Joint Chairman and Chief Executive's statement

Introduction

We are pleased to present the Company's first interim results since admission to AIM in May and give shareholders an update on the Group's performance during the six months to 31 October 2010.

Ilika's capabilities significantly reduce the traditionally long lead times required to develop new materials. The Group's primary commercialisation strategy is to enter into joint development or licensing agreements with large multinational companies seeking to commercialise products developed using the intellectual property created through jointly funded programmes. Current commercialisation partners include Toyota, Shell, Johnson Matthey and CeramTec.

The Company aims to exploit the huge opportunities of having its materials integrated into market-leading commercial products sold worldwide. It focuses its efforts on those industrial partnerships where an end need has been identified and an addressable market in excess of $1 billion is expected to exist.

Ilika generates revenues from three sources: licensing and milestone payments from joint development programmes, fees for service from contract research projects and from sales of its own products, CryoSkin® and MySkin®.

The majority of Ilika's business is in the development of materials for the energy sector, but it is also active in the electronics and biomedical areas.

Ilika's technology

Ilika's unique high throughput technology (HTT) accelerates the discovery of new and patentable materials for identified end uses. 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 to move from an initial discovery through to the first commercial prototype. Experiments carried out by Ilika can be executed 10 to 100 times faster than by using 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

Since becoming the first cleantech company to list on AIM in 2010, Ilika has made good progress.

The most significant milestone was the renewal of a contract with a major existing customer for the development of novel battery materials.

The six month period, which this year includes the full six months for Altrika, saw commercial revenues increase by 37% on the prior period. Grants revenues (other operating income) increased by 16%. Administration expenses increased by 9.5% due to the full six months costs of Altrika and the increased costs associated with being a publicly quoted company. Cash retention has been excellent and having raised £4.4 million (net) at the time of admission to AIM the Company finished the period with £4.1 million. Utilisation of existing R&D equipment grew to 65%, leaving further capacity for revenue growth in the coming period.

As described at the time of admission to AIM, the US and Asian markets offer huge opportunities to Ilika. In October the Company announced it had appointed JGW Group in the US to develop new business opportunities in the North American aerospace and defence sectors. In Asia the Company extended its relationship with Japan's Blue Rise Partners to continue business development opportunities in the electronics and energy sectors, adding a focus on securing opportunities in the bio-medical sector.

The Group's activities in the energy sector continue to thrive and we were delighted to announce five significant contract wins in this area during the period, including an extension of the Company's work in the field of lithium-ion batteries and its expansion into thermoelectric material development.

Altrika, the Group's bio-medical subsidiary, continues to receive recognition for its skin cell generation solution and was awarded three grants to continue the development of its innovative burns treatment products.

Ilika's success in the period has meant that we have decided to grow our technical team from 17 to 20 to deliver the increased revenue. 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 achieved all objectives set out at the time of its admission to AIM and has announced a number of additional developments. The Group looks forward to making further announcements in all three areas of its business. The Company is committed to building its presence in Europe and Asia and the continued manufacturing-based recovery in Asia presents Ilika with a huge opportunity to develop partnerships in the region. The North American market also offers considerable opportunities for materials discovery and development, and we continue to pursue development prospects there.

The Board looks forward to the full year with confidence.

Ilika plc

Consolidated statement of comprehensive income for the six months ended 31 October 2010

	Notes	Unaudited Six months ended 31 Oct 2010 £	Audited Six months ended 31 Oct 2009 £	Audited Year ended 30 Apr 2010 £
Revenue		607,271	441,936	1,060,872
Cost of sales		(469,926)	(358,620)	(644,384)
Gross profit		137,345	83,316	416,488
Administrative expenses		(2,185,403)	(1,995,704)	(3,899,100)
Other operating income		148,188	127,919	215,000
Operating loss		(1,899,870)	(1,784,469)	(3,267,612)
Financial income		19,929	7,479	9,686
Financial expense		(3,972)	(3,215)	(6,448)
Loss before tax		(1,883,913)	(1,780,205)	(3,264,374)
Taxation		65,748	64,830	132,823
Loss for period / total comprehensive income		(1,818,165)	(1,715,375)	(3,131,551)
Loss per share	2			
Basic		(0.05)	(0.14)	(0.26)
Diluted		(0.05)	(0.14)	(0.26)

