



# From strength to strength.

Annual Report & Accounts 2012

**Nanoco Group PLC designs,  
develops and manufactures  
quantum dots, solar inks  
and other nanomaterials  
in commercial quantities  
for major end-use markets.**

## ○ Highlights 2012

### ○ Lighting market opened

Joint development agreement signed with one of the world's largest lighting companies in August 2011 for use of quantum dots in general lighting.

### ○ New Japanese customer

New solar joint development agreement signed with a Japanese corporation worth US\$1.2 million over seven months to establish proof of principle.

### ○ New Asian customer

Joint development agreement signed in Asia in February 2012 with a world leading electronics corporation for the backlighting of LCD displays.

### ○ Green dots attract US\$3 million

Final two milestones achieved for green quantum dots for a major Japanese corporation, including a US\$2 million milestone for delivery of a 1kg batch.

### ○ Production scale-up on track

Production scale-up plans on track with the design of the Kilo Lab facility increased to 400kg a year, reflecting a greater projected demand for quantum dots.

### ○ Significant steps in solar

Further joint development agreement signed with Tokyo Electron in thin film solar with significant technical progress achieved during the year.

### ○ Strong balance sheet

Cash, cash equivalents, deposits and short-term investments of £15.47 million (2011: £17.10 million).

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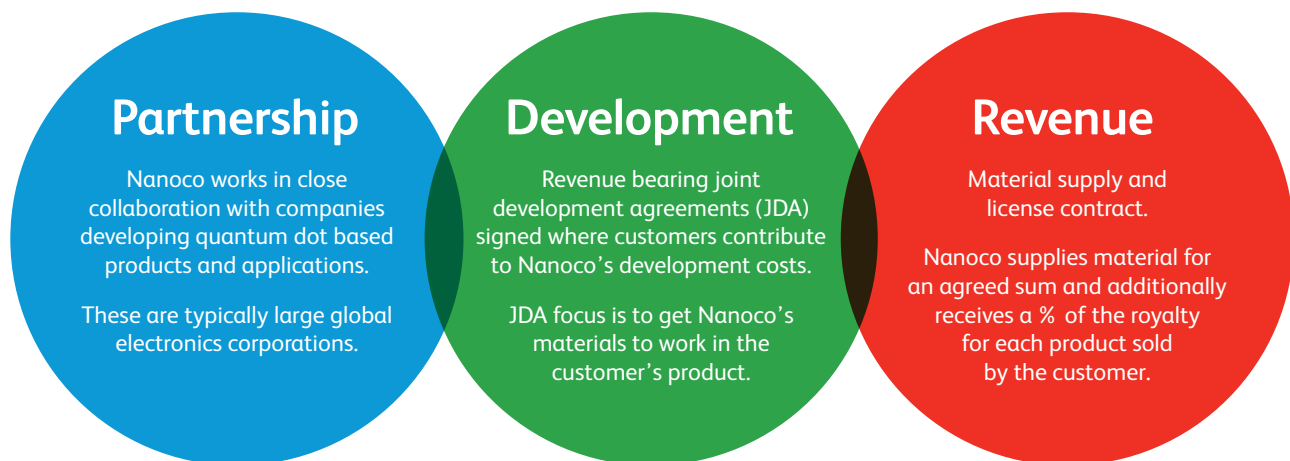
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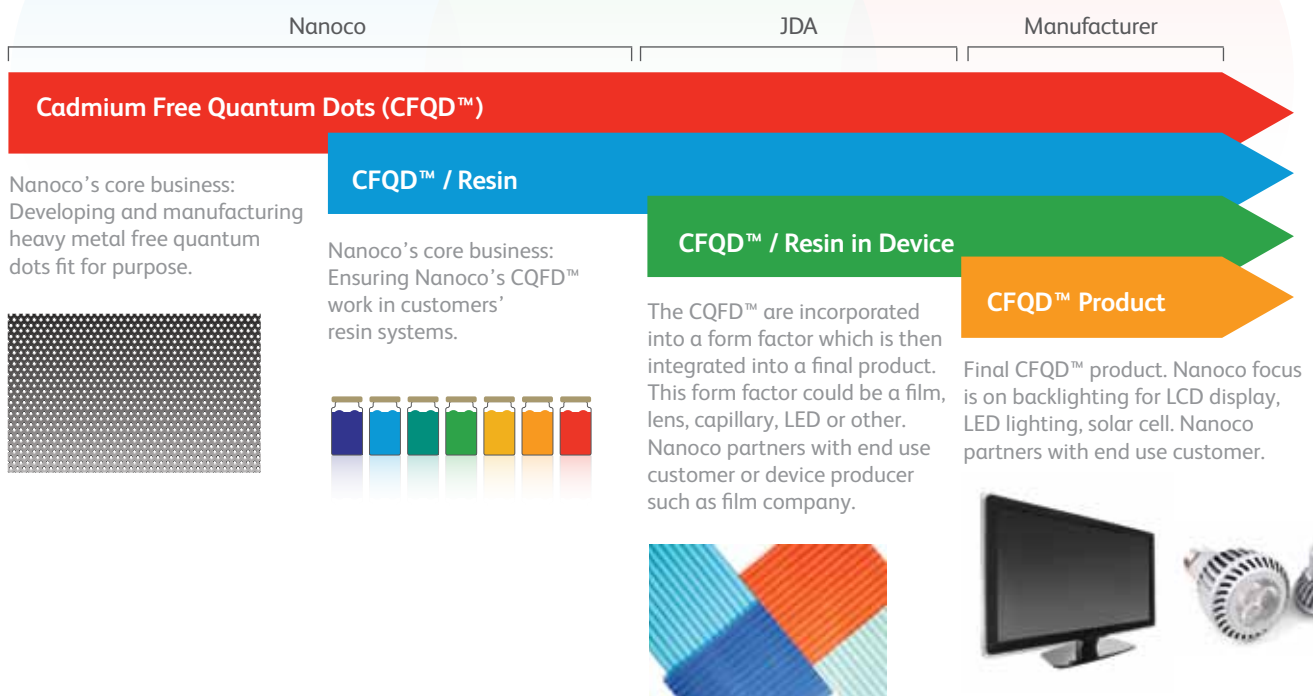
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# Focused on continued technical development.

## Our business model:



## Nanoco development chain:





**A world leader in the development, manufacture and supply of quantum dots and other semiconductor nanomaterials.**

Nanoco is a global business with its headquarters in Manchester, where the Company's R&D activities are based. Nanoco's team grew to nearly 70 people at the year-end, most of whom are highly qualified scientists recruited to Manchester from countries all around the world. Nanoco's manufacturing activities are based in nearby Runcorn, where its laboratories hold world firsts in the production of commercial quantities of red and green quantum dots. Outside of the UK, Nanoco is focused primarily on business development and on serving existing customers. Asia is the epicentre of the global optoelectronics industry and Nanoco has a team of dedicated personnel in the region covering the key markets of Japan, Korea, China and Taiwan. Nanoco also has business development activities in the USA, where the Company is working with one of the world's largest lighting companies on the next generation of LEDs for general lighting.

# Making substantial progress in developing our business.



The year to 31 July 2012 was a period of rapid progress at Nanoco in which our transition from a research-based company to a high-tech manufacturing business continued apace. We made significant progress in all of the key areas of our business, broadening our commercial relationships and achieving key technical and commercial milestones.

A particular highlight of the year was signing our first agreement for the use of our quantum dots in general lighting. This agreement was signed with one of the world's largest lighting companies. In addition to being our first agreement in general lighting, it was significant because it marked our first agreement to be signed in the USA. We currently have commercial development relationships in Japan, Korea and the USA, and discussions ongoing in other territories.

In the second half of the year we were pleased to deliver our first 1kg batch of green heavy metal free quantum dots to a major Japanese corporation, triggering a US\$2 million payment to Nanoco. This was a major technical achievement because green quantum dots are extremely small and hence potentially challenging to produce.

During the year, our commercial focus has remained on our three key applications: LED backlighting for LCD displays, LED general lighting and solar power. We continue to evaluate other applications, and our early stage work with University College London in cancer imaging is progressing well.

## “We made significant progress in all key areas of our business, broadening our commercial relationships and achieving key technical and commercial milestones.”

There was an acceleration in our business development discussions, reflecting the rapidly growing and worldwide interest in our cadmium free quantum dot (CFQD™) technology. We recently appointed a business development executive in China whose remit is to progress discussions in mainland China and Taiwan.

