIENCE**

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**

#### **EXPERIENCE**

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**

#### **EXPERIENCE**

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.





## How has COVID-19 affected the business?

**A** Specifically to Ilika, the effect has been minimal with limited disruption to operations. At a sector level however, it has created a significant tailwind as the global nature of the pandemic has highlighted the climate change impact and increased focus and investment activity.

### JEREMY MILLARD NON-EXECUTIVE DIRECTOR

#### EXPERIENCE

Jeremy has over 20 years' investment banking experience and currently provides corporate finance advice to clients in the science and deep technology sectors via Iridium Corporate Finance Limited which he founded, prior to which he held senior roles in a number of corporate finance houses including heading up the technology practice at Rothschild in London.

#### EXTERNAL APPOINTMENTS

Jeremy is currently a Non-Executive Director and Chairman of the audit committees of UK listed companies Idox plc (AIM: IDOX) and Omega Diagnostics Group plc (AIM: ODX), a Non-Executive Director of private companies Blackbullion Limited (EdTech) and CFPro Limited (specialist accounting services) and is a Strategic Advisor to the UK Innovation & Science Seed Fund (venture fund backed by BEIS). Previous Directorships/Partnerships over the last five years have included Solar Communications Group Limited, Solar Communications Limited, Smith SquarePartners LLP and 6PM Holdings PLC.

### MONIKA BIDDULPH NON-EXECUTIVE DIRECTOR

#### EXPERIENCE

Monika has a wide range of experience in both the commercial and technical aspects of an international technology business. Until August 2018, Monika was a member of the Senior Leadership Team IP Product Groups at Arm Holdings plc, responsible for driving the execution of the product roadmaps across all lines of business and central engineering, and previously holding various General Manager and licensing roles in the business. Currently Monika is also a Non-Executive Director on the board of D4t4 Solutions Plc. She was previously NED at Linaro Limited, an open source software organisation. Monika holds a PhD in Physics from the ETH Zurich.

## 24 Corporate governance statement

We confirm that our governance structures and practices are in agreement with the provisions of the Quoted Companies Alliance ('QCA') Corporate Governance Code (2018) for small and mid-size quoted companies. Our full statement of compliance with the ten principles of the QCA Corporate Governance Code is set out on our website at [www.ilika.com/investors/corporate-governance](http://www.ilika.com/investors/corporate-governance).

### **BOARD OF DIRECTORS**

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

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

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

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

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

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

### **PERFORMANCE EVALUATION**

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

### **BOARD COMMITTEES**

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

#### **I) AUDIT COMMITTEE**

The Audit Committee currently comprises Jeremy Millard (Chair), Professor Keith Jackson and Monika Biddulph.

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

#### **II) REMUNERATION COMMITTEE**

The Remuneration Committee comprised Professor Keith Jackson (Chairman), Jeremy Millard and Monika Biddulph.

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

#### **III) NOMINATION COMMITTEE**

The Nomination Committee comprised Professor Keith Jackson (Chairman), Jeremy Millard and Monika Biddulph

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

**ATTENDANCE AT BOARD MEETINGS AND COMMITTEES**

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

Attendance	Board	Audit	Nomination	Remuneration
Mr. S. Boydell	8/8	-	-	-
Prof. B. E. Hayden	8/8	-	-	-
Mr. G. Purdy	8/8	-	-	-
Ms. C. Spottiswoode	3/3	1/1	-	1/1
Prof. K. Jackson	8/8	2/2	1/1	2/2
Jeremy Millard	8/8	2/2	1/1	2/2
Monika Biddulph	8/8	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

KEITH JACKSON  
CHAIRMAN  
8 July 2020



## 26 Report of the audit committee

The Audit Committee has primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on. Its terms of reference and its current membership are outlined in the Corporate Governance Statement on page 24.

### MATTERS COVERED BY THE COMMITTEE

The Committee, which is required to meet at least twice a year, met twice during the year ended 30 April 2020, with all members present, and covered the following matters:

- July 2019: audit completion meeting for the 2019 year-end audit, including review of the valuation model to support Ilika plc's investment in Ilika Technologies Limited, review of the financial forecast to support the Group's ability to account on a going concern basis, review of the auditor's report on the audit, and review of the Annual Report.
- January 2020: Half Year Report completion meeting. Approval of the release of the Half Year Report.

On 30 September 2019, Jeremy Millard was appointed Chair of the Audit Committee replacing Clare Spottiswoode who retired from the Board.

### AUDITOR INDEPENDENCE.

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

### INTERNAL AUDIT FUNCTION

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

JEREMY MILLARD  
CHAIRMAN OF THE AUDIT COMMITTEE  
8 July 2020



# Directors' remuneration report

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## 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 24. The Committee members are Professor Keith Jackson (Chairman), Jeremy Millard and Monika Biddulph, all of whom are independent Non-Executive Directors. The Chief Executive Officer and certain executives may be invited to attend Committee meetings to assist with its deliberations, but no executive is present when their own remuneration is being discussed.

## REMUNERATION POLICY

### (1) 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.	Iluka plc Long Term Incentive Plan 2018 ('the LTIP'), was adopted by shareholders at the 2018 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. CSO 250 percent of salary. CFO 150 percent of salary.	n/a

## 28 Directors' remuneration report

### (II) CHAIRMAN AND NON-EXECUTIVE DIRECTOR REMUNERATION

The Chairman, Professor Keith Jackson receives a fixed fee of £65,975 per annum. Jeremy Millard and Monika Biddulph receive a fixed fee of £33,483 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 2020 and 30 April 2019 was as follows:

	Basic salary £	Benefits in kind £	Bonus £	Total short-term benefits £	Pension £	Total £
<b>Year to 30 April 2020</b>						
G. Purdy	204,015	701	40,803	245,519	20,402	265,921
S. Boydell	135,032	464	13,504	149,000	11,707	160,707
B. Hayden <sup>1</sup>	65,285	-	9,772	75,057	-	75,057
K. Jackson	65,325	-	-	65,325	-	65,325
J. Millard	33,153	-	-	33,153	-	33,153
M. Biddulph	33,153	-	-	33,153	-	33,153
C. Spottiswoode	13,744	-	-	13,744	-	13,744
	<b>549,707</b>	<b>1,165</b>	<b>64,079</b>	<b>614,951</b>	<b>32,109</b>	<b>647,060</b>
<b>Year to 30 April 2019</b>						
G. Purdy	193,000	622	57,728	251,350	30,300	281,650
S. Boydell	127,361	412	15,066	142,839	17,749	160,588
B. Hayden <sup>1</sup>	64,960	-	17,838	82,798	-	82,798
M. Inglis	43,983	-	-	43,983	-	43,983
K. Jackson	43,658	-	-	43,658	-	43,658
W. Wakeham	13,745	-	-	13,745	-	13,745
C. Spottiswoode	32,988	-	-	32,988	-	32,988
J. Millard	19,243	-	-	19,243	-	19,243
M. Biddulph	10,996	-	-	10,996	-	10,996
	<b>549,934</b>	<b>1,034</b>	<b>90,632</b>	<b>641,600</b>	<b>48,049</b>	<b>689,649</b>

<sup>1</sup> B. Hayden is employed by the University of Southampton. The amounts disclosed in the table above relate to payments made directly to B. Hayden. The University of Southampton recharged employment costs of £72,432 to the Company in the year in respect of B. Hayden. (2019: £69,972).

Benefits in kind include critical illness cover.

## SHARE OPTIONS

The share options of the Directors are set out below:

Unapproved	2019 Number	2020 Number	Exercise Price	Expiry date	Performance Conditions
G. Purdy	1,050,000	1,050,000	51p	May 2020	n/a
G. Purdy <sup>2</sup>	145,810	105,810	1p	August 2027	n/a
G. Purdy	1,127,777	1,127,777	1p	January 2029	See note 3
G. Purdy	-	207,229	1p	August 2029	n/a
G. Purdy	-	606,014	1p	March 2030	See note 4
B. Hayden	525,000	525,000	51p	May 2020	n/a
B. Hayden <sup>2</sup>	56,211	16,211	1p	August 2027	n/a
B. Hayden	712,394	712,394	1p	January 2029	See note 3
B. Hayden	-	60,896	1p	August 2029	n/a
B. Hayden	-	382,807	1p	March 2030	See note 4
S. Boydell	117,600	117,600	51p	May 2020	n/a
S. Boydell <sup>2</sup>	37,846	-	1p	August 2027	n/a
S. Boydell	373,222	373,222	1p	January 2029	See note 3
S. Boydell	-	63,822	1p	August 2029	n/a
S. Boydell	-	196,619	1p	March 2030	See note 4
C. Spottiswoode <sup>1</sup>	50,100	-	51p	May 2020	n/a

1 Share options lapsed in the year.

2 Exercised in the year

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

(a) Less than 27p - no vesting

(b) 27p - 25 percent of the shares subject to award will vest

(c) 36p - 75 percent of the shares subject to award will vest

(d) 54p - 100 percent of the shares subject to award will vest

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

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

(a) Less than 51p - no vesting

(b) 51p - 25 percent of the shares subject to award will vest

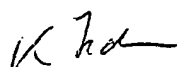
(c) 68p - 75 percent of the shares subject to award will vest

(d) 102p - 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 £179,984 (2019: £289,396).

KEITH JACKSON  
CHAIRMAN OF THE REMUNERATION COMMITTEE  
8 July 2020



## 30 Directors' report

### DIRECTORS

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

#### EXECUTIVE

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

#### NON-EXECUTIVE

Prof. K. Jackson (Chairman)  
 Ms. C. Spottiswoode CBE (retired 30 September 2019)  
 Mr. J. Millard (Senior Independent Director)  
 Ms. M. Biddulph

### RESEARCH AND DEVELOPMENT COSTS

In accordance with the policy outlined in note 1, the Group incurred research and development expenditure of £2,281,702 in the year (2019: £2,080,264). 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 14 of the financial statements.

### FUTURE DEVELOPMENTS

Information on the future developments of the business are included in the Strategic Report on page 10.

### DIVIDENDS

The Directors do not recommend the payment of a dividend.

### DIRECTORS' INTERESTS IN ORDINARY SHARES

The Directors, who held office at 30 April 2020, had the following interests in the Ordinary Shares of the Company:

	Number of shares	
	1 May 2019	30 April 2020
G. Purdy	734,427	774,427
K. Jackson	70,000	95,000
C. Spottiswoode	45,454	n/a
S. Boydell	12,000	49,846
J. Millard	n/a	-
M. Biddulph	n/a	12,500
B. Hayden <sup>1</sup>	-	40,000

<sup>1</sup> B. Hayden had an interest in Preference Shares of the Company amounting to 426,300 at 1 May 2019 and at 30 April 2020.

During the year, K. Jackson and M. Biddulph subscribed to 25,000 and 12,500 shares in the placing respectively. B. Hayden and G. Purdy exercised 40,000 options and S. Boydell exercised 37,846 options.

### SUBSTANTIAL SHAREHOLDINGS

On 2 July 2020 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
Janus Henderson Group plc	15,199,499	11.0
GPIM Limited	14,265,525	10.3
Canaccord Genuity Group plc	12,432,780	8.9
Parkwalk Advisors	12,237,629	8.8
Herald	7,969,783	5.8
Schroders plc	7,750,000	5.6
Baillie Gifford & Co.	7,170,769	5.2
Amati AIM VCT plc	5,421,169	3.9

### POST BALANCE SHEET EVENTS

There are no significant post balance sheet events from the 30 April 2020 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  
 8 July 2020



# 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 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. Further details in respect of this and the impact of the Covid-19 pandemic can be found in note 1 of the financial statements.

