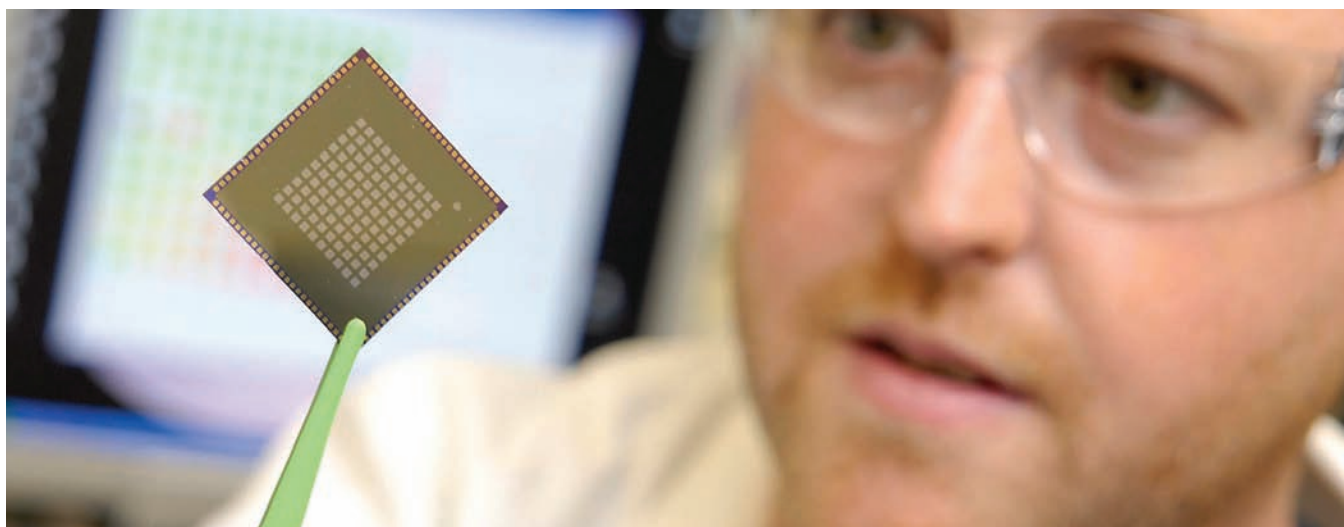
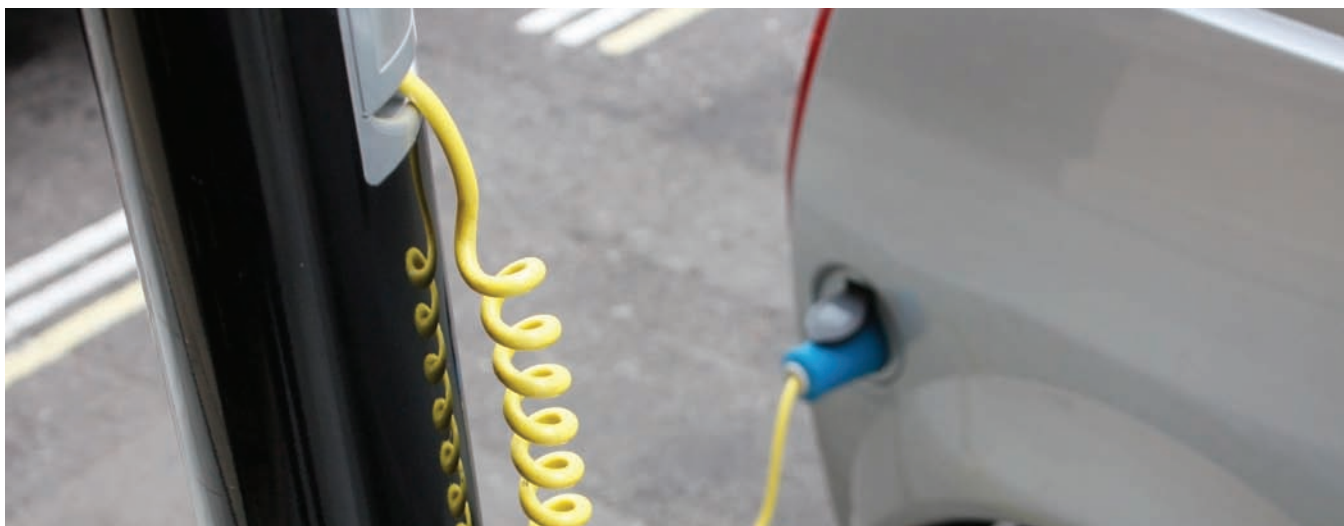


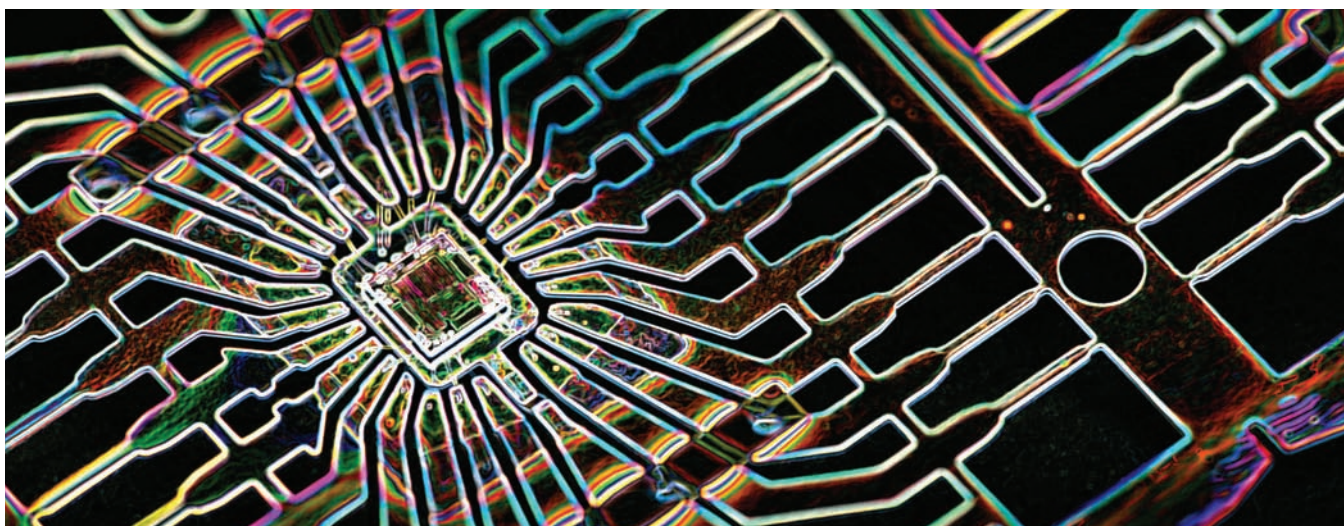
Placing by Nomura Code Securities Limited



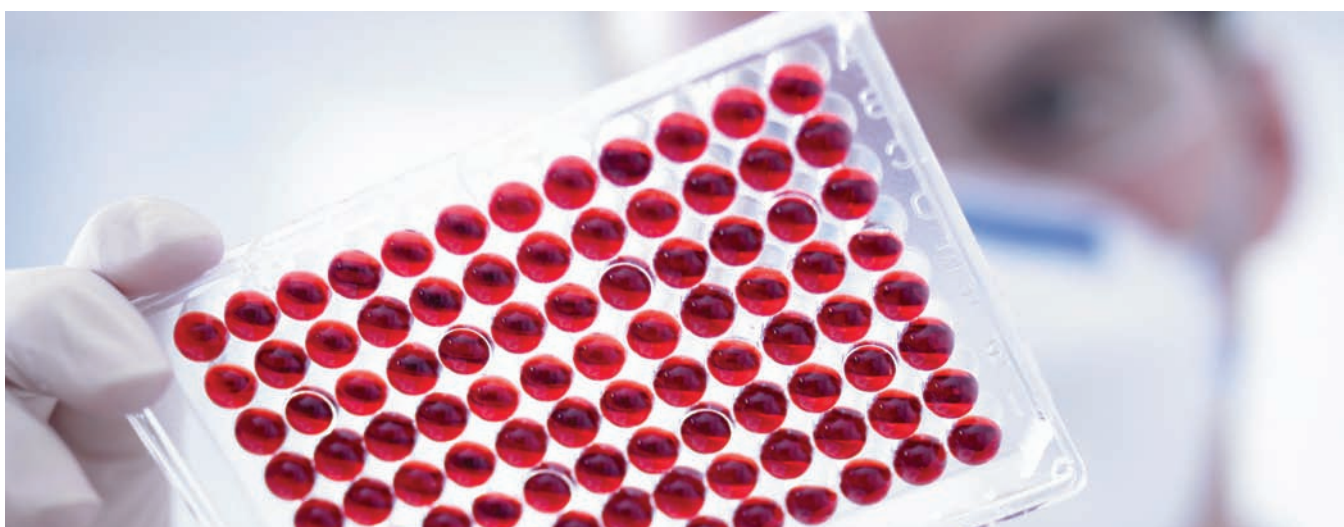
Energy



Electronics



Biomedical



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

This document comprises an admission document prepared in accordance with the AIM Rules for Companies. It does not constitute a prospectus for the purposes of FSMA.

The Company and the Directors, whose names and functions are set out in Part 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the ordinary share capital of Ilika plc in issue immediately following the Placing to be admitted to trading on AIM, the market operated by the London Stock Exchange. No application has been or is being made for the Placing Warrants to be admitted to trading on AIM.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

It is expected that Admission will become effective and that dealings on AIM in the Ordinary Shares will commence at 8:00 am on 14 May 2010. No application is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.

Neither the London Stock Exchange nor the UK Listing Authority have examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should read the whole of this document and consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him. In particular, your attention is drawn to the section entitled 'Risk Factors' in Part 2 of this document.

ILIKA PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered no. 7187804)

Placing of 10,147,059 Ordinary Shares of £0.01 each at the Placing Price of 51p per Ordinary Share

Admission to trading on AIM Issue of Placing Warrants

Nominated Adviser, Broker and Underwriter
Nomura Code Securities Limited

Ordinary Share Capital immediately following the Placing and Admission

<i>Amount</i>	<i>Issued and fully paid</i>	<i>Number</i>
	<i>Ordinary Shares of £0.01 each</i>	
£365,693.59		36,569,359

Upon Admission, the Placing Shares being issued pursuant to the Placing will rank *pari passu* in all respects with each other and the existing issued Ordinary Shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on or in respect of the issued Ordinary Shares after Admission.

Nomura Code, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for the Company and no one else in connection with the Placing. Nomura Code will not regard any other person (whether or not a recipient of this document) as its customer in relation to the Placing and will not be responsible to anyone (whether or not a recipient of this document) other than the Company for providing the protections afforded to customers of Nomura Code or for advising any such person in connection with the Placing or any transaction or arrangement referred to in this document. Nomura Code has not authorised the contents of any part of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Nomura Code by FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Nomura Code does not accept any responsibility whatsoever for the contents of this Admission Document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares, the Placing Warrants or the Placing. Nomura Code accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of such document or any such statement.

The information contained in this document has been provided by the Company and other sources identified herein. Nomura Code makes no representation, express or implied, nor accept any responsibility, with respect to the accuracy, completeness or fairness of any of the information or opinions contained in this document. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or

Nomura Code that any recipient of this document should subscribe for or purchase the Ordinary Shares or Placing Warrants. Each potential investor in Ordinary Shares or Placing Warrants should determine for himself, herself or itself the relevance of the information contained in this document and any investment in Ordinary Shares should be based upon such investigation as it deems necessary.

Investors should rely only on the information contained in this document. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Placing and, if given or made, such information or representations must not be relied upon as having been so authorised by or on behalf of the Company or Nomura Code.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

In connection with the Placing, Nomura Code and any of its respective affiliates, acting as investors for its or their own accounts, may subscribe for and / or acquire Ordinary Shares and/or Placing Warrants and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in the Ordinary Shares and/or Placing Warrants, any other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by Nomura Code and any of its respective affiliates acting as an investor for its or their own accounts. Nomura Code does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

This document does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares or Placing Warrants in any jurisdiction in which such offer or solicitation is unlawful or restricted by law. The Ordinary Shares and Placing Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, including outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and Placing Warrants and the distribution of this document, see the section of this document entitled "Selling and Transfer restrictions" contained in Part 6 of this document.

The distribution of this document and the offering or purchase of Ordinary Shares and Placing Warrants may be restricted by law in certain jurisdictions. This document does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares or Placing Warrants in any jurisdiction in which such offer or solicitation is unlawful or restricted and, subject to certain exceptions, is not for distribution in or into the United States, Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares and Placing Warrants may not, directly or indirectly, be offered or sold within the United States, Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of the United States, Australia, Canada or Japan. No action has been taken by the Company or Nomura Code that would permit a public offer of Ordinary Shares or Placing Warrants or possession or distribution of this document (or other offer or publicity material or application form relating to the Ordinary Shares) in any jurisdiction where action for that purpose is required, other than the United Kingdom. Accordingly, neither this document nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. This document does not constitute an offer of or invitation or solicitation to acquire any Ordinary Shares or Placing Warrants in any jurisdiction where it is unlawful to do so. Any persons receiving a copy of this document in any such jurisdiction may not treat this document as constituting an offer, invitation or solicitation to them to acquire Ordinary Shares or Placing Warrants in the relevant jurisdiction notwithstanding that such an offer, invitation or solicitation could lawfully be made to them without compliance with any registration or other legal requirement.

It is the responsibility of any persons in possession of this document and any persons wishing to apply for Ordinary Shares and/or Placing Warrants to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Prospective Investors should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

The Ordinary Shares and Placing Warrants offered by this document have not been approved or disapproved by the US Securities and Exchange Commission or any other US federal or state securities commission or regulatory authority nor have such authorities confirmed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Further information with regard to restrictions on offers and sales of the Ordinary Shares and Placing Warrants, and the distribution of this document is set out in Part 6 – "Information relating to the Placing".

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PART 1

SUMMARY

You should read the whole of this document, and not rely solely on the summary information set out below. This summary conveys the essential characteristics and risks associated with the Placing and should be read as an introduction to this document. It does not purport to be complete. Any decision to invest in the Ordinary Shares should be based on a consideration of this document as a whole by the investor and not just this summary.

Where a claim relating to the information contained in this document is brought before a court where English is not the language in which proceedings are conducted, a plaintiff investor might have to bear the costs of translating this document before the legal proceedings are initiated.

Overview of the Company

Ilika is an advanced materials company which accelerates the discovery of new and patentable materials using its unique high throughput technologies (“HTT”) process for identified end uses in the energy, electronics and biomedical sectors. This process enables hundreds of scalable materials to be made in a single, automated operation and subsequently tested for key properties. Experiments carried out by the Company can be executed 10 to 100 times faster than using traditional techniques.

The Company uses its unique high throughput physical vapour deposition (“HT-PVD”) process to discover and screen new cleantech materials for the energy and electronics sectors. In the energy sector, the Company is developing new materials for products including lithium-ion batteries, hydrogen storage canisters, fuel cells and photovoltaic solar panels. In the electronics sector, the Company is developing new materials for piezoelectric sensors and has been involved in the development of new materials for solid state memory devices. The Company’s Altrika subsidiary addresses the biomedical sector and is focused on developing and commercialising biopolymers using its combinatorial discovery platform. Since October 2009, Altrika has been selling its Cryoskin and Myskin products for the treatment of burns and wounds in the UK through a specialist distributor.

Ilika plc was incorporated on 12th March 2010, and became the holding company to Ilika Technologies on 6 May 2010. Ilika Technologies was founded in 2004 by Professors Brian Hayden and Mark Bradley and their research associates based at the University of Southampton, who had successfully invented novel high throughput techniques for discovering and developing new materials.

In order to commercialise the technology, Ilika Technologies was spun out of the university under the guidance of Graeme Purdy, the current CEO, and Jack Boyer, the current Non-Executive Chairman.

Ilika’s Technology

Traditionally, materials development has been a slow and arduous task, with manual, sequential methods used to make samples of material that are then tested for suitability. On average, it takes between 7 and 10 years to move from an initial discovery through to the first commercial prototype. The Company has used its HT-PVD process to carry out experiments 10 to 100 times faster than using traditional techniques. The Company’s process identifies families of materials which provide multiple candidates for scale-up. When difficulties with a particular material are encountered, it is possible to select from alternative candidates with more suitable scale-up properties. This ability to select from a range of candidates has the overall effect of shortening the scale-up stage.

In order to deliver candidate materials for scale-up, the Company typically uses a three-step process: Synthesis, Characterisation/Screening and Informatics.

Principal Development Programmes

The Company focuses on three principal sectors and has a number of active development programmes addressing markets within each sector:

Energy – The Group is developing innovative new materials for Lithium-ion batteries for vehicles for Toyota; developing high capacity hydrogen storage materials with Shell Hydrogen and Johnson

Matthey through joint development programmes; developing cheaper alternatives to Platinum electrodes for use in fuel cells through a grant-funded project with the Carbon Trust; developing new materials for use in fuel cells for the transport sector for a major vehicle manufacturer; and carrying out in-house research on film photovoltaic solar cells.

Electronics – The Group is developing lead-free piezoelectric materials through a joint development programme with CeramTec; and developing phase change memory materials for high capacity memory chips and is currently in negotiations with a major electronics manufacturer.

Biomedical – The Group is developing polymers to enable the filtering of somatic stem cells from blood with a major global supplier of filters; it has been selling its Cryoskin and Myskin products for the treatment of burns and wounds in the UK through a specialist distributor and intends to commence clinical trials of its corneal bandage candidate.

Business Strategy

The Company's business strategy is to use its HTT process to discover and commercialise novel materials for integration into products with high value end-markets. In order to ensure a high probability of commercial success, the Company prefers to develop these materials in collaboration with large multinational companies which have the expertise to bring new end products to market in their sectors. Currently, the majority of the Group's business is in the development of materials for the energy sector. However, the Company is also developing materials for use in products in the electronics and biomedical sectors. Within these three sectors, the Company has joint development programmes ("JDPs") which contribute to a number of competing technologies (for instance, battery versus hydrogen storage technology) addressing identified unmet needs. Thereby, the Company aims to create intellectual property such that it will benefit from commercialisation rewards associated with the ultimate generally adopted technology (or technologies). The Company's objective is to have its materials integrated into market-leading products sold by leading commercialisation partners around the world. The Company generally expects these end-products to fit into or create end-markets worth in excess of \$1 billion per year, in which the Directors believe a number of the Company's commercialisation partners are positioned to have a leading share.

The Company is pursuing its objectives through the following strategies:

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

Reasons for the Placing and Use of Proceeds

The Company intends to generate significant revenues from (1) milestones and royalties resulting from the out-licensing of those identified materials being developed under the Company's existing JDPs and for which 'proof of concept' has been demonstrated; and (2) through sales of its own biomedical products. To achieve this, the net proceeds from the Placing will be used for:

- investment in the bulk material testing and scale-up stages, and where necessary the further development, of the identified materials being developed under the following existing programmes:
 - batteries
 - hydrogen storage
 - fuel cells electrodes
 - piezoelectrics
 - phase change memory
 - blood filtration
- Cryoskin and Myskin
 - capacity expansion, sales & marketing and launch in new countries

- corneal bandage
 - two clinical trials
- general working capital

£4.1 million

£0.3 million

Pending these uses, the Directors intend to hold the net proceeds of the Placing in cash deposits or invest them in short-term, interest-bearing investment grade securities.

The Ordinary Shares, the Placing and the Placing Warrants

Pursuant to the Placing, which has been fully underwritten by Nomura Code in accordance with the terms of the Placing Agreement, the Company will issue 10,147,059 Placing Shares (representing 27.7 per cent. of the Enlarged Issued Ordinary Share Capital) at the Placing Price, raising proceeds of approximately £5.2 million before expenses (approximately £4.4 million net of expenses) and Placing Warrants to subscribe for, in aggregate 10,147,059 Ordinary Shares.

The Placing Warrants will be issued to Placees pursuant to the terms of the Placing Warrant Instrument. The Placing Warrants are exercisable in whole or in part at any time up to and including 14 May 2014 at an exercise price equal to the Issue Price. The Placing Warrants are not transferable except in certain limited circumstances. Further details of the Placing Warrant Instrument are set out in paragraph 13 of Part 13 of this document.

The Placing is subject to the satisfaction of customary conditions set out in the Placing Agreement, including there being no material breach of warranty prior to Admission and to Admission occurring on or before 8 a.m. on 14 May 2010 (or such later time and/or date as may be agreed between Nomura Code and the Company, not being later than 28 May 2010). The Placing Agreement contains a provision entitling Nomura Code to terminate the Placing any time prior to Admission in certain circumstances, including a force majeure event occurring prior to Admission. If such right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to Placees without interest.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. (London time) on 14 May 2010.

Lock-up Arrangements

Pursuant to the Placing Agreement the Company has agreed that (subject to certain exceptions set out therein) neither it, nor any of its subsidiaries will, without the prior written consent of Nomura Code, for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing.

Each of the Directors and the holders of the Convertible Preference Shares, who together hold in aggregate 273,100 Ordinary Shares (representing 0.7% of the Enlarged Issued Ordinary Share Capital) and 1,781,400 Convertible Preference Shares respectively, have severally undertaken that (subject to certain exceptions set out in the Placing Agreement) he will not and will procure that none of his connected persons or persons acting on his or their behalf will without the prior written consent of Nomura Code for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Ordinary Shares (or Convertible Preference Shares (as the case may be)). Furthermore each of the Directors has undertaken that, for a further 12 month period, any disposals of Ordinary Shares (or Convertible Preference Shares (as the case may be)) are to be conducted through Nomura Code in accordance with its requirements for an orderly market.

Certain other Shareholders who in aggregate own 25,273,801 Ordinary Shares (representing 69.1 per cent of the Enlarged Issued Ordinary Share Capital) have severally undertaken that (subject to certain exceptions) they will not and will procure that none of their affiliates or persons acting on its

or their behalf will without the prior written consent of the Nomura Code for a period of 6 months from Admission. Furthermore such certain Shareholders have severally undertaken that for a further six month period any disposals are to be conducted through Nomura Code.

Summary Financial and Operating Information

The following tables set out summary financial information, prepared in accordance with IFRS for the years ended 30 April 2009, 2008 and 2007, and the interim periods ended 31 October 2009 and 2008. The financial information relates to Ilika Technologies Group, the principal operating subsidiary of Ilika plc. Ilika plc is a newly incorporated company, and is the company which is seeking Admission.

Consolidated statement of total comprehensive income

	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
				<i>Unaudited</i>	<i>Audited</i>
	£	£	£	£	£
Revenue	971,782	1,084,857	916,131	595,734	441,936
Gross profit	457,756	511,001	384,449	34,369	83,316
Administrative expenses	(1,888,633)	(2,844,219)	(2,824,762)	(1,161,260)	(1,995,704)
Other operating income	183,092	256,460	196,213	28,030	127,919
Operating loss	(1,247,785)	(2,076,758)	(2,244,100)	(1,098,861)	(1,784,469)
Loss before tax	(1,183,042)	(1,829,201)	(2,087,180)	(984,617)	(1,780,205)
Loss for period	(1,111,031)	(1,625,764)	(1,937,102)	(984,617)	(1,715,375)

Consolidated balance sheets

	<i>As at 30 April</i>			<i>As at 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
				<i>Unaudited</i>	<i>Audited</i>
	£	£	£	£	£
Total non-current assets	655,622	1,653,610	2,789,300	2,678,684	2,430,351
Current assets					
Trade and other receivables	350,283	587,303	316,958	543,056	317,655
Current tax receivable	72,011	105,021	150,078	—	64,830
Cash and cash equivalents	316,779	5,418,213	2,600,641	3,172,603	1,641,170
Total current assets	739,073	6,110,537	3,067,677	3,715,659	2,023,655
Total assets	1,394,695	7,764,147	5,856,977	6,394,343	4,454,006
Total shareholders' equity	829,829	6,821,932	4,971,243	5,837,315	3,812,697
LIABILITIES					
Total current liabilities	490,214	885,905	848,484	510,248	613,589
Total non-current liabilities	74,652	56,310	37,250	46,780	27,720
Total liabilities	564,866	942,215	885,734	557,028	641,309
Total equity and liabilities	1,394,695	7,764,147	5,856,977	6,394,343	4,454,006

Current Trading and Prospects

Since the end of the last audited financial year, 30 April 2009, the Company has demonstrated revenue growth. The Company is supporting the further development of materials which are intended to be commercialised according to the expected timelines as detailed in paragraph 6 of Part 5. The Company has entered into a joint development programme with CeramTec for the discovery of novel piezoelectric materials; has extended its contract with Toyota for battery materials; and expects to extend its contract with a major vehicle manufacturer for the development of materials for fuel cells for use in the transport sector. The Company is also pursuing a number

of proposals with new customers and is in discussions with existing customers to renew agreements. As a result, and given the net proceeds of the Placing, the Directors view the financial and trading prospects for the Company for the current financial year and for the foreseeable future with confidence.

Dividend Policy

The Company is primarily seeking to achieve capital growth for its shareholders. It is the Board's intention during the current phase of the Company's development to retain future distributable profits from the business to the extent any are generated. The Directors do not anticipate declaring any dividends in the foreseeable future.

Summary of Risk Factors

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The Group's business, financial condition or results of operations could be materially and adversely affected by a number of risks relating either to the business of the Group or general risks (such as the value of investments fluctuating) certain of which are highlighted below. Prospective investors should also see the Risk Factors set out in Part 2 of this document.

Risks relating to the business of the Group

- The Group is reliant on core technology and development
- The Group operates in a competitive industry
- The Group is largely dependent on its partners to commercialise the end-products containing the Group's materials
- The Group's materials and products are subject to various European and other legislative and regulatory requirements
- The Group is dependent on key personnel and strategic partners
- The Group's future operating results will be highly dependent on how well it manages the expansion of its operations

Risks relating to the Group's financial position

- The Group is reliant on a small number of significant customers and partners
- There is no certainty of the Group achieving future revenue or profitable operating results
- The Group has a history of operating losses and an accumulated deficit
- The tax losses of Ilika Technologies are open to challenge by the tax authorities

Risks relating to Intellectual Property and Litigation

- The Group may be unable to adequately protect its inventions by patenting
- The Group may be unable to adequately protect its proprietary information and know-how
- Intellectual property litigation and/or infringement actions may be brought against the Group
- The business of the Group exposes it to potential product liability risks
- The Group uses key intellectual property under licence

Risks relating to the Placing, Ordinary Shares and Capitalisation of the Company

- An investment in shares admitted to trading on AIM may carry a higher risk than those listed on the Official List
- The value of the Ordinary Shares may decrease as well as increase and there may be volatility in the price of the Ordinary Shares
- There can be no assurance that an active trading market for the Ordinary Shares will develop or, if it develops, continue
- Substantial future sales of Ordinary Shares could adversely affect the market price of Ordinary Shares

- The Company has never paid any cash dividends on its Ordinary Shares and its ability to pay dividends on the Ordinary Shares is not guaranteed
- Application of proceeds from the Placing may not increase the Company's profits or share price

PART 2

RISK FACTORS

Prospective investors should carefully consider all the information in this document including the risks described below. The directors have identified these risks as the material risks, but additional risks and uncertainties not presently known to the Directors, or that the Board considers immaterial may also adversely affect the Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Group's business, financial condition, operational performance and the Company's share price could be materially adversely affected. In that case, the trading price of the Ordinary Shares could decline and potential investors lose some or all of their investments.

An investment in the Company may not be suitable for all recipients of this document. Accordingly, investors are strongly advised to consult an independent adviser authorised under FSMA who specialises in advising upon investments.

For the avoidance of doubt none of the risk factors detailed below seek to qualify the working capital statement set out in paragraph 17 of Part 13 of this document.

General risks

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Risks relating to the business of the Group

The Group is reliant on core technology and development

If any part of the Group's HTT process suffers a technical malfunction, the Group's ability to continue operations and perform work for customers and partners may be affected. If faults and breakdowns cannot be rectified in a timely and economic manner, these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group has limited capacity to run experiments and process data. If capacity constraints lead to development programme delays and termination of contracts with customers, this could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's current development capacity limits the number of new projects and partners it can work with.

The Group operates in a competitive industry

The Group is subject to competition from competitors who may develop more advanced and less expensive alternative technology platforms, both for existing materials and for those materials currently under development. The Group's materials are targeted at markets where a number of competing commercial products may already be available and where competitors may also have new materials in development. In relation to future materials, competitors may precede the Group in commercialising, developing and receiving regulatory approval for their materials and competitors may also succeed in developing materials that are more effective or more economically viable than materials developed by the Group and/or its partners. Competitors may have greater research, development, marketing, financial and personnel resources, which may result in commercial successes that could render the Group's technology and materials obsolete or otherwise non-competitive. In addition, there can be no assurance that the Group's materials will be favoured over existing materials, where such materials exist. There can be no assurance that the Group's future materials, even if incorporated into marketed end-products, will achieve commercial success and generate significant future revenues for the Group.

The Group is largely dependent on its partners to commercialise the end-products containing the Group's materials

The Group's ability to develop future products largely depends on its ability to maintain existing relationships with its commercialisation partners and enter into new relationships with new commercialisation partners. In addition, the majority of the Group's development programmes are dependent on its commercialisation partners successfully commercialising the end-product of which the Group's materials are an integral component. There is no guarantee that partners will fulfil their obligations to the Group, continue to devote adequate resources to the commercialisation of the end-products, deliver sufficient quantities of finished end-products on a timely basis, at an acceptable cost or at all. There are a limited number of companies who have the scale and ability to create and develop the new markets that some of the Group's materials may enable.

In addition, Altrika is reliant on a third party distributor for marketing of its Cryoskin and Myskin products. Failure of this distributor to fulfill its obligations or to meet the growth and expansion expectations of the Group for these products could have a material adverse effect on this part of the Group's business.

The Group's materials and products are subject to various European and other legislative and regulatory requirements

The Group's products and materials are subject to various European and other legislative and regulatory requirements. Failure to satisfy such requirements could result in the imposition of sanctions on members of the Group, including fines, injunctions, civil penalties, import bans, delays, suspension or withdrawal of approvals, licence revocation, seizures or recall of products, operating restrictions and criminal prosecutions, any of which could materially harm the Company's product development and commercialisation efforts. Legislative changes or regulatory reform of the relevant sectors in the countries in which the Group operates or in which the end-products are sold may also affect the Group's ability to sell products and materials profitably or at all. Furthermore, the Company and its partners may not be successful in securing regulatory approval in a timely manner, or at all, for materials and products that may be developed in the future. Any or a combination of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on key personnel and strategic partners

Competition for qualified employees and personnel in scientific research, materials chemistry and life science industries is intense and there are a limited number of people with knowledge appropriate to, and experience within, such industries. Identifying and retaining personnel with the necessary skills and attributes required to enable the Group to carry out its strategy is difficult, and can often entail a lengthy search process. There is no guarantee, therefore, that the Group will be successful in attracting and retaining qualified executives, scientists and other personnel. In addition, there can be no assurance that the Group will continue to attract people of sufficient and appropriate experience to serve as Directors. The Group's employees may voluntarily terminate their employment at any time. The loss of the services of key personnel (in particular, Professor Brian Hayden) or the inability to attract additional qualified personnel could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

The Group relies on a number of relationships including relationships with academic institutions, namely the University of Southampton, where the first-generation technology platform is located, and the University of Edinburgh, where some of the polymer chemistry research is conducted. The termination of relationships with these strategic partners could restrict the Group's workflow capacity and/or ability to develop new techniques and solutions to technical problems. Any of these factors could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

The Group's future operating results will be highly dependent on how well it manages the expansion of its operations

The Group has experienced, and may experience in the future, periods of rapid growth in the number of its customers and in the number of different development programmes it is pursuing. This growth and expansion may place a significant strain on the Group's financial, management and other resources which could have a material adverse effect on the business, financial condition and results of operations of the Group.

Risks relating to the Group's financial position

The Group is reliant on a small number of significant customers and partners

The Group is reliant on a small number of significant customers for its contract research business and a small number of partners for its joint development programmes. Failure to deliver products to such customers and partners or termination by any of these customers or partners of their agreements with the Group could have a material adverse effect on the Group's results or operations or financial condition.

There is no certainty of the Group achieving significant future revenue or profitable operating results

The Group plans to expand its business activities by raising capital and investing a portion of it in several new and emerging products and markets for which little historic trading information exists. As a consequence, the Group's future revenue is difficult to forecast. As a result of the rapidly evolving nature of the Group's business, together with the Group's limited operating history, the Directors believe that any period to period comparisons of financial results are not meaningful and should not be relied upon as an indication of future performance. The Group's results may fluctuate from period to period as a result of a variety of factors and the Group may not achieve profitability. The Company does not expect to pay dividends for the foreseeable future. The results of the Group's operations may not meet the future expectations of public market analysts or investors, and the market price of the Ordinary Shares could be substantially adversely affected.

The Group has a history of operating losses and an accumulated deficit

The Group has experienced operating losses in each year since its inception and, as at 31 October 2009, had an accumulated deficit of approximately £4.7 million. The Group expects to incur further operating losses as progress on development programmes continue. There can be no assurance that the Group will ever achieve significant revenues or profitability.

The tax losses of Ilika Technologies are open to challenge by the tax authorities

The tax return of Ilika Technologies is still open to enquiry. Should the HMRC in the UK successfully challenge the level of losses which are stated in further detail in Part 9 – "Financial Information" of this document, this would reduce the losses available to offset against any future taxable profits.

Risks relating to Intellectual Property and Litigation

The Group may be unable to adequately protect its inventions by patenting

The Group is the owner of intellectual property rights, including patents, trade marks, designs, copyright, trade secrets and confidential information, details of which are set out in Part 5 and Part 11 of this document. The Group relies to great extent on obtaining patent protection for its inventions. Many of the Group's patent applications for its existing inventions are still pending. There can be no guarantee that they will eventually be granted, or that their scope of protection will be adequate for the Group's business. There can also be no assurance that it will obtain adequate patent protection for its future inventions, or that the validity of any of its patents will not be successfully challenged once granted. If any third parties challenge the validity of the Company's patents or infringe the Company's patents or other intellectual property rights, the Company may be required to engage in litigation. There can be no guarantee that the Company will be able successfully to enforce and defend its intellectual property rights in any such litigation, which could involve significant legal costs for the Company and diversion of management resources.

The Group may be unable to adequately protect its proprietary information and know-how

In addition to its patented technology, the Group relies upon unpatented proprietary technology, processes, know-how and in-house software. The Group has confidentiality agreements in place with customers, partners, suppliers and employees who have access to its proprietary information and know-how, but such agreements may be breached and the Group may not have adequate remedies for any breach. In addition, the Group's trade secrets may otherwise become known or be independently developed by competitors. If certain parts of the Group's proprietary information and know-how were to become public knowledge, then the Group's business could be adversely affected which could have a material adverse effect on the Group's financial condition and results of operations.

Intellectual property litigation and/or infringement actions may be brought against the Group

Although the Group has not been notified that any of its technology or programmes infringe any third party intellectual property rights, there can be no assurance that a member of the Group will not receive such a notification in the future. Also, third parties may obtain intellectual property rights based on their developments of the technology used by the Group. Without obtaining a licence to utilize such intellectual property rights, the Group would be restricted from using such new developments. Any litigation to determine the validity of third-party infringement claims, whether or not determined in the Group's favour or settled by the Company, would be costly and could divert the efforts and attention of the management and technical personnel from productive tasks, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Directors cannot guarantee that infringement claims by third parties or claims by customers, partners or end users of products, containing the Group's materials, resulting from infringement claims will not be asserted in the future or that such assertions, if proven to be true, will not materially adversely affect the Group's business, financial condition and results of operations. In the event of an adverse ruling in any such matter, the Group and the relevant partner could be required to pay substantial damages, cease the manufacture, use and sale of infringing products, discontinue the use of certain processes or obtain a licence under the intellectual property rights of the third party claiming infringement. A licence may not be available on reasonable terms or at all. Any limitations on the Group's or the relevant partner's ability to market the products, or delays and costs associated with redesigning the products or payments of licence fees to third parties, or any failure by the Group to develop or licence a substitute technology on commercially reasonable terms could have a material adverse effect on the Group's business, financial condition and results of operations.

The business of the Group exposes it to potential product liability risks

The business of the Group may expose it to potential product liability risks which are inherent in the research, development, manufacturing, marketing, sale and use of its products and future products. Although the Group has never had any product liability claims in the past, the Group has product liability insurance in place. While the Directors believe the current levels of coverage are sufficient for its current products, there can also be no assurance that the level of insurance carried, now or in the future, will be adequate to cover the financial damages resulting from a product liability claim or judgement. Any product liability claim or judgement which exceeds the Group's insurance coverage limits could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Group.

Insurance coverage is increasingly expensive and the Group may not have and it may not be able to maintain adequate protection against potential liabilities. If the Group is unable to maintain insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to significant liabilities, which may materially and adversely affect its business and financial position.

The Group is reliant on licence agreements relating to key intellectual property which may be terminated or may not be renewed in the future.

The Group uses key intellectual property under licence

Key intellectual property used by Ilika Technologies relating to its HT-PVD process is not owned by the Company, but is used under exclusive licence from the University of Southampton (for the purpose of this paragraph the "Licence"). The Licence is expressed to last until the licensed patents have expired, which is expected to be not before 2024. However, the Licence may be terminated by the University of Southampton where a receiver or administrator is appointed over Ilika Technologies, an order is made or resolution passed for the winding up of Ilika Technologies, Ilika Technologies directly or indirectly contests the secret or substantial nature of the know-how or challenges the validity or enforceability of any of the patents contained within the Licence or Ilika Technologies is in material breach of the Licence and such breach is not remedied within 30 days of Ilika Technologies being notified of such breach. Although the directors do not envisage the occurrence of any such event, if the Licence does terminate, there is no guarantee that alternative licences will be available and Ilika Technologies may be unable to continue using its HT-PVD process. The majority of the Group's current business relies on the continuation of the Licence.

Intellectual property relating to certain other compositions of matter is also used under exclusive licence from, amongst others, the University of Southampton. These licences are again expressed to last until the licensed patents have expired or the licensed know-how is no longer confidential. These licences may also terminate in certain restricted situations including insolvency or administration of the relevant member of the Group or a material breach by the relevant member of the Group of the licences' terms.

Risks relating to the Placing, Ordinary Shares and Capitalisation of the Company

The value of the Ordinary Shares may decrease as well as increase and there may be volatility in the price of the Ordinary Shares

The Placing Price may not be indicative of the market price for the New Ordinary Shares following Admission. The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the Company's sector or equities generally, any regulatory changes affecting the Group's operations, variations in the Company's operating results and/or business developments of the Group and/or its competitors, the actual operating and share price performance of other companies in the industries and markets in which the Group operates, news reports relating to trends in the Group's markets or the wider economy and the publication of research analysts' reports regarding the Company or the sector generally, actual or anticipated fluctuations in the Company's operating performance, termination of contracts by customers or partners, announcements of product developments by existing and future competitors, changes in the Group's key personnel or potential litigation.

There can be no assurance that an active trading market for the Ordinary Shares will develop or, if it develops, continue

Prior to Admission, there has been no public market for the Ordinary Shares. The Ordinary Shares are expected to be admitted to trading on AIM. However, the Company can give no assurance that an active trading market for the Ordinary Shares of the Company will develop or, if it develops, continue. An investment in shares traded on AIM may carry a higher risk than those listed on the Official List and it may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are listed on the Official List. The Placing Price may not be indicative of the market price for the Ordinary Shares at any time following Admission. If an active trading market does not develop or continue, the liquidity and trading price of the Ordinary Shares could be adversely affected. If there is a long-term decline in the price of the Ordinary Shares, it would adversely affect the Company's ability to access the capital markets and to pursue future business plans, such as further expansion of its operations or possible acquisitions in order to acquire new technologies and/or market shares.

Substantial future sales of Ordinary Shares could adversely affect the market price of Ordinary Shares

Upon Admission, the Enlarged Issued Ordinary Share Capital will be 36,569,359 Ordinary Shares and there will be outstanding options, warrants and Convertible Preference Shares exercisable on Admission for the issue of a further 15,258,459 Ordinary Shares (representing 41.7 per cent of the Enlarged Issued Ordinary Share Capital). Sales, or the possibility of sales, of substantial numbers of Ordinary Shares in the public or private market by the Company's existing Shareholders following the Placing could have an adverse effect on the market trading prices of the Ordinary Shares. While the Company and the Directors and certain other Shareholders have agreed to certain restrictions on the offer, sale, pledge or disposal of Ordinary Shares without the prior written consent of Nomura Code for various limited periods of time following the date of Admission, (as described in Part 6 – "Information relating to the Placing" and Part 13 – "Additional Information" of this document), upon the expiration of these lock-up arrangements a large number of additional Ordinary Shares will become available for sale. Approximately 69.9 per cent of the Ordinary Shares at Admission will be subject to lock-up arrangements.

