Ilika plc

Reg: 07187804

ilika

# Powering **the future**

Annual Report and Accounts 2021

ilika

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

"We are pioneers in solid state battery technology."

# FINANCIAL HIGHLIGHTS

**Turnover**

£2.3m

(2020: £2.8m)

**EBITDA loss adjusted for share-based payments for the year**

£2.3m

(2020: £2.1m)

**Loss per share**

2.53p

(2020: 2.95p)

**Cash, cash equivalents and bank deposits of**

£9.8m

(2020: £14.8m)

# OPERATIONAL HIGHLIGHTS

Ilika has continued to develop and commercialise its thin-film Stereax® miniature solid state batteries for powering medical devices and industrial wireless sensors ('IIoT') in hostile environments, as well as progressing its development of large format Goliath cells for electric vehicles ('EV') and cordless appliances.

**Progress includes:**

- Achieved substantial progress towards completion of manufacturing facility for Stereax batteries to support 70x increase in production capacity
- Progressed factory acceptance tests for key Stereax manufacturing tools
- Sold Stereax evaluation samples to a portfolio of 16 MedTech and IIoT customers from pilot line
- Continued with the execution of a portfolio of 3 collaborative projects supported by the UK Government's Faraday Battery Challenge, supported by £5.2m grant funding enabling work on rapid charging with Honda and Ricardo, battery packs for high performance vehicles with McLaren and cost-effective routes for the mass production of Goliath cells with Jaguar Land Rover
- Strengthened senior management team through appointment of Paul Marron to new position of Technology Transfer and Manufacturing Director, to oversee implementation of the Stereax manufacturing facility
- Signed a framework agreement with the UK Battery Industrialisation Centre ('UK-BIC') for the production of Goliath pouch cells, targeting a growth in production from 1kWh per week to 5MWh per week by 2024
- Commenced a collaboration with Comau, part of the Fiat Group, to scale up Ilika's existing Goliath pre-pilot line and deliver a plant design for a manufacturing line at a facility such as the UK-BIC
- Grew patent portfolio with a further 4 granted patents in 4 jurisdictions

# Moving into the next phase of Stereax® commercialisation

## KEITH JACKSON

NON-EXECUTIVE CHAIRMAN

"Rising and responding to challenges, minimising impact, and finding new ways to solve problems."

### Outlook

Ilika has an intensive period of operational implementation ahead of it for the remainder of this financial year and into next year as it deploys the capital it raised in March 2020 to establish a manufacturing facility for Stereax to satisfy the demand from our medical and IIoT customers. The technical maturity of Goliath is expected to continue to rise as prototype cell performance continuously improves. Ilika is looking to accelerate its plans for the scale-up of its Goliath technology such that it can reach a point of manufacturing readiness. These plans would require additional financing to realise, with potential sources of financing including additional government grant funding, equity financing and investment from strategic partners. The Board's confidence continues to build in the commercial opportunity for Ilika's technology across the large markets it addresses and this will provide a strong platform for future growth.

## 2020/21

KEY MILESTONES FOR THE GROUP

→

## Q1

**Stereax pilot line based at the University of Southampton reopened**
With many employees working remotely during the COVID-19 pandemic, business momentum continued for Stereax miniature solid state batteries. As soon as access was possible the pilot line was re-opened after a 3-month shutdown.

## Q2

**Stereax manufacturing progress**
Long lead time items ordered:

- Tool 1, a custom-designed evaporation tool for the rapid deposition of cathode materials for Ilika's Stereax batteries
- Tool 2, which deposits the remaining battery layers on top of the cathode
- Strengthened the Company's senior management team by appointing Paul Marron to the newly created position of Technology Transfer Director, to oversee the implementation of Ilika's process at FAB scale.

**Framework agreement with the UK Battery Industrialisation Centre**

- Signed a framework agreement with the UK-BIC in support of its scale-up of the Goliath solid state pouch cells.

**Results**

A good development team is used to rising and responding to challenges, minimising impacts, and finding new ways to solve problems. The Ilika team has done just that, showing agility and calm resourcefulness to make excellent progress in the face of the challenges raised by the COVID -19 pandemic. Setting up the Stereax manufacturing facility has been done with the same fast pace that was achieved last year for the Goliath pilot line. We are now ready for final delivery and commissioning of the equipment on site. Once installed, we can ramp up the rate of innovation and delivery of products to our customers.

The Goliath pilot line has been worked hard over the last year to optimise cell chemistry and architecture and, even more importantly, to define the manufacturing processes and methods that are repeatable and commercially viable at scale.

We have delivered a number of technical breakthroughs in the year with component performance closing nicely on the design goals. The team is now confident enough to be planning the mid-scale manufacturing of Goliath cells, to validate the manufacturing design and to service potential customers.

Our technology goals are challenging but they focus on one of the most important and valuable areas for the future of the environment and the way we live. We are well placed to address an exciting market opportunity. We are making good progress technically and structurally in our business and we have a management team which rises to challenges and inspires its staff.

KEITH JACKSON
NON-EXECUTIVE CHAIRMAN
5 July 2021

## People

We recognise that much of the value of our business resides in intellectual property created by our employees. Our policies are designed to provide employment rights and equal opportunities, with particular reference to non-discrimination on the basis of gender, age, marital status, disability or sexual orientation.

## Values

In delivering good value for the Company and its stakeholders, Ilika applies a positive and systematic approach to environmental and social issues that impact our business.

## Culture

As a technology innovator, we place emphasis on agility and speed of execution. We continue to implement many changes within the business in support of our ethos of continuous improvement.

## Q3

**In-house Stereax manufacturing confirmed**
Having fully compared the benefits and risks of installing the key equipment needed for Stereax production in different locations around the world, the Company demonstrated that the most efficient and cost-effective solution is to establish its own manufacturing operation.

## Q4

**Stereax manufacturing facility progress**
Completed a lease on a 1,650m² FAB within 4 miles of Ilika's headquarters.

Awarded outfitting contract for the construction of the cleanroom facilities within the FAB to house the Stereax manufacturing line.

**Goliath manufacturing design collaboration with Comau**
Collaboration with Comau, part of the Fiat Group, and a world leader in the industrial automation field, to scale up Ilika's existing Goliath pre-pilot line and deliver a plant design for a Goliath manufacturing line at a mega-scale facility in a project supported by the Advanced Propulsion Centre.

# **Why** solid state batteries?

**Ultra compact:** occupies half the volume of Li-ion, enabling smaller battery pack design

**High temperature:** operates at up to 150°C, opening industrial markets traditional Li-ion can't support

**Fast charging:** charges 6x faster than Li-ion, meaning appliances and electric vehicles ('EVs') could charge in 10 minutes vs an hour



## Stereax®

**Our Stereax customisable solid state batteries can be miniaturised at mm-scale for powering next-generation Active Implanted Medical Devices ('AIMD') or IIoT sensors. Exciting developments are happening now with AIMDs and the unstoppable trend for miniaturisation to improve the patient experience and reduce costs for healthcare organisations and insurers.**

### **Application areas** - MedTech

Using miniature mm-scale devices:

ORTHOPAEDIC: sensors embedded in joint replacements to monitor post-operative physiotherapy to improve patient outcomes

NERVE STIMULATION: stimulating the peripheral nervous system with nano-amp currents to offer pain relief, offset involuntary muscle spasms or stimulate organs

SENSORS: blood pressure or biochemical monitoring

OPHTHALMIC: smart contact lenses, macular degeneration correction.

### **Application areas** - IIoT

Using a combination of miniature footprint and high-temperature resilience:

WAFER SENSE: calibrating operating conditions of semiconductor and micro-electromechanical systems ('MEMS') manufacturing processes to increase factory operating yield

WIND TURBINES: measuring vibration to avoid mechanical blade failure

INFRASTRUCTURE MONITORING: monitoring railway track buckling, bridge and gantry movement

PROCESS MONITORING: high-temperature processes in power stations, chemical plants and refineries.

# The **Environmental** benefits

**Conventional Li-ion:**

- Currently only 5% are recycled
- Environmentally harmful due to liquid electrolyte toxicity and risk of fire and explosions
- Cannot be landfilled or incinerated

**Solid state batteries:**

- No risk of explosion from electrolyte
- Common process technologies available for recycling
- Oxide electrolytes low risk to recycle



# Goliath

**Our Goliath solid state cells are a safe alternative to the present electric vehicle batteries with the potential to achieve extended range and faster charging that will enable electric transportation to move to the next level.**