All amounts relate to continuing activities

Consolidated balance sheet as at 31 October 2010

	Unaudited Six months ended 31 Oct 2010	Audited Six months ended 31 Oct 2009	Audited Year ended 30 Apr 2010
	£	£	£
ASSETS			
Non current assets			
Intangible assets	63,629	65,681	66,738
Property, plant and equipment	1,894,113	2,364,670	2,068,129
Total non current assets	1,957,742	2,430,351	2,134,867
Current assets			
Trade and other receivables	461,321	317,655	614,110
Current tax receivable	198,571	64,830	132,823
Cash and cash equivalents	4,078,842	1,641,170	792,418
Total current assets	4,738,734	2,023,655	1,539,351
Total assets	6,696,476	4,454,006	3,674,218
EQUITY			
Issued share capital	383,548	121,339	121,339
Share premium	4,184,930	0	0
Capital restructuring reserve	6,458,939	6,220,378	6,479,728
Retained earnings	(5,398,558)	(2,529,020)	(3,945,196)
Total equity	5,628,859	3,812,697	2,655,871
LIABILITIES			
Current liabilities			
Trade and other payables	1,019,350	613,589	1,000,157
Non current liabilities			
Other payables	48,267	27,720	18,190
Total liabilities	1,067,617	641,309	1,018,347
Total equity and liabilities	6,696,476	4,454,006	3,674,218

Consolidated cash flow statement for the six months ended 31 October 2010

	Unaudited Six months ended 31 Oct 2010	Audited Six months ended 31 Oct 2009	Audited Year ended 30 Apr 2010
	£	£	£
Cash flows from operating activities			
Loss before tax	(1,883,913)	(1,780,205)	(3,264,374)
Adjustments for:			
Amortisation	6,104	11,573	21,594
Depreciation	348,747	421,904	764,327
Equity settled share based payments	364,803	556,829	816,179
Profit on disposal of plant, property and equipment	339	0	(183)
Net financial income	(15,957)	(4,264)	(3,238)
Operating cash flow before changes in working capital, interest and taxes	(1,179,877)	(794,163)	(1,665,695)
Decrease/(increase) in trade and other receivables	162,643	(697)	(297,152)
(Decrease)/ increase in trade and other payables	(5,327)	(234,894)	151,673
Cash utilised by operations	(1,022,561)	(1,029,754)	(1,811,174)
Tax received	0	150,078	150,078
Net cash flow from operating activities	(1,022,561)	(879,676)	(1,661,096)
Cash flows from investing activities			
Interest received	10,075	7,479	9,686
Purchase of intangible assets	(3,602)	0	(11,078)
Sale of property plant and equipment	1,085	0	1,141
Purchase of property, plant and equipment	(107,649)	(74,529)	(121,368)
Net cash used in investing activities	(100,091)	(67,050)	(121,619)
Cash flows from financing activities			
Proceeds from issuance of ordinary share capital	5,175,611	0	0
Share issue costs	(749,261)	0	0
Capital element of finance leases	(13,302)	(9,530)	(19,060)
Interest element of finance leases	(3,972)	(3,215)	(6,448)
Net cash from financing activities	4,409,076	(12,745)	(25,508)
Net increase/ (decrease) in cash and cash equivalents	3,286,424	(959,471)	(1,808,223)
Cash and cash equivalents at the start of the period	792,418	2,600,641	2,600,641
Cash and cash equivalents at the end of the period	4,078,842	1,641,170	792,418