We gained greater visibility during the year on our commercial partners' preferred technical approach to integrating our red and green quantum dots with blue LEDs for the next generation of LCD displays. There are a number of ways that this can be achieved and initial work has been focused on combining a small number of quantum dots with an individual LED to produce a packaged unit. Whilst a number of approaches might be adopted, in large displays there is an emerging trend towards the use of our quantum dots in a film, which would be built into the backlight component of the LCD display. Using quantum dots in this way requires a far greater number of dots than incorporating them directly on an LED. This is positive for Nanoco in terms of demonstrating an effective means of engineering CFQD™ into large displays which meet customer, technical and manufacturing requirements. There most likely will be an implication on the price per gramme of dots incorporated into LCD displays and we are reviewing our strategic manufacturing options in light of the larger quantities of CFQD™ projected.

We have been working closely with major LCD panel manufacturers and film manufacturers to develop a CFQD™ film. This work, which is proceeding well, is part funded by a potential commercial partner.

As we now anticipate that we may be required to produce a substantially increased quantity of quantum dots, we have doubled the capacity of the design of the Kilo Lab stage of our production scale up facility. The Kilo Lab design, which has been increased to a capacity of 400kg a year, is now close to completion with anticipated costs broadly in line with the original 200kg per annum design. The start of construction of the Kilo Lab plant, on the same site as our Semi-Tech lines in Runcorn, will be timed to reflect our order book.

The two cornerstones of our business are our people and our intellectual property. By the year-end, the Nanoco team had grown to 69 people compared with 63 a year earlier. Our intellectual property has also grown during the year, with a large number of patents filed or granted. We continue to look for opportunities to acquire patents to supplement our core technology.

### Commercial applications – displays

The use of our quantum dots in the backlighting of LCD displays illuminated by LEDs has the benefit of improved colour performance offered by our quantum dots. This colour performance has the potential to equal that of organic light-emitting diode (OLED) technology but with the key advantage that display makers could manufacture quantum dot LCD displays on their existing LCD production lines.

Our commercial development contracts in LCD displays have progressed well and, in February 2012, we were delighted to announce a new relationship in Asia with a major electronics company.

We made significant progress during the year with our supply and licence agreement with a major Japanese LED corporation. In January 2012 we received a US\$1 million payment from the corporation for achieving the specified performance criteria for green quantum dots and in May 2012 we received a US\$2 million payment for the delivery of 1kg of the green quantum dots. These payments follow similar payments achieved for the successful development and delivery of red quantum dots. This Japanese corporation is now working to incorporate the Company's CFQD™ directly onto LEDs for small size LCD displays.

Our joint development agreement with a major Japanese electronics company, using our quantum dots in next-generation LCD TVs, has achieved all of its technical milestones. The Japanese company's most recent work was focused on identifying the optimal method for integrating our quantum dots into the company's existing manufacturing processes. The company has yet to confirm how it intends to do this, which may impact the timing and scale of orders. We had previously expected the supply of quantum dots under this relationship might commence in the year ending July 2013. We expect further clarity to emerge in the current year on preferences for integrating our quantum dots into the LCD manufacturing process.

The business is now working with a number of the leading Asian display makers.



# We are careful to remain focused on our core areas.

In terms of additional business development, we are in early stage discussions with a significant number of global electronics companies and look forward to being able to announce further agreements in due course.

## Commercial applications – general lighting

LEDs have key advantages over traditional lighting including long service life, reduced power consumption, compact size and shock resistance – but the adoption of LEDs in home and office environments has been slowed by, amongst other issues, the current colour performance of LEDs. Nanoco's quantum dots, when combined with a blue LED, have been shown to overcome this limitation, creating a major and exciting opportunity for the Company.

Current methods for producing white light from a blue LED tend to be weak in red wavelengths, creating the two problems that the light lacks warmth and fails to show true colours. Nanoco's quantum dots can transform blue LEDs so they produce warm white light with a high colour rendering index, thereby showing true colours. In addition, as Nanoco's quantum dots are tunable to any specific wavelength, any shade of light can be produced.

Nanoco signed its first joint development agreement in general lighting with a world leading lighting company in August 2011, at the start of the financial year under review. We have met all of the targets under this contract and recently signed a follow on agreement to continue the work to produce a high quality, competitively priced product for the general lighting market.

Interest in general lighting applications has expanded rapidly at Nanoco during the year. We are now working with several other major lighting companies on a number of different technical solutions and anticipate signing further commercial agreements.

## Commercial applications – solar

Cadmium free nanomaterials developed and manufactured by Nanoco have been used by the Company to develop a solar ink. This photovoltaic ink has been designed to maximise its ability to absorb solar energy and is capable of being printed by low cost methods and annealed into a solar active film. The objective is for the ink to be used by the solar industry to produce low cost, high efficiency solar panels.

Our development work with Tokyo Electron, the major Japanese equipment supplier, to create a bespoke solar ink using cadmium free nanoparticles is proceeding well. In October 2011, we were delighted to sign a further agreement with Tokyo Electron under which the focus was on further improving the performance of the photovoltaic ink in terms of its efficiency of electrical conversion, its cost and its ease of printing. We have made significant technical progress during the year and look forward to the next stage of the development work.

In July 2012, we were delighted to announce the signing of a second partner in this field. This seven-month, US\$1.2 million agreement with a major Japanese company is focused on creating a bespoke Nanoco nanomaterial for use in a solar panel.

## Commercial applications – other

In last year's preliminary results statement we mentioned work being carried out with University College London in which our quantum dots are being investigated for use in in-vivo imaging of cancer. This work, which has so far looked at imaging cancers based in lymph nodes, is making encouraging progress.

We are careful to remain focused on our core areas whilst being alert to new opportunities and are in discussions in relation to new uses of our quantum dots in a variety of applications.

## Production scale-up

Our production facility at The Heath Business and Technical Park in Runcorn comprises two fully commissioned Semi-Tech lines with the capacity to produce around 25kg of quantum dots annually. We are using the two lines for trial work in the further development of our red and green quantum dots to ensure that their performance is optimised at larger production scales.

The next stage of production scale-up is the installation of Kilo Lab lines at Runcorn. We received outline planning permission for the Kilo Lab lines in December 2011 and are well advanced in the detailed design work. Owing to increased anticipated demand for our quantum dots, we have doubled the production capacity in the design of the Kilo Lab to around 400kg annually. The projected cost remains broadly in line with original forecasts. Construction and commissioning of the Kilo Lab is expected to take 18 months and construction will commence when justified by the visibility and timing of our order book.



## “Our transition from a research-based company to a commercially focused, high-tech manufacturing business continues apace.”

### People

By the year-end the Nanoco team had grown to 69 people (year-end 2011: 63 people), most of whom are highly qualified scientists based at our Manchester head office. A small number of staff are based at our Runcorn production facility and we also have business development executives in Japan, Korea, the USA and, most recently, China and Taiwan.

We would like to offer our sincere thanks to all at Nanoco for their enthusiasm and commitment throughout the year.

### Financial results

Our revenues in the year to 31 July 2012 were £2.95 million (2011: £2.64 million). Our loss before tax was £4.35 million (2011: loss of £3.22 million) this increase primarily reflecting costs associated with completing the Company's Kilo Lab design together with higher staffing costs as a result of the increase in the technical team. Cash and short-term investments and deposits at the year-end were £15.47 million (31 July 2011: £17.10 million).

### Outlook

Our transition from a research-based company to a commercially focused, high-tech manufacturing business continues apace. Our existing commercial agreements are proceeding well and we are delighted by the momentum in our business development activities.

It remains difficult to predict the exact timing and scale of orders particularly as we are seeing an emerging preference in the display industry towards our quantum dots being used in films. We look forward to continued progress and view the future with confidence.



Peter Rowley

Non-executive Chairman



Michael Edelman

Chief Executive Officer  
12 October 2012

# The Company ended the year with cash and deposit balances of £15.5 million.



## Results

Revenue increased by £306,000 to £2,948,000 (2011: £2,642,000). The Group's revenue is earned primarily through joint development agreements and a material supply and licence agreement, with revenue being recognised as agreed performance milestones are achieved. The year on year increase in revenue reflects both the phasing of milestone payments on the material supply and licence agreement, as well as the increased revenues arising from the Group's new joint development agreements. Almost all revenues in both the current and prior year were denominated in US Dollars and mostly originated from customers in the Far East.

