**Joint Chairman and Chief Executive's statement**

**Introduction**

**Ilika's technology**

Ilika's unique high throughput technology (HTT) accelerates the discovery of new and patentable materials for identified end uses within significant and rapidly growing markets. This process enables hundreds of materials to be made in a single, automated, operation and subsequently tested for the necessary properties.

The production of a new material has traditionally been a slow and arduous process, taking between 7 and 10 years from initial discovery through to the first commercial prototype. However, experiments carried out by Ilika's HTT can accelerate new material discovery by 10 to 100 times over conventional techniques.

Ilika's HTT process has the additional attraction of enabling materials to be rapidly scaled up for commercial application once the requisite chemical and physical properties have been achieved.

**Review of period**

The six month period, saw commercial revenues and other operating income (grant revenues) increase by over 37% on the prior period. Gross profit improved by approximately 68%, whilst spend on in-house research and development together with administration expenses increased by 3.5% after adjusting for the share based payment charge. The continued investment in equipment capacity during this period has ensured capacity for revenue growth in the coming period.

Asian markets continue to offer huge opportunities to Ilika and the extension of the relationship with Japan's Blue Rise Partners, announced last year, has yielded a number of significant contract wins across all three sectors of the business.

We were very pleased to be invited to deliver a presentation to the 52$^{nd}$ Battery Symposium in Tokyo on our work with Toyota to develop innovative new materials for lithium-ion batteries for use in next generation electric vehicles and plug-in hybrid electric vehicles.

The presentation was delivered by Professor Brian Hayden, Chief Scientific Officer of Ilika and his colleagues, in conjunction with Toyota Motor Corp, and was entitled "High throughput methods to accelerate the discovery and optimization of materials for lithium-ion batteries".

Ilika has been working with Toyota since February 2008 and data published in the presentation demonstrated how our high throughput methods have produced very high quality electrolytes with substantially higher conductivity than had previously been observed. This data has been underpinned by patent applications jointly held by Ilika and Toyota.

In September, the Company announced its first electronics contract in the US and the development of new business opportunities in the North American electronics, aerospace and defence sectors continues to be a key area of focus for the Company.

Altrika Limited ("Altrika"), the Group's biomedical subsidiary, has seen a steady increase in the demand for its products and research services as well as attracting significant grant income to continue the development of its innovative burns treatment products.

Post-period end, we announced on 18 November 2011 that Altrika was awarded a Full Manufacturer/Importer's Licence (MIA) by the UK Medicines and Healthcare products Regulatory Agency (MHRA). This licence will allow us to export our leading allogeneic skin cell product, Cryoskin®, to global markets outside the EU where there is a significant need to treat burns and other serious skin wounds.

In addition, on 5 December 2011 we announced that a consortium, led by Altrika, had been awarded a £452k research and development grant from the UK government-backed Technology Strategy Board (TSB) through its Regenerative Medicine Tools & Technologies competition. The programme will develop a cell label capable of being used *in vivo* for cell therapy applications and it will be applied to Altrika's Cryoskin® allogeneic keratinocyte treatment for burns, allowing clinicians to image cells which have been applied to a wound, providing instant feedback on consistency and likely efficacy of application. The consortium includes the University of Edinburgh, Barts and the London School of Medicine and Dentistry as the clinical partner and Roslin Cellab which will be expanding the use of this label into other areas of cell therapy-based R&D.

At the same time we also announced that Altrika had won a contract, with agreed stage payments, with a world leading life sciences diagnostic equipment manufacturer to demonstrate Altrika's high throughput, polymer screening technologies for the identification and optimisation of the next generation of polymer filters.

We would also like to take this opportunity to thank the Board for its continued guidance and the Company's committed team for their hard work and commitment to making Ilika a world class company. We would, in addition, like to thank our strategic partners, distributors, shareholders and advisers for their contribution to the development of the Company.

**Outlook**

Since the period end the Company has continued to see strong progress across all three areas of its activities.

In particular, Ilika is committed to expanding its European activities and anticipates further business development opportunities in Asia on the back of the region's manufacturing-led recovery. The Company also expects to build on the momentum achieved in the North American market as the scope for materials discovery and development is expected to expand significantly.

The continued investment in business development activities has created a broad pipeline of opportunities in the European, US and Asian markets which will help the Company achieve its strong growth targets and it is pleasing to note that the size of the contracts in the pipeline is increasing. The Company continues to manage its cash flows with reference to the expected revenues of the contracts it secures, and the milestone payments negotiated. Historically, the Company has been successful in achieving its forecasts and the board are confident that they will continue to do so.

To date the Company has further committed revenues and grant income of approximately £0.7m which it expects to recognise before the end of the current financial period and will be making further announcements in due course. The Board therefore looks forward to the full year with confidence.