By order of the Board

**GRAEME PURDY**  
CHIEF EXECUTIVE OFFICER  
8 July 2020



# 32 Independent auditors' report

to the members of Ilika plc

## OPINION

We have audited the financial statements of Ilika plc ('the Parent Company') and its subsidiaries ('the Group') for the year ended 30 April 2020 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 2020 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 auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 judgment, 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 our audit addressed the matter
<p><b>Grant income recognition</b> 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.</p> <p>With a large number of agreements in place at the year end, and significant levels of accrued and deferred income at the year end, there is a risk that income is not recognised in the correct period in line with the group's accounting policies.</p> <p>The audit procedures on these income streams represented a significant part of our audit strategy in terms of the level of direction and supervision and allocation of resources. As such, we considered this area to be a key audit matter.</p>	<p>We obtained the agreements in respect of all grants received in the year and recalculated the income by reference to the costs incurred by the Group as submitted to the relevant governing body and in agreement with their own internal project costings.</p> <p>We also confirmed that the Group is entitled to receive these monies in accordance the grant contracts and that submissions made to date have been successfully completed. We agreed receipts to bank statements and 3rd-party confirmations to gain assurance over the accuracy of the submissions and calculations thereon.</p> <p>We recalculated the level of accrued or deferred income to be recognised on the balance sheet in relation to all grants by comparing the amounts due in respect of costs incurred to amounts subsequently submitted and received.</p> <p><b>Key observations</b> We noted no exceptions through performing these procedures.</p>
<p><b>Going concern</b> In light of the Covid-19 pandemic and the resultant economic uncertainty, as described in the going concern accounting policy, we considered the ability of the Group to operate with its current resources and continue as a going concern in this environment to be a Key Audit Matter.</p> <p>Management have prepared forecasts for a period in excess of 12 months from the date of signing which show that the Group can continue to operate within its existing cash resources. These forecasts include the anticipated impact of Covid-19. Further information is included in the going concern accounting policy in note 1 of the financial statements.</p>	<p>Our procedures included reviewing management's assessment of going concern through analysis of the Group's cash flow forecast through to July 2021 and beyond, including assessing and challenging the assumptions underlying the forecasts.</p> <p>As part of this process, and taking account of the Covid-19 pandemic, we sensitised the forecasts further to ascertain the levels of revenue decline that would cause a cash shortage at any point in management's post balance sheet assessment period. We also compared the level of expenditure included in the forecasts and compared this to previous periods.</p> <p>We considered the adequacy of the disclosures in the financial statements.</p>

**OUR APPLICATION OF MATERIALITY**

Group materiality: £159,000 (2019: £127,000).

Parent Company materiality: £151,000 (2019: £116,000).

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

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

Materiality in respect of the audit of the Parent Company has been set using a benchmark of 1 percent of total assets for both the current and prior year however this has been capped at 95 percent of Group materiality. We consider total assets to be the most appropriate measure for the basis of materiality as the Company is a holding company.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £119,250 (2019: £95,250) which represents 75 percent (2019: 75 percent) of the above materiality levels. The same percentage has been used for the Parent Company with performance materiality set at £113,250 (2019: £87,000). In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements based on past experience and other factors.

Materiality for the only subsidiary of the Group was set at a lower level than that of the Group at £151,000 (2019: £116,000).

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 £3,180 (2019: £2,540). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

**AN OVERVIEW OF THE SCOPE OF OUR AUDIT**

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

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

**OTHER INFORMATION**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our 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.

## 34 Independent auditors' report to the members of Ilika plc

### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements set out on page 31, 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](http://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.



STEPHEN LE BAS (SENIOR STATUTORY AUDITOR)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton  
United Kingdom  
8 July 2020

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

# Consolidated Statement of Comprehensive Income

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	Notes	Year ended 30 April	
		2020 £	2019 £
<b>Turnover</b>	2	<b>2,840,648</b>	2,589,736
Revenue		367,003	345,307
UK grants		2,473,645	2,244,429
<b>Cost of sales</b>		<b>(1,571,350)</b>	(1,388,598)
<b>Gross profit</b>		<b>1,269,298</b>	1,201,138
Total administrative expenses			
Administrative expenses		(4,380,259)	(3,630,369)
Share-based payment charge		(233,786)	(264,250)
		<b>(4,614,045)</b>	(3,894,619)
<b>Operating loss</b>	3	<b>(3,344,747)</b>	(2,693,481)
Income from short-term deposits		12,406	25,800
Interest payable		(10,299)	-
<b>Loss before tax</b>		<b>(3,342,640)</b>	(2,667,681)
Taxation	5	254,734	346,922
<b>Loss for period/total comprehensive income</b>		<b>(3,087,906)</b>	(2,320,759)
<b>Loss per share from continuing operations</b>	6		
Basic		(2.95)p	(2.42)p
Diluted		(2.95)p	(2.42)p

The notes on pages 39 to 51 form part of these financial statements.

# 36 Consolidated Balance Sheet


Company number 7187804

	Notes	As at 30 April	
		2020 £	2019 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	66,110	23,815
Property, plant and equipment	8	1,670,614	1,728,122
Right-of-use assets	9	240,040	-
<b>Total non-current assets</b>		<b>1,976,764</b>	<b>1,751,937</b>
<b>Current assets</b>			
Trade and other receivables	10	1,470,664	1,542,996
Current tax receivable	5	300,000	360,000
Other financial assets - bank deposits		762,200	351,963
Cash and cash equivalents	11	13,989,538	3,599,216
<b>Total current assets</b>		<b>16,522,402</b>	<b>5,854,175</b>
<b>Total assets</b>		<b>18,489,166</b>	<b>7,606,112</b>
<b>Issued capital and reserves attributable to owners of parent</b>			
Issued share capital	15	1,391,857	1,013,070
Share premium		40,895,709	27,103,356
Capital restructuring reserve		6,486,077	6,486,077
Retained earnings		(31,580,550)	(28,725,856)
<b>Total equity</b>		<b>17,193,093</b>	<b>5,876,647</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	910,301	1,439,465
Lease liabilities	9	68,875	-
<b>Total current liabilities</b>		<b>979,176</b>	<b>1,439,465</b>
<b>Non-current liabilities</b>			
Lease liabilities	9	157,227	-
Provisions	13	169,670	290,000
<b>Total non-current liabilities</b>		<b>326,897</b>	<b>290,000</b>
<b>Total liabilities</b>		<b>1,306,073</b>	<b>1,729,465</b>
<b>Total equity and liabilities</b>		<b>18,489,166</b>	<b>7,606,112</b>

The notes on pages 39 to 51 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 8 July 2020.

