



15 January 2014

Ilika plc
(‘Ilika,’ the ‘Company,’ or the ‘Group’)

Interim Results for the six months ended 31 October 2013

Ilika (AIM: IKA), the advanced cleantech materials discovery company, announces its unaudited interim results for the six months ended 31 October 2013, a period of continued progress with technology development, new partnerships, contract renewals and increased business development activity in Europe.

Ilika accelerates the discovery of new and patentable materials using its unique high throughput technologies process for identified end uses in the energy, electronics, aerospace and biomedical sectors.

Operational Highlights

- Global OEM trials underway with two of Ilika’s proprietary materials
- Grant of patent for low cost fuel cell catalyst in Japan
- Significant technical progress made in the development of proprietary solid state battery technology

Post Period End Events

- Notice of allowance for patent for fuel cell catalyst technology in Europe
- “World’s first” for fabrication of a solid state battery that can be manufactured as a stack

Financial Summary

- Total revenue for the period (inc. grants) up 57% to over £0.6m (1H 2012: £0.4m)
- Gross margin up to 39% (1H 2012: 24%)
- R&D expenditure (mainly solid state battery technology) at comparable levels to 2012
- Substantial non-operational cost savings achieved across the group
- Operating loss reduced by 20% to £1.5m (1H 2012: £1.9m loss)
- Net Cash £1.4m (1H 2012: £3.6m)

Commenting on the results Ilika’s Chairman, Jack Boyer, said: “The first six months of our current financial year have yielded significant progress. Firstly, global OEMs are actively evaluating two of Ilika’s proprietary materials, most notably the fuel cell catalyst material, indicating that Ilika has made strong progress in licensing out its IP portfolio. This commercialisation activity has been underpinned by the further grant of patents in Ilika’s key target markets. Secondly, the investment Ilika has made over the last 18 months in solid state battery technology has borne fruit, with Ilika able to declare a “world first” through the production of a battery architecture that can be manufactured as a continuous stack. This opens the door to rapidly growing opportunities to power wireless sensors and ultimately address the world’s largest battery markets for consumer electronics through early adoption by the defence sector.”

Ilika plc

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Joint Chairman's and CEO's Statement

Review of Period

Commercialisation progress

The Company has continued to make progress developing and licensing its proprietary materials IP. With the goal of driving towards generating licensing revenue, Ilika is currently managing active OEM trials with two separate products from its portfolio.

Low Cost Fuel Cell Catalyst

In a fuel cell, a controlled reaction between hydrogen and oxygen occurs. This reaction requires electro-catalysts, which are currently based on the precious metal, platinum. Ilika has developed a novel platinum-free catalyst, which on a cost/performance basis, promises to be 70 percent cheaper than the current industry standard.

The electro-catalysts have been manufactured to Ilika's specification by a partner using an industrially scalable process. Following the delivery of a kg-scale quantity of its catalyst, OEM trials have commenced with three global OEMs and a trial with a further automotive OEM will commence in Q1 2014.

In May 2013, Ilika received notification that its patent application covering the use of lower cost metal alloys as electro-catalysts in PEM (Proton exchange membrane) fuel cells has been granted in Japan. This is in addition to the grant of Ilika's patent in the USA, which was achieved last year.

Cell growth surface

The polymer surface is a non-core legacy product from its biomaterial portfolio and is being out-licensed on Ilika's behalf by BioBM, a specialist life science marketing company.

Project developments

Solid State Battery Technology

Ilika has achieved a world first in producing a single cell battery that is suitable for manufacturing as a stacked structure. This technical innovation enables Ilika to make larger batteries suitable for mainstream battery applications, including consumer electronics.

The mass-market commercialisation of solid state batteries will be a step change in the evolution of battery technology; enabling lighter, safer batteries charging up to 6x faster and lasting 4x longer between recharges than the highest performance lithium ion incumbents. Over the last 18 months, building on its unique material discovery platform and world-class expertise in thin film material synthesis, Ilika has been developing a proprietary solid state battery chemistry and fabrication process, facilitating the scale-up manufacture of the next generation of solid state lithium ion batteries. It has used its unique processing abilities to successfully turn a set of optimized high-performance materials into single-cell, solid state batteries with the following key properties:

- Thermal compatibility between components (resulting in a simple fabrication process),
- Mechanical stability (yielding a robust structure that remains intact over a large number of cycles),
- Stackable cells (necessary for building larger capacity batteries).