Costs of sales, which includes raw material costs, consumable items and sub-contract testing and analysis, increased by £80,000 to £1,165,000 (2011: £1,085,000). This increase reflected the incremental costs associated with the ongoing development of CFQDs™ to meet specific customer milestones as well as the production of customer samples.

Total staffing costs (before the charge for share-based payments) increased by £394,000 to £2,805,000 (2011: £2,411,000) and average staffing numbers increased by 8 heads from an average of 56 heads in 2011 to 64 heads in 2012. The majority of the increases in staffing were technical roles associated with the on-going joint development programmes. Total research and development spend, which primarily includes the employment costs of technical staff, increased by £306,000 to £2,887,000 (2011: £2,581,000).

Other significant cost increases during the year included the costs of planning and designing the Kilo Lab facility, which is designed to produce ca. 400kg per annum of material, with total costs expensed during the year of £460,000 (2011: £164,000). Rental and property running costs also increased by £198,000, a consequence of the new 12,500 square foot laboratory and office lease that commenced from March 2012 and which has provided the space and facilities to help accelerate the design, development and testing work on Nanoco's materials.

After deducting operating costs the adjusted operating loss\* for the year ending 31 July 2012 was £4,294,000 (2011: adjusted operating loss\* of £3,232,000).

The Group aims to incentivise and retain key staff through the use of equity-settled share awards. The IFRS2 (share-based payment) charge in respect of share schemes totalled £365,000 (2011: £153,000). The total number of share options in issue as at 31 July 2012 were 8.7 million (31 July 2011: 7.1 million). Of these 2.3 million (2011: 3.8 million) have met their performance criteria and are therefore capable of being exercised at any point until 31 August 2016. In addition a further 4.2 million (31 July 2011: 4.2 million) of shares are jointly owned by the Group's Employee Benefit Trust (EBT) and certain senior management through a Jointly Owned Agreement (JOA). Under the JOA the employee beneficiaries have the option to acquire the trustees' shares at an agreed option price subject to meeting certain performance criteria. At 31 July 2012 3.8 million of JOA shares had met their performance criteria and were capable of being acquired from the trustees.

During the year 1.5 million options were exercised and 1.7 million options lapsed or were forfeited. Details on the various share schemes are provided in note 19 to the accounts, and details on the executive directors' share options and JOA shares are provided in the Remuneration Report.

With interest income of £317,000 (2011: £180,000), an increase of £137,000, the loss before tax was £4,350,000 (2011: loss of £3,215,000).

### Taxation

The tax credit for the year is £710,000 (2011: £723,000). The R&D tax credit to be claimed in respect of 2011/12 R&D spend is £654,000 (2011: £600,000). There was no deferred tax credit or charge (2011: deferred tax credit of £129,000). There was also a £56,000 credit in respect of the prior year R&D tax claim (2011: £6,000 charge).

Adjusted basic loss per share\* was 1.62 pence (2011: adjusted loss\* of 1.22 pence). Basic loss per share was 1.80 pence (2011: loss of 1.30 pence).

No dividend has been proposed (2011: £nil).

### Cash flow and balance sheet

During the year cash, cash equivalents, deposits and short-term investments reduced by £1,625,000 to £15,474,000 (2011: £17,099,000).

The Group's cash flow benefitted from an increase in advanced revenues received during the year of £1,216,000 (2011: £180,000) all of which will be recognised in revenue during the 2012/13 financial year as performance milestones are achieved.

\*Adjusted figures are stated before the share-based payment charge.

Following the completion of the Runcorn facility in the prior year, purchases of capital equipment in the current year fell to just £292,000 (2011: £1,605,000). Expenditure incurred in registering patents totalled £336,000 (2011: £299,000) during the year and included the purchase of certain third party patents so as to strengthen further the patent portfolio. Capitalised patent spend is amortised over ten years in line with the Group's accounting policy.

### Treasury activities and policies

The Group managed its cash deposits prudently and invests its funds across a number of financial institutions which have investment grade credit ratings. The deposits range from instant access to 400 day term deposits and are regularly reviewed by the Board. Cash forecasts are updated monthly to ensure that there is sufficient cash available for foreseeable requirements. More details on the Group's treasury policies are provided in note 23 to the financial statements.

### Credit risk

The Group only trades with recognised, creditworthy third parties. Receivable balances are monitored on an on-going basis and any late payments are promptly investigated to ensure that the Group's exposure to bad debts is not significant.

### Foreign exchange management

The Group invoices most of its revenues in US Dollars. The Group is therefore exposed to movements in the US Dollar relative to Sterling. The Group uses forward currency contracts to fix the exchange rate on invoiced or confirmed foreign currency receipts. The Group does not take out

forward contracts against uncertain or forecast income. There were no open forward contracts as at 31 July 2012 (2011: none).

At the year-end the Group had a net asset position of £450,000 (2011: net liability £11,000) in US Dollar cash, debtor, less creditor balances. The Group's net profit and its equity are exposed to movements in the value of Sterling relative to the US Dollar. The indicative impact of movements in the Sterling exchange rate on profits and equity based on the re-translation of the closing balance sheet are summarised in note 23 to the financial statements. Based on the balances at the year-end, a 10% strengthening in Sterling against the US Dollar would reduce Group pre-tax profit and equity by £41,000 (2011: increase profits and equity by £1,000) and a 10% strengthening in the US Dollar relative to Sterling would increase pre-tax profit and equity by £50,000 (2011: reduce profits and equity by £1,000). As US Dollar revenues increase so the exposure of the Group's profit and loss and equity to movements in the Sterling/US Dollar exchange rate will increase as well.



Colin White

Chief Financial Officer  
12 October 2012

# From strength to strength – a year of progress.



## August 2011 **First agreement in general lighting**

Joint development agreement signed with one of the world's largest lighting companies to create LEDs for general lighting using Nanoco quantum dots for superior colour performance.



## January 2012 **US\$1 million milestone for green dots**

Nanoco received a US\$1 million milestone payment from a major Japanese corporation after green quantum dots achieved performance criteria including long service life.



## October 2011 **Signs follow-on agreement**

Further agreement signed with Tokyo Electron in connection with the development of a nanomaterial based solar film.



## February 2012 **Duke of York visits Nanoco**

The Duke of York visited Nanoco's laboratories as part of a visit to Manchester in connection with Government plans for a nanotechnology hub in the city.

## **Agreement signed in Asia**

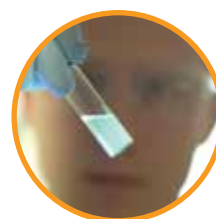
Joint development agreement signed in Asia with a major electronics company in connection with the use of Nanoco quantum dots in the company's display products.

**March 2012****Opening of additional laboratory space**

Nanoco opens an additional 12,500 sq ft of laboratory space at Manchester facility.

**July 2012****Solar agreement signed in Japan**

Joint development agreement signed in Japan with a major automotive company in a seven month agreement worth US\$1.2 million.

**October 2012****Follow-on lighting agreement**

Follow-on agreement to finalise the design and manufacture of an LED light using Nanoco quantum dots for retro-fitting in homes and offices.

**August 2012****Government grant awards**

Three grants awarded worth £736,000 from the UK's innovation agency, the Technology Strategy Board. Award also received from the Knowledge Transfer Partnership.

**May 2012****US\$2 million milestone for bulk delivery**

Nanoco received US\$2 million milestone payment from a major Japanese corporation after successfully producing a 1kg batch of green quantum dots.

# Concentrated on three target markets.

## ○ Backlighting of LCD displays

Nanoco's quantum dots can dramatically improve the picture quality achieved by LCD displays allowing LCD display makers to continue to use their existing manufacturing capacity.



### Opportunity

The use of LCD displays is widespread, from TVs and computer monitors to tablets and smartphones. Nanoco's quantum dots have been demonstrated to dramatically improve the picture quality achieved on an LCD display, particularly by improving the appearance of colours in the red spectrum. Nanoco quantum dots have been used in displays of all sizes, creating a major market opportunity.

### Market drivers

Continuous improvement of the quality of displays is a key demand of companies that market display based products from TVs to smartphones. Nanoco's technology is particularly attractive as it allows a dramatic improvement in the quality of LCD displays allowing them to rival the next generation OLED products whilst using the existing LCD manufacturing capacity in which billions of dollars have been invested.

## ○ General lighting

Nanoco has the potential to dramatically improve LED lighting, unlocking the many benefits of LEDs so that they can be used widely for general lighting in homes, offices and other settings.