MR. K JACKSON  
CHAIRMAN  
8 July 2020



# Consolidated Cash Flow Statement

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	Year ended 30 April	
	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Loss before taxation	(3,342,640)	(2,667,681)
<i>Adjustments for:</i>		
Amortisation	11,700	3,621
Depreciation	1,035,907	233,744
Equity settled share-based payments	233,786	264,250
Loss on disposal of plant, property and equipment	3,552	-
Financial expense/(income)	(2,107)	(25,800)
<b>Operating cash flow before changes in working capital, interest and taxes</b>	<b>(2,059,802)</b>	<b>(2,191,866)</b>
Decrease/(increase) in trade and other receivables	60,036	(518,637)
(Decrease)/increase in trade and other payables	(256,844)	357,472
Decrease in provisions	(120,330)	-
<b>Cash utilised by operations</b>	<b>(2,376,940)</b>	<b>(2,353,031)</b>
Tax received	314,734	316,922
<b>Net cash flow used in operating activities</b>	<b>(2,062,206)</b>	<b>(2,036,109)</b>
<b>Cash flows from investing activities</b>		
Interest received	12,406	25,800
Purchase of intangible assets	(53,995)	(24,983)
Purchase of property, plant and equipment	(1,202,855)	(971,443)
Sale of property, plant and equipment	12,595	-
Increase in other financial assets	(410,237)	(351,963)
<b>Net cash used in investing activities</b>	<b>(1,642,086)</b>	<b>(1,322,589)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of Ordinary Share capital	15,105,525	4,463,178
Cost of share issue	(934,385)	(316,419)
Lease payments	(76,526)	-
<b>Net cash from financing activities</b>	<b>14,094,614</b>	<b>4,146,759</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,390,322</b>	<b>788,061</b>
Cash and cash equivalents at the start of the period	3,599,216	2,811,155
Cash and cash equivalents at the end of the period	13,989,538	3,599,216

The notes on pages 39 to 51 form part of these financial statements.

## 38 Consolidated Statement of Changes in Equity

	Share capital £	Share premium account £	Capital restructuring reserve £	Retained earnings £	Total attributable to equity holders of parent £
<b>As at 30 April 2018</b>	789,911	23,179,756	6,486,077	(26,669,347)	3,786,397
Share-based payment	-	-	-	264,250	264,250
Issue of shares	223,159	4,240,019	-	-	4,463,178
Cost of share issue	-	(316,419)	-	-	(316,419)
Loss and total comprehensive income	-	-	-	(2,320,759)	(2,320,759)
<b>As at 30 April 2019</b>	1,013,070	27,103,356	6,486,077	(28,725,856)	5,876,647
Adjustment in respect of adoption of IFRS 16	-	-	-	(574)	(574)
<b>As at 30 April 2019 (restated)</b>	1,013,070	27,103,356	6,486,077	(28,726,430)	5,876,073
Share-based payment	-	-	-	233,786	233,786
Issue of shares	378,787	14,726,738	-	-	15,105,525
Cost of share issue	-	(934,385)	-	-	(934,385)
Loss and total comprehensive income	-	-	-	(3,087,906)	(3,087,906)
<b>As at 30 April 2020</b>	1,391,857	40,895,709	6,486,077	(31,580,550)	17,193,093

### 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.

The notes on pages 39 to 51 form part of these financial statements.



# Notes to the Consolidated Financial Statements

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## 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 Ilkka plc are shown on pages 52 to 56.

## 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.

In February 2020 the Company saw the emergence of Covid-19 and the impact of the subsequent lockdown on the Company's onsite operations. This has led to delays and a slowdown in the Company's production, research and development activities and associated income. The Company has continued to operate on a reduced basis throughout with reduced staffing, ensuring that it follows government guidance. Government support has been sought where required with the Job Retention Scheme used to cover the reductions in headcount.

The Directors have prepared and reviewed financial forecasts, including the anticipated impact of Covid-19. The Group meets its day-to-day working capital requirements through existing cash resources which, at 30 April 2020, amounted to €14,751,738 (2019: €3,951,179). After due consideration of these forecasts and current cash resources, the Directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

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 /FRS 16 – Leases

The Group adopted IFRS 16 with effect from 1 May 2019 and the accounting policy is detailed in note 9. This has resulted in the lease for the property from which the Group trades being brought onto the Balance Sheet, as both a right-of-use asset and a lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated and the liability increased for the accretion of interest and reduced by lease payments.

No other new standards, interpretations and amendments adopted in the year have had a material impact on the Group. (b) New standards, amendments to standards or interpretations not yet applied  
There are no new standards, interpretations or amendments not yet applied which the Directors anticipate will have a material impact on the Group.

## TURNOVER

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

Sales of goods  
Sales of Stereax batteries are recognised upon despatch to the customer at which point they have an obligation to pay in full and as such control is considered to transfer at that point. Invoices are raised at the point purchase orders are made and subsequently upon delivery.

Sales of services

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

## 40 Notes to the Consolidated Financial Statements

### 1 ACCOUNTING POLICIES CONTINUED

#### Government grants

Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Submissions are made for pre-arranged time periods with timing differences recognised within accrued or deferred income.

#### FINANCIAL INCOME

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

#### PENSION AND OTHER POST-RETIREMENT BENEFITS

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

#### SHARE-BASED PAYMENT TRANSACTIONS

The Group issues equity-settled share options to all employees. Equity-settled share options are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share options is expensed on a straight-line basis over the vesting period. At each period end the Directors re-assess the impact of non-market conditions and adjust the estimated share-based payment appropriately.

The fair value of 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. Where required market-based vesting and other conditions are also considered in determining the fair value of new options granted in the year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

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

Prior to the year ended 30 April 2020, no development expenditure satisfied all of these conditions. £45,943 of development expenditure has been capitalised in the year as a result of the conditions being met in respect of the Stereax battery project and the sales made in the year. This capitalisation commenced in April 2020.

#### TAXATION

Companies within the Group may be entitled to claim special tax allowances under the SME scheme in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the group and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable. Where companies are loss-making the company claims tax credits on their surrenderable losses, with an appropriate receivable recognised. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Tax credits claimed under the RDEC scheme are accounted for under IAS 20 as government grants in line with the accounting policy noted above.

