



10 January 2013

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

Interim Results for the Six Months Ended 31 October 2012

Ilika (AIM: IKA), the advanced cleantech materials discovery company, announces its unaudited interim results for the six months ended 31 October 2012, a period which witnessed continued progress with new partnerships, contract renewals and increased business development activity in the US and Asia.

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

Operational Highlights

- Granted key Patent from the US Patent and Trademark Office further protecting the Company’s high-throughput technology
- Phase 1 development of Ilika’s solid state battery technology for man-portable operations (DUBS) well underway
- Received an equity investment of £149,380 from the Carbon Trust Fund to aid commercialisation of the Company’s proprietary low cost fuel cell catalyst material
- Awarded ‘University Spin-Out of the Year’ at the New Energy Awards

Post Period End Events

- Energizer announced a \$200m cost saving programme affecting its partners including Ilika
- Renewal of contract with world leading motor manufacturer
- Disposal of non-core wound care business completed
- Grant of fuel cell catalyst patent in the US

Financial Summary

Total revenue for the period was £0.5m, consisting of £0.4m from continuing activities and £0.1m from the discontinued wound care business. Whilst this is lower than the £0.8m revenue for the prior comparative period the Company expects the current strength of the business development pipeline to allow it to recognise significantly increased revenues in the second half.

The successful disposal of the Altrika business has resulted in an on-going overhead saving of around £0.4m per annum. Research and development expenditure in Ilika’s DUBS technology has increased the first half loss to £2m, but this investment has significantly strengthened its proprietary IP position.

Cash balance at the period end remains strong at £3.6m.

Commenting on the results Ilika’s Chairman, Jack Boyer, said: “The first half of 2012 witnessed several significant milestones in the development of Ilika. Firstly, the granting of the US Patent on our materials discovery technology confirmed the uniqueness of our approach. Secondly, the Carbon Trust’s investment in our fuel cell technology has provided a strong springboard for the commercialisation of our low cost fuel cell catalyst. Thirdly, our team has made a determined start to phase one of Ilika’s solid state battery technology for man-portable applications.

While we were obviously disappointed with the news that Energizer’s \$200m global cost saving plan affecting a number of development partners, included us, it is important to understand that this

relationship was only one out of twenty of our customer relationships and the technology concerned was unrelated to any of our other programmes.

“Post the successfully completed disposal of the non-core wound care division, we expect revenue from the continuing business to be significantly stronger in the second half of the current financial year than the first. Over the longer term, the value of our business development pipeline continues to expand providing further confidence in the development of the Company. We remain committed to investing Ilika’s cash prudently to drive the Company towards profitability, whilst also completing the man-portable battery programme to deliver our shareholders attractive returns on their investment.”

For more information contact:

Ilika plc

Graeme Purdy, Chief Executive
Steve Boydell, Finance Director

+44 (0) 23 8011 1400

Numis Securities Limited

Oliver Cardigan/ James Black

Walbrook PR Ltd

Paul McManus (Media Enquiries)
Paul Cornelius (Investor Enquiries)

+44 (0) 20 7933 8780

Mob: 07980 541 893 or paul.mcmanus@walbrookpr.com

Mob: 07827 879 460 or paul.cornelius@walbrookir.com

Joint Chairman's and CEO's Statement

Review of Period

Reinforcement of Platform Technology IP Position

In May 2012, the US Patent and Trademark Office granted Ilika a patent to protect its proprietary high throughput method for producing materials. This is a key patent, affording protection to Ilika's technology platform and recognising the novelty and uniqueness of its innovation capabilities.

Distributed Universal Battery System for Man-Portable Applications

At the end of the previous reporting period in April 2012, Ilika successfully secured £4.9 million of equity investment, 60 per cent of which came from new shareholders, to support the development of its solid-state battery technology for man-portable applications.

Ilika refers to this technology as its DUBS (Distributed Universal Battery System) programme. The concept is that the battery system is made of a number of lightweight cells, which can be distributed and connected to form a conformal power source, which is easily carried. The design has been reviewed and supported by expert groups within the US and UK defence sectors. Having secured demand from this early adoption market, Ilika intends to make this technology available to some of the higher-volume applications including consumer electronics.