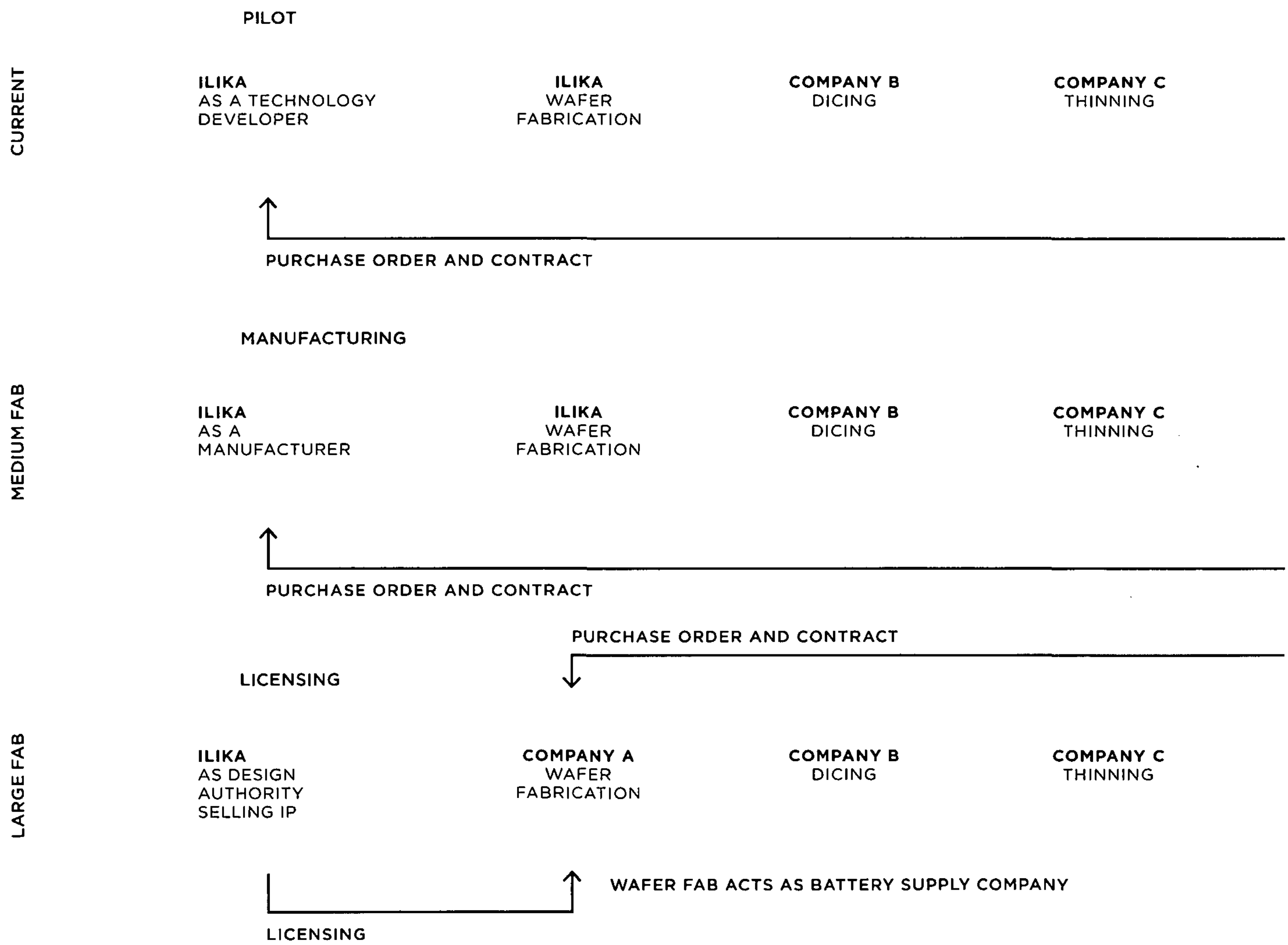
**Application areas** - Automotive

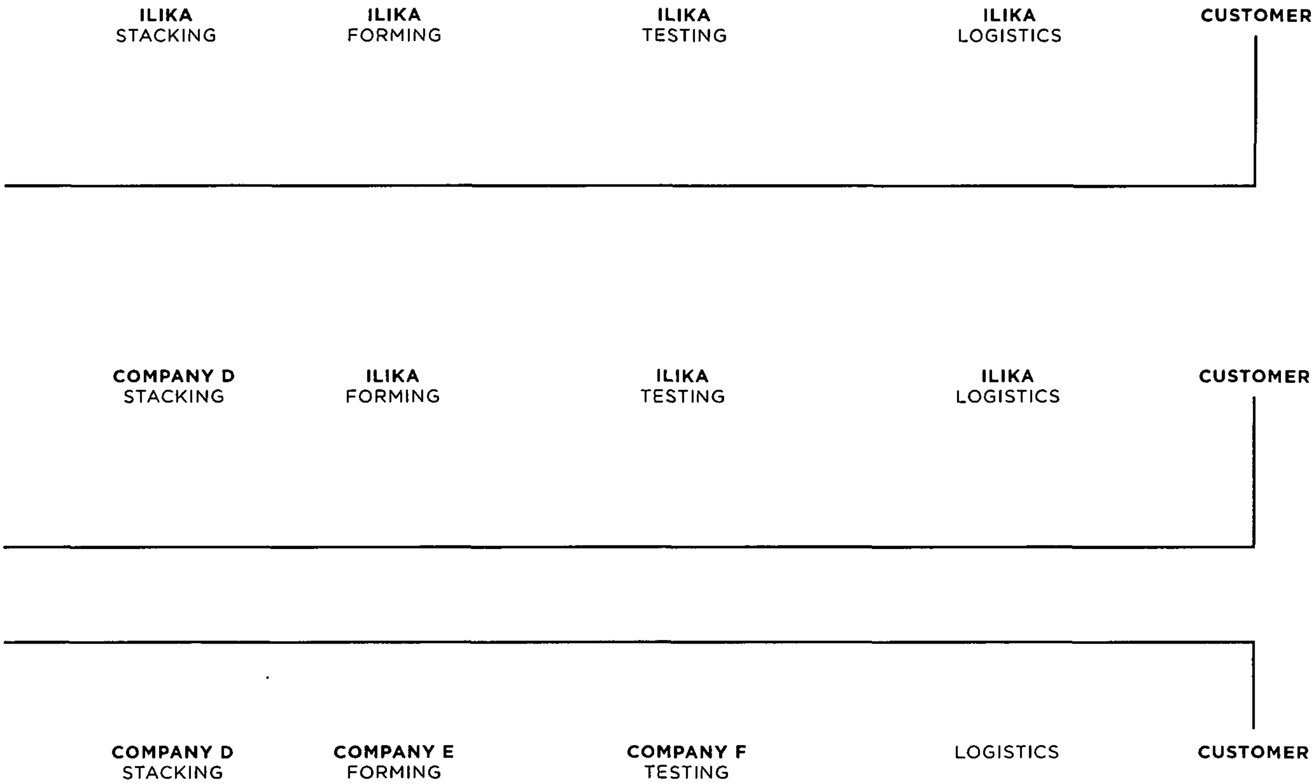
ELECTRIC VEHICLES
Automotive original equipment manufacturers ('OEMs'), such as Honda, McLaren and Jaguar Land Rover, are working with Ilika to understand the benefits of using Goliath cells in their designs. The high power density of the cells promises rapid charge times combined with the advantages 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.

## 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 and facilities to deliver a 70x increase in manufacturing capacity. Once demand grows beyond our capacity, we will make the technology available for licence by larger manufacturers.






In our manufacturing model we take orders and manufacture batteries on wafers, which we subsequently arrange to be diced and thinned before taking them back in house for stacking, forming and testing in preparation for shipping to customers.

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.

# Moving into the next phase of Stereax® commercialisation

**GRAEME PURDY**

CHIEF EXECUTIVE OFFICER

"Ilika has continued to pursue its strategy of developing and commercialising its cutting-edge solid state batteries."



## Principal activities

Ilika has continued to pursue its strategy of developing and commercialising its cutting-edge solid state batteries. The Company's mission is to rapidly develop leading-edge intellectual property ('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, which differentiates our products from existing batteries.

## Business strategy

The Group's revenue model involves 3 phases:

a) commercially funded and grant-funded development of small quantities of cells for customer evaluation on Company-operated pilot lines;

b) technology transfer to mid-scale manufacturing facilities to support initial commercialisation; and

c) licensing the technology, potentially into a joint venture ('JV'), for large volume production.

Ilika is currently transitioning its Stereax programme from the first phase to the second phase of commercialisation, with revenue being generated from a portfolio of development programmes and initial sales of evaluation samples from its Stereax pilot line. Commercial sales of Stereax are expected to commence in 2022. Ilika's Goliath programme is currently in the first commercial phase, where product development is being supported by grant-funded programmes and commercial collaborations.

Turnover

# £2.3m

(2020: £2.8m)

Loss per share

# 2.53p

(2020: 2.95p)

EBITDA loss adjusted for share-based payments for the year

# £2.3m

(2020: £2.1m)

## Introduction to 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 traditional lithium-ion batteries, including the following:

- Non-flammable, which eliminates the need for containment packaging
- 6x faster charging
- 2x increased energy density, making them half the volume and weight for a given electrical charge
- 10x longer storage without loss of charge.

Ilika has developed a roadmap and family of battery products, ranging from miniature solid state devices designed for powering wireless sensor applications (Industrial IOT) and medical devices to large format cells for automotive power.

### MINIATURE STEREAX BATTERIES

Ilika's miniature Stereax cells are differentiated from other solid state technology through their selection of materials and an efficient, low-temperature evaporation process that is capable of higher manufacturing rates than other existing solid state routes.

This results in the following benefits relative to previous solid state battery designs:

- Lower cost of manufacture through avoiding use of expensive sputtering targets
- Long cycle life through use of a silicon anode
- Less encapsulation required
- High-temperature resilience

The unique benefits of Stereax batteries have been optimised for medical implants and industrial applications. Miniature Stereax batteries can enable medical devices in a way that is currently not possible with conventional lithium-ion batteries. Their compact, high energy density, high power characteristics make them useful for a range of medical implant applications covering blood pressure monitoring to neuro-stimulation.

Industrial automation, or Industrial Internet of Things as it is sometimes referred to, requires low maintenance batteries with a long lifetime, sometimes in situations that require them to operate at elevated temperatures above those for which standard lithium-ion batteries are rated (typically 60°C).

# Stereax manufacturing scale-up and commercialisation

Ilika is currently manufacturing Stereax batteries on a pilot line. These batteries are being continuously improved for further enhancement of their properties, and also sold for customer evaluation. The ramping demand for Stereax batteries underpinned an over-subscribed £15m ($20m) equity placing, which the Company concluded in March 2020, in order to support the transfer of Stereax to a manufacturing facility, strengthen the balance sheet to meet working capital requirements and provide the option for investing in further growth in Stereax production capability, including implementing a dual source production capability in the future.