The Company has never paid any cash dividends on its Ordinary Shares and its ability to pay dividends on the Ordinary Shares is not guaranteed

As the Group has yet to achieve profitability no dividends have been paid to date and for the foreseeable future it intends to retain all available funds and any future earnings, to fund the growth and needs of the Group. The Company's ability to pay dividends is limited under English company law, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's

ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable UK laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Ordinary Shares. The Company can give no assurance that it will be able to pay a dividend on its Ordinary Shares in the future.

Application of proceeds from the Placing may not increase the Company's profits or share price

There is no guarantee that the use of net proceeds described in paragraph 15 of Part 5 – "Information relating to the Company" will increase the Company's profitability or increase its share price.

PART 3

PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Placing Statistics

Placing Price (per Ordinary Share) ⁽¹⁾	51p
Number of Placing Shares to be issued by the Company	10,147,059
Number of Ordinary Shares already in existence as at the date of this document	26,422,300
Number of Ordinary Shares in issue following the Placing	36,569,359
Percentage of the Enlarged Issued Ordinary Share Capital represented by the Placing Shares	27.7%
Number of Placing Warrants	10,147,059
Number of Convertible Preference Shares in issue immediately following Admission	1,781,400
Market capitalisation of the Company following the Placing at the Placing Price	£18.7 million
Gross proceeds of the Placing	£5.2 million
Estimated net proceeds of the Placing ⁽²⁾	£4.4 million
Ticker	"IKA"
ISIN	GB00B608Z994
SEDOL	B608Z99

(1) Further details of the Placing are contained in Part 6.

(2) Net proceeds receivable by the Company are stated after deduction of underwriting commissions and other estimated fees and expenses of the Placing (excluding VAT) of approximately £0.8 million.

Expected Timetable of Principal Events

<i>Event</i>	<i>Time and Date</i>
Publication of this document	6 May 2010
Admission and expected commencement of dealings in Ordinary Shares on AIM	8:00 am on 14 May 2010
Issue of Placing Warrants	8:00 am on 14 May 2010
CREST accounts to be credited in respect of Ordinary Shares	8:00 am on 14 May 2010
Despatch of definitive share certificates (where applicable)	21 May 2010
Despatch of definitive Warrant certificates for the Placing Warrants	21 May 2010

Each of the times and dates in the timetable set out above is subject to change without further notice. References to a time of day are to London time.

PART 4

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jack Byron Boyer (Non-Executive Chairman) Graeme Purdy (Chief Executive Officer) Stephen John Boydell (Finance Director) Professor Brian Elliott Hayden (Chief Scientific Officer) Clare Mary Joan Spottiswoode (Non-Executive Director) Dr Werner Braun (Non-Executive Director) Professor Sir William Arnot Wakeham (Non-Executive Director)
Company Secretary	Stephen Boydell
Registered Office, Principal Place of Business and Business Address of Directors	Kenneth Dibben House Enterprise Road University of Southampton Science Park Chilworth, Southampton SO16 7NS
Nominated Adviser, Broker and Underwriter	Nomura Code Securities Limited 1 Carey Lane London EC2V 8AE
Legal Advisers to the Company	Eversheds LLP One Wood Street London EC2V 7WS
Legal Advisers to the Nominated Adviser, Broker and Underwriter	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditors to the Company and Reporting Accountant	BDO LLP Arcadia House Maritime Walk – Ocean Village Southampton SO14 3TL
Patent Agent	D Young & Co LLP 120 Holborn London EC1N 2DY
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

PART 5

INFORMATION RELATING TO THE COMPANY

1. Introduction

Ilika is an advanced materials company which accelerates the discovery of new and patentable materials using its unique high throughput technologies (“HTT”) process for identified end uses in the energy, electronics and biomedical sectors. This process enables hundreds of scalable materials to be made in a single, automated operation and subsequently tested for key properties. Experiments carried out by the Company can be executed 10 to 100 times faster than using traditional techniques.

The Company uses its unique high throughput physical vapour deposition (HT-PVD) process to discover and screen new cleantech materials for the energy and electronics sectors. In the energy sector, the Company is developing new materials for products including lithium-ion batteries, hydrogen storage canisters, fuel cells and photovoltaic solar panels. In the electronics sector, the Company is developing new materials for piezoelectric sensors and has been involved in the development of new materials for solid state memory devices. The Company’s Altrika subsidiary addresses the biomedical sector and is focused on developing and commercialising biopolymers using its combinatorial discovery platform. Since October 2009, Altrika has been selling its Cryoskin and Myskin products for the treatment of burns and wounds in the UK through a specialist distributor.

The Company generally selects its end-product development projects according to three key criteria:

- the current or forecast addressable market for the end-product should be over US\$1 billion per year;
- there should be a clear unmet need in the existing market for improved materials to replace incumbent materials (e.g. lead-free piezoelectric sensors) or a clear society need in which novel materials may create new markets (e.g. hydrogen storage materials); and
- there should be a good fit between the capabilities of the technology platform and the technical requirements of the materials development programme.

The Group’s commercialisation strategy is to enter into development or licensing agreements with large multinational companies which are seeking to commercialise products developed using the intellectual property created through jointly-funded programmes. Current commercialisation partners include large multinational companies such as Toyota, Shell, Johnson Matthey and CeramTec.

The executive management team includes Brian Hayden, the internationally-recognised scientific co-inventor of the HT-PVD process, and is supported by a business development team with relevant specialist sector experience. The executive management team is also supported by non-executive directors with private and public board-level experience from some of Europe’s most successful organisations.

2. Background and History

Ilika plc was incorporated on 12 March 2010, and became the holding company to Ilika Technologies on 6 May 2010. Ilika Technologies was founded in 2004 by Professors Brian Hayden and Mark Bradley and their research associates based at the University of Southampton, who had successfully invented novel high throughput techniques for discovering and developing new materials.

In order to commercialise the technology, Ilika Technologies was spun out of the university under the guidance of Graeme Purdy, the current CEO, and Jack Boyer, the current Non-Executive Chairman.

In 2009, Ilika Technologies incorporated a subsidiary, Altrika, to manage all of its biomedical products and development programmes. Altrika has been branded separately from Ilika and is designed to appeal to the medical device industry. It has a dedicated combinatorial discovery platform, research & development and business development function.

Ilika Technologies’ main operations and the Group’s headquarters are located in Southampton whilst Altrika’s operations are located in Sheffield.

In the years leading up to Ilika Technologies' formation, the founders successfully secured a £6 million grant to establish a centre for excellence in combinatorial sciences at the University of Southampton. Much of this grant was used to develop and install infrastructure and equipment that reflected breakthroughs in the automated processes used to make materials. Patent applications were filed at this time in order to protect the inventions being made (see Part 11 – "Patent Agent's Report"). On the formation of Ilika Technologies, a technology licence was granted by the University of Southampton providing Ilika Technologies with an exclusive licence to the patents. This was supplemented by a facilities licence allowing Ilika Technologies access to state-of-the-art equipment and infrastructure including the first generation PVD platform. The patents defining the PVD platform have been published, filed and in some cases successfully prosecuted. In addition, Ilika Technologies has continued to develop technological know-how in a second generation PVD platform, which has been installed at the Southampton operation. This forms the basis of the Company's HT-PVD process.

To date, the Group has raised approximately £9 million privately from investors including Artemis, Invesco, IP Group plc, Nomura International plc, St Peter Port Capital Limited and Sulis.

3. Business Strategy

The Company's business strategy is to use its HTT process to discover and commercialise novel materials for integration into products with high value end-markets. In order to ensure a high probability of commercial success, the Company prefers to develop these materials in collaboration with large multinational companies which have the expertise to bring new end products to market in their sectors. Currently, the majority of the Group's business is in the development of materials for the energy sector. However, the Company is also developing materials for use in products in the electronics and biomedical sectors. Within these three sectors, the Company has development programmes which contribute to a number of competing technologies (for instance, battery versus hydrogen storage technology) addressing identified unmet needs. Thereby, the Company aims to create intellectual property such that it will benefit from commercialisation rewards associated with the ultimate generally adopted technology (or technologies). The Company's objective is to have its materials integrated into market-leading products sold by leading commercialisation partners around the world. The Company generally expects these end-products to fit into or create end-markets worth in excess of \$1 billion per year, in which the Directors believe a number of the Company's commercialisation partners are positioned to have a leading share.

The Company is pursuing its objectives through the following strategies:

Developing leading-edge high throughput development processes

A number of the founders of the Group have an established record in successfully developing and applying leading-edge research and development technology for the creation of novel materials. The Group has continued to build expertise on this foundation and intends to continue innovation in this area generating substantial know-how and trade secrets. This unique selling point has attracted large multinational partners to the Group and created a barrier to entry for potential competitors.

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

The Company's core competence is in the innovation of novel materials which includes the identification of demand for new materials and the rapid execution of experimental programmes to develop materials to meet that demand. The Company operates at the beginning of the product supply chain and understands that successful commercialisation requires manufacturing capabilities, know-how in the integration of materials into consumer products and retailing to the mass market. Once the Company has identified potential demand for a new material it shortlists the leading industrial companies in the sector and seeks to attract them into mutually beneficial joint development programmes. The Company's revenue model is discussed below.

Using high throughput processes to invent patentable functional materials

The Company aims to use its HTT process to invent patentable functional materials. The Company also uses specialist software to analyse the existing intellectual property landscape and, in addition, exchanges information with its commercialisation partners in order to draw up a project scope that is thought likely to yield a material or family of materials with a defensible patent position. The Group has filed a series of patents covering materials which are potentially of significant value to target markets, a number of which are currently being scaled up by its commercialisation partners.

4. Revenue Model

The Company generates revenue from two main types of contract which enable it to manage its short and medium term requirements but also allows for the capture of potentially very significant revenues from royalties on end-products once they have been launched.

The Group retains ownership of any of its intellectual property held by it before the commencement of a programme or contract and also retains exclusive ownership of intellectual property relating to high throughput techniques developed during the course of the programme or contract.

Joint development of novel materials

The Company's joint development partners share the materials discovery costs and enter into joint development programme ("JDP") commercialisation agreements in which both parties share the benefits of commercialisation. The Company aims to structure deals which incorporate the following payments:

- Upfront payments – made during the initial materials discovery phase;
- Licence/milestone payments – contracts may be non-exclusive initially, but partners are required to pay licence fees once they require exclusivity. Contracts may also include milestone payments linked to technical achievements achieved over the course of the agreements; and
- Royalty payments – significant down stream revenue potential based on royalties on commercialised end products, with royalty rates typically in the range of one per cent. to five per cent. of product sales.

The Group generally retains intellectual property relating to the composition of matter for materials discovered during the course of joint development programmes.

Some of the Company's joint development programmes are also partly funded by grants.

Contract development of novel materials

In some circumstances, the Company undertakes contract development of materials for its customers. The payments received for undertaking this type of work are substantially higher than those it would receive in a joint development programme. The Company generally carries out the work at a 50% gross margin. In return for these payments, the Company assigns the ownership of any intellectual property rights in potential composition of matter generated during the course of the contract to its partner on a royalty-free basis. The Company may choose this type of contract if the background intellectual property in the area is such that it is unlikely an independent patent could result from the programme, or as a means of establishing a relationship with a customer prior to forming a broader joint development partnership.

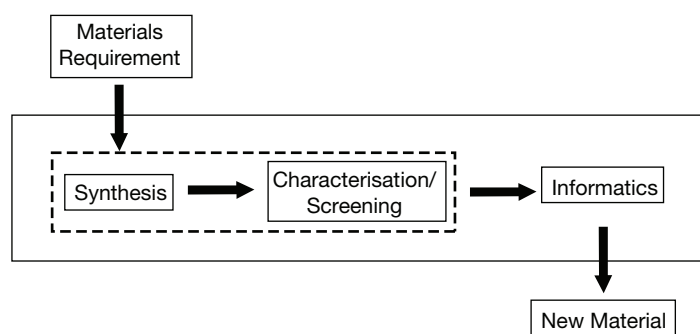
Product sales

For certain specialist biomedical markets, the Group has chosen to develop its own products and create a marketable end-product. Since October 2009, the Cryoskin and Myskin products have been sold in the UK for the treatment of burns and wounds through a specialist healthcare distributor. The Company's distributor markets these products to the leading burns centres in the UK.

5. Ilika's Technology

Traditionally, materials development has been a slow and arduous task, with manual, sequential methods used to make samples of material that are then tested for suitability. On average, it takes between 7 and 10 years to move from an initial discovery through to the first commercial prototype. The Company has used its HT-PVD process to carry out experiments 10 to 100 times faster than using traditional techniques. The Company's process identifies families of materials which provide multiple candidates for scale-up. When difficulties with a particular material are encountered, it is possible to select from alternative candidates with more suitable scale-up properties. This ability to select from a range of candidates has the overall effect of shortening the scale-up stage.

In order to deliver candidate materials for scale-up, the Company typically uses a three-step process which is illustrated below:



Synthesis and characterisation of inorganic materials

The HT-PVD process

The Company's principal method of discovering new materials is to synthesise thin films of materials on small, individually addressable substrate plates. Each plate may hold up to 100 samples, each having a different composition. The Company's HT-PVD process uses established ultra-high vacuum (UHV) techniques modified to deposit materials in a combinatorial or high throughput manner. Up to six different chemical elements can be deposited simultaneously to form homogenous mixtures in films ranging from less than 1nm to greater than 1,000nm in thickness. In addition to thin films, the HT-PVD process also produces nano-particles with varying size, density and morphology. Whether the process is designed for thin films or nano-particles, the result is a graded and controlled composition across the sample plate which then enters the high throughput characterisation and screening processes described below.

The Company has also used its HT-PVD process to pioneer the thin-film synthesis and testing of complex materials such as crystalline ceramics, which forms the basis of the Company's joint development programme with CeramTec. In order to achieve these complex oxide structures, elements are simultaneously deposited on the target substrate in the presence of an oxygen plasma. Following deposition, various techniques are employed to achieve specific grain sizes. The Company has also developed similar techniques using a hydrogen plasma for the deposition of hydrides.

A particular advantage of the technology is that its deposition process enables a mixture of the component materials to be deposited in a controlled manner as a thin film. No additional steps are required following deposition in order to homogenise the mixture.

Analysis and testing of inorganic materials

The ability to deposit up to six materials at a time means that large numbers of potential compositions can be created. The Company uses specially designed workflows to rapidly analyse these compositions and optimise the materials' properties for the desired applications. This analysis involves the characterisation of the materials' composition and structure and the rapid testing of the materials' functional properties. These processes yield a range of reproducible formulations for the customer or partner.

As the Company's methods for producing materials are inherently controllable and predictable, the composition of materials is often known in advance of the experiment. However, in order to verify the results of the experiments, the Company employs a number of characterisation techniques, including electron microscopy and mass spectrometry, which it has modified to operate in a high throughput manner. In order to determine the crystalline structure of materials, the Company generally uses X-ray diffraction. The Group owns what the Directors believe to be Europe's fastest thin-film X-ray diffraction machine, which it operates in high throughput mode. The high throughput screening techniques employed by the Company depend on the particular development programme in question. By way of example, an important screening criterion in selecting a candidate for the Company's lithium-ion battery electrode development programme is the impedance of the material.

Synthesis and characterisation of polymers

The Company's biomedical discovery process is based on screening polymer libraries to identify polymers suitable for biomedical indications which currently include blood filtration, skin burns and corneal damage.

The discovery platform is able to synthesise and screen the polymers with specific physical, chemical and biological properties that match the specific functional requirements of applications for which they are required. These applications include blood filters, allogeneic autologous grafts and corneal bandages. The Company uses technologies including contact and inkjet printing to produce micro-arrays of high quality, high purity libraries of polymers of known composition which can be characterised and screened for specific characteristics in a high throughput manner. The result is that valuable libraries tailored for the desired application can be created.

The polymer micro-arrays are deposited on substrates which are tailored to maximise the effectiveness of the screening assay. The assays often relate to the ability of specific polymers within the array to bind to defined cells or proteins. Because the proteins or cells of interest are usually part of a diverse population they are marked in a way that enables their later identification. The micro-arrays are contacted with a solution of the cells of interest and then subsequently screened, often with an optical technique. Often, the ability of specific polymers to bind with cells can be quantified by carrying out a cell count. The Company uses an automated scanning microscope to carry out the cell count in order to generate the data in a reliable and repeatable manner. The data are processed using software that has been developed specifically for the Company for this purpose.

Informatics

In order to ensure that the large quantities of data generated by the Company's HTT process, on either the HT-PVD platform or its combinational discovery platform, can be managed effectively, the Company has developed its own proprietary sophisticated data acquisition and analysis software called Paradise. Paradise interfaces with software developed for specific pieces of characterisation equipment. The characterisation data generated are collated into a common database. These data undergo scientific analysis and processing in Paradise so that they can be displayed in a graphic user interface, resulting in a readily understood graphical form, which increases the efficiency with which the Company's scientists can progress development programmes.

6. Products and Markets

The most important element of the Company's business model going forward will be the generation of revenues through the development of materials with its partners. The following describes the sector and end-products in which the Company is commercialising its HTT process.

Energy

The energy sector represents a very significant opportunity with growth rates underpinned by an increasing global demand for energy in general as well as from sustainable and environmentally friendly sources. The Company has active materials development programmes in the battery, fuel cell, hydrogen storage and photovoltaic sectors.

Batteries

A number of governments around the world, including the UK, US and Japan, have introduced incentives to stimulate the deployment of electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs). The main technical hurdle to be overcome for the mass market roll-out of these vehicles is the development of batteries with large capacity and rapid charge/discharge rates. A number of leading automotive manufacturers are currently adopting lithium-ion battery technology for this application. This creates a considerable opportunity to enhance existing lithium-ion technology through the use of improved battery chemistry.

The market for lithium-ion batteries is expected to grow from its current level of \$8 billion per annum to \$32 billion per annum by 2018. The fastest growing segment of this market is expected to be for electric and hybrid electric vehicles.

The Group has acquired a degree of expertise in lithium-ion battery materials through contract research projects and in-house research as well as a well equipped battery material analysis facility. The Group is in discussions with potential partners or customers to develop new lithium-ion

batteries and expects to start the screening stage in Q2 2010. The Directors believe an end product will be launched from this programme in 2013.

Ilika Technologies has been selected as a collaborator in this area by Toyota, by whom it was approached in February 2008, and the Group has since been engaged on a contract research project to develop innovative new materials for lithium-ion batteries.

Hydrogen storage

Hydrogen can be generated from a broad range of renewable energy sources, including wind, photovoltaic (solar) and hydroelectric, through the electrolysis of water. Hence, hydrogen could be used to store the energy generated by these intermittent sources, to be used as demand requires. Hydrogen represents a potentially attractive carrier of energy as its combustion or direct conversion to electricity via a fuel cell does not lead to the emission of carbon dioxide. In this respect, hydrogen can be seen as an alternative energy carrier to battery technology. One of the potential advantages of hydrogen over batteries is that the energy density of hydrogen can be substantially higher than that which can be achieved using battery technology. The market for hydrogen storage applications is expected to be \$15 billion per annum by 2020. However, the level of adoption needed to achieve this market size requires a significant breakthrough in the performance of hydrogen storage materials. The largest potential application for hydrogen storage is static storage using energy generated from intermittent renewable sources to produce a zero-carbon source of storable and transportable energy. Other emerging markets for hydrogen storage include transport and uninterruptible power supply systems (UPS) as well as the existing market for bottled hydrogen.

The Company is currently developing new materials to address the storage of hydrogen for the transport sector. The main criteria for hydrogen storage for transport purposes, as set out in the US Freedom Car Initiative, are that vehicles must operate within stringent volume and weight specifications, supply enough hydrogen to enable a driving range of approximately 500 km, charge and recharge at near room temperature and provide hydrogen at rates fast enough for operation in trucks, buses, trains and cars. Current prototype applications for transport use either very high pressure compressed gas (700 bar) or cryogenically cooled liquid hydrogen. In order to compress hydrogen to 700 bar from atmospheric pressure, at which it is often produced, 15% of the total energy content is consumed. Cryogenic storage consumes 30% of the energy content. There are also safety issues with both of these storage solutions. One promising potential storage solution is the development of solid metal hydrides which would exist as powders stored in a cylinder at moderate pressure (approximately 10 bar) and stable at room temperature. When warmed to moderate temperatures (under 100°C), the hydride would decompose and release hydrogen for use as fuel. The target weight percentage of hydrogen stored in such a material has been set at 6% by the US Department of Energy (DOE). Current commercially available hydride materials can achieve up to 2.3 weight % hydrogen storage.

A number of oil companies have shown an interest in hydrogen as a transport fuel in the medium to long term as it will allow them to retain control of the transport energy supply chain. In 2007, Ilika Technologies and Shell Hydrogen entered into a joint development programme to identify promising hydrogen storage candidate materials with Shell Hydrogen paying towards the cost of R&D expenses. As a result of this work, Ilika Technologies has identified and has rights to patent applications in respect of a number of hydride materials, some of which demonstrated the ability to store reversibly up to 10 weight % of hydrogen at moderate pressure (10 bar). This result is currently being verified and scaled-up by Johnson Matthey, the Rutherford Appleton Laboratory and the University of Oxford, through a project part-funded by the UK's Technology Strategy Board.

The Company has a licence agreement with Shell Hydrogen and a commercialisation agreement with Johnson Matthey plc. Both of these joint development agreements share the future benefit of commercialisation revenues from hydrogen storage end-products between the partners with the Company benefitting from royalty on sales of the end-product. The Directors believe that an end-product will be launched in 2012.

Fuel cells

A fuel cell is an electrochemical conversion device that produces electricity without combustion of the fuel. Hydrogen is the most common energy supply for a fuel cell as it has the right electrochemistry and the exhaust product is water. Many fuel cells under development, and particularly those for transport applications, use platinum-based electrodes. The European market for fuel cells has been estimated to grow to €3.6 billion by 2016. While platinum works well in this

role, it is a very scarce and therefore expensive element. The end-market for fuel cell technology is still in its infancy. However, the discovery of non-platinum-based electrode materials could significantly accelerate the development of this market.

The Company has filed patents on materials families based on palladium alloys, which, on the basis of tests performed by the Company, show promise in terms of activity and stability as an economical alternative to platinum-based electrode materials. These materials are in the process of being scaled-up under the framework of a grant-funded project supported by The Carbon Trust. The Group is currently in negotiations with a number of organisations which may or may not lead to a collaboration to prepare these palladium-alloy catalysts for scale-up and manufacturing. The Directors believe that a JDP partner will be secured later this year and that an end product from this programme will be launched in 2013.

The Company is also developing new materials for use in fuel cells for the transport sector with a major vehicle manufacturing company. The Group is in active discussions with this customer to define the next stage of the project. The renewal is expected in Q2 2010.

Photovoltaics

The Company has initiated preliminary screening of materials for use in second generation thin film photovoltaic solar cells. The Group is currently targeting potential JDP partners for this subsector.

Electronics

The Company's HT-PVD process can be used to innovate materials relevant to electronic applications including piezoelectrics and memory and, the Director's believe, flat panel displays, capacitors, phosphors and other integrated circuits. The Company is initially focusing on piezoelectrics and memory materials.

Piezoelectrics

Piezoelectric materials change shape on the application of a voltage and vice versa. Piezoelectrics have a well established variety of applications, with the main examples being actuators, particularly for automotive motors; and sensors, such as shock sensors for portable hard disk drives and automotive airbags.

The global market size for piezoelectric materials in 2008 was \$600 million. The most commonly used piezoelectric materials currently use PZT, a lead-zirconium-titanate ceramic, which has been banned in the EU because of environmental concerns over the lead content. Manufacturers are currently operating under temporary exemption licences until suitable alternative materials can be found.

The Company's HT-PVD process is particularly suitable for the rapid synthesis and testing of ceramic materials. The Directors believe that the discovery of an effective lead-free piezoelectric material would rapidly result in further regulatory pressure for the industry to adopt the new material. In this instance the end market is already defined and it is expected that the lead-free material would 'plug-in and play' with existing devices. In November 2009 Ilika Technologies entered into a joint development programme with CeramTec, one of Europe's leading ceramics manufacturers. Under the terms of the agreement, over the initial 18-month period CeramTec will make payments to Ilika as a contribution towards the Group's R&D costs and will pay a royalty on sales of the product. CeramTec's current annual revenue from piezoelectric products in 2008 was approximately €100 million. The Directors believe that an end product will be launched in 2014.

Memory materials

Flash memory has physical storage boundaries which limits its ability to satisfy the demands for ever larger memory capacity and smaller physical form. An alternative to electronic flash memory is phase change memory which relies on a change in physical properties between glass and crystalline phases and is seen as the leading candidate to replace electronic flash memory. The size of the end-market for flash memory chips was over \$40 billion in 2008 and has been steadily increasing, fuelled by the growth in the market for portable consumer electronic devices (e.g. laptop computers, mobile telephones, PDAs, digital music players, digital cameras and mini-camcorders). The market for phase change memory is expected to grow at a compounded annual growth rate of 164% from 2008 to 2015 and to reach \$7.25 billion in 2015.

The Group has rights to the patents in a family of materials which have characteristics suitable for phase change memory. Some of these materials have been made and tested in the Group's

laboratory. Following initial promising results, the Group approached a number of the major memory device manufacturers, including Micron, Spansion, Numonyx, TSMC and Samsung, to discuss a phase change memory project. The Group expects its current negotiations with a major manufacturer to mature into a joint development programme. The Directors believe that an end product will be launched in 2014.

Biomedical

The medical device sector is a growth opportunity with a demand for tailored materials with specific functionalities.

Blood Filtration

The blood filtration market is broad and covers a number of sub-sectors. The majority of the current value of the sector is in the processing of donated blood and, in particular, for the removal of white blood cells. This is a mature market with established products and commercial relationships and is under extreme cost pressure from healthcare providers. Rather than enter this crowded market, the Company is focused on the more valuable blood-derived cell therapy market and in particular, somatic stem cells.

A number of medical studies have reported significant achievements in the use of blood-derived somatic stem cells for therapeutic treatment of a wide range of diseases, including myocardial infarction (heart attack). Estimates suggest that cell therapy may be worth in excess of \$11 billion by 2013. This has focused attention on the fractionation of blood to extract the desired components for use in cell therapy. Blood separation is currently performed largely by centrifugation which is slow, costly and inconvenient. Selective filtration techniques are believed to be the most promising for extracting the desired blood fraction for cell therapies.

The Group signed a JDP agreement in this field in November 2008 with one of the significant global suppliers of filters. The screening phase of the programme has successfully identified candidates for providing the required functionality and selectivity for certain types of stem cells. These candidates are now being scaled-up by the Company's partner. The structure of the programme involves the partner making payments towards Group's screening costs and subsequently entering into a licensing agreement when the filter product is marketed. The Directors believe that a scale-up milestone payment will be received in Q2 2010, that an end-product will be launched in 2011 and that peak revenues to its partner will be in the region of \$200 million per annum.

Anecdotal feedback from the Group's partner estimates that using the Company's process will reduce time to market by approximately 3.5 years. The Company has estimated that this will save its partner around £10 million, of which the Group charges approximately £2.5 million.

The Directors expect to secure another cell therapy JDP with its existing blood filtration partner or another partner during the second half of FY2011.

Cryoskin and Myskin

For many years a common way to rapidly treat extensive wounds and burns has been with autologous skin, i.e. with a patient's own skin in the form of a skin graft. Ordinarily, partial-thickness skin grafts are taken from non-injured body areas (donor sites) and grafted onto the injured (acceptor) site. In order to minimise the donor site area needed, the surface area of the grafts is often expanded several-fold by inducing small, regularly spaced cuts on the grafts, resulting in a fishnet-like structure (a procedure called meshing). Essentially this seeks to divide a single large wound into many small wounds depending on the mesh size, each of which wound heals much more rapidly by in-growth of epithelium from the mesh borders towards the centre. Despite the relative effectiveness of this surgical technique, sufficient donor sites are sometimes unavailable for covering the wound, for instance in the case of extensive burns. In this case, donor sites have to be re-harvested after a time period sufficient to allow healing (normally 5 to 10 days). Alternatively, larger mesh sizes can be used. Both approaches have the disadvantage of delaying the healing process significantly and the use of large mesh sizes severely affects the quality of the resulting scar tissue.

Altrika has developed a portfolio of viable keratinocyte products which encourage much more rapid epithelial repair. Case studies have shown up to an 80% increase in re-epithelialisation 5 days after the burn. There are two products in the portfolio for the treatment of acute wounds (burns): Myskin which uses the patient's own cells (autologous) and Cryoskin which uses donor cells

(allogeneic). The key differentiator of these products is the proprietary and patented polymer surface on which the cells are presented. This surface maintains the cells in a sub-confluent state, which increases their function, accelerates wound healing and reduces scarring.

In the UK the market for these products is well-defined, because of the existence of six major burns units. The Group has appointed an agent, which specialises in wound-care products for the commercialisation of Myskin and Cryoskin. Altrika began selling these products through a specialist distributor in the UK in October 2009 and anticipates rolling out the products in other markets which have largely common regulatory environments before selecting other territories. The Directors expect to launch these products in four countries over the next three years using specialist distributors in each country.

Corneal bandages

The Group has secured rights to patents to biopolymers that support the growth of epithelial cells necessary for the repair of damaged corneas. The efficacy of the treatment has been demonstrated in pre-clinical trials and clinical trials are now planned. The Directors expect the results of clinical trials by the second half of FY2011 and product launch during 2012.

Portfolio Commercialisation Summary

The following table summarises the key terms associated with the commercialisation of the joint development programme materials and the Company's own launched products described above:

<i>Material</i>	<i>Partners</i>	<i>Contract status</i>	<i>Directors' expected product launch</i>	<i>Material current status</i>	<i>Milestone payment contracts</i>
Batteries	Undisclosed	Proposal submitted	2013	Screening programme expected to start in Q2 2010	—
Hydrogen storage	Shell/Johnson Matthey	Contracts in place	2012	Materials discovered after Shell JDP and now in scale-up in-house and with Johnson Matthey	Non exclusive written agreements: partners would have to pay for exclusive option on material
Fuel cell electrodes	—	Under negotiation	2013	Material developed under Carbon Trust grant funded project	Non-exclusive and partner would have to pay for exclusive option on material
Photovoltaics	—	—	—	In-house screening in progress. Seeking partners	—
Piezoelectrics	CeramTec	Contract in place	2014	Screening in progress	None
Phase change memory	—	Contract in negotiation	2014	Ilika has exclusive rights to core patent and has researched new high performance material in-house	Negotiations in progress
Blood filtration	Undisclosed	Contract in place	2011	Material chosen and in scale up	Scale-up milestone expected in Q2 2010
Wound care (Cryoskin/ Myskin)	Wholly owned	Products launched	Launched	Proven	Distribution agreement in place
Corneal bandages	—	—	2012	Material chosen, awaiting clinical trials	—

7. Competitive Approaches to Materials Development

The following sources of competition represent the main competitors to the Company's HTT process and its ability to attract additional large multinational industrial partners.

In-house development within large companies

The Group is attracted to large companies when seeking new JDPs as they have the resources, scale and track record to increase the likelihood of successful commercialisation of new products. However, many of the potential partner organisations have large R&D departments which were

originally established to innovate new product lines themselves. These in-house R&D departments are potentially a source of competition, although in recent years the Directors have seen an increasing trend towards open innovation practices whereby large organisations see external collaboration as a more efficient method of maintaining their competitive advantage. The Company positions itself as an extension of the in-house capabilities of its partners. The R&D departments of large organisations are often the Company's direct innovation partners and the most successful collaborations are often those in which the Group's team works closely together with the scientific team of its partner. Although some of the Company's partners or affiliates have invested in their own high throughput equipment, it is the case that these companies have also entered into joint development agreements or contracts with the Company in order to innovate new materials using the Company's HT-PVD process.

Universities and national laboratories

Universities and national laboratories are usually supported either directly or indirectly through government funding. In the UK, most of the work at the universities and national laboratories such as the National Physical Laboratory (NPL) is funded through a number of research councils, which are wholly supported by the government. This provides a continuity of funding to those institutions that allows longer-term basic research to be undertaken. This longer-term research provides important input into the scientific community's knowledge base, which sometimes provides the initial seed for the type of results-oriented commercial research undertaken by the Group. The Group also collaborates with universities and national laboratories, usually under the umbrella of funding provided by government-supported research organisations such as research councils and the Technology Strategy Board.

SMEs/High throughput R&D specialists

There are a number of SMEs focusing on materials and products which compete with the materials under development at the Company. The Company aims to differentiate itself from these organisations through the development of materials with superior or alternative benefits.

The concept of high throughput or combinatorial R&D was first developed for broad industrial application by the pharmaceutical industry in the early 1990s. In that context, liquid-dispensing robots were used to automate experiments for the synthesis of molecules that were candidates for new chemical entities. By the late 1990s academic and industrial groups around the world, including those at the University of Southampton, started applying the concept more broadly to materials science. A number of specialist companies have developed high throughput technologies which are conceptually similar to the Company's process. The HT-PVD process is differentiated from the technologies deployed by the high throughput companies known to the Directors. In addition, the main sector focus of these potential competitors is different to those of the Company.

8. Intellectual Property

The Company has exclusive licenses to all patents necessary for its HTT process and owns all other residual intellectual property in connection with it. The Company owns the intellectual property related to materials discovered using this process. The Company owns or has in-licensed approximately 15 granted patents and has a further 40 pending patent applications which are currently outstanding in multiple jurisdictions and patent offices including PCT patent applications, European patent applications and national patent applications in Canada, China, Hong Kong, India, Japan, Korea (South), the United Kingdom and the United States of America. The Company has 5 registered trade marks and a further 2 pending trade mark applications. The Company also possesses certain proprietary know-how and trade secrets.

Further details of the Company's intellectual property portfolio and intellectual property strategy are set out in the report in Part 11 – "Patent Agent's Report" prepared by D Young & Co.

Patents

The Directors are aware of the importance of patent protection both for the defence of its processes and for enhancing the commercial value of the materials it identifies and develops.

The Company uses a patent landscaping software tool, Themescape, in order to establish patenting opportunities. This automated patent analysis leads to a visual method of identifying those areas of science where it is reasonable to assume that novel intellectual property can be

created and defended. Where appropriate, the Company acquires licences to third party intellectual property to supplement its own portfolio.

The Company's current patent portfolio falls into two main groups:

High Throughput Technology Patents

The Company's high throughput patents were filed initially by the University of Southampton in 2003 and were licensed to the Group on an exclusive basis as part of the Technology Licence Agreement (see paragraph 13 of Part 13 – "Additional Information").

The Company has commissioned an infringement clearance report which indicates that it has freedom to operate its HTT process. To date, one opposition has been filed against a granted European patent which was licensed to the Company by the University of Southampton. This patent is not critical to the operations of the Company, and the University of Southampton, in collaboration with the Company, is preparing a reply statement.

Materials Patents

Since its formation, the Group has regularly filed patents covering the materials it has invented. These materials patents contribute to the intellectual property portfolio the Company is developing for licensing out in the future. To date no 'observations' have been made by third parties against the Company's materials patent applications. The Company has not received any notification from third parties that its products infringe any third party rights and neither has it had cause to notify any third party of infringement of its own intellectual property rights. The Group has published the results of its research in international scientific journals for five years and over this period its representatives have presented at numerous conferences, thus increasing the likelihood of third parties having become aware of its activities. The Company is not aware of any third party patent which it might infringe in commercialising its existing materials intellectual property.

Know-how

The Company has developed considerable know-how in designing and operating its HTT process. The Directors believe that this know-how provides the Company with a significant advantage over competitors who would need to invest significantly in R&D in order to determine the optimum parameters of the Company's HTT process.

The Company has also developed application-specific know-how through its dedicated teams (e.g. for lithium-ion batteries) which supports the Company's exploitation of those opportunities it has identified in different market sectors. This has contributed to the Company's credibility in engaging with large multinationals who wish to develop innovative new products.

Trade Marks

The Company protects its most significant trade marks and currently holds registrations for "Ilika", "Altrika", "Myskin" and "Cryoskin". One opposition has been filed against "Cryoskin", further details of which are set out in Part 11 – "Patent Agent's Report".

9. Regulatory Matters

All of the products into which the Company's materials are integrated require some form of regulatory approval. Consumer and industrial products for the energy and electronics markets require certification that confirms their compliance with safety and engineering standards in the jurisdictions in which they are sold. In the EU this certification is provided by a CE mark, which can either be self-certified or applied by an independent inspection organisation. One of the benefits of the Company's model of joint development programmes is that the product commercialisation process is supported by the regulatory expertise of the commercialisation partner.

Altrika has both a Manufacturer's Specials Licence from the MHRA and an HTA license for the handling of human tissue enabling Altrika to commercialise the Myskin and Cryoskin products in the UK and, through reciprocal arrangements between member states, throughout the EU.

10. Current Trading and Prospects

Since the end of the last audited financial year, 30 April 2009, full details of which can be found in Part 9 – "Financial Information" of this document, the Group has demonstrated revenue growth. The Company is supporting the further development of materials which are intended to be commercialised according to the expected timelines as detailed in paragraph 6 of this Part 5. The

Company has entered into a joint development programme with CeramTec for the discovery of novel piezoelectric materials; has extended its contract with Toyota for battery materials; and expects to extend its contract with a major vehicle manufacturer for the development of materials for fuel cells for use in the transport sector. The Company is also pursuing a number of proposals with new customers and is in discussions with existing customers to renew agreements. As a result, and given the net proceeds of the Placing, the Directors view the financial and trading prospects for the Company for the current financial year and for the foreseeable future with confidence.

11. Directors and Senior Management

The Board comprises the following persons:

Jack Boyer, Non-Executive Chairman, aged 50

Mr Boyer joined Ilika Technologies as Chairman in 2004. He previously founded and was the CEO of Trident Components Group, a €280 million revenue pan-European automotive and telecoms engineering group which he built from sales of €15 million. He has worked in investment banking at Goldman Sachs, and management consulting at Bain & Co. Mr Boyer was educated at Stanford University (B.A. Hons), the London School of Economics (M.Sc.) and INSEAD (MBA). He currently leads the University of Southampton's corporate spin-out and intellectual property exploitation activities as Chair of Southampton Asset Management and is Chairman of early-stage companies involved in emerging technologies. Mr Boyer is a board member of the User Panel of the Engineering and Physical Sciences Research Council (EPSRC) and a Trustee of environmental and educational non-profit organizations.

Graeme Purdy, Chief Executive Officer, aged 44

Mr Purdy was appointed to head-up Ilika Technologies from the beginning of May 2004, just before completion of the seed round of funding. Prior to joining Ilika, he 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. He holds a Master's degree in Chemical Engineering from Cambridge and an MBA from INSEAD business school in France. He is also a Fellow of the Institute of Chemical Engineers and a Sainsbury Management Fellow.

Stephen Boydell, Finance Director, aged 39

Mr Boydell qualified as a Chartered Accountant with Deloitte in 1996, he held a number of positions at Hays plc and then was European Financial Controller of AGI Media before becoming Finance Director of Healthy Direct Limited, a successful Guernsey based vitamin and supplements group. He was instrumental in the restructuring of that group and the subsequent successful sale to a competitor. Mr Boydell is also a director of Perpetuum Limited. He studied Economics at Nottingham University (B.A. Hons.).

Professor Brian Hayden, Chief Scientific Officer and Founder, aged 55

Professor Hayden is currently on secondment to Ilika from the University of Southampton, where he is Professor of Physical Chemistry. He is a pioneer of surface science and has a strong track record in running successful industrial collaborations. Brian has published in excess of 100 papers in the fields of surface science, surface electrochemistry and fundamental aspects of heterogeneous catalysis and electrocatalysis. He is a Fellow of the Royal Society of Chemistry and a regular speaker at conferences.

Clare Spottiswoode, Non-executive Director, aged 57

Ms Spottiswoode's career started as an economist with the Treasury before establishing her own software company. She is perhaps best known for her role as Director General of Ofgas between 1993 and 1998 where she oversaw the transformation of the gas industry from a monopoly, which controlled the whole gas supply chain, into a deregulated, competitive industry. In November 2006 she was appointed as the Policyholder Advocate for Aviva, and is responsible for ensuring that around one million With-Profits policyholders receive a fair share of the £5 to £6 billion inherited estate. The deal has now been completed and policyholders received around 70% of the estate, which was more than double the only previous reattribution settlement. She was deputy chairman of British Energy from 2002 to 2007. Currently she chairs Gas Strategies Limited which has done a recent management buy-out from Standard and Poors, and is a non-executive director of Energy

Solutions, a US Nuclear waste company and Tullow Oil, a FTSE100 Company. Awarded a CBE for services to industry in 1999, she holds degrees from Cambridge and Yale Universities in Maths and Economics and has an honorary doctorate from Brunel.