### Opportunity

Current technologies to produce white light from blue LEDs offer only limited colour performance because the light is weak in red wavelengths – the result is that the light lacks warmth and fails to show true colours. By using Nanoco quantum dots, LEDs with superior colour performance can be produced opening up a major market.

### Market drivers

LEDs have many benefits over traditional lighting including reduced energy consumption, long service life, compact size and shock resistance. But the quality of light produced is understandably a key requirement from consumers, and one which has prevented the widespread adoption of LEDs as a light source in homes and offices. Nanoco's technology has the potential to make LEDs the standard form of lighting in almost all settings.



## Nanoco's technology has multiple commercial applications.

### ○ Thin film solar

Nanoco nanoparticles are highly efficient at emitting light but they can also absorb it. Nanoco is developing printable solar inks, creating the possibility of low cost highly efficient solar cells.



#### Opportunity

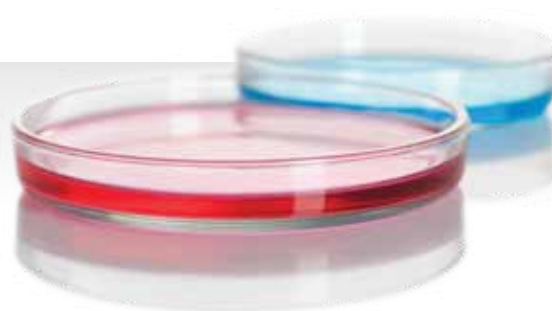
Nanomaterials produced by Nanoco have the ability to absorb a wide spectrum of the sun's energy, making them ideal for the next generation of solar cells as they bring the prospect of low cost renewable energy. Nanoco has developed the nanomaterials into solar inks, which have the benefit of being printable by conventional printing techniques.

#### Market drivers

Cost is one of the key considerations for renewable energy so the ability to combine a highly efficient photovoltaic cell with low cost manufacturing techniques is the holy grail of the solar industry. Nanoco has been achieving steady increases in the efficiency of its nanomaterial solar inks which have already been demonstrated to be printable by ink-jet printing. Nanoco's solar inks are free of cadmium or other heavy metals, which is another key requirement for a renewable, non-polluting energy source.

### ○ Other applications

Nanoco's quantum dots have unique characteristics enabling them to be used in a wide variety of applications, such as very thin electroluminescent displays, bio-imaging, sensors and anti-counterfeiting.



#### Opportunity

Nanoco's cadmium free quantum dots could play a role in myriad applications in new or existing products where the emitting or absorption of light could bring innovative technical and competitive advantages. Nanoco has been careful to remain focused on its three main target markets though it is working on a number of other opportunities for example in healthcare.

#### Market drivers

Innovative science is the core strength of Nanoco and its technology is sought after by companies and researchers seeking to create innovative products. Nanoco's quantum dots open up new possibilities; for example, in biological imaging where the Company is working with University College London on in-vivo imaging of cancer. Nanoco intends to commercialise its technology in its three main target markets before exploiting the technology's broader utility.



# The Nanoco strategy in action.



Nanoco is built on a world-class core technology protected by a growing intellectual property estate.

Our strategy is based on the commercialisation of that technology, so that we can achieve our objective of creating value for shareholders and for all other stakeholders.

Our core technology has enabled us to become a world leader in the development and production of heavy metal free quantum dots. We intend to build on that position through the successful commercialisation of our unique intellectual property.

Our business model is based on working in partnership with major global electronics companies. This collaborative approach ensures that bespoke quantum dots can be combined successfully into their products. Ultimately we will supply those companies with quantum dots, receiving revenues from the supply of materials and receiving a royalty on the customer's product sales.

Nanoco is seeking to be a key supplier to the global optoelectronics industry and we already operate internationally, with a focus on Asia, North America and Europe. In Asia, we are particularly targeting Japan, Korea, China and Taiwan.

One of the key attractions of Nanoco's technology is its breadth of applications but we have been careful to focus our resources on three major areas: backlighting for LCD displays, LED general lighting and thin film solar cells. We continue to be alert to new opportunities for our technology.

As a science-based company, investing in the highest quality people is of huge importance.

More than 50 scientists work at Nanoco, and we are fortunate in that brilliant researchers from around the world are attracted to work with us in Manchester. Here they conduct innovative experiments that further develop Nanoco's technology, adding to the depth and breadth of the Company's intellectual property estate.

This intellectual property creates the barriers to entry that makes our technology highly valued in the optoelectronics marketplace.

## ○ Intellectual Property

# A clear focus on intellectual property.

Innovation is at the heart of Nanoco's business. Nanoco invests significant resources into the research and development of quantum dots. Those efforts ensure that Nanoco continues to be a leader in making new types of quantum dots, manufacturing quantum dots, and applying quantum dots in new products. Nanoco's innovations in those areas lead to the creation of valuable intellectual property. Nanoco is focused on protecting that intellectual property. A team has been established that directs Nanoco's strategy for protecting and maintaining the Company's intellectual property. The team meets regularly to identify intellectual property that has been developed and decide on the best way to protect that property, including filing for patents, maintaining confidential information as trade secrets, and registering trademarks.

A key part of the Company's intellectual property strategy is to build a robust worldwide patent portfolio. Worldwide to date, 34 patents have been issued to the Company and 190 applications are pending. Those patents cover the spectrum for quantum dots, from new compositions of quantum dots, to new manufacturing techniques, to new uses for quantum dots. In addition to patents based on the Company's own innovations, Nanoco also acquires patents from other companies when those patents fit into the Company's strategy. The goal is to build a patent portfolio that the Company can use to further its business objectives.

**“A key part of the Company's intellectual property strategy is to build a robust worldwide patent portfolio.”**

## An experienced and driven Board.



○ 1.



○ 2.



○ 3.



○ 4.



○ 5.



○ 6.



○ 7.

### 1. Dr Peter Rowley, Non-executive Chairman

Peter Rowley joined the Nanoco Board in 2006. Previously he led the management buyout of Victrex from ICI in 1993, followed by the successful listing of Victrex PLC on the London Stock Exchange in 1995. He joined ICI in 1968 and progressed through a number of positions in the organisation. In 1983 he became International Business Manager for the widely used polymer PTFE and in 1989 he was appointed General Manager for ICI Advanced Materials Asia Pacific. Peter has a Ph.D. in organic chemistry from King's College London.

### 2. Dr Michael Edelman, Chief Executive Officer

Nanoco is led by Michael Edelman. Michael joined Nanoco in 2004, led the initial fundraising and spun Nanoco out of the University of Manchester. Prior to Nanoco, Michael was responsible for licensing the technology developed by GE/Bayer joint venture, Exatec LLP. As Vice President and Managing Director of yet2.com Michael set up, grew and ran yet2.com's European operation and was instrumental in successfully selling the business. He was main board director for Colloids Ltd, a manufacturer of colours and additives for plastics with responsibility for global sales, marketing and restructuring of the business. Michael started his career with ICI, has a Ph.D. in organo-metallic chemistry from the University of Sussex, UK, and undergraduate degree in classics and chemistry from Tufts University, Boston, MA, USA.

### 3. Dr Nigel Pickett, Chief Technology Officer

Nanoco's technology team is led by Nigel Pickett who is a co-founder of Nanoco and inventor of Nanoco's key quantum dot scale-up technology. Nigel graduated from Newcastle University in 1991 and chose to remain at Newcastle to pursue a Ph.D. in the field of main group organo-metallics. After graduation in 1994 he undertook a postdoctoral fellowship at St. Andrews University, Scotland, in the field of precursor design for MOVPE growth and synthesis of nanoparticles using CVD techniques. In 1996 he won a Japan Society for the Promotion of Science (JSPS) fellowship and

spent the following year working at Tokyo University of Agriculture and Technology, Japan. In 1998 he became a research fellow at Georgia Institute of Technology, USA, working on the design and evaluation of precursor used in MOVPE. Nigel co-founded Nanoco Technologies in 2001.

### 4. Colin White, Chief Financial Officer

Colin White is a chartered accountant with international experience of publicly quoted companies in the manufacturing, technology and professional services sectors. Prior to joining Nanoco, he held a position of Group Finance Director of Driver Group PLC, where he was involved in implementing a range of strategic growth initiatives and setting up a number of overseas joint ventures. He has also held senior positions at Scapa Group PLC and TI Group PLC, where he worked for almost ten years prior to its acquisition by Smiths Group PLC. During this time he held positions including Finance Director of the Dowty Aerospace Division, finance controller of Dowty North America and Group investor relations manager. Colin, who graduated from Cambridge University in 1983 and qualified as a chartered accountant with Grant Thornton in 1987, joined Nanoco and its Board in August 2010.