In November 2020, the Company concluded its assessment of various Stereax manufacturing options, which included manufacturing wafers of Stereax batteries at 3rd-party facilities as an alternative to establishing its own manufacturing operations. Having fully compared the benefits and risks of installing the key equipment needed for Stereax production in different locations around the world, the Company demonstrated that the most efficient and cost-effective solution would be to establish its own manufacturing operation. A suitable facility within 5 miles of Ilika's existing headquarters was quickly identified and a lease secured. Competitive tenders for the construction of a cleanroom within the facility were invited and a principal contractor was mobilised.

In order to access the best possible industrial experience and assist with the cultural change required to transition from a technology development to a manufacturing company, Ilika created and filled the new position of Technology Transfer and Manufacturing Director. Ilika appointed Paul Marron to this position and he is currently overseeing implementation of the Stereax manufacturing facility. At the time of writing this report, substantial progress has been made towards cleanroom completion.

The key Stereax production tools, which were ordered in 2020, are currently completing their factory acceptance tests prior to being shipped to site for installation in July 2021, with manufacturing commencing after equipment and process qualification activities in the second half of 2021. This will result in a 70x increase in Stereax production capacity by the end of the 2021 calendar year.

Once the technology transfer into its manufacturing facility has been achieved, Ilika's business model will continue to be to sell batteries, although some parts of the manufacturing workflow will be managed on an outsourced basis. A further step-up in production capacity with a larger manufacturing partner is expected to be required in the future, when a licensing model may be more appropriate.

### Stereax development partnerships

DEVELOPMENT PROGRAMMES

Ilika has sold evaluation samples from its pilot line to a portfolio of 16 customers from the MedTech and IIoT segments. We are actively working with these partners to integrate our product into their devices. We have successfully run a field trial for wind turbine condition monitoring with Titan Wind and the Offshore Renewable Energy Catapult. We have also developed a device for railway track strain monitoring with Network Rail.



## Q&A →

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

After detailed negotiations and analysis, Ilika demonstrated that the option of outfitting an Ilika-operated facility offers the lowest implementation risk and best financial return. Establishing its own manufacturing facility close to Ilika's current operating base in the UK will have the following advantages:

- Quickest route to product launch
- Control of implementation timelines and operations without being subject to 3rd party-imposed restrictions
- Improved operating margin at volume production
- Broader access to expertise of Ilika technical team
- Reduced risk of COVID-related travel restrictions delaying implementation

# Large format Goliath batteries

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 announced the opening of its new large format battery facility, the Goliath pilot line, in Romsey, UK to support its portfolio of industrial collaborations. On this pilot line, Ilika is developing low-cost printing processes suitable for forming batteries several orders of magnitude larger than miniature Stereax batteries.

Throughout this financial year, Ilika has been executing a portfolio of 3 collaborative projects supported by the UK Government's Faraday Battery Challenge. The projects are supported by £5.2m grant funding, enabling work on rapid charging with Honda and Ricardo, battery packs for high performance vehicles with McLaren and cost-effective routes for the mass production of Goliath cells with Jaguar Land Rover. Ilika is also engaging with manufacturers of cordless appliances, e.g. vacuum cleaners and beauty products, which can also benefit from some of the unique properties of solid state batteries.

## 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



# Developing Goliath solid state batteries

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.

# Stereax® scale-up moving ahead at full steam



**CASE STUDY**

Ilika is currently manufacturing Stereax batteries on a pilot line. These batteries are being continuously improved for further enhancement of their properties, and also sold for customer evaluation. The ramping demand for Stereax batteries underpinned an over-subscribed £15m ($20m) equity placing, which the Company concluded in March 2020, in order to support the transfer of Stereax to a manufacturing facility, strengthen the balance sheet to meet working capital needs.

# 70x manufacturing capacity increase

Following the successful placing, Ilika rapidly placed orders for the key equipment items, which form the cornerstone of the production facility. The facility is being built in a cleanroom environment to minimise dust contamination and maximise product yield. At the time of writing this Annual Report, the cleanroom is substantially complete, with all of the major services installed. The factory acceptance tests for the key equipment items have been completed and they are being crated and shipped for installation. On arrival, specialist vendor engineers will oversee equipment installation and train the Ilika operating staff. Throughout the remaining summer months, the process will be stabilised and qualified with a view to starting product batch production for product validation in Q4/2021. This product validation involves producing sufficient battery samples for highly accelerated life testing ('HALT') designed to enhance product reliability. We will also be carrying out failure modes and effects analysis ('FMEA') to increase process and product robustness. Our products will be manufactured to relevant industry standards, building on our ISO 9001 accreditation. Product sales are expected to commence in Q2/2022.

# Goliath manufacturing scale-up



**CASE STUDY**

As Goliath moves through the technology readiness levels, we are already detailing our scale-up strategy. The first step will be to increase the capacity of our existing Goliath pre-pilot line, upgrading the capacity of the equipment we have in order to provide an increased number of evaluation samples to our corporate partners. This capacity increase will increase capacity from 1 to 10 kWh/week by the end of 2022. In addition, we have entered into key partnerships with the UK-BIC and Comau.

# Capital-light scale-up

The collaboration with Comau, part of the Fiat Group, and a world leader in industrial automation, has 2 objectives. The first objective is to design the equipment and facilities to increase the capacity of Ilika's pre-pilot line from 1 to 10 kWh/week. The second objective is to deliver a plant design for a Goliath manufacturing line at a mega-scale facility like the UK-BIC. The UK-BIC is a £135m publicly funded facility in Coventry built to facilitate the scale-up of novel battery chemistries.

Ilika and the UK-BIC have entered into a framework agreement to facilitate Goliath scale-up. These manufacturing scale-up activities are running in parallel with Ilika's Goliath technology development to ensure Ilika can deliver its batteries to the global marketplace cost-effectively and within the quickest time frame.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE



### COVID-19 impact and response

In order to prioritise the safety of our staff, their families and our customers we are continuing to comply with UK government directives. For much of the reporting period, Ilika staff have avoided non-essential travel and maximised home-working. Any employees falling into at-risk categories and those showing COVID-19 symptoms have followed self-isolation procedures.

Throughout the lockdown periods, the Company's headquarters in Romsey, UK have remained open for those employees who needed 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 2020, the Company's Stereax pilot line temporarily closed and subsequently reopened in June 2020. We are deploying similar practices at this 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 back-log.

### Quality Management System

In November 2020, 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.

### Environmental management system

In March 2021, the Company received ISO 14001:2015 certification following an independent audit of its environmental management system. ISO 14001:2015 is part of a family of standards developed by the International Organisation for Standardisation. It specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance. The certification confirms that environmental impact is being continuously monitored and improved.

# 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 42 to 54. The consolidated financial statements are presented under international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements of the Company continue to be prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 and are set out on pages 55 to 59.

## Statement of comprehensive income

### Turnover

Turnover, all from continuing activities, for the year ended 30 April 2021 was £2.3m (2020: £2.8m). This includes £2.0m of grant income recognised from 7 projects that the Company has in progress with Innovate UK (2020: £2.5m from 9 projects).

Non-grant turnover in the year was £0.3m (2020: £0.4m). 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.

### Administrative expenses and losses for the period

Administrative costs for the year at £4.4m are in line with the £4.4m in 2020. £0.9m of development costs were capitalised in the year compared to £0.1m in 2020. The share-based payment charge increased from £0.2m in 2020 to £0.4m in 2021, due to a full year charge associated with the Long-Term Incentive Plan ('LTIP') award from March 2020 and an increased number of employees qualifying for the Company's share option scheme.

The underlying level of loss that is measured by Earnings Before Interest, Tax, Depreciation and Amortisation and Share-based payments (adjusted EBITDA) shows an increase in loss from £2.1m in 2020 to £2.3m in 2021.

## Statement of financial position and cash flows

At 30 April 2021, current assets amounted to £12.3m (2020: £16.5m), including net funds of £9.8m (2020: £14.8m).

The principal elements of the £5m decrease over the year ended 30 April 2020 in net funds were:

- Operating cash outflow of £2.3m (2020: £2.1m);
- Capital expenditure on intangible development costs, plant, property and equipment of £2.8m (2020: £1.3m), which mostly relates to the establishment of the new Stereax manufacturing facility.

## 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 KPI's 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.

## PRINCIPAL RISKS AND UNCERTAINTIES

| 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 products and for those products currently under development. | The Group seeks to reduce this risk by continually assessing competitive technologies and competitors. The Group seeks to commercialise its batteries 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 polices could have a material adverse effect on the Group's results or operations or financial condition. The Group expects to incur further operating losses as progress on development programmes continue. | The Group seeks to reduce this risk by broadening the number of customers and partners and thereby reduce reliance on individual significant companies and by leveraging its IP and resources over multiple projects. The Group applies for Research and Development tax credits to help mitigate its investment in these activities. |
| 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, participation in long-term share option schemes and a good working environment. |
| Brexit risk | The Group has reviewed the 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 is 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 Government's 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

**GRAEME PURDY**
CHIEF EXECUTIVE OFFICER

Graeme Purdy

## 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 decision taken by the Board was to invest in the 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.

| | Why engagement is important | Engagement process | Strategic decisions in the year |
|---|---|---|---|
| **Investors** | To communicate and secure support for our long-term strategic objectives effectively and to promote long-term holdings. | AGM, analyst presentations, institutional investor presentations. Use of Investor Meet Company and Director's Talk platforms to extend reach to retail investors. | Decision to implement its own manufacturing facility from the funds raised from investors in 2020. |
| **Employees** | To deliver our long-term strategic objectives. To promote our culture, purpose and values and support employees' well-being whilst maintaining low turnover and high productivity rates. | Transparent cascading Key Performance Measures that link directly to the company objectives. | Employee Assistance Programme provided offering various legal, financial and life coaching advice. |
| | | Twice yearly performance evaluations with objective setting and reviews. Formal policies and procedures. | Maintained most key operations throughout the COVID-19 lockdowns by promoting working from home and fully risk-assessed social-distancing policies in the labs and offices. |
| **Community and environment** | To ensure activities are socially and environmentally responsible and meet the highest standards. | Creation of a 'Green Champions' cross-company working group to ensure green initiatives are raised and followed through. | Achieved ISO 14001 certification. Installed vehicle charging points and switched to electricity supply from renewable sources. Undertook carbon footprint study. |

## BOARD OF DIRECTORS

### 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 OEM he joined Rolls-Royce Engines PLC where he worked as Chief Technology Officer in the electrical power and control systems group and later became the Chief Technology Officer at Meggitt PLC.