Electrochemical testing of the stacked cells is under way and is expected to be completed in Q1 2014. Successful test results would be hard evidence for Ilika's proprietary solid state battery processing, and would be the key milestone on the full commercialisation journey. This scalable stacked cell architecture enables the simple fabrication of cells over a wide range of sizes. Ilika intends to initially produce micro-

battery prototypes designed for powering wireless sensors, which is a rapidly growing segment expected to create an addressable market for micro-batteries in excess of £1bn by 2017. The battery architecture will subsequently be scaled-up, using the same process but with faster fabrication rates, to produce prototypes suitable for the largest markets for lithium ion batteries in consumer electronics, including mobile phones, with early adoption foreseen through the defence and space sectors. The EPSRC grant announced in July provides all the required funding for the capital equipment needed for that scale-up. Ultimately, the technology could be scaled for larger format batteries for automotive and distributed energy storage applications. Ilika has already filed a portfolio of patent applications, some of which are jointly held with Toyota, to protect the considerable progress made so far, including:

- A method for depositing thin film phosphates,
- Unique and improved synthesis methods for thin film electrolytes and electrodes
- A unique method to deposit the components, enabling stacked thin film batteries.

This development accelerates Ilika's ongoing customer engagements with OEMs in the sensor, consumer electronics and automotive sectors across three continents.

Commercial project interactions

Ilika has expanded its active customer base in the period from five in the comparable period last year, to nine in the current year. The geographical spread of revenues has also become more balanced due to a stronger business development in Europe. In the previous year, 70% of revenues originated with Japanese customers, whereas in the current year to date, 45% of revenues have come from Europe and 45% from Japan.

Automotive Thin Film Battery Technology

Ilika's in-house solid state battery programme is an extension of the technology originally developed with Toyota for the creation of safer, lighter batteries with the ability to be rapidly charged and discharged in hybrid vehicles. Toyota remains Ilika's most important customer and continues to work closely together with Ilika in the development of battery materials, having extended their contractual arrangement through seven successive renewals over five years.

Aerospace

A new high growth sector for the Company's technology platform is the aerospace sector, where Ilika has entered into initial relationships with two of the world's largest aerospace companies. Further activities are expected to be supported by the Aerospace Technology Institute, which has recently been established to deploy £2 billion of funding for the UK aerospace industry over the next seven years.

Outlook

The management team remains committed to deploying Ilika's cash prudently to drive the Company towards profitability and beyond, while also supporting its solid state battery programme to deliver both its long-standing and new shareholders attractive returns on their investment.

Graeme Purdy, CEO

Jack Boyer, Chairman

Consolidated statement of comprehensive income for the six months ended 31 October 2013

	Notes	Unaudited Six months ended 31 Oct 2013 £	Unaudited Six months ended 31 Oct 2012 £	Audited Year ended 30 Apr 2013 £
Continuing operations				
Revenue		571,498	391,801	1,003,943
Cost of sales		(345,894)	(296,745)	(561,584)
Gross profit		225,604	95,056	442,359
Administrative expenses		(1,781,279)	(2,001,487)	(4,020,375)
Other operating income		42,310	118	17,133
Operating loss		(1,513,365)	(1,906,313)	(3,560,883)
Financial income		10,292	40,533	67,437
Financial expense		(1,513)	(2,270)	(4,575)
Loss before tax		(1,504,586)	(1,868,050)	(3,498,021)
Taxation		152,528	108,884	239,741
Loss for period on continuing Activities		(1,352,058)	(1,759,166)	(3,258,280)
Loss for the period on discontinued activities		-	(210,524)	(216,693)
Loss and total comprehensive income and expense for the period		(1,352,058)	(1,969,690)	(3,474,973)
Loss per share	2			
Basic		(0.03)	(0.04)	(0.07)
Diluted		(0.03)	(0.04)	(0.07)
Continuing operations		(0.03)	(0.04)	(0.06)
Discontinued operations		(0.00)	(0.00)	(0.01)

Consolidated balance sheet as at 31 October 2013

Notes	Unaudited Six months ended 31 Oct 2013 £	Unaudited Six months ended 31 Oct 2012 £	Audited Year ended 30 Apr 2013 £
ASSETS			
Non current assets			
Intangible assets	7,048	55,550	9,425
Property, plant and equipment	737,690	1,110,279	1,105,706
Total non current assets	744,738	1,165,829	1,115,131
Current assets			
Trade and other receivables	992,499	555,889	577,505
Current tax receivable	113,548	109,449	230,000
Other financial assets – bank deposits	293,007	3,460,664	1,455,092
Cash and cash equivalents	1,129,738	90,714	407,970
Assets classified as held for sale	-	70,447	-
Total current assets	2,528,792	4,287,163	2,670,567
Total assets	3,273,530	5,452,992	3,785,698
EQUITY			
Issued share capital	499,104	475,354	475,354
Share premium	9,509,020	8,823,770	8,823,770
Capital restructuring reserve	6,486,077	6,486,077	6,486,077
Retained earnings	(13,995,750)	(10,838,139)	(12,643,692)
Total equity	2,498,451	4,947,062	3,141,509
LIABILITIES			
Current liabilities			
Trade and other payables	775,079	505,137	644,189
Liabilities classified as held for sale	-	793	-
Total liabilities	775,079	505,930	644,189
Total equity and liabilities	3,273,530	5,452,992	3,785,698