### 5. Michael Bretherton, Non-executive Director

Michael Bretherton graduated in Economics from the University of Leeds and then worked as an accountant and manager with Price Waterhouse for seven years in both London and the Middle East. Michael subsequently worked for The Plessey Company PLC before being appointed Finance Director of the fully listed Bridgend Group PLC in 1988 where he held the position for twelve years. More recently, he has worked at the property and services company, Mapeley Limited, as Financial Operations Director and then at the entertainment software games developer, Lionhead Studios Limited, where he helped to complete a trade sale of the business to Microsoft in March 2006. Michael is currently also a director of ORA Capital Partners Limited and a number of other AIM listed companies. Michael held the position of Chief Financial Officer for Nanoco Group PLC until 9th August 2010.

### 6. Gordon Hall, Non-executive Director

After an early career in teaching, Gordon built up substantial international sales, management and development expertise with Rank Xerox and Abbott Laboratories. He became Chief Executive Officer of Shield Diagnostic Limited (subsequently Axis Shield PLC) in 1990 and was responsible for listing the company on the London Stock Exchange. More recently Gordon has been involved with a range of different companies and he is currently a non-executive director of EKF Diagnostics plc and of Bluebird Energy plc, both of which are listed on AIM.

### 7. Anthony Clinch, representing St Gabrielle LLP, Non-executive Director

Anthony Clinch is chairman of the advisory board of CABB International GmbH, an international manufacturer of fine and intermediate chemicals, chairman of the Valence Group an international specialist investment bank and also a senior advisor to CVC Capital Partners through his consultancy business, St. Gabrielle LLP. He was an employee of CVC Capital Partners between 1987 and 2007 and was actively involved in a number of CVC Capital Partners' international chemical investments. He previously worked for Citibank in a number of managerial roles in Corporate Banking. He is a chartered engineer and a member of the Institution of Engineering and Technology, having spent his early career with Rolls Royce Ltd. He holds an M.Sc. in Management Science and Operational Research and a BSc. in Aeronautical Engineering from Imperial College.

# Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2012, and the financial statements for the parent company for the year ended 31 July 2012.

## Principal activity

The principal activity of the Group during the year was the research, development and manufacture of high performance semi-conducting nanoparticles, called quantum dots, for use in a range of potential commercial applications.

## Review of the business and future developments

A review of the Group's performance during the year, including key performance indicators and its future prospects are included in the Chairman's and Chief Executive Officer's (CEO) Report and Financial Review on pages 4 to 7, which should be read in conjunction with this report.

Turnover for the Group increased from £2,642,000 last year to £2,948,000 whilst losses after taxation for the year increased to £3,640,000 (2011: loss of £2,492,000).

## Key performance indicators

The key indicators of performance for the business in its current stage of development are the completion of customer technical milestones and the winning of commercial contracts for the manufacture and sale of cadmium free quantum dots (CFQD).

In addition the management and control of cash balances is a priority for the Group and these are budgeted and monitored closely to ensure that it maintains adequate liquid resources to meet financial commitments as they arise.

At this stage in its development, quantitative key performance indicators are not an effective way of measuring the Group's performance. However, a qualitative summary of performance in the period is provided in the Chairman's and CEO's Report.

## Principal risks and uncertainties

The Group considers that the principal risks to achievement of its business objectives are as follows:

### Technology

In common with other technology businesses developing new and innovative technical applications for the display, lighting and solar industries, there is an inherent risk that Nanoco's products will not meet specific customer requirements such as brightness, life expectancy and working temperature. The Group cannot guarantee in advance to meet all of its customers' technical specifications. The Group works closely with its customers' technical, production and business teams during the development process in order to help develop the most effective solutions for specific customer applications.

### Production scale-up

Nanoco has demonstrated its capability to manufacture CFQD in 1kg batches and it opened its semi-tech facility in 2011, which is capable of manufacturing ca.25kg per annum. In order to meet predicted commercial demand the manufacturing processes need to be further scaled up in order to be capable of producing commercial quantities. The Group has now completed its design for the Kilo Lab, which is the next scale of production, and which is designed to produce up to 400 kg pa. This has yet to be built and demonstrated to work effectively.

### Customers

Nanoco's success is dependent upon how broadly the Group's materials are adopted by customers into their products and at a price that generates an economic return for Nanoco. As Nanoco is still in the development stage with its customers no commercial contracts, including pricing, have yet been agreed.

Nanoco continues to broaden its customer base and it is now actively working with a wide range of customers in the display, lighting and solar industries as well as intermediary component manufacturers making parts such as film or lighting optics.

### Timing

It may take longer than anticipated for the Group's technology to meet the customer's requirements. It might also take longer for the customers to launch a product based on the Group's products.

### Regulatory

European Union legislation ("Restriction on Hazardous Substances"), as well as regulatory codes operating in a number of other developed countries and in certain US states, severely restricts the use of cadmium based quantum dots in electronic devices. If this were ever to change then this could potentially open the quantum dot market up to cadmium based competitor products. Many electronics companies, both in Japan as well as elsewhere, have however expressed a great reluctance to use cadmium in their products because of the known health risks associated with cadmium.

## Corporate Governance

### *Market and competition*

Alternative competing technologies could emerge that might displace the market opportunity for CFQD in electronic devices.

### *Intellectual property*

The success of Nanoco's technology depends in part upon the Group's ability to protect and defend its rights over current and future intellectual property in the form of technologies, processes or products.

The Group may be unable adequately to protect itself from intellectual property infringement or effectively enforce its rights in certain jurisdictions.

Nanoco has numerous patents either granted or pending, which cover the core technology related to its products, processes and applications. It has also purchased a number of patents in certain technology and geographic regions so as to further strengthen its patent portfolio.

During 2011 Nanoco appointed a US firm of specialist patent lawyers to manage and co-ordinate Nanoco's patent registrations and to handle patent related claims or counter-claims. This firm is also involved in mapping the patent landscape for quantum dots and assessing the strength of Nanoco's patent presence across both geographic areas and technology sectors. During the year management have also restructured the way in which patents are recorded and registered in order to speed up and simplify the process for registering new patents.

### *Attraction and retention of key employees*

Attracting, retaining and motivating suitable, high-calibre personnel is critical to the long-term success of Nanoco's business. Nanoco aims to provide remuneration packages and working conditions that will attract and retain personnel of the required calibre. The Group has awarded share options to all key staff as a further way of retaining staff by allowing them to benefit from future improvements in the Company's share price.

### *Funding*

The Group had £15.5 million of cash funding available at the period end and management believe that this provides sufficient funding to complete the product development process and take the business to a commercialisation stage. However in the event that the development process took longer, or was more costly than projected, the Group might be required to raise further finance in order to complete the development and commercialisation process.

### **Financial instruments**

Details of the Group's financial risk management objectives and policies are disclosed in note 23 to the financial statements.

### **Research and development**

The principal activity of the Group is research and development, a review of which is included in the Chairman's and CEO's Report on pages 4 to 7.

Total research and development spend was £2,887,000 (2011: £2,581,000). No development expenditure was capitalised in the period (2011: £nil).

### **Dividends**

The directors do not recommend payment of an ordinary dividend (2011: £nil).

### **Share capital and funding**

As at 31 July 2012 share capital comprised 207.4 million ordinary shares of 10 pence each. There is only one class of share and all shares are fully paid. Full details of the Group's and Company's share capital movements during the period are given in note 18 to the financial statements.

Details of shares under option are provided in note 19 to the financial statements.

### **Directors and their interests**

The following directors held office throughout the year:

Dr Peter Rowley  
 Dr Michael Edelman  
 Dr Nigel Pickett  
 Colin White  
 Michael Bretherton  
 Gordon Hall  
 St Gabrielle LLP, represented by Anthony Clinch

Biographies of the directors can be found on page 17.



## Directors' Report continued

Details of directors' remuneration and interests in the share capital of the Company are shown in the Directors' Remuneration Report on pages 22 to 24.

No director had an interest in any contract that was significant in relation to the Company's business at any time during the period.

Directors are subject to re-election at intervals of not more than three years.

### Directors' indemnity insurance

The Group has maintained insurance throughout the year for its directors and officers against the consequences of actions brought against them in relation to their duties for the Group. Such provision remains in force as at the date of approving the Directors' Report.