Keith is now the Non-Executive Chairman of Ilika plc and Libertine FPE and a Professor at Sheffield University's Automated Control and Systems Engineering department. He also advises a number of companies on their technologies and strategy. Keith is a Fellow of the Society of Automotive Engineers, a previous Rolls-Royce Engineering Fellow and Royal Aeronautical Society Fellow. He is a Computer Science 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 2 successful rounds of venture funding before floating the Company on AIM in 2010.

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

### PROF. BRIAN HAYDEN
CHIEF SCIENTIFIC OFFICER

**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, a 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.

## 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. Jeremy is currently a Non-Executive Director and Chairman of the audit committee of UK listed company Omega Diagnostics Group plc (AIM: ODX), a Non-Executive Director of private companies Blackbullion Limited (EdTech) and CFPro Limited (specialist accounting services). Previous Directorships/ Partnerships over the last 5 years have included: Idox plc, Solar Communications Group Limited, Solar Communications Limited, Smith Square Partners LLP, 6PM Holdings PLC and a Strategic Advisor to the UK Innovation & Science Seed Fund (venture fund backed by BEIS).

## 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 Non-Executive Director at Linaro Limited, an open source software organisation. Monika holds a PhD in Physics from the ETH Zurich.

# CORPORATE GOVERNANCE STATEMENT

We confirm that our governance structures and practices are in agreement with the provisions of the Quoted Companies Alliance ('QCA') Corporate Governance Code (2018) for small and mid-size quoted companies. Our full statement of compliance with the 10 principles of the QCA Corporate Governance Code is set out on our website at www.ilika.com/investors/corporate-governance.

## Board of Directors

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

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

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

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

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

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

## Performance evaluation

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

## Board Committees

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

### i) Audit Committee

The Audit Committee currently comprises 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 comprises 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 comprises 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 Committee meetings during the year:

| Attendance | Board | Audit | Nomination | Remuneration |
|---|---|---|---|---|
| S. Boydell | 7/7 | - | - | - |
| B. E. Hayden | 7/7 | - | - | - |
| G. Purdy | 7/7 | - | - | - |
| K. Jackson | 7/7 | 2/2 | 1/1 | 2/2 |
| J. Millard | 7/7 | 2/2 | 1/1 | 2/2 |
| M. Biddulph | 7/7 | 2/2 | 1/1 | 2/2 |

### Risk management and internal control

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

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

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

By order of the Board

KEITH JACKSON
CHAIRMAN
5 July 2021

## 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 2021, with all members present, and covered the following matters:

- July 2020: audit completion meeting for the 2020 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 2021: Half Year report completion meeting. Approval of the release of the Half Year report.

### Auditor independence

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

### Internal audit function

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

JEREMY MILLARD
CHAIR OF THE AUDIT COMMITTEE

## 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 Prof. 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

### (i) Executive remuneration

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

## Components of remuneration

| Component | Purpose and link to strategy | Operation | Performance metrics |
|---|---|---|---|
| Base salary | To attract and retain talent. | Reflecting individual's role, experience and performance. Base salaries are reviewed annually in January. | Take into account Group and individual performance, external benchmark information and internal relativities. |
| Benefits and pension | To offer market competitive package. | Contribution to the Executive Director's individual money purchase scheme (at between 8 percent and 10 percent of base salary) and critical illness cover. | n/a |
| Short-Term Incentive Plan - annual performance-related bonus | Rewards the achievement of short-term financial and strategic project milestones. | Maximum bonus of base salary: 100 percent CEO, 60 percent CSO and 40 percent CFO. 50 percent of the bonus is payable in cash and 50 percent is deferred into shares (using nominal cost options) for 1 year, subject to continued employment. | Delivery of exceptional performance against a series of financial, commercial and technology objectives. |
| Long-Term Incentive Plan - restricted share unit awards | Incentivise, retain and reward the Executive Directors for successfully taking the Company through the next stage of its growth. | Ilika plc LTIP 2018, was adopted by shareholders at the 2018 AGM.<br>Single awards of share options with an exercise price of the nominal value of the shares were made which will vest after 3 years. | Awards vest to the extent that challenging share price targets have been met. |
| Shareholding guidelines | To increase shareholder alignment. | 100 percent of the net of tax share awards which vest must be retained until the following guidelines are met:<br>CEO 300 percent of salary.<br>CSO 250 percent of salary.<br>CFO 150 percent of salary. | n/a |

# DIRECTORS' REMUNERATION REPORT
continued

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

The Chairman, Prof. Keith Jackson receives a fixed fee of £66,370 per annum. Jeremy Millard and Monika Biddulph receive a fixed fee of £33,684 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 2021 and 30 April 2020 was as follows:

| | Basic salary £ | Benefits in kind £ | Bonus £ | Total short-term benefits £ | Pension £ | Total £ |
|---|---|---|---|---|---|---|
| **Year to 30 April 2021** | | | | | | |
| G. Purdy | **206,457** | **708** | **49,756** | **256,921** | **20,646** | **277,567** |
| S. Boydell | **136,648** | **468** | **16,671** | **153,788** | **10,932** | **164,720** |
| B. Hayden[1] | **91,169** | **139** | **12,979** | **104,286** | **-** | **104,286** |
| K. Jackson | **66,107** | **-** | **-** | **66,107** | **-** | **66,107** |
| J. Millard | **33,550** | **-** | **-** | **33,550** | **-** | **33,550** |
| M. Biddulph | **33,550** | **-** | **-** | **33,550** | **-** | **33,550** |
| | **567,481** | **1,315** | **79,406** | **648,202** | **31,578** | **679,780** |
| **Year to 30 April 2020** | | | | | | |
| 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[1] | 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 |
| | 549,707 | 1,165 | 64,079 | 614,951 | 32,109 | 647,060 |

1 B. Hayden was 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 £40,323 to the Company in the year in respect of B. Hayden. (2020: £72,432).

Benefits in kind include critical illness cover.

### Share options

The share options of the Directors are set out below:

| Unapproved | 2020 Number | 2021 Number | Exercise price | Expiry date | Performance conditions |
|---|---|---|---|---|---|
| G. Purdy[1] | 1,050,000 | - | 51p | May 2020 | n/a |
| G. Purdy | 105,810 | **105,810** | 1p | August 2027 | n/a |
| G. Purdy | 1,127,777 | **1,127,777** | 1p | January 2029 | See note 2 |
| G. Purdy | 207,229 | **207,229** | 1p | August 2029 | n/a |
| G. Purdy | 606,014 | **606,014** | 1p | March 2030 | See note 3 |
| G. Purdy | - | **65,812** | 1p | September 2030 | n/a |
| G. Purdy | - | **92,536** | 1p | February 2031 | See note 4 |
| B. Hayden[1] | 525,000 | - | 51p | May 2020 | n/a |
| B. Hayden | 16,211 | **16,211** | 1p | August 2027 | n/a |
| B. Hayden | 712,394 | **712,394** | 1p | January 2029 | See note 2 |
| B. Hayden | 60,896 | **60,896** | 1p | August 2029 | n/a |
| B. Hayden | 382,807 | **382,807** | 1p | March 2030 | See note 3 |
| B. Hayden | - | **15,763** | 1p | September 2030 | n/a |
| B. Hayden | - | **44,494** | 1p | February 2031 | See note 4 |
| S. Boydell[1] | 117,600 | - | 51p | May 2020 | n/a |
| S. Boydell | 373,222 | **373,222** | 1p | January 2029 | See note 2 |
| S. Boydell | 63,822 | **63,822** | 1p | August 2029 | n/a |
| S. Boydell | 196,619 | **196,619** | 1p | March 2030 | See note 3 |
| S. Boydell | - | **21,780** | 1p | September 2030 | n/a |
| S. Boydell | - | **42,873** | 1p | February 2031 | See note 4 |

1 Share options lapsed in the year.
Awards with performance conditions will vest on the achievement of the share price targets, assessed over a 3-year performance period:
2 (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
3 (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
4 (a) Less than 336p - no vesting
(b) 336p - 25 percent of the shares subject to award will vest
(c) 448p - 75 percent of the shares subject to award will vest
(d) 672p - 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.

The share-based payment charge attributable to Directors in the year was £343,733 (2020: £179,984).

KEITH JACKSON
CHAIRMAN OF THE REMUNERATION COMMITTEE

# DIRECTORS' REPORT

## Directors

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

### Executive

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

### Non-Executive

Prof. K. Jackson (Chairman)
Mr. 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 £2,258,177 in the year (2020: £2,281,702). In addition, amounts totalling £939,709 (2020: £45,943) were capitalised in the year. 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 is included in the Strategic Report on page 8.