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

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

#### FOREIGN CURRENCY

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

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

**IMPAIRMENT**

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

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

**LEASES**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less.

IFRS 16 was adopted on 1 May 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 May 2019, see note 9. The following policies apply subsequent to the date of initial application.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes: amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease, initial direct costs incurred, and the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

**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.

**Development expenditure**

Development expenditure is capitalised at cost and is amortised to administrative expenses on a straight-line basis over its useful economic life of 10 years.

## 42 Notes to the Consolidated Financial Statements

### 1 ACCOUNTING POLICIES CONTINUED

#### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets are all carried at amortised cost. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS9 using a provision matrix in the determination of the lifetime expected credit losses. The Group's financial liabilities are all classified as 'other' liabilities which are carried at amortised cost. Cash and cash equivalents comprise cash balances and call deposits. Deposits of over three months' maturity, judged at inception, are classified as Other Financial Assets.

#### PROVISIONS

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

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

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

#### KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses at the date of the Group's financial statements. The Group's estimates and judgments 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 solid state batteries. 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 (with the UK further split out below).

	Year ended 30 April	
	2020 £	2019 £
<b>Turnover</b>		
Analysis by geographical market:		
<i>By destination</i>		
Asia	12,831	66,230
Europe	69,870	-
North America	68,530	3,163
UK	2,689,417	2,520,343
	<b>2,840,648</b>	<b>2,589,736</b>

An analysis of turnover by type, demonstrating the changing focus of management from sales of services to sales of goods, is as follows:

	Year ended 30 April	
	2020 £	2019 £
<b>Turnover</b>		
Goods	367,003	-
Services	-	345,307
UK grants	2,473,645	2,244,429
	<b>2,840,648</b>	<b>2,589,736</b>

Customers might individually account for more than 10 percent of the total turnover of the Group. The turnover from these companies are indicated below:

	Year ended 30 April	
	2020 £	2019 £
<b>Turnover</b>		
UK grants	2,473,645	2,244,429
Customers less than 10 percent	367,003	345,307
	<b>2,840,648</b>	<b>2,589,736</b>

**3 OPERATING LOSS**

	Year ended 30 April	
	2020 £	2019 £
<b>This is arrived at after charging:</b>		
Research and development expenditure in the year	2,281,702	2,080,264
Depreciation of property, plant and equipment	971,896	233,744
Depreciation of right-of-use assets	64,011	-
Amortisation of intangible assets	11,700	3,621
Auditors remuneration:		
Fees payable to the Group's auditor for the audit of the Group's accounts	24,200	23,200
Fees payable to the Group's auditor for other services:		
- the audit of the Group's subsidiaries	7,800	6,800
Short-term lease expenses	123,422	-
Operating lease rentals	-	227,638
Share-based payment	233,786	264,250

**4 EMPLOYEES**

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

	Year ended 30 April	
	2020 Number	2019 Number
Administration	4	5
Materials synthesis	41	39
	45	44

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

	Year ended 30 April	
	2020 £	2019 £
Wages and salaries	2,348,026	2,182,710
Social security costs	276,758	244,577
Share-based payment expense	233,786	264,250
Pension costs	154,518	149,601
	3,013,088	2,841,138

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

	Year ended 30 April	
	2020 £	2019 £
Wages and salaries	614,951	641,600
Pension costs	32,109	48,049
Directors' emoluments	647,060	689,649
Social security costs	80,443	81,946
Share-based payment expense	179,984	222,535
Key management personnel	907,487	994,130

The Directors represent key management personnel and further details are given in the Directors' Remuneration Report on pages 27 to 29.

## 44 Notes to the Consolidated Financial Statements

### 5 TAXATION

#### (A) TAX ON LOSS FROM ORDINARY ACTIVITIES

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

	Year ended 30 April	
	2020 £	2019 £
R&D tax credits	300,000	360,000
Adjustments to prior period	(45,266)	(13,078)
	<b>254,734</b>	<b>346,922</b>

#### (B) FACTORS AFFECTING CURRENT TAX CHARGE

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 19 percent (2018: 19 percent). The differences are reconciled below:

	2020 £	2019 £
Loss on ordinary activities before tax	(3,342,640)	(2,667,681)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19 percent (2019: 19 percent)	(635,645)	(506,871)
Effects of:		
Expenses not deductible for corporation tax	44,741	50,390
R&D relief	(130,815)	(147,139)
Origination of unrecognised tax losses	421,219	243,620
Adjustments to prior period	45,266	13,078
<b>Total tax credit for the year</b>	<b>(254,734)</b>	<b>(346,922)</b>

#### Unrecognised deferred taxation

There are tax losses available for carry forward against future trading profits of approximately £25,981,000 (2019: £23,810,000). A deferred tax asset in respect of these losses of approximately £4,936,000 (2019: £4,048,000) has not been recognised in the accounts, as the full utilisation of these losses in the foreseeable future is uncertain.

### 6 LOSS PER SHARE

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

	Year ended 30 April	
	2020 Number	2019 Number
Weighted average number of equity shares	104,645,940	95,789,335
	£	£
Earnings, being loss after tax	(3,087,906)	(2,320,759)
	Pence	Pence
Loss per share	(2.95)	(2.42)

The loss attributable to Ordinary Shareholders and weighted average number of Ordinary Shares for the purpose of calculating the diluted earnings per Ordinary Share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per Ordinary Share and is therefore not dilutive. At 30 April 2020, there were 9,199,082 options outstanding (2019: 7,583,438) as detailed in notes 15 and 18.

## 7 INTANGIBLE ASSETS

	Development expenditure £	Software licences £	Intellectual property £	Total £
<b>Cost</b>				
As at 30 April 2018	-	42,197	75,000	117,197
Additions	-	24,983	-	24,983
Disposals	-	(12,140)	-	(12,140)
<b>As at 30 April 2019</b>	-	55,040	75,000	130,040
Additions	45,943	8,052	-	53,995
<b>As at 30 April 2020</b>	45,943	63,092	75,000	184,035
<b>Amortisation</b>				
As at 30 April 2018	-	39,744	75,000	114,744
Provided for the year	-	3,621	-	3,621
Disposals	-	(12,140)	-	(12,140)
<b>As at 30 April 2019</b>	-	31,225	75,000	106,225
Provided for the year	-	11,700	-	11,700
<b>As at 30 April 2020</b>	-	42,925	75,000	117,925
<b>Net book value</b>				
As at 30 April 2018	-	2,453	-	2,453
As at 30 April 2019	-	23,815	-	23,815
<b>As at 30 April 2020</b>	<b>45,943</b>	<b>20,167</b>	<b>-</b>	<b>66,110</b>

The amortisation charge of £11,700 (2019: £3,621) is included within administrative expenses.