The development of DUBS technology is structured in three phases over a period of 24 months. Phase 1 started at the beginning of this reporting period, in May 2012; and is focused on optimising the cell design. The cells are made up of a series of individual layers of materials, each of which needs to be well understood in order for the composite cell to have the required electrochemical properties. These individual layers have now been optimised and the focus of efforts in Phase 1 is combining these layers in a way that minimises the impact of the interfaces and allows the cell to function optimally. In parallel, discussions have been held with fabricators of materials deposition technology to assess their suitability for cell production.

Automotive Thin Film Battery Technology

The DUBS 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, in December 2012, extended their contractual arrangement through seven successive renewals over five years.

Low-Cost Fuel Cell Catalyst

In addition to this strong progress with battery materials, Ilika has also made progress with its low-cost fuel cell technology. In September 2012, Ilika received an equity investment of £149,380 from the Carbon Trust, through its Polymer Fuel Cells Challenge programme, to support the commercialisation of Ilika's proprietary high performing electro-catalysts for use in fuel cell vehicles. 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. As part of the Carbon Trust's technical and commercial evaluation of the technology, Ilika submitted performance data for assessment by independent experts demonstrating the performance and stability of the catalyst. The performance data was generated in industry standard tests of membrane electrode assemblies (MEA's) carried out at an independent fuel cell testing facility. The electro-catalysts have been subsequently manufactured to Ilika's specification by a partner using an industrially-scalable process. The investment from the Carbon Trust is intended to support Ilika in providing a larger quantity of the electro-catalyst for testing by the major automotive OEMs that have expressed their interest in the technology. Ilika has recently made data and initial samples available to one of its preferred automotive partners, who has commenced activities to reproduce the technical results in its own laboratories.

In December 2012, Ilika received notification that its patent application covering the use of lower cost metal alloys as electro-catalysts in PEM fuel cells has been granted in the USA.

Energizer relationship

In November 2012, Energizer which is one of Ilika's 20 blue-chip commercial partners announced that it had undergone a strategic review of its business and is implementing a \$200 million enterprise wide, multi-year cost saving programme. Shortly after that announcement, Ilika was informed that the product development, on which it had been collaborating, was not being extended. While in the context of Ilika's balanced portfolio of commercial relationships this will not have a long-term impact, it will have a material impact on its near-term revenues for the remainder of the current financial year. In the wake of this news, Ilika's business development team has redoubled its efforts to identify new partners to commercialise Ilika's expertise in this area and drive revenue growth back to the levels it has previously enjoyed.

Disposal of the Wound Care Division

In the course of this reporting period, Ilika took the decision to streamline its operations by discontinuing provision of its wound care products through its wholly-owned subsidiary, Altrika, by the end of December 2012. This will allow Ilika to focus on its core activities in developing energy conversion and storage materials. The streamlining involved the disposal of Altrika Limited on 17 December 2012 and its facilities in Sheffield. As part of this rationalisation, the high throughput polymer platform was, before this disposal, transferred to Ilika Technologies Limited and has been relocated to Southampton and sited in Ilika's expanded laboratory facilities there. The transaction has a small net positive effect on Ilika's balance sheet.

Industry Awards

Ilika also enjoyed public recognition of its success in April 2012 when it fought off strong competition in its category to win Spin-Out of the Year at the New Energy Awards held at the Science Museum in London.

Outlook

Ilika generally has a stronger second half to its financial year due to the importance of Ilika's Japanese customers, who tend to award contracts at the end and beginning of their budget years, which are typically aligned with the calendar year. The second half of this financial year also promises further progress in scaling up and commercialising its low-cost fuel cell catalyst. Ilika's management looks forward to updating the market as feedback is received from its OEM partners.

Based on this seasonality and the current strength of its business development pipeline, Ilika is looking forward to renewed turnover growth in the second half of the current financial period with revenue from continuing operations for the full year to 30 April 2013 expected to be approximately 10 percent below that achieved in the prior financial year, as previously announced.