## Dividends

The Directors do not recommend the payment of a dividend.

## Directors' interests in Ordinary Shares

The Directors, who held office at 30 April 2021, had the following interests in the Ordinary Shares of the Company:

| | Number of shares | |
|---|---|---|
| | 1 May 2020 | 30 April 2021 |
| G. Purdy | 774,427 | 767,927 |
| K. Jackson | 95,000 | 95,000 |
| S. Boydell | 49,846 | 43,346 |
| J. Millard | - | - |
| M. Biddulph | 12,500 | 12,500 |
| B. Hayden[1] | 40,000 | 33,500 |

1 B. Hayden had an interest in preference shares of the Company amounting to 426,300 at 1 May 2020 and at 30 April 2021.

During the year, B. Hayden, G. Purdy and S. Boydell each sold 6,500 Ordinary Shares.

## Substantial shareholdings

On 2 July 2021 the Company had been notified of the following holdings of more than 3 percent or more of the issued share capital of the Company.

| Shareholder | Number. of Ordinary Shares | Percent shareholding |
|---|---|---|
| GPIM Limited | 13,742,150 | 9.9 |
| Janus Henderson Group plc | 8,565,108 | 6.2 |
| Schroders plc | 7,770,865 | 5.6 |
| Herald Investments | 7,507,283 | 5.4 |
| Baillie Gifford & Co. | 7,170,769 | 5.2 |
| Parkwalk Advisors | 6,946,219 | 5.0 |

## Post balance sheet events

There are no significant post balance sheet events from 30 April 2021 to the signing of this report.

## Auditors

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

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

By order of the Board

STEVE BOYDELL
COMPANY SECRETARY
5 July 2021

## 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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
5 July 2021

Graeme Purdy

## INDEPENDENT AUDITOR'S REPORT

to the members of Ilika plc

### OPINION ON THE FINANCIAL STATEMENTS

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Ilika plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2021 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. *Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of* the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We remain 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.



### CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's assessment of going concern through analysis of the Group's cash flow forecast through to July 2022, including assessing and challenging the assumptions underlying the forecasts by reference *to historic performance and our knowledge of future developments.*
- Sensitising, whilst taking account of the continuing impact of the COVID-19 pandemic, 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**OVERVIEW**

| | |
|---|---|
| **Coverage** | *100% (2020: 100%) of Group profit before tax*<br>*100% (2020: 100%) of Group revenue*<br>*100% (2020: 100%) of Group total assets* |

**Key audit matters**

| | 2021 | 2020 |
|---|---|---|
| Revenue recognition | | ✓ |
| Going concern | | ✓ |
| Capitalisation of development expenditure | ✓ | |

Revenue recognition is no longer deemed to be a key audit matter as a result of the continuing impact of grant income and the continuation of the Group's significant contracts. Going concern is no longer deemed to be a key audit matter as a result of the diminishing influence of the COVID-19 pandemic on the Group's financial position and the significant cash reserves in the Group.

| | |
|---|---|
| **Materiality** | **Group financial statements as a whole**<br>£192k (2020: £159k) based on 5% (2020: 5%) of the loss before tax |

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

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

At 30 April 2021 the Group had 2 components whose transactions and balances are included in the consolidated accounting records. Both components, being Ilika plc and its subsidiary Ilika Technologies Limited, were considered to be significant components and were subject to a full scope audit.

All work was carried out by the Group audit team.

## **INDEPENDENT AUDITOR'S REPORT** CONTINUED
to the members of Ilika plc

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

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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 the scope of our audit addressed the key audit matter |
|---|---|---|
| **Capitalisation of development expenditure**<br>*Please refer to note 7, and accounting policies and key sources of estimation and uncertainty in note 1.* | The Group has capitalised development expenditure in relation to its Stereax® battery technology. This is the first full period in which the associated expenditure has been capitalised having been deemed to meet the criteria in the accounting standards in the previous year.<br><br>There are a number of judgements involved in accounting for development expenditure, including whether the activities are appropriate for capitalisation in accordance with the criteria of the applicable accounting standard, the allocation of the relevant costs to the Stereax battery project, and the recoverability of the asset generated.<br><br>Due to the level of judgement, there was also considered to be an inherent risk of management bias; therefore this was considered to be an area of focus for our audit, particularly as this was the first full year in which development costs have been capitalised. | We have considered the conditions under which development costs can be capitalised under the accounting standards and checked that these conditions have been met in respect of the Stereax battery technology.<br><br>We have discussed with management the Group's processes for identifying the relevant development costs. We reviewed the nature of the costs capitalised to ensure they were in line with our understanding of the work carried out in the year.<br><br>We agreed a sample of capitalised costs to underlying supporting documentation to confirm the existence and accuracy of the costs. This included obtaining time records to corroborate the allocation of employee time spent on the Stereax battery technology and inspecting employee contracts to check that their stated job roles support their involvement in development activities. Employee costs were also agreed to the underlying payroll records.<br><br>We assessed the ability of the asset to generate future economic benefits for the business, which must at least exceed the carrying value of the intangible asset. We have corroborated management's assessment to external market information and expectations.<br><br>**Key observations:**<br>Based on the audit work performed we consider that development costs have been capitalised appropriately and in accordance with the Group's accounting policy. |

**OUR APPLICATION OF MATERIALITY**

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

| | Group financial statements | | Parent Company financial statements | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Materiality** | £192k | £159k | £119k | 151k |
| **Basis for determining materiality** | 5% of loss before tax | | 62% of Group materiality | 95% of Group materiality |
| **Rationale for the benchmark applied** | We considered 5% of loss before tax to be a key performance benchmark for the Group and the users of the financial statements in assessing financial performance. | | Calculated as a percentage of Group materiality due to aggregated consideration of significant component materiality levels. | |
| **Performance materiality** | £144k | £119k | £89k | £113k |
| **Basis for determining performance materiality** | On the basis of our risk assessment, together with our assessment of the Group's control environment and the limited number of known errors historically, our judgement is that performance materiality for the financial statements should be 75% of materiality. | | On the basis of our risk assessment, together with our assessment of the Group's control environment and the limited number of known errors historically, our judgement is that performance materiality for the financial statements should be 75% of materiality. | |

COMPONENT MATERIALITY

We set materiality for each significant component of the Group based on a percentage of between 62% and 86% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality in respect of Ilika Technologies Limited was £169k. In the audit of the subsidiary entity, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to it all individual audit differences in excess of £4k (2020: £3k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **INDEPENDENT AUDITOR'S REPORT** CONTINUED
to the members of Ilika plc

### OTHER COMPANIES ACT 2006 REPORTING
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

| | |
|---|---|
| **Strategic Report and Directors' report** | In our opinion, based on the work undertaken in the course of the audit:<br>• 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<br>• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.<br><br>In the light of the knowledge and understanding of the Group and 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. |
| **Matters on which we are required to report by exception** | 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:<br>• 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<br>• the Parent Company financial statements are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• we have not received all the information and explanations we require for our audit. |

### RESPONSIBILITIES OF DIRECTORS
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

### EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Procedures performed by the Group audit team included:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, rules of the London Stock Exchange for companies trading securities on AIM, the Companies Act 2006 and relevant tax compliance regulations. We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary.
- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations, including gaining an understanding of where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override, the inappropriate or incorrect recognition of revenue and the capitalisation of development expenditure (assessed as a Key Audit Matter above). We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls; and Assessing journals entries as part of our planned audit approach, with a particular focus on journal entries to key financial statement areas such as revenue and non-current assets. We also performed an assessment on the appropriateness of key judgements and estimates, for example the capitalisation of development costs (the risks associated with the capitalisation of development costs has been assessed as a Key Audit Matter above), which are subject to managements' judgement and estimation, and could be subject to potential bias.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

**USE OF OUR REPORT**

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

BDO LLP

**STEPHEN LE BAS (SENIOR STATUTORY AUDITOR)**
**FOR AND ON BEHALF OF BDO LLP, STATUTORY AUDITOR**
Southampton, UK

Date:
5 July 2021

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Year ended 30 April 2021 £ | 2020 £ |
|---|---|---|---|
| **Turnover** | 2 | **2,255,688** | 2,840,648 |
| Revenue | | **230,453** | 367,003 |
| UK grants | | **2,025,235** | 2,473,645 |
| Cost of sales | | **(1,271,612)** | (1,571,350) |
| **Gross profit** | | **984,076** | 1,269,298 |
| Total administrative expenses | | | |
| Administrative expenses | | **(4,405,622)** | (4,380,259) |
| Share-based payment charge | | **(419,591)** | (233,786) |
| | | **(4,825,213)** | (4,614,045) |
| **Operating loss** | 3 | **(3,841,137)** | (3,344,747) |
| Income from short-term deposits | | **14,806** | 12,406 |
| Interest payable | | **(9,694)** | (10,299) |
| **Loss before tax** | | **(3,836,025)** | (3,342,640) |
| Taxation | 5 | **308,962** | 254,734 |
| **Loss for period/total comprehensive income** | | **(3,527,063)** | (3,087,906) |
| **Loss per share from continuing operations** | 6 | | |
| Basic | | **(2.53)p** | (2.95)p |
| Diluted | | **(2.53)p** | (2.95)p |