### Substantial shareholders

The Company is aware that the following had an interest in 3% or more of the issued ordinary share capital of the Company at 31 July 2012:

	Number of 10p ordinary shares at 31 July 2012	% of issued share capital
ORA (Guernsey) Limited	39,190,390	18.90%
Baillie Gifford & Co	25,922,993	12.50%
Universities Superannuation Scheme	17,276,120	8.33%
Fidelity Investments	12,640,263	6.10%
Nigel Pickett	10,451,931	5.04%
Michael Edelman	9,288,640	4.48%
Kisco	8,115,189	4.10%
Paul O'Brien	7,621,843	3.91%
Henderson Global Investors	7,097,443	3.42%
F & C Asset Management	6,936,392	3.34%

There were no notified significant changes in the holdings between the 31 July 2012 and the date the Annual Report was signed.

### Donations

No charitable or political donations were made in the year (2011: £nil).

### Policy on payment of suppliers

It is the policy and normal practice of the Group to make payments due to suppliers, in accordance with agreed terms and conditions, with payments being made generally in the month following receipt of invoice.

Trade payables at 31 July 2012 represented an average of 46 days goods and services supplied (2011: 46 days).

### Employment policies

The Group is committed to ensuring the health and safety of its employees in the workplace. This includes the provision of regular medical checks.

The Group supports the employment of disabled people where possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

### Corporate Governance Statement

The Group's statement on corporate governance can be found in the Corporate Governance Statement on pages 25 to 28.

### Going concern

The Chairman's and CEO's Report on pages 4 to 7 outlines the business activities of the Group along with the factors which may affect its future development and performance. The Group's financial position is discussed in the Financial Review on pages 8 to 9 along with details of its cash flow and liquidity. Note 23 to the financial statements sets out the Group's financial risks and the management of those risks.

Having made appropriate enquiries the directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly they have continued to adopt the going concern basis in preparing the Group and Company financial statements.



## ○ Corporate Governance

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### Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware there is no relevant audit information of which the Group's auditor is unaware; and
- that each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Auditor

Ernst and Young LLP has indicated its willingness to continue in office and ordinary resolutions to re-appoint Ernst & Young LLP as auditor and to authorise the directors to fix the remuneration payable will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting notice

The Annual General Meeting of the Company will be held on 14 December 2012, at 10.00 a.m., at the Company's headquarters at 46 Grafton Street, Manchester, M13 9NT. The notice convening the AGM, together with an explanation of the resolutions to be proposed at the meeting, is contained in the Notice of Annual General meeting on pages 55 to 60 of the Annual Report and Accounts 2012.

On behalf of the Board



**Colin White**

Chief Financial Officer  
12 October 2012

# Directors' Remuneration Report

This report sets out the remuneration policy of Nanoco Group plc ("the Company" or "the Group"). As a company listed on AIM, the Company is not required to comply with the Directors' Remuneration Regulations 2002. The Board has, however, adopted many of the best practice provisions set out in the regulations and these are referred to in the report below.

## *Information not subject to audit*

### **Remuneration Committee**

The Remuneration Committee comprises Gordon Hall, who is Chairman of the Committee, and Peter Rowley. The Committee may invite anyone it deems appropriate to attend and advise at meetings.

The Committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration of the directors and certain senior management, as well as to review the performance of the executive directors of the Company.

The overall policy of the board is to ensure that executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group, including, where appropriate, bonuses, and the award of share options. The Remuneration Committee take into account the remuneration practices adopted in similar businesses and best practice in other AIM listed business as well as in the general market. The Committee has appointed external consultants to help define overall remuneration policy.

There are three main elements to the remuneration packages for executive directors and senior management:

### *Basic annual salary*

The base salary is reviewed annually at the beginning of each year. The review process is undertaken by the Remuneration Committee and takes into account several factors, including the current position and development of the Group, individual contributions and market salaries for comparable organisations.

The Company does not provide an occupational pension scheme for executive directors, nor does it make contributions into private pension schemes of executives. However certain executives elect to use a salary sacrifice scheme to make their own payments into private pension schemes. The salary sacrifice payments, together with any employer NIC saved, are paid into the private pension schemes and these total payments are separately disclosed in the table below.

The Company does not provide any other taxable benefits for executives.

### *Discretionary annual bonus*

All executive directors and senior managers are eligible for a discretionary annual bonus. This takes into account individual contribution, business performance and technical and commercial progress, along with financial results.

### *Discretionary share schemes*

All executive directors and senior managers are eligible for discretionary share scheme awards to be paid in accordance with the Company's long-term incentive plan. Details of the awards made under the scheme are provided in note 19 to the financial statements. This takes into account the need to motivate and retain key individuals, along with similar performance criteria to the discretionary bonus scheme. Details of share scheme awards made to directors are shown in the table below.

### **Remuneration policy for non-executive directors**

Non-executives receive a fixed fee and do not receive any pension payments or other benefits, nor do they participate in bonus schemes.

### **Service contracts**

Michael Edelman and Nigel Pickett both have contracts with an indefinite term providing for a maximum of twelve months' notice by either party. Colin White has an indefinite term contract which provides for a maximum of six months' notice by either party, which will increase to twelve months' notice in the event of a change of control of the Company. In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-executive directors are employed on letters of appointment which may be terminated on not less than six months' notice. The basic fee payable to the non-executive directors is £12,000 per annum.

St Gabrielle LLP, Non-executive Director, entered into a formal engagement with the Company under which it agreed to supply the services of Anthony Clinch as its representative. The agreement can be terminated upon not less than six months' notice.

## Corporate Governance

### Directors' shareholdings

Directors' interests in the shares of the Company, including family and beneficial interests, at 31 July 2012 were:

	Ordinary shares of 10p each			
	31 July 2012 Number	31 July 2012 %	31 July 2011 Number	31 July 2011 %
Dr Peter Rowley	1,571,820	0.76%	1,571,820	0.76%
Dr Michael Edelman*	9,288,640	4.48%	9,272,940	4.50%
Dr Nigel Pickett*	10,451,931	5.04%	10,451,931	5.08%
Colin White*	320,411	0.15%	320,411	0.16%
Michael Bretherton	227,500	0.11%	227,500	0.11%
Gordon Hall	100,000	0.05%	100,000	0.05%
Anthony Clinch**	57,640	0.03%	57,640	0.03%

\* Includes the jointly owned EBT shares referred to below.

\*\* Shares are owned by Anthony Clinch who represents the Non-executive Director St Gabrielle LLP.

### Information subject to audit

#### Directors' remuneration

The remuneration of the directors, who served on the Board of Nanoco Group PLC during the year to 31 July 2012, is as follows:

	Base salary & fees £000	Annual bonus £000	Pension costs £000	Share-based payments £000	Total 2012 £000	Total 2011 £000
<b>Executive directors:</b>						
Dr Michael Edelman	162	25	—	21	208	164
Dr Nigel Pickett	106	5	15	18	144	121
Colin White	112	10	9	57	188	148
<b>Non-executive directors:</b>						
Dr Peter Rowley	12	—	—	—	12	12
Michael Bretherton	12	—	—	—	12	12
Gordon Hall	12	—	—	—	12	12
St Gabrielle LLP	12	—	—	—	12	12
	428	40	24	96	588	481

#### Directors' jointly owned employee benefit trust shares and share options

Directors' interests in jointly owned employee benefit trust (EBT) shares and in share options to acquire ordinary shares of 10 pence in the Company as at 31 July 2012 were:

	Date granted	Exercise price	At 31 July 2011	Exercised during the year	Lapsed	Granted during the year	At 31 July 2012
<b>Share options:</b>							
Dr Michael Edelman:	1 Sept 2006	3.52p	1,493,750	(1,493,750)	—	—	—
	27 Nov 2009	78.00p	300,000	—	(150,000)	—	150,000
	2 June 2011	79.25p	189,274	—	(189,274)	—	—
	25 Nov 2011	50.00p	—	—	—	500,000	500,000
Dr Nigel Pickett:	1 Sept 2006	3.52p	1,493,750	—	—	—	1,493,750
	27 Nov 2009	78.00p	212,500	—	(106,250)	—	106,250
	2 June 2011	79.25p	138,801	—	(138,801)	—	—
	25 Nov 2011	50.00p	—	—	—	500,000	500,000
Colin White:	9 Aug 2010	92.60p	129,589	—	—	—	129,589
	2 June 2011	79.25p	138,801	—	(138,801)	—	—
	25 Nov 2011	50.00p	—	—	—	500,000	500,000
<b>Jointly owned EBT shares:</b>							
Dr Michael Edelman	1 Sept 2006	3.52p	3,229,162	—	—	—	3,229,162
Dr Nigel Pickett	1 Sept 2006	3.52p	530,089	—	—	—	530,089
Colin White	9 Aug 2010	92.60p	320,411	—	—	—	320,411

## Directors' Remuneration Report

Exercise of the options (including the jointly owned EBT shares), which were granted on 1 September 2006, was conditional on achievement of share price performance criteria and either a sale or listing of the Company. All of the relevant conditions have been successfully met and the options are capable of being exercised at any time from 1 August 2010 to 31 August 2016. Dr Michael Edelman exercised and sold 1,493,750 of his options on 21 November 2011 and made a net gain after associated commissions on the sale of his options of £692,426.

