# The power of progress

Annual Report and Accounts 2022

ilika

## FINANCIAL HIGHLIGHTS

**Turnover**

£0.5m

(2021: £2.3m)

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

£6.4m

(2021: £2.3m)

**Loss per share**

4.65p

(2021: 2.53p)

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

£23.4m

(2021: £9.8m)

"We are pioneers in solid state battery technology."

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

# OPERATIONAL HIGHLIGHTS

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

**Progress includes:**

- Secured lease of a 1,600m$^2$ property for Stereax manufacturing scale-up and installed a 340m$^2$ clean room facility.
- Completed installation of Stereax manufacturing line on time and on budget, despite significant global supply chain disruption and officially opened it in December 2021.
- Substantially completed Stereax manufacturing process qualification.
- Continued to engage with portfolio of Stereax customers from IIoT and medical device sector.
- Completed Goliath development collaborations with Faraday Battery Challenge partners including Honda, JLR and McLaren.
- Continued technical progress with the Goliath development programme, including increased cycle count, reduced operating temperature and increased energy density.
- Completed Goliath scale up manufacturing design collaboration with Comau (part of the Stellantis Group), funded by the Advanced Propulsion Centre.
- Appointed senior additions to management team with Brendan McCarthy (ex-BMW) as Goliath Operations Director and Robin Bell as VP Product Development.
- Increased patent portfolio to 25 granted patents, with 2 new grants, 1 in the US and 1 in the UK. 5 additional international filings submitted.


STRATEGIC REPORT


GOVERNANCE


FINANCIAL STATEMENTS

# Qualifying Stereax® for Commercial Sales



## KEITH JACKSON

NON-EXECUTIVE CHAIRMAN

"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."

### Outlook

Following the installation and commissioning of the Stereax manufacturing facility, Ilika is focussed on qualifying the initial Stereax product for commercial sales. This is expected to take until the end of calendar year 2022. Initial orders for Stereax are expected to be fulfilled in early calendar year 2023. Ilika will continue to actively manage the deployment of capital through this pre-commercialisation phase of Stereax. Further growth of the Stereax business is expected to involve commercial partnerships to transfer the technology to larger scale facilities under licence. Regarding Goliath, Ilika will build on the technical progress made to date, with a view to reaching manufacturing readiness maturity by the end of 2023. In parallel with maturing the product, Ilika will be deploying £5m of the capital it raised in 2021 to increase the level of automation of its Goliath pilot line. Following Goliath reaching manufacturing readiness in 2023, Ilika anticipates implementing a scale-up to mega-factory scale in order to support the initial stages of commercial roll-out of a small portfolio of electric hyper and super car models. Additional financing would be required to realise this mega-factory implementation, 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.

### Results

We have continued to progress to plan with our Goliath battery with a focus on getting the right mix of attributes in a battery for our target applications. We have increased focus on a robust material supply chain and the environmental impact of manufacture and recycling as critical success factors in the design of a successful battery to reflect current economic, supply and environmental concerns, which look set to continue indefinitely. As always, the team has taken on these challenges and increased its strength through training, consultants, partners and recruitment. Whilst this is not easy and there are always risks and challenges, we are making good progress and look forward to sustaining that in the coming year.

Our Stereax batteries have a primary target application of safe, long lasting embedded medical environments and IoT sensing in hostile environments as a secondary market. There has been a lot of learning in the transition to the new equipment to make the batteries faster and repeatably on the new equipment, which generates additional protective IP. The medical market is a good commercial and societal opportunity but will always have slower take up due to the obvious effectiveness, safety and approval requirements. Given the market dynamics and requirements we had to announce a delay in revenue expectations. However, the medical market can provide revenues at a unit price premium and, once secured, sustained for a long period as the same requirements that make the market difficult to enter make it difficult to change. Similarly to Goliath, the Stereax team continues to remain focussed and understand the demands and activities required by the business.

**KEITH JACKSON**
**NON-EXECUTIVE CHAIRMAN**
12 July 2022

## 2021/22

**KEY MILESTONES FOR THE GROUP**

### Q1

Completion of equity placing to raise ca. £24m to support Goliath development programme through to manufacturing readiness.

### Q2

Successful completion of the construction of Ilika's 340 $m^2$ cleanroom at its 1600$m^2$ Stereax manufacturing facility. The key deposition tools, as well as the principal etching equipment, completed their factory acceptance tests and were delivered to site for facilitisation prior to the start of site acceptance testing and the commencement of process qualification.

### Q3

Official opening of Stereax manufacturing facility and commencement of process qualification.

### Q4

Conclusion of its Goliath scale-up study, SOLSTICE, with partner Comau, part of Stellantis, and a world leader in the industrial automation field. The study reviewed Ilika's existing Goliath pre pilot line and delivered a plant design for a Goliath manufacturing line at a mega-scale facility. The project was supported by the Advanced Propulsion Centre.

## 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.

# Moving into the next phase of Stereax® commercialisation

## GRAEME PURDY

CHIEF EXECUTIVE OFFICER

"The Company's mission is to rapidly develop leading-edge IP, manufacture and sell solid state batteries for markets that cannot be addressed with conventional batteries due to their safety, charge rates, energy density and life limits."

## 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 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 three phases:

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

b) scale-up to mid-scale manufacturing facilities to demonstrate product and process robustness, while also supporting initial commercialisation; and

c) commercial collaborations, potentially involving licensing the technology, for large volume production.

Ilika has scaled-up its Stereax technology to a mid-scale manufacturing facility. Initial revenue has been generated from sales of evaluation samples from its Stereax pilot line and revenue growth is expected from commencement of commercial sales in 2023. Ilika's Goliath programme is currently in the first commercial phase, where product development is being supported by grant-funded programmes and commercial collaborations.

## 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.
- 6 x 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 and high power characteristics make them useful for a range of medical implant applications covering blood pressure monitoring to neuro-stimulation.

Turnover

£0.5m

(2021: £2.3m)

Loss per share

4.65p

(2021: 2.53p)

EBITDA loss adjusted for share-based payments for the year

£6.4m

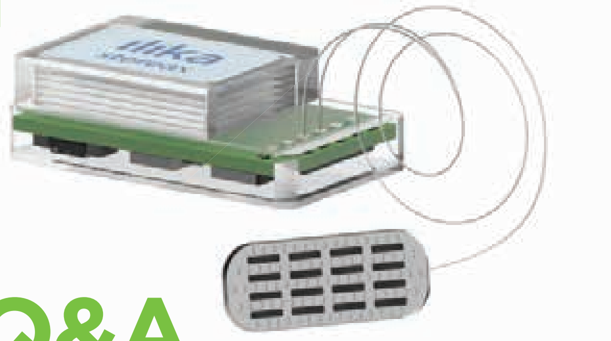
(2021: £2.3m)

# Stereax Manufacturing Scale-up and Commercialisation

During Ilika's 2020/21 financial year, a lease was secured on a 1,600m$^2$ facility within five miles of Ilika's headquarters. After competitive tenders for the construction of a 340m$^2$ cleanroom within the facility were received, a principal contractor was mobilised. Despite significant disruption to the global supply chain, the manufacturing line was installed on time and on budget and was officially opened in December 2021. This was followed by process qualification activities, which are now substantially complete. Process qualification involves running the complete manufacturing process from beginning to end and assessing the process stability and reproducibility. The proprietary parts of the Ilika process were higher risk to implement, as they involved some customisation of standard equipment. Specifically, transferring the operational parameters for depositing the optimum quality of cathode material required a more extensive set of process tests than was anticipated. As a result, timelines to stabilise the proprietary parts of the process have been longer than expected and the commencement of the next phase of scale-up, process optimisation and product qualification, started later in 2022 than was originally planned.

Product qualification involves producing batches of products for highly accelerated life testing ('HALT') and reliability testing. HALT is designed to understand the failure modes of the product in case opportunities can be identified to increase product robustness. Reliability testing involves creating statistically relevant data sets to underpin the product specification sheets. The initial phase of this activity is expected to continue until the end of 2022 before initial samples will be issued to customers. Ilika is actively managing the deployment of capital through this pre-commercialisation phase. The testing and reliability programme will continue into 2023 as product characterisation is extended into long term robustness testing.

As demand for Stereax ramps over the coming years, a further step-up in production capacity with a larger manufacturing partner is expected to be required, when commercial collaboration through a licensing model may be more appropriate.