The notes on pages 42 to 54 form part of these financial statements

## CONSOLIDATED BALANCE SHEET

Company number 7187804

| | Notes | As at 30 April 2021 £ | 2020 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 7 | 1,063,059 | 66,110 |
| Property, plant and equipment | 8 | 2,305,183 | 1,670,614 |
| Right-of-use assets | 9 | 890,421 | 240,040 |
| **Total non-current assets** | | 4,258,663 | 1,976,764 |
| **Current assets** | | | |
| Trade and other receivables | 10 | 2,173,597 | 1,470,664 |
| Current tax receivable | 5 | 330,000 | 300,000 |
| Other financial assets - bank deposits | | 769,080 | 762,200 |
| Cash and cash equivalents | 11 | 8,997,208 | 13,989,538 |
| **Total current assets** | | 12,269,855 | 16,522,402 |
| **Total assets** | | 16,528,548 | 18,499,166 |
| **Issued capital and reserves attributable to owners of Parent** | | | |
| Issued share capital | 15 | 1,396,265 | 1,391,857 |
| Share premium | | 40,992,933 | 40,895,709 |
| Capital restructuring reserve | | 6,486,077 | 6,486,077 |
| Retained earnings | | (34,688,022) | (31,580,550) |
| **Total equity** | | 14,187,253 | 17,193,093 |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 1,373,210 | 910,301 |
| *Lease liabilities* | 9 | 195,524 | 68,875 |
| **Total current liabilities** | | 1,568,734 | 979,176 |
| ***Non-current liabilities*** | | | |
| Lease liabilities | 9 | 632,196 | 157,227 |
| Provisions | 13 | 140,365 | 169,670 |
| **Total non-current liabilities** | | 772,561 | 326,897 |
| **Total liabilities** | | 2,341,295 | 1,306,073 |
| **Total equity and liabilities** | | 16,528,548 | 18,499,166 |

The notes on pages 42 to 54 form part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 5 July 2021.

MR. K JACKSON
CHAIRMAN

K Jackson

## CONSOLIDATED CASH FLOW STATEMENT

| | Year ended 30 April 2021 £ | 2020 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | (3,836,025) | (3,342,640) |
| *Adjustments for:* | | |
| Amortisation | 14,243 | 11,700 |
| Depreciation | 1,130,862 | 1,035,907 |
| Equity-settled share-based payments | 419,591 | 233,786 |
| Loss on disposal of plant property and equipment | 2,089 | 3,552 |
| Net financial income | (5,112) | (2,107) |
| **Operating cash flow before changes in working capital, interest and taxes** | (2,274,352) | (2,059,802) |
| Decrease/(increase) in trade and other receivables | (293,067) | 60,036 |
| Increase/(decrease) in trade and other payables | 173,777 | (256,844) |
| Decrease in provisions | (29,305) | (120,330) |
| **Cash utilised by operations** | (2,422,947) | (2,376,940) |
| Tax received | 278,962 | 314,734 |
| **Net cash flow used in operating activities** | (2,143,985) | (2,062,206) |
| **Cash flows from investing activities** | | |
| Interest received | 14,806 | 12,406 |
| Purchase of intangible assets | (1,011,192) | (53,995) |
| Purchase of property, plant and equipment | (1,812,135) | (1,202,855) |
| Sale of property, plant and equipment | - | 12,595 |
| Increase in other financial assets | (6,880) | (410,237) |
| **Net cash used in investing activities** | (2,815,401) | (1,642,086) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of Ordinary Share capital | 101,632 | 15,105,525 |
| Cost of share issue | - | (934,385) |
| Lease payments | (134,576) | (76,526) |
| **Net cash from financing activities** | (32,944) | 14,094,614 |
| **Net (decrease)/increase in cash and cash equivalents** | (4,992,330) | 10,390,322 |
| Cash and cash equivalents at the start of the period | 13,989,538 | 3,599,216 |
| Cash and cash equivalents at the end of the period | 8,997,208 | 13,989,538 |

The notes on pages 42 to 54 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £ | Share premium account £ | Capital restructuring reserve £ | Retained earnings £ | Total attributable to equity holders of parent £ |
|---|---|---|---|---|---|
| **As at 30 April 2019** | 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) |
| **As at 30 April 2020** | 1,391,857 | 40,895,709 | 6,486,077 | (31,580,550) | 17,193,093 |
| Share-based payment | - | - | - | 419,591 | 419,591 |
| Issue of shares | 4,408 | 97,224 | - | - | 101,632 |
| Loss and total comprehensive income | - | - | - | (3,527,063) | (3,527,063) |
| **As at 30 April 2021** | 1,396,265 | 40,992,933 | 6,486,077 | (34,688,022) | 14,187,253 |

### 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 42 to 54 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

### BASIS OF PREPARATION

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented.

The individual financial statements of Ilika plc are shown on page 55 to 59.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. The Company controls an investee if all 3 of the following elements are present: power over the investee, exposure to variable returns over the investee, and the ability of the investee to use its power to affect the variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### GOING CONCERN

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

The Directors have prepared and reviewed financial forecasts. The Group meets its day-to-day working capital requirements through existing cash resources which, at 30 April 2021, amounted to £9,766,288 (2020: £14,751,738). 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

No 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.

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 reassess 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.

During the year £939,709 (2020: £45,943) of development expenditure has been capitalised in line with IAS 38 as a result of the conditions being met in respect of the Stereax® battery project and the sales made in the year. This capitalisation had 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 research and development expenditure credit ('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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**1 ACCOUNTING POLICIES** CONTINUED
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 12 months or less.

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.

**FINANCIAL INSTRUMENTS**
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets are all carried at amortised cost. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. The Group's financial liabilities are all classified as 'other' liabilities which are carried at amortised cost. Cash and cash equivalents comprise cash balances and call deposits. Deposits of over 3 months' maturity, judged at inception, are classified as Other Financial Assets.

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

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

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

**KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Capitalisation of development costs

During the year, costs have been capitalised in respect of the Stereax battery technology. The Directors have determined that the conditions to capitalise this associated expenditure have been met. Had these costs been considered research rather than development expenditure then the intangible assets would be £939,709 lower. Furthermore, the Directors have considered the recoverability of the capitalised costs by reference to 3rd-party market analysis and determined that the amounts are recoverable.

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

| | Year ended 30 April | |
|---|---|---|
| | 2021<br>£ | 2020<br>£ |
| **Turnover** | | |
| Analysis by geographical market: | | |
| *By destination* | | |
| Asia | **4,739** | 12,831 |
| Europe | **15,494** | 69,870 |
| North America | **72,299** | 68,530 |
| UK | **2,163,156** | 2,689,417 |
| | **2,255,688** | 2,840,648 |



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 | |
|---|---|---|
| | 2021<br>£ | 2020<br>£ |
| ***Turnover*** | | |
| Goods and services | **230,453** | 367,003 |
| UK grants | **2,025,235** | 2,473,645 |
| | **2,255,688** | 2,840,648 |

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

| | Year ended 30 April | |
|---|---|---|
| | 2021<br>£ | 2020<br>£ |
| **Turnover** | | |
| UK grants | **2,025,235** | 2,473,645 |
| Customers less than 10% | **230,453** | 367,003 |
| | **2,255,688** | 2,840,648 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 3 OPERATING LOSS

| | Year ended 30 April 2021 £ | 2020 £ |
|---|---|---|
| **This is arrived at after charging:** | | |
| Research and development expenditure in the year | **2,258,177** | 2,281,702 |
| Depreciation of property, plant and equipment | **1,054,743** | 971,896 |
| Depreciation of right-of-use assets | **76,119** | 64,011 |
| Amortisation of intangible assets | **14,243** | 11,700 |
| Auditor's remuneration: | | |
| Fees payable to the Group's auditor for the audit of the Group's accounts | **27,200** | 24,200 |
| Fees payable to the Group's auditor for other services: | | |
| - The audit of the Group's subsidiaries | **7,800** | 7,800 |
| Short-term lease expenses | **-** | 123,422 |
| Share-based payment | **419,591** | 233,786 |

### 4 EMPLOYEES

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

| | Year ended 30 April 2021 Number | 2020 Number |
|---|---|---|
| Administration | **5** | 4 |
| Materials synthesis | **46** | 41 |
| | **51** | 45 |

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

| | Year ended 30 April 2021 £ | 2020 £ |
|---|---|---|
| Wages and salaries | **2,716,700** | 2,348,026 |
| Social security costs | **302,659** | 276,758 |
| Share-based payment expense | **419,591** | 233,786 |
| Pension costs | **180,402** | 154,518 |
| | **3,619,352** | 3,013,088 |

Included in the above are amounts totalling £827,452 (2020: £45,943) which have been capitalised.