The options and jointly owned EBT shares granted to Colin White on 9 August 2010 are exercisable between 9 August 2013 and 9 August 2020 and are not subject to performance conditions.

The options granted on 27 November 2009 were granted under the terms of the Nanoco Group PLC long-term incentive plan and are exercisable subject to performance conditions being met, with 50% of the options based on share price targets following the publication of the 2012 financial results and 50% based on 2012 EPS targets (see note 19 to the financial statements for details on the performance conditions). The EPS targets have not been achieved and the options subject to these performance criteria have therefore lapsed.

The options granted on 2 June 2011 were granted under the terms of the Nanoco Group PLC long-term incentive plan and were subject to performance conditions based on achieving commercial revenue targets in 2012. These targets have not been achieved and therefore the share options have lapsed.

The options granted on 25 November 2011 were granted under the terms of the Nanoco Group PLC long-term incentive plan and are exercisable subject to commercial revenue targets being achieved over a three year period from the date of grant.

The market price for Nanoco shares as at 31 July 2012 was 62 pence per share, the highest and lowest prices during the year were 76 pence and 38 pence respectively.

No options were granted during the year below market value. No options have been granted since the year-end.

All options granted vest over a three year period and can be exercised after vesting but within ten years following date of grant.

Details of share options and shares held in the employee benefit trust are set out in note 19 to the financial statements.

On behalf of the Board



**Gordon Hall**

Chairman of the Remuneration Committee  
12 October 2012

## ○ Corporate Governance

# Corporate Governance Statement

Nanoco Group PLC (“the Company”) and its subsidiaries (together “the Group”) are committed to high standards of corporate governance and the Board acknowledges the importance of the principles set out in the UK Corporate Governance Code published by the Financial Reporting Council; in June 2010 (formerly the combined Code (2008) (“the Code”).

Although the Code is not mandatory for companies admitted to AIM, the Company continues to establish a framework by adopting and implementing policies and procedures designed to comply with the Code as far as reasonably practicable and appropriate for a company of this size and complexity. The report below sets out how the principles in the Code have been applied during the year under review.

### The Board

The Company is controlled through its Board of Directors. The Board’s main roles are to provide overall strategy and direction for the Group and ensure that the necessary financial and other resources are made available to enable those objectives to be met. It has a schedule of matters reserved for its approval including but not limited to, decisions on strategy and risk management, approval of budgets, acquisitions and disposals, major capital expenditure, legal and insurance issues, board structure and the appointment of advisors. In some areas responsibility is delegated to committees of the Board within clearly defined terms of reference.

Once the strategic and financial objectives of the Company have been set by the Board it is the role of the Chief Executive to ensure that through the day-to-day management of the Group’s business they are achieved.

All directors are subject to election by the shareholders at the next general meeting following appointment to the Board and to re-election at intervals of not more than three years.

As at 31 July 2012 the Board comprised the Non-executive Chairman, two independent non-executive directors, one non-executive director (Michael Bretherton) of ORA Capital Partners Limited and three executive directors.

The names of the current directors together with their biographical details and any other directorships are set out on page 17. All the directors served throughout the period under review.

The Board considers its independent non-executive directors to be independent in character and judgement. No non-executive director has been an employee of the Group; has had a material business relationship with the Group; receives remuneration other than a director’s fee; has close family ties with any of the Group’s advisors, directors or senior employees; or holds cross-directorships.

The non-executive directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board’s deliberations.

The directors are given access to independent professional advice at the Group’s expense, when the directors deem it is necessary in order for them to carry out their responsibilities.

The Board meets at least eleven times a year and the Audit Committee and Remuneration Committee normally meet on a formal basis twice a year.

The Board receives appropriate and timely information prior to each meeting, with a formal agenda and Board and committee papers being distributed several days before meetings take place. Any director may challenge Group proposals, and decisions are taken democratically after discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board and then followed up by management.

The Group maintains, for its directors and officers, liability insurance for any claims against them in that capacity.

The Group has effective procedures in place to deal with conflicts of interest. The Board is aware of other commitments of its directors and changes to these commitments are reported to the Board.

# Corporate Governance Statement continued

The number of Board and committee meetings attended by each of the directors during the year are shown below;

	Full Board	Audit Committee	Remuneration Committee
<b>Number of meetings in period</b>	11	2	2
<b>Attendance:</b>			
<b>Executive directors</b>			
Dr Michael Edelman	11	–	–
Dr Nigel Pickett	11	–	–
Colin White	11	–	–
<b>Non-executive directors:</b>			
Dr Peter Rowley	10	2	2
Michael Bretherton	11	2	–
Gordon Hall	10	–	2
St Gabrielle LLP*	10	–	–

\* Represented by Anthony Clinch

## The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is a non-executive director and has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive directors and constructive relations between executive and non-executive directors, ensures directors receive accurate, timely and clear information and facilitates effective communication with shareholders.

The Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

## Professional development

On appointment each director takes part in an induction programme when they receive comprehensive information about the Group, and the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board and committees and the powers delegated to those committees, the Group's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives and the latest financial information about the Group. Throughout their period in office the Directors are updated on the Group's business, the competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as a whole.

## Performance evaluation

The Board has established a formal process for the annual evaluation of the performance of the Executive Directors. This evaluation is based on a performance evaluation questionnaire completed by each executive director. The evaluation of the Chief Executive Officer is performed by the Chairman and the evaluation of the other executive directors is performed by the Chief Executive.

The Board is in the process of implementing a formal review process for assessing the effectiveness of the Board as a whole and for reviewing non-executive directors.

## Information

Board reports and papers are circulated to the directors in advance of the relevant Board or committee meeting. These papers are supplemented by information specifically requested by the directors from time to time. Minutes of Board and committee meetings are circulated to all Board members.

The non-executive directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

## Director dealings in Company shares

In addition, the Company has adopted a model code for directors' dealings in securities of the Company which is appropriate for a company quoted on AIM. The directors comply with Rule 21 of the AIM Rules relating to directors' dealings and also take all reasonable steps to ensure compliance by the Group's "applicable employees" as defined in the AIM Rules.

## Corporate Governance

### Investor Relations

Meetings with analysts and institutional shareholders are held following the interim and preliminary results announcements and on an ad hoc basis. These are usually attended by the Chief Executive and Chief Finance Officer. Feedback from these meetings and regular market updates is prepared by the Company's nomad and by the Company's external investor relations advisor are presented to the Board. The Chairman and other non-executive directors are available to shareholders to discuss strategy and governance issues at a shareholder's request. In accordance with AIM Rule 26, there is an investors section on the Company's website, [www.nanocotechnologies.com](http://www.nanocotechnologies.com), which is kept up to date.

### Annual General Meeting (AGM)

At the AGM, separate resolutions will be proposed for each substantially different issue. The outcome of the voting on AGM resolutions is disclosed by means of an announcement on the London Stock Exchange.

### Board Committees:

#### Audit Committee

The Audit Committee comprises Michael Bretherton and Peter Rowley. Michael Bretherton is Chairman, and is deemed to have recent and relevant experience as he is a chartered accountant, holds senior financial management positions in listed companies and has chaired audit committees in a number of other listed companies. Michael's biography is included on page 17. Other directors and representatives of the external auditor attend by invitation.