# ↓ Q&A

## The Stereax process qualification has taken longer than you anticipated last year. What have been the challenges?

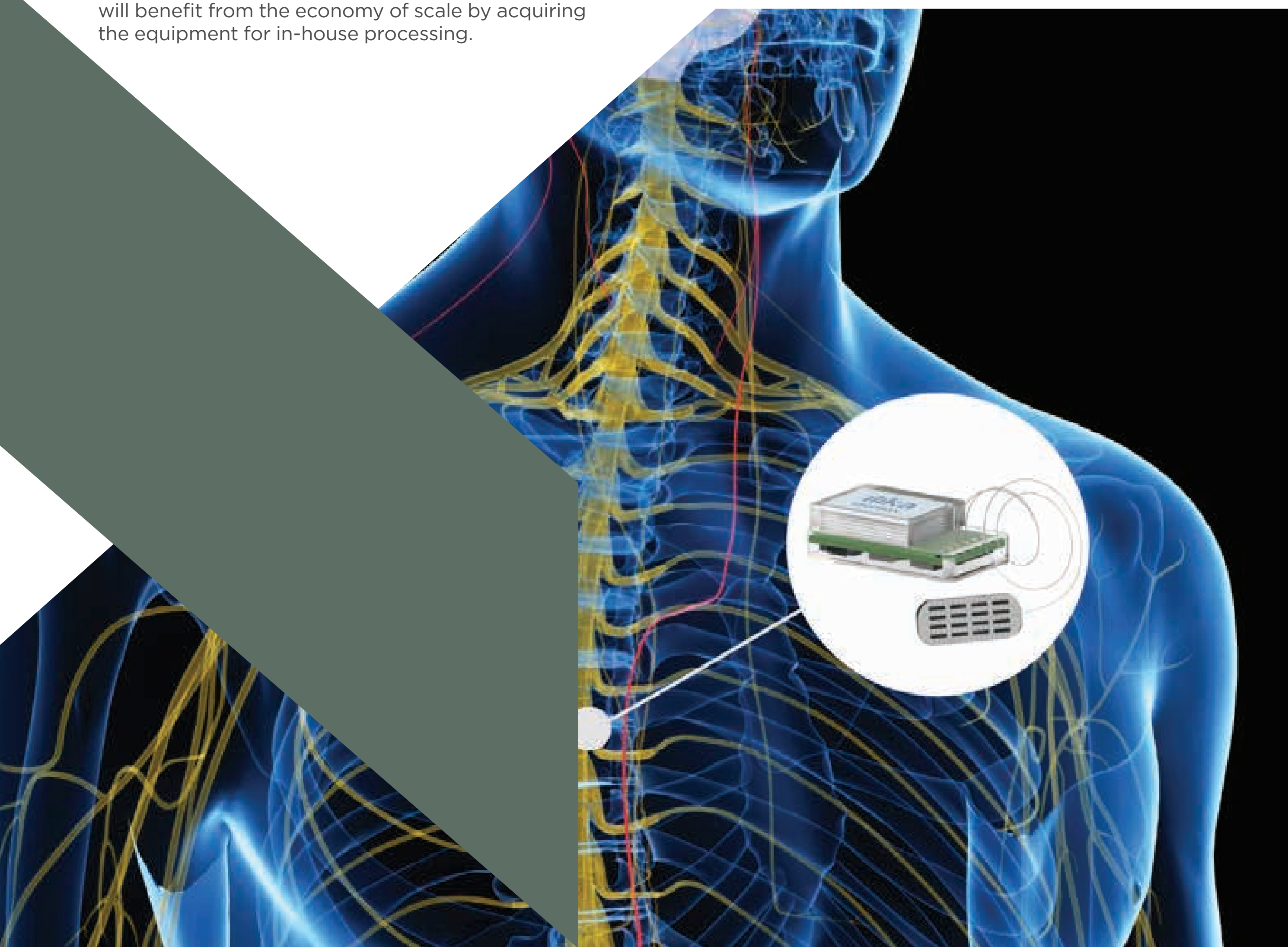
Although we successfully operated a pilot line for the production of Stereax for a number of years and we spent time modelling the scaled-up equivalent tool for our fab, the process conditions did not map directly onto the larger tool, so we had a longer process qualification phase then we anticipated.

## Why do you outsource some of the process steps?

The process equipment for thinning and dicing as well as the cell stacking has a higher throughput than our fab requires and buying it would entail a significant capital outlay. Hence, we obtain the best return on investment by outsourcing those steps for now. Larger facilities will benefit from the economy of scale by acquiring the equipment for in-house processing.

## What is the level of engagement with Stereax customers?

We have a strong pipeline of customers in application areas covering miniature implantable devices and IIoT. We have supplied these customers with small quantities of batteries from our pilot line and they all have back-orders with us for Stereax product. We will support those customers through their product development and testing programmes all the way to initial commercialisation.



# Large Format Goliath Batteries

In July 2021 Ilika secured an equity investment of ca. £25m made up of a placing, a retail offer and an open offer. Of this placing, £5m was earmarked for investment in automating Ilika's pre-pilot line, in Romsey, UK to support its portfolio of industrial collaborations. In this facility, Ilika is developing low-cost printing processes suitable for manufacturing solid state batteries several orders of magnitude larger than miniature Stereax batteries.

At the beginning of the 2021/22 financial year, Ilika completed a portfolio of three collaborative projects supported by the UK Government's Faraday Battery Challenge. The projects were supported by £5.2m in 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.

In order to build on the foundations laid by the Faraday projects, £10m of the £25m placing was ring-fenced to fund the development costs of maturing Goliath cells to manufacturing readiness by the end of 2023.

Over the course of the 2021/22 financial year, the following technical progress has been made:

- Achieved 500 cycles without cell failure
- Demonstrated room temperature cycling
- Increased cathode utilisation in cell designs and increased capacity
- Reproduced baseline cell performance in reproducible batches
- Commenced cell mechanical robustness testing


# Goliath Manufacturing Scale-up

The Company's pilot line in Romsey is capable of producing 1kWh per week. Ilika has plans to scale up its current site to an automated facility producing 10-40kWh per week, which it will start to implement in the 2022/23 financial year.

By the end of 2023, the Goliath minimum viable product is expected to be manufacturing ready. Initially, manufacturing will be carried out on the Company's pilot line, but the Company plans to build a mega-scale facility to support the initial volume of production required by Ilika's automotive partners.

In September 2020, Ilika announced the signing of a framework agreement with the UK Battery Industrialisation Centre ('UKBIC') for the production of Goliath solid state pouch cells. This stage of scale-up will involve Ilika reaching 5MWh per week to satisfy increasing customer demand. Following that announcement, in April 2021, Ilika confirmed that it had secured funding from the Advanced Propulsion Centre, for a 12-month collaboration with Comau, part of the Stellantis Group, to scale up Ilika's existing Goliath pre pilot line and deliver a mega-scale design for a manufacturing line at a facility such as the UK-BIC. This design study was successfully completed. Discussions with the UK Government and its agencies are on-going regarding further grant funding to support the planned scale-up activities. The Company will also explore other financing options to fund this scale up, which may include investment from strategic partners and/or equity financing.

**GRAEME PURDY**
**CHIEF EXECUTIVE OFFICER**
12 July 2022

## BUSINESS MODEL

The Group's revenue model involves three phases:

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

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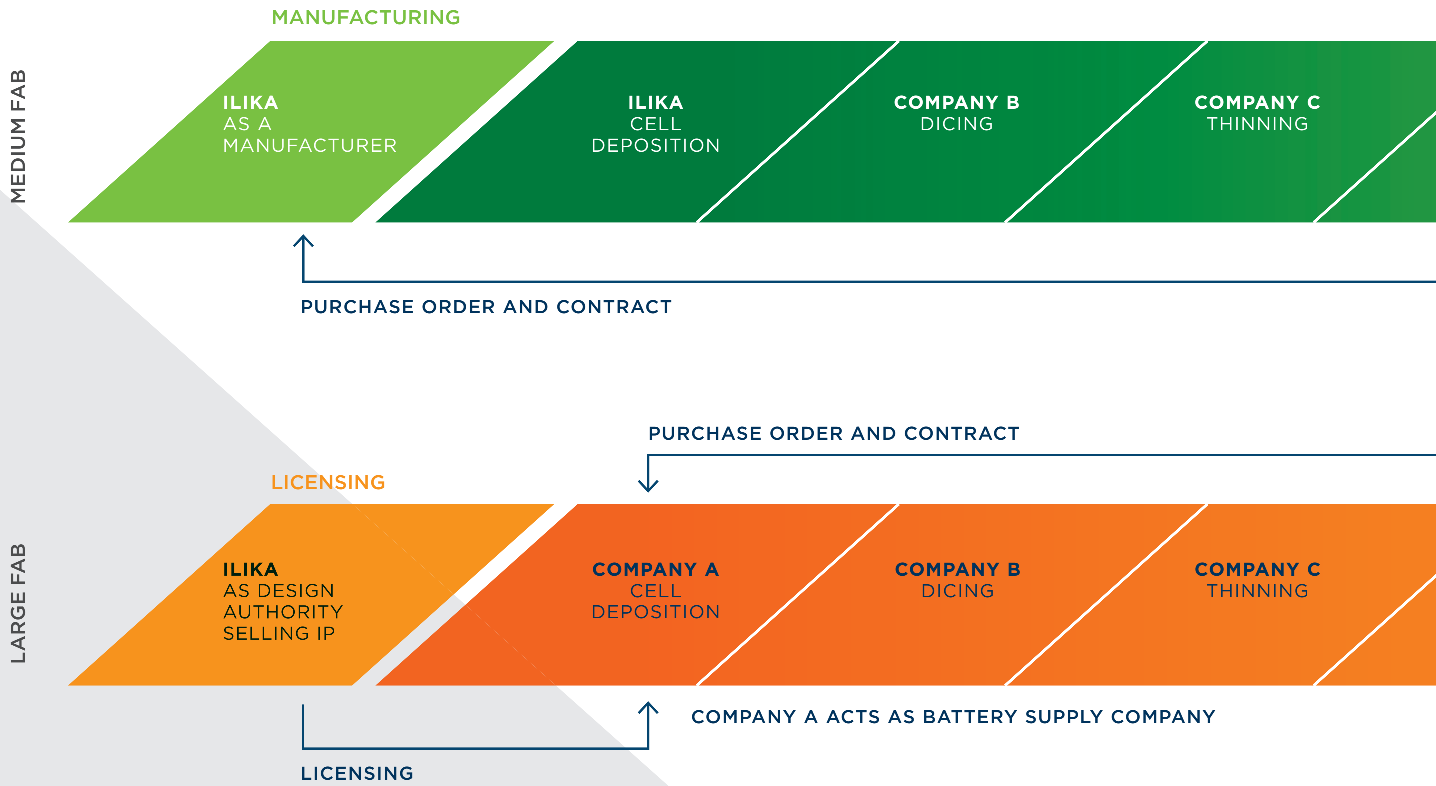
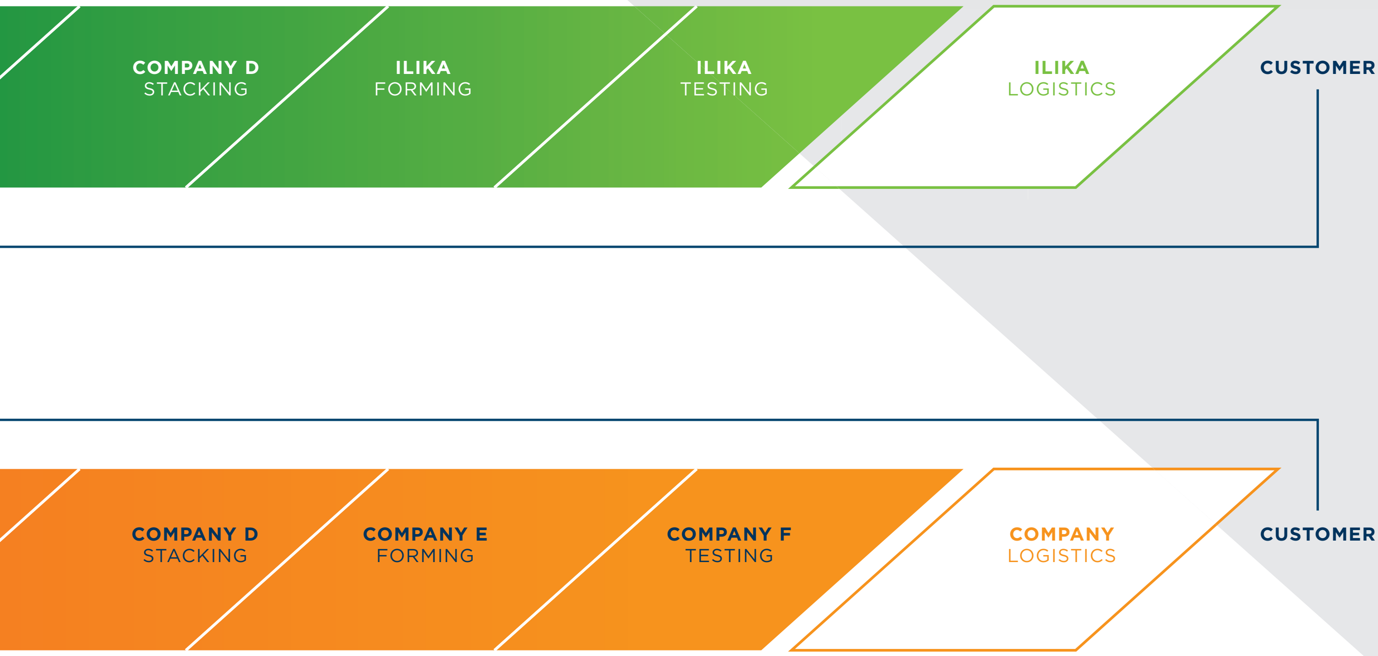
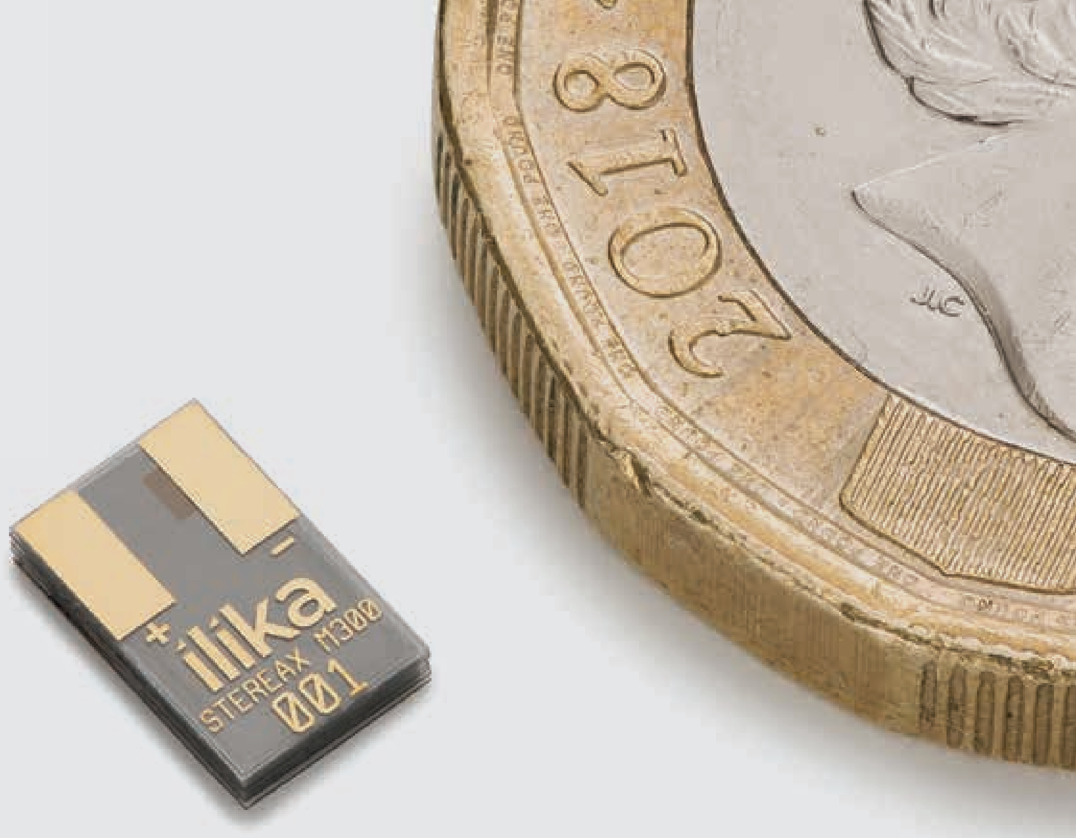