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

| | Year ended 30 April 2021 £ | 2020 £ |
|---|---|---|
| Wages and salaries | **648,202** | 614,951 |
| Pension costs | **31,578** | 32,109 |
| Directors' emoluments | **679,780** | 647,060 |
| Social security costs | **82,057** | 80,443 |
| Share-based payment expense | **343,733** | 179,984 |
| Key management personnel | **1,105,570** | 907,487 |

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

## 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 | |
|---|---|---|
| | 2021 £ | 2020 £ |
| R&D tax credits | **330,000** | 300,000 |
| Adjustments to prior period | **(21,038)** | (45,266) |
| | **308,962** | 254,734 |

### (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 (2020: 19 percent). The differences are reconciled below:

| | 2021 £ | 2020 £ |
|---|---|---|
| Loss on ordinary activities before tax | **(3,836,025)** | (3,342,640) |
| Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19 percent (2020: 19 percent) | **(729,704)** | (635,645) |
| Effects of: | | |
| Expenses not deductible for corporation tax | **79,722** | 44,741 |
| R&D relief | **(163,310)** | (130,815) |
| Origination of unrecognised tax losses | **483,292** | 421,219 |
| Adjustments to prior period | **21,038** | 45,266 |
| **Total tax credit for the year** | **(308,962)** | (254,734) |

Unrecognised deferred taxation

There are tax losses available for carry forward against future trading profits of approximately £30,305,000 (2020: £25,981,000). A deferred tax asset in respect of these losses of approximately £5,758,000 (2020: £4,936,000) 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 | |
|---|---|---|
| | 2021 No. | 2020 No. |
| *Weighted average number of equity shares* | **139,273,884** | 104,645,940 |
| | £ | £ |
| Earnings, being loss after tax | **(3,527,063)** | (3,087,906) |
| | Pence | Pence |
| Loss per share | **(2.53)** | (2.95) |

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 2021, there were 7,369,729 options outstanding (2020: 9,199,082) as detailed in notes 15 and 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 7 INTANGIBLE ASSETS

| | Development expenditure £ | Software licences £ | Intellectual property £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 30 April 2019** | - | 55,040 | 75,000 | 130,040 |
| Additions | 45,943 | 8,052 | - | 53,995 |
| **As at 30 April 2020** | 45,943 | 63,092 | 75,000 | 184,035 |
| Additions | 939,709 | 71,483 | - | 1,011,192 |
| **As at 30 April 2021** | 985,652 | 134,575 | 75,000 | 1,195,227 |
| **Amortisation** | | | | |
| **As at 30 April 2019** | - | 31,225 | 75,000 | 106,225 |
| Provided for the year | - | 11,700 | - | 11,700 |
| **As at 30 April 2020** | - | 42,925 | 75,000 | 117,925 |
| Provided for the year | - | 14,243 | - | 14,243 |
| **As at 30 April 2021** | - | 57,168 | 75,000 | 132,168 |
| **Net book value** | | | | |
| **As at 30 April 2020** | 45,943 | 20,167 | - | 66,110 |
| **As at 30 April 2021** | **985,652** | **77,407** | **-** | **1,063,059** |

The amortisation charge of £14,243 (2020: £11,700) is included within administrative expenses.

### 8 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements £ | Plant, machinery and equipment £ | Fixtures and fittings £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 30 April 2019** | 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) |
| **As at 30 April 2020** | 47,918 | 4,684,189 | 61,339 | 4,793,446 |
| Additions | 30,190 | 1,649,627 | 11,583 | 1,691,400 |
| Disposals | - | (727,567) | (22,611) | (750,178) |
| **As at 30 April 2021** | 78,108 | 5,606,249 | 50,311 | 5,734,668 |
| **Depreciation** | | | | |
| **As at 30 April 2019** | 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) |
| **As at 30 April 2020** | 6,687 | 3,065,415 | 50,730 | 3,122,832 |
| Provided for the year | 13,233 | 1,036,656 | 4,854 | 1,054,743 |
| Disposals | - | (725,479) | (22,611) | (748,090) |
| **As at 30 April 2021** | 19,920 | 3,376,592 | 32,973 | 3,429,485 |
| **Net book value** | | | | |
| **As at 30 April 2020** | 41,231 | 1,618,774 | 10,609 | 1,670,614 |
| **As at 30 April 2021** | **58,188** | **2,229,657** | **17,338** | **2,305,183** |

At the year end, deposits totalling £409,866 (2020: £Nil) were paid in respect of property, plant and equipment and are held in prepayments. These will be transferred once the items have been received. Additionally, the Company has capital commitments totalling £1,545,742 (2020: £109,500) as disclosed in note 17.

## 9 LEASES

The Group has operating leases for its premises in Romsey and Chandler's Ford. These operating leases are accounted for by recognising a right-of-use asset and a lease liability.

The lease liabilities have been measured at the present value of the contractual payments due to the lessor over the lease terms 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 terms have 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 leases will continue beyond this point.

The right-of-use assets have been initially measured at the amount of the lease liabilities. Subsequent to initial measurement the lease liabilities increase 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 £ |
|---|---|
| **Cost** | |
| **As at 1 May 2019 and 2020** | 320,053 |
| **Additions** | 726,500 |
| **As at 30 April 2021** | 1,046,553 |
| **Depreciation** | |
| **As at 1 May 2019** | 16,002 |
| **Provided for the year** | 64,011 |
| **As at 1 May 2020** | 80,013 |
| **Provided for the year** | 76,119 |
| **As at 30 April 2021** | 156,132 |
| **Net book value** | |
| **As at 1 May 2020** | 240,040 |
| **As at 30 April 2021** | **890,421** |

| Lease liabilities | Land and buildings 2021 £ | 2020 £ |
|---|---|---|
| **As at 1 May 2020** | **226,102** | 292,329 |
| Additions | **726,500** | - |
| Cash flows: | | |
| Lease payments | **(134,576)** | (76,526) |
| Non-cash items: | | |
| Interest expense | **9,694** | 10,219 |
| **As at 30 April 2021** | **827,720** | 226,102 |

**Maturity analysis of lease payments:**

| | As at 30 April 2021 £ | 2020 £ |
|---|---|---|
| 0-3 months | **57,881** | 19,131 |
| 3-12 months | **157,701** | 57,394 |
| Due in less than one year | **215,582** | 76,525 |
| 1-2 years | **202,829** | 60,583 |
| 2-5 years | **483,819** | 105,397 |
| Lease payments | **902,230** | 242,505 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 10 TRADE AND OTHER RECEIVABLES

| | As at 30 April 2021 £ | 2020 £ |
|---|---|---|
| Trade receivables | **3,808** | 16,072 |
| Prepayments | **729,871** | 236,976 |
| Other receivables | **703,893** | 335,960 |
| Accrued income | **736,025** | 881,656 |
| | **2,503,597** | 1,470,664 |

The ageing of trade receivables is as follows:

| | As at 30 April 2021 £ | 2020 £ |
|---|---|---|
| 0-29 days | **3,808** | - |
| 30-59 days | **-** | 16,072 |
| | **3,808** | 16,072 |

*Included in other receivables is an amount of £50,000 (2020: £150,000) which represents cash held in a separate* bank account used as security against dilapidation costs which were due at the end of one of the Group's property leases. These works were largely complete as at 30 April 2020.

The accrued income of £736,025 (2020: £881,656) relates to performance obligations satisfied but not invoiced, all of which is due to be settled within the next 12 months. The decrease 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 2021 £ | 2020 £ |
|---|---|---|
| Current bank accounts | **2,989,775** | 3,989,538 |
| Short-term deposits with less than 3 months' maturity | **6,007,433** | 10,000,000 |
| | **8,997,208** | 13,989,538 |

### 12 TRADE AND OTHER PAYABLES

| | As at 30 April 2021 £ | 2020 £ |
|---|---|---|
| Trade payables | **822,405** | 349,822 |
| Other payables | **32,222** | 23,738 |
| Other taxes and social security costs | **76,493** | 74,875 |
| Accruals and deferred income | **442,090** | 461,866 |
| | **1,373,210** | 910,301 |

The ageing of financial liabilities is as follows:

| | As at 30 April 2021 £ | 2020 £ |
|---|---|---|
| 0-29 days | **768,277** | 430,340 |
| 30-59 days | **228,490** | 201,708 |
| 60-89 days | **52,484** | 25,260 |
| 90+ days | **247,466** | 178,138 |
| | **1,296,717** | 835,446 |

Within Accruals and deferred income is deferred income of £10,000 (2020: £71,000) that represents unfulfilled performance obligations on grants and product sales to be satisfied in the next 12 months.

## 13 PROVISIONS

| | Leasehold dilapidations £ |
|---|---|
| **As at 1 May 2020** | 169,670 |
| Utilised | (29,305) |
| **As at 30 April 2021** | 140,365 |

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 at 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, which, 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 1 to 12 months. The Group's cash and short-term deposits are set out in note 11. Floating-rate financial assets comprise cash on deposit and cash at bank. Short-term deposits are placed with banks and are categorised as floating-rate financial assets. Contracts in place at 30 April 2021 had a weighted average period to maturity of 70 days (2020: 55 days) and a weighted average annualised rate of interest of 0.08 percent. (2020: 0.2 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 2021 by approximately £15,000 (2020: £12,000).

It is estimated that an increase in base rate by 1 percent would have decreased the Group's loss before taxation for the year to 30 April 2021 by approximately £108,000 (2020: £15,000).

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

### CAPITAL MANAGEMENT

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 15 SHARE CAPITAL

| | As at 30 April 2021 £ | 2020 £ |
|---|---|---|
| **Authorised** | | |
| 139,038,172 (2020: 138,597,312) Ordinary Shares of £0.01 each | **1,390,381** | 1,385,973 |
| 1,781,400 Convertible Preference Shares of £0.01 each | **17,814** | 17,814 |
| **Allotted, called up and fully paid** | | |
| 139,038,172 (2020: 138,597,312) Ordinary Shares of £0.01 each | **1,390,381** | 1,385,973 |
| 588,400 Convertible Preference Shares of £0.01 each | **5,884** | 5,884 |
| | **1,396,265** | 1,391,857 |

#### 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 16 February 2021, a total of 440,860 options over Ordinary Shares of £0.01 each were exercised for a total consideration of £101,632.

#### SHARE OPTIONS

Employee-related share options are disclosed in note 19.

### 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 £180,402 (2020: £154,518). Included within other creditors is £29,105 (2020: £17,910) relating to outstanding pension contributions.