Dr Werner Braun, Non-executive Director, aged 64

Having received a PhD in plasma and laser physics from the Technical University in Munich for research work performed at the Max Planck Institute for Plasma Physics, Dr Braun initially worked for Messer Griesheim before joining Biotronik as VP of Marketing and Sales. Over a period of fourteen years, Dr Braun played a key role in growing Biotronik from an early stage company to a global provider of medical devices for use in cardiology and cardiosurgery. Following spells as General Manager of Chiron Adatomed and VP of Marketing and Sales for Medtronic Europe, Middle East and Africa, Dr Braun returned to Biotronik in 2001 to become Managing Director, further developing the company's market expansion to become Europe's largest privately-held medical device company in the cardiovascular arena.

Professor Sir William Wakeham, Non-executive Director, aged 65

Professor Sir William Wakeham retired as Vice-Chancellor of the University of Southampton in September 2009 after 8 years in that position. He studied Physics at Exeter University at both undergraduate and doctoral level. In 1971 he took up a lectureship in the Chemical Engineering Department at Imperial College London and became Head of Department in 1988. By 1999 he was Pro-Rector (Research), Deputy Rector and Pro-Rector (Resources) at Imperial College. He oversaw the College's merger with a series of medical schools and stimulated its entrepreneurial activities. He is a Fellow of the Royal Academy of Engineering and its International Secretary, a Fellow of the Institution of Chemical Engineers, the Institution of Engineering and Technology, and the Institute of Physics. He holds a higher doctorate from Exeter University, and honorary degrees from Lisbon University, Exeter and Southampton Solent University and is a Fellow of Imperial College London. He is a Council Member of the Engineering and Physical Sciences Research Council and Chair of Its Audit Committee. He was knighted in the Queen's Birthday Honours 2009 for services to Chemical Engineering and Higher Education.

Dr David Haddow, Altrika Operations Director

Although not a director of the Company, Dr Haddow was appointed Operations Director of Altrika in August 2009, just prior to a key asset acquisition. Prior to joining Altrika he headed up product development, technical manufacture and regulatory strategy functions for a UK based cell-therapy company, being responsible for two advanced therapy medicinal product launches in an emerging and pioneering sector. David has a PhD in Biomedical Materials from the University Sheffield and a Materials Engineering degree from the University of Oxford. He is also a trained specialist assessor for the Human Tissue Authority.

12. Corporate Governance

The Directors recognise the importance of, and are committed to, high standards of corporate governance. The Directors have implemented or intend to implement appropriate measures (having regard to the current stage of development of the Company) to comply, so far as practicable and appropriate for a public Company of this nature and size, with the Combined Code.

Further information on the Company's corporate governance arrangements is set out in paragraph 9 of Part 13 of this document.

13. Share Options

In order to provide suitable employee incentives and to reflect the commitment of certain employees to the Group's business to date, the Company has established the Share Option Scheme, further details of which are set out in paragraph 6 of Part 13 of this document.

The Company intends to grant options on or shortly before Admission, to employees of the Group pursuant to the Share Option Scheme, in each case, with an exercise price equal to the Placing Price. Details of the numbers of Ordinary Shares in respect of which the Company intends to grant options under the Share Option Scheme on or shortly before Admission are set out at paragraph 6 of Part 13 of this document under the heading "Options to be granted under the Share Option Scheme on or shortly before Admission".

The Company has also agreed that in order to recognise the extraordinary contribution to the Group of Jack Boyer, Graeme Purdy, Stephen Boydell, Dr Werner Braun, Professor Sir William Wakeham, Brian Hayden and Mark Bradley, and to incentivise them and Clare Spottiswoode to continue to make such contributions, it shall on, or shortly before, Admission grant the Unapproved Options to such individuals. Full details of the terms of the Unapproved Options and the numbers of Ordinary Shares in respect of which the Unapproved Options will be granted are set out at paragraph 6 of Part 13 of this document under the heading, “Unapproved Options”.

In addition, the Company has previously granted options over 107,300 Ordinary Shares to Southampton Asset Management at an exercise price of £2.01 per share exercisable at any time and warrants over 130,100 Ordinary Shares to Nomura Code at an exercise price of £2.43 per share (subject to adjustment) exercisable at any time.

14. Dividend policy

The Company is primarily seeking to achieve capital growth for its shareholders. It is the Board’s intention during the current phase of the Company’s development to retain future distributable profits from the business to the extent any are generated. The Directors do not anticipate declaring any dividends in the foreseeable future but may recommend distributions at some future date depending upon the generation of sustainable profits when it becomes commercially prudent to do so.

15. Reasons for the Placing and use of proceeds

The Company intends to generate significant revenues from (1) milestones and royalties resulting from the out-licensing of those identified materials being developed under the Company’s existing JDPs and for which ‘proof of concept’ has been demonstrated; and (2) through sales of its own biomedical products. To achieve this, the net proceeds from the Placing will be used for:

- investment in the bulk material testing and scale-up stages, and where necessary the further development, of the identified materials being developed under the following existing programmes:
 - batteries;
 - hydrogen storage
 - fuel cells electrodes
 - piezoelectrics
 - phase change memory
 - blood filtration
- Cryoskin and Myskin
 - capacity expansion, sales & marketing and launch in new countries
- corneal bandage
 - two clinical trials

£4.1 million

- general working capital £0.3 million

Pending these uses, the Directors intend to hold the net proceeds of the Placing in cash deposits or invest them in short-term, interest-bearing investment grade securities.

PART 6

INFORMATION RELATING TO THE PLACING

1. Summary of the Placing

Pursuant to the Placing, which has been fully underwritten by Nomura Code in accordance with the terms of the Placing Agreement, the Company will issue 10,147,059 Placing Shares (representing 27.7 per cent. of the Enlarged Issued Ordinary Share Capital) at the Placing Price, raising proceeds of approximately £5.2 million before expenses (approximately £4.4 million net of expenses) and Placing Warrants to subscribe for, in aggregate, 10,147,059 Ordinary Shares will be issued to Placees.

The Placing is subject to the satisfaction of customary conditions set out in the Placing Agreement, including there being no material breach of warranty prior to Admission and Admission occurring on or before 8:00 a.m. on 14 May 2010 (or such later time and/or date as may be agreed between Nomura Code and the Company, not being later than 28 May 2010). The Placing Agreement contains a provision entitling Nomura Code to terminate the Placing any time prior to Admission in certain circumstances, including a force majeure event occurring prior to Admission. If such right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to investors without interest.

2. Information on Placing Shares, Placing Warrants and Convertible Preference Shares

The Placing Shares have been issued to certain qualified institutional and other investors in the United Kingdom, and certain jurisdictions in the EEA.

Certain restrictions that apply to the distribution of this Admission Document, the Placing Shares and the Placing Warrants being issued and sold under the Placing in jurisdictions outside the United Kingdom are described in paragraph 8 below.

When admitted to trading on AIM, the Ordinary Shares will be registered with ISIN number GB00B608Z994 and SEDOL number B608Z99.

The Placing Shares will, on Admission, rank *pari passu* in all respects with each other and all of the existing Ordinary Shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. Upon Admission the Ordinary Shares will be freely transferable.

Pursuant to the terms of the Placing Warrant Instrument, the Company will issue Placing Warrants to the Placees in accordance with the terms of the Placing Agreement. The Placing Warrants are exercisable in whole or in part at any time up to and including 14 May 2014 at an exercise price equal to the Issue Price. The Placing Warrants are not transferable except in certain limited circumstances. Further details of the Placing Warrant Instrument are set out in paragraph 13 of Part 13 of this document. No application is being made for the Convertible Preference Shares to be admitted to trading on AIM but such shares may convert into Ordinary Shares on a one for one basis at any time following Admission at the option of the holders thereof.

The Convertible Preference Shares are held by certain individual founding shareholders and have the rights set out in paragraph 4 of Part 13 of this document. No application is being made for the Convertible Preference Shares to be admitted to trading on AIM but such shares may convert into Ordinary Shares on a one for one basis at any time following Admission at the option of the holders thereof.

3. Allocation and Pricing

All Placing Shares will be issued at the Placing Price which has been determined by the Company, after consultation with Nomura Code, in the manner described below. Nomura Code has procured or nominated placees to subscribe for Placing Shares at the Placing Price. In addition, Nomura Code has itself agreed to subscribe for 294,118 Placing Shares at the Placing Price and 294,118 Placing Warrants. The Placing Price and the numbers of Placing Shares allocated under the Placing have been announced on 28 April 2010.

The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. Allocations of Placing Shares under the Placing will be determined at the discretion of Nomura Code following consultation with the Company after indications of interest from prospective investors have been received.

4. Dealings, Settlement and Admission

Admission is expected to take place, and dealings in the Ordinary Shares are expected to commence on AIM, at 8:00 am on 14 May 2010 (London time). These dates and times may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All Placing Shares will be issued payable in full at the Placing Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares will be distributed by 21 May 2010 or as soon thereafter as is practicable. No temporary documents of title will be issued.

In connection with the Placing, Nomura Code and any affiliate acting as an investor for its own account may take up the Placing Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, references in this Admission Document to the Placing Shares being offered or placed should be read as including any offering or placement of securities to Nomura Code and any affiliate acting in such capacity. Nomura Code does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

5. Placing Agreement

The Company, the Directors and Nomura Code have entered into the Placing Agreement pursuant to which Nomura Code has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares. Nomura Code has agreed, subject to certain conditions, to the extent that it fails to procure subscribers for all of the Placing Shares, itself to subscribe for any unplaced Placing Shares. All such subscriptions will be at the Placing Price.

Further details of the terms of the Placing Agreement are set out in paragraph 10 of Part 13 – “Additional Information”.

6. Lock-up Arrangements

Pursuant to the Placing Agreement the Company has agreed that (subject to certain exceptions set out therein) neither it, nor any of its subsidiaries will, without the prior written consent of Nomura Code, for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing.

Each of the Directors and the holders of the Convertible Preference Shares, who together hold in aggregate 273,100 Ordinary Shares (representing 0.7% of the Enlarged Issued Ordinary Share Capital) and 1,781,400 Convertible Preference Shares respectively, have severally undertaken that (subject to certain exceptions set out in the Placing Agreement or, in relation to the holders of Convertible Preference Shares, in the relevant lock-in agreements) they will not and will procure that none of their connected persons or persons acting on their behalf will without the prior written consent of Nomura Code for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Ordinary Shares (or Convertible Preference Shares (as the case may be)) or securities convertible or exchangeable into or exercisable for Ordinary Shares or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the

price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore each of the Directors or holders of Convertible Preference Shares (as the case may be) has undertaken that, for a further 12 month period, any disposals of Ordinary Shares (or Convertible Preference Shares (as the case may be)) are to be conducted through Nomura Code in accordance with its requirements for an orderly market.

Certain other Shareholders who in aggregate own 25,273,801 Ordinary Shares (representing 69.1 per cent of the Enlarged Issued Ordinary Share Capital) have severally undertaken that (subject to certain exceptions) they will not and will procure that none of their affiliates or persons acting on its or their behalf will without the prior written consent of the Nomura Code for a period of 6 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore such Shareholders have severally undertaken that for a further 6 month period any disposals are to be conducted through Nomura Code in accordance with its requirements for an orderly market.

7. Dilution

The Issue of the Placing Shares represents a dilution of 27.7 per cent. for existing Shareholders not participating in the Placing.

8. Selling and Transfer Restrictions

The distribution of this document and the Placing in certain jurisdictions may be restricted by law. Persons into whose possession this Admission Document comes should inform themselves about and observe any restrictions on the distribution of this Admission Document and the offer of Ordinary Shares, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute an offer to buy any of the Ordinary Shares or Placing Warrants to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering for sale of the Ordinary Shares or Placing Warrants, or possession or distribution of this Admission Document or any other offering or publicity material relating to the Ordinary Shares or Placing Warrants, in any country or jurisdiction where action for that purpose is required, other than in the United Kingdom. The Ordinary Shares and Placing Warrants may not be offered or sold, directly or indirectly, and neither this Admission Document nor any other offering material or advertisements in connection with the Ordinary Shares or Placing Warrants may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulation of any such country or jurisdiction.

8.1 United Kingdom

In the UK, members of the public have not been invited to participate in and are not eligible to take part in the Placing. Invitations to participate in the Placing have been limited at all times (i) to persons reasonably believed by the Company to be investment professionals within the meaning of paragraph (5) of Article 19, or to be high net worth companies or unincorporated associations within the meaning of paragraph (2) of Article 49, of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (S1 2005/1529) and (ii) to persons who are qualified investors within the meaning of section 86(7) of Financial Services and Markets Act 2000.

No Ordinary Shares or Placing Warrants have been offered or sold or will be offered or sold to persons in the UK prior to publication of this document except in circumstances which have not resulted in an offer to the public in the UK within the meaning of section 102B of the FSMA.

8.2 Overseas Investors

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Placing Shares (i) in any jurisdiction in

which such offer, invitation or solicitation is not authorised; (ii) in any jurisdiction in which the person making such offer, invitation or solicitation is not Qualified to do so; or (iii) to any person to whom it is unlawful to make such offer, invitation or solicitation or invitation. The distribution of this document and any accompanying documents, and the offer of the Placing Shares may be restricted by law. Persons into whose possession this document and any accompanying documents come must therefore inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, no document may be distributed, forwarded to or transmitted in, into or from the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland or to any US person. Any person within the United States and any US person who obtains a copy of this document must disregard it.

No public offering of the Placing Shares is being made in any jurisdiction. No action has been or will be taken by the Company or Nomura Code that would permit the offer of the Placing Shares or possession or distribution of this document or any accompanying documents in any jurisdiction where action for that purpose is required.

The offer of the Placing Shares have not been, nor will they be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Company has not been, and will not be, registered under the Investment Company Act, and investors will not be entitled to the benefits of that Act. The Placing Shares may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any US person. In connection with the Placing, the Placing Shares are being offered and sold only outside the United States to, and for the account or benefit of, non-US persons in “offshore transactions” within the meaning of, and in reliance on the exemption from registration provided by, Regulation S under the Securities Act.

PART 7

SELECTED FINANCIAL INFORMATION

The following is a summary of the Ilika Technologies Group's financial information for the periods indicated. The data has been extracted without material adjustment from the financial information in Part 9 – "Financial Information". The summary should be read in conjunction with that section and with Part 8 – "Operating and Financial Review". Investors are advised to read the whole of this document and not rely on just the key or summarised information.

Except as otherwise noted, all amounts are presented in accordance with IFRS for the years ended 30 April 2007, 2008 and 2009, and the six months ended 31 October 2008 (unaudited) and 2009 (audited).

Consolidated statement of total comprehensive income

	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Revenue	971,782	1,084,857	916,131	595,734	441,936
Cost of sales	(514,026)	(573,856)	(531,682)	(561,365)	(358,620)
Gross profit	457,756	511,001	384,449	34,369	83,316
Administrative expenses	(1,888,633)	(2,844,219)	(2,824,762)	(1,161,260)	(1,995,704)
Other operating income	183,092	256,460	196,213	28,030	127,919
Operating loss	(1,247,785)	(2,076,758)	(2,244,100)	(1,098,861)	(1,784,469)
Financial income	65,428	253,745	163,371	117,459	7,479
Financial expense	(685)	(6,188)	(6,451)	(3,215)	(3,215)
Loss before tax	(1,183,042)	(1,829,201)	(2,087,180)	(984,617)	(1,780,205)
Taxation	72,011	203,437	150,078	—	64,830
Loss for period / total comprehensive income	<u>(1,111,031)</u>	<u>(1,625,764)</u>	<u>(1,937,102)</u>	<u>(984,617)</u>	<u>(1,715,375)</u>
Loss per share					
Basic	(12.01)	(14.64)	(15.97)	(8.12)	(14.14)
Diluted	(12.01)	(14.64)	(15.97)	(8.12)	(14.14)

Consolidated balance sheets

	<i>As at 30 April</i>			<i>As at 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>Unaudited</i>	<i>Audited</i>
				<i>£</i>	<i>£</i>
ASSETS					
Non-current assets					
Intangible assets	76,653	83,184	77,254	87,615	65,681
Property, plant and equipment	578,969	1,570,426	2,712,046	2,591,069	2,364,670
Total non-current assets	655,622	1,653,610	2,789,300	2,678,684	2,430,351
Current assets					
Trade and other receivables	350,283	587,303	316,958	543,056	317,655
Current tax receivable	72,011	105,021	150,078	—	64,830
Cash and cash equivalents	316,779	5,418,213	2,600,641	3,172,603	1,641,170
Total current assets	739,073	6,110,537	3,067,677	3,715,659	2,023,655
Total assets	1,394,695	7,764,147	5,856,977	6,394,343	4,454,006
EQUITY					
Issued share capital	925	1,213	1,213	1,213	1,213
Share premium	1,831,090	8,451,483	8,451,483	8,451,483	8,451,483
Warrant reserve	—	90,433	90,433	90,433	90,433
Retained earnings	(1,002,186)	(1,721,197)	(3,571,886)	(2,705,814)	(4,730,432)
Total equity attributable to the shareholders	829,829	6,821,932	4,971,243	5,837,315	3,812,697
LIABILITIES					
Current liabilities					
Trade and other payables	490,214	885,905	848,484	510,248	613,589
Non-current liabilities					
Trade and other payables	74,652	56,310	37,250	46,780	27,720
Total liabilities	564,866	942,215	885,734	557,028	641,309
Total equity and liabilities	1,394,695	7,764,147	5,856,977	6,394,343	4,454,006

Consolidated cash flow statements

	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Cash flows from operating activities					
Loss before tax	(1,183,042)	(1,829,201)	(2,087,180)	(984,617)	(1,780,205)
<i>Adjustments for:</i>					
Amortisation	7,055	13,646	22,438	11,007	11,573
Depreciation	55,071	182,885	629,609	212,503	421,904
Equity settled share based payments	374,466	906,753	86,413	—	556,829
Net financial income	(64,743)	(247,557)	(156,920)	(114,244)	(4,264)
Operating cash flow before changes in working capital, interest and taxes	(811,193)	(973,474)	(1,505,640)	(875,351)	(794,163)
(Increase)/decrease in inventory	13,000	—	—	—	—
(Increase)/decrease in trade and other receivables	(295,611)	(237,020)	270,345	44,247	(697)
Increase/(decrease) in trade and other payables	(361,052)	395,701	(37,421)	(375,657)	(234,894)
Cash utilised by operations	(1,454,856)	(814,793)	(1,272,716)	(1,206,761)	(1,029,754)
Tax received	—	170,427	105,021	105,021	150,078
Net cash flow from operating activities	(1,454,856)	(644,366)	(1,167,695)	(1,101,740)	(879,676)
Cash flows from investing activities					
Interest received	65,428	253,745	163,371	117,459	7,479
Purchase of intangible assets	(78,733)	(20,177)	(16,508)	(15,438)	—
Purchase of property, plant and equipment	(561,319)	(1,174,352)	(1,771,229)	(1,233,146)	(74,529)
Net cash used in investing activities	(574,624)	(940,784)	(1,624,366)	(1,331,125)	(67,050)
Cash flows from financing activities					
Issue of ordinary share capital	15	288	—	—	—
Share premium received on share issues	1,499,925	6,999,286	—	—	—
Purchase of preference shares	(59,320)	—	—	—	—
Share issue costs	—	(288,460)	—	—	—
New lease purchase agreement	95,300	—	—	—	—
Capital element of finance leases	(1,588)	(18,342)	(19,060)	(9,530)	(9,530)
Interest element of finance leases	(685)	(6,188)	(6,451)	(3,215)	(3,215)
Net cash from financing activities	1,533,647	6,686,584	(25,511)	(12,745)	(12,745)
Net increase/(decrease) in cash and cash equivalents	(495,833)	5,101,434	(2,817,572)	(2,245,610)	(959,471)
Cash and cash equivalents at the start of the period	812,612	316,779	5,418,213	5,418,213	2,600,641
Cash and cash equivalents at the end of the period	316,779	5,418,213	2,600,641	3,172,603	1,641,170

Statement of changes in equity

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Warrant reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 May 2006	910	390,485	—	(265,621)	125,774
Issue of shares	75	1,499,925	—	—	1,500,000
Share buy back	(60)	(59,320)	—	—	(59,380)
Share based payment	—	—	—	374,466	374,466
Total comprehensive income	—	—	—	(1,111,031)	(1,111,031)
As at 30 April 2007	925	1,831,090	—	(1,002,186)	829,829
Issue of shares	288	6,999,286	—	—	6,999,574
Expenses of share issues	—	(288,460)	—	—	(288,460)
Issue of warrants	—	(90,433)	90,433	—	—
Share based payment	—	—	—	906,753	906,753
Total comprehensive income	—	—	—	(1,625,764)	(1,625,764)
As at 30 April 2008	1,213	8,451,483	90,433	(1,721,197)	6,821,932
Total comprehensive income	—	—	—	(984,617)	(984,617)
As at 31 October 2008	1,213	8,451,483	90,433	(2,705,814)	5,837,315
Share based payment	—	—	—	86,413	86,413
Total comprehensive income	—	—	—	(952,485)	(952,485)
As at 30 April 2009	1,213	8,451,483	90,433	(3,571,886)	4,971,243
Share based payment	—	—	—	556,829	556,829
Total comprehensive income	—	—	—	(1,715,375)	(1,715,375)
As at 31 October 2009	1,213	8,451,483	90,433	(4,730,432)	3,812,697

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.

Warrant reserve

The warrant reserve relates to the fair value of the warrants issued.

Retained earnings

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

PART 8

OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the financial information incorporated by reference as described in Part 9 – “Financial Information” and investors should not rely on the summary operating and financial information set out in this Part 8. The principal risks and uncertainties facing the business are discussed in the “Risk Factors” section set out in Part 2 of this document.

The financial information in this Part 8 for the three years ended 30 April 2009 and the interim periods to 31 October 2008 and 30 October 2009 respectively, has been extracted without material adjustment from Part 9 – “Financial Information”.

GROUP BACKGROUND AND CURRENT ACTIVITIES

Ilika is an advanced materials company which accelerates the discovery of new and patentable materials using its unique HTT process for identified end uses in the energy, electronics and biomedical sectors. This process enables hundreds of scalable materials to be made in a single, automated operation and subsequently tested for key properties. Experiments carried out by Ilika can be executed 10 to 100 times faster than using traditional techniques.

The Company uses its unique HT-PVD process to discover and screen new cleantech materials for the energy and electronics sectors. In the energy sector, the Company is developing new materials for products including lithium-ion batteries, hydrogen storage canisters, fuel cells and photovoltaic solar panels. In the electronics sector, the Company is developing new materials for piezoelectric sensors and has been involved in the development of new materials for solid state memory devices. The Company's Altrika subsidiary addresses the biomedical sector and is focused on developing and commercialising biopolymers using its combinatorial discovery platform. Since October 2009, Altrika has been selling its Cryoskin and Myskin products for the treatment of burns and wounds in the UK through a specialist distributor.

Ilika plc was incorporated on 12 March 2010 as a holding company for Ilika Technologies. The Company has two operating bases in the UK. Ilika Technologies' main operations and the Group's headquarters are located in the Southampton science park. In Southampton, the team is made up of 14 scientists, two administrative staff, three business development directors, one IP director and the three executive board directors. The operations associated with Altrika are located in Sheffield and this is where a further operations director, two scientific staff and one business development director are based.

Ilika's revenues for the past three and a half years can be broken down as follows:

	Year ended 30 April			Six months ended 31 October	
	2007 £000s	2008 £000s	2009 £000s	2008 £000s	2009 £000s
Energy sector	84	473	783	491	357
Electronics sector	295	497	105	105	—
Biomedical sector	—	—	27	—	85
Other	592	115	1	—	—
	<u>971</u>	<u>1,085</u>	<u>916</u>	<u>596</u>	<u>442</u>
Analysis by class of business:					
Contract Research	303	752	767	518	357
Joint Development	76	218	148	78	75
Product sales and recharges	592	115	1	—	10
	<u>971</u>	<u>1,085</u>	<u>916</u>	<u>596</u>	<u>442</u>
Other operating income					
Grant funded programmes	183	250	182	28	126

This level of sales was generated from contract research and joint development work for large multi-nationals who have the capability of commercialising the novel materials discovered.

The acquisition of additional laboratory facilities in the UK on 29th October 2009 has enabled the group to expand its biomedical capabilities and commercialise the first of its products, Cryoskin and Myskin.

Financing

The Company has raised just under £9 million to date from three private fundraising rounds, the details of which are set out below:

On 14th May 2004 the company raised £380,000 in the first funding round from IP Group and Sulis. This first funding round provided Ilika with sufficient working capital to establish initial operations in the incubator located at the University of Southampton. The Company proceeded to bring in commercial contracts which sustained operations for the following two years.

On 10th May 2006 the company raised £1.5 million from new shareholders (Artemis and Invesco). This funding round was used to invest in equipment as well as to fund new employees which the company deployed on joint development projects. In addition, at the end of 2006, the company relocated to new premises on the University of Southampton Science Park.

On 30th August 2007 the company raised £7 million from existing and new shareholders (St Peter Port Capital and Nomura International plc). These funds were used for two principal purposes. Firstly, they enabled the company to outfit the Group's research and development facilities in Southampton and establish operations in Sheffield. As part of this investment Ilika Technologies designed and acquired the second generation Physical Vapour Deposition machine along with the other high specification capital equipment. Secondly, the funds sustained the Company's investment in joint development programmes, resulting in the Company's portfolio of patent applications.

The only other financing arrangements that the Company has in place are as follows:

- The Company's commercial bankers have issued a bond (up to a maximum of £75,000) in favour of the Company's landlord on the Science Park to cover against dilapidation costs at the end of the lease and have used part of the Company's funds as security against this.

- The Company utilised a lease purchase arrangement to acquire some office and laboratory equipment valued at £95,300 in April 2007. With the exception of the leases, the Company has no debt.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On Admission, the Group will be required to adopt IFRS in the next published annual financial statements. Historical financial information for each of the years ended 30 April 2007, 2008 and 2009 along with the audited 6 months to 31 October 2009 has been restated in accordance with IFRS.

The Directors consider that the information presented in the tables and charts in this part provide useful financial information relating to the performance of the Company. This information should not be considered as an alternative, but as supplementary to the full IFRS financial statements.

The only adjustment that has resulted in a change to the income statement and balance sheet classifications of the group when transitioning from UK GAAP to IFRS is the:

- Reclassification of acquired computer software licences from plant, property and equipment to intangible assets

INCOME STATEMENT IN SUMMARY

The table below shows the key financial indicators for each of the last three and a half years.

<i>Consolidated income statements</i>	<i>Year ended 30 April</i>			<i>Period ended 31 October</i>
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2009</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Revenue	972	1,085	916	442
Gross profit	458	511	384	83
Earnings before Interest Tax, depreciation and amortisation, EBITDA	(1,186)	(1,880)	(1,592)	(1,350)
Earnings before Interest and Tax, EBIT	(1,248)	(2,077)	(2,244)	(1,784)
Loss per share				
Basic	£(12.01)	£(14.64)	£(15.97)	£(14.14)

Ilika Technologies has experienced operating losses in each year since its inception and, as at 31 October 2009, had an accumulated deficit of approximately £4.7 million. Headcount has increased in line with investment in the business and has increased from 17 in the financial year ended 30 April 2007 to 26 in the period ended 31 October 2009. The Group expects to incur further operating losses over the next couple of years as it continues to fund its development projects.

Key features of trading over the past three years are:

- Development of partnerships with large multi-nationals customers who have renewed contracts in difficult economic conditions;
- Continued attraction of grant funding supporting development of the Group's proprietary programmes; and
- Successful progression of JDPs from laboratory scale to scale-up to commercialisation stage.

PERFORMANCE REVIEW

Over the past three years the Group has generated revenue from research and development ("R&D") contracts as well as from product sales. The Group has entered into two main types of R&D contract which have enabled it to manage its short and medium term cash requirements but also allow for the capture of potentially very significant revenues from royalties on end products once they have been launched.

Joint development of novel materials

The Company's joint development partners share the materials discovery costs and enter into JDP commercialisation agreements in which both parties share the benefits of commercialisation. The Company has structured deals which incorporate the following payments:

- Upfront payments – made during the initial materials discovery phase; and
- Royalty payments – the Company has negotiated agreements with significant downstream revenue potential based on royalties on commercialised end products, with royalty rates in the range of 0.5 to 4 per cent. of product sales.

The Company has retained ownership of patents relating to the platform technology and, often, the composition of matter. Intellectual property that has been generated in relation to the scale-up of materials has generally been assigned to the JDP commercialisation partner.

The number of JDPs has gradually increased since 2007. Although the revenue recognised from this type of project does not increase smoothly over the three years of historical accounts shown here, this trend is strongly influenced by the relative weight put on longer term royalties versus upfront payments.

Some of the Company's joint development programmes have also been partly funded by grants.

Contract development of novel materials

The Company has also undertaken contract development of materials for its customers. The payments received for undertaking this type of work have been substantially higher than those it would have received in a joint development project. The Company has generally carried out the work out at a 50% gross margin. In return for these payments, the Company has assigned the ownership of potential patents to its partner on a royalty-free basis. The Company choose this type of contract where the background intellectual property in the area was such that it was unlikely an independent patent could result from the programme or as a means of establishing a relationship with a customer prior to forming a broader joint development partnership.

Contract research revenues have increased over the three years shown here, reflecting an increase in the size and scope of the projects undertaken and a redeployment of Company resources from sales of equipment, which is discussed below.

Product sales

Shortly after incorporating the business, Ilika Technologies was approached by a customer to design and build a specialist piece of equipment for specific types of high throughput experiment. Revenue from this project was recognised over several years, ultimately finishing in 2008. The Company decided not to pursue this line of business as it recognised that a more sustainable return on capital employed could be achieved through developing materials rather than marketing platform technology. This is reflected in the revenue from product sales reducing from £592,000 in 2007 to £115,000 in 2008 and effectively zero in 2009.

For certain biomedical markets, the Company has chosen to develop its own products and create a marketable end-product. The Company's Cryoskin and Myskin products were launched in October 2009 and are generating sales. The Company markets these products to the leading burns centres in the UK using a specialist distributor.

Trends in Revenue Generation by Sector

The energy sector has become increasingly important to the Group, with the sector's contribution to revenue growing from 9 per cent. in 2007 to 85 per cent. in 2009. This is consistent with the Company's strategy to become a significant player in the development of innovative new materials for the cleantech energy sector.

The trend in revenue from the electronics sector has largely followed the fortunes of that sector in general, which has undergone substantial re-structuring in recent years. The relatively weak demand for consumer electronics in 2008/9 is largely the explanation for the drop in the sector's contribution to revenue from 30 per cent. in 2007 to 11 per cent. in 2009. However, the sector is currently showing signs of recovery and the current mix of proposals in the business development pipeline reflects a higher contribution.

In FY2009, the Group entered into its first JDP in the biomedical materials sector. The revenue contribution from this sector started in 2009 and amounted to 4 per cent. of the total for the year. In later months, this level of revenue has been supplemented by sales of Cryoskin and Myskin.

Operating loss

The table below highlights some of the major expenses over the past three and a half years which have no direct link to current revenue streams and therefore have a distorting effect on operating loss:

	Year ended 30 April			Period ended
	2007	2008	2009	31 October
	£000s	£000s	£000s	2009
Depreciation and amortisation expense	62	196	652	433
Share based payment expense	374	907	86	557
Research and development expenditure	926	891	1,213	536

Depreciation has increased as the Company has invested and expanded the capacity of its laboratories for materials synthesis and characterisation. Capacity has been created in the laboratories to ensure that the projected growth over the next 12 to 18 months can be met.

Share based payment expenses were significantly higher in 2008 as a result of the new round of funding establishing a higher valuation for share options. The high charge in the period to 31 October 2009 is as a result of significantly reducing the time period to maturity due to the anticipated flotation of the Company.

Research and development expenditure has been a major component of the Company's historical cost base. These costs relate to the scientific staff and use of proprietary equipment as well as the costs associated with patenting the materials discovered on a variety of programmes.

As a consequence of adopting IFRS, development expenditure on new products is capitalised only once the criteria specified under IAS 38, Intangible Assets, have been met. Prior to and during the period ended 31 October 2009, no development expenditure satisfied the necessary conditions of IAS 38.

CASHFLOW AND TREASURY LIQUIDITY

Investment in facilities and equipment capacity and the operating cash outflows, have accounted for the use of funds raised to date.

Working Capital

Joint development partners and customers either make payments in advance on projects, or on 30 day terms from invoicing and invoices are raised on the basis of the achievement of agreed project milestones. Therefore trade receivables have been and continue to be, low relative to the level of turnover. The Company has not, and does not hold any level of inventory in the periods to 31 October 2009, but with the launch of the Cryoskin and Myskin products modest stockholdings of products will feature in the Group's consolidated accounts in the future.

Non-Recurring Cash Inflows

Details of the fundraising history of the Group have been provided above, in the Financing section of this review.

The Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based banks and building societies. These balances are placed at floating rates of interest and deposits have maturities of one to six months. These balances are held in Sterling. There is no material currency exposure and the Group, to date, has not hedged against currency fluctuations.

Net Proceeds of Placing

The net proceeds of the Placing will provide the Group with the funds necessary to fulfil its commitments and carry out its business plan.

BALANCE SHEET IN SUMMARY

		<i>As at 30 April</i>		<i>As at</i>
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>31 October</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>2009</i>
				<i>£000s</i>
Total non-current assets	656	1,654	2,789	2,430
Total current assets	739	6,110	3,068	2,023
Total assets	1,395	7,764	5,857	4,454
Total equity attributable to the shareholders	830	6,822	4,971	3,813
Total current liabilities	490	886	849	613
Total non-current liabilities	75	56	37	28
Total equity and liabilities	1,395	7,764	5,857	4,454

Non-current assets

Spend establishing capacity in facilities and equipment to service the energy and electronic markets was finalised in the year to 2009. Additional laboratory equipment spend along with the acquisition of the laboratory facilities in Sheffield to service the biomedical market, have been exceeded by depreciation since that time.

Current assets

Funds raised from the three private fundraising rounds to date have formed the majority of current assets. The investment in the non-current assets noted above, along with the operating cash outflows account for the reduction in these funds since their peak in 2008.

Current liabilities

Trade payables, accruals and deferred income have formed the majority of current liabilities.

Trade payables as at 30 April 2008 and 2009 included balances due on capital equipment purchases. The value of trade payables as at 30 April 2007 and as at 31 October 2009 of £156,000 and £161,000 respectively, are indicative of the underlying level of trading trade payables.

Deferred income relates to payments received from customers in advance of project work being undertaken or completed and was £194,000 as at 30 April 2008 and £298,000 as at 30 April 2009, whilst as at 31 October 2009 this balance was £nil.

Significant accruals are held for leasehold dilapidations (£75,000 in April and October 2009)

Non-current liabilities

The leases over office and laboratory equipment are the only liabilities falling due after more than one year and these are due to have been repaid in full in 2012.

PART 9

FINANCIAL INFORMATION

SECTION A – ACCOUNTANT’S REPORT ON ILIKA PLC



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Southampton
SO14 3TL

The Directors
Ilika plc
Kenneth Dibben House
Enterprise Road
University of Southampton Science Park
Chilworth
Southampton
SO16 7NS

6 May 2010

The Directors
Nomura Code Securities Limited
1 Carey Lane
London
EC2V 8AE

Dear Sirs

Ilika plc

Introduction

We report on the financial information on Ilika plc set out in Section B of this Part 9. This financial information has been prepared for inclusion in the admission document dated 6 May 2010 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Ilika plc as at the date stated in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with IFRSs as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

BDO LLP
Chartered Accountants
Southampton
United Kingdom

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

SECTION B – FINANCIAL INFORMATION ON ILIKA PLC

Balance sheet as at 12 March 2010

	<i>As at 12 March 2010 £</i>
Current assets	
Cash at bank and cash equivalents	0.01
Total net assets	<u>0.01</u>
Equity	
Issued share capital	0.01
Shareholders' funds – equity (note 2)	<u>0.01</u>

Notes to the financial information

1 Accounting policies

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards adopted by the European Union ("IFRSs").

Ilika plc was incorporated on 12 March 2010. Since the date of incorporation, Ilika plc has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no income statement is presented.

2 Share capital

	<i>As at 12 March 2010 £</i>
Allotted, called up and fully paid	
1 ordinary share of 1p each	<u>0.01</u>

Ilika plc was incorporated with share capital of 1 pence divided into 1 ordinary share of 1 pence.

3 Post balance sheet events

On 6 May 2010, the Company issued 10,352,500 Ordinary Shares and 1,781,400 Convertible Preference Shares in consideration for the entire issued share capital of Ilika Technologies. On 6 May 2010, the Company issued 2,099,000 ordinary shares pursuant to the exercise of the SAM Option.

SECTION C – ACCOUNTANT’S REPORT ON THE ILIKA TECHNOLOGIES GROUP



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SO14 3TL

The Directors
Ilika plc
Kenneth Dibben House
Enterprise Road
University of Southampton Science Park
Chilworth
Southampton
SO16 7NS

6 May 2010

Nomura Code Securities Limited
1 Carey Lane
London
EC2V 8AE

Dear Sirs

Ilika Technologies Limited and its subsidiary undertaking Altrika Limited (together, the “Ilika Technologies Group”)

Introduction

We report on the financial information on the Ilika Technologies Group for the three years ended 30 April 2009 and the six months ended 31 October 2009 set out in Section D of this Part 9. We are not reporting on the unaudited financial information of the Ilika Technologies Group for the six months ended 31 October 2008. This financial information has been prepared for inclusion in the admission document dated 6 May 2010 of Ilika plc (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Ilika plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the

financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Ilika Technologies Group as at the dates stated and of its consolidated results, cash flows, changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with IFRSs as described in note 1 to the financial information.