In readiness for the increased activity during the second half and beyond, Ilika has commenced an expansion of its facilities in Southampton, which will approximately double available laboratory space. This will create room for increased materials characterisation capability and also for the pilot line for its solid-state battery programme.

Finally, the management team remains committed to deploying Ilika's cash prudently to drive the Company towards profitability and beyond, while also delivering its DUBS 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 2012

	Notes	Unaudited Six months ended 31 Oct 2012 £	Unaudited Six months ended 31 Oct 2011 £	Audited Year ended 30 Apr 2012 £
Continuing operations				
Revenue		391,801	745,124	1,851,172
Cost of sales		(296,745)	(552,160)	(1,037,908)
Gross profit		95,056	192,964	813,264
Administrative expenses		(2,001,487)	(1,687,631)	(3,367,519)
Other operating income		118	97,953	172,097
Operating loss		(1,906,313)	(1,396,714)	(2,382,158)
Financial income		40,533	14,108	16,251
Financial expense		(2,270)	(5,486)	(10,684)
Loss before tax		(1,868,050)	(1,388,092)	(2,376,591)
Taxation		108,884	52,955	93,198
Loss for period on continuing Activities		(1,759,166)	(1,335,137)	(2,283,393)
Loss for the period on discontinued activities	3	(210,524)	(160,151)	(426,892)
Loss and total comprehensive income and expense for the period		(1,969,690)	(1,495,288)	(2,710,285)
Loss per share	2			
Basic		(0.04)	(0.04)	(0.07)
Diluted		(0.04)	(0.04)	(0.07)
Continuing operations		(0.04)	(0.04)	(0.06)
Discontinued operations		(0.00)	(0.00)	(0.01)

Consolidated balance sheet as at 31 October 2012

	Notes	Unaudited Six months ended 31 Oct 2012 £	Unaudited Six months ended 31 Oct 2011 £	Audited Year ended 30 Apr 2012 £
ASSETS				
Non current assets				
Intangible assets		55,550	69,927	61,863
Property, plant and equipment		1,110,279	1,691,443	1,380,257
Total non current assets		1,165,829	1,761,370	1,442,120
Current assets				
Inventory		-	34,135	34,135
Trade and other receivables		555,889	1,032,077	660,943
Current tax receivable		109,449	68,378	125,470
Other financial assets – bank deposits		3,460,664	701,233	4,000,000
Cash and cash equivalents		90,714	504,832	1,299,072
Assets classified as held for sale	3	70,447	-	-
Total current assets		4,287,163	2,340,655	6,119,620
Total assets		5,452,992	4,102,025	7,561,740
EQUITY				
Issued share capital		475,354	383,548	472,638
Share premium		8,823,770	4,169,909	8,677,106
Capital restructuring reserve		6,486,077	6,486,077	6,486,077
Retained earnings		(10,838,139)	(7,803,908)	(8,916,868)
Total equity		4,947,062	3,235,626	6,718,953
LIABILITIES				
Current liabilities				
Trade and other payables		505,137	847,538	835,243
Liabilities classified as held for sale	3	793	-	-
Non current liabilities				
Other payables		-	18,861	7,544
Total liabilities		505,930	866,399	842,787
Total equity and liabilities		5,452,992	4,102,025	7,561,740