## 8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
As at 30 April 2018	601,474	4,817,820	168,735	5,588,029
Additions	-	1,383,135	628	1,383,763
<b>As at 30 April 2019</b>	601,474	6,200,955	169,363	6,831,792
Additions	47,918	870,737	11,880	930,535
Disposals	(601,474)	(2,387,503)	(119,904)	(3,108,881)
<b>As at 30 April 2020</b>	47,918	4,684,189	61,339	4,793,446
<b>Depreciation</b>				
As at 30 April 2018	575,644	4,267,719	166,563	5,009,926
Provided for the year	13,367	219,540	837	233,744
<b>As at 30 April 2019</b>	589,011	4,487,259	167,400	5,243,670
Provided for the year	15,598	953,064	3,234	971,896
Disposals	(597,922)	(2,374,908)	(119,904)	(3,092,734)
<b>As at 30 April 2020</b>	6,687	3,065,415	50,730	3,122,832
<b>Net book value</b>				
As at 30 April 2018	25,830	550,101	2,172	578,103
As at 30 April 2019	12,463	1,713,696	1,963	1,728,122
<b>As at 30 April 2020</b>	<b>41,231</b>	<b>1,618,774</b>	<b>10,609</b>	<b>1,670,614</b>

There are £109,500 commitments for capital expenditure contracted but not provided for (2019: £nil).

## 46 Notes to the Consolidated Financial Statements

### 9 LEASES

The Group has an operating lease for its premises in Romsey, Southampton. Under IFRS 16, which was adopted on 1 May 2019, this operating lease is accounted for by recognising a right-of-use asset and a lease liability. The cumulative transitional impact is recognised by way of an adjustment to the opening balance of retained earnings. There has been no restatement of the comparative figures. For an explanation of the transitional requirements applied as at 1 May 2019 see note 19.

The lease liability has been measured at the present value of the contractual payments due to the lessor over the lease term using an incremental borrowing rate of 4 percent, which is the Group's estimate of the discount rate applicable to a property lease. The lease term has been determined to be 5 years, as this is the non-cancellable period before the Group has the option of a break. There is no reasonable certainty that the lease will continue beyond this point.

The right-of-use asset has been initially measured at the amount of the lease liability. Subsequent to initial measurement the lease liability increases as a result of interest charged at a constant rate on the balance outstanding and are reduced for any lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

Right-of-use assets	Land and buildings £
<b>Cost</b>	
As at 1 May 2019	320,053
As at 30 April 2020	320,053
<b>Depreciation</b>	
As at 1 May 2019	16,002
Provided for the year	64,011
As at 30 April 2020	80,013
<b>Net book value</b>	
As at 1 May 2019	304,051
As at 30 April 2020	240,040
	Land and buildings £
<b>Lease liabilities</b>	
As at 1 May 2019	292,329
Cash flows:	
Lease payments	(76,526)
Non-cash items:	
Interest expense	10,299
As at 30 April 2020	226,102
<b>Maturity analysis of lease payments as at 30 April 2020:</b>	£
0-3 months	19,131
3-12 months	57,394
Due in less than one year	76,525
1-2 years	60,583
2-5 years	105,397
Lease payments	242,505



## 10 TRADE AND OTHER RECEIVABLES

	As at 30 April	
	2020 £	2019 £
Trade receivables	16,072	24,094
Prepayments	236,976	317,625
Other receivables	335,960	476,016
Accrued income	881,656	725,261
	<b>1,470,664</b>	<b>1,542,996</b>

The ageing of trade receivables is as follows:

	As at 30 April	
	2020 £	2019 £
0-29 days	-	-
30-59 days	16,072	24,094
	<b>16,072</b>	<b>24,094</b>

Included in other receivables is an amount of £150,000 (2019: £150,000) which represents cash held in a separate bank account used as security against a bond provided by the Company's bankers (refer note 13). The bond relates to the dilapidations costs which were due at the end of the Company's property lease. These works were largely complete as at 30 April 2020.

The accrued income of £881,656 (2019: £725,261) relates to performance obligations satisfied but not invoiced, all of which is due to be settled within the next twelve months. The increase in accrued income is due to the level of grants under way at the current year end compared to the previous year.

## 11 CASH AND CASH EQUIVALENTS

	As at 30 April	
	2020 £	2019 £
Current bank accounts	3,989,538	833,326
Short-term deposits with less than three months' maturity	10,000,000	2,765,890
	<b>13,989,538</b>	<b>3,599,216</b>

## 12 TRADE AND OTHER PAYABLES

	As at 30 April	
	2020 £	2019 £
Trade payables	349,822	699,330
Other payables	23,738	36,183
Other taxes and social security costs	74,875	56,928
Accruals and deferred income	461,866	647,024
	<b>910,301</b>	<b>1,439,465</b>

The ageing of financial liabilities is as follows:

	As at 30 April	
	2020 £	2019 £
0-29 days	430,340	1,203,615
30-59 days	201,708	36,794
60-89 days	25,260	14,770
90+ days	178,138	127,358
	<b>835,446</b>	<b>1,382,537</b>

Within accruals and deferred income is deferred income of £71,000 (2019: £171,499) that represent unfulfilled performance obligations on grants and product sales to be satisfied in the next twelve months.

## 48 Notes to the Consolidated Financial Statements

### 13 PROVISIONS

	Leasehold Dilapidations £
As at 1 May 2019	290,000
Utilised	(120,330)
As at 30 April 2020	169,670

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The release in the year is in respect of work carried out to hand back an existing leased premise in the year.