We emphasise that we express no opinion on the Ilika Technologies Group's unaudited financial information for the six months ended 31 October 2008.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

BDO LLP
Chartered Accountants
Southampton
United Kingdom

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

SECTION D – FINANCIAL INFORMATION ON THE ILIKA TECHNOLOGIES GROUP

Consolidated statement of total comprehensive income

		Year ended 30 April			Six months ended 31 October	
	Notes	2007 £	2008 £	2009 £	2008 Unaudited £	2009 Audited £
Revenue	2	971,782	1,084,857	916,131	595,734	441,936
Cost of sales		(514,026)	(573,856)	(531,682)	(561,365)	358,620
Gross profit		457,756	511,001	384,449	34,369	83,316
Administrative expenses		(1,888,633)	(2,844,219)	(2,824,762)	(1,161,260)	(1,995,704)
Other operating income	5	183,092	256,460	196,213	28,030	127,919
Operating loss	3	(1,247,785)	(2,076,758)	(2,244,100)	(1,098,861)	(1,784,469)
Financial income	6	65,428	253,745	163,371	117,459	7,479
Financial expense	7	(685)	(6,188)	(6,451)	(3,215)	(3,215)
Loss before tax	2	(1,183,042)	(1,829,201)	(2,087,180)	(984,617)	(1,780,205)
Taxation	8	72,011	203,437	150,078	—	64,830
Loss for period / total comprehensive income		<u>(1,111,031)</u>	<u>(1,625,764)</u>	<u>(1,937,102)</u>	<u>(984,617)</u>	<u>(1,715,375)</u>
Loss per share	9					
Basic		(12.01)	(14.64)	(15.97)	(8.12)	(14.14)
Diluted		<u>(12.01)</u>	<u>(14.64)</u>	<u>(15.97)</u>	<u>(8.12)</u>	<u>(14.14)</u>

Ilika Technologies Group

Consolidated balance sheets

		<i>As at 30 April</i>			<i>As at 31 October</i>	
	<i>Notes</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
		<i>£</i>	<i>£</i>	<i>£</i>	<i>Unaudited</i>	<i>Audited</i>
					<i>£</i>	<i>£</i>
ASSETS						
Non-current assets						
Intangible assets	10	76,653	83,184	77,254	87,615	65,681
Property, plant and equipment	11	578,969	1,570,426	2,712,046	2,591,069	2,364,670
Total non-current assets		<u>655,622</u>	<u>1,653,610</u>	<u>2,789,300</u>	<u>2,678,684</u>	<u>2,430,351</u>
Current assets						
Trade and other receivables	12	350,283	587,303	316,958	543,056	317,655
Current tax receivable		72,011	105,021	150,078	—	64,830
Cash and cash equivalents	13	316,779	5,418,213	2,600,641	3,172,603	1,641,170
Total current assets		<u>739,073</u>	<u>6,110,537</u>	<u>3,067,677</u>	<u>3,715,659</u>	<u>2,023,655</u>
Total assets		<u>1,394,695</u>	<u>7,764,147</u>	<u>5,856,977</u>	<u>6,394,343</u>	<u>4,454,006</u>
EQUITY						
Issued share capital	16	925	1,213	1,213	1,213	1,213
Share premium		1,831,090	8,451,483	8,451,483	8,451,483	8,451,483
Warrant reserve		—	90,433	90,433	90,433	90,433
Retained earnings		(1,002,186)	(1,721,197)	(3,571,886)	(2,705,814)	(4,730,432)
Total equity attributable to the shareholders		<u>829,829</u>	<u>6,821,932</u>	<u>4,971,243</u>	<u>5,837,315</u>	<u>3,812,697</u>
LIABILITIES						
Current liabilities						
Trade and other payables	14	490,214	885,905	848,484	510,248	613,589
Non-current liabilities						
Trade and other payables	14	74,652	56,310	37,250	46,780	27,720
Total liabilities		<u>564,866</u>	<u>942,215</u>	<u>885,734</u>	<u>557,028</u>	<u>641,309</u>
Total equity and liabilities		<u>1,394,695</u>	<u>7,764,147</u>	<u>5,856,977</u>	<u>6,394,343</u>	<u>4,454,006</u>

Ilika Technologies Group
Consolidated cash flow statements

Notes	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Cash flows from operating activities					
Loss before tax	(1,183,042)	(1,829,201)	(2,087,180)	(984,617)	(1,780,205)
Adjustments for:					
Amortisation	7,055	13,646	22,438	11,007	11,573
Depreciation	55,071	182,885	629,609	212,503	421,904
Equity settled share based payments	374,466	906,753	86,413	—	556,829
Net financial income	(64,743)	(247,557)	(156,920)	(114,244)	(4,264)
Operating cash flow before changes in working capital, interest and taxes	(811,193)	(973,474)	(1,505,640)	(875,351)	(794,163)
(Increase)/decrease in inventory	13,000	—	—	—	—
(Increase)/decrease in trade and other receivables	(295,611)	(237,020)	270,345	44,247	(697)
Increase/(decrease) in trade and other payables	(361,052)	395,701	(37,421)	(375,657)	(234,894)
Cash utilised by operations	(1,454,856)	(814,793)	(1,272,716)	(1,206,761)	(1,029,754)
Tax received	—	170,427	105,021	105,021	150,078
Net cash flow from operating activities	(1,454,856)	(644,366)	(1,167,695)	(1,101,740)	(879,676)
Cash flows from investing activities					
Interest received	65,428	253,745	163,371	117,459	7,479
Purchase of intangible assets	(78,733)	(20,177)	(16,508)	(15,438)	—
Purchase of property, plant and equipment	(561,319)	(1,174,352)	(1,771,229)	(1,233,146)	(74,529)
Net cash used in investing activities	(574,624)	(940,784)	(1,624,366)	(1,331,125)	(67,050)
Cash flows from financing activities					
Issue of ordinary share capital	15	288	—	—	—
Share premium received on share issues	1,499,925	6,999,286	—	—	—
Purchase of preference shares	(59,320)	—	—	—	—
Share issue costs	—	(288,460)	—	—	—
New lease purchase agreement	95,300	—	—	—	—
Capital element of finance leases	(1,588)	(18,342)	(19,060)	(9,530)	(9,530)
Interest element of finance leases	(685)	(6,188)	(6,451)	(3,215)	(3,215)
Net cash from financing activities	1,533,647	6,686,584	(25,511)	(12,745)	(12,745)
Net increase/(decrease) in cash and cash equivalents	(495,833)	5,101,434	(2,817,572)	(2,245,610)	(959,471)
Cash and cash equivalents at the start of the period	812,612	316,779	5,418,213	5,418,213	2,600,641
Cash and cash equivalents at the end of the period	316,779	5,418,213	2,600,641	3,172,603	1,641,170

Ilika Technologies Group

Statement of changes in equity

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Warrant reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 May 2006	910	390,485	—	(265,621)	125,774
Issue of shares	75	1,499,925	—	—	1,500,000
Share buy back	(60)	(59,320)	—	—	(59,380)
Share based payment	—	—	—	374,466	374,466
Total comprehensive income	—	—	—	(1,111,031)	(1,111,031)
As at 30 April 2007	925	1,831,090	—	(1,002,186)	829,829
Issue of shares	288	6,999,286	—	—	6,999,574
Expenses of share issues	—	(288,460)	—	—	(288,460)
Issue of warrants	—	(90,433)	90,433	—	—
Share based payment	—	—	—	906,753	906,753
Total comprehensive income	—	—	—	(1,625,764)	(1,625,764)
As at 30 April 2008	1,213	8,451,483	90,433	(1,721,197)	6,821,932
Total comprehensive income	—	—	—	(984,617)	(984,617)
As at 31 October 2008	1,213	8,451,483	90,433	(2,705,814)	5,837,315
Share based payment	—	—	—	86,413	86,413
Total comprehensive income	—	—	—	(952,485)	(952,485)
As at 30 April 2009	1,213	8,451,483	90,433	(3,571,886)	4,971,243
Share based payment	—	—	—	556,829	556,829
Total comprehensive income	—	—	—	(1,715,375)	(1,715,375)
As at 31 October 2009	1,213	8,451,483	90,433	(4,730,432)	3,812,697

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.

Warrant reserve

The warrant reserve relates to the fair value of the warrants issued.

Retained earnings

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

Notes to the consolidated financial information on the Ilika Technologies Group

1 Accounting policies

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRSs") and as such complies with Article 4 of the EU IAS Regulation.

Going concern

The financial information is prepared on a going concern basis which the Directors believe continues to be appropriate. The Ilika Technologies Group meets its day to day working capital requirements through existing cash resources which, at 31 October 2009, amounted to £1.6 million. The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the Directors believe that the Ilika Technologies Group will be able to continue to trade for the foreseeable future.

(a) First time adoption

The Ilika Technologies Group is preparing its financial information in accordance with EU Adopted IFRSs for the first time and has consequently applied IFRS 1. There is no reconciliation between previously reported UK GAAP figures and IFRS as there are no material differences in its reported financial position, financial performance and cash flows. The Ilika Technologies Group has taken the following exemption from the full requirements of adopted IFRSs in the transition period:

Share based payments – IFRS 2 is being applied to equity instruments that were granted after November 2002 and that had not vested by 1 May 2006.

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

The IASB and IFRIC have issued the following standards and interpretations with an effective date falling after the date of these financial statements. The adoption of these interpretations, standards or amendment to standards are not expected to have any significant impact on the Ilika Technologies Group's financial information.

<i>International Accounting Standards (IAS/IFRS)</i>	<i>Effective date for periods commencing</i>
IFRS 1 (amendments) Additional Exemptions for First-time Adopters	1 January 2010
IFRS 2 (amendment) Group Cash-settled Share-based Payment Transactions	1 July 2009
IFRS 3 (revised) Business Combinations	July 2009
IFRS 9 Financial Instruments	1 January 2013
IAS 24 (revised) Related Party Disclosure	1 January 2011
IAS 27 (amendments) Consolidated and Separate Financial Statements	1 July 2009
IAS 32 (amendment) Classification of Rights Issues	1 February 2010
IAS 39 (amendment) Financial Instruments: Recognition and Measurement	1 July 2009
IFRIC 14 and IAS 19 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 17 Distributions of non-cash assets to owners	1 July 2009
IFRIC 18 Transfer of Assets from Customers	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 April 2010
Improvements to IFRS (2009)	January 2010

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

Revenue

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

Sales of goods

Sales of equipment and skin based products are recognised when products are delivered to a customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Sales of services

Sales of research and development services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Leases

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

Financial income and financial expense

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

Pension and other post retirement benefits

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

Share based payment transactions

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

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

Other share based costs

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of the goods or services provided. If this cannot be reliably estimated then the charge is based on the fair value of the equity instrument granted.

Research and development expenditure

Expenditure on the research phase is charged to the income statement in the period in which it is incurred. Development expenditure on new products is capitalised only once the criteria specified

under IAS 38, Intangible Assets, have been met. Prior to and during the period ended 31 October 2009, no development expenditure satisfied the necessary conditions of IAS 38.

Taxation

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

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

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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 income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Short leasehold improvements	lease term
Furniture & fittings	5 years
Computer equipment	3 years
Laboratory and office equipment	5 years

Where advance payments are made for equipment that requires manufacturing, these payments are shown under the category 'Equipment Under Construction' and are depreciated once the equipment has been brought into use.

Impairment

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

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

Intangible assets

Computer software

Acquired computer software licenses are capitalized 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 (one to three years).

Intellectual property

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

Financial instruments

Financial assets and financial liabilities are recognised on the Ilika Technologies Group's balance sheet when the Ilika Technologies Group becomes a party to the contractual provisions of the instrument. The Ilika Technologies Group's financial assets are all classified as loans and receivables and carried at amortised cost. The Ilika Technologies 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.

Government grants

Grants that compensate the Ilika Technologies Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Grant revenue is disclosed within other operating income.

Key sources of estimation uncertainty

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

- Depreciation of property, plant and equipment
Depreciation is provided in the consolidated financial statements so as to write-down the respective assets to their residual values over their estimated useful lives and as such, the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown above in the policy note for depreciation.
- Amortisation lives
Intangible assets are recorded at their fair value at acquisition date and are amortised on a straight-line basis over their estimated useful economic lives from the time they are available for use. Any change in the estimated useful economic lives could affect the future results of the Ilika Technologies Group; however, no changes were made in the year.
- Revenue recognition
The Ilika Technologies Group's revenue substantially comprised revenues from the provision of research and development services. The contracts set out defined deliverables the achievement of which trigger milestone payments. Judgement is used to determine the stage of completion and the point at which revenue is recognised.
- Share based payments
The critical accounting estimates, assumptions and judgements underpinning the valuation of the option awards are disclosed in note 20.
- Taxation
The current tax receivable is the expected tax receivable on the expenditure for the period using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. The ultimate receivable may vary from the amounts provided and is dependent upon negotiations with the relevant tax authorities.

2 Segment reporting

IFRS 8 requires the group to report on operating segments on the same basis as that used by the chief operating decision maker to assess the performance of the business segments and to allocate resources accordingly. For management purposes, the group is organised by market category and operational information is presented to the chief operating decision maker in the following market categories; energy, electronics, biomedical and products and recharges.

The Ilika Technologies Group's activities originate from the production, design and development of high throughput methods of material synthesis, characterisation and screening. The Ilika Technologies Group has commercialised skin based products, details of which are given below.

Energy

The Ilika Technologies Group has materials development programmes in the battery, fuel cell and hydrogen storage sectors.

Electronics

The Ilika Technologies Group's technology can be applied to a wide range of electronic materials. The Ilika Technologies Group is initially focusing on piezoelectric and memory materials.

Biomedical

In 2009, the Ilika Technologies Group incorporated a subsidiary to handle all of its biomedical products and development programmes. The biomedical business is built on the Ilika Technologies Group's biopolymer technology

Products and recharges

The Ilika Technologies Group has built and sold high throughput systems. Additionally it has recharged academic partners for their limited use of its equipment.

Details of the revenues from external customers by operating segment are given below:

Turnover	Year ended 30 April			Six months ended	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Analysis by class of business:					
Energy	84,359	472,884	783,694	490,734	356,944
Electronics	295,226	496,818	105,000	105,000	—
Biomedical	—	—	26,500	—	84,840
Products and recharges	592,197	115,155	937	—	152
	<u>971,782</u>	<u>1,084,857</u>	<u>916,131</u>	<u>595,734</u>	<u>441,936</u>
Analysis by geographical market:					
By destination					
Belgium	590,697	211,810	223,878	159,637	58,611
United Kingdom	295,226	229,318	937	—	10,492
Germany	9,659	—	—	—	—
Netherlands	76,200	322,526	226,838	183,690	—
Japan	—	321,203	437,978	252,407	298,333
North America	—	—	26,500	—	74,500
	<u>971,782</u>	<u>1,084,857</u>	<u>916,131</u>	<u>595,734</u>	<u>441,936</u>
Analysed as:					
Sales of Goods	592,197	115,155	—	—	10,340
Rendering of Services	379,585	969,702	916,131	595,734	431,596
	<u>971,782</u>	<u>1,084,857</u>	<u>916,131</u>	<u>595,734</u>	<u>441,936</u>

In the period to 31 October 2009, the Biomedical class of business turnover can be analysed as £10,340 for sale of skin based products and £74,500 for research and development services. All other revenues analysed in the biomedical class of business and all the revenue associated with the energy and electronics class of business are for research and development services. All of the remaining turnover relates to the sale of high throughput experimental equipment.

A number of customers individually account for more than 10 per cent. of the total turnover of the group. The revenues from these companies are indicated below on a segment basis:

Turnover	Year ended 30 April			Six months ended	
	2007	2008	2009	31 October	
	£	£	£	2008 Unaudited £	2009 Audited £
Customer 1	—	126,203	437,978	252,407	298,333
Customer 2	—	129,155	223,878	159,637	58,611
Customer 3	76,200	217,526	121,838	78,690	—
Customers less than 10%	8,159	—	—	—	—
Energy Total	84,359	472,884	783,694	490,734	356,944
Customer 4	295,226	196,818	—	—	—
Customer 5	—	105,000	105,000	105,000	—
Customers less than 10%	—	195,000	—	—	—
Electronics Total	295,226	496,818	105,000	105,000	—
Customer 6	—	—	26,500	—	74,500
Customers less than 10%	—	—	—	—	10,340
Biomedical Total	—	—	26,500	—	84,840
Customer 7	590,697	82,655	—	—	—
Customers less than 10%	1,500	32,500	937	—	152
Product and recharges Total	592,197	115,155	937	—	152
	971,782	1,084,857	916,131	595,734	441,936

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

The profit before tax per the management accounts is the same as the profit before tax on the consolidated income statement with the exception of the share based payment expense which is only calculated as a disclosure adjustment. For details of the calculation see note 20. The total assets and liabilities per the management accounts are the same as the consolidated balance sheet with the exception of the period end tax adjustment.

3 Operating loss

<i>This is arrived at after charging/ (crediting):</i>	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>Unaudited £</i>	<i>Audited £</i>
Research and development expenditure in the year	926,407	890,729	1,212,853	788,684	535,734
Depreciation	55,071	182,885	629,609	212,503	421,904
Amortisation of intangible assets	7,055	13,646	22,438	11,007	11,573
Auditors' remuneration audit services	4,000	4,620	4,750	2,375	2,500
Operating lease rentals	61,767	135,235	140,613	70,012	70,012
Share based payment charge – services	—	98,051	—	—	—
Share based payment charge – employment	374,466	808,702	86,413	—	556,829
	<u>374,466</u>	<u>808,702</u>	<u>86,413</u>	<u>—</u>	<u>556,829</u>

4 Employees

The average number of employees during each period, including executive directors, was:

	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Unaudited</i>	<i>Audited</i>
Administration	3	7	8	9	9
Materials synthesis	14	15	18	19	17
	<u>17</u>	<u>22</u>	<u>26</u>	<u>28</u>	<u>26</u>

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

	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>Unaudited £</i>	<i>Audited £</i>
Wages and salaries	710,653	983,976	1,119,596	653,565	590,073
Social security costs	80,398	110,128	116,195	72,878	52,193
Share based payment expense	374,466	808,702	86,413	—	556,829
Pension costs	55,476	77,850	88,897	50,692	37,348
	<u>1,220,993</u>	<u>1,980,656</u>	<u>1,411,101</u>	<u>777,135</u>	<u>1,236,443</u>

The Directors' costs consist of:

	<i>Basic salary £</i>	<i>Fees £</i>	<i>Benefits in kind £</i>	<i>Bonus £</i>	<i>Short term benefits £</i>	<i>Pension £</i>	<i>Share based payment expense £</i>	<i>Total £</i>
Period to 31 October 2009								
G Purdy	61,380	—	209	—	61,589	6,138	115,330	183,057
A Marrocco	14,841	—	65	—	14,906	1,228	68,279	84,413
S Boydell	15,600	—	47	—	15,647	1,248	—	16,895
J Boyer	20,460	—	—	—	20,460	—	149,796	170,256
W Braun	10,230	—	—	—	10,230	—	5,148	15,378
K Seifert	—	—	—	—	—	—	5,148	5,148
R Penning De Vries	—	—	—	—	—	—	—	—
B Hayden	—	17,500	—	—	17,500	—	42,336	59,836
	<u>122,511</u>	<u>17,500</u>	<u>321</u>	<u>—</u>	<u>140,332</u>	<u>8,614</u>	<u>386,037</u>	<u>534,983</u>
Period to 31 October 2008								
G Purdy	61,380	—	156	—	61,536	6,138	—	67,674
A Marrocco	46,035	—	130	—	46,165	3,683	—	49,848
J Boyer	20,460	—	—	—	20,460	—	—	20,460
W Braun	10,153	—	—	—	10,153	—	—	10,153
K Seifert	10,153	—	—	—	10,153	—	—	10,153
D Norwood	10,230	—	—	—	10,230	—	—	10,230
B Hayden	—	17,500	—	—	17,500	—	—	17,500
	<u>158,411</u>	<u>17,500</u>	<u>286</u>	<u>—</u>	<u>176,197</u>	<u>9,821</u>	<u>—</u>	<u>186,018</u>
Year to 30 April 2009								
G Purdy	122,760	—	365	14,209	137,334	12,276	12,494	162,104
A Marrocco	92,070	—	274	9,764	102,108	7,366	4,126	113,600
J Boyer	40,920	—	—	—	40,920	—	26,192	67,112
W Braun	20,383	—	—	—	20,383	—	1,738	22,121
K Seifert	16,973	—	—	—	16,973	—	1,738	18,711
D Norwood	13,640	—	—	—	13,640	—	—	13,640
B Hayden	—	35,603	—	—	35,603	—	4,964	40,567
	<u>306,746</u>	<u>35,603</u>	<u>639</u>	<u>23,973</u>	<u>366,961</u>	<u>19,642</u>	<u>51,252</u>	<u>437,855</u>
Year to 30 April 2008								
G Purdy	120,000	—	—	20,208	140,208	12,000	185,460	337,668
A Marrocco	86,667	—	—	16,246	102,913	6,933	81,082	190,928
J Boyer	37,500	—	—	—	37,500	—	256,999	294,499
W Braun	15,438	—	—	—	15,438	—	—	15,438
K Seifert	15,438	—	—	—	15,438	—	—	15,438
D Norwood	13,333	—	—	—	13,333	—	—	13,333
B Hayden	—	35,000	—	—	35,000	—	43,920	78,920
	<u>288,376</u>	<u>35,000</u>	<u>—</u>	<u>36,454</u>	<u>359,830</u>	<u>18,933</u>	<u>567,461</u>	<u>946,224</u>
Year to 30 April 2007								
G Purdy	113,500	—	—	34,050	147,550	12,267	62,955	222,772
A Marrocco	6,667	—	—	9,333	16,000	533	—	16,533
J Boyer	25,000	—	—	—	25,000	—	119,951	144,951
B Hayden	—	30,000	—	—	30,000	—	—	30,000
	<u>145,167</u>	<u>30,000</u>	<u>—</u>	<u>43,383</u>	<u>218,550</u>	<u>12,800</u>	<u>182,906</u>	<u>414,256</u>

Benefits in kind include critical illness cover.

The share options of the directors under the Ilika Technologies Approved Share Option Scheme are set out below:

	<i>30 April 2007</i>	<i>Granted</i>	<i>30 April 2008</i>	<i>31 October 2008</i>	<i>30 April 2009</i>	<i>31 October 2009</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
G Purdy	7,342	265	7,607	7,607	7,607	7,607
A Marrocco	—	1,000	1,000	1,000	1,000	1,000

The share options of the directors under the Ilika Technologies Unapproved Share Option Scheme are set out below:

	<i>30 April 2007</i>	<i>Granted</i>	<i>30 April 2008</i>	<i>31 October 2008</i>	<i>Granted</i>	<i>30 April 2009</i>	<i>31 October 2009</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
G Purdy	—	1,362	1,362	1,362	—	1,362	1,362
J Boyer	3,886	1,516	5,402	5,402	—	5,402	5,402
W Braun	—	—	—	—	200	200	200
K Seifert	—	—	—	—	200	200	200
B Hayden	—	593	593	593	—	593	593

No options have lapsed under either scheme.

5 Other operating income

	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>Unaudited £</i>	<i>Audited £</i>
Grant income	183,092	250,070	182,133	28,030	126,159
Sundry other income	—	6,390	14,080	—	1,760
	<u>183,092</u>	<u>256,460</u>	<u>196,213</u>	<u>28,030</u>	<u>127,919</u>

6 Financial income

	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>Unaudited £</i>	<i>Audited £</i>
Income from short term deposits	65,428	253,745	163,371	117,459	7,479

7 Financial expense

	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
				Unaudited	Audited
	£	£	£	£	£
Interest on:					
Finance leases	685	6,188	6,451	3,215	3,215

8 Taxation

(a) Tax on profit from ordinary activities

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

	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
				Unaudited	Audited
	£	£	£	£	£
Current tax on loss for the year	—	105,021	150,078	—	64,830
Adjustment in respect of the previous periods	72,011	98,416	—	—	—
	<u>72,011</u>	<u>203,437</u>	<u>150,078</u>	<u>—</u>	<u>64,830</u>

(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 28 per cent./30 per cent.. The differences are reconciled below:

	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
				Unaudited	Audited
	£	£	£	£	£
Loss on ordinary activities before tax	(1,183,042)	(1,829,201)	(2,087,180)	(984,617)	(1,780,205)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28 per cent./30 per cent.	(354,913)	(548,760)	(584,410)	(275,693)	(498,457)
Effects of:					
Expenses not deductible for corporation tax	114,977	7,202	1,314	420	942
Other temporary differences not recognised	1,493	279,354	24,459	(49)	155,863
Fixed asset temporary differences not recognised	(125,188)	(299,925)	(323,776)	(285,080)	112,517
R&D relief	(72,979)	19,806	10,972	—	27,493
Overprovision in respect of prior periods	(72,010)	(98,416)	—	—	—
Origination of unrecognised tax losses	436,610	437,302	721,363	560,402	136,812
Total tax credit for the year	<u>72,011</u>	<u>203,437</u>	<u>150,078</u>	<u>—</u>	<u>64,830</u>

There are tax losses available to carry forward against future trading profits of approximately £5,460,000 (30 April 2009 – £4,973,000, 2008 – £2,397,000, 2007 – £1,455,000). A deferred tax asset in respect of these losses of approximately £1,529,000 (30 April 2009 – £1,392,000, 2008 – £671,000, 2007 £303,000) has not been recognised in the accounts, as the full utilisation of these losses in the foreseeable future is uncertain.

9 Earnings 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 profit after tax, minority interests and preference dividends are as follows:

	<i>Year ended 30 April</i>			<i>Six months ended 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>No</i>	<i>No.</i>	<i>No.</i>	<i>Unaudited No.</i>	<i>Audited No.</i>
Weighted average number of equity shares	92,514	111,037	121,339	121,339	121,339
	£	£	£	£	£
Earnings, being profit after tax	(1,111,031)	(1,625,764)	(1,937,102)	(984,617)	(1,715,375)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

10 Intangible assets

	Software licences £	Intellectual property £	Total £
Cost			
As at 30th April 2006	9,120	—	9,120
Additions	3,733	75,000	78,733
As at 30th April 2007	12,853	75,000	87,853
Additions	20,177	—	20,177
As at 30th April 2008	33,030	75,000	108,030
Additions	15,438	—	15,438
As at 31st October 2008	48,468	75,000	123,468
Additions	1,070	—	1,070
Disposals	(26,730)	—	(26,730)
As at 30th April 2009	22,808	75,000	97,808
Additions	—	—	—
As at 31st October 2009	22,808	75,000	97,808
Amortisation			
As at 30th April 2006	4,145	—	4,145
Provided for the year	3,305	3,750	7,055
As at 30th April 2007	7,450	3,750	11,200
Provided for the year	8,646	5,000	13,646
As at 30th April 2008	16,096	8,750	24,846
Provided for the period	8,507	2,500	11,007
As at 31st October 2008	24,603	11,250	35,853
Provided for the period	8,931	2,500	11,431
Disposals	(26,730)	—	(26,730)
As at 30th April 2009	6,804	13,750	20,554
Provided for the period	9,073	2,500	11,573
As at 31st October 2009	15,877	16,250	32,127
Net book value			
As at 30th April 2007	5,403	71,250	76,653
As at 30th April 2008	16,934	66,250	83,184
As at 31st October 2008	23,865	63,750	87,615
As at 30th April 2009	16,004	61,250	77,254
As at 31st October 2009	6,931	58,750	65,681

11 Property, plant and equipment

	<i>Leasehold improvements</i> £	<i>Plant, machinery and equipment</i> £	<i>Assets under construction</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
Cost					
As at 30 April 2006	—	85,444	—	—	85,444
Additions	152,341	270,192	—	138,786	561,319
As at 30 April 2007	152,341	355,636	—	138,786	646,763
Additions	69,324	159,078	931,289	14,651	1,174,342
As at 30 April 2008	221,665	514,714	931,289	153,437	1,821,105
Additions	126,910	735,221	367,697	3,318	1,233,146
Disposals	—	(11,027)	—	—	(11,027)
As at 31 October 2008	348,575	1,238,908	1,298,986	156,755	3,043,224
Additions	3,092	64,198	469,516	1,277	538,083
Recategorisation	—	1,768,502	(1,768,502)	—	—
As at 30 April 2009	351,667	3,071,608	—	158,032	3,581,307
Additions	20,000	53,532	—	997	74,529
As at 31 October 2009	371,667	3,125,140	—	159,029	3,655,836
Depreciation					
As at 30 April 2006	—	12,723	—	—	12,723
Provided for the year	9,299	40,852	—	4,920	55,071
As at 30 April 2007	9,299	53,575	—	4,920	67,794
Provided for the year	65,764	90,351	—	26,770	182,885
As at 30 April 2008	75,063	143,926	—	31,690	250,679
Provided for the period	81,531	115,531	—	15,441	212,503
Disposals	—	(11,027)	—	—	(11,027)
As at 31 October 2008	156,594	248,430	—	47,131	452,155
Provided for the period	105,475	295,906	—	15,725	417,106
As at 30 April 2009	262,069	544,336	—	62,856	869,261
Provided for the period	89,598	316,490	—	15,816	421,904
As at 31 October 2009	351,667	860,826	—	78,672	1,291,165
Net book value					
As at 30 April 2007	143,042	302,061	—	133,866	578,969
As at 30 April 2008	146,602	370,788	931,289	121,747	1,570,426
As at 31 October 2008	191,981	990,478	1,298,986	109,624	2,591,069
As at 30 April 2009	89,598	2,527,272	—	95,176	2,712,046
As at 31 October 2009	20,000	2,264,314	—	80,357	2,364,670

Commitments for capital expenditure

	Year ended 30 April			Six months ended 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Contracted but not provided for	—	1,061,116	9,567	—	36,460

The net book value of tangible assets for the Ilika Technologies Group includes an amount of £46,213 (April 2009 – £55,743, October 2008 – £66,710, April 2008 – £75,677, April 2007 – £93,863) in respect of assets held under finance lease contracts.

12 Trade and other receivables

	As at 30 April			As at 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Trade receivables	78,333	84,471	1,330	162,089	11,891
Prepayments and accrued income	94,197	358,539	192,356	212,577	189,888
Other receivables	177,753	144,293	123,272	168,390	115,876
	<u>350,283</u>	<u>587,303</u>	<u>316,958</u>	<u>543,056</u>	<u>317,655</u>

13 Cash and cash equivalents

	As at 30 April			As at 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Current bank accounts	316,779	518,213	850,641	922,603	591,170
Short term deposits	—	4,900,000	1,750,000	2,250,000	1,050,000
	<u>316,779</u>	<u>5,418,213</u>	<u>2,600,641</u>	<u>3,172,603</u>	<u>1,641,170</u>

14 Trade and other payables

Current

	As at 30 April			As at 31 October	
	2007	2008	2009	2008	2009
	£	£	£	Unaudited £	Audited £
Trade payables	156,415	343,052	323,099	83,879	161,022
Other payables	3,575	—	1,732	22,741	8,092
Other taxes and social security costs	24,255	34,748	32,340	37,316	34,713
Lease purchase agreements	19,060	19,060	19,060	19,060	19,060
Accruals and deferred income	286,909	489,045	472,253	347,252	390,702
	<u>490,214</u>	<u>885,905</u>	<u>848,484</u>	<u>510,248</u>	<u>613,589</u>

Non-current

	<i>As at 30 April</i>			<i>As at 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
				<i>Unaudited</i>	<i>Audited</i>
	£	£	£	£	£
Lease purchase agreements	74,652	56,310	37,250	46,780	27,720
	<u>74,652</u>	<u>56,310</u>	<u>37,250</u>	<u>46,780</u>	<u>27,720</u>

Lease purchase agreements

	<i>As at 30 April</i>			<i>As at 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
				<i>Unaudited</i>	<i>Audited</i>
	£	£	£	£	£
Amounts payable					
Within one year	19,060	19,060	19,060	19,060	19,060
In one year to two years	19,060	19,060	19,060	19,060	19,060
In two years to five years	55,592	37,250	18,190	27,720	8,660
	<u>93,712</u>	<u>75,370</u>	<u>56,310</u>	<u>65,840</u>	<u>46,780</u>

Lease purchase agreements are secured on the related assets and carry interest at fixed rates.

15 Financial instruments

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

	<i>As at 30 April</i>			<i>As at 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
				<i>Unaudited</i>	<i>Audited</i>
	£	£	£	£	£
Financial Assets					
Loans and receivables					
Trade receivables	78,333	84,471	1,330	162,089	11,891
Accrued income	67,436	200,910	58,074	121,834	106,139
Other receivables	177,753	144,293	123,272	93,390	115,876
Current bank accounts	316,779	518,213	850,641	997,603	591,170
Short term deposits	—	4,900,000	1,750,000	2,250,000	1,050,000
Total loans and receivables	<u>640,301</u>	<u>5,847,887</u>	<u>2,783,317</u>	<u>3,624,916</u>	<u>1,875,076</u>
Financial liabilities					
Other financial liabilities					
Trade payables	156,415	343,052	323,099	83,879	161,022
Other payables	3,575	—	1,732	22,741	8,092
Lease purchase agreements	93,712	75,370	56,310	65,840	46,780
Accruals	254,409	295,248	173,920	347,252	390,702
Total other financial liabilities	<u>508,111</u>	<u>713,670</u>	<u>555,061</u>	<u>519,712</u>	<u>606,596</u>

The risks associated with these financial instruments are set out below

Foreign currency risk

The Ilika Technologies Group buy goods and services in currencies other than sterling. The Ilika Technologies Group's non-sterling liabilities and cash flows can be affected by movements in exchange rates. These transactions are not significant and therefore no forward exchange contracts have been entered into. It is the Ilika Technologies Group's policy not to engage in any speculative trading in financial instruments.

Credit risk

The Ilika Technologies Group's credit risk is attributable to its trade receivables and banking deposits. The Ilika Technologies Group places its deposits with reputable financial institutions to minimise credit risk. The maximum exposure to credit risk for each period is the amount disclosed above as total loans and receivables. For the periods above there were no trade receivables which were past due or impaired.

Liquidity risk

The Ilika Technologies Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. With the exception of its finance liabilities, which are disclosed in note 14, all other Ilika Technologies 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 Ilika Technologies Group does not maintain an overdraft facility.

Interest rate risk

The main risk arising from the Ilika Technologies Group's financial instruments is interest rate risk. The Ilika Technologies Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based banks and building societies. These balances are placed at floating rates of interest and deposits have maturities of one to three months. The Ilika Technologies Group's cash and short-term deposits are set out in note 13.

Fixed-rate financial liabilities comprise a finance lease, which expires in April 2012 and has a weighted average interest rate of 13.5 per cent.. The maturity profile is detailed in note 14. Floating-rate financial assets comprise cash on deposit and cash at bank. Short-term deposits are placed with banks for periods of up to 6 months and are categorised as floating-rate financial assets. Contracts in place at 31 October 2009 had a weighted average period to maturity of 21 days and a weighted average annualised rate of interest of 0.35 per cent..

Interest Rate Risk Sensitivity analysis

It is estimated that a change in base rate to zero would have increased the Ilika Technologies Group's loss before taxation for the period to 31 October 2009 by approximately £7,000 (period ended 31 October 2008: £117,000, year to 30 April 2009: £164,000, 2008: £254,000, 2007:£65,000).

It is estimated that an increase in base rate by 1 per cent. would decrease the Ilika Technologies Group's loss before taxation for the period to 31 October 2009 by approximately £16,000 (period ended 31 October 2008: £32,000, year to 30 April 2009: £26,000, 2008: £54,000, 2007:£3,000).

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

Capital Management

The primary aim of the Ilika Technologies Group's capital management is to safeguard the Ilika Technologies Group's ability to continue as a going concern, to support its businesses and maximise shareholder value. The Ilika Technologies 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.

16 Share capital

	2007	As at 30 April 2008	2009	As at 31 October 2008 Unaudited	2009 Audited
	£	£	£	£	£
Authorised					
158,248 Ordinary Shares of £0.01 each (2007: 126,248)	1,262	1,582	1,582	1,582	1,582
23,752 Convertible Preference Shares of £0.01 each (2007 – 23,752)	238	238	238	238	238
	<u>1,500</u>	<u>1,820</u>	<u>1,820</u>	<u>1,820</u>	<u>1,820</u>
Allotted, called up and fully paid					
103,525 ordinary shares of 1p each (2007 – 74,700)	747	1,035	1,035	1,035	1,035
17,814 Convertible Preference Shares of £0.01 each	178	178	178	178	178
	<u>925</u>	<u>1,213</u>	<u>1,213</u>	<u>1,213</u>	<u>1,213</u>

Share Rights

The ordinary share and preference shares rank *pari passu* in all respects other than:

- The profits which the Ilika Technologies 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
 - Secondly, the balance of such surplus assets shall belong to and be distributed amongst the holders of the ordinary shares

The preference share holders have the right to, at any time, convert the preference shares held to the same number of ordinary shares.

On 31st August 2007 the Ilika Technologies Group raised additional funding from existing and new shareholders. The Ilika Technologies Group issued 28,825 Ordinary shares of £0.01 for a cash consideration of £7m. As part of this fundraising the Ilika Technologies Group's brokers were issued a warrant to subscribe to 1,301 Ordinary Shares of £0.01 each at an exercise price of £242.83 per ordinary share. This warrant is exercisable commencing one week after a stock exchange listing and ending five years thereafter, after which date the warrant lapses. The warrant has been accounted for under IFRS 2, where the fair value has been calculated using the Black-Scholes method, with the deemed cost of £90,433 charged to the share premium account and the associated credit to the warrant reserve.

17 Operating leases

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

	<i>As at 30 April</i>		<i>As at 31 October</i>	
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
			<i>Unaudited</i>	<i>Audited</i>
	£	£	£	£
Property				
Within one year	—	—	135,235	—
In one to two years	—	199,683	—	70,938
In two to five years	334,918	—	—	—
	<u>334,918</u>	<u>199,683</u>	<u>135,235</u>	<u>70,938</u>

18 Pensions

The Ilika Technologies Group operate a defined contribution group personal pension scheme. The pension cost charge for the period represents contributions payable by the Ilika Technologies Group to the scheme and amounted to £37,348 (period to 31 October 2008 £50,692, year to 30 April 2009 £88,897, 2008: £77,850, 2007 £55,476).

19 Related party transactions

The directors consider that no one party controls the Ilika Technologies Group.

During the period ended 31 October 2009, the Ilika Technologies Group incurred costs of £109,051 (period ended 31 October 2008: £151,933, year to 30 April 2009: £252,308, 2008: £285,084, 2007: £372,491) with the University of Southampton in connection with research and development activities. These costs include fees from the University of Southampton in respect of Prof B Hayden, a director of the Company of £12,640 for period ended 31 October 2009 (period ended 31 October 2008: £6,020, year to 30 April 2009: £11,437, 2008: £10,391, 2007: £9,427). The University of Southampton is the controlling shareholder of Southampton Asset Management, which has an interest in the Ilika Technologies Group. At 31 October 2009, the amount unpaid in respect of these costs was £35,593 (31 October 2008: £3,768, as at 30 April 2009: £17,399, 2008: £49,019, 2007: £47,533).

During the period ended 31 October 2009, the Ilika Technologies Group incurred costs of £nil (period ended 31 October 2008: £749, year to 30 April 2009: £5,715, 2008: £10,090, 2007: £4,867) with IP Group plc, a shareholder in the Ilika Technologies Group in connection with non executive recruitment fees. At 31 October 2009, the amount unpaid in respect of these costs was £nil (31 October 2008: £nil, as at 30 April 2009: £nil, 2008: £nil, 2007: £4,867).

20 Share based payments expense and share options

Share based payment expense

The Ilika Technologies Group has recognised an expense to the consolidated statement of total comprehensive income representing the fair value of outstanding equity-settled share based payment awards to employees.

The Ilika Technologies Group has calculated the fair market value of options using the Black-Scholes method.

Those fair values were charged to the consolidated statement of total comprehensive income over the relevant vesting periods adjusted to reflect actual and expected vesting levels.

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

	Weighted Average Exercise Price					Number				
	At 30th April		At 31st October			At 30th April		At 31st October		
	2007	2008	2009	2008	2009	2007	2008	2009	2008	2009
Outstanding:										
At start of the period	10.00	10.00	25.66	25.66	33.09	13,065	14,220	19,996	19,996	21,776
Granted during the period	10.00	64.20	116.59	—	—	1,155	5,776	1,780	—	—
At the end of the period	10.00	25.66	33.09	25.66	33.09	14,220	19,996	21,776	19,996	21,776

The exercise price of options outstanding at the end of the period ranged between £10 and £242.83 (2008: between £10 and £100, 2007: between £10 and £10) and their weighted average contractual life was 6.7 years (2008: 7.4, 2007: 7.7).

These share options are exercisable only on or after the flotation or sale of the Ilika Technologies Group and must be exercised within 10 years from the date of grant.

The following information is relevant in the determination of the fair value of options granted during the period under the equity-settled share based remuneration schemes operated by the Ilika Technologies Group (No options were granted in the six month periods to 31 October 2008 and 31 October 2009):

	Year to 30 April		
	2007	2008	2009
Equity-settled:			
Weighted average share price at date of grant / £	200.51	251.16	207.81
Exercise Price / £	10.00-100.00	10.00-100.00	80.00-242.83
Weighted average contractual life / years	9.0	9.3	9.7
Expected volatility	23%	30%	39%
Expected dividend yield	0%	0%	0%
Risk free interest rate	5.5%	5.0%	2.84%

The volatility has been based on the annualized average of the standard deviations of the daily historical continuously compounded returns of the share price of three companies listed on the Alternative Investment Market which have a broadly similar technology risk profile to Ilika Technologies Group. The risk free rate was assumed to be the yield to maturity on a UK Gilt strip with the term to maturity equal to the expected life of the option.

No options have been granted in the period to 31 October 2009 but the charge for the period has been calculated on the assumption that the group is floated in March 2010.

	Year Ended 30 April			Six months ended
	2007	2008	2009	31 October 2009
	£	£	£	£
Share based payment expense	374,466	808,702	86,413	556,829

Ilika Technologies Approved Share Option Scheme

At 31 October 2009 the following share options were outstanding in respect of the ordinary shares:

<i>Date of grant</i>	<i>Number of shares</i>	<i>Period of option</i>	<i>Exercise Price per share</i>
19/05/04	3,750	10 years	£10
29/06/04	2,197	10 years	£10
09/06/05	1,395	10 years	£10
30/03/06	192	10 years	£10
14/05/07	1,561	10 years	£80
15/01/08	744	10 years	£100
02/02/09	1,380	10 years	£80

No options were exercised in the periods commencing 1st May 2006.

Ilika Technologies Unapproved Share Option Scheme

At 31 October 2009 the following share options were outstanding in respect of the ordinary shares:

<i>Date of grant</i>	<i>Number of shares</i>	<i>Period of option</i>	<i>Exercise Price per share</i>
29/06/04	2,731	10 years	£10
01/12/05	2,800	10 years	£10
08/05/06	1,155	10 years	£10
11/07/07	1,955	10 years	£80
30/08/07	1,516	10 years	£10
11/11/08	400	10 years	£242.83

No options were exercised in the periods commencing 1 May 2006.

Events after the balance sheet date

On 6 May 2010, the shareholders in Ilika Technologies exchanged their shares for shares in Ilika plc, as a result of which Ilika Technologies became a wholly owned subsidiary of Ilika plc.