Consolidated cash flow statement for the six months ended 31 October 2012

	Unaudited Six months ended 31 Oct 2012 £	Unaudited Six months ended 31 Oct 2011 £	Audited Year ended 30 Apr 2012 £
Cash flows from operating activities			
Loss for period on continuing activities	(1,759,166)	(1,335,137)	(2,283,393)
Loss for the period on discontinued activities	(210,524)	(160,151)	(426,892)
<i>Adjustments for:</i>			
Taxation	(108,884)	(68,378)	(125,470)
Amortisation	6,313	8,632	14,196
Depreciation*	386,777	415,404	819,101
Equity settled share based payments	48,419	109,576	211,613
Loss on disposal of plant, property and equipment	-	-	69
Loss on disposal of intangible assets	-	-	3,582
Net financial income	(38,263)	(8,622)	(5,567)
Operating cash flow before changes in working capital, interest and taxes	(1,675,328)	(1,038,676)	(1,792,491)
Decrease/(increase) in trade and other receivables *	95,054	(283,996)	87,138
Decrease in trade and other payables*	(318,208)	(268,749)	(272,198)
Cash utilised by operations	(1,898,482)	(1,591,421)	(1,977,551)
Tax received	124,905	122,733	122,733
Net cash flow from operating activities	(1,773,577)	(1,468,688)	(1,854,818)
Cash flows from investing activities			
Interest received	33,189	14,293	16,251
Purchase of intangible assets	-	(16,765)	(14,265)
Sale of property plant and equipment	-	-	25
Purchase of property, plant and equipment	(143,099)	(100,367)	(196,826)
Decrease/(Increase) in other financial assets	539,336	798,767	(2,500,000)
Net cash used in investing activities	429,426	695,928	(2,694,815)
Cash flows from financing activities			
Proceeds from issuance of ordinary share capital	149,380	-	4,899,991
Share issue costs	-	-	(303,703)
Capital element of finance leases	(11,317)	(20,846)	(40,823)
Interest element of finance leases	(2,270)	(5,486)	(10,684)
Net cash from financing activities	135,793	(26,332)	4,544,781
Net decrease in cash and cash equivalents	(1,208,358)	(799,092)	(4,852)
Cash and cash equivalents at the start of the period	1,299,072	1,303,924	1,303,924
Cash and cash equivalents at the end of the period	90,714	504,832	1,299,072

* This includes the assets and liabilities held as available for sale as per note 3

Consolidated statement of changes in equity (unaudited)

	Share capital £	Share premium account £	Capital restructuring reserve £	Retained earnings £	Total £
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
Issue of shares	89,090	4,810,900	-	-	4,899,990
Expenses of share issue	-	(303,703)	-	-	(303,703)
Share based payment	-	-	-	102,037	102,037
Loss and total comprehensive income	-	-	-	(1,214,997)	(1,214,997)
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 on continuing activities	-	-	-	(1,759,166)	(1,759,166)
Loss and total comprehensive income on discontinued activities	-	-	-	(210,524)	(210,524)
As at 31 October 2012	475,354	8,823,770	6,486,077	(10,838,139)	4,947,062

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 IFRSs that will be effective in the financial statements for the year to 30 April 2013 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 2013.

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 2012 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 30 April 2012 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2012 was unqualified and did not include references to any matters which the auditors drew attention to 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 2012, amounted to £3,551,378. 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.

Assets and liabilities classified as held for sale

The assets and liabilities of disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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 2012	Unaudited Six months ended 31 Oct 2011	Audited Year ended 30 Apr 2012
	Number	Number	Number
Weighted average number of equity shares	47,330,257	38,354,759	38,525,718
	£	£	£
Loss, being loss after tax on continuing activities	(1,759,166)	(1,335,137)	(2,283,393)
Loss, being loss after tax on discontinued activities	(210,524)	(160,151)	(426,892)

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.

3. Discontinued operations

The results of the discontinued wound care division which have been included in the consolidated income statement were as follows:

	Unaudited Six months ended 31 Oct 2012	Unaudited Six months ended 31 Oct 2011	Audited Year ended 30 Apr 2012
	£	£	£
Revenue	95,175	89,508	160,072
Cost of sales	(55,424)	(52,361)	(149,861)
Gross profit	39,751	37,147	10,211
Administrative expenses	(266,504)	(318,007)	(590,531)
Other operating income	16,229	105,286	121,156
Operating loss and loss before tax	(210,524)	(175,574)	(459,164)
Taxation	-	15,423	32,272
Loss for the period on discontinued activities	(210,524)	(160,151)	(426,892)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Period ended 31 October 2012
	£
Plant and equipment	26,312
Inventories	34,135
Trade and other receivables	10,000
Total assets classified as held for sale	70,447
Trade and other payables	793
Total liabilities associated with assets classified as held for sale	793
Net assets of the disposal group	69,654

During the period, the discontinued operations absorbed £210,524 of the Group's net operating cashflows, £nil in respect of investing activities and £nil in respect of financing activities.

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 2012 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.

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 2012 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
Southampton, United Kingdom
xxth January 2013

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

– Ends –