**Ilika plc**

**Consolidated statement of comprehensive income for the six months ended 31 October 2011**

| | Notes | Unaudited Six months ended 31 Oct 2011 £ | Unaudited Six months ended 31 Oct 2010 £ | Audited Year ended 30 Apr 2011 £ |
|---|---|---|---|---|
| **Revenue** | | 834,632 | 607,271 | 1,544,766 |
| Cost of sales | | (604,521) | (469,926) | (936,511) |
| **Gross profit** | | 230,111 | 137,345 | 608,255 |
| Administrative expenses | | (2,005,638) | (2,185,403) | (4,148,002) |
| Other operating income | | 203,239 | 148,188 | 357,014 |
| **Operating loss** | | (1,572,288) | (1,899,870) | (3,182,733) |
| Financial income | | 14,108 | 19,929 | 38,239 |
| Financial expense | | (5,486) | (3,972) | (9,458) |
| **Loss before tax** | | (1,563,666) | (1,883,913) | (3,153,952) |
| Taxation | | 68,378 | 65,748 | 106,468 |
| **Loss for period / total comprehensive income** | | (1,495,288) | (1,818,165) | (3,047,484) |
| **Loss per share** | 2 | | | |
| Basic | | (0.04) | (0.05) | (0.08) |
| Diluted | | (0.04) | (0.05) | (0.08) |

All amounts relate to continuing activities.

**Consolidated balance sheet as at 31 October 2011**

| | Unaudited Six months ended 31 Oct 2011 | Unaudited Six months ended 31 Oct 2010 | Audited Year ended 30 Apr 2011 |
|---|---|---|---|
| | £ | £ | £ |
| **ASSETS** | | | |
| **Non current assets** | | | |
| Intangible assets | 69,927 | 63,629 | 61,794 |
| Property, plant and equipment | 1,691,443 | 1,894,113 | 2,006,479 |
| **Total non current assets** | 1,761,370 | 1,957,742 | 2,068,273 |
| **Current assets** | | | |
| Inventory | 34,135 | - | 34,135 |
| Trade and other receivables | 1,032,077 | 461,321 | 748,081 |
| Current tax receivable | 68,378 | 198,571 | 122,733 |
| Other financial assets - bank deposits | 701,233 | - | 1,500,000 |
| Cash and cash equivalents | 504,832 | 4,078,842 | 1,303,924 |
| **Total current assets** | 2,340,655 | 4,738,734 | 3,708,873 |
| **Total assets** | 4,102,025 | 6,696,476 | 5,777,146 |
| **EQUITY** | | | |
| Issued share capital | 383,548 | 383,548 | 383,548 |
| Share premium | 4,169,909 | 4,184,930 | 4,169,909 |
| Capital restructuring reserve | 6,486,077 | 6,486,077 | 6,486,077 |
| Retained earnings | (7,803,908) | (5,425,696) | (6,418,196) |
| **Total equity** | 3,235,626 | 5,628,859 | 4,621,338 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 847,538 | 1,019,350 | 1,125,631 |
| **Non current liabilities** | | | |
| Other payables | 18,861 | 48,267 | 30,177 |
| **Total liabilities** | 866,399 | 1,067,617 | 1,155,808 |
| **Total equity and liabilities** | 4,102,025 | 6,696,476 | 5,777,146 |

**Consolidated cash flow statement for the six months ended 31 October 2011**

| | Unaudited Six months ended 31 Oct 2011 | Unaudited Six months ended 31 Oct 2010 | Audited Year ended 30 Apr 2011 |
|---|---|---|---|
| | £ | £ | £ |
| **Cash flows from operating activities** | | | |
| Loss after tax | (1,495,288) | (1,818,165) | (3,047,484) |
| *Adjustments for:* | | | |
| Taxation | (68,378) | (65,748) | (106,468) |
| Amortisation | 8,632 | 6,104 | 11,742 |
| Depreciation | 415,404 | 348,747 | 731,599 |
| Equity settled share based payments | 109,576 | 364,803 | 601,622 |
| Loss on disposal of plant, property and equipment | - | 339 | 605 |
| Loss on disposal of intangible assets | - | - | 298 |
| Net financial income | (8,622) | (15,957) | (28,782) |
| **Operating cash flow before changes in working capital, interest and taxes** | (1,038,676) | (1,179,877) | (1,836,868) |
| Decrease/(increase) in trade and other receivables | (283,996) | 162,643 | (128,770) |
| Increase in inventory | - | - | (34,135) |
| (Decrease)/ increase in trade and other payables | (268,749) | (5,327) | 103,712 |
| **Cash utilised by operations** | (1,591,421) | (1,022,561) | (1,896,061) |
| Tax received | 122,733 | - | 116,558 |
| **Net cash flow from operating activities** | (1,468,688) | (1,022,561) | (1,779,503) |
| **Cash flows from investing activities** | | | |
| Interest received | 14,293 | 10,075 | 33,038 |
| Purchase of intangible assets | (16,765) | (3,602) | (7,298) |
| Sale of property plant and equipment | - | 1,085 | 1,013 |
| Purchase of property, plant and equipment | (100,367) | (107,649) | (603,466) |
| Decrease/(Increase) in other financial assets | 798,767 | - | (1,500,000) |
| **Net cash used in investing activities** | 695,928 | (100,091) | (2,076,713) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of ordinary share capital | - | 5,175,611 | 5,175,611 |
| Share issue costs | - | (749,261) | (764,282) |
| Capital element of finance leases | (20,846) | (13,302) | (34,149) |
| Interest element of finance leases | (5,486) | (3,972) | (9,458) |
| **Net cash from financing activities** | (26,332) | 4,409,076 | 4,367,722 |
| **Net (decrease)/ increase in cash and cash equivalents** | (799,092) | 3,286,424 | 511,506 |
| **Cash and cash equivalents at the start of the period** | 1,303,924 | 792,418 | 792,418 |
| **Cash and cash equivalents at the end of the period** | 504,832 | 4,078,842 | 1,303,924 |