PART 10

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of net assets of Ilika (the “pro forma financial information”) is based on the net assets of Ilika as at 12 March 2010, set out in the financial information on Ilika as at that date, and has been prepared to illustrate the effect on the net assets of Ilika as if the acquisition of Ilika Technologies and the Placing were completed on 12 March 2010.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Ilika’s actual financial position or results.

The pro forma financial information has been prepared on the basis of the accounting policies to be adopted in the financial statements of Ilika for the period ended 30 April 2010, under International Financial Reporting Standards as adopted by the EU, and on the basis set out in the notes set out below.

	<i>Adjustments</i>			
	<i>Ilika</i>	<i>The Ilika</i>		
	<i>As at</i>	<i>Technologies</i>		
	<i>As at</i>	<i>Group</i>		
	<i>12 March</i>	<i>As at</i>		
	<i>2010</i>	<i>31 October</i>		
	<i>(note 1)</i>	<i>2009</i>	<i>The Placing</i>	<i>Pro forma</i>
	<i>£</i>	<i>(note 2)</i>	<i>(note 3)</i>	<i>net assets</i>
		<i>£</i>	<i>£</i>	<i>of Ilika</i>
				<i>£</i>
ASSETS				
Non-current assets				
Intangible assets	—	65,681	—	65,681
Tangible assets	—	2,364,670	—	2,364,670
	—	2,430,351	—	2,430,351
Current assets				
Receivables	—	382,485	—	382,485
Cash and cash equivalents	—	1,641,170	4,375,000	6,016,170
	—	2,023,655	4,375,000	6,398,655
Total assets	—	4,454,006	4,375,000	8,829,006
LIABILITIES				
Non-current liabilities				
Trade and other payables	—	27,720	—	27,720
	—	27,720	—	27,720
Current liabilities				
Trade and other payables	—	613,589	—	613,589
Total liabilities	—	641,309	—	641,309
Net assets	—	3,812,697	4,375,000	8,187,697

Notes:

1 The net assets of Ilika as at 12 March 2010 have been extracted without material adjustment from the financial information of Ilika set out in section B of Part 9.

Adjustments:

2 The consolidated net assets of the Ilika Technologies Group have been extracted without material adjustment from the financial information on the Ilika Technologies Group set out in section D of Part 9.

3 The Placing has raised net proceeds of £4.375 million (gross proceeds of £5.175 million less estimated expenses of £800,000).

4 No account has been taken of the financial performance of Ilika since 12 March 2010 or of the Ilika Technologies Group since 31 October 2009, nor of any other event save as disclosed above.



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6 May 2010

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Dear Sirs

Ilika plc

Pro forma financial information

We report on the unaudited pro forma net asset statement (the “Pro Forma Financial Information”) set out in Part 10 of the admission document dated 6 May 2010 (the “Admission Document”) which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Ilika Technologies and the Placing might have affected the financial information presented on the basis of accounting policies to be adopted by Ilika plc in preparing the financial statements for the period ended 30 April 2010.

Responsibilities

It is the responsibility of the Directors of Ilika plc to prepare the Pro Forma Financial Information.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Schedule 2 of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule 2 of the AIM Rules for Companies.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Ilika plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies to be adopted by Ilika plc.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

BDO LLP
Chartered Accountants
Southampton
United Kingdom

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

PART 11

PATENT AGENT'S REPORT



The Directors
Ilika plc
Kenneth Dibben House
Enterprise Road
Southampton
Hampshire
SO16 7NS

The Directors
Nomura Code Securities Limited
1 Carey Lane
London EC2V 8AE

Our Ref: G039210 MJH

6 May 2010

Dear Sirs

Report on the Patent and Trade Mark Rights of Ilika Technologies Limited and its subsidiary Altrika Limited

We have prepared this report for the Directors of Ilika plc ("Ilika" or the "Company") and for Nomura Code Securities Limited, the Company's Nominated Adviser for inclusion in the Admission Document, to be issued by the Company in connection with the Placing and the Company's admission to trading on AIM. This report has been prepared pursuant to, as appropriate, the "AIM Rules for Companies" issued by the London Stock Exchange covering certain aspects of Ilika's intellectual property interests and strategy, Ilika's patent applications and the patent cases assigned to it by Southampton University and whether the Company's commercial plans are likely to be inhibited by third party rights. We are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

1. EXECUTIVE SUMMARY

1.1. Ilika is a materials discovery company based on proprietary processes for the high throughput synthesis and screening of candidate compounds. The most important materials discovery process for Ilika is its vapour deposition method which it refers to as its HT-PVD process.

1.2. Ilika has conducted an extensive freedom to operate study in respect of its HT-PVD process which concluded that it is free to practise the HT-PVD process in the United Kingdom, where it operates, without infringement of any patent rights held by others. In our opinion, the freedom to

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operate study was reasonably comprehensive, was conducted in a thorough and professional manner, and its conclusions were reasonable. Nevertheless, owing to the inherent limitations of such studies, there can be no absolute guarantee of freedom to operate.

1.3. Ilika has also exclusively licensed patent rights to the HT-PVD process, which are all at the patent application stage rather than granted patents as set out below. In our opinion, the importance of these patent rights is secondary compared with (i) freedom-to-operate the HT-PVD process, and (ii) the know-how involved in designing and operating the HT-PVD process vested in the equipment and staff of Ilika.

1.4. Ilika has a business model of patenting the materials it discovers, so that these rights can be licensed to the global companies capable of commercialising them. Accordingly, another part of the patent holdings of Ilika is directed to novel compounds discovered by the company. In our opinion, these compound patents will potentially be the most valuable patent rights for Ilika, since any such patent which ultimately relates to a mass-produced commercial product is likely to be valuable – providing that the patent is valid and the claims have comprehensive scope.

1.5. Having studied the patent and trade mark holdings, our conclusion is that they are well managed. In all cases, the matters are being handled by competent, well-known UK patent and trade mark attorneys and their selected foreign associates. In addition there is active management in-house at Ilika where an independent database is maintained and professionally managed by an experienced intellectual property manager.

1.6. We have verified that Ilika and Altrika appear to have good title to all the rights they own. We have also verified that the owners of rights which Ilika and Altrika have licensed in appear to have good title and hence capacity to license. Although our checks have not been exhaustive, we have made extensive checks within the realms of what is practical, and no significant problem areas have been identified.

1.7. We note that Ilika has chosen not to record its licences yet with the Intellectual Property Offices, but it is the intention of the management of Ilika to do so at the point when commercial products are imminent.

1.8. Some key patent rights have been granted or allowed, one of which is under challenge by an opposition at the European patent office which may lead to it being revoked or limited in scope. Other patent rights – the majority – are at an earlier stage and it is not yet clear what rights will ultimately be granted.

1.9. Altrika's patent holding is principally focused on skin grafting and transplantation marketed under the trade marks MYSKIN and CRYOSKIN. The patent family relating to the MYSKIN/CRYOSKIN product was purchased from the liquidators of Celltran Limited after the patent rights in several countries, most notably the US, had been lost owing to financial difficulties. The loss of the US rights in particular is likely to significantly weaken the commercial value of this patent family. In particular, if the product is launched at some time in the future in the US, the barrier of regulatory approval (which has not yet been sought) would need to be relied upon. On the other hand, the European patent was granted on 24 February 2010.

1.10. The undersigned has read Part 2 of the Prospectus entitled "Risk Factors" and Part 5, Section 8 entitled "Intellectual Property" and did not identify any material relating to patent and trade mark matters in these portions of the Prospectus which appear to be misleading or contain any untrue statement of a material fact, or omit any material fact, to the extent that the undersigned has knowledge of the subject matter addressed.

1.11. In summary, our overall impression is that there is only a low risk of Ilika infringing third party patent rights by practising its materials discovery activities in the United Kingdom based on the HT-PVD process platform. Ilika has already identified and owns patent applications for a few promising classes of compounds discovered with the HT-PVD process. These compounds relate to hydrogen storage and fuel cell electrodes. Ilika has additionally licensed in patent rights to phase change memory compounds from the University of Southampton. However, it is too early to know whether any of these compounds will be commercially successful. In the most general terms, the basic business model of Ilika is compatible with the patent system, since the company appears to have freedom to operate in respect of identifying new compounds, and is then able to seek patent protection for such compounds as a basis for licensing.

2. SCOPE OF REPORT

2.1. The patent and trade mark report relates to the patent and trade mark rights of Ilika Technologies Ltd (English Company No. 05048795) and its subsidiary Altrika Ltd (Scottish Company No. SC353149).

2.2. D Young & Co has been commissioned to review the registered patent and trade mark rights owned by and licensed to Ilika and its subsidiary Altrika. The work has been carried out under a limited liability agreement with Ilika Technologies.

2.3. D Young & Co is one of the principal European firms specialising exclusively in patents, trade marks, designs and related intellectual property rights. The firm has been recognised by Managing Intellectual Property Magazine (MIP) as UK Patent Prosecution IP Firm of the Year for 2009. D Young & Co has also been recommended by the Legal 500 as a top tier UK patent and trade mark practice.

2.4. Dr Miles Haines, the principal author of this report, has practised as a patent attorney in Munich, London and Southampton since 1992, obtaining full qualification as a UK and European patent attorney in 1999. He became a partner at D Young & Co in 2001. He specialises in physics-based technology areas including materials science. He has extensive experience with company creation and development, especially from Universities, including due diligence for finance rounds, acquisitions and floatations. He has a mixed practice of patent procurement, advisory work, opposition and enforcement.

2.5. Where possible and practical, D Young & Co has verified the existence of the rights directly by inspecting the publicly available databases of the relevant national and regional intellectual property offices. Otherwise, the existence of the rights has been confirmed by correspondence with the patent attorney responsible for the cases, or the owner or former owner as needed. D Young & Co has also been given access to Ilika's database of patent rights (stored in the IP Forecaster software platform) which appears to be complete and to have information content consistent with the information checked independently from public sources.

2.6. For licensed rights, the licences have been viewed in original in most cases. For licensed-in rights, the title of the licensor has been checked, although original documents, such as contracts of employment of inventors, or previous assignments to the licensor, have not generally been sought. The correctness of the inventorship has also not been checked for any of the patent families. We have also not studied the content of the licences, merely verified their existence and the identity of the parties. Specifically, we have not generally reviewed if the licensors or previous owners have retained any rights in the inventions, although we understand that the Company's management and relevant professional advisors have considered this point. An exception is that we did review the assignment to the University of Southampton from Asahi Kasei of 3 of the patent families exclusively licensed to Ilika, and this assignment explicitly states that Asahi Kasei shall retain no rights in these inventions. We are therefore able to verify that the University of Southampton had capacity to grant Ilika the exclusive licence on these 3 patent families.

2.7. In the case of rights licensed from the University of Southampton, the University of Southampton has provided information from its records regarding status of the inventors (e.g. staff, student etc.) and how the rights belong to the University of Southampton, which information we have assumed to be correct, rather than checking original documents such as contracts of employment and so forth.

2.8. For rights owned by Ilika or Altrika, the chain of title has been checked from the inventors. However, the correctness of the inventorship has not been checked. We have also not studied the content of assignments, merely verified their existence and the identity of the parties. Specifically, for rights assigned to Ilika from third parties, we have not reviewed if the former owners have retained any rights, for example by a licence back clause, although we understand that the Company's management and relevant professional advisors have considered this point.

2.9. D Young & Co has not reviewed prosecution files and not made any subjective assessment of the quality with which prosecution has been pursued. For example, we have not checked whether the duty of disclosure of potentially relevant prior art in US prosecution has been carried out correctly and completely. However, since the patent files are all entrusted with competent, well-known UK patent and trade mark attorneys and their selected foreign associates, problems are not expected. This report is not intended as a substitute for reviewing the publicly available prosecution files, which in the case of the European Patent Office and the US Patent & Trademark office are

available online. Reports from the PCT procedure are also available online from the World Intellectual Property Organisation (WIPO).

2.10. For each patent family, a paragraph has been written which summarises the invention and its commercial context. This information is subjective and is intended to provide a useful summary, rather than to be relied upon in a factual sense. At the foot of the summary table we have also summarised the overall status of each patent family. Opinions expressed in this summary are based on our best assessment of the relevant facts and information known to us, and represent our honest belief, or, for those patent families not handled by D Young where we are relaying the opinion of the responsible patent attorney, the fact that we are stating their opinion is explicitly stated.

3. GENERAL OVERVIEW OF PATENTS AND TRADE MARKS

3.1. Before going into the detail of the specific patent families to which Ilika's has rights, it may be useful to outline briefly the procedures and requirements whereby patents are filed in the United Kingdom, and then subsequently prosecuted to grant on an international basis. This will put into context the status of the Ilika portfolio, licensed in from the University of Southampton, other body, or generated in-house by the company.

3.2. There are certain fundamental legal requirements that a patent application must meet if it is to be suitable matter for a granted patent. In Europe, there is first a list of subject matter which is "not patentable" by statutory definition, and this includes, *inter alia*, literary, dramatic and musical works of art, rules for games, theories, discoveries, business schemes, inventions which encourage antisocial behaviour, and mere presentations of information. Broadly similar exclusions exist in other major jurisdictions. The main requirements, which are then considered during the examination of patent applications to see if they are suitable for grant, are that the invention must:

- be "**novel**"; this means that no public disclosure of the invention should have been made anywhere in the world by anyone (including the inventor), for example in the literature (including published patents), at public meetings or by being introduced into public use.
- contain an "**inventive step**" and not simply be an assembly of known technology. A patent will not be granted for an invention which simply puts together aspects of other publicly available technology in a manner which would be "obvious" to a person skilled in the art, having regard to all the publicly available information; there has to be some unexpected result or synergy.
- be capable of "**industrial application**".

3.3. There is no such thing as yet as a "world patent"; it is necessary to file separate patent applications in each and every country for which you wish to obtain patent protection. Fortunately, certain treaties exist, such as the European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT), whereby one application may designate a number of countries, but work is then undertaken by a central patent authority looking for prior art and giving a preliminary examination of this single multinational application, before it is later "split" into individual national patent applications.

3.4. A UK inventor will normally file a British patent application at The Patent Office. The purpose of this filing is to establish an official date on which the invention was made (called "the priority date"). This date will be used to establish the "**novelty**" requirement. If some third party has filed a patent application or published something about the same invention before our inventor's priority date, then the application is not novel; if that third party files a patent application or publishes something about the same invention after our inventor's priority date, then the application is novel. This initial application remains unpublished, and is thus confidential and not in the public domain; care should thus be taken to ensure that this application is not disclosed to anyone else unless under a written confidentiality agreement.

3.5. Twelve months after the priority date, the patent application can move into the next, and international, stage, under an international treaty, called The Paris Convention, which means that, provided the applicant has filed all corresponding foreign applications within one year of his first priority filing, other nations will respect that first national priority date. The applicant may then prosecute a number of corresponding international patent applications in various languages. However, as mentioned above, several further international treaties exist which enable a more efficient procedure to be used.

3.6. The most popular procedure makes use of the Patent Cooperation Treaty (or “PCT”), to which the vast majority of industrialised countries are currently signatories. Under this treaty a single, “international” application is filed, based upon the national priority application, within 12 months of the date of filing of that priority application. The applicant may designate which countries he intends to select for filing national patent applications, but will, for the time being, proceed with the single “PCT” application in one language. The initial phase of the PCT procedure involves an international search of the prior art of the subject matter of the invention; this is carried out, within about 3 months (*i.e.* 15 months after the national priority filing date). A report is issued to the applicant listing earlier patent or literature references deemed by the International Search Authority to be relevant to the application with regard to novelty, inventive step, or general background. Following the issue of the search report, the applicant has the opportunity to compare and assess these previous documents with his application; amendments may be filed to descriptions or claims if the applicant wishes at this stage to counter possible problems over novelty or obviousness. After 6 months (*i.e.* 18 months after the national priority filing date), the application, and usually the search report is published. At this stage the contents of the PCT patent specification are no longer confidential. This has two important consequences. Firstly, that the invention is now disclosed to the public, and hence, in the event that the application subsequently fails, it cannot merely be abandoned and refiled as a fresh application; it is now publicly-available prior art against any future inventions. Secondly it should be noted that if the patent is subsequently granted, claims for damages for infringement of the patent rights by third parties can be made with effect from this publication date (however infringement actions cannot be initiated until after the patent is granted).

3.7. The applicant then has the option to “elect” to have an International Preliminary Examination. The examination of the application is to ensure it meets the necessary requirements of novelty, inventive step and so on (as detailed above). During this examination amendments may have to be made, often to restrict the scope of the claims so that they no longer include what is already known. A report is issued commenting upon the novelty, inventiveness and other aspects concerning the patentability of the invention. This may assist the applicant to modify its claims when entering the national patent systems, or at least to be aware of issues that may need to be overcome during future national examinations. The transfer into the individual national systems must take place before the end of the thirtieth month after the applicant’s original national priority date, and must be made in the appropriate languages of the countries concerned. This can add considerably to the expense at this stage of broad international filings.

3.8. The national patent offices in the selected countries then carry out their own examinations, and the preliminary report on patentability from the PCT phase will have been forwarded to the national patents examination authorities for them to take into consideration during their own deliberations. Examination of a patent application concludes either with allowance and then grant of a patent, or its refusal or abandonment. Allowance is the step of the Patent Office Examiner formally stating that he is prepared to grant a patent, and in many countries is associated with a request for payment of a grant fee. It is a normal requirement for the applicant to work through national accredited patent attorneys in each country concerned, though such work is usually coordinated by the applicant’s own original patent attorney. Nonetheless, it multiplies the cost of prosecuting the various national applications through to grant, especially where language translation is required. There are some regional examination organisations, such as the European Patent Office that will continue examine on behalf of a number of countries. When a European patent application can be granted, it is then turned into a set of “national” patents for the European states in the Convention. There are over 30 European countries that are part of the European system, so that at the time of grant for cost grounds the patentee will select which of these countries the European patent will be validated, *i.e.* put into force and maintained. Typically only the major European countries are selected for “validation”, with the most common countries being Germany, France, United Kingdom and Italy, and the least common the smallest countries such as Slovenia and Monaco.

3.9. The life of a patent is up to 20 years from the filing date in all major jurisdictions. In most jurisdictions, it takes several years for a patent application to mature into a granted patent (or a refusal of the patent application). The most common filing strategy is to file an initial priority application in one’s home country, *e.g.* the United Kingdom, which is abandoned in favour of a PCT patent application filed 12 months after the initial priority application. Using the PCT process has the effect of delaying the filing of national and regional patent applications until 2 years from the filing of the initial priority application. A national filing in the US from PCT will typically take

another 2-4 years to grant, i.e. 4-6 years from the original filing. National filings in Japan and Canada take even longer, with grant not expected until about 10 years from original filing. Filings at the European Patent Office are also usually slow to be processed. Examination often does not commence until 2-5 years from filing, i.e. 4-8 years from original filing, with grant at 10+ years after original filing not being uncommon.

3.10. Granted national patents are normally kept valid by payment of annual renewal fees (in the United States renewal fees are paid 3, 7 and 11 years from the date of patent grant), and failure to pay these fees results in an automatic loss of patent rights; it is thus important to ensure that renewal fees are paid. Several commercial companies offer to maintain computerised records of patents to ensure that all appropriate payments are made on time.

3.11. The grant of a patent is not a final decision on the validity of the patent. The validity of a patent can be challenged by seeking revocation in national courts. In addition, for European patents, during the 9 months immediately after the issue of a European patent, any third party may contest its validity by filing an Opposition. An Opposition seeks revocation of the European patent usually on the grounds that the granted patent fails to meet the standard requirements of patentability (novelty, inventive step, industrial application, etc) or it does not disclose the invention with sufficient clarity or completeness. Three decisions are possible as an outcome from opposition by the European Patent Office ("EPO"): (i) the patent is upheld without amendment, (ii) the patent is upheld in amended form (typically with narrower protection), and (iii) the patent is revoked. Statistically there is around a 1/3 probability of each of these outcomes. Oppositions do not occur all that frequently; indeed, from 2002 to 2006, the annual rate of Oppositions has been within the range of 4.4% to 5.5% of the total European patents granted.¹

3.12. Then, during legal disputes where a company may sue a third party for alleged infringement of its patent rights, it is possible for the defendant to counter claim that the patent was invalid and should never have been granted because it failed to meet the standard requirements of patentability. The court may then rule in the defendants favour and invalidate the patent.

3.13. For the above reasons, and leaving aside technological progress, which can be quite likely to open up entirely different ways to address a market, there is always a degree of uncertainty in the commercialisation of IP that a patent will continue to be valid and to provide the hoped for degree of protection in the marketplace throughout its entire life. With licensing of technology, the licensor needs some stability against the licensee withholding, or trying to lower, royalty payments on the grounds of queries over a patent's potential validity, particularly with early stage technologies where the patent may still be an unexamined application. Consequently, it is common practice in licensing of technology to include some provisions to the effect that any claim in a patent or application shall be presumed to be valid unless and until it has been held to be invalid by a final judgment of a court of competent jurisdiction from which no appeal can be or is taken.

3.14. It is also worth stressing that while national governments are giving a monopoly right to a patent owner, they will take no action themselves to prevent others from infringing that right. The enforcement of patents is the responsibility of the patent owner or exclusive licensee, and this can involve significant sums of money.

3.15. There is also, of course, the other side to infringement; namely infringing the patents of others. Owning a patent or having a licence to a patented process or product gives no right to practise the process or manufacture the product, since the working of one patent may infringe another patent. A patent is a negative right to exclude others, not a positive right to practise an invention. The question therefore is whether a patent holder has the "freedom to operate" his technology – whether patented or not – without risk of third party infringement.

4. GENERAL TOPICS

4.1. IP Policy & Strategy

Ilika's core business is the discovery and development of new materials for use in a wide variety of industries, and of new processes and techniques for the rapid synthesis, screening and evaluation of such materials. Ilika has appreciated the importance of patent protection both for the defence of its processes and for obtaining commercial value from the materials it identifies and develops. Ilika also has sought trade mark protection for its name and that of its subsidiary, Altrika.

¹ European Patent Office, Annual Report 2006

Ilika was established on the basis of certain materials discovery technologies and processes which it licensed in from the University of Southampton on an exclusive basis. Ilika also licenses in from other universities, such as Edinburgh, with which it collaborates on synthesis and screening projects. Ilika sponsors research studentships on specialist topics at universities, including Edinburgh and Sheffield, to supplement its longer-term in-house research capabilities; these sponsorships usually entitle Ilika to take ownership of any intellectual property developed, but each sponsorship is individually negotiated so there is some variation in the final form of each sponsorship agreement.

Ilika's scientific activities take two principal forms:

- research carried out under contract for industrial clients (where resulting intellectual property on novel materials is owned by the client);
- research carried out with industrial clients as part of a joint development programme (where Ilika usually owns the intellectual property on novel materials and licenses it to the client on negotiated terms)

Ilika may also carry out occasionally more speculative research and development programs in-house and it will file patent applications in its own name before seeking industrial partners for further development.

Ilika maintains a policy of its scientists keeping accurate confidential records of all research and experimentation in bound notebooks, which are signed and dated by the inventors and then routinely countersigned by senior managers to comply with best practice for establishing dates of invention, particularly with United States patents law in mind. Ilika also ensures through periodic internal seminars that scientific staff are aware of basic patent matters that impinge upon their working practices.

Ilika also acquires patent rights and other assets from third parties where there is an appropriate fit with its commercial objectives, usually taking assignment of patents and trade marks as relevant. To date, there have been two such acquisitions from liquidators and/or administrators of companies that had developed technology of interest to Ilika; the relevant patents have been assigned to Ilika or its subsidiary Altrika:

- Achyra Developments Limited (mass spectrometry technology) – patent family assigned to Ilika Technologies
- Celltran/York Pharma (cell detachment surface technology) – several patent and trade mark families assigned to Altrika

The hydrogen storage materials (MgBTiH) patent family was also acquired from Shell, having been the outcome of research carried out by Ilika under contract from Shell, which was initially owned by Shell and then assigned to Ilika.

Ilika and its licensors have generally followed the policy of filing an initial priority application in the United Kingdom, which is abandoned in favour of a PCT patent application. Selected national filings and a European filing then follow.

4.2. IP Management

Ilika has experienced in-house IP management responsible for:

- maintaining a database of patents records;
- searching patents databases (using Thomson Reuters Aureka commercial service, and publicly-available on-line systems such as USPTO Public Pair and EPO epoline for monitoring patent prosecution progress), and undertaking landscaping analysis of the results of searches;
- managing relations with external patent attorneys and trade mark agents, including working with Company inventors on responses to official actions;
- managing relations with licensors (such as the universities of Edinburgh and Southampton) for in-licensed IP;
- drafting, review and negotiation of confidentiality agreements, research contracts, research collaboration agreements, patent licences and product distribution agreements;
- assisting business development teams with commercial negotiations involving intellectual property;

- providing Company management with budget data and forecasts for the patent and trade mark portfolio.

4.2.1. Patents Records Database

Ilika's patent records database is a commercially available web-based patent portfolio budgeting and reporting system, "IP Forecaster", licensed from IP Pragmatics. Ilika has entered into this system all the data relating to the patent portfolios it licenses-in, has filed itself, and had assigned to it. The database contains details of all international patent applications and granted patents with their priority dates, publication dates, stage of prosecution, dates when renewal payments are due, relevant inventors, any licences applying, and all costs expended on each portfolio to date. The database has a diary system with reminders for deadlines on various stages of prosecution and payment of renewal fees. It also has an online patent cost budgeting tool for estimating future costs (using real data from attorney firms worldwide and the official fees for the different stages of prosecution); this enables Ilika to make realistic plans of scope of geographical patent cover in terms of available budgets.

The database information is complemented by a series of case files in which paper copies of all office actions in respect of national patent applications are kept together with Ilika's responses. Bimonthly checks of the publicly-available on-line files of the USPTO and EPO are made for each portfolio member to ensure that Ilika is aware of impending actions in the case of those patents licensed in from universities and therefore not directly under Ilika's management.

4.2.2. Patents Searching Service

Ilika's patent searching capabilities include the normal public on-line databases for the USPTO, EPO (esp@cenet and epoline), SIPO, and JPO. Its capabilities are significantly enhanced by having use of a commercially available web-based service from Thomson Reuters, the Aureka system with citation analysis and Themescape analytical software. The Aureka service gives Ilika up-to-date access to patent records for the US, Europe, Japan, Patent Cooperation Treaty, British, German and French patents offices, with full capability to search those records in terms of key words and phrases, international patent subject codes, inventor names, industrial assignees, and similar typical patent parameters. The resulting datasets may be downloaded or analysed on-line in terms of subject-matter clustering, or "landscaped" pictorially using Themescape. The Themescape system involves analysis of the text of each document from the search, followed by a calculation of the number of times a word appears in a single document versus a mathematical term that assesses that frequency in the document collection as a whole. This creates a list of statistically significant "topics" which can then be assigned a vector in n-dimensional space so those with similar topics are clustered round central coordinate, and then rendered in a two-dimensional map where a dense cluster of documents is represented as a "mountain", and map "contours" contain documents with common themes. These maps can then be interrogated or further searched by "topics" to identify patent documents relevant to subjects of interest to the user. The principal value of this technique is that it provides "high throughput" of patent analysis, for example it can handle and organise datasets of as large as 20,000 documents in under an hour, so that the user can then interrogate in more depth.

4.2.3. Assisting Business Development Team

Ilika IP management also assists the business development teams with defining commercial terms for agreements and licensing, having extensive experience of typical fees and royalties in different industrial sectors, and also maintains search facilities for publicly-disclosed technology transfer deals, licences and settlements for IP disputes. This enables Ilika to benchmark commercial deals it is negotiating.

4.3. Freedom To Operate the Vapour Deposition Method (HT-PVD)

The ability to synthesize large numbers of inorganic materials using its proprietary vapour deposition method – HT-PVD – is central to Ilika's business model which is based on applying combinatorial techniques. Because of its central importance, Ilika conducted an extensive freedom to operate study on its vapour deposition method some time ago. This study was updated very recently.

The patent search was carried out by a respected and competent provider of patent searching. The search covered UK and European patent applications and patents as well as International (PCT) patent applications which could cover the UK through designation. In addition the search

covered US patents and patent applications, although these could not be infringed by activity in the UK².

The search definition used was very broad, so is not expected to have resulted in exclusion of relevant third party patent rights. The search was carried out based on International classifications in combination with key words, as is standard practice to reduce the number of documents covered in order to meet a finite budget.

Infringement clearance searches are notoriously difficult to make fully comprehensive, since it is impractical to search all potentially infringed patent documents. Restricting a search to particular classes means that the search will not identify documents that have been mis-classified by patent offices. In particular, International classification of patent applications by US examiners – which is relevant here for PCT patent applications filed with the US Patent & Trademark Office – are sometimes unreliable. Moreover, using key words to restrict the selection within a class makes the search reliant on particular terms appearing. For example, translations into English from patent applications originally written in a foreign language may not use the correct technical terms, so may be missed.

Within these generic limitations of infringement clearance searching, the search carried out was reasonably comprehensive, and should have been sufficient to identify most of the documents of potential concern. The patent searcher identified around one hundred patent documents for consideration. These documents were considered by technical experts employed by Ilika who were given instructions on how to carry out the review by a UK patent attorney. The review resulted in a handful of European patent documents being identified for closer investigation by the patent attorney who advised for all the selected cases that there was either no infringement or infringement was avoidable if Ilika carried out its processes to avoid certain non-essential procedures which we understand was straightforward and does not limit Ilika in practice.

One of the selected cases was (and still is at the date of this report) pending, which means that the claims may be amended during Examination to broaden or change their scope of protection, so the potential infringement situation could in principle change in the future.

The study has been very recently updated in the course of which some new documents were identified. These new documents were reviewed by the in-house IP manager at Ilika, from which a small number was selected for further analysis by a UK patent attorney. The new documents, all of which are pending patent applications and cover the UK through the European or PCT systems, were advised by the patent attorney to have claims that would not be infringed if granted. At the same time the patent attorney reviewed developments on the cases analysed by the patent attorney in the original study. One of the third party patent applications has in the meantime been finally refused, so is no longer relevant, and there were no significant changes in the position on the other cases.

In summary, the infringement risk position of Ilika's method has been extensively analysed through patent searching and analysis, and found to be low risk with no significant infringement issues.

The low infringement risk position is unlikely to change significantly in the future, given that Ilika's method was disclosed in 2005, so that patent applications filed after that date will need to demonstrate novelty and inventive step over Ilika's method.

The overall impression is that the searches and analysis carried out by Ilika have been extensive enough to be valuable and were conducted in a thorough and professional manner. Its conclusions are therefore reasonable, but can provide no absolute guarantees of freedom to operate owing to the inherent limitations of such studies.

5. FAMILY SPECIFIC TOPICS

5.1. Introductory Comments

5.1.1. The individual patent families of Ilika and its subsidiary Altrika are set out in the following. In the tables detailing individual family members, the priority filing, usually UK, and PCT filing are listed first and then the other filings in alphabetic order.

5.1.2. The Ilika patent families can be sub-divided into:

² In principle activity in the UK can lead to infringement of a US patent either through importation into the US of products manufactured in the UK using a method patented in the US, or if a US patent with so-called "reach through" claims exists. These risks are considered small so were not considered by Ilika. The present author considers this approach to have been sensible.

Part I: those that relate to Ilika's core technology for synthesising and screening large numbers of candidate compounds (e.g. vapour deposition method, testing multiple materials)

Part II: those that relate to promising compounds (e.g. hydrogen storage materials, phase change memory, metal alloy catalyst for fuel cell electrodes)

Part III: mass spectrometer which constitutes an independently exploitable opportunity based around a novel instrument design.

5.1.3. The Altrika patent holding is principally focused on the single application of skin grafting and transplantation, but also includes the patent family "leukocyte absorbing materials" which is a distinct product relating to blood filtering.

5.2. Ilika patent portfolio – Part I: Materials Discovery Innovations

5.2.1. Vapour deposition method

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0323671.8 filed 09/10/03
- d. Inventors: Samuel Guerin University of Southampton
Brian Elliot Hayden University of Southampton

e. Abstract:

In a vapour deposition method which can be used to deposit mixtures of materials in progressively varying amounts on a substrate and which can be used for a variety of purposes, but is of especial value in combinatorial chemistry, the path of the vaporised material from the source to the substrate is partially interrupted by a mask, the positioning of the mask in a plane parallel to the plane defined by the substrate being such that the material is deposited on the substrate in a thickness which increases substantially continuously in a direction along the substrate.

f. Summary of the invention and commercial context:

This patent family relates to the HT-PVD growth platform of Ilika by which mixtures of metal alloys and inorganic materials can be synthesised by vapour deposition onto a substrate, thus saving considerable time in identifying materials applicable in specified industrial applications. The HT-PVD platform allows simultaneous deposition of multiple materials in uniformly varying amounts, the amounts varying according to a pre-arranged pattern according to location on the substrate.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0323671.8 GB 2406860	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB04/004255 WO 2005/035820	Exhausted	Continued in national filings
Canada	CA 2541479 CA 2541479	Pending	Exam requested
EP	EP 04768789.2 EP 1670966	Pending	In examination
Japan	JP 2006-530596 JP 2007-508450	Pending	Exam requested
Korea (South)	KR 10-2006-7006814 KR 10-2007-0019950	Abandoned	Abandoned for cost reasons
US	US 10/575,240 US 2007 275164	Pending	Awaiting start of examination

The patent attorney prosecuting these cases states that they have no reason to believe that valid patents in Canada, EP, Japan and US could not be granted with claims of a commercially useful scope, e.g. in terms of providing patent protection relevant to material discovery.

5.2.2. Testing multiple materials

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0300558.4 filed 10/01/03
- d. Inventors: John Robert Owen University of Southampton
Philip Nigel Bartlett University of Southampton
Brian Elliot Hayden University of Southampton
Andrea Elizabeth Russell University of Southampton
Karen Marie Brace University of Southampton

e. Abstract:

An electrochemical cell for testing the electrochemical behaviour of a plurality of materials comprises: a first electrode; a counter-electrode bearing an electrochromic material having a visual or measurable property which changes in a manner proportional to the total charge passed through it; and an electrolyte between and in electrical contact with the first electrode and the counter-electrode; wherein one of the first electrode and the electrolyte comprises a plurality of regions, each region comprising a sample of material to be tested, the regions being, in the case of the first electrode, electrically connected to a common terminal. Such a cell can be used for a "combinatorial chemistry" approach to testing the properties of possible cell components.

f. Summary of the invention and commercial context:

This invention allows rapid testing of large combinatorial libraries of materials for electrochemical properties, such as use as electrocatalysts in fuel cells.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0300558.4	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB04/000085 WO 2004/063742	Exhausted	Continued in national filings
Europe	EP 04701050.9 EP 1588157	Pending	In Examination
Japan	JP 2006-500195 JP 2006-517288	Allowed	Payment of registration fee due by 4 March 10
US	US 10/541,511 US 2007 0056851	Pending	In Examination

The responsible patent attorneys state that they have no reason to believe that valid patents could not be granted in Europe and the US with claims having a commercially useful scope.

5.2.3. Measurement of melting points

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0323696.5 filed 09/10/03
- d. Inventors: Mark Bradley University of Southampton
Jean-Francois Thaburet³ University of Southampton

³ Jean-Francois Thaburet is referred to as "Jeff" Thaburet on all applications in this patent family apart from the US.

e. Abstract:

A method comprising the following steps: providing a sample support plate; placing a sample or an array of samples on the plate; varying the temperature of the plate e.g. using a heating device; observing the sample(s), for example by a digital camera, to detect (a change in) luminosity or reflectance caused by a change in the state of the sample(s); and recording the temperature of the plate, by a heat sensor, to associate or correlate the change in luminosity or reflectance to a temperature. The detection may include detecting a change of image intensity consequent to the change of the state of the sample(s). The images of sample plate and the temperature sensed may be fed to a computer which uses software to associate the changes in the viewed intensity to a change in state of the sample with a temperature value.

f. Summary of the invention and commercial context:

This invention allows an array of many polymer samples to be evaluated in a single operation using image processing technology, recording temperatures associated with changes of state, such as melting, softening or decomposition, which result in a change of luminosity or reflectance of the samples in the array. This invention relates to one possible evaluation technique used to screen polymer properties. In practice, this invention is applied to polymers and other materials with relatively low melting temperatures, rather than those produced using the HT-PVD vapour deposition method.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0323696.5 GB 2406904	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB04/004313 WO 2005/036149	Exhausted	Continued in national filings
Canada	CA 2551457	Pending	Exam requested
Europe	EP 04768844.5 EP 1676127	Granted (Opposed) ⁴	Opposition filed by Büchi Labortechnik AG on 10 September 2009: University of Southampton is currently preparing a reply statement to opposition ⁵
Japan	JP 530606-06 JP 2007 533970	Pending	in Examination
Korea (South)	KR 10-2006-7008496 KR 2006 0114693	Abandoned	Abandoned on cost grounds
US	US 10/575,061 US 2009 190626	Pending	Awaiting start of examination

The responsible patent attorney reports that the European patent was recently opposed by Büchi Labortechnik AG, but it is expected that the opposition will be disposed of with a patent being maintained having commercially useful scope. Opposition proceedings can remain pending for many years, during which time the patent remains enforceable against infringers. Similarly, unless new prior art is cited by the respective patent offices, we have no reason to doubt that patents with commercially useful scope will be granted for this invention in the additional countries.

⁴ The European patent has been validated in Belgium, France, Germany, Italy, Netherlands, Switzerland & Liechtenstein, and the United Kingdom

⁵ Opposition proceedings at the European Patent Office typically take 2-3 years and are often followed by appeal proceedings which typically take a further 2-3 years. It is therefore likely that the present opposition proceedings will continue for several years.

5.3. Ilika patent portfolio – Part II: Novel Materials

5.3.1. Phase change materials

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0525901.5 filed 20/12/05
- d. Inventors: Daniel William Hewak University of Southampton
Richard J Curry University of Southampton
Arshad Mairaj University of Southampton
Robert E Simpson University of Southampton

e. Abstract:

A new class of phase change materials has been discovered based on compounds of: Ga; lanthanide; and chalcogenide. This includes compounds of Ga, La, and S (GLS) as well as related compounds in which there is substitution of S with O, Se and/or Te. Moreover, La can be substituted with other lanthanide series elements. It has been demonstrated that this class of materials exhibit low energy switching. For example, the GLS material can provide an optical recording medium with erasability 3-5 dB greater than the erasability of GeSbTe (GST) material which is the standard material for phase change memories.

f. Summary of the invention and commercial context:

The invention identifies and claims GaLaS, GaLaTe and related compounds as alternative compounds for use in phase change memories. Phase change memory is one of the candidate technologies to replace flash memory and is being heavily backed by several leading semiconductor manufacturers. The compound of choice for phase change memory to date – which has been the subject of almost all the research and development up to now – is GeSbTe.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0525901.5 GB 2433647	Granted	Granted 29/04/08
PCT	PCT/GB06/004635 WO 2007/071922	Exhausted	Continued in national filings
China	CN 2006 80046822.5 CN 101346776	Pending	Exam requested
Europe	EP 06820493.2 EP 1969602	Allowed	To be granted 24/03/10
Japan	JP 2008-546573 JP 2009 520372	Pending	Exam requested
Korea (South)	KR 10-2008-7017837 KR 10-2008-0094001	Pending	Exam requested
US	US 11/643,044 US 2007 181867	Pending	In Examination: the Examiner is alleging it is obvious to have tried out the claimed materials for phase change memory, which the applicant is contesting

Extensive prior art searching by Ilika and the UK, European and US patent offices would appear to confirm that these materials have never before been contemplated for use in phase change memories, so there is considerable potential for securing comprehensive valid rights for these compounds as used in phase change memories. Broad protection has already been granted in the UK and allowed by the European Patent Office, but in the US the Examiner is alleging it would have been obvious to try the claimed materials for phase change memory, even though the inventors were the first to do this, so no patent should be granted. This objection is considered by the applicant to be unfairly based and is being contested.