Ilika has scaled-up its Stereax technology to a mid-scale manufacturing facility. Initial revenue has been generated from sales of evaluation samples from its Stereax pilot line and revenue growth is expected from commencement of commercial sales in 2023.

Ilika's Goliath programme is currently in the first commercial phase, where product development is being supported by grant-funded programmes and commercial collaborations. The Company is currently manufacturing pouch cells on a pre-pilot line, which it will automate into a full pilot line with at least 10x the capacity by the end of 2023.



PRODUCT OVERVIEW




# Stereax®



**The commercial pipeline includes implantable medical devices for nerve stimulation and smart devices in the fields of orthopaedics, orthodontics, opthalmics and cardiac rhythm management. In addition, there is demand for devices in industrial IoT, particularly for condition monitoring.**

### **Application areas** – MedTech

Using miniature mm-scale devices:

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

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

ORTHODONTIC: sensors integrated into retainers or aligners to monitor patient compliance or measure chemical indicators in saliva.

OPHTHALMIC: smart contact lenses, macular degeneration correction.

CARDIAC RHYTHM MANAGEMENT: miniature, self-charging devices for treating arrythmia.

### **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.


## Why solid state batteries?

ULTRA COMPACT: occupy half the volume of Li-ion, enabling smaller designs.

HIGH POWER DENSITY: deliver power pulses for therapy and communication.

SAFE: no toxic fluid leakage possible.

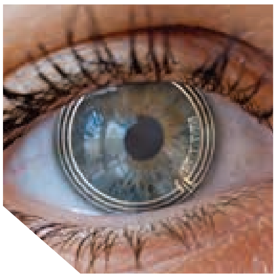
**STRATEGY IN ACTION**
Stereax®

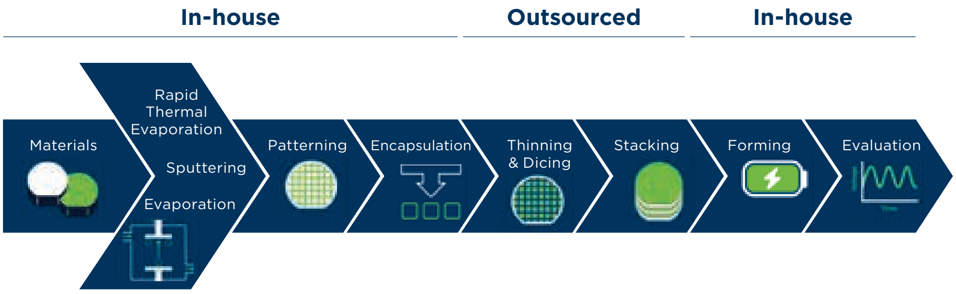
# Investing in Stereax® scale-up



## CASE STUDY

The Company has invested equity funding raised in 2020 in a medium-sized factory, or ‘fab’, which was officially opened at the end of 2021. The fab features a combination of proprietary know-how and established industry processes. At the time of writing this report, the process qualification was substantially complete. The second half of 2022 will see the Stereax team focussed on process optimisation and product qualification. Demand for the Stereax product will ramp up as the medical devices incorporating Stereax batteries progress through pre-clinical studies, in-human trials, regulatory approval and mass market commercialisation.




COMBINATION of proprietary know-how and established industry processes.

PROCESS qualification substantially complete, with process optimisation and product qualification proceeding.

PRODUCT OVERVIEW


# Goliath



**The compact nature of solid state batteries, their tolerance to elevated temperatures, their safety and environmental benefits are the key drivers for sustained interest in the technology from the automotive sector.**

Over the past year, Ilika has continued to invest in the development of Goliath cells, improving their performance and moving them towards the specification required for the Goliath Minimum Viable Product, or MVP by the end of 2023. Intermediate data- and prototype product-points are plotted on the curve to monitor progress.

Ilika expects its first customers to be from the hyper- and super-car sectors, which value performance at the price point that can be achieved at mid-scale or mega-factory production levels.