**Consolidated statement of changes in equity (unaudited)**

| | Share capital | Share premium account | Capital restructuring reserve | Profit and loss account | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **As at 30 April 2009** | 121,339 | - | 5,663,549 | (813,645) | 4,971,243 |
| Share based payment | - | - | 556,829 | - | 556,829 |
| Loss and total comprehensive income | - | - | - | (1,715,375) | (1,715,375) |
| **As at 31 October 2009** | 121,339 | - | 6,220,378 | (2,529,020) | 3,812,697 |
| Share based payment | - | - | 259,350 | - | 259,350 |
| Loss and total comprehensive income | - | - | - | (1,416,176) | (1,416,176) |
| **As at 30 April 2010** | 121,339 | - | 6,479,728 | (3,945,196) | 2,655,871 |
| Share option exercise | 21,039 | 360 | (20,789) | - | 610 |
| Share based payment | - | - | 27,138 | 337,665 | 364,803 |
| Issue of shares | 241,170 | 4,933,831 | - | - | 5,175,001 |
| Expenses of share issue | - | (749,261) | - | - | (749,261) |
| Loss and total comprehensive income | - | - | - | (1,818,165) | (1,818,165) |
| **As at 31 October 2010** | 383,548 | 4,184,930 | 6,486,077 | (5,425,696) | 5,628,859 |
| Share based payment | - | - | - | 236,819 | 236,819 |
| Expenses of share issue | - | (15,021) | - | - | (15,021) |
| Loss and total comprehensive income | - | - | - | (1,229,319) | (1,229,319) |
| **As at 30 April 2011** | 383,548 | 4,169,909 | 6,486,077 | (6,418,196) | 4,621,338 |
| Share based payment | - | - | - | 109,576 | 109,576 |
| Loss and total comprehensive income | - | - | - | (1,495,288) | (1,495,288) |
| **As at 31 October 2011** | 383,548 | 4,169,909 | 6,486,077 | (7,803,908) | 3,235,626 |

**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.

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

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

**Notes to the consolidated financial statements**

*1. Accounting policies*

**Basis of preparation**

The interim financial statements, which are unaudited, have been prepared on the basis of accounting policies consistent with International Financial Reporting Standards ("IFRSs") adopted by the European Union. The accounting policies are the same as applied in the Group's latest financial statements.

The IFRSs that will be effective in the financial statements for the year to 30 April 2012 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the IFRS financial statements are prepared at 30 April 2012.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, whilst the interim financial statements have been prepared in accordance with IFRS they cannot be construed as being in full compliance with IFRS

The financial information for the year ended 30 April 2011 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 30 April 2011 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2011 was unqualified and did not include references to any matters which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

**Going concern**

The financial statements are prepared on a going concern basis which the directors believe continues to be appropriate. The Group meets its day to day working capital requirements through existing cash resources which, at 31 October 2011, amounted to £1,206,065. 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 Group will be able to continue to trade for the foreseeable future.

*2. Loss per share*

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

| | **Unaudited Six months ended 31 Oct 2011 Number** | **Unaudited Six months ended 31 Oct 2010 Number** | **Audited Year ended 30 Apr 2011 Number** |
|---|---|---|---|
| Weighted average number of equity shares | 38,354,759 | 36,502,106 | 38,354,759 |
| | **£** | **£** | **£** |
| Loss, being loss after tax | (1,495,287) | (1,818,165) | (3,131,551) |

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 and warrants would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

**INDEPENDENT REVIEW REPORT TO ILIKA PLC**

**Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2011 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 2.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

**Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2011 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

*BDO LLP*
*Chartered Accountants and Registered Auditors*
*Southampton, United Kingdom*
*9th January 2012*

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