### 14 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 twelve 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 and are categorised as floating-rate financial assets. Contracts in place at 30 April 2020 had a weighted average period to maturity of 55 days (2019: 35 days) and a weighted average annualised rate of interest of 0.2 percent (2019: 0.8 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 2020 by approximately £12,000 (2019: £26,000).

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 2020 by approximately £15,000 (2019: £30,000).

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

#### CAPITAL MANAGEMENT

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

15 SHARE CAPITAL

As at 30 April

	2020	2019
	£	£
<b>Authorised</b>		
138,597,312 (2019: 100,718,600) Ordinary Shares of £0.01 each	1,385,973	1,007,186
1,781,400 Convertible Preference Shares of £0.01 each	17,814	17,814
<b>Allotted, called up and fully paid</b>		
138,597,312 (2019: 100,718,600) Ordinary Shares of £0.01 each	1,385,973	1,007,186
588,400 Convertible Preference Shares of £0.01 each	5,884	5,884
	<b>1,391,857</b>	<b>1,013,070</b>

SHARE RIGHTS

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

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

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

On 26 and 27 March a total of 337,760,866 Ordinary Shares of £0.01 each were issued for a total consideration of £15,104,346 and costs incurred were £934,385.

On 17 September and 1 April, 60,000 and 57,846 options respectively were exercised over Ordinary Shares of £0.01 each.

SHARE OPTIONS

Employee related share options are disclosed in note 18.

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 £154,518 (2019: £149,601). Included within other creditors is £17,910 (2019: £18,679) relating to outstanding pension contributions.

17 RELATED PARTY TRANSACTIONS

The Directors consider that no one party controls the Group.

Details of key management personnel and their compensation are given in note 4 and in the Directors' Remuneration Report on pages 27 to 29.

# 50 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 2020, 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
14/05/10	20,300	10 years	£0.51
01/02/12	30,798	10 years	£0.53

Unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
14/05/10	1,782,600	10 years	£0.51

### BLACK-SCHOLES VALUATION

	Weighted average exercise price		Number	
	2020 £	2019 £	2020	2019
Outstanding:				
At start of the period	0.1912	0.2856	5,730,438	4,806,499
Granted in the period	0.1461	0.0736	3,287,970	3,511,393
Exercised in the period	0.0100	-	(117,846)	-
Lapsed in the period	0.4774	0.2069	(1,504,380)	(2,587,454)
At the end of the period	0.1158	0.1912	7,396,182	5,730,438

The exercise price of options outstanding at the end of the period ranged between £0.01 and £0.53 and their weighted average contractual life was 9.1 years (2019: 8.9 years). These share options are exercisable and must be exercised within 10 years from the date of grant.

### STOCHASTIC VALUATION

	Weighted average exercise price		Number	
	2020 £	2019 £	2020	2019
Outstanding:				
At start of the period	0.51	0.51	1,853,000	1,921,000
Lapsed during the period	0.51	0.51	(50,100)	(68,000)
At the end of the period	0.51	0.51	1,802,900	1,853,000

The exercise price of options outstanding at the end of the period was £0.51 (2019: £0.51) and their weighted average contractual life was 1 year (2019: 2 years).

### ILIKA PLC EXECUTIVE SHARE OPTION SCHEME 2010

At 30 April 2020 the following share options were outstanding in respect of the Ilika plc Executive Share Option Scheme 2010:

Date of grant	Number of shares	Period of option	Exercise price per share
14/05/10	20,300	10 years	£0.51
01/02/12	30,798	10 years	£0.53
08/02/18	700,000	10 years	£0.21
24/01/19	1,042,000	10 years	£0.182
09/07/19	338,983	10 years	£0.295
19/03/20	1,371,600	10 years	£0.255

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.

1,488,380 options lapsed in the year.

**ILIKA PLC UNAPPROVED SHARE OPTIONS**

At 30 April 2020 the following share options were outstanding in respect of Ilika plc unapproved share options:

Date of grant	Number of shares	Period of option	Exercise price per share
14/05/10	1,782,600	10 years	£0.51
15/08/17	122,021	10 years	£0.01
24/01/19	2,213,393	10 years	£0.01
29/08/19	331,947	10 years	£0.01
26/3/20	1,185,440	10 years	£0.01
26/3/20	60,000	10 years	£0.255

66,100 options lapsed in the year and 117,846 options were exercised.

There are 1,833,698 options which were capable of being exercised as at 30 April 2020.

	2020 £	2019 £
Share-based payment expense		
Black-Scholes calculation	<b>233,786</b>	264,250

**19 EFFECTS OF CHANGES IN ACCOUNTING POLICIES**

The Group adopted IFRS 16 with a transition date of 1 May 2019. The Group has chosen not to restate comparatives on adoption and therefore the revised requirements are not reflected in the prior year financial statements and have been processed at their initial date of application at 1 May 2019 and recognised in the opening equity balances.

**TRANSITION METHOD**

The Group adopted IFRS 16 using the modified retrospective approach, with the recognition of transitional adjustments on the date of initial application (1 May 2019), without restatement of comparative figures.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group has recognised a right-of-use asset and lease liabilities for the lease of its premises. However, the Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a lease term of twelve months or less.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 May 2019:

	As originally presented £	IFRS 16 £	1 May 2019 £
Right-of-use assets	-	304,051	304,051
Lease liabilities	-	(292,329)	(292,329)
Prepayments	46,818	(12,296)	35,522
Retained earnings	(28,725,856)	(574)	(28,726,430)

The following table reconciles the minimum lease commitments disclosed in the Group's 30 April 2019 financial statements to the amount of lease liabilities recognised on 1 May 2019:

	£
Minimum operating lease commitments at 30 April 2019	397,076
Short-term leases not recognised under IFRS 16	(65,814)
Effect of discounting using incremental borrowing rate at date of initial application	(38,933)
Lease liability as at 1 May 2019	292,329

# 52 Company Balance Sheet of Ilika plc

Company number 7187804

	Notes	As at 30 April	
		2020 £	2019 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertaking	22	38,229,684	28,229,684
Amount due from subsidiary undertaking	24	4,316,596	81,229
		<b>42,546,280</b>	<b>28,310,913</b>
<b>Current assets</b>			
Trade and other receivables	23	41,007	24,609
<b>Total assets</b>		<b>42,587,287</b>	<b>28,335,522</b>
<b>Equity</b>			
Issued share capital		1,391,857	1,013,070
Share premium		40,874,920	27,082,567
Retained earnings		257,456	220,697
		<b>42,524,233</b>	<b>28,316,334</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	25	63,054	19,188
<b>Total liabilities</b>		<b>63,054</b>	<b>19,188</b>
<b>Total equity and liabilities</b>		<b>42,587,287</b>	<b>28,335,522</b>

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 £197,027 (2019: loss of £225,442).