## **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.

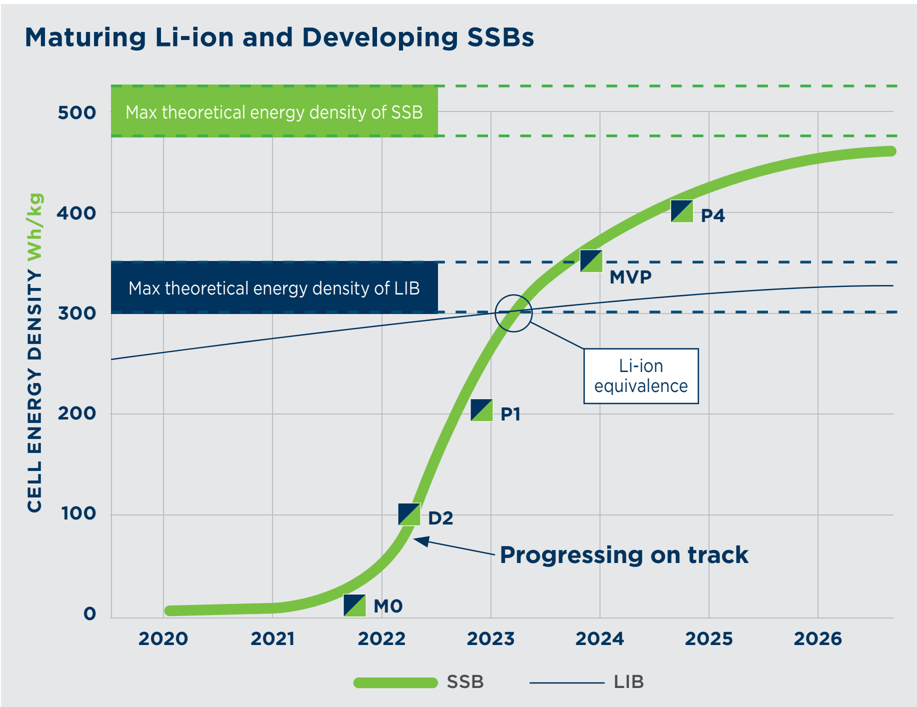

# The **Environmental** benefits

**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



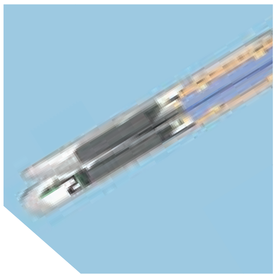
**STRATEGY IN ACTION**
Goliath

# Goliath scale-up with systematic risk reduction

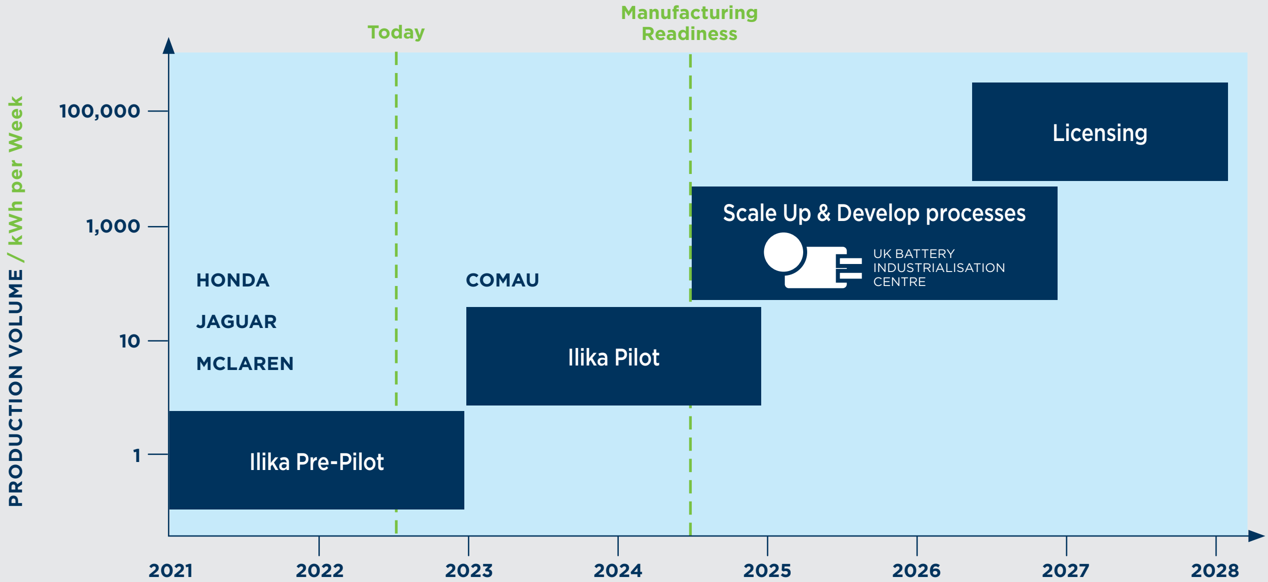
## CASE STUDY

Ilika is managing risk by carrying out scale-up in three steps:

1. Automation of its existing pre-pilot line
2. Transfer to mid-scale (mega-factory) production, preferably at the UK Battery Industrialisation Centre (UK-BIC)
3. Licensing or joint venturing at giga-factory scale



## Goliath manufacturing scale-up




- Ilika – UKBIC ATF Economic Feasibility study started 1 May 22
- 6-month study into the costs of putting a SSB line at the BIC facility

## Goliath scale-up studies

| | Q2/21 | Q3/21 | Q4/21 | Q1/22 | Q2/22 | Q3/22 | Q4/22 | Q1/23 | Q2/23 | |
|---|---|---|---|---|---|---|---|---|---|---|
| SOLSTICE | | | | | | | | | | Process design |
| TDAP | | | | | | | | | | Forming protocols |
| BUS 100 | | | | | | | | | | UK-BIC economics |
| STEP | | | | | | | | | | Vendor equipment trials |

Secured a series of grant-supported scale-up studies to de-risk the transfer to mega-scale

# Our people are our greatest asset

Ilika's policies go far beyond legislation relating to employment rights and equal opportunities, with particular reference to non-discrimination on the basis of ethnic origin, religion, gender, age, marital status, disability or sexual orientation.

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

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

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


*Ilika employees celebrate International Women's Day on 8 March 2022*

# A cleaner future



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

Ilika has implemented many changes within the business in furtherance of our policies and continues to review and monitor progress against our own targets and to creatively consider new initiatives.

Our on-going objectives are to consider environmental issues in all of our decision making processes; to evaluate future energy usage to see how we can use low energy systems and to fundamentally reduce our impact on the environment and ask our employees, suppliers and customers to do likewise. Our sites use 100% renewable electricity. We have also developed a plan to transition to a fully carbon-neutral operation.


## Quality management system

In November 2021, 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 June 2022, the Company received confirmation of its ISO 14001:2015 certification following an annual 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 48 to 60. 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 44 to 47.

## Statement of comprehensive income

### Turnover

Turnover, all from continuing activities, for the year ended 30 April 2022 was £0.5m (2021: £2.3m). This includes £0.4m of grant income recognised from four projects that the company has in progress with Innovate UK (2021: £2.0m from seven programmes).

Non-grant turnover in the year was £0.1m (2021: £0.3m). This year the Group has solely focussed 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 increased from £4.4m in 2021 to £8m in 2022. Approximately £2.5m of this increase was in research and development spending, a significant proportion of which is staff costs associated with the increase in the average number of staff employed from 51 to 64.

The facilities costs associated with the set up and running of the new production facility also contributed to this increase and £0.8m of development costs were capitalised in the year compared to £0.9m in 2021. The share-based payment charge increased slightly from £420k in 2021 to £430k in 2022, due to 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 £2.3m in 2021 to £6.4m in 2022.





## Statement of financial position and cash flows

At 30 April 2022, current assets amounted to £26.0m (2021: £12.3m), including cash, cash equivalents and bank deposits of £23.4m (2021: £9.8m).

The principal elements of the £13.6m increase in net funds were:

- Fundraise of £23.9m (net) in the year;
- Operating cash outflow of £6.4m (2021: £2.3m);
- Capital expenditure on intangible development costs, plant, property and equipment of £4.8m (2021: £2.7m) 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. Technical KPIs benchmark battery development milestones and patent applications. Commercial KPIs link the technical development programmes to the sales pipeline and engagement of commercialisation partners. Operational KPIs ensure that overheads and cash resources are tightly controlled.

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

## Turnover

# £0.5m

(2021: £2.3m)

## Current assets

# £26.0m

2021: £12.3m

## 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.<br>Trading on OTCQX best market to extend coverage to US retail investors. | Decision to raise funds to support the scale up of the Goliath development programme. |
| **Employees** | To deliver our long-term strategic objectives. To promote our culture, purpose and values and support their well-being whilst maintaining low turnover and high productivity rates. | Transparent cascading Key Performance Measures that link directly to the Company objectives.<br>Twice yearly performance evaluations with objective setting and reviews. Formal policies and procedures.<br>Quarterly, all-Company update meetings. | Employee Assistance Programme provided offering various legal, financial and life coaching advice.<br>Maintaining key operations throughout the year 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. | Promotion of the employee-led 'Green Champions', a cross-company working group to ensure green initiatives are raised and followed through. | Maintained and extended ISO accreditations (9001 and 14001) to new facilities. Continued use of electricity solely from renewable sources.<br>Commenced an electric vehicle salary sacrifice scheme and undertook carbon offset programme to minimise carbon footprint. |
| **Business relationships** | To enable balanced decisions which incorporate viewpoints of customers, suppliers and regulators and ensure Company's integrity, brand and reputation are upheld. | Attendance at conferences and customer and supplier meetings. | Appointment of a supply chain director. |

## 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 overreliance 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 and participation in long-term share option schemes and a good working environment. |
| War in Ukraine | The war in Ukraine has created inflationary pressures across the supply chain. | There is no specific consumable or product from the region upon which Ilika is particularly reliant. |
| COVID-19 risk | The Group is not immune to the risks associated with COVID-19. | The Group continues to manage 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. |

By order of the Board

**KEITH JACKSON**
CHAIRMAN

**GRAEME PURDY**
CHIEF EXECUTIVE OFFICER

12 July 2022

## 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 worldwide. Following the sale of the company to a major OEM, he joined Rolls Royce Engines PLC where he worked as Chief Technology Officer ('CTO') in the electrical power and control systems group and later became the CTO at Meggitt PLC.

Keith is now the Non-Executive Chairman 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 in May 2004, just before completion of the Company's seed round of funding. He led the Company through two successful rounds of venture funding before floating the company on AIM in 2010.

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

### 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 Ltd (EdTech) and CFPro Ltd (specialist accounting services).

## 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 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 and AFC Energy Plc. She was previously NED 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 statement of compliance with the 10 principles of the QCA Corporate Governance Code is set out below and on our website: https://www.ilika.com/investors/corporate-governance.

| Principle | Disclosure |
|---|---|
| Establish a strategy and business model which promotes long-term value for shareholders. | Business strategy outlined on page 4. |
| Seek to understand and meet shareholder needs and expectations. | See the 'Meeting the needs and objectives of shareholders' section in Corporate Governance Statement. |
| Take into account wider stakeholder and social responsibilities and their implications for long term success. | See the 'Shareholder engagement' section in Corporate Governance Statement. |
| Embed effective risk management, considering both opportunities and threats, throughout the organisation. | See risk management and internal control section in Corporate Governance Statement. |
| Maintain the Board as a well-functioning, balanced team led by the chair. | See the 'Board of Directors' section in Corporate Governance Statement. |
| Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities. | See the 'Board experience' section in Corporate Governance Statement. |
| Evaluate all elements of Board performance based on clear and relevant objectives, seeking continuous improvement. | See the 'Performance evaluation' section below in Corporate Governance Statement. |
| Promote a corporate culture that is based on sound ethical values and behaviours. | See the 'Promoting ethical values and behaviours' section in Corporate Governance Statement. |
| Maintain governance structures and processes that are fit for purpose and support good decision making by the Board. | See the 'Board Committees' section in Corporate Governance Statement. |
| Communicate how the company is governed by maintaining a dialogue with shareholders and other relevant stakeholders. | See the 'Shareholder engagement' section in Corporate Governance Statement. |

## Shareholder engagement

The Board recognises the importance of communicating with its shareholders and maintains dialogue with institutional shareholders and analysts, and presentations are made when financial results are announced. The Group retains the services of a professional financial public relations company, who assist with ensuring the accurate and timely communication of relevant corporate, financial and other regulatory news. The Annual General Meeting is the principal forum for dialogue with private shareholders who are given the opportunity to raise questions at the meeting, and to meet Directors and senior managers of the business who make themselves available after each meeting. The Company aims to send out the notice of the Annual General meeting at least 21 working days before the meeting and publish the results of resolutions (which are usually voted on by a show of hands) in a Regulatory News Statement after the relevant meeting. Shareholders also have access to the Company's website and interactive Investor Meet Company web-based presentations.