5.3.2. Metal alloy catalyst

- a. Owner: Ilika
- b. Status: Owned
- c. Priority data: GB 0520473.0 filed 07/10/05
- d. Inventors: Karen Brace Ilika
 Brian Hayden Ilika
 Christopher Lee Ilika
 Thierry Le Gall Ilika

e. Abstract:

For the oxygen reduction reaction at the cathode of proton exchange membrane fuel cells, a metal alloy catalyst contains the metals Pd, M1 and M2 where M1 and M2 are different metals selected from Co, Fe, Au, Cr and W (but excluding the combination PdCoAu). Preferred ternary alloys for use as catalysts may be selected from PdCoCr, PdCoW, PdFeCr, PdFeW, PdCrW, PdWAu, PdCrAu, PdCoFe and PdFeAu. Compositional ranges that are specially effective are assessed by a high throughput physical vapour deposition method. Catalysts especially suitable for use in direct methanol fuel cells are identified.

f. Summary of the invention and commercial context:

This invention relates to palladium-based ternary alloys for use in fuel cells as catalysts in the oxygen reduction reaction (ORR) as a cheaper alternative to the current use of platinum catalysts. The claims are directed to an alloy comprising the metals Pd, M1 and M2, where M1 and M2 are different metals selected from Co, Fe, Au, Cr or W, but contains a disclaimer which specifically excludes the combination PdCoAu, since this alloy was invented by Ilika under contract and the rights belong to Asahi Kasei, these rights being protected by the patent family of GB 0520471.4, EP06821817.1 (EP1947718), PCT/JP06/319982 (WO 2007/043441) and parallel filings in Japan & the US.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0520473.0	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB06/050319 WO 2007/042841	Exhausted	Continued in national filings
Europe	EP 06779662.3 EP 1941570	Pending	In examination
Japan	JP 2008-534089 JP 2009-512128	Pending	Exam requested
US	US 12/088,761 US 2009/0117447	Pending	Awaiting start of examination

The responsible patent attorney reports that, based on the opinion in the International Preliminary Examination Report, but subject to whether the US or Japanese Patent Offices cite additional relevant prior art, there is no reason to doubt that valid patents with commercially useful scope will be granted.

5.3.3. Hydrogen storage materials (MgBTiH)

- a. Owner: Ilika
- b. Status: Owned
- c. Priority data: EP 08101517.4 filed 12/02/08
- d. Inventors: Alexandra Teodora Anghel Shell
Brian Elliott Hayden Ilika
Duncan Clifford Alan Smith Ilika
Jean-Philippe Soulie Ilika

e. Abstract:

The present invention relates to a doped hydrogen storage material according to the general formula: $Mg_xB_yM_zH_n$ wherein : (i) the ratio of x/y is in the range of from 0.15 to 1.5; (ii) z is in the range of from 0.005 to 0.35; (iii) $x+y+z$ equals 1; (iv) M is one or more metals selected from the group of selected Sc, Ti, V, Cr, Mn, Fe, Co, Ni, Cu and Zn; (v) n is no more than 4y; and wherein x/y does not equal 0.5 and at least part of the doped hydrogen storage material is amorphous. The present invention further relates to the use of doped hydrogen storage materials according to the invention for storing hydrogen and a method for reversibly desorbing and/or adsorbing hydrogen.

f. Summary of the invention and commercial context:

This invention relates to a group of solid compounds discovered by Ilika which can be used to store hydrogen, thereby avoiding the need to store liquid hydrogen in cooled pressure vessels for use in hydrogen powered vehicles using fuel cells or internal combustion engines.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
Europe	EP 08101517.4	Abandoned	Priority Filing continued with PCT
PCT	PCT/EP09/051436 WO 2009/101046	Pending	National filings due August 2010

The International search report has been issued citing several documents. Analysis by the inventors indicates that the initial broad ranges of compounds claimed may need to be limited, but there is still scope for obtaining useful commercial protection.

5.3.4. Hydrogen storage materials

- a. Owner: Ilika
- b. Status: Owned
- c. Priority data: GB 0913932.0 filed 07/08/09
- d. Inventors: Brian Elliott Hayden
Duncan Clifford Alan Smith
Jean-Philippe Soulie

e. Abstract:

Confidential – not yet published.

f. Summary of the invention and commercial context:

The invention relates to a class of compounds having hydrogen storage properties of the same general kind as the patent family of EP08101517.4 detailed above.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0913932.0	Pending	PCT filing due August 2010

A search report has been issued by the United Kingdom Intellectual Property Office which contained only one document which is not considered relevant, so although prosecution is at an early stage the indications are positive.

5.4. Ilika Patent Portfolio – Part III: Mass Spectrometer

5.4.1. Mass spectrometer & method

- a. Owner: Ilika
- b. Status: Owned
- c. Priority data: GB 0114548.1 filed 14/06/01
- d. Inventors: Donald Clifford Young
Brian Christopher Webb

e. Abstract:

A mass spectrometer comprises an ion source which provides a beam of ions; a mass filter comprising a pair of electrodes and a drive circuit, the drive circuit operable to apply a time varying voltage to the electrodes having a profile that accelerates the ions to equal velocities irrespective of their mass-to-charge ratios; and an ion detector for detecting the proportions of ions according to their mass-to-charge ratios. In one embodiment, the voltage profile is exponential. In another embodiment, the voltage profile is a sequence of constant amplitude and increasing repetition frequency pulses. The novel mass filter thus imparts equal velocities to all ion species, rather than imparting more energy to heavier ion species, as in a conventional mass filter. This allows the ion species to be discriminated at the detector by energy, enabling simple and compact detection schemes to be used.

f. Summary of the invention and commercial context:

All commercial mass spectrometers are based on the principle of separating ions by imparting constant energy to all species. The invention takes a fundamentally different approach in which ions are accelerated to a constant velocity independent of their mass-to-charge ratio. Ions can then be resolved according to their energies, which are directly proportional to ion mass. The concept offers the potential to develop compact, low-cost instruments for use in application areas such as medical diagnostics and homeland security.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0114548.1 GB 2376562	Granted	Granted 04/06/03
PCT	PCT/GB02/002565 WO 2002/103746	Exhausted	Continued in national filings
Australia	AU 2002302791	Granted	Granted 01/11/07
Canada	CA 2450465	Pending	In Examination
China	CN 02811800.6 CN 1515020	Granted	Granted 04/06/03
Europe	EP 02730470.8 EP 1397822	Granted	Granted 03/03/10
US	US 10/480,731 US 2004/0206899	Granted	Granted 24/07/07 as US 7,247,847

Prior art searching by the patent offices where the applications were filed did not identify any similar concept, so the patent applications have proceeded to allowance or grant in all jurisdictions where they have been examined with claims substantially unamended. If the invention is successfully commercialised in the future, the patents are expected to provide strong monopoly protection which will be very challenging for any third party to design around within the overall design concept.

5.4.2. *Mass spectrometers & methods of ion separation and detection*

- a. Owner: Ilika
- b. Status: Owned
- c. Priority data: 1002967.6 filed 22/02/10
- d. Inventors: Brian Christopher Webb
- e. Abstract:

Confidential – not yet published.

- f. Summary of the invention and commercial context:

An improvement to the design of the master patent.

- g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	not yet known	Pending	PCT filing due February 2011

A search by the UK Intellectual Property Office was requested on filing and should be issued in the next few months.

5.4.3. *Mass spectrometry apparatus & methods*

- a. Owner: Ilika
- b. Status: Owned
- c. Priority data: 1003566.5 filed 03/03/10
- d. Inventors: David Bream, Christopher Newman & Brian Christopher Webb.
- e. Abstract:

Confidential – not yet published.

- f. Summary of the invention and commercial context:

An improvement to the design of the master patent.

- g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	1003566.5	Pending	PCT filing due March 2011

5.5. Altrika patent portfolio

5.5.1. Leukocyte adsorbing materials

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0411259.5 filed 20/05/04
- d. Inventors: Mark Bradley University of Southampton
Jean-Francois Thaburet University of Southampton
Junichi Shishido Asahi Kasei KK⁶

e. Abstract:

A novel polyurethane material having excellent leukocyte adsorption capacity. When exposed to a labelled sugar chain solution LDF1 for 2 hours, it exhibits an adsorption amount of 400,000 or more. The polyurethane is composed of (A) a diisocyanate compound structural unit, (B) a polymer diol compound structural unit, and (C) a chain extender structural unit, preferably containing a tertiary amino group.

f. Summary of the invention and commercial context:

This invention relates to a leukocyte adsorbing material composed of polyurethane for use in leukocyte-removing filters which have become important to improve procedures relating to the transfusion of blood. At present, prosecution in the various national phases is at an early stage, so it is not yet clear what scope of protection might ultimately be obtained.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0411259.5 GB 2414241	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB05/001927 WO 2005/113136	Exhausted	Continued in national filings
Europe	EP 05744955.5 EP 1776184	Pending	Exam requested
Hong Kong	HK 07111013.3 HK 1102957	Pending	derived from European application
US	US 11/597,586 US 2009/0036322	Pending	Awaiting start of examination

The responsible patent attorney reports that, based on the opinion in the International Preliminary Examination Report, but subject to whether the US Patent Office cites relevant prior art not cited in the international phase, there is no reason to doubt that patents with commercially useful scope will be granted.

⁶ It is noted that this invention originated from a research agreement between Asahi Kasei and University of Southampton. Asahi Kasei assigned all its rights to University of Southampton and retained no right to or interest in the patents. This assignment was made effective before University of Southampton granted the exclusive licence to Ilika Technologies.

5.5.2. Copolymers corneal bandage

- a. Owners: University of Southampton and The University Court of the University of Edinburgh
- b. Status: Exclusively licensed to Ilika (University of Southampton rights) and to Altrika (University of Edinburgh rights) from joint owners University of Southampton and The University Court of the University of Edinburgh respectively
- c. Priority data: GB 0620537.1 filed 17/10/06
- d. Inventors: Mark Bradley University of Southampton & University of Edinburgh
Guilhem Tourniaire University of Southampton
Albert Liberski University of Edinburgh

e. Abstract:

Disclosed is a polymer having an affinity for corneal cells such that it can be used as a substrate for the growth of corneal cells, and so is suitable for use in a corneal bandage, especially in the form of a contact lens in which at least the cornea contacting surface is composed of the polymer. The substrate with an affinity for corneal cells is a copolymer comprising units -(A)- and -(B)- in which the units A are derived from aminoalkyl (alkyl)acrylates and the units B are derived from aryloxy, alkoxy or hydroxyalkyl (alkyl)acrylates, and (alkyl)acrylic acids.

f. Summary of the invention and commercial context:

This invention is a polymer with an affinity for corneal cells which can be used as a substrate for the growth of corneal cells, and is suitable for use in a corneal bandage, such as a contact lens. At present, a United Kingdom patent has been granted, but prosecution in the various other national phases is at an early stage, so it is not yet clear what scope of protection might ultimately be obtained in those territories.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 620537.1	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB07/050633 WO 2008/047160	Exhausted	Continued in national filings
Europe	EP 07824845.7 EP 2074155	Pending	Exam requested
India	IN2338/DELNP/2009	Pending	Awaiting start of examination
Japan	JP 2009 532900	Pending	Exam not yet requested
UK	GB 0720295.5 GB 2443716	Granted	Granted 23/12/09
US	US 12/444,993	Pending	Awaiting start of examination

The responsible patent attorney reports that, unless new prior art is cited by the respective patent offices, we have no reason to doubt that patents with commercially useful scope will be granted for this invention in all these countries.

5.5.3. *Polymers useful as medical materials*

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0418123.6 filed 13/08/04
- d. Inventors: Hitoshi Mizomoto Asahi Kasei KK⁷
Mark Bradley University of Southampton

e. Abstract:

One object of the present invention is to provide polymers suitable for use as medical materials. The present invention provides a polymer useful as a medical material having the general formula (I): $-(A)_l-(B)_m-(C)_n$ in which A is derived from a non-ionic monomer; B is derived from a monomer containing a primary, secondary, tertiary or quaternary amine group; C is derived from a monomer containing an acid group; and $l + m + n = 100$, $0 < l, m, n < 100$.

f. Summary of the invention and commercial context:

This invention relates to a co-polymer, useful as a medical material and for separating and purifying biological components, more specifically, in the preparation of filtration media for removing leucocytes from whole blood or blood products containing leucocytes, and to filtration media comprising the polymers. An Indian patent has been granted, but prosecution in the various other national phases is at an early stage, so it is not yet clear what scope of protection might ultimately be obtained.

It is noted that this invention originated from a research agreement between Asahi Kasei and University of Southampton. Asahi Kasei assigned all its rights to University of Southampton and retained no right to or interest. This assignment was made effective before University of Southampton granted the exclusive licence to Ilika.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0418123.6	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB05/003157 WO 2006/016166	Exhausted	Continued in national filings
Canada	CA 2602056 CA 2602056	Pending	Not yet requested examination
Europe	EP 05793911.8 EP 1814659	Pending	Exam requested
Hong Kong	HK 07112061.2 HK 1104497	Pending	derived from European application
India	3355/DELNP/2007 IN 223866	Granted	Granted 23/09/08
US	US 11/660,427 US 2008/0190842	Pending	Awaiting start of examination

The responsible patent attorney reports that, based on the opinion in the International Preliminary Examination Report, some amendment to the claims from those originally filed will be necessary. Nevertheless, there is no reason to doubt that patents with commercially useful scope will be granted for this invention.

⁷ It is noted that this invention originated from a research agreement between Asahi Kasei and University of Southampton. Asahi Kasei assigned all its rights to University of Southampton and retained no right to or interest in the patents. This assignment was made effective before University of Southampton granted the exclusive licence to Ilika Technologies.

5.5.4. Polymers useful as medical materials

- a. Owner: University of Southampton
- b. Status: Exclusively licensed to Ilika from University of Southampton
- c. Priority data: GB 0418124.4 filed 13/08/04
- d. Inventors: Hitoshi Mizomoto Asahi Kasei KK⁸
Mark Bradley University of Southampton

e. Abstract:

One object of the present invention is to provide polymers suitable for use as medical materials. The present invention provides a polymer useful as a medical material having the general formula: (I) -(A)I-(B)m-(C)n- in which A is derived from an alkoxyalkyl (alkyl)acrylate monomer; B is derived from a monomer containing a primary, secondary, tertiary or quaternary amine group; C is derived from a non-ionic monomer; and $I + m + n = 100$, $0 < I, m, n < 100$.

f. Summary of the invention and commercial context:

This invention relates to a co-polymer, useful as a medical material and for separating and purifying biological components, more specifically, in the preparation of filtration media for removing leucocytes from whole blood or blood products containing leucocytes, and to filtration media comprising the polymers. An Indian patent has been granted. The US prosecution is ongoing, and the Examiner is raising patentability objections which are being contested by the University of Southampton. Prosecution in Europe has yet to commence.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 0418124.4	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB05/003151 WO 2006/016163	Exhausted	Continued in national filings
Canada	CA 2602055	Pending	Not yet requested examination
Europe	EP 05794242.7 EP 1793924	Pending	Exam requested
Hong Kong	HK 07112060.3 HK 1104496	Pending	derived from European application
India	3356/DELNP/2007 IN 218653	Granted	Granted 04/04/08
US	US 11/660,428 US 2008/0190843	Pending	In Examination with sustained objections from Examiner which the applicant is contesting

The responsible patent attorney reports that objections have been raised by the US examiner and were also raised during the international phase. Some amendment to the claims from those originally filed will therefore be necessary, but there is no reason to doubt that patents with commercially useful scope will be granted for this invention.

⁸ It is noted that this invention originated from a research agreement between Asahi Kasei and University of Southampton. Asahi Kasei assigned all its rights to University of Southampton and retained no right to or interest in the patents. This assignment was made effective before University of Southampton granted the exclusive licence to Ilika Technologies.

5.5.5. Detachment surface

- a. Owner: Altrika
- b. Status: Owned
- c. Priority data: GB 9914616.9 filed 23/06/99
- d. Inventors: Robert Short University of Sheffield
David Haddow University of Sheffield
Sheila MacNeil University of Sheffield

e. Abstract:

The invention relates to a cell culture surface to which cells attach and proliferate and which enables said attached cells to detach from said surface for use in various therapeutic and cosmetic tissue engineering/surgical procedures.

f. Summary of the invention and commercial context:

This invention concerns cell culture surfaces obtained by plasma polymerisation or co-polymerisation with an acid functionality for reversible attachment of keratinocytes, endothelial cells, and epithelial cells. The invention allows for tissue to be cultured and then transferred onto a patient in the provision of skin grafts to repair wounds, and is marketed under the trade marks MYSKIN and CRYOSKIN.

We have been advised by Ilika that co-inventor David Haddow is now an employee of Altrika and is Altrika's "Designated Individual" under its licence from the Human Tissue Authority, and that Altrika also has a licence from the Medicines and Healthcare Products Regulatory Agency. These facts have not been checked by D Young.

g. Patent summary table:

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
UK	GB 9914616.9	Abandoned	Priority Filing continued with PCT
PCT	PCT/GB00/02297 WO 2000/78928	Exhausted	Continued in national filings
Australia	AU 200055464 AU 776839	Granted	Granted 27/01/05
Canada	CA 2375557 CA 2375557	Abandoned	The responsible patent attorneys have advised that the application can be reinstated if desired, even though it is abandoned as a result of financial difficulties of the previous owners
China	CN 00809165 CN 1357039	Abandoned	Abandoned under previous ownership owing to financial difficulties
Europe	EP 000940540.8 EP 1185621	Granted	Granted 24/02/10
Hong Kong	HK 02105759.8 HK 1047294	Pending	derived from European filing
Israel	IL 146933 IL 146933	Granted	Granted 21/06/08
Japan	JP 2001505672 JP 2003503318	Pending	Exam requested
New Zealand	NZ 516064 NZ 516064	Granted	Granted 26/03/04
South Africa	ZA 200110319 ZA 200110319	Granted	Granted 22/07/03

<i>Jurisdiction</i>	<i>Application no. Publication no.</i>	<i>Status</i>	<i>Comment</i>
US	US 10/018,821	Abandoned	Abandoned under previous ownership owing to financial difficulties

This is a mature patent family with all but one case granted, allowed or abandoned. The only pending application for which examination has not yet taken place is in Japan. Under previous ownership, several cases were abandoned owing to financial difficulties, including the US patent application. Ilika has been advised the US patent application cannot be revived, but that the Canadian patent application could be.

5.6. Trade Marks in the name of Ilika

5.6.1. Community Trade Mark Registration No 7067168 Ilika (Logo) in Classes 1, 5, 6, 9, 10 and 42.



This trade mark was filed on 15 July 2008 and was registered on 31 January 2010. The trade mark is due for renewal on 15 July 2018.

International Trade Mark Registration No 993356 Ilika (Logo) in Classes 1, 5, 6, 9, 10 and 42.

The International trade mark was registered before WIPO on 11 December 2008. The trade mark is due for renewal on 11 December 2018.

Copyright in the logo is also owned by Ilika.

5.6.2. *International Trade Mark Registration No 993356 Ilika (Logo) in Classes 1, 5, 6, 9, 10 and 42 Designation USA (US Trade Mark Registration No 3712305)*

This trade mark was registered in the United States on 17 November 2009.

5.6.3. *Community Trade Mark Registration No 7469109 ALTRIKA in Classes 1, 5, 9, 10 and 42*

This trade mark was registered, as a word mark ALTRIKA (not the logo), on 29 July 2009.



The trade mark is used in stylised form by Altrika (logo):

Altrika owns the copyright in the logo.

5.6.4. *International Trade Mark Registration No 1005341 ALTRIKA in Classes 1, 5, 9, 10 and 42⁹*

The International trade mark was registered before WIPO on 13 May 2009. The trade mark is due for renewal on 13 May 2019.

5.6.5. *International Trade Mark Registration No 1005341 ALTRIKA in Classes 1, 5, 9, 10 and 42 Designation USA (US Trade Mark Application No 79/069921)*

This trade mark was filed on 13 May 2009 and is currently pending in the United States. The trade mark has been examined and there are outstanding objections only in connection with the specification of goods. The deadline to respond to the official action is 6 July 2010.

⁹ Class 1 = Chemicals used in industry and science; Class 5 = Pharmaceutical preparations; Class 6 = Metals and their alloys; Class 9 = Scientific apparatus and instruments; computer hardware and software; Class 10 = Surgical and medical apparatus and instruments; Class 42 = Scientific and technological services – further details to be found at <http://www.ipo.gov.uk/t-class-guide.htm>

5.7. Trade Marks in the name of Altrika Limited

The trade marks formerly owned by Celltran Limited including MYSKIN and CRYOSKIN were acquired through the same route as the Celltran patent rights.

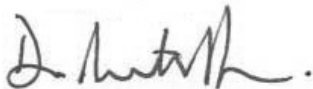
5.7.1. UK Trade Mark Registration No 2361797 MYSKIN MySkin (series of 2) in Class 5

This trade mark was registered on 24 September 2004. The trade mark is being used in connection with a treatment to heal wounds.

5.7.2. UK Trade Mark Application No. 2454948 CRYOSKIN in Classes 5 and 10

This trade mark was filed on 9 May 2009. An Opposition has been filed to registration of this trade mark in connection with all goods on behalf of Cryo-Save AG, relying on an earlier CTM Registration 4625216 Cryo-Save and alleging a likelihood of confusion between the respective trade marks. This opposition has now been withdrawn.

Yours Sincerely
for D Young & Co

A handwritten signature in black ink, appearing to read 'D. Haines', followed by a period.

Dr Miles Haines
Partner

PART 12

TAXATION

The comments below do not constitute tax advice and are of a general nature and based on UK tax law and published HMRC practice at the date of this document, both of which are subject to change, possibly with retrospective effect. The comments cover certain UK tax consequences of holding Ordinary Shares for absolute beneficial owners. They do not necessarily apply where income is deemed for tax purposes to be the income of persons other than persons who are the absolute beneficial owners of Ordinary Shares. In addition, these comments do not apply to the following:

- *investors who do not hold their Ordinary Shares as capital assets;*
- *special classes of investors such as dealers, financial institutions, collective investment schemes, tax-exempt organisations, persons connected with the Company and persons who hold their Ordinary Shares by virtue of their office or employment;*
- *investors who are not beneficially entitled to the Ordinary Shares and to the dividends on those Ordinary Shares;*
- *individual investors who are resident but not domiciled in the United Kingdom; or*
- *investors who do not acquire their Ordinary Shares as initial investors in the Placing.*

Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including the consequences under UK tax law and HMRC practice, of the acquisition, ownership and disposition of Ordinary Shares in their own particular circumstances, by consulting their own tax advisers. Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.

Taxation of Dividends

No UK taxation will be withheld at source from dividend payments made by the Company to its Shareholders.

Individual Shareholders resident in the United Kingdom for UK tax purposes will be entitled to a tax credit in respect of a dividend paid by the Company at the rate of one ninth of the cash dividend received (equal to ten per cent. of the aggregate of the cash dividend and the associated tax credit). Such Shareholders will be liable to income tax on the aggregate of the dividend and the associated tax credit at, in the case of taxpayers subject to income tax at a rate or rates not exceeding the basic rate, the dividend ordinary rate (currently ten per cent.) or, in the case of higher rate taxpayers, the dividend upper rate (currently 32.5 per cent.), subject in each case to an offset of the tax credit against their total income tax liability. Therefore, individual Shareholders who, after taking into account dividend income, are liable to UK income tax at a rate or rates not exceeding the basic rate, will in effect have no further liability to income tax as a result of the dividend. Individual Shareholders who are required to pay tax at the dividend upper rate will in effect have to pay tax equal to currently 25 per cent. of the cash dividend received. Individual Shareholders resident in the United Kingdom who are not liable to income tax in respect of the gross dividend generally will not be able to claim to have the amount of dividend tax credits paid to them.

With effect from 6 April 2010 a new 42.5 per cent. rate of tax will apply to dividend income to the extent that a Shareholder's income for tax purposes exceeds £150,000. Individual Shareholders who are required to pay tax at this new rate will effectively have to pay tax equal to approximately 36.1 per cent. of the cash dividend received.

UK resident corporate Shareholders should note that legislation has recently been enacted that has made significant changes to the corporation tax treatment of dividends. The new legislation removes the previous blanket exemption from corporation tax that generally applied to dividends paid by one UK resident company to another and replaces it with more limited classes of exemption. Although it is likely that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax (subject to special rules for such Shareholders that are small companies), the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

Shareholders who are not resident in the United Kingdom for UK tax purposes and who do not carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in the United Kingdom in connection with which their Ordinary Shares are held will normally not be subject to UK income tax or corporation tax in respect of any dividends received, and will generally not be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid on their Ordinary Shares.

Shareholders who are resident for tax purposes in a jurisdiction outside the United Kingdom may be subject to foreign taxation on dividend income under the local law of the relevant jurisdiction. Such shareholders should obtain their own advice concerning tax liabilities on dividends received from the Company.

Taxation of Gains Arising on Sale or Other Disposal

A disposal of Ordinary Shares or warrants by a Shareholder resident or, in the case of an individual, ordinarily resident for UK tax purposes in the United Kingdom may, depending on the Shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

The exercise of warrants by a UK resident or ordinarily resident holder will not constitute a disposal for the purposes of UK taxation and chargeable gains.

A disposal of Ordinary Shares or warrants by non-UK resident Shareholders may also give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains if they carry on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a company, if it carries on a trade through a permanent establishment in the United Kingdom and they have used, held or acquired Ordinary Shares or warrants for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment (as the case may be), subject to their particular circumstances and any available exemptions, allowances or reliefs.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following comments are intended as a guide to the general United Kingdom stamp duty and SDRT position and (except insofar as expressly referred to below) do not relate to persons such as market makers, brokers, dealers, intermediaries, persons connected with depository receipt arrangements or clearance services or persons who enter into sale and repurchase transactions in respect of the Ordinary Shares, to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of the Ordinary Shares direct to persons acquiring those shares pursuant to the Placing.

The transfer on sale of Ordinary Shares will be liable to *ad valorem* stamp duty, generally at the rate of 0.5 per cent. thereof (rounded up to the nearest multiple of £5) of the consideration paid. An unconditional agreement to transfer such shares will be liable to SDRT, generally at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled or a right to a repayment in respect of the SDRT liability will arise if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. Stamp duty and SDRT are normally the liability of the purchaser, stamp duty is not payable on an instrument transferring the shares where the consideration for the transfer is £1,000 or less and it is certified on the instrument that the transaction that it effects does not form part of a larger transaction or series of transactions for which the aggregated consideration exceeds £1,000. The charge to SDRT will be vacated accordingly.

No stamp duty or SDRT will arise on a transfer of shares into the CREST system provided that, in the case of SDRT, the transfer is not for money or money's worth. Transfers of shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the amount of value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident or ordinarily resident in the United Kingdom.

Inheritance Tax

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("IHT") on the value of any ordinary shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the shareholder, on any gifts made during the seven years prior to the death of the shareholder and on certain lifetime transfers, notably when shares are settled on discretionary (non-interest in possession) trusts or appointed out of such trusts to beneficiaries.

However, a relief from IHT known as business property relief ("BPR") may apply to ordinary shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent for IHT purposes.

General

The above is a summary of certain aspects of current law and practice in the UK. Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.

PART 13

ADDITIONAL INFORMATION

1. Responsibility

- (a) The Directors, whose names appear on page 17, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in the Admission Document is in accordance with the facts and contains no omissions likely to affect the import of such information.
- (b) BDO LLP, whose registered address is at 55 Baker Street, London W1U 7EU, accepts responsibility for its reports set out in Parts 9 and 10 of this document. To the best of the knowledge of BDO LLP (who has taken all reasonable care to ensure that such is the case), the information contained in its reports is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (c) D Young & Co LLP, whose registered address is at 120 Holborn, London EC1N 2DY, accepts responsibility for its report set out in Part 11 of this document. To the best of the knowledge of D Young & Co LLP, (who has taken all reasonable care to ensure that such is the case), the information contained in its report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and General

- (a) The Company was incorporated in England and Wales on 12 March 2010 under the name of Ilika plc with registered number 7187804 as a public company with limited liability under the Companies Act 2006. Its registered office and its principal place of business is at Kenneth Dibben House, Enterprise Road, University of Southampton Science Park, Chilworth, Southampton SO16 7NS and telephone number is +44(0) 23 8011 1400. It is domiciled in the United Kingdom.
- (b) The Company has the following significant subsidiary undertakings, being wholly owned and those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Company.

			<i>Issued share capital (fully paid)</i>
<i>Name</i>	<i>Registered Office</i>	<i>Principal Activity</i>	
Ilika Technologies	Kenneth Dibben House, Enterprise Road, University of Southampton Science Park, Chilworth, Southampton, SO16 7NS.	Research and development activities in respect of the discovery of new materials	£121,339
Altrika	Calendonian Exchange, 19A Canning Street, Edinburgh, EH3 8HE.	Research and development activities in respect of the discovery of new materials in the biosciences sector	£1

The Company owns directly or indirectly 100 per cent. of the issued shares of the above companies and can exercise 100 per cent. of the voting rights.

3. Share Capital

- (a) The following table shows the issued share capital of the Company (i) as at the date of this document; and (ii) as it will be upon Admission:

			<i>Issued fully paid</i>	
			<i>Amount</i>	<i>Number</i>
(i)	Current	Ordinary Shares	£103,525	10,352,500
		Convertible Preference Shares	£17,814	1,781,400
(ii)	Proposed	Ordinary Shares	£365,694	36,569,359
		Convertible Preference Shares	£17,814	1,781,400

- (b) As at 5 May 2010, being the latest practicable date prior to the publication of this document, none of the share capital of the Company was held as treasury shares.
- (c) Save as disclosed in this Part 13, the Company has not issued any convertible securities, exchangeable securities or securities with warrants.
- (d) The share capital of the Company on incorporation was £0.01 comprising of 1 Ordinary Share of £0.01 held by Jack Boyer.
- (e) Pursuant to resolutions passed at a general meeting of the Company held on 5 May 2010:

- (i) the Directors were generally and unconditionally authorised pursuant to section 551 of the 2006 Act to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the Act):

- (A) in connection with the acquisition of the entire issued share capital of Ilika Technologies up to an aggregate nominal amount of £121,339;
- (B) in connection with the exercise of options over 2,099,900 Ordinary Shares issued to SAM up to an aggregate nominal amount of £20,999;
- (C) in connection with the exercise of the SAM Option and/or the Nomura Code Warrant, options to subscribe for £2,374 in aggregate;
- (D) in connection with the exercise of the Exchange EMI Options, the Exchange Unapproved Options and the Unapproved Options up to an aggregate nominal amount of £74,644;
- (E) conditional upon Admission, in connection with the terms of a deed of subscription and adherence relating to Ilika Technologies dated 30 August 2007 (the "2007 Investment Agreement"), as amended, up to an aggregate nominal amount of £139,699 (the "Anti-Dilution Issue");
- (F) Conditional upon Admission, up to an aggregate nominal amount of £101,471 in connection with the issue of the Placing Warrants (the "Warrant Issue") to subscribe for 10,147,059 Ordinary Shares and up to an aggregate nominal amount of £3,922 in connection with the issue of warrants to Nomura Code to subscribe for 392,157 Ordinary Shares;
- (G) in connection with the Placing in aggregate £101,471; and
- (H) conditional upon Admission, otherwise than pursuant to sub-paragraphs (A) to (G) above, up to an aggregate nominal amount of £127,836

and expiring (unless previously revoked, varied or renewed) at the conclusion of the annual general meeting of the Company held in 2010, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the authority had not expired.

- (ii) the Directors were empowered to allot equity securities (within the meaning of the articles of association of the Company) for cash, pursuant to the general authorities described above in substitution for all prior powers conferred upon the Board but without prejudice to any allotments made pursuant to the terms of such powers, as if pre-emption rights did not apply to any such allotment, such power being limited to:

- (A) the allotment of equity securities for cash up to an aggregate amount of £101,471 pursuant to the Placing;

- (B) the allotment of equity securities up to an aggregate amount of £20,999 in connection with the exercise of options over 2,099,000 Ordinary Shares issued to SAM;
- (C) the allotment of equity securities up to an aggregate amount of £2,374 in connection with the exercise of the SAM Option and/or the Nomura Code Warrant;
- (D) the allotment of equity securities up to an aggregate amount of £74,644 in connection with the exercise of the Exchange EMI Options, the Exchange Unapproved Options and the Unapproved Options;
- (E) the allotment of equity securities in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;
- (F) conditional upon Admission otherwise than pursuant to paragraphs A and E above the allotment of equity securities up to an aggregate nominal amount of £38,350;
- (G) conditional upon Admission the allotment of equity securities up to an aggregate nominal amount of £139,699 pursuant to the Anti Dilution Issue;
- (H) conditional upon Admission the allotment of equity securities in respect of the Placing Warrant Instrument;

provided always that such power expires (unless previously revoked, varied or renewed) at the conclusion of the annual general meeting of the Company held in 2010, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

- (iii) conditional upon the approval of resolutions (i) and (ii) above, Admission and upon the recommendation of the Directors and pursuant to the authorities and powers conferred by resolutions (i) and (ii) above, the sum of £139,699 standing to the credit of the share premium account of the Company arising from the issue of new Ordinary Shares pursuant to the Placing was approved to be capitalised and the Directors were authorised and directed to appropriate an amount up to the said sum in paying up in full up to 13,969,900 Ordinary Shares and to allot and distribute such shares, credited as paid up, to the New Investors (as defined in the 2007 Investment Agreement, as amended). This power is limited to the allotment of equity securities pursuant to the Anti-Dilution Issue.
- (iv) conditional upon Admission, the rights attaching to the Convertible Preference Shares were resolved to be varied by providing that such shares shall have no rights to receive notice of, or attend or vote at general meetings of the Company.
- (v) conditional upon Admission, new articles of association of the Company were approved and adopted.
- (vi) as permitted by section 307A of the 2006 Act any general meeting of the Company (other than the Annual General Meeting of the Company) was approved to be called by notice of at least 14 clear days in accordance with the provisions of the Articles provided that such authority shall expire at the annual general meeting of the Company held in 2010.
- (f) On 6 May 2010, the Company entered into a share exchange agreement with the shareholders of Ilika Technologies whereby the Company acquired the entire issued share capital of Ilika Technologies in consideration of the issue and allotment of 10,352,499 Ordinary Shares and 1,781,400 Convertible Preference Shares to the Shareholders of Ilika Technologies, pro rata to their existing shareholdings.
- (g) On 6 May 2010, Southampton Asset Management exercised, conditional upon Admission, its options over, and was allotted, 2,099,900 Ordinary Shares.

- (h) On 6 May 2010, conditional upon Admission, the Company capitalised the sum of £139,699 standing to the credit of the share premium account of the Company, as at Admission, in paying up in full 13,969,900 Ordinary Shares and allotting the same to certain existing shareholders in the Company entitled to the same under the terms of the 2007 Investment Agreement.
- (i) In connection with the share exchange agreement pursuant to which the Company acquired the entire issued share capital of Ilika Technologies as referred to above, employees and directors of Ilika Technologies and certain persons who are not such employees or directors (save for one former employee now resident in New Zealand) were offered the opportunity to exchange their existing options over shares in the capital of Ilika Technologies for equivalent options over Ordinary Shares. The former employee now resident in New Zealand was offered a cash payment by Ilika Technologies in respect of the existing option over 40 shares in the capital of Ilika Technologies held by him to surrender such option. Assuming that all individuals who were offered this opportunity exchange their options over shares in the capital of Ilika Technologies for the options over Ordinary Shares, then the following options to subscribe for Ordinary Shares will be granted to employees and the Directors and certain persons who are not employees or directors but who have provided services to the Group, under the Exchange Arrangements:

<i>Scheme</i>	<i>Number of Ordinary Shares under option</i>	<i>Date of grant</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise Price</i>
Exchange EMI Option	1,207,900	19 May 2004 to 1 December 2009	Exercise Trigger Date*	19 May 2014 to 1 December 2019	£0.10 – £1.00
Exchange Unapproved Option	1,055,700	29 June 2004 to 11 November 2008	Exercise Trigger Date*	29 June 2014 to 11 November 2018	£0.10 – £2.43

* The Exercise Trigger Date is the date on which the options described above first become exercisable, as described in paragraph 6 of this Part 13.

In addition, the Company has granted options over 107,300 Ordinary Shares to SAM and warrants over 130,100 Ordinary Shares to Nomura Code as more particularly described in paragraph 13 of Part 13 of this document.

- (l) Save as disclosed in paragraph 3 of this Part 13, no share or loan capital of the Company has within the three years immediately preceding the date of this document been issued or is now proposed to be issued, fully or partly paid, for cash or otherwise. No commissions, discounts, brokerage or other special terms have, within the same three year period, been granted by the Company or any of its subsidiaries.
- (m) Save for the allotments referred to in paragraph 2(e) above, since incorporation no capital of the Company has been allotted for cash or for a consideration other than cash.
- (n) Save as disclosed in this paragraph 3 and save for the issue of the Placing Shares and Placing Warrants, and the grant of the proposed Unapproved Options and the options under the Share Option Scheme, more particularly described in paragraph 6 of this Part 13, no capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.
- (o) The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- (p) The Ordinary Shares are in registered form and capable of being held in uncertificated form. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the applications for Admission other than pursuant to the Placing. The Placing Shares to be issued pursuant to the Placing are being issued at a price of 51p per share, representing a premium of 50p over the nominal value of £0.01 each. The expected issue date is 14 May 2010.
- (q) The currency of the issue is Pounds Sterling.
- (r) The Company has received no public takeover offers or bids to acquire its entire issued share capital either in the financial year ending 30 April 2009 or so far during the current financial year ending 30 April 2010.

4. Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) Objects

Pursuant to section 31 of the 2006 Act, the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by law.

(b) Share Rights

Save as otherwise provided below, the Ordinary Shares and the Convertible Preference Shares shall rank *pari passu* with each other:

- (i) *as regards voting*: subject to sub-paragraphs (d) and (e) below, the Convertible Preference Shares shall not entitle the holder thereof to receive notice of, attend or vote at general meetings of the Company;
- (ii) *as regards dividends*: no dividend or other distribution shall be payable on the Convertible Preference Shares;
- (iii) *as regards return of capital*: on a return of capital or assets on a liquidation, reduction of capital or otherwise the surplus assets of the Company remaining after payment of its liabilities shall be applied:
 - (a) first, in paying to the holders of the Convertible Preference Shares the amount paid up thereon being the amount equal to the par value of the Convertible Shares excluding any premium;
 - (b) secondly, the balance (if any) of such surplus assets shall belong to and be distributed amongst the holders of the Ordinary Shares in proportion to the amounts paid up on the Ordinary Shares (excluding any premium) held by them;
- (iv) *as regards conversion*: each of the holders of Convertible Preference Shares shall be entitled at any time and from time to time by notice in writing to the Company, to require conversion of all of the Convertible Preference Shares held by it into Ordinary Shares on a one for one basis and the Ordinary Shares resulting from such conversion shall rank *pari passu* with the existing issued Ordinary Shares.

(c) Voting rights

Subject to paragraph (b) above, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote and on a poll every member present in person or a representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

(d) Variation of rights

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares (excluding any shares of that class held as treasury shares) of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

(e) Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the 2006 Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the 2006 Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(f) Transfer of shares

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (2) in the case of uncertificated shares, through CREST in requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share held in certificated form which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. In the case of uncertificated shares, the Directors may only refuse to register a transfer in accordance with the Uncertificated Securities Regulations. The Directors may also refuse to register a transfer of shares (whether fully paid or not) if the transfer is in favour of more than four persons jointly. Subject to that and to paragraph (g) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(g) Dividends

- (i) The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.
- (ii) Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph (f) below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.
- (iii) All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company.
- (iv) The Directors may, if authorised by an Ordinary Resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The Directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

(h) Suspension of rights

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class), the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms length sale.

(i) Return of capital

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Ordinary Shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their Ordinary Shares. A liquidator may, with the sanction of a

special resolution of the Company and any other sanction required by the 2006 Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator with the sanction of a special resolution may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(j) Pre-emption rights

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the allotment of new equity securities in the Company. These statutory pre-emption rights would require the Company to offer new equity securities for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such equity securities would be offered to the Company's shareholders.

(k) Shareholder Meetings

Annual general meetings should be held within the time periods specified by the 2006 Act. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the 2006 Act. Two members present in person or by proxy (or being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings or a meeting at which it is proposed to pass a resolution requiring special notice are called on at least 21 days notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

The Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote or a person nominated pursuant to the Articles is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

(l) Directors

Save as provided in the Articles or by the terms of any authorisation given by the Directors, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he (or a person connected with him) has any interest which (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) and which conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

The Directors may authorise a director to be involved in a situation in which the director has or may have a direct or indirect interest which conflicts or may conflict with the interests of the Company and may impose such terms or conditions on the grant of such authorisation as they think fit and in doing so will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

A director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or

- (ii) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- (iii) the granting of any indemnity or provision of funding pursuant to the Company's articles of association unless the terms of such arrangement confer upon such director a benefit not generally available to any other director; or
- (iv) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter; or
- (v) any other company in which he or any person connected with him has a direct or indirect interest (whether as an officer or shareholder or otherwise) provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings of or beneficially interested in one per cent, or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant Article to be a material interest in all circumstances); or
- (vi) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- (vii) the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £300,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

Any director who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine.

The Directors (including alternate directors) are entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

A director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No director or proposed director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established if the director has disclosed his interest in accordance with the 2006 Act.