### 17 CAPITAL COMMITMENTS

At 30 April, the Group had capital commitments as follows:

| | 2021 £ | 2020 £ |
|---|---|---|
| Contracted for but not provided in these financial statements | **1,545,742** | 109,500 |

### 18 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.

### 19 SHARE-BASED PAYMENT 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 2021, the following options, whose fair values have been fully charged to the consolidated statement of total comprehensive income, were outstanding:

Approved share options:

| Date of grant | Number of shares | Period of option | Exercise price per share |
|---|---|---|---|
| 01/02/12 | 2,512 | 10 years | £0.53 |
| 08/02/18 | 264,925 | 10 years | £0.21 |

Unapproved share options:

| Date of grant | Number of shares | Period of option | Exercise price per share |
|---|---|---|---|
| 15/08/2017 | 122,021 | 10 years | £0.01 |

**BLACK-SCHOLES VALUATION**

| | Weighted average exercise price | | Number | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£** | £ | **£** | £ |
| Outstanding: | | | | |
| At the start of the period | **0.1158** | 0.1912 | **7,396,182** | 5,730,438 |
| Granted in the period | **1.1626** | 0.1461 | **586,308** | 3,287,970 |
| Exercised in the period | **0.2305** | 0.0100 | **(440,860)** | (117,846) |
| Lapsed in the period | **0.2364** | 0.4774 | **(171,901)** | (1,504,380) |
| At the end of the period | **0.1894** | 0.1158 | **7,369,729** | 7,396,182 |

The exercise price of options outstanding at the end of the period ranged between £0.01 and £2.24 and their weighted average contractual life was 8.3 years (2020: 9.1 years). These share options are exercisable and must be exercised within 10 years from the date of grant.

**STOCHASTIC VALUATION**

| | Weighted average exercise price | | Number | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£** | £ | **£** | £ |
| Outstanding: | | | | |
| At the start of the period | **0.51** | 0.51 | **1,802,900** | 1,853,000 |
| Lapsed during the period | **0.51** | 0.51 | **(1,802,900)** | (50,100) |
| At the end of the period | **-** | 0.51 | **-** | 1,802,900 |

The exercise price of options outstanding at the end of the period was £Nil (2020: £0.51) and there was no weighted average contractual life (2020: 1 year).

**ILIKA PLC EXECUTIVE SHARE OPTION SCHEME 2010**

At 30 April 2021 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 |
|---|---|---|---|
| 01/02/12 | 2,512 | 10 years | £0.53 |
| 08/02/18 | 264,925 | 10 years | £0.21 |
| 24/01/19 | 1,012,000 | 10 years | £0.182 |
| 09/07/19 | 338,983 | 10 years | £0.295 |
| 19/03/20 | 1,252,200 | 10 years | £0.255 |
| 10/02/21 | 303,050 | 10 years | £2.240 |

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.

192,201 options lapsed in the year and 440,860 options were exercised.

**19 SHARE-BASED PAYMENT EXPENSE AND SHARE OPTIONS** CONTINUED

**ILIKA PLC UNAPPROVED SHARE OPTIONS**

At 30 April 2021 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 |
|---|---|---|---|
| 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 |
| 26/03/20 | 1,185,440 | 10 years | £0.01 |
| 26/03/20 | 60,000 | 10 years | £0.255 |
| 22/09/20 | 103,355 | 10 years | £0.01 |
| 10/02/21 | 179,903 | 10 years | £0.01 |

1,782,600 options lapsed in the year.

There are 721,405 options which were capable of being exercised as at 30 April 2021.

| | 2021 £ | 2020 £ |
|---|---|---|
| Share-based payment expense | | |
| Black-Scholes calculation | **419,591** | 233,786 |

## COMPANY BALANCE SHEET OF ILIKA PLC

Company number 7187804

| | Notes | As at 30 April 2021 £ | 2020 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiary undertaking | 22 | 43,229,684 | 38,229,684 |
| Amount due from subsidiary undertaking | 24 | - | 4,316,596 |
| | | 43,229,684 | 42,546,280 |
| **Current assets** | | | |
| Trade and other receivables | 23 | 23,391 | 41,007 |
| **Total assets** | | 43,253,075 | 42,587,287 |
| **Equity** | | | |
| *Issued share capital* | | 1,396,265 | 1,391,857 |
| Share premium | | 40,972,144 | 40,874,920 |
| Retained earnings | | 296,030 | 257,456 |
| | | 42,664,439 | 42,524,233 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 25 | 588,636 | 63,054 |
| **Total liabilities** | | 588,636 | 63,054 |
| **Total equity and liabilities** | | 43,253,075 | 42,587,287 |

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 £381,017 (2020: loss of £197,027).

The notes on pages 58 to 59 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 5 July 2021.

MR. K JACKSON
CHAIRMAN

## COMPANY CASH FLOW STATEMENT

| | Year ended 30 April 2021 £ | 2020 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before tax | **(381,017)** | (197,027) |
| *Adjustments for:* | | |
| Equity-settled share-based payments | **419,591** | 233,786 |
| **Operating cash flow before changes in working capital, interest and taxes** | **38,574** | 36,759 |
| Decrease/(increase) in trade and other receivables | **17,616** | (16,398) |
| Increase/(decrease) in trade and other payables | **(47,228)** | 43,866 |
| **Cash generated from/(utilised by) operations** | **8,962** | 64,227 |
| **Cash flows from investing activities** | | |
| Decrease/(increase) in amounts due from subsidiary undertaking | **4,889,406** | (4,235,367) |
| Investment in subsidiary company | **(5,000,000)** | (10,000,000) |
| **Net cash used in investing activities** | **(110,594)** | (14,235,367) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of Ordinary Share capital | **101,632** | 15,105,525 |
| Costs of share issue | **-** | (934,385) |
| **Net cash from financing activities** | **101,632** | 14,171,140 |
| **Net increase in cash and cash equivalents** | | |
| Cash and cash equivalents at the start of the period | - | - |
| Cash and cash equivalents at the end of the period | - | - |

The notes on pages 58 to 59 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share capital £ | Share premium account £ | Retained earnings £ | Total attributable to equity holders £ |
|---|---|---|---|---|
| **As at 30 April 2019** | 1,013,070 | 27,082,567 | 220,697 | 28,316,334 |
| Issue of shares | 378,787 | 14,726,738 | - | 15,105,525 |
| Cost of issue | - | (934,385) | - | (934,385) |
| Share-based payment | - | - | 233,786 | 233,786 |
| Loss and total comprehensive income | - | - | (197,027) | (197,027) |
| **As at 30 April 2020** | 1,391,857 | 40,874,920 | 257,456 | 42,524,233 |
| Issue of shares | 4,408 | 97,224 | - | 101,632 |
| Share-based payment | - | - | 419,591 | 419,591 |
| Loss and total comprehensive income | - | - | (381,017) | (381,017) |
| **As at 30 April 2021** | 1,396,265 | 40,972,144 | 296,030 | 42,664,439 |

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 58 to 59 form part of these financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 20 ACCOUNTING POLICES
**BASIS OF PREPARATION**
These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

**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 £43.2m (2020: £38.2m). 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 £3,146,046 (2020: £2,890,816) and had net assets as at 30 April 2021 of £14,752,498 (2020: £12,898,544).

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Shares in Group undertakings (at cost) | | |
| At 1 May | **38,229,684** | 28,229,684 |
| Additions | **5,000,000** | 10,000,000 |
| At 30 April | **43,229,684** | 38,229,684 |

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 £5,000,000 into Ordinary Shares in its subsidiary, Ilika Technologies Limited.

### 23 TRADE AND OTHER RECEIVABLES

| | 2021 £ | 2020 £ |
|---|---|---|
| Other receivables | **3,369** | 22,150 |
| Prepayments | **20,022** | 18,857 |
| | **23,391** | 41,007 |

### 24 AMOUNT DUE FROM SUBSIDIARY UNDERTAKING

| | 2021 £ | 2020 £ |
|---|---|---|
| Ilika Technologies Limited | **-** | 4,316,596 |

### 25 TRADE AND OTHER PAYABLES

| | 2021 £ | 2020 £ |
|---|---|---|
| Trade payables | **4,272** | 50,054 |
| Accruals | **11,554** | 13,000 |
| Amount due to subsidiary undertaking | **572,810** | - |
| | **588,636** | 63,054 |

### 26 RELATED PARTY TRANSACTIONS

During the year the Company recharged costs totalling £206,500 (2020: £194,592) to its subsidiary, Ilika Technologies Limited. Amounts owed to Ilika Technologies Limited are disclosed in note 25 (2020: note 24).

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.

# CORPORATE DIRECTORY

| | |
|---|---|
| **COMPANY NUMBER** | 7187804 |
| **DIRECTORS**<br>Executive | Graeme Purdy<br>Professor Brian Hayden<br>Steve Boydell |
| **NON-EXECUTIVE** | Professor Keith Jackson (Chairman)<br>Jeremy Millard<br>Monika Biddulph |
| **SECRETARY** | Steve Boydell |
| **REGISTERED OFFICE** | Unit 10a, The Quadrangle,<br>Premier Way,<br>Romsey,<br>SO51 9DL |
| **WEBSITE** | www.ilika.com |
| **ADVISERS**<br>Independent auditors | BDO LLP<br>Arcadia House<br>Maritime Walk<br>Ocean Village<br>Southampton<br>SO14 3TL |
| Joint brokers | Liberum Capital Limited (joint broker)<br>Ropemaker Place<br>25 Ropemaker Street<br>London<br>EC2Y 9LY<br><br>Joh. Berenberg, Gossler & Co. KG (joint broker)<br>60 Threadneedle Street<br>London<br>EC2R 8HP |
| Nominated adviser | Liberum Capital Limited<br>Ropemaker Place<br>25 Ropemaker Street<br>London<br>EC2Y 9LY |
| Registrars | Computershare Investor Services PLC<br>The Pavilions<br>Bridgwater Road<br>Bristol<br>BS13 8AE |
| Public relations | Walbrook PR Ltd<br>75 King William Street<br>London<br>EC4N 7BE |
| Remuneration consultants | FIT Remuneration Consultants LLP<br>5 Fitzhardinge Street<br>London<br>W1H 6ED |

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