## Meeting the needs and objectives of shareholders

The Board appreciates that the diverse shareholder base of the Group may have differing objectives for their investment in the business, and therefore the importance of ensuring that Non-Executive Directors ('NED') have an up to date understanding of these perspectives is well recognised. Directors will therefore routinely engage with both institutional and private investors and will seek out opinions on unusual or potentially controversial matters before adopting policy changes or tabling shareholder resolutions. The Board will always review written feedback reports from investors following financial results 'roadshows' and will always consider information received from institutional voter advisory firms.

## Promoting ethical values and behaviours

The Board has primary responsibility for ensuring that the Group operates according to the highest ethical standards. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people. The Directors have responsibility for ensuring that individuals employed by the Group demonstrate the highest levels of integrity. In addition, the Group has a formal Share Dealing Code.

## Board of Directors

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

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

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

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

The Board retains full and effective control of the Group. This includes responsibility for determining the Group's strategy and for approving budgets and business plans to fulfil this strategy. The full Board ordinarily meets 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, based on clear and relevant objectives to ensure continuous improvement, 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 Dr. Monika Biddulph.

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

### ii) Remuneration Committee

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

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

### iii) Nomination Committee

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

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

### Attendance at Board meetings and Committees

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

| Attendance | Board | Audit | Nomination | Remuneration |
|---|---|---|---|---|
| Mr S. Boydell | 7/7 | – | – | – |
| Prof. B. E. Hayden | 4/4 | – | – | – |
| Mr G. Purdy | 7/7 | – | – | – |
| Prof K Jackson | 7/7 | 2/2 | 1/1 | 3/3 |
| Jeremy Millard | 7/7 | 2/2 | 1/1 | 3/3 |
| Dr. Monika Biddulph | 7/7 | 2/2 | 1/1 | 3/3 |



## 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
12 July 2022

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 32.

## 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 2022, with all members present, and covered the following matters:

- July 2021: audit completion meeting for the 2021 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 2022: 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 32. The Committee members are 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% and 10% 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% CEO, 60% CSO and 40% CFO. 50% of the bonus is payable in cash and 50% is deferred into shares (using nominal cost options) for one year, subject to continued employment. | Delivery of exceptional performance against a series of financial, commercial and technology objectives. |
| Long Term Incentive Plan – restricted share unit awards | Incentivise, retain and reward the Executive Directors for successfully taking the Company through the next stage of its growth. | Ilika plc Long Term Incentive Plan 2018 ('the LTIP'), was adopted by shareholders at the 2018 AGM.<br><br>Single awards of share options with an exercise price of the nominal value of the shares were made which will vest after three years. | Awards vest to the extent that challenging share price targets have been met. |
| Shareholding guidelines | To increase shareholder alignment. | 100% of the net of tax share awards which vest must be retained until the following guidelines are met:<br><br>CEO 300% of salary<br><br>CSO 250% of salary<br><br>CFO 150% of salary | n/a |

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

The Chairman, Keith Jackson receives a fixed fee of £69,424 per annum. Jeremy Millard and Monika Biddulph receive a fixed fee of £35,233 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 2022 and 30 April 2021 was as follows:

| | Basic salary £ | Benefits in kind £ | Bonus £ | Total short-term benefits £ | Pension £ | Total £ |
|---|---|---|---|---|---|---|
| **Year to 30 April 2022** | | | | | | |
| G Purdy | **210,459** | **720** | **53,667** | **264,846** | **21,046** | **285,892** |
| S Boydell | **139,298** | **476** | **20,546** | **160,320** | **11,143** | **171,463** |
| B Hayden (to end Sept 21) | **57,150** | **231** | **–** | **57,381** | **–** | **57,381** |
| K Jackson | **67,389** | **–** | **–** | **67,389** | **–** | **67,389** |
| J Millard | **34,200** | **–** | **–** | **34,200** | **–** | **34,200** |
| M Biddulph | **34,200** | **–** | **–** | **34,200** | **–** | **34,200** |
| | **542,696** | **1,427** | **74,213** | **618,336** | **32,189** | **650,525** |
| 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 | 153,787 | 10,932 | 164,719 |
| B Hayden[1] | 91,169 | 139 | 12,979 | 104,287 | – | 104,287 |
| 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 |

1 B Hayden was employed by the University of Southampton in 2020. 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 2020/21 in respect of B Hayden.

Benefits in kind include critical illness cover.

# DIRECTORS' REMUNERATION REPORT
continued

## Share options

The share options of the Directors are set out below:

| Unapproved | 2021 Number | **2022 Number** | Exercise price | Expiry date | Performance conditions |
|---|---|---|---|---|---|
| G Purdy | 105,810 | **75,810** | 1p | August 2027 | n/a |
| G Purdy | 1,127,777 | **1,127,777** | 1p | January 2029 | See note 1 |
| G Purdy | 207,229 | **207,229** | 1p | August 2029 | n/a |
| G Purdy | 606,014 | **606,014** | 1p | March 2030 | See note 2 |
| G Purdy | 65,812 | **65,812** | 1p | September 2030 | n/a |
| G Purdy | 92,536 | **92,536** | 1p | February 2031 | See note 3 |
| S Boydell | 373,222 | **–** | 1p | January 2029 | See note 1 |
| S Boydell | 63,822 | **–** | 1p | August 2029 | n/a |
| S Boydell | 196,619 | **196,619** | 1p | March 2030 | See note 2 |
| S Boydell | 21,780 | **–** | 1p | September 2030 | n/a |
| S Boydell | 42,873 | **42,873** | 1p | February 2031 | See note 3 |

B Hayden resigned as Director with effect from 22 September 2021. The table below sets out the share options that he held up until 22 September 2021 along with the 30 April 2021 comparative.

| Unapproved | 2021 Number | 22/9/2021 Number | Exercise price | Expiry date | Performance conditions |
|---|---|---|---|---|---|
| B Hayden | 16,211 | 8,211 | 1p | August 2027 | n/a |
| B Hayden | 712,394 | 712,394 | 1p | January 2029 | See note 1 |
| B Hayden | 60,896 | 60,896 | 1p | August 2029 | n/a |
| B Hayden | 382,807 | 382,807 | 1p | March 2030 | See note 2 |
| B Hayden | 15,763 | 15,763 | 1p | September 2030 | n/a |
| B Hayden | 44,494 | 44,494 | 1p | February 2031 | See note 3 |

Awards with performance conditions will vest on the achievement of the share price targets, assessed over a three year performance period:

1) (a) Less than 27p – no vesting
   (b) 27p – 25% of the shares subject to award will vest
   (c) 36p – 75% of the shares subject to award will vest
   (d) 54p – 100% of the shares subject to award will vest
2) (a) Less than 51p – no vesting
   (b) 51p – 25% of the shares subject to award will vest
   (c) 68p – 75% of the shares subject to award will vest
   (d) 102p – 100% of the shares subject to award will vest
3) (a) Less than 336p – no vesting
   (b) 336p – 25% of the shares subject to award will vest
   (c) 448p – 75% of the shares subject to award will vest
   (d) 672p – 100% of the shares subject to award will vest

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

Share based payment charge attributable to Directors in the year was £314,204 (2021: £343,733).

**KEITH JACKSON**
CHAIRMAN OF THE REMUNERATION COMMITTEE

## 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) (Resigned 22 September 2021)
Mr G. Purdy (CEO)

### Non-Executive

Prof. K Jackson (Chairman)
Mr. J Millard (Senior Independent Director)
Dr. M. Biddulph

## Research and development costs

In accordance with the policy outlined in note 1, the Group incurred research and development expenditure of £4,786,225 in the year (2021: £2,258,177). In addition, amounts totalling £807,331 (2021: £939,709) 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 15 of the financial statements.

## Future developments

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

## Dividends

The Directors do not recommend the payment of a dividend.

## Directors' interests in Ordinary Shares

The Directors, who held office at 30 April 2022, had the following interests in the Ordinary Shares of the Company:

| | Number of shares | |
|---|---|---|
| | 1 May 2021 | 30 April 2022 |
| G Purdy | 767,927 | 782,927 |
| K Jackson | 95,000 | 102,142 |
| S Boydell | 43,346 | 113,948 |
| M Biddulph | 12,500 | 16,071 |
| J Millard | – | – |

B Hayden resigned as Director with effect from 22 September 2021. The table below sets out the interests in Ordinary Shares of the Company held as at 22 September 2021 and 1 May 2021.

| | 1 May 2021 | 22 September 2021 |
|---|---|---|
| B Hayden[1] | 33,500 | 41,500 |

1 B Hayden had an interest in preference shares of the Company amounting to 426,300 at 22 September 2021 when he resigned from the Board and at 1 May 2021.

During the year, B Hayden exercised 8,000 share options in July 2021, G Purdy exercised 30,000 share options in July 2021 and sold 15,000 Ordinary Shares in February 2022 for proceeds of £21,525, S Boydell exercised 10,000 share options in July 2021, 20,000 share options in February 2022 and 55,602 share options in March 2022 and sold 15,000 Ordinary Shares in February 2022 for proceeds of £21,525. Additionally, S Boydell exercised and sold 373,222 Long Term Incentive Plan share options in March 2022 for net proceeds of £157,906.

## Substantial shareholdings

On 2 July 2022 the Company had been notified of the following holdings of more than 3% or more of the issued share capital of the Company.

| Shareholder | No. of Ordinary Shares | % shareholding |
|---|---|---|
| GPIM Limited | 13,742,150 | 8.7 |
| Janus Henderson Group plc | 8,565,108 | 5.4 |
| Schroders plc | 7,770,865 | 4.9 |
| Herald Investments | 7,507,283 | 4.8 |
| Baillie Gifford & Co. | 7,170,769 | 4.5 |

## Post balance sheet events

There are no significant post balance sheet events from the 30 April 2022 to the signing of this Report.