Save as provided by the Articles or by the terms of authorisation given by the Directors, a director shall not vote as a director or be counted in the quorum in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement in which he has any interest which conflicts or may conflict with the interests of the Company. If he does vote, his vote shall not be counted.

The remuneration and other terms and conditions of appointment of a director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors or by any committee appointed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

Any statutory provision which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

5. Mandatory Takeover Bids and Squeeze Out

The Ordinary Shares are subject to the City Code. Under Rule 9 of the City Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, or any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of the company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, is normally required by the Panel on Takeovers and Mergers to make a general offer in cash to acquire the remaining shares in the company to all its shareholders at not less than the highest price paid by him or any persons acting in concert with him in the preceding 12 months. Rule 9 is subject to a number of dispensations.

In addition, in the event an offeror acquires at least nine-tenths in value of the issued share capital of the company to which the offer relates the offeror may in accordance with the procedure set out in section 979 of the 2006 Act require the holders of any shares he has not acquired to sell them subject to the terms of the offer, and such shareholders may in turn require the offeror to purchase such shares on the same terms.

6. Share Option Schemes

EXCHANGE ARRANGEMENTS

Historically, Ilika Technologies granted options to subscribe for ordinary shares in the capital of Ilika Technologies to employees, directors and other persons providing services to Ilika Technologies and Altrika. All options so granted were granted on the terms of stand alone option agreements, rather than pursuant to the rules of a scheme.

Under these arrangements, the options that had been granted to employees of Ilika Technologies and Altrika had been granted so as to qualify as enterprise management incentives pursuant to the provisions of Schedule 5 of ITEPA and the options that had been granted to persons who were not such employees had been granted as unapproved share options with no beneficial tax treatment applying to them.

When the Company acquired Ilika Technologies, each holder of the existing options referred to in the preceding two paragraphs, (apart from one individual who was resident in New Zealand who was offered a cash payment by Ilika Technologies in exchange for surrendering his option over 40 shares in the capital of Ilika Technologies), was offered the opportunity to release their existing options, in each case, in exchange for an equivalent option over Ordinary Shares granted by the Company.

Full details of all of the options over Ordinary Shares that are expected to exist as at Admission by virtue of these arrangements assuming all holders of options over Shares in Ilika Technologies accept the offer of the option exchange made to them, ("Exchange Options") are set out at paragraph 3(i) of Part 13 of this document.

To the extent that each Exchange Option comes into existence prior to Admission it will become capable of exercise immediately upon Admission and in normal circumstances will remain capable

of exercise at any time thereafter until the tenth anniversary of its deemed date of grant. For these purposes the deemed date of grant is the date of grant of the original option over ordinary shares in the capital of Ilika Technologies for which the Exchange Option was exchanged (and the range of these dates is set out for each Exchange Option at paragraph 3(i) of Part 13 of this document).

The agreements under which each Exchange EMI Option will be granted, in each case, shall contain substantially the same material terms (save for the slight difference in relation to the Exchange EMI Option to be held by Stephen Boydell which is described below). The agreements under which the Exchange Unapproved Options will be granted, in each case, shall contain substantially the same material terms. These principal terms are summarised below.

EXCHANGE EMI OPTIONS

The Exchange EMI Options will be granted so as to qualify as enterprise management incentives pursuant to the provisions of Schedule 5 of ITEPA.

Exercise Price

The range of exercise prices payable for each Ordinary Share under each Exchange EMI Option is set out in the table at paragraph 3(i) of Part 13 of this document.

The exercise price (as well as the number of Ordinary Shares under an Exchange EMI Option) may be adjusted by the Board upon the occurrence of any capitalisation issue to the extent that no new consideration is provided to the Company or upon any sub-division, reduction or consolidation of the capital of the Company or other reconstruction or adjustment relating to the Ordinary Shares provided that the exercise price may not be adjusted to a price which is below the nominal value of an Ordinary Share.

Performance Conditions

The ability to exercise an Exchange EMI Option is not conditional on the satisfaction of any performance target.

Exercise

An Exchange EMI Option, may only be capable of exercise: (a) on or at any time after the date on which the listing of Ordinary Shares on the London Stock Exchange becomes effective or the admission to dealing of the Ordinary Shares on AIM or any other recognised investment exchange becomes effective; (b) after the service of a notice, served by the holders of 75 per cent or more of the Ordinary Shares in issue from time to time, that they have agreed the terms for the sale of their Ordinary Shares; or (c) on the Company convening a meeting for the purpose of considering the voluntary winding up of the Company or the Company circulating a resolution for a members voluntary winding up.

An Exchange EMI Option will not however be capable of exercise in the circumstances referred to in paragraph (b) in the preceding paragraph, if the company that will acquire control of the Company will do so by means of a share for share exchange which qualifies for the purpose of paragraph 40 of Schedule 5 of ITEPA as a qualifying exchange of shares and the company that will acquire control of the Company has made a binding offer to the option holder to exchange their Exchange EMI Option for an option over ordinary shares in the capital of the acquiring company which is granted on terms that are equivalent to those governing the Exchange EMI Option. In this case, the option holder must exchange their Exchange EMI Option for the equivalent option offered by the acquiring company.

No Exchange EMI Option is capable of exercise after the expiry of the tenth anniversary of its deemed date of grant (such date being the date of grant of the option over ordinary shares in Ilika Technologies for which the Exchange EMI Option was exchanged).

If the option holder ceases to be an employee of the Group at any time by reason of death, their personal representatives may exercise their Exchange EMI Option within the period expiring on the earlier of (a) 12 months following the date of the option holder's death but only if the Exchange EMI Option had become capable of exercise prior to the option holder's death; and (b) the earlier lapse of the Exchange EMI Option (as described below).

If the option holder ceases to be an employee of the Group by reason of illness, disability resulting in permanent retirement, retirement at normal retirement age, other voluntary resignation (save in circumstances where the option holder could have been dismissed without such dismissal being

unfair or wrongful), unfair or wrongful dismissal (other than a dismissal where it is established that there was a substantive reason to justify the dismissal but the dismissal is unfair on procedural grounds), or redundancy approved in advance by the Company, the option holder shall be entitled to exercise their Exchange EMI Option within the period expiring on the earlier of (a) one month from the date of cessation of employment but only if the Exchange EMI Option had become capable of exercise prior to such cessation of employment; and (b) the earlier lapse of the Exchange EMI Option (as described below).

In relation to the Exchange EMI Option to be held by Stephen Boydell, the position on ceasing to be an employee of the Group is different to that described in the preceding two paragraphs. In Stephen Boydell's case, the Exchange EMI Option held by him will lapse automatically over a certain number of Ordinary Shares, if he ceases to be an employee of the Company for any reason whatsoever before 1 July 2011, such number determined in accordance with the time at which Stephen Boydell ceases to be such an employee. Consequently, should he cease to be an employee of the Company for any reason in the period from 1 December 2009 to 30 June 2010, his Exchange EMI Option will lapse in its entirety. If he ceases to be an employee of the Company in the period from 1 July 2010 to 30 June 2011, then his Exchange EMI Option will lapse as to half of the Ordinary Shares under the Exchange EMI Option. If Stephen Boydell ceases to be an employee on or after 1 July 2011, then the leaver provisions described in the preceding two paragraphs will apply to Stephen Boydell's Exchange EMI Option.

Lapse

Each Exchange EMI Option shall lapse automatically on the earliest to occur of:

- the tenth anniversary of its deemed date of grant;
- the expiry of 12 months following the date of death of the option holder concerned;
- the date on which the option holder ceases to be an employee of the Group otherwise than by reason of his death or one of the good leaver reasons described in the preceding paragraph;
- one month after a company reorganisation within the meaning of paragraph 39(2) of ITEPA or a sale of 75 per cent or more of the Ordinary Shares in issue from time to time (which does not amount to such a company reorganisation) except where the option holder has died or the company acquiring the Ordinary Shares pursuant to such company reorganisation or sale has offered the option holder the chance to exchange their Exchange EMI Option for an equivalent option over ordinary shares in the capital of such acquiring company;
- where a company acquiring control of the Company has offered the option holder the chance to exchange their Exchange EMI Option for an equivalent option over ordinary shares in the capital of such acquiring company, the expiry of six months from the date of the change of control of the Company;
- the commencement of the winding up of the Company;
- the option holder purporting to assign the Exchange EMI Option;
- the option holder being adjudicated bankrupt or entering into a voluntary arrangement with their creditors.

Option Exchange

In the event that a company acquires control of the Company by way of a share for share exchange which qualifies as a qualifying exchange of shares within the meaning of paragraph 40 of Schedule 5 of ITEPA, and such acquiring company has made a binding offer to the option holder to exchange their Exchange EMI Option for an option over shares in the capital of the acquiring company which is equivalent to the Exchange EMI Option, the option holder shall release the Exchange EMI Option in exchange for an new option which is so offered.

Other Option Terms & Issues of Ordinary Shares

An Exchange EMI Option may be exercised in whole or in part.

On the exercise of an Exchange EMI Option, the Company shall issue the Ordinary Shares pursuant to such exercise to the option holder within 14 days of such exercise.

An Exchange EMI Option is not capable of transfer or assignment.

An Exchange EMI Option does not form part of the option holder's entitlement to remuneration or benefits under their contract of employment.

Administration and Amendment

No amendment may be made to an Exchange EMI Option, if such amendment would result in the Exchange EMI Option losing its status as a qualifying enterprise management incentive under Schedule 5 of ITEPA.

No amendment may be made to an Exchange EMI Option, unless the amendment is in writing and agreed by all parties to the agreement under which the Exchange EMI Option was granted.

Any dispute arising in relation to the terms of an Exchange EMI Option (save for a dispute as to the interpretation of the agreement under which the Exchange EMI Option was granted – which shall be referred by the Board to an independent solicitor) shall be referred for decision to a firm of independent accountants selected by the Board who shall act as experts and not as arbitrators. Any decision of the accountants or the solicitor concerned shall be binding on all parties concerned.

EXCHANGE UNAPPROVED OPTIONS

The Exchange Unapproved Options will not be granted as enterprise management incentives pursuant to the provisions of Schedule 5 of ITEPA and will have no beneficial tax status.

Exercise Price

The range of exercise prices payable for each Ordinary Share under each Exchange Unapproved Option is set out in the table at paragraph 3(i) of Part 13 of this document.

The exercise price (as well as the number of Ordinary Shares under an Exchange Unapproved Option) may be adjusted by the Board upon the occurrence of any capitalisation issue to the extent that no new consideration is provided to the Company or upon any sub-division, reduction or consolidation of the capital of the Company or capital dividend or other reconstruction or adjustment relating to the Ordinary Shares provided that the exercise price may not be adjusted to a price which is below the nominal value of an Ordinary Share.

Performance Conditions

The ability to exercise an Exchange Unapproved Option is not conditional on the satisfaction of any performance target.

Daniel Hewak's Exchange Unapproved Option will vest in five tranches based on the Group achieving various commercial objectives related to patent applications, the entering into of contracts and the receipt of grant funds. This option shall, however, immediately vest in full upon a flotation of the Company or the service of a notice, by the holders of more than 50 per cent of the Ordinary Shares in issue from time to time, that they intend to sell shares carrying control of the Company.

Exercise

An Exchange Unapproved Option, may only be capable of exercise: (a) on or at any time after the date on which the listing of Ordinary Shares on the London Stock Exchange becomes effective or the admission to dealing of the Ordinary Shares on AIM or any other recognised investment exchange becomes effective; (b) after the service of a notice, served by the holders of more than 50 per cent of the Ordinary Shares in issue from time to time, that they intend to sell shares carrying control of the Company but prior to a change of control of the Company occurring pursuant to such notice; or (c) on the Company convening a meeting for the purpose of considering the voluntary winding up of the Company or the Company circulating a resolution for a members voluntary winding up.

No Exchange Unapproved Option is capable of exercise after the expiry of the tenth anniversary of its deemed date of grant (such date being the date of grant of the option over ordinary shares in Ilika Technologies for which the Exchange Unapproved Option was exchanged).

If the option holder ceases to be an employee of the Group at any time by reason of death, their personal representatives may exercise their Exchange Unapproved Option within the period expiring on the earlier of (a) twelve months following the date of the option holder's death whether

or not the Exchange Unapproved Option had become capable of exercise prior to the option holder's death; and (b) the earlier lapse of the Exchange Unapproved Option (as described below).

Lapse

Each Exchange Unapproved Option shall lapse automatically on the earliest to occur of:

- the tenth anniversary of its deemed date of grant;
- the expiry of 12 months following the date of death of the option holder concerned;
- in the case of Werner Braun's, Graeme Purdy's and Karl Gerhard Serfert's Exchange Unapproved Options only, the date on which the option holder ceases to be an employee or director of the Group otherwise than by reason of his death or one of the good leaver reasons (being, illness or disability resulting in permanent retirement, other voluntary resignation (save in circumstances where the option holder could have been dismissed without such dismissal being unfair or wrongful), unfair or wrongful dismissal (other than a dismissal where it is established that there was a substantive reason to justify the dismissal but the dismissal is unfair on procedural grounds), redundancy approved in advance by the Company, or for any reason – if the Board in its sole discretion so determines);
- in the case of Brian Hayden's Exchange Unapproved Options only, the date on which the option holder ceases to supply services to the Group, except where the consultancy agreement has expired by effluxion of time (where the option holder was not in breach at the time of expiry), or by reason of death, illness or disability;
- in the case of Jack Boyer's Exchange Unapproved Option only, immediately on cessation in respect of any part of the option which has not vested and six months after the date of cessation in respect of any part of the option which has vested, where he ceases to be either an employee or director of the Group for reasons of illness, disability resulting in permanent retirement, retirement at normal retirement age, other voluntary resignation (save in circumstances where the option holder could have been dismissed without such dismissal being unfair or wrongful), unfair or wrongful dismissal (other than a dismissal where it is established that there was a substantive reason to justify the dismissal but the dismissal is unfair on procedural grounds), or redundancy approved in advance by the Company;
- in the case of Jack Boyer's Exchange Unapproved Option only, the date of cessation where he ceases to be either an employee or director for any reason other than those stated in the paragraph above;
- one month after the date of a change of control of the Company (in the case of Jack Boyer's and Daniel Hewak's Exchange Unapproved Options only, this shall not cause the options to lapse where an offer has been made to exchange the options for options in the share capital of the acquiring company);
- in the case of Jack Boyer's and Daniel Hewak's Exchange Unapproved Options only, where an offer has been made to exchange the options for options in the share capital of an acquiring company, the expiry of the period for that option exchange to take place;
- the commencement of the winding up of the Company;
- the option holder purporting to assign the Exchange Unapproved Option;
- the option holder being adjudicated bankrupt or entering into a voluntary arrangement with their creditors; and
- in the case of Brian Hayden's Exchange Unapproved Option only, the option holder becoming an employee of a Group company (in which case the Company is entitled to replace this lapse provision with a similar provision appropriate to the grant of an option to an employee).

Other Option Terms & Issues of Ordinary Shares

An Exchange Unapproved Option may be exercised in whole or in part.

On the exercise of an Exchange Unapproved Option, the Company shall issue the Ordinary Shares pursuant to such exercise to the option holder within 28 days of such exercise. Ordinary Shares which are allotted on such exercise will rank *pari passu* in all respects with the Ordinary Shares then in issue save as regards any rights attaching to the Ordinary Shares by reference to a record date prior to the date of exercise of the Exchange Unapproved Option.

An Exchange Unapproved Option is not capable of transfer or assignment.

Administration and Amendment

No amendment may be made to an Exchange Unapproved Option, unless the amendment is in writing and agreed by all parties to the agreement under which the Exchange Unapproved Option was granted.

Any dispute arising in relation to the terms of an Exchange Unapproved Option (save for a dispute as to the interpretation of the agreement under which the Exchange Unapproved Option was granted – which shall be referred by the Board to an independent solicitor) shall be referred for decision to the auditors of the Company for the time being by the Board who shall act as experts and not as arbitrators. Any decision of the auditors or the solicitor concerned shall be binding on all parties concerned.

NEW ARRANGEMENTS

The Company has adopted the Share Option Scheme, the principal provisions of which are summarised below. The Company also intends to grant the Unapproved Options on or shortly before Admission, the principal provisions of which are also summarised below.

The Ilika plc Executive Share Option Scheme 2010

Status of the Share Option Scheme

The Share Option Scheme is designed to allow the grant of both options qualifying as Enterprise Management Incentives (under Schedule 5 of ITEPA) and “unapproved” options that have no beneficial tax status.

Eligibility

All employees (including executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the Share Option Scheme.

Grant

The Remuneration Committee has absolute discretion to select the persons to whom options are to be granted and, subject to the limits set out below, in determining the number of Ordinary Shares subject to each option.

Prior to the Admission Date, options may be granted on any day occurring prior to the Admission Date selected by the Remuneration Committee at its sole discretion. On or after the Admission Date, options may be granted during the period of 42 days commencing on: (a) the Admission Date; (b) the date of the preliminary announcement of the Company’s annual results or the announcement of its half-yearly results in any year; or (c) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of options.

If the grant of an option on any of the above days would be prohibited by virtue of the AIM Rules for Companies or any statute or regulation or any order made pursuant to such statute, then such option may be granted during the period of 42 days commencing on the Dealing Day immediately following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an option.

Scheme Limits

No option may be granted after the Admission Date under the Share Option Scheme if, as a result, the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted during the previous ten years under the Share Option Scheme or any other employees’ share scheme, profit sharing scheme or employee share ownership plan adopted by the Company would exceed ten per cent of the nominal value of the share capital of the Company in issue on that date.

For the avoidance of doubt, any Ordinary Shares issued or then capable of being issued pursuant to any options granted on or prior to the Admission Date (whether pursuant to the Unapproved Options or under the Share Option Scheme or any other employees’ share scheme adopted by the Company or otherwise) shall not count towards the limit set out above and any Ordinary Shares

already in issue when placed under option or subject to an option which has lapsed shall be disregarded for the purpose of the above limit.

Individual Limit

In general, each individual's participation is limited so that, in any one financial year of the Company, the aggregate market value of Ordinary Shares subject to all options (calculated as at the date of grant of each option) granted to the individual under the Share Option Scheme in that financial year, will not exceed one times the individual's basic salary at the date of grant.

The individual limit does not apply to options granted to an individual on or before the Admission Date and options granted to an individual on or before the Admission Date do not count towards the limit. The individual limit can also be exceeded in circumstances which the Remuneration Committee considers to be exceptional.

Exercise Price

The exercise price per Ordinary Share under an option shall be the market value of an Ordinary Share as at the date of grant provided always that in the case of an option to subscribe for Ordinary Shares, the exercise price per Ordinary Share shall be the higher of (i) the market value of an Ordinary Share as at the date of grant; and (ii) the nominal value of an Ordinary Share.

The exercise price (as well as the number of Ordinary Shares under option and their nominal value) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend), an open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital.

Performance Conditions

The exercise of options granted under the Share Option Scheme will, in normal circumstances, be conditional upon the achievement of an objective performance target set at the time of grant. Such performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ("Performance Period"). The option will become capable of exercise following a date ("Vesting Date") specified at the time of grant which occurs on or after the expiry of the relevant Performance Period. The Vesting Date for an option may not occur before the third anniversary of the date of grant.

In relation to the initial grant of options under the Share Option Scheme intended to be made on the Admission Date, the Remuneration Committee intend that the Performance Period will be the three year period running from the date of grant of the options concerned to the third anniversary of such date of grant, that the Vesting Date shall be the third anniversary of the date of grant of the options concerned and that the performance target will be as described below.

In normal circumstances the option will not be capable of exercise over any of the Ordinary Shares unless the percentage growth in the Company's quoted share price for an Ordinary Share over the Performance Period exceeds the percentage growth in the FTSE TechMARK All Share index over the Performance Period.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index over the Performance Period ("Lower Share Price Target") then the option may not be exercised over any of the Ordinary Shares subject to that option.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index plus 10 per cent. over the Performance Period ("Upper Share Price Target") the option may be exercised over all of the Ordinary Shares subject to the option.

Where the percentage growth in the Company's quoted share price for an Ordinary Share over the Performance Period falls between the Lower Share Price Target and the Upper Share Price Target, the number of Ordinary Shares (rounded down to the nearest whole number) in respect of which the option may be exercised shall be determined on a straight line basis between zero per cent. and 100 per cent. of the Ordinary Shares subject to the option concerned.

It is proposed that in order to determine the percentage growth in the Company's quoted share price for an Ordinary Share, the average of the closing share prices for an Ordinary Share in respect of the 30 Dealing Days immediately after the date of grant of the options concerned will be compared to the average of the closing share prices for an Ordinary Share in respect of the 30 Dealing Days immediately prior to the end of the Performance Period.

Similarly, it is proposed that in order to determine the percentage growth in the FTSE TechMARK All Share index, the average of the closing figures for such index in respect of the 30 Dealing Days immediately after the date of grant of the options concerned will be compared to the average of the closing figures for such index in respect of the 30 Dealing Days immediately prior to the end of the Performance Period.

If events occur which cause the Remuneration Committee reasonably to consider that a different or amended target would be a fairer measure of performance, the Remuneration Committee may waive or amend the original performance target in such manner as it deems fit provided that any such amended target is not materially more difficult to achieve than the original performance target.

It should also be noted that a performance target, applying to an option, may be measured over an abbreviated period less than the Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee thinks fit so as to be applied over such abbreviated period.

Exercise of Options

Normally, an option may only be exercised following the occurrence of the Vesting Date to the extent that the performance target has been satisfied and the participant is still an employee within the Group.

No option is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

Options may not be exercised at any time when such exercise would be in breach of the AIM Rules for Companies.

In certain circumstances, options may be exercised earlier than the Vesting Date if the option holder ceases to be an employee of the Group. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement or upon the sale or transfer out of the Group of the company or undertaking employing him. In the event of cessation of employment of the option holder by reason of his death, his personal representatives will be entitled to exercise the option within twelve months following the date of his death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a period of six months at the discretion of the Remuneration Committee.

Exercise of options is also possible earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the option holder concerned, the Remuneration Committee may allow the option to be exercised immediately before, but with effect from, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an option prior to the Vesting Date, the option may not be exercised unless (subject to any modification or waiver of the performance target in accordance with the rules of the Share Option Scheme) the performance condition, if any, to which it is subject has been satisfied. Where an option is exercised before the occurrence of the Vesting Date, the maximum number of Ordinary Shares over which any option is capable of exercise shall, subject to the discretion of the Remuneration Committee, be pro-rated down on a time apportioned basis by reference to the time that has elapsed from the relevant date of grant to the relevant event giving rise to the early exercise of the option.

In relation to the pro-rating mechanism outlined above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise of an option,

to ignore the prescribed pro-rating of the Ordinary Shares over which such option may be exercised.

Other Option Terms & Issues of Ordinary Shares

The Share Option Scheme provides the facility for the exercise of an option to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Company's Ordinary Shares are admitted to trading on AIM, the Company will use its best endeavours to procure that the Ordinary Shares issued following exercise of any options are admitted to trading on AIM as soon as practicable after allotment.

Benefits obtained under the Share Option Scheme are not pensionable.

Administration & Amendment

The Share Option Scheme is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the Share Option Scheme. The rules of the Share Option Scheme which relate to:

- the persons to whom Ordinary Shares are provided under the Share Option Scheme;
- the limits on the number of Ordinary Shares which may be issued under the Share Option Scheme;
- the maximum entitlement of any option holder;
- the basis for determining an option holder's entitlement to Ordinary Shares or options; and
- the basis for determining the adjustment of any option granted under the Share Option Scheme following any increase or variation in the share capital of the Company

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the Share Option Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any Group company.

Termination

The Share Option Scheme may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further options can be granted under the Share Option Scheme after such termination. Termination shall not affect the outstanding rights of existing option holders.

Options to be granted under the Share Option Scheme on or shortly before Admission

It is intended that the Company will grant options on or shortly before Admission over 164,600 Ordinary Shares pursuant to the Share Option Scheme to employees of the Company not listed as Directors in paragraph 11 of Part 5 of this document.

Each of the options to be granted on or shortly before Admission pursuant to the Share Option Scheme will be granted as Enterprise Management Incentives to the extent to which this is permissible within the limits imposed by the relevant legislation. Any options in excess of these statutory limits will be granted as unapproved options with no beneficial tax status.

Unapproved Options

Status of the Unapproved Options

It is proposed that each of the Unapproved Options are to be granted by the Company shortly before or on Admission, in each case pursuant to a stand-alone option agreement, the principal terms of which are set out below. The Unapproved Options will have no beneficial tax status.

Exercise Price

Each Unapproved Option will be granted as an option to subscribe for Ordinary Shares. No consideration will be payable for the grant of an Unapproved Option.

The exercise price payable per Ordinary Share under an Unapproved Option will be the higher of the (i) the Placing Price and (ii) the nominal value of an Ordinary Share.

The exercise price (as well as the number of Ordinary Shares under an Unapproved Option and their nominal value) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend), open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital.

Performance Conditions

The table below sets out the details of the total number of Ordinary Shares which are proposed to be made subject to each Unapproved Option and the apportionment of such Ordinary Shares to a particular Tranche.

<i>Name of Individual</i>	<i>Total number of Ordinary Shares subject to the Unapproved Option</i>	<i>Number of Ordinary Shares subject to Tranche 1</i>	<i>Number of Ordinary Shares subject to Tranche 2</i>	<i>Number of Ordinary Shares subject to Tranche 3</i>	<i>Number of Ordinary Shares subject to Tranche 4</i>
Jack Boyer	1,800,000	300,000	500,000	500,000	500,000
Graeme Purdy	1,800,000	300,000	500,000	500,000	500,000
Brian Hayden	900,000	150,000	250,000	250,000	250,000
Mark Bradley	165,000	15,000	50,000	50,000	50,000
Sir William Wakeham	115,200	15,000	33,400	33,400	33,400
Werner Braun	115,200	15,000	33,400	33,400	33,400
Stephen Boydell	205,200	30,000	58,400	58,400	58,400
Clare Spottiswoode	100,200	nil	33,400	33,400	33,400

<i>Vesting Date</i>	<i>Date of Grant</i>	<i>First Anniversary of the Date of Grant</i>	<i>Second Anniversary of the Date of Grant</i>	<i>Third Anniversary of the Date of Grant</i>
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The ability to exercise each Unapproved Option over the number of Ordinary Shares set out in the above table under Tranche 1 will not be subject to any performance target.

The ability to exercise each Unapproved Option over the remainder of the Ordinary Shares will be conditional on the achievement of the following objective performance targets.

Tranche 2

In normal circumstances the Unapproved Option will not be capable of exercise over any of the Ordinary Shares comprised in Tranche 2 unless the percentage growth in the Company's quoted share price for an Ordinary Share over a performance period of one year ("First Year Performance Period") commencing on the date of grant of the Unapproved Option exceeds the percentage growth in the FTSE TechMARK All Share index over the First Year Performance Period.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the First Year Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index over the First Year Performance Period ("Lower Target") then the Unapproved Option may not be exercised over any of the Ordinary Shares comprised in Tranche 2.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the First Year Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index plus 10 per cent. over the First Year Performance Period ("Upper Target") the Unapproved Option may be exercised over all of the Ordinary Shares comprised in Tranche 2.

Where the percentage growth in the Company's quoted share price for an Ordinary Share over the First Year Performance Period falls between the Lower Target and the Upper Target, the number of Ordinary Shares comprised in Tranche 2 in respect of which the Unapproved Option may be exercised shall be determined on a straight line basis between zero per cent. and 100 per cent. of the Ordinary Shares comprised in Tranche 2.

Tranche 3

In normal circumstances the Unapproved Option will not be capable of exercise over any of the Ordinary Shares comprised in Tranche 3 in the above table unless the percentage growth in the Company's quoted share price for an Ordinary Share over a performance period of one year ("Second Year Performance Period") commencing on the first anniversary of the date of grant of the Unapproved Option exceeds the percentage growth in the FTSE TechMARK All Share index over the Second Year Performance Period.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the Second Year Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index over the Second Year Performance Period ("Lower Target") then the Unapproved Option may not be exercised over any of the Ordinary Shares comprised in Tranche 3.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the Second Year Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index plus 10 per cent. over the Second Year Performance Period ("Upper Target") the Unapproved Option may be exercised over all of the Ordinary Shares comprised in Tranche 3.

Where the percentage growth in the Company's quoted share price for an Ordinary Share over the Second Year Performance Period falls between the Lower Target and the Upper Target, the number of Ordinary Shares comprised in Tranche 3 in respect of which the Unapproved Option may be exercised shall be determined on a straight line basis between zero per cent. and 100 per cent. of the Ordinary Shares comprised in Tranche 3.

Tranche 4

In normal circumstances the Unapproved Option will not be capable of exercise over any of the Ordinary Shares comprised in Tranche 4 in the above table unless the percentage growth in the Company's quoted share price for an Ordinary Share over a performance period of one year ("Third Year Performance Period") commencing on the second anniversary of the date of grant of the Unapproved Option exceeds the percentage growth in the FTSE TechMARK All Share index over the Third Year Performance Period.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the Third Year Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index over the Third Year Performance Period ("Lower Target") then the Unapproved Option may not be exercised over any of the Ordinary Shares comprised in Tranche 4.

If the percentage growth in the Company's quoted share price for an Ordinary Share over the Third Year Performance Period is equal to the percentage growth in the FTSE TechMARK All Share index plus 10 per cent. over the Third Year Performance Period ("Upper Target") the Unapproved Option may be exercised over all of the Ordinary Shares comprised in Tranche 4.

Where the percentage growth in the Company's quoted share price for an Ordinary Share over the Third Year Performance Period falls between the Lower Target and the Upper Target, the number of Ordinary Shares comprised in Tranche 4 in respect of which the Unapproved Option may be exercised shall be determined on a straight line basis between zero per cent. and 100 per cent. of the Ordinary Shares comprised in Tranche 4.

If events occur which cause the Remuneration Committee reasonably to consider that a different or amended target would be a fairer measure of performance, the Remuneration Committee may waive or amend any of the above performance targets in such manner as it deems fit provided that any such amended target is not materially more difficult to achieve than the original performance target.

It should also be noted that a performance target, applying to any Tranche of Ordinary Shares under an Unapproved Option, may be measured over an abbreviated period less than the relevant Performance Period applying to such Tranche in circumstances where an option holder ceases to be engaged to provide services to the Group before the end of such relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of

such relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee thinks fit so as to be applied over such abbreviated period.

Exercise of Unapproved Options

Each Tranche of Ordinary Shares subject to an Unapproved Option will have its own Vesting Date as set out in the table above.

Normally, an Unapproved Option may only be exercised in respect of the Ordinary Shares subject to a particular Tranche following the occurrence of the Vesting Date relating to that Tranche to the extent that the performance target, if any, applying to such Tranche has been satisfied and the participant is still engaged under a contract to provide services to a company within the Group.

No Unapproved Option is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

An Unapproved Option may not be exercised at any time where such exercise would be in breach of the AIM Rules.

In certain circumstances, an Unapproved Option may be exercised in respect of the Ordinary Shares subject to a particular Tranche earlier than the Vesting Date relating to that Tranche if the option holder ceases to be engaged under a contract to provide services to a company within the Group. In particular, an Unapproved Option may be exercised for a period of six months after the option holder ceases to be so engaged by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee). In the event of the contract to provide services being terminated by reason of the death of the option holder, his personal representatives will be entitled to exercise the option within twelve months following the date of his death. Where an option holder ceases to be engaged to provide services to a company within the Group for any other reason, the Unapproved Option may also become exercisable for a period of six months at the discretion of the Remuneration Committee.

Exercise of an Unapproved Option in respect of the Ordinary Shares subject to a particular Tranche is also possible earlier than the Vesting Date relating to that Tranche in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court or the voluntary winding up of the Company. In the case of a takeover of the Company the Remuneration Committee may allow the Unapproved Option to be exercised immediately before, but with effect from, the takeover.

In all of these circumstances allowing for early exercise of an Unapproved Option prior to a relevant Vesting Date relating to a particular Tranche, the Unapproved Option may not be exercised over any of the Ordinary Shares comprised in such Tranche unless (subject to any modification or waiver of the performance targets in accordance with the terms of the Unapproved Option) the performance condition, if any, to which the particular Tranche is subject has been satisfied.

Where circumstances occur allowing for the early exercise of an Unapproved Option prior to the Vesting Date relating to a particular Tranche, the Unapproved Option can be exercised over:

- in respect of each Tranche for which the Vesting Date has occurred at the time of the event triggering the ability to exercise the Unapproved Option, all of the Ordinary Shares determined in accordance with the relevant performance target, if any, applying to such Tranche (to the extent that the Unapproved Option has not already been exercised over such Ordinary Shares); and
- in respect of the Tranche for which the Vesting Date has not yet occurred at the time of the event triggering the ability to exercise the Unapproved Option, such number of Ordinary Shares as is determined in accordance with the performance target applying to such Tranche, but, subject to the discretion of the Remuneration Committee, pro-rated down on a time apportioned basis by reference to the time that has elapsed from the commencement of the relevant Performance Period relating to that Tranche to the relevant event giving rise to the early exercise of the Unapproved Option.

The Unapproved Option shall lapse in respect of any Ordinary Shares over which the Unapproved Option is not capable of exercise as a result of the provisions summarised in the preceding two bullet points.

In relation to the pro-rating mechanism outlined above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise the

Unapproved Option, to ignore the prescribed pro-rating of the Ordinary Shares subject to the relevant Tranche over which such Unapproved Option may be exercised.

Other option terms & Issues of Ordinary Shares

The exercise of an Unapproved Option shall be satisfied by the issue of Ordinary Shares, the transfer of Ordinary Shares by an existing shareholder who has agreed to satisfy the exercise of the Unapproved Option or by the transfer of Ordinary Shares held in treasury.

An Unapproved Option is not capable of transfer or assignment.

Until an Unapproved Option is exercised, the option holder shall have no voting or other rights in relation to the Ordinary Shares subject to that Unapproved Option.

Ordinary Shares allotted pursuant to the exercise of an Unapproved Option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an Unapproved Option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Company's Ordinary Shares are admitted to trading on AIM, the Company will use its best endeavours to procure that the Ordinary Shares issued following exercise of an Unapproved Option are admitted to trading on AIM as soon as practicable after allotment.

Benefits obtained under the Unapproved Options are not pensionable.

Administration & amendment

An Unapproved Option is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the Unapproved Option. However, provisions of the Unapproved Option which relate to:

- the person who may benefit under the Unapproved Option;
- the maximum entitlement of the option holder;
- the basis for determining the option holder's entitlement to Ordinary Shares; and
- the basis for determining the adjustment of the Unapproved Option following any increase or variation in the share capital of the Company

cannot be amended to the advantage of the option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the Unapproved Option, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the option holder or any Group company. Any amendments to the provisions of an Unapproved Option other than minor amendments referred to in the preceding sentence will require the consent of the option holder before they can be made.

7. Directors' and other Interests

- (a) The names of the Directors of the Company are set out in Part 4 of this document.
- (b) The interests of each Director, all of which are beneficial (except as noted below), in the ordinary share capital of the Company as at 5 May 2010, being the latest practicable date prior to the date of this document, are as follows:

	<i>Present</i>		<i>Following the Placing</i>	
	<i>Ordinary Shares¹</i>	<i>%²</i>	<i>Ordinary Shares¹</i>	<i>%²</i>
Jack Boyer	273,100	2.6	273,100	0.7
Professor Brian Hayden ³	Nil	Nil	Nil	Nil

1. All of the shares held are Ordinary Shares save for Professor Brian Hayden who holds Convertible Preference Shares.
2. Percentages expressed are by reference to the total issued ordinary share capital as at the date of this document and following the Placing.
3. Brian Hayden holds 593,800 Convertible Preference Shares.

- (c) Assuming that each of the Directors accepts the offer made by the Company for them to release their options over shares in Ilika Technologies in exchange for equivalent options over Ordinary Shares, then the Directors will also be interested in unissued Ordinary Shares under share options to be granted under the Exchange Arrangements, all of which were granted for nil consideration, as follows:

	<i>Exercise Price</i>	<i>Number of Ordinary Shares</i>	<i>Latest Date of Exercise/Exercise Period</i>	<i>Type of option</i>
Jack Boyer	£0.10	540,200	29 June 2014	Unapproved
Brian Hayden	£0.80	59,300	11 July 2017	Unapproved
Werner Braun	£2.43	20,000	11 November 2018	Unapproved
Graeme Purdy	£0.80	136,200	11 July 2017	Unapproved
Graeme Purdy	£0.10	375,000	19 May 2014	EMI
Graeme Purdy	£0.10	219,700	29 June 2014	EMI
Graeme Purdy	£0.10	139,500	9 June 2015	EMI
Graeme Purdy	£0.80	26,500	14 May 2017	EMI
Stephen Boydell	£0.80	90,000	1 December 2019	EMI

- (d) The Directors will also be interested in unissued Ordinary Shares under options granted pursuant to the Share Option Scheme and under the Unapproved Options which are anticipated to be granted to them on, or shortly before, Admission. Full details of all such options proposed to be granted are set out in the table at paragraph 6 of Part 13 of this document.
- (e) Save as disclosed above, no Director has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 252 of the 2006 Act) have any such interests, whether beneficial or non-beneficial.
- (f) The Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Previous directorships/ partnerships</i>	<i>Current directorships/ partnerships</i>
Jack Boyer	Quiconnect Limited The Matrix Consultancy Limited H.H. Martyn Limited	Prime Estates Limited Prime Estates Services Limited Southampton Asset Management Limited The Godolphin and Latymer School Foundation The Forum for the Future Boyer Investments Limited Iqur Limited
Graeme Purdy		Southampton Asset Management Limited
Stephen Boydell	Healthy Direct Limited (Guernsey) HubEurope.com Limited (UK) HubEurope.com Limited (Guernsey) Nutralife (UK) Limited Oxford Nutraceuticals Limited	Perpetuum Limited
Clare Spottiswoode	Anker Limited Advanced Technology (UK) Limited British Energy Limited British Energy Bond Finance Plc British Energy Group Plc Earls Nook Limited Biofuels Corporation Trustees Limited British Energy Employee Share Trustees Limited	Energysolutions EU Limited Pillarbox Productions Limited Gas Strategies Group Limited Tullow Oil Plc Gas Strategies Holdings Limited
Dr Werner Braun		Biotronic U.K. Limited

<i>Name</i>	<i>Previous directorships/ partnerships</i>	<i>Current directorships/ partnerships</i>
Professor Sir William Wakeham	University of Southampton Holdings Limited Southampton Asset Management WUN Trading Limited ITV Meridian Limited Cogent SSC Limited US(CA) Limited The Wun Foundation	Wakeham and Wakeham Limited Higher Education South East

- (g) No Director for at least the previous five years:
- (i) has any convictions in relation to fraudulent offences; or
 - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
 - (iii) has been a director of any company which, while he was a director had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
 - (iv) has been a partner of any partnership which, while he was a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset: or
 - (v) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
 - (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (h) As at 5 May 2010, being the latest practicable date prior to the date of this document, so far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (i) As at 5 May 2010, being the latest practicable date prior to the date of this document, so far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- (j) As at 5 May 2010, being the latest practicable date prior to the date of this document, save as disclosed in paragraph 6 of this Part 13, and as set out below, the Company is not aware of any person who is directly or indirectly interested in 3 per cent. or more of the Enlarged Issued Ordinary Share Capital or voting rights of the Company:

	<i>Before Placing</i>		<i>After Placing</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
IP Group ¹	3,661,700	30.2	6,637,861	18.2
Southampton Asset Management	1,700,000	14.0	3,799,900	10.4
Sulis (Wyvern)	1,500,000	12.4	1,598,039	4.4
St. Peter Port Capital	1,029,500	8.5	6,018,924	16.5
Nomura International	1,029,500	8.5	6,018,924	16.5
Artemis ²	782,000	6.4	2,670,741	7.3
Invesco	351,900	2.9	1,830,991	5.0
Beagle Partners	—	—	1,274,510	3.5
Diverso ³	—	—	4,117,647	11.3

1 Comprised of IP2IPO Limited, IP2IPO Management Limited, IP2IPO Nominees Limited and IP Venture Fund.

2 Comprised of Artemis AIM VCT plc and Artemis AIM VCT2 plc.

3 Diverso Holdings Ltd. holds its shares through Mackin Holdings Inc., a wholly-owned subsidiary.

- (k) The Convertible Preference Shares are held by the persons set out below. The Convertible Preference Shares are convertible at any time at the option of the holders hereof into Ordinary Shares on a one-for-one basis:

	<i>Convertible Preference Shares</i>
M Bradley	593,800
B Hayden	593,800
B S Guerin	593,800

- (l) None of the Company's major holders of shares listed above has voting rights which are different from other holders of Ordinary Shares.
- (m) There are no loans made or guarantees granted or provided by any member of the Company to or for the benefit of any Director.
- (n) No Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.