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	0	5,663,549	(813,645)	4,971,243
Share based payment	0	0	556,829	0	556,829
Loss and total comprehensive income	0	0	0	(1,715,375)	(1,715,375)
As at 31 October 2009	121,339	0	6,220,378	(2,529,020)	3,812,697
Share based payment	0	0	259,350	0	259,350
Loss and total comprehensive income	0	0	0	(1,416,176)	(1,416,176)
As at 30 April 2010	121,339	0	6,479,728	(3,945,196)	2,655,871
Share option exercise	21,039	360	(20,789)	0	610
Share based payment	0	0	27,138	337,665	364,803
Issue of shares	241,170	4,933,831	0	0	5,175,001
Expenses of share issue	0	(749,261)	0	0	(749,261)
Loss and total comprehensive income	0	0	0	(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 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

2

3 ***Basis of preparation***

The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 30 April 2011 and in accordance with the recognition and measurement criteria of International Financial Reporting Standards adopted by the European Union ("IFRSs").

Ilika plc was incorporated on 12 March 2010 but the interims are presented for the 6 months ended 31 October 2010 as explained under the capital restructuring section below. The accounting policies and the IFRS conversion details are set out in the non-statutory accounts of Ilika Technologies Limited for the year ended 30 April 2010, which is available on the company's website.

The financial information set out in these statements does not constitute the company's statutory accounts for the periods ended 30 April 2010. The Ilika Technologies Limited and Altrika Limited Statutory accounts for the period ended 30 April 2010, prepared under UK GAAP, have been delivered to the Registrar. Both have been reported on by the Independent Auditors. The Independent Auditors' report on the Financial Statements for the period ended 30 April 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 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 2010, amounted to £4,078,842. 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.

Capital restructuring

Ilika plc was incorporated as a vehicle for flotation on AIM in order to acquire, in a share for share exchange, Ilika Technologies Limited. These financial statements consolidate the results and financial position of Ilika Technologies Limited and its subsidiaries, through capital restructuring accounting as required by IFRS 3 Revised "Business Combinations". This means that the Group financial statements account for the share for share exchange as if Ilika Technologies Limited was the acquirer and Ilika plc the acquired entity. As a result of this, the comparative financial information and the financial information up to the date of acquisition relates to the consolidated financial information of Ilika Technologies Limited. However, the equity structure as at 30 April 2009 in the consolidated accounts represents that of Ilika plc as the legal parent.

On 6 May 2010, Ilika plc acquired, in a share for share exchange, Ilika Technologies Limited. As part of the share for share exchange agreement, the share options and warrants in Ilika Technologies Limited were transferred to Ilika plc on the same terms as previously held. There was no change in the fair value of the share options on the date of transfer because the terms of the new share option agreements were the same as the old share options. The warrant reserve in Ilika Technologies Limited was eliminated as a result of the exchange agreement as the warrants had a nil fair value at the date of transfer.

Southampton Asset Management Limited ("SAM") exercised 2,099,900 options immediately prior to admission at an exercise price of £0.01 per share. This amount was in excess of the amount payable under the terms of the original option agreement held in Ilika Technologies Limited and therefore a compensating payment of £20,789, reflecting the additional amount paid by SAM, was made to SAM and charged to the capital restructuring reserve.

Ilika plc was admitted to AIM on 14 May 2010. 10,147,059 ordinary shares were issued for a total consideration of £5,175,001. The premium arising on the issue of these shares was £4,933,831. Total issue costs incurred were £749,261. These costs have been written off against the share premium account.

4,000 options were exercised by option holders after admission at an exercise price of £0.10 per share.

4 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, are as follows:

	Unaudited Six months ended 31 Oct 2010	**Audited Six months ended 31 Oct 2009**	**Audited Year ended 30 Apr 2010**
	Number	**Number**	**Number**
Weighted average number of equity shares	36,502,106	12,133,900	12,133,900
	£	**£**	**£**
Earnings, being profit after tax	(1,818,165)	(1,715,375)	(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 would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33. At 31 October 2010 there were 7,611,700 options outstanding (2009: 2,177,600 options outstanding). Following the share for share exchange, there is no effect on the earnings per share.

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 2010 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 2010 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
24 November 2010

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