## Auditors

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

A resolution to re-appoint BDO LLP will be proposed at the next Annual General Meeting.

By order of the Board.

**STEVE BOYDELL**
**COMPANY SECRETARY**

# 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 UK adopted international accounting standards. 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.

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 UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## Website publication

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

## Going concern

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

By order of the Board

GRAEME PURDY
CHIEF EXECUTIVE
12 July 2022

## 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 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 2022 which comprise 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 financial statements is applicable law and UK adopted international accounting standards 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 the Directors' assessment of going concern through analysis of the Group's cash flow forecast through to July 2023, including assessing and challenging the assumptions underlying the forecasts by reference to historic performance and our knowledge of future developments.
- Sensitising 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 to determine if the forecasted cash burn is reasonable compared to prior years, and reasonable considering the additional costs the business has incurred set up the new production facility.

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 Group and the Parent Company'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% (2021: 100%) of Group loss before tax*<br>*100% (2021: 100%) of Group revenue*<br>*100% (2021: 100%) of Group total assets* | | |
| | | **2022** | 2021 |
| Key audit matters | *Capitalisation of development expenditure* | ✓ | ✓ |
| Materiality | Group financial statements as a whole<br>£412k (2021:£192m) based on 5% (2021: 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 2022 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.

### 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><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 their Stereax® battery technology.<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 and a key audit matter. | We checked that the conditions in the accounting standards for capitalising development costs 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 determine that these are development costs and not manufacturing or research in nature by agreeing a sample costs to of underlying records to check if 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><br>Based on the audit work performed we consider that development costs have been capitalised appropriately and in accordance with the relevant accounting standards. |

## 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 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Materiality** | £412k | £192k | £227k | £119k |
| **Basis for determining materiality** | 5% of loss before tax | 5% of loss before tax | 55% of Group materiality | 62% 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. | 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. | Calculated as a percentage of Group materiality due to aggregated consideration of significant component materiality levels. |
| **Performance materiality** | £308k | £144k | £170k | £89k |
| **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. | 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 component of the Group based on a percentage of between 62% and 95% 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 £390k.In the audit of each component, 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 them all individual audit differences in excess of £8k (2021:£4k). 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.

## 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>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 in respect of the Annual Report and Accounts, 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Parent Company and its subsidiary 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 Parent Company and its subsidiary is complying with those frameworks by making enquiries of those responsible for legal and compliance procedures and the Company Secretary.
- We had discussions with the Directors 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.
- We reviewed Board meeting minutes for any evidence of fraud or non-compliance with laws and regulations including Companies Act 2006; AIM listing requirements; financial reporting framework; health and safety; taxation regulations; and any other regulatory agency.

We determined that the Parent Company and its subsidiary susceptibility material misstatement and specifically where fraud may occur related 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 and the Parent Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how Directors monitor that processes and controls.
- In response to the risk of management override of controls, we identified and selected journal entries for testing, in particular any material journal entries posted directly to revenue and cash, unusual account combinations and journals posted by unexpected users. We also performed additional random testing of any journals posted directly by the Finance Director. We agreed the journals to the relevant supporting documentation (monthly reconciliations, invoices and accrual schedules) and checked that they are valid, accurate and posted in the correct accounting period.
- 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 management's judgement and estimation, and could be subject to potential bias.

As part of our testing, we made inquiries of the Directors regarding any non-compliance with laws and regulations and fraud that was identified during the year. There were no matters that were communicated to the audit team that would indicate non-compliance of laws and regulations and fraud. We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

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

12 July 2022

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 2022 £ | 2021 £ |
|---|---|---|---|
| **Turnover** | 2 | **496,103** | 2,255,688 |
| Revenue | | **30,878** | 230,453 |
| UK grants | | **465,225** | 2,025,235 |
| Cost of sales | | **(218,794)** | (1,271,612) |
| **Gross profit** | | **277,309** | 984,076 |
| Total Administrative expenses | | | |
| Administrative expenses | | **(7,966,807)** | (4,405,622) |
| Share based payment charge | | **(429,686)** | (419,591) |
| | | **(8,396,493)** | (4,825,213) |
| **Operating loss** | 3 | **(8,119,184)** | (3,841,137) |
| Income from short term deposits | | **5,590** | 14,806 |
| Interest payable | | **(31,299)** | (9,694) |
| **Loss before tax** | | **(8,144,893)** | (3,836,025) |
| Taxation | 5 | **1,016,331** | 308,962 |
| **Loss for period/total comprehensive expense** | | **(7,128,562)** | (3,527,063) |
| **Loss per share from continuing operations** | 6 | | |
| Basic | | **(4.65)p** | (2.53)p |
| Diluted | | **(4.65)p** | (2.53)p |

The notes on pages 48 to 60 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

Company number 07187804

| | Notes | As at 30 April 2022 £ | 2021 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 7 | **1,958,153** | 1,063,059 |
| Property, plant and equipment | 8 | **5,072,280** | 2,305,183 |
| Right to use assets | 9 | **891,254** | 890,421 |
| **Total non-current assets** | | **7,921,687** | 4,258,663 |
| **Current assets** | | | |
| Trade and other receivables | 10 | **1,594,326** | 2,173,597 |
| Current tax receivable | 5 | **1,016,822** | 330,000 |
| Other financial assets – bank deposits | 11 | **772,675** | 769,080 |
| Cash and cash equivalents | 12 | **22,626,280** | 8,997,208 |
| **Total current assets** | | **26,010,103** | 12,269,885 |
| **Total assets** | | **33,931,790** | 16,528,548 |
| **Issued capital and reserves attributable to owners of Parent** | | | |
| Issued share capital | 16 | **1,582,342** | 1,396,265 |
| Share premium | | **64,754,910** | 40,992,933 |
| Capital restructuring reserve | | **6,486,077** | 6,486,077 |
| Accumulated losses | | **(41,386,898)** | (34,688,022) |
| **Total equity** | | **31,436,431** | 14,187,253 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **1,407,398** | 1,373,210 |
| Lease liabilities | 9 | **223,644** | 195,524 |
| **Total current liabilities** | | **1,631,042** | 1,568,734 |
| **Non-current liabilities** | | | |
| Lease liabilities | 9 | **623,952** | 632,196 |
| Provisions | 14 | **240,365** | 140,365 |
| **Total non-current liabilities** | | **864,317** | 772,561 |
| **Total liabilities** | | **2,495,359** | 2,341,295 |
| **Total equity and liabilities** | | **33,931,790** | 16,528,548 |

The notes on pages 48 to 60 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 12 July 2022.

**MR. K JACKSON**
**CHAIRMAN**

## CONSOLIDATED CASH FLOW STATEMENT

| | Year ended 30 April | |
|---|---|---|
| | **2022**<br>**£** | 2021<br>£ |
| **Cash flows from operating activities** | | |
| Loss before taxation | **(8,144,893)** | (3,836,025) |
| *Adjustments for:* | | |
| Amortisation | **47,512** | 14,243 |
| Depreciation | **1,253,038** | 1,130,862 |
| Equity settled share-based payments | **429,686** | 419,591 |
| (Profit)/loss on disposal of plant property and equipment | **(2,000)** | 2,089 |
| Net financial expense/(income) | **25,709** | (5,112) |
| **Operating cash flow before changes in working capital, interest and taxes** | **(6,390,948)** | (2,274,352) |
| Decrease/(increase) in trade and other receivables | **279,221** | (293,067) |
| Increase in trade and other payables | **34,188** | 173,777 |
| Increase/(decrease) in provisions | **100,000** | (29,305) |
| **Cash utilised by operations** | **(5,977,539)** | (2,422,947) |
| Tax received | **329,509** | 278,962 |
| **Net cash flow used in operating activities** | **(5,648,030)** | (2,143,985) |
| **Cash flows from investing activities** | | |
| Interest received | **5,590** | 14,806 |
| Purchase of intangible assets | **(942,606)** | (1,011,192) |
| Purchase of property, plant and equipment | **(3,491,671)** | (1,812,135) |
| Sale of property, plant and equipment | **2,000** | – |
| Increase in other financial assets | **(3,595)** | (6,880) |
| **Net cash used in investing activities** | **(4,430,282)** | (2,815,401) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of Ordinary Share capital | **24,833,468** | 101,632 |
| Cost of share issue | **(885,414)** | – |
| Lease payments – capital | **(209,371)** | (124,882) |
| Lease payments – interest | **(31,299)** | (9,694) |
| **Net cash from/(used in) financing activities** | **23,707,384** | (32,944) |
| **Net increase/(decrease) in cash and cash equivalents** | **13,629,072** | (4,992,330) |
| Cash and cash equivalents at the start of the period | **8,997,208** | 13,989,538 |
| Cash and cash equivalents at the end of the period | **22,626,280** | 8,997,208 |

The notes on pages 48 to 60 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £ | Share premium account £ | Capital restructuring reserve £ | Accumulated losses £ | Total attributable to equity holders of parent £ |
|---|---|---|---|---|---|
| **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 expense | – | – | – | (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-based payment | – | – | – | 429,686 | 429,686 |
| Issue of shares | 186,077 | 24,647,391 | – | – | 24,833,468 |
| Cost of share issue | – | (885,414) | – | – | (885,414) |
| Loss and total comprehensive expense | – | – | – | (7,128,562) | (7,128,562) |
| **As at 30 April 2022** | **1,582,342** | **64,754,910** | **6,486,077** | **(41,386,898)** | **31,436,431** |

## 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.

## Accumulated losses

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

The notes on pages 48 to 60 form part of these financial statements.

## 1 Accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with UK adopted international accounting standards. 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 61 to 65.

### Basis of consolidation

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

### Going concern

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

The Directors have prepared and reviewed financial forecasts. The Group meets its day to day working capital requirements through existing cash resources and bank deposits, which, at 30 April 2022, amounted to £23,398,955 (2021:£9,766,288). After due consideration of these forecasts and current cash resources and bank deposits, 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.

#### GOVERNMENT GRANTS

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

### Financial income

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

### Pension and other post-retirement benefits

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

### Share-based payment transactions

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

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

## 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.

## 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, £807,331 (2021: £939,709) 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 (eg R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable. Where companies are loss-making the company claims tax credits on their surrenderable losses, with an appropriate receivable recognised. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

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

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

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

## Property, plant and equipment

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

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

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

| | |
|---|---|
| Leasehold improvements | lease term |
| Plant, machinery and equipment | 2–5 years |
| Fixtures & 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 cashflows 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.