The remuneration of each Director for the year ended 30 April 2009 was as follows:

	<i>Salary/ fees</i>	<i>Bonus</i>	<i>Pension contri- bution</i>	<i>Taxable benefits</i>	<i>Total YEAR</i>
	£	£	£	£	£
Directors					
Jack Boyer	40,920	Nil	Nil	Nil	40,920
Graeme Purdy	122,760	14,209	12,276	365	149,610
Stephen Boydell	Nil	Nil	Nil	Nil	Nil
Clare Spottiswoode	Nil	Nil	Nil	Nil	Nil
Werner Braun	20,386	Nil	Nil	Nil	20,386
William Wakeham	Nil	Nil	Nil	Nil	Nil
Brian Hayden	35,603	Nil	Nil	Nil	35,603

8. Directors service contracts

- (a) Graeme Purdy entered into a service agreement with Ilika Technologies dated 19 May 2004. By way of letter dated 6 May 2010, this service agreement was novated to the Company, as employer, and amended. The service agreement provides for an annual salary of £160,000, a discretionary bonus of 30 per cent of salary, life assurance and critical illness cover, share options and pension contributions of 10 per cent. of salary. The service agreement is subject to termination on 12 months' notice by either party.
- (b) Stephen Boydell entered into a service agreement with Ilika Technologies dated 16 June 2009. By way of letter dated 6 May 2010, this service agreement was novated to the Company, as employer, and amended. The service agreement provides for an annual salary of £105,000, a discretionary bonus of 20 per cent of salary, pension contributions of 8 per cent of salary, life insurance and critical illness cover. The service agreement is subject to termination on 6 months' notice by either party. Stephen Boydell's services are currently supplied on a part-time basis but are anticipated to be supplied on a full time basis following Admission.
- (c) The services of Professor Brian Hayden as Chief Scientific Officer are provided under the terms of an agreement between Ilika Technologies and the University of Southampton dated 19 May 2004 for an initial period of two years, continuing thereafter subject to termination upon at least 3 months' notice, at a fee of £30,000 per annum to be increased following Admission to £50,000 subject to consent from the University of Southampton. By way of a deed of novation dated 6 May 2010 this agreement was novated to the Company and amended on 6 May 2010.

- (d) The services of Jack Boyer as non-executive Director and Chairman are provided under the terms of an agreement between the Company and Jack Boyer dated 6 May 2010 for an initial period of three years, continuing thereafter subject to termination upon at least 3 months' notice, at an annual fee of £60,000.
- (e) The services of Dr Werner Braun as non-executive Director are provided under the terms of an agreement between the Company and Dr Werner Braun dated 6 May 2010 for an initial period of one year, continuing thereafter subject to termination upon at least 3 months' notice, at an annual fee of £30,000.
- (f) The services of Professor Sir William Wakeham as non-executive Director are provided under the terms of an agreement between the Company and Professor Sir William Wakeham dated 6 May 2010 for an initial period of one year, continuing thereafter subject to termination upon at least 3 months' notice, at an annual fee of £30,000.
- (g) The services of Clare Spottiswoode as non-executive Director are provided under the terms of an agreement between the Company and Clare Spottiswoode dated 6 May 2010 for an initial period of one year, continuing thereafter subject to termination upon at least 3 months' notice, at a fee of £30,000 per annum.
- (h) Save as set out in paragraph above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

9. The Board and Corporate Governance

Corporate Governance

The Directors support high standards of corporate governance. As an unlisted company, as at the date of this document the Company has not been required to, nor has it fully complied with, the provisions of the Combined Code. Although compliance with the Combined Code is not compulsory for AIM companies, the Directors intend to apply the principles as far as practicable and appropriate for a public company of the Company's nature and size.

As envisaged by the Combined Code the Company has established three committees: an audit committee, a remuneration committee and a nomination committee details of which are set out below.

The Combined Code also recommends that the Board should appoint one of its independent Non-Executive Directors to be the Senior Independent Director. The Senior Independent Director should be available to shareholders if they have concerns that contact through the normal channels of chairman, chief executive officer or chief financial officer has failed, or for which such contact is inappropriate. Professor Sir William Wakeham has been appointed as the Company's senior independent Director.

The Combined Code recommends that a formal induction process should be put in place for new directors. Although the Company does not currently have such a procedure in place one is anticipated to be introduced following Admission.

The Combined Code recommends that the board should undertake a formal rigorous annual evaluation of its own performance and that of its committees and individual directors. This is not currently the case, but going forward it is intended that this will be the case and the Company's annual report will state how the performance evaluation of the board, its committees and its individual directors has been conducted each year. The non-executive directors also intend to separately evaluate the performance of the executive directors.

There is currently no formal re-election process in place for board members as recommended by the Combined Code. A formal procedure will, however, be drawn up and documented.

The Company does not currently have in place any whistleblowing arrangements, as recommended by the Combined Code. These are intended to be introduced.

Due to its small size the Company does not have in place an internal audit function. The reason for the absence of an internal audit function will be explained in the Company's annual report.

The Directors recognise the importance of compliance with the Combined Code and, although as set out above the Company will not be fully compliant with its provisions on Admission, it is

intended that following Admission the Company will move to compliance with the Combined Code as far as is practicable and appropriate for a public company of the Company's nature and size.

Notwithstanding the grant of options to the non-executive directors noted in paragraph 6 of this part 13 the Board has concluded that all non-executive directors are independent.

Board

The Board currently comprises three executive and four non-executive Directors and reflects a blend of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive have been split by the Board for several years and there is a clear division of responsibility between the two.

The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs and the Board's role is to provide entrepreneurial leadership of the Company. There are a number of matters reserved specifically for decision by the Board and these include:

- reviewing operating and financial performance;
- ensuring that appropriate management development and succession plans are in place;
- determination of corporate strategy, including consideration and approval of the Company's annual strategy review;
- establishment of dividend policy;
- approval and acceptance of all new committed funding facilities;
- approval and acceptance of major changes in the capital structure of the Company;
- reviewing and approving formal treasury policies relating to funding, liquidity, transactional foreign exchange and interest rate risk management;
- reviewing the health and safety and environmental performance of the Company;
- approval of corporate acquisitions, mergers, divestments, joint ventures and major capital expenditure; and
- receiving, reviewing and approving recommendations by the designated committee on matters related to Audit, Nominations and Remuneration.

Upon appointment, Directors undertake an informal induction process involving, *inter alia*, familiarisation with the Company's strategy, culture, financial position and business operations (including visits to the Company's principal subsidiaries) and formal training as required. Any further individual training requirements are provided as necessary and the Directors continually update and refresh their skills and knowledge. Directors also have access to the advice and services of the Company Secretary, who is tasked with ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, Directors may, in furtherance of the execution of their duties, take independent professional advice, if necessary at the Company's expense.

The Board normally has at least 8 scheduled meetings a year and, as detailed above, has agreed a schedule of matters specifically reserved to it for decision. Briefing papers on items for consideration are circulated to each Director the week prior to a Board Meeting. The Non-Executive Directors meet regularly throughout the year without the Executive Directors present.

All Directors are required to seek re-election at least every three years and, in accordance with best practice, the Company ensures that any Director over the age of 70 years stands for re-election on an annual basis.

Committee details

Audit Committee

The Company employs rigorous procedures to ensure the continued independence of the external auditor. The Audit Committee reviews each year the arrangements for safeguarding auditor objectivity and independence.

The members of the Audit Committee of whom all are considered to be independent are:

- Clare Spottiswoode (Chairman)
- Professor Sir William Wakeham
- Jack Boyer

The Audit Committee monitors the integrity of the Company's financial statements and the effectiveness of the external audit process. It is responsible for ensuring that an appropriate relationship between the Company and the external auditors is maintained, including reviewing non-audit services and fees, and makes recommendations to the Board on the appointment, reappointment or dismissal of the external auditors. It also reviews the Company's systems of internal control and the processes for monitoring and evaluating the risks facing the Company.

The Audit Committee reviews annually its terms of reference and its effectiveness and recommends to the Board any changes required as a result of such review. The Audit Committee meets at least three times a year, including meetings before the annual and half year results announcements and at the planning stage of the annual external audit process.

The Audit Committee has authority to investigate any matters within its terms of reference, to access resources, to call for information and to obtain external professional advice at the cost of the Company. Should there be any disagreement between the Audit Committee and the Board which cannot be resolved, the Audit Committee has the right to report the issue to Shareholders within the Company's next Annual Report.

No person other than the members of the Audit Committee is entitled to be present at meetings but others may be invited to attend by the Audit Committee. The external auditors usually attend meetings of the Audit Committee. At each meeting, there is an opportunity for the external auditors to discuss matters with the Audit Committee without any executive management being present. The Audit Committee has independent access to the external auditors and the external auditors have direct access to the Chairman of the Audit Committee outside formal Audit Committee meetings.

The Audit Committee has the specific task of keeping 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. For non-audit work, the policy is that the Company does not use the external auditors unless there are persuasive reasons to do so (for example, they can provide a unique skill or a service not readily available from any other source). Under the policy, agreed by the Board, any proposal to use the external auditors for non-audit work must be submitted to the Finance Director who will, depending on the nature of the service, seek the prior authorisation of the Chairman of the Audit Committee. The external auditors have in place processes to ensure their independence is maintained including safeguards to ensure that, where they do provide non-audit services, their independence is not threatened. They have written to the Audit Committee confirming that, in their opinion, they are independent.

Remuneration Committee

The Remuneration Committee comprises three non-executive directors of the Company (of whom all of the directors are considered to be independent). The members of the Committee are:

- Werner Braun (Chairman)
- Clare Spottiswoode
- Jack Boyer

The Committee meets at least twice per year and agrees further meetings at its discretion. The Chairman of the Committee has the power to call a meeting.

The Chairman of the Committee is appointed by the Board on the recommendation of the nomination committee. The quorum for the Committee is two and in the absence of the Chairman, the other members present shall choose one of them to chair the meeting. The Company Secretary is the secretary of the Committee.

The duties of the Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the chairman, executive directors and any employees that the Board delegates to it;
- within the terms of the agreed policy, determine individual remuneration packages including bonuses, incentive payments, share options, pension arrangements and any other benefits;
- determine the contractual terms on termination and individual termination payments, ensuring that the duty of the individual to mitigate loss is fully recognised;

- in determining individual packages and arrangements, give due regard to the comments and recommendations of the Combined Code on Corporate Governance and the AIM Rules for Companies;
- be told of and be given the chance to advice on any major changes in employee benefit structures in the Company;
- recommend and monitor the level and structure of remuneration for senior managers below Board level as determined;
- agree the policy for authorising claims for expenses from the Chief Executive Officer and from the Chairman of the Board; and
- recommend an annual report for the board to put to shareholders on executive remuneration compliant with relevant legal and regulatory provisions.

The Committee is authorised by the Board to:

- seek any information it requires from any employee of the Company in order to perform its duties;
- be responsible for establishing the selection criteria and then for selecting, appointing and setting the terms of reference for any remuneration consultants providing advice to the Committee, at Company's expense; and
- obtain, at the Company's expense, outside legal or other professional advice where necessary in the course of its activities.

Nomination Committee

The Nomination Committee comprises the following members, of whom all are considered to be independent:

- Jack Boyer (Chairman)
- Professor Sir William Wakeham (Deputy Chairman)
- Dr Werner Braun

A majority of Nomination Committee members are independent Non-Executive Directors.

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board. Although the Nomination Committee makes recommendations to the Board, nominations to the Board are ultimately considered by the Board as a whole. In carrying out its duties, the Nomination Committee is primarily responsible for:

- identifying and nominating candidates to fill board vacancies;
- evaluating the structure and composition of the board with regard to the balance of skills, knowledge and experience and making recommendations accordingly;
- reviewing the time requirements of non-executive directors;
- giving full consideration to succession planning; and
- reviewing the leadership of the Company.

10. Placing Arrangement

Pursuant to the Placing Agreement dated 6 May 2010 between Nomura Code (1), the Directors (2) and the Company (3), Nomura Code has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares and, to the extent that Nomura Code fails to procure subscribers for all of the Placing Shares Nomura Code has agreed itself to subscribe for any unplaced Placing Shares. All such subscriptions will be at the Placing Price. Placees who subscribe for Placing Shares pursuant to the Placing will also receive Placing Warrants on a one for one basis.

The Placing Agreement is conditional, *inter alia*, upon Admission taking place on or before 14 May 2010 or such later date as Nomura Code and the Company may agree but in any event not later than 28 May 2010, the receipt by Nomura Code of Placing proceeds from certain Placees two Business Days prior to the Admission Date and the Placing Agreement having become unconditional in all respects and not having been terminated in accordance with its terms.

Subject to the terms and conditions of the Placing Agreement, the Company will pay to Nomura Code a corporate finance fee of £200,000 and a commission of 3 per cent. of the aggregate

proceeds from the issue of the Placing Shares and warrants to subscribe for 392,157 Ordinary Shares on the same terms as the Placing Warrants. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The Placing Agreement contains certain customary warranties given by the Company and the Directors in favour of Nomura Code as to, *inter alia*, the accuracy of information contained in this document and a customary indemnity from the Company and certain of the Directors in favour of Nomura Code.

Nomura Code may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it, where any event or omission relating to the Company is, or will be in the opinion of Nomura Code, materially prejudicial to the successful outcome of the Placing, or where any change in financial, monetary, economic, political or market conditions is, or will be in the opinion of Nomura Code, materially prejudicial to the successful outcome of the Placing.

11 Nominated adviser and broker agreement

Pursuant to an agreement dated 5 May 2010 made between the Company and Nomura Code, Nomura Code has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules (the "Nominated Adviser Agreement"). Under the Nominated Adviser Agreement, Nomura Code shall provide, *inter alia*, such independent advice and guidance to the directors of the Company and the Company as they may require from time to time, as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules. Under the Nominated Adviser Agreement, the Company has agreed to pay Nomura Code a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Nomura Code in the course of carrying out its duties as a nominated advisor and broker. The Nominated Adviser Agreement is terminable on one months' notice given by either Nomura Code or the Company. The Nominated Adviser Agreement contains provisions for early termination in certain circumstances and also an indemnity given by the Company to Nomura Code in relation to the provision by Nomura Code of its services.

12. Lock-In Arrangements

Pursuant to the Placing Agreement the Company has agreed that (subject to certain exceptions set out therein) neither it, nor any of its subsidiaries will, without the prior written consent of Nomura Code, for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly (or publicly announce any such issuance, offer, sale, pledge or disposal), any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing.

Each of the Directors and the holders of the Convertible Preference Shares, who together hold in aggregate 273,100 Ordinary Shares (representing 0.7% of the Enlarged Issued Ordinary Share Capital) and 1,781,400 Convertible Preference Shares respectively, have severally undertaken that (subject to certain exceptions set out in the Placing Agreement or, in relation to the holders of Convertible Preference Shares, in the relevant lock-in agreements) they will not and will procure that none of their connected persons or persons acting on their behalf will without the prior written consent of Nomura Code for a period of 12 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Ordinary Shares (or Convertible Preference Shares (as the case may be)) or securities convertible or exchangeable into or exercisable for Ordinary Shares or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore

each of the Directors or holders of Convertible Preference Shares (as the case may be) has undertaken that, for a further 12 month period, any disposals of Ordinary Shares (or Convertible Preference Shares (as the case may be)) are to be conducted through Nomura Code in accordance with its requirements for an orderly market.

Certain other Shareholders who in aggregate own 25,273,801 Ordinary Shares (representing 69.1 per cent of the Enlarged Issued Ordinary Share Capital) have severally undertaken that (subject to certain exceptions) they will not and will procure that none of their affiliates or persons acting on its or their behalf will without the prior written consent of the Nomura Code for a period of 6 months from Admission, issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary shares representing the right to receive any such securities (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as the foregoing. Furthermore such Shareholders have severally undertaken that for a further 6 month period any disposals are to be conducted through Nomura Code in accordance with its requirements for an orderly market.

13. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the two years preceding the date of this document and are or may be material or contain any provision under which any member of the Company has an obligation or entitlement which is material to the Company as at the date of this document.

- (a) A facilities agreement made between the School of Chemistry of the University of Southampton (the "School") and Ilika Technologies dated 12 February 2007. The agreement allows Ilika Technologies to use specified equipment located at the School (a high throughput physical vapour deposition system (the first generation of HT-PVD) process platform) and associated equipment). The agreement also provides that a desk in an office at the School will be allocated to Ilika Technologies. The fee for the use of these facilities is £17,500 per quarter plus additional hourly charges for using certain specified equipment. On 2 March 2010 the agreement was extended for a further six months to 12 August 2010. The agreement may be terminated by Ilika Technologies giving six months notice. The School has no right to terminate.
- (b) A technology licence agreement made between the University of Southampton (the "University") and Ilika Technologies dated 19 May 2004. The agreement grants Ilika Technologies an exclusive royalty free licence to use patents, know-how and technical information relating to the production, design and development of high-throughput methods of material synthesis, characterisation and screening. The agreement will continue until the last of the licensed patents expire unless terminated. Ilika Technologies may terminate the agreement at any time on giving six months notice to the University. The University may terminate the agreement on the grounds of (i) the insolvency of Ilika Technologies, (ii) a change of control of Ilika Technologies (to which the University has not consented), (iii) a material breach of the agreement by Ilika Technologies or (iv) in the event of Ilika Technologies directly or indirectly contesting the validity of the patents covered by the agreement or the secret or substantial nature of the know-how covered by the agreement.

The agreement also contains a provision that the University will, in consultation with Ilika Technologies, apply for, renew and defend any patents, design rights, or other registrations that are available for protection of the licenced technology. Ilika Technologies can request that the University takes action against any misappropriation or infringement of the licensed technology.

The majority of the Group's current business relies on the continuation of this agreement.

- (c) A supplemental agreement dated 25 June 2007 amending the technology licence at (b) above. The supplemental agreement extends the provisions of the technology licence to include any improvements to the licensed technology and/or any new discoveries or inventions that are generated by Professor Brian Hayden within the period of 36 months from 19 May 2007.

- (d) the Placing Agreement referred to in paragraph 10 above.
- (e) the Nominated Adviser Agreement referred to in paragraph 11 above.
- (f) the Lock-in Agreements referred to paragraph 12 above.
- (g) A deed of cancellation and new issuance dated 6 May 2010 between the Company (1), Ilika Technologies (2) and SAM (3), pursuant to which options over an aggregate of 2,099,900 shares were granted by the Company to SAM. Such options were exercised in full, conditional upon Admission, by SAM at par on 6 May 2010.
- (h) A deed of cancellation and new issuance dated 6 May 2010 between the Company (1), Ilika Technologies (2) and SAM (3), pursuant to which options over 107,300 Ordinary Shares were granted by the Company to SAM at an exercise price of £2.01 per share (subject to adjustment). Such options remain outstanding and capable of exercise at any time.
- (i) A warrant instrument dated 30 August 2007 between Ilika Technologies (1) and Nomura Code (2) as amended by a deed of cancellation and new issuance between the Company (1), Ilika Technologies (2) and Nomura Code (3), pursuant to which the Company has granted to Nomura Code warrants over 130,100 Ordinary Shares at an exercise price of £2.43 per Ordinary Share (subject to adjustment). Such options remain outstanding and capable of exercise at any time.
- (j) Pursuant to the terms of the Placing Warrant Instrument constituted by the Company on 6 May 2010, the Company will issue Placing Warrants to Placees on a one for one basis in accordance with the terms of the Placing Agreement. The Placing Warrants are exercisable in whole or in part at any time up to and including 14 May 2014 at an exercise price equal to the Issue Price. The Placing Warrants are not transferable save in certain limited circumstances. The exercise price, number of Ordinary Shares to be allotted and subscription rights under the Placing Warrant Instrument are subject to adjustment in certain circumstances, including in the event of any share capital reorganisation or a winding-up of the Company. The Placing Warrant Instrument contains warranties and undertakings from the Company to the holder of the Placing Warrant regarding the Placing Warrants and the Ordinary Shares to be allotted pursuant to the Placing Warrant Instrument.
- (k) An agreement with Diverso details of which are set out at paragraph 14.4 below.

14. Related Party Transactions

- 14.1 Except as described below, between 1 May 2006 and 5 May 2010 (being the latest practicable date prior to the publication of this document), the Group has not entered into any related party transactions for the purposes of the standards accepted according to Commission regulation (EC) No.1606/2002.
- 14.2 During the period from 1 November 2009 to 5 May 2010, the Ilika Technologies Group incurred costs of £121,884 (period ended 31 October 2009: £109,051, period ended 31 October 2008: £151,933, year to 30 April 2009: £252,308, 2008: £285,084, 2007: £372,491) with the University of Southampton in connection with research and development activities. These costs include fees from the University of Southampton in respect of Brian Hayden, a director of the Company of £16,669 from 1 November 2009 to 5 May 2010 (period ended 31 October 2009: £12,640, period ended 31 October 2008: £6,020, year to 30 April 2009: £11,437, 2008: £10,391, 2007: £9,427). The University of Southampton is the controlling shareholder of Southampton Asset Management, which has an interest in the Ilika Technologies Group. As at the end of the period 1 November 2009 to 5 May 2010, the amount unpaid in respect of these costs was £13,595 (31 October 2009: £35,593, 31 October 2008: £3,768, as at 30 April 2009: £17,399, 2008: £49,019, 2007: £47,533).
- 14.3 During the period from 1 November 2009 to 5 May 2010, the Ilika Technologies Group incurred costs of £10,000 (period ended 31 October 2009: £nil, period ended 31 October 2008: £749, year to 30 April 2009: £5,715, 2008: £10,090, 2007: £4,867) with IP Group plc, a shareholder in the Ilika Technologies Group in connection with non executive recruitment fees. As at the end of the period 1 November 2009 to 5 May 2010, the amount unpaid in respect of these costs was £10,000 (31 October 2009: £nil, 31 October 2008: £nil, as at 30 April 2009: £nil, 2008: £nil, 2007: £4,867).

14.4 Ilika Technologies has agreed non binding heads of terms with Diverso, and is currently negotiating the terms of a definitive contract with Diverso, pursuant to which it is intended that Ilika Technologies will appoint Diverso to act as its exclusive business development representative in the People's Republic of China in the field of materials for the energy sector. It is intended that in the event that Diverso arrange and secure any collaborative research projects or licensing agreements between Ilika Technologies and a third party commercialisation partner in the People's Republic of China, the Company will reimburse Diverso's permitted expenses and pay to Diverso a commission based on a percentage of received revenues from such third party commercialisation partner.

15. Investments

There are no investments made, being made by the Company or to be made in the future in respect of which firm commitments have been made.

16. Property, plant and equipment/environmental issues

The Company's principal establishments (all of which are leasehold and used as offices and laboratories) are as follows:

<i>Property</i>	<i>Tenure</i>	<i>Lease expiry date</i>	<i>Current annual rent</i>	<i>Approx. area</i>
Units 1-10 Kenneth Dibben House, University of Southampton Science Park, Chilworth, Southampton	leasehold	17 October 2014	£105,350	5,556 sq. ft.
Units G.09, G.10, G.11 and 1.04 Innovation Centre, 217 Portobello, Sheffield	leasehold	31 July 2011	£40,536	2,750 sq. ft.

In addition the second generation PVD machine is a material tangible asset of the Group and is shown in the accounts of the Group as having a value of £1,389,600.

To the best of the Company's knowledge, as at 5 May 2010 (being the last practicable date prior to the publication of this document), the Company is unaware of any environmental issues that may affect the company's utilisation of its tangible fixed assets.

17. Working capital

The Directors having made due and careful enquiry are of the opinion that, taking into account the net proceeds of the Placing, the working capital available to the Group from Admission will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

18. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings and no member of the Group is aware of any such proceedings pending or threatened by or against any Group member during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group.

19. General

- (a) Save as set out in this document above, there has been no significant change in the financial or trading position of the Ilika Technologies Group since 31 October 2009, the date to which the last audited interim results of the Ilika Technologies Group were prepared. Save as set out in this document above, there has been no significant change in the financial or trading position of the Company since 12 March 2010, the date to which the financial information on the Company set out in Section B of Part 9 was drawn up.
- (b) BDO LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports set out in Parts 9 and 10 and references thereto in the form and context in which they appear.

- (c) Nomura Code, which is regulated in the United Kingdom by the FSA, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears. Nomura Code may be said to have an indirect material economic interest which may be dependant on the success of the Placing by virtue of its interest in fees payable by the Company under the Placing Agreement.
- (d) D Young & Co LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of its report and references thereto and to its name in the form and context in which they appear.
- (e) The expenses of and incidental to the Placing, including underwriting commissions, are estimated to amount to approximately £800,000 (excluding VAT) and will be payable by the Company. The estimated net cash proceeds of the Placing accruing to the Company are £4,375,000 and will be used for the purposes described in Part 5 of this document.
- (f) There are no arrangements under which future dividends are waived or agreed to be waived.
- (g) The auditors of the Company are BDO LLP, Chartered Accountants, of Arcadia House, Maritime Walk, Ocean Village, Southampton SO14 3TL. Auditors' reports in respect of each statutory accounts for Ilika Technologies for the years ended 2007, 2008 and 2009 have been made and each such report was an unqualified report.
- (h) The Ordinary Shares will only be admitted to trading on AIM. Neither the Placing Warrants nor the Convertible Preference Shares will be quoted, listed or traded on any investment exchange.
- (i) The Company's registrar and paying agent for the payment of dividends is Computershare Investor Services plc of The Pavillions, Bridgewater Road, Bristol BS13 8AE. The Company's registrar will maintain the records of securities held in certificated form and book-entry form.
- (j) Save in relation to trade suppliers, the following have received from the Company within the 12 months preceeding the application for Admission, or entered into contractual relationships to receive on or after Admission, fees totalling £10,000 or more;
 - (A) Brookes Batchellor LLP ("Brookes Batchellor") has undertaken work as a Patent Attorney for Ilika Technologies and has provided services over the past 12 months to Ilika Technologies in respect of which it has received fees totalling approximately £10,200. Services provided to Ilika Technologies by Brookes Batchelor include work in relation to the filing of worldwide patents, this includes work in respect of filing of patents in Japan and other jurisdictions.
 - (B) Venner Shipley LLP ("Venner Shipley") has undertaken work as a Patent Attorney for Altrika and has provided services over the past 12 months to Altrika in respect of which it has received fees totalling approximately £26,400. Services provided to Altrika by Venner Shipley include work in relating to patent renewal applications for products such as Myskin and Cryoskin.
 - (C) Bond Pearce LLP ("Bond Pearce") has provided legal services to Ilika Technologies over the past 12 months in respect of which it has received fees totalling approximately £22,000. Services provided to Ilika Technologies by Bond Pearce include work in relation to the acquisition of assets from Celltran Limited together with other legal services work.
 - (D) Edinburgh Research and Innovation Limited has provided consultancy services (namely the provision of Professor Mark Bradley to act as a consultant) to Ilika Technologies over the past 12 months in respect of which it has received fees of £22,500 plus VAT.
 - (E) Quality Management Solutions BVBA has provided consultancy services (namely the provision of Peter De Courte to act as a consultant) to Altrika over the past 12 months in respect of which it has received fees of £14,108. Mr De Courte provides support and advice in relation to Altrika's quality management and regulatory compliance.

20. Availability of Admission Document

Copies of this document will be available free of charge to the public on the Company's website at www.ilika.com.

21. Website

The Company maintains a website at the address www.ilika.com. In accordance with AIM Rule 26, the website contains certain information for the benefit of investors. There is no charge to access the website. Any information contained in such website is an inactive tentual reference and is not incorporated into this document by reference.

Dated: 6 May 2010

PART 14

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act” or “Companies Act”	the Companies Act 2006, as amended
“Admission”	the admission of the entire issued ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“Admission Date”	the date of Admission
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for companies published by the London Stock Exchange, as amended
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended
“Altrika”	Altrika Limited
“Anti Dilution Issue”	In connection with the terms of a deed of subscription and adherence relating to Ilika Technologies dated 30 August 2007, such Shareholders that invested as at that date had their investment value protected, and were entitled to receive a coupon of 8 per cent. accrued on a monthly basis
“Articles”	the articles of association of the Company adopted conditional upon Admission
“Asahi Kasei”	Asahi Kasei Corporation
“Audit Committee”	the audit committee of the Company
“Auditors”	BDO LLP
“Board” or “Directors”	the board of directors of the Company from time to time appointed in accordance with the Articles and, where the context requires, those directors of the Company holding office as at the date of this document
“Business Day”	a day on which the London Stock Exchange is open for the transaction of business other than a Saturday or Sunday or a public holiday
“The Carbon Trust”	The Carbon Trust a not for dividend company limited by guarantee created by the UK government to help businesses and public organisations to reduce their emissions of carbon dioxide into the atmosphere
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the Principles of Good Governance and Code of Best Practice maintained by the Financial Reporting Council
“Company” or “Ilika”	Ilika plc
“Convertible Preference Shares”	the convertible, nil dividend, preference shares of £0.01 each in the capital of the Company
“CREST”	the computerised settlement system operated by Euroclear which facilitates the transfer of shares

“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended) as published by Euroclear
“CREST member”	a person who has been admitted by Euroclear as a system member (as defined in the CREST regulations)
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST regulations)
“CREST regulations”	the Uncertificated Securities Regulations 2001 (SI2001/3755)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Disclosure and Transparency Rules”	the disclosure and transparency rules made under Part VI of FSMA and as set out in the FSA Handbook, as amended from time to time
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“Diverso”	A specialist investment firm focusing on opportunities in China
“EEA”	the European Economic Area
“Enlarged Issued Ordinary Share Capital”	the enlarged issued ordinary share capital of the Company following implementation of the Placing
“EPSRC”	Engineering and Physical Science Research Council
“EU”	European Union
“Euroclear”	Euroclear UK & Ireland Limited (formerly named CRESTCo Limited), the operator of CREST
“Exchange Arrangements”	the Exchange EMI Options and the Exchange Unapproved Options
“Exchange EMI Options”	the options over Ordinary Shares more fully described at paragraph 6 of Part 13 of this document under the heading “Exchange EMI Options” and denoted as being Exchange EMI Options in paragraph 3(i) of Part 13 of this document
“Exchange Unapproved Options”	the options over Ordinary Shares more fully described at paragraph 6 of Part 13 of this document under the heading “Exchange Unapproved Options” and denoted as being Exchange Unapproved Options in paragraph 3(i) of Part 13 of this document.
“FSA”	the Financial Services Authority
“FSA Handbook”	the handbook of rules and guidance issued by the FSA, as amended from time to time
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	Iluka plc, Iluka Technologies and Altrika
“HMRC”	Her Majesty’s Revenue & Customs
“HTA”	Human Tissue Authority, the UK body that licenses organisations that store and use human tissue
“ICTA”	the Income and Corporation Taxes Act 1988
“Iluka Technologies”	Iluka Technologies Limited
“Iluka Technologies Group”	Iluka Technologies and Altrika

“Initial Investors”	(1) University of Southampton (2) Professor Mark Bradley, Professor Brian Hayden, Professor Michael Hursthouse and Dr Benoit-Samuel Guerin (3) Southampton Asset Management (4) IP2IPO Limited (5) IP2IPO Management Limited (6) Sulis Seedcorn Fund Limited Partnership.
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“JDP”	Joint Development Programme
“Johnson Matthey”	Johnson Matthey plc
“London Stock Exchange”	London Stock Exchange plc
“Model Code”	the model code as directors’ dealing as in securities set out in the appendix to rule 9 of the listing rules issued by the FSA (as amended from time to time)
“MHRA”	Medicines and Healthcare products Regulatory Agency, the UK government agency which is responsible for ensuring that medicines and medical devices work and are acceptably safe
“NDA”	Non-disclosure agreement
“Nominated Adviser Agreement”	the agreement entered into on 5 May 2010 between the Company and the Nomura Code details of which are set out in paragraph 11 of Part 13
“Nomination Committee”	the nomination committee of the Company
“Nomura Code” or “Nominated Adviser” or “Underwriter” or “Financial Adviser”	Nomura Code Securities Limited, which is authorised and regulated in the United Kingdom by the FSA
“Nomura Code Warrant”	the warrant to subscribe for 130,100 Ordinary Shares held by Nomura Code, details of which are set out in paragraph 13 of Part 13
“Nomura International plc”	Nomura International plc, a company which is a current shareholder in the Company and which is a subsidiary of Nomura Europe Holdings plc, the parent company of Nomura Code
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company, ISIN no. GB00B608Z994
“Placees”	Subscribers for Placing Shares and Placing Warrants pursuant to the Placing
“Placing”	the placing of Placing Shares described in Part 6
“Placing Agreement”	the agreement entered into on 6 May 2010 between the Company, the Directors and Nomura Code, details of which are set out in paragraph 10 of Part 13
“Placing Price”	the price at which each Ordinary Share is to be issued or sold under the Placing, being 51p per Ordinary Share
“Placing Shares”	the new Ordinary Shares to be issued by the Company pursuant to the Placing
“Placing Warrant Instrument”	the warrant instrument dated 6 May 2010 constituting the Placing Warrants
“Placing Warrants”	the unlisted warrants to be granted by the Company pursuant to the Placing Agreement on the basis of one Placing Warrant for one Placing Share subscribed and described in detail in paragraph 13 of Part 13
“Regulation S”	Regulation S under the Securities Act

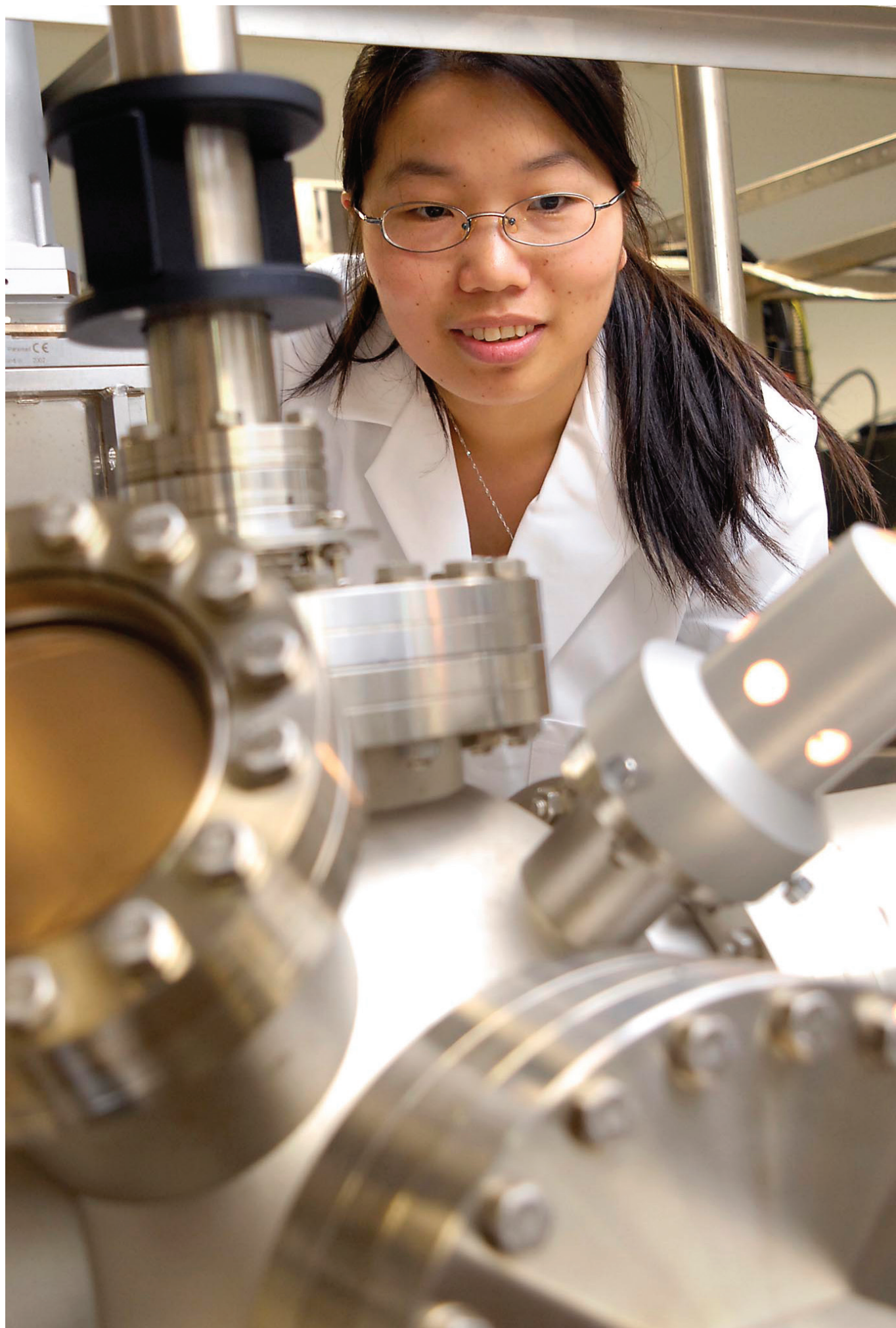
“Regulatory Information Service”	a Regulatory Information Service that is approved by the FSA and that is on the list of Regulatory Information Service providers maintained by the FSA
“Remuneration Committee”	the remuneration committee of the Company
“SAM Option”	the option to subscribe for 107,300 Ordinary Shares held by SAM, details of which are set out in paragraph 13 of Part 13
“Shareholders”	holders of Ordinary Shares
“Share Option Scheme”	the Ilika plc Executive Share Option Scheme 2010
“Southampton Asset Management” or “SAM”	Southampton Asset Management Limited (Company number 04367489) whose registered office is at Finance Department Building 37, University of Southampton, Southampton, Hampshire SO17 1BJ
“subsidiary”	a subsidiary, as that term is defined in section 1162 of the Companies Act
“subsidiary undertaking”	a subsidiary undertaking, as that term is defined in section 1159 of the Companies Act
“Sulis”	the Sulis Seedcorn Fund, whose holding in Ilika is now through the Wyvern Seed Fund
“Technology Strategy Board”	A UK public body reporting to the Department of Business, Innovation and Skills (BIS)
“UK Listing Authority”	the Financial Services Authority, in its capacity as the competent authority for the purposes of Part VI of FSMA
“Unapproved Options”	the options proposed to be granted to each of Jack Boyer, Graeme Purdy, Brian Hayden, Mark Bradley, Sir William Wakeham, Werner Braun, Stephen Boydell and Clare Spottiswoode as further described in Part 13 of this document
“uncertificated” or “in uncertificated form”	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Underwriter”	Nomura Code
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US DoE”	United States Department of Energy
“VAT”	value added tax
“Warrant Issue”	the issue of the Placing Warrants

Glossary of Technical Terms

The following technical terms apply throughout this document, unless the context otherwise requires:

Allogeneic	a transfusion or transplant using donor blood, bone marrow or tissue
Autologous	a transfusion or transplant using the patient's own blood, bone marrow or tissue
CE Mark	a mandatory conformity mark on many products placed on the single market in the European Economic Area (EEA). The CE marking certifies that a product has met EU consumer safety, health or environmental requirements
Characterisation	the measurement of the composition and structure of a material sample
Combinatorial science	rapid synthesis of a large number of different but structurally related molecules or materials
Epithelial	cells that cover surfaces of the body and its organs
FLASH memory	flash memory is a type of non-volatile memory that can be erased and reprogrammed
Fuel Cell	a device for the direct conversion of chemical to electrical energy where the fuel is fed from outside the device
High throughput	automated methods designed to create experimental data more rapidly than traditional manual approaches
Homogeneous	uniform in nature
HTT process	high throughput technology process
HT-PVD process	high throughput physical vapour deposition process
IP	intellectual property
Memory	the electronic holding place for instructions and data that a computer's microprocessor can reach quickly
Micro-array	a set of material samples deposited in a regular arrangement on a substrate, where each sample of material typically takes up an area less than a few square millimeters
nm	nanometre, 10^{-9} metres
Non-volatile memory	a general term for all forms of solid state (no moving parts) memory that do not need to have their memory contents periodically refreshed
PDA	personal digital assistant
PHEV	plug-in hybrid electric vehicle
Piezoelectric	a property of materials which generate an electric charge when mechanically deformed. Conversely, the materials deform when an external electric field is applied to them
Plasma	an ionized gas
PVD	physical vapour deposition
PZT	a lead-zirconium-titanate ceramic
R&D	research and Development
Substrate	a surface onto which material samples are deposited
Synthesis	the preparation of samples of materials
Thin film	films of materials which have been deposited in layers typically between 50 and 1,000 nanometers in thickness

UHV	ultra-high vacuum, typically an operating pressure of lower than 10^{-9} mbar
UPS	uninterruptible power supply
Workflow	an automated apparatus designed to execute defined activities





Science-led Materials Discovery

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