Consolidated cash flow statement for the six months ended 31 October 2013

	Unaudited Six months ended 31 Oct 2013 £	Unaudited Six months ended 31 Oct 2012 £	Audited Year ended 30 Apr 2013 £
Cash flows from operating activities			
Loss for period on continuing activities	(1,504,586)	(1,868,050)	(3,498,021)
Loss for the period on discontinued activities	-	(210,524)	(216,693)
<i>Adjustments for:</i>			
Amortisation	2,378	6,313	52,438
Depreciation	366,088	386,777	803,345
Equity settled share based payments	-	48,419	(251,851)
(Profit)/loss on disposal of plant, property and Equipment	(145)	-	155
Net financial income	(8,779)	(38,263)	(62,862)
Operating cash flow before changes in working capital, interest and taxes	(1,145,044)	(1,675,328)	(3,173,489)
Decrease/(increase) in trade and other receivables	(454,994)	95,054	74,734
Decrease in inventory	-	-	34,135
Increase /(decrease) in trade and other payables	138,433	(318,208)	(175,966)
Cash utilised by operations	(1,461,605)	(1,898,482)	(3,240,586)
Tax received	268,980	124,905	124,905
Net cash flow from operating activities	(1,192,625)	(1,773,577)	(3,115,681)
Cash flows from investing activities			
Interest received	10,292	33,189	59,055
Sale of discontinued operations	40,000	-	50,000
Sale of property plant and equipment	2,450	-	-
Purchase of property, plant and equipment	(377)	(143,099)	(551,591)
Decrease in other financial assets	1,162,085	539,336	2,544,908
Net cash used in investing activities	1,214,450	429,426	2,102,372
Cash flows from financing activities			
Proceeds from issuance of ordinary share capital	712,500	149,380	149,380
Share issue costs	(3,500)	-	-
Capital element of finance leases	(7,544)	(11,317)	(22,633)
Interest element of finance leases	(1,513)	(2,270)	(4,540)
Net cash from financing activities	699,943	135,793	122,207
Net increase / (decrease) in cash and cash equivalents	721,768	(1,208,358)	(891,102)
Cash and cash equivalents at the start of the Period	407,970	1,299,072	1,299,072
Cash and cash equivalents at the end of the Period	1,129,738	90,714	407,970

Consolidated statement of changes in equity (unaudited)

	Share capital £	Share premium account £	Capital restructuring reserve £	Retained earnings £	Total £
As at 30 April 2012	472,638	8,677,106	6,486,077	(8,916,868)	6,718,953
Issue of shares	2,716	146,664	-	-	149,380
Share based payment	-	-	-	48,419	48,419
Loss and total comprehensive income	-	-	-	(1,969,690)	(1,969,690)
As at 31 October 2012	475,354	8,823,770	6,486,077	(10,838,139)	4,947,062
Share based payment	-	-	-	(300,270)	(300,270)
Loss and total comprehensive income	-	-	-	(1,505,283)	(1,505,283)
As at 30 April 2013	475,354	8,823,770	6,486,077	(12,643,692)	3,141,509
Issue of shares	23,750	685,250	-	-	709,000
Loss and total comprehensive income	-	-	-	(1,352,058)	(1,352,058)
As at 31 October 2013	499,104	9,509,020	6,486,077	(13,995,750)	2,498,451

Share capital

The share capital represents the nominal value of the equity shares in issue.

Share premium account

When shares are issued, any premium paid above the nominal value is credited to the share premium reserve.

Retained earnings

The retained earnings reserve records the accumulated profits and losses of the 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 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 2013 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 30 April 2013 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2013 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 2013, amounted to £1,422,744. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. The Board is confident that further finance could be secured based on the future prospects of the business and previous experience in raising equity finance, but acknowledge that this would be dependent on market conditions. 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 2013	Unaudited Six months ended 31 Oct 2012	Audited Year ended 30 Apr 2013
	Number	Number	Number
Weighted average number of equity shares	49,691,004	47,330,257	47,431,258
		£	£
Loss, being loss after tax	<u>(1,352,058)</u>	<u>(1,969,690)</u>	<u>(3,474,973)</u>

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.

– Ends –