## 1 Accounting policies continued

### 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 (1–5 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.

### Financial liabilities and equity

#### CLASSIFICATION AS DEBT OR EQUITY

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

### 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 £807,331 lower. Furthermore, the Directors have considered the recoverability of the capitalised costs by reference to third 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 three territories of focus, Asia, North America and Europe (with the UK further split out below).

| | Year ended 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| **Turnover** | | |
| Analysis by geographical market: | | |
| *By destination* | | |
| Asia | **–** | 4,739 |
| Europe | **2,720** | 15,494 |
| North America | **28,158** | 72,299 |
| UK | **465,225** | 2,163,156 |
| | **496,103** | 2,255,688 |

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 | |
|---|---|---|
| | **2022 £** | 2021 £ |
| **Turnover** | | |
| Goods and services | **30,878** | 230,453 |
| UK Grants | **465,225** | 2,025,235 |
| | **496,103** | 2,255,688 |

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

| | Year ended 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| **Turnover** | | |
| UK Grants | **465,225** | 2,025,235 |
| Customers less than 10% | **30,878** | 230,453 |
| | **496,103** | 2,255,688 |

## 3 Operating loss

| | Year ended 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| **This is arrived at after charging:** | | |
| Research and development expenditure in the year | **4,786,225** | 2,258,177 |
| Depreciation of property, plant and equipment | **1,024,624** | 1,054,743 |
| Depreciation of right-of-use assets | **228,414** | 76,119 |
| Amortisation of intangible assets | **47,512** | 14,243 |
| Auditors remuneration: | | |
| Fees payable to the Group's auditor for the audit of the Group's accounts | **34,700** | 27,200 |
| Fees payable to the Group's auditor for other services: | | |
| The Audit of the Group's subsidiaries | **7,800** | 7,800 |
| Foreign exchange differences | **23,510** | 53,056 |
| Share-based payment | **429,686** | 419,591 |

## 4 Employees

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

| | Year ended 30 April | |
|---|---|---|
| | **2022 No.** | 2021 No. |
| Administration | **5** | 5 |
| Materials synthesis | **59** | 46 |
| | **64** | 51 |



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

| | Year ended 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| Wages and salaries | **3,604,099** | 2,716,700 |
| Social security costs | **426,358** | 302,659 |
| Share-based payment expense | **429,686** | 419,591 |
| Pension costs | **223,669** | 180,402 |
| | **4,683,812** | 3,619,352 |

Included in the above are amounts totalling £790,331 (2021: £827,452) which have been capitalised.

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

| | Year ended 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| Wages and salaries | **622,829** | 648,202 |
| Pension costs | **32,190** | 31,578 |
| Directors' emoluments | **655,019** | 679,780 |
| Social security costs | **101,834** | 82,057 |
| Share-based payment expense | **314,204** | 343,733 |
| Key management personnel | **1,071,057** | 1,105,570 |

The Directors represent key management personnel and further details, are given in the Directors' Remuneration Report. The highest paid Director received remuneration of £285,892 (2021: £277,567).

## 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 | |
|---|---|---|
| | **2022**<br>**£** | 2021<br>£ |
| R&D tax credits | **1,016,822** | 330,000 |
| Adjustments to prior period | **(491)** | (21,038) |
| | **1,016,331** | 308,962 |

### (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% (2021: 19%). The differences are reconciled below:

| | **2022**<br>**£** | 2021<br>£ |
|---|---|---|
| Loss on ordinary activities before tax | **(8,144,893)** | (3,836,025) |
| Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%) | **(1,547,530)** | (728,845) |
| Effects of: | | |
| Expenses not deductible for corporation tax | **82,435** | 78,863 |
| R&D relief | **(175,267)** | (163,310) |
| Origination of unrecognised tax losses | **623,540** | 483,292 |
| Adjustments to prior period | **491** | 21,038 |
| **Total tax credit for the year** | **(1,016,331)** | (308,962) |

#### UNRECOGNISED DEFERRED TAXATION

There are tax losses available for carry forward against future trading profits of approximately £37.5m (2021: £30.3m). A deferred tax asset in respect of these losses of approximately £9.4m (2021: £5.8m) 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 | |
|---|---|---|
| | **2022**<br>**No.** | 2021<br>No. |
| Weighted average number of equity shares | **153,175,933** | 139,273,884 |
| | **£** | £ |
| Earnings, being loss after tax | **(7,128,562)** | (3,527,063) |
| | **Pence** | Pence |
| Loss per share | **(4.65)** | (2.53) |

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 2022, there were 6,673,840 options outstanding (2021: 7,369,729) as detailed in notes 16 and 20.

## 7 Intangible assets

| | Development expenditure £ | Software licences £ | Intellectual property £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| **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 |
| Additions | 807,331 | 135,275 | – | 942,606 |
| **As at 30 April 2022** | **1,792,983** | **269,850** | **75,000** | **2,137,833** |
| **Amortisation** | | | | |
| **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 |
| Provided for the year | – | 47,512 | – | 47,512 |
| **As at 30 April 2022** | **–** | **104,680** | **75,000** | **179,680** |
| **Net book value** | | | | |
| **As at 30 April 2021** | 985,652 | 77,407 | – | 1,063,059 |
| **As at 30 April 2022** | **1,792,983** | **165,170** | **–** | **1,958,153** |

The amortisation charge of £47,512 (2021: £14,243) is included within administrative expenses. Development expenditure has not yet been amortised.

## 8 Property, plant and equipment

| | Leasehold improvements £ | Plant, machinery and equipment £ | Fixtures and fittings £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| **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 |
| Additions | 314,251 | 3,424,813 | 52,657 | 3,791,721 |
| Disposals | – | (492,921) | – | (492,921) |
| **As at 30 April 2022** | **392,359** | **8,538,141** | **102,968** | **9,033,468** |
| **Depreciation** | | | | |
| **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 |
| Provided for the year | 60,944 | 952,588 | 11,092 | 1,024,624 |
| Disposals | – | (492,921) | – | (492,921) |
| **As at 30 April 2022** | **80,864** | **3,836,259** | **44,065** | **3,961,188** |
| **Net book value** | | | | |
| **As at 30 April 2021** | 58,188 | 2,229,657 | 17,338 | 2,305,183 |
| **As at 30 April 2022** | **311,495** | **4,701,882** | **58,903** | **5,072,280** |

At the year end, deposits totalling £109,816 (2021: £409,866) 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 £163,523 (2021: £1,545,742) as disclosed in note 18.

## 9 Leases

The Group has leases for its premises in Romsey and Chandler's Ford and for an item of equipment. These 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%, which is the Group's estimate of the discount rate applicable to a property and an equipment 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 £ | Plant and equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| **As at 1 May 2020** | 320,053 | – | 320,053 |
| Additions | 726,500 | – | 726,500 |
| **As at 30 April 2021** | 1,046,553 | – | 1,046,553 |
| Additions | – | 229,247 | 229,247 |
| **As at 30 April 2022** | **1,046,553** | **229,247** | **1,275,800** |
| **Depreciation** | | | |
| **As at 1 May 2020** | 80,013 | – | 80,013 |
| Provided for the year | 76,119 | – | 76,119 |
| **As at 30 April 2021** | 156,132 | – | 156,132 |
| Provided for the year | 209,310 | 19,104 | 228,414 |
| **As at 30 April 2022** | **365,442** | **19,104** | **384,546** |
| **Net book value** | | | |
| **As at 30 April 2021** | 890,421 | – | 890,421 |
| **As at 30 April 2022** | **681,111** | **210,143** | **891,254** |

### Lease liabilities

| | **2022 £** | 2021 £ |
|---|---|---|
| **As at 1 May** | **827,720** | 226,102 |
| Additions | **229,247** | 726,500 |
| Cashflows: | | |
| Lease payments | **(240,670)** | (134,576) |
| Interest expense | **31,299** | 9,694 |
| **As at 30 April** | **847,596** | 827,720 |

### Maturity analysis of lease payments

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| 0–3 months | **73,316** | 57,881 |
| 3–12 months | **179,513** | 157,701 |
| Due in less than 1 year | **252,829** | 215,582 |
| 1–2 years | **262,569** | 202,829 |
| 2–5 years | **396,250** | 483,819 |
| Lease payments | **911,648** | 902,230 |

## 10 Trade and other receivables

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| Trade receivables | **4,568** | 3,808 |
| Prepayments | **800,957** | 729,871 |
| Other receivables | **464,880** | 703,893 |
| Accrued income | **323,921** | 736,025 |
| | **1,594,326** | 2,173,597 |

The ageing of trade receivables is as follows:

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| 0–29 days | **4,568** | 3,808 |

Included in other receivables is an amount of £50,000 (2021: £50,000) 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 lease. These works were largely complete as at 30 April 2020.

The accrued income of £323,921 (2021: £736,025) 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 underway at the current year end compared to the previous year.

## 11 Other financial assets – bank deposits

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| Short term deposits with more than 3 months' maturity | **772,675** | 769,080 |

## 12 Cash and cash equivalents

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| Current bank accounts | **618,230** | 2,989,775 |
| Short term deposits with less than 3 months' maturity | **22,008,050** | 6,007,433 |
| | **22,626,280** | 8,997,208 |

## 13 Trade and other payables

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| Trade payables | **687,948** | 822,405 |
| Other payables | **38,643** | 32,222 |
| Other taxes and social security costs | **112,516** | 76,493 |
| Accruals and deferred income | **568,291** | 442,090 |
| | **1,407,398** | 1,373,210 |

The ageing of financial liabilities is as follows:

| | As at 30 April | |
|---|---|---|
| | **2022** **£** | 2021 £ |
| 0–29 days | **597,388** | 768,277 |
| 30–59 days | **138,082** | 228,490 |
| 60–89 days | **323,556** | 52,484 |
| 90+ days | **235,856** | 247,466 |
| | **1,294,882** | 1,296,717 |

Within Accruals and deferred income is deferred income of £10,000 (2021: £10,000) that represent unfulfilled performance obligations on grants and product sales to be satisfied in the next 12 months.

## 14 Provisions

| | Leasehold Dilapidations £ |
|---|---|
| **As at 1 May 2021** | 140,365 |
| Provided | 100,000 |
| **As at 30 April 2022** | **240,365** |

Leasehold dilapidations relate to the estimated cost of returning 2 leasehold properties to their original state at the end of the lease in accordance with the lease terms. The provision in the year is in respect of work that would need to be carried out to reinstate an existing leased premise.