The notes on pages 55 to 56 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 8 July 2020.

MR. K JACKSON  
CHAIRMAN  
8 July 2020



# Company Cash Flow Statement

	Year ended 30 April	
	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Loss before tax	(197,027)	(225,442)
Adjustments for:		
Equity settled share-based payments	233,786	264,250
<b>Operating cash flow before changes in working capital, interest and taxes</b>	<b>36,759</b>	<b>38,808</b>
Increase in trade and other receivables	(16,398)	(14,490)
Increase/(decrease) in trade and other payables	43,866	(123,682)
<b>Cash generated from/(utilised by) operations</b>	<b>64,227</b>	<b>(99,364)</b>
<b>Cash flows from investing activities</b>		
Increase in amounts due from subsidiary undertaking	(4,235,367)	(47,395)
Investment in subsidiary company	(10,000,000)	(4,000,000)
<b>Net cash used in investing activities</b>	<b>(14,235,367)</b>	<b>(4,047,395)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of Ordinary Share capital	15,105,525	4,463,178
Costs of share issue	(934,385)	(316,419)
<b>Net cash from financing activities</b>	<b>14,171,140</b>	<b>4,146,759</b>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the start of the period	-	-
Cash and cash equivalents at the end of the period	-	-

The notes on pages 55 to 56 form part of these financial statements.

## 54 Company Statement of Changes in Equity

	Share capital £	Share premium account £	Retained earnings £	Total attributable to equity holders £
<b>As at 30 April 2018</b>	789,911	23,158,967	181,889	24,130,767
Issue of shares	223,159	4,240,019	-	4,463,178
Costs of issue	-	(316,419)	-	(316,419)
Share-based payment	-	-	264,250	264,250
Profit and total comprehensive income	-	-	(225,442)	(225,442)
<b>As at 30 April 2019</b>	1,013,070	27,082,567	220,697	28,316,334
Issue of shares	378,787	14,726,738	-	15,105,525
Costs of issue	-	(934,385)	-	(934,385)
Share-based payment	-	-	233,786	233,786
Profit and total comprehensive income	-	-	(197,027)	(197,027)
<b>As at 30 April 2020</b>	1,391,857	40,874,920	257,456	42,524,233

### 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.

The notes on pages 55 to 56 form part of these financial statements.



# Notes to the Financial Statements

## 20 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 £38.2 million (2019: £28.2 million). In assessing the carrying value of this asset for impairment, the Directors have exercised judgement in estimating its recoverable amount. The determination of the valuation for this asset is based on the discounted estimated future cash flows generated from out-licensing transactions. The valuation is derived from a financial model that evaluates a range of potential outcomes from what are considered the key variables, including the probability of licensing agreements being signed, the expected licensing terms that will be negotiated and the anticipated revenues generated as a result. Given the level of headroom indicated by the impairment review, the discount rate assumption is not considered to be sufficiently sensitive to change to impact the conclusion of the review.

### 21 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 27 to 29, which are ascribed as forming part of these financial statements.

### 22 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 £2,890,816 (2019: £2,095,380) and had net assets as at 30 April 2019 of £12,898,544 (2019: £5,789,934).

	2020 £	2019 £
Shares in Group undertakings (at cost)		
At 1 May	28,229,684	24,229,684
Additions	10,000,000	4,000,000
At 30 April	38,229,684	28,229,684

The registered address of Ilika Technologies Limited is Unit 10a, The Quadrangle, Premier Way, Abbey Industrial Park, Romsey, SO51 9DL.

During the year, the Company converted inter-company receivables of £10,000,000 into Ordinary Shares in its subsidiary, Ilika Technologies Limited.

## 56 Notes to the Financial Statements

### 23 TRADE AND OTHER RECEIVABLES

	2020 £	2019 £
Other receivables	22,150	6,249
Prepayments	18,857	18,360
	<b>41,007</b>	<b>24,609</b>

### 24 AMOUNT DUE FROM SUBSIDIARY UNDERTAKING

	2020 £	2019 £
Ilika Technologies Limited	4,316,596	81,229

### 25 TRADE AND OTHER PAYABLES

	2020 £	2019 £
Trade payables	50,054	13,188
Accruals	13,000	6,000
	<b>63,054</b>	<b>19,188</b>

### 26 RELATED PARTY TRANSACTIONS

During the year the Company recharged costs totalling £194,592 (2019: £110,182) 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 27 to 29.

The Directors consider that no one party controls the Company.

### 27 FINANCIAL INSTRUMENTS

#### CREDIT RISK

The Company's credit risk is attributable to its receivable of £4,316,596 from its subsidiary undertaking, Ilika Technologies Limited. As at 30 April 2020, Ilika Technologies Limited had net assets of £12.9 million. The Company makes no allowance for impairment of this balance. Impairment is considered by management based on prior experience, current market and 3rd-party intelligence while considering the current economic environment.

# Corporate directory

<b>COMPANY NUMBER</b>	7187804
<b>DIRECTORS</b> Executive	Graeme Purdy Professor Brian Hayden Steve Boydell
Non-Executive	Professor Keith Jackson (Chairman) Jeremy Millard Monika Biddulph
<b>SECRETARY</b>	Steve Boydell
<b>REGISTERED OFFICE</b>	Unit 10a, The Quadrangle, Premier Way, Romsey, SO51 9DL
<b>WEBSITE</b>	<a href="http://www.ilika.com">www.ilika.com</a>
<b>ADVISERS</b> Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL
Nominated adviser and broker	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Public relations	Walbrook PR Limited 4 Lombard Street London EC3V 9HD
Remuneration consultants	FIT Remuneration Consultants LLP 5 Fitzhardinge Street London W1H 6ED