## 15 Financial instruments

The risks associated with financial instruments are set out below.

### Foreign currency risk

The Group buys goods and services in currencies other than Sterling. The Group's non Sterling liabilities and cash flows can be affected by movements in exchange rates. The Group has denominated some of it sales transactions in Non-Sterling currencies. The foreign exchange loss recognised in the accounts in the year to 30 April 2022 was £23,510 (2021: £23,056).

### 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 cash and cash equivalents, banking deposits and receivables. For the periods above there were no trade receivables which were past due or impaired. Risk is further mitigated through the use of credit limits, but also through the nature of the customers, who, for the most part, are large multinationals.

### Liquidity risk

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

### Interest rate risk

The main risk arising from the Group's financial instruments is interest rate risk. The Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based banks. These balances are placed at floating rates of interest and deposits have maturities of 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 2022 had a weighted average period to maturity of 18 days (2021: 70 days) and a weighted average annualised rate of interest of 0.07%. (2021: 0.08%).

### 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 2022 by approximately £6,000 (2021: £15,000).

It is estimated that an increase in base rate by 1 percent would decrease the Group's loss before taxation for the year to 30 April 2022 by approximately £228,000 (2021: £108,000).

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.

## 16 Share capital

| | As at 30 April | |
|---|---|---|
| | **2022 £** | 2021 £ |
| **Authorised** | | |
| 157,645,867 (2021: 139,038,172) Ordinary Shares of £0.01 each | **1,576,459** | 1,390,382 |
| 1,781,400 Convertible Preference Shares of £0.01 each | **17,814** | 17,814 |
| **Allotted, called up and fully paid** | | |
| 157,645,867 (2021: 139,038,172) Ordinary Shares of £0.01 each | **1,576,458** | 1,390,381 |
| 588,400 Convertible Preference Shares of £0.01 each | **5,884** | 5,884 |
| | **1,582,342** | 1,396,265 |

### 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.

In July 2021, 17,673,809 shares were issued for £24,743,333. During the year, a total of 933,886 options over Ordinary Shares of £0.01 each were exercised for a total consideration of £90,135.

### Share options

Employee related share options are disclosed in note 20.

## 17 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 £223,669 (2021: £180,402). Included within other creditors is £36,006 (2021: £29,105) relating to outstanding pension contributions.

## 18 Capital commitments

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

| | **2022 £** | 2021 £ |
|---|---|---|
| Contracted for but not provided in these financial statements | **163,523** | 1,545,742 |

## 19 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 34 to 36.

## 20 Share-based payments expense and share options

### Share-based payment expense

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

At 30 April 2022, 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 |
|---|---|---|---|
| 08/02/18 | 95,375 | 10 years | £0.21 |
| 24/01/19 | 747,000 | 10 years | £0.182 |

### Unapproved share options

| Date of grant | Number of shares | Period of option | Exercise Price per share |
|---|---|---|---|
| 15/08/2017 | 84,021 | 10 years | £0.01 |

### Black-Scholes valuation

| | Weighted Average Exercise Price | | Number | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Outstanding: | | | | |
| At start of the period | **0.1894** | 0.1158 | **7,369,729** | 7,396,182 |
| Granted in the period | **0.0100** | 1.1626 | **327,497** | 586,308 |
| Exercised in the period | **0.1050** | 0.2305 | **(933,886)** | (440,860) |
| Lapsed in the period | **0.9093** | 0.2364 | **(89,500)** | (171,901) |
| At the end of the period | **0.1840** | 0.1894 | **6,673,840** | 7,369,729 |

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 7.5 years (2021: 8.3 years). These share options are exercisable and must be exercised within 10 years from the date of grant.

### Ilika plc Executive Share Option Scheme 2010

At 30 April 2022 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 |
|---|---|---|---|
| 08/02/18 | 95,375 | 10 years | £0.21 |
| 24/01/19 | 747,000 | 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 |

All of the options have been valued using the Black-Scholes methodology, with an expected volatility rate of 37.7%, the interest rate being the bank of interest base rate at the time of grant and an expected period to maturity of 3 years.

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.

89,500 options lapsed in the year and 437,062 options were exercised.

### Ilika plc unapproved share options

At 30 April 2022 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 | 84,021 | 10 years | £0.01 |
| 24/01/19 | 1,840,171 | 10 years | £0.01 |
| 29/08/19 | 268,125 | 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 | 81,575 | 10 years | £0.01 |
| 10/02/21 | 179,903 | 10 years | £0.01 |
| 22/09/21 | 53,294 | 10 years | £0.01 |
| 07/02/22 | 274,203 | 10 years | £0.01 |

No options lapsed in the year.

There are 3,012,912 options which were capable of being exercised as at 30 April 2022.

| | **2022** **£** | 2021 £ |
|---|---|---|
| Share-based payment expense | | |
| Black-Scholes calculation | **429,686** | 419,591 |

## 21 Company details

Ilika plc is a public limited company registered in England and Wales with company number 07187804 and whose registered office is Unit 10a, The Quadrangle, Premier Way, Romsey, England, SO51 9DL.

# COMPANY BALANCE SHEET OF ILIKA PLC

Company number 07187804

| | | As at 30 April | |
|---|---|---|---|
| | Notes | **2022** **£** | 2021 £ |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiary undertaking | 24 | **66,429,684** | 43,229,684 |
| Amount due from subsidiary undertaking | 25 | **195,658** | – |
| | | **66,625,342** | 43,229,684 |
| **Current assets** | | | |
| Trade and other receivables | 26 | **41,666** | 23,391 |
| **Total assets** | | **66,667,008** | 43,253,075 |
| **Equity** | | | |
| Issued share capital | 16 | **1,582,342** | 1,396,265 |
| Share premium | | **64,734,120** | 40,972,144 |
| Retained earnings | | **335,116** | 296,030 |
| | | **66,651,578** | 42,664,439 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 27 | **15,430** | 588,636 |
| **Total liabilities** | | **15,430** | 588,636 |
| **Total equity and liabilities** | | **66,667,008** | 43,253,075 |

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 £390,600 (2021: loss of £381,017).

The notes on pages 64 to 65 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 12 July 2022.

**MR. K JACKSON**
CHAIRMAN

## COMPANY CASH FLOW STATEMENT

| | Year ended 30 April | |
|---|---|---|
| | **2022** **£** | 2021 £ |
| **Cash flows from operating activities** | | |
| Loss before tax | **(390,600)** | (381,017) |
| *Adjustments for:* | | |
| Equity settled share-based payments | **429,686** | 419,591 |
| **Operating cash flow before changes in working capital, interest and taxes** | **39,086** | 38,574 |
| (Increase)/decrease in trade and other receivables | **(18,275)** | 17,616 |
| (Decrease) in trade and other payables | **(396)** | (47,228) |
| **Cash generated from operations** | **20,415** | 8,962 |
| **Cash flows from investing activities** | | |
| (Increase) / decrease in amounts due from subsidiary undertaking | **(768,468)** | 4,889,406 |
| Investment in subsidiary company | **(23,200,000)** | (5,000,000) |
| **Net cash used in investing activities** | **(23,968,468)** | (110,594) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of ordinary share capital | **24,833,468** | 101,632 |
| Costs of share issue | **(885,415)** | – |
| **Net cash from financing activities** | **23,948,053** | 101,632 |
| **Net increase in cash and cash equivalents** | **–** | – |
| Cash and cash equivalents at the start of the year | **–** | – |
| Cash and cash equivalents at the end of the year | **–** | – |

The notes on pages 64 to 65 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 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 expense | – | – | (381,017) | (381,017) |
| **As at 30 April 2021** | 1,396,265 | 40,972,144 | 296,030 | 42,664,439 |
| Issue of shares | 186,077 | 24,647,391 | – | 24,833,468 |
| Cost of issue | – | (885,415) | – | (885,415) |
| Share-based payment | – | – | 429,686 | 429,686 |
| Loss and total comprehensive expense | – | – | (390,600) | (390,600) |
| **As at 30 April 2022** | **1,582,342** | **64,734,120** | **335,116** | **66,651,578** |

### 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 64 to 65 form part of these financial statements.

## 22 Accounting polices

### Basis of preparation
These financial statements have been prepared in accordance with UK adopted 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 £66.4m (2021: £43.2m). 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.

## 23 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 34 to 36, which are ascribed as forming part of these financial statements.

## 24 Investment in subsidiary undertaking
Investments in Group undertakings are stated at cost.

Ilika plc has a wholly owned subsidiary, Ilika Technologies Limited. Ilika Technologies Limited (Incorporated in the UK) made a loss for the year of £6,737,962 (2021: £3,146,046) and had net assets as at 30 April 2022 of £31,214,536 (2021: £14,752,498).



| | 2022 £ | 2021 £ |
|---|---|---|
| Shares in Group undertakings (at cost) | | |
| At 1 May | **43,229,684** | 38,229,684 |
| Additions | **23,200,000** | 5,000,000 |
| At 30 April | **66,429,684** | 43,229,684 |

The registered address of Ilika Technologies Limited is unit 10a, The Quadrangle, Premier Way, Abbey Industrial Park, Romsey, SO51 9DL. The company registration number is 05048795.

## 25 Amount due from subsidiary undertaking

| | 2022 £ | 2021 £ |
|---|---|---|
| Ilika Technologies Limited | **195,658** | – |

## 26 Trade and other receivables

| | 2022 £ | 2021 £ |
|---|---|---|
| Other receivables | **4,369** | 3,369 |
| Prepayments | **37,297** | 20,022 |
| | **41,666** | 23,391 |

## 27 Trade and other payables

| | 2022 £ | 2021 £ |
|---|---|---|
| Trade payables | **3,852** | 4,272 |
| Accruals | **11,578** | 11,554 |
| Amount due to subsidiary undertaking | **–** | 572,810 |
| | **15,430** | 588,636 |

## 28 Related party transactions

During the year, the Company recharged costs totalling £243,606 (2021: £206,500) to its subsidiary, Ilika Technologies Limited. Amounts owed by Ilika Technologies Limited are disclosed in note 25 (2021: owed to Ilika Technologies Limited in note 27).

Details of key management personnel and their compensation are given in note 4 and in the Directors' Remuneration Report on pages 34 to 36.

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>Abbey Park Industrial Estate,<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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