The Audit Committee's primary responsibilities are to review and monitor:

- the annual report and accounts and preliminary and interim results and statements of the Company;
- the appropriateness of accounting policies and the critical judgements and estimates;
- the relevance of developments in accounting and reporting requirements;
- the effectiveness of internal controls and risk management systems;
- the auditor's plan for the year-end audit;
- the formal engagement terms, performance, objectivity and independence of the auditors including the extent of non-audit work undertaken by the auditors; and
- the audit and non-audit fees of the auditors. These are set out in note 5 to the financial statements.

The committee has recommended to the Board that a resolution re-appointing Ernst and Young LLP as external auditors be put to the shareholders at the AGM.

#### Remuneration Committee

The Remuneration Committee comprises Gordon Hall, who is Chairman of the committee, and Peter Rowley. The committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and for setting the remuneration of individual directors. Full details of the committee, the directors' remuneration and remuneration policy are set out on pages 22 and 24.

#### Nominations Committee

The directors do not consider that, given the size of the Board, it is appropriate at this stage to have a nomination committee. However, this will be kept under regular review by the Board.

### Internal controls and risk management

The Board has overall responsibility for the Group's system of internal controls, including reviewing the effectiveness of these controls and the processes in place for risk management. The role of the executive directors is to implement the Board's policies on risk and control and provide assurance on compliance with these policies. The processes and procedures in place are designed to manage rather than eliminate risk and can therefore only provide a reasonable and not an absolute assurance against material misstatements or losses.

Executive directors have a close involvement with all day-to-day operations and also meet with staff on a regular basis to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place. Business risks are monitored and updated on a regular basis. Insurance is in place where appropriate.

Some key features of the internal control system are:

- annual budgets and rolling forecasts reviewed and approved by the Board;
- monthly management accounts information compared and reconciled with budgets;
- the Company has written operational, accounting and employment policies in place;
- the Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks;
- the Company has well-established financial reporting and approval systems and procedures which cover all key transactional processes and company commitments; and
- the Company has a uniform system of investment appraisal.



## Corporate Governance Statement continued

The Company has quality assurance processes in place by virtue of its internal quality assurance department, which audits non-financial processes and procedures. The Company is also in the process of preparing to apply for ISO9001 and is reviewing and updating all the Company's procedures and controls as part of that process.

### Going concern

The directors confirm they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Risk management

Details of the technical, product, market and operational risks of the business are disclosed in the Directors' Report.

Details of the Group's financial risk management objectives and policies are disclosed in note 23 to the financial statements.

The directors do not consider that the business is, at this time, significantly exposed to credit or interest risk and as such these risks are not considered to be material for an assessment of the assets, liabilities, financial position and results.

The Group seeks to manage liquidity by ensuring funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had net cash, cash equivalent and deposit balances of £15.5 million as at 31 July 2012 (2011: £17.10 million). Cash deposits are spread across a range of financial institutions with 'investment grade' credit status. Deposits are invested in a mixture of fixed term and notice accounts. The Board approves all financial institutions before deposits are placed and regularly reviews the level of funds allocated to each institution.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and regulations.

UK company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the Company has elected to prepare Group and Company financial statements in accordance with International Financial Reporting Standards, as adopted by the EU (IFRS).

The Group financial statements are required by law and IFRS to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

- a. Select suitable accounting policies and then apply them consistently;
- b. Make judgements and estimates that are reasonable and prudent;
- c. State whether they have been prepared in accordance with IFRS; and
- d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Company website [www.nanocotechnologies.com](http://www.nanocotechnologies.com).

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## ○ Corporate Governance

# Independent Auditor's Report to the members of Nanoco Group PLC

## for the year ended 31 July 2012

We have audited the financial statements of Nanoco Group PLC for the year ended 31 July 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statements and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 July 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Alastair John Richard Nuttall

(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP (Statutory Auditor)

Manchester

12 October 2012

# Consolidated Statement of Comprehensive Income

for the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Revenue	4	2,948	2,642
Cost of sales		(1,165)	(1,085)
<b>Gross profit</b>		<b>1,783</b>	<b>1,557</b>
Administrative expenses		(6,442)	(4,942)
<b>Operating loss</b>			
– before share-based payments		(4,294)	(3,232)
– share-based payments	19	(365)	(153)
	5	(4,659)	(3,385)
Finance income	7	317	180
Finance costs	7	(8)	(10)
<b>Loss on ordinary activities before taxation</b>		<b>(4,350)</b>	<b>(3,215)</b>
Taxation	8	710	723
<b>Loss for the year and total comprehensive loss for the year</b>		<b>(3,640)</b>	<b>(2,492)</b>
<b>Loss per share</b>			
Basic and diluted loss for the year	9	(1.80)p	(1.30)p

The loss for the year arises from the Group's continuing operations.

There were no other items of comprehensive income for the year (2011: £nil) and therefore the loss for the year is also the total comprehensive loss for the year.

The basic and diluted loss per share are the same, as the effect of share options is anti-dilutive.

The notes on pages 35 to 54 form an integral part of these financial statements.

## ○ Financial Statements

# Consolidated Statement of Changes in Equity

for the year ended 31 July 2012

	Issued equity capital £000	Share-based payment reserve £000	Merger reserve £000	Revenue reserve £000	Total £000
<b>At 31 July 2010</b>	<b>12,351</b>	<b>333</b>	<b>(1,242)</b>	<b>(3,588)</b>	<b>7,854</b>
Loss for the year and total comprehensive loss for the year	–	–	–	(2,492)	(2,492)
Issue of share capital	15,595	–	–	(432)	15,163
Expenses of placing	(519)	–	–	–	(519)
Share-based payments	–	153	–	–	153
<b>At 31 July 2011</b>	<b>27,427</b>	<b>486</b>	<b>(1,242)</b>	<b>(6,512)</b>	<b>20,159</b>
Loss for the year and total comprehensive loss for the year	–	–	–	(3,640)	(3,640)
Issue of share capital	58	–	–	–	58
Expenses of 2011 placing	(10)	–	–	–	(10)
Share-based payments	–	365	–	–	365
<b>At 31 July 2012</b>	<b>27,475</b>	<b>851</b>	<b>(1,242)</b>	<b>(10,152)</b>	<b>16,932</b>

# Company Statement of Changes in Equity

for the year ended 31 July 2012

	Issued equity capital £000	Share-based payment reserve £000	Capital redemption reserve £000	Revenue reserve £000	Total £000
<b>At 31 July 2010</b>	<b>89,817</b>	<b>333</b>	<b>4,804</b>	<b>(25,675)</b>	<b>69,279</b>
Profit for the year and total comprehensive profit for the year	–	–	–	130	130
Recognition of treasury shares acquired on reverse acquisition	–	–	–	(20)	(20)
Issue of share capital	15,805	–	(210)	(432)	15,163
Treasury shares transferred from Nanoco Tech Limited	–	–	–	(545)	(545)
Expenses of placing	(519)	–	–	–	(519)
Share-based payments	–	153	–	–	153
<b>At 31 July 2011</b>	<b>105,103</b>	<b>486</b>	<b>4,594</b>	<b>(26,542)</b>	<b>83,641</b>
Profit for the year and total comprehensive profit for the year	–	–	–	133	133
Issue of share capital	154	–	(96)	–	58
Expenses of 2011 placing	(10)	–	–	–	(10)
Share-based payments	–	365	–	–	365
<b>At 31 July 2012</b>	<b>105,247</b>	<b>851</b>	<b>4,498</b>	<b>(26,409)</b>	<b>84,187</b>

## Financial Statements

# Statements of Financial Position

at 31 July 2012

Registered No. 05067291

	Notes	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible fixed assets	10	2,596	–	3,153	–
Intangible assets	11	1,042	–	828	–
Investment in subsidiaries	12	–	63,990	–	63,625
		3,638	63,990	3,981	63,625
<b>Current assets</b>					
Inventories	13	79	–	80	–
Trade and other receivables	14	762	16,951	407	13,596
Income tax asset		654	–	581	–
Short-term investments and cash on deposit	15	11,119	2,000	12,015	3,500
Cash and cash equivalents	15	4,355	1,696	5,084	3,369
		16,969	20,647	18,167	20,465
<b>Total assets</b>		20,607	84,637	22,148	84,090
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	16	3,390	–	1,641	–
Financial liabilities	17	63	–	63	–
		3,453	–	1,704	–
<b>Non-current liabilities</b>					
Financial liabilities	17	222	–	285	–
Other payables	16	–	450	–	449
		222	450	285	449
<b>Total liabilities</b>		3,675	450	1,989	449
<b>Net assets</b>		16,932	84,187	20,159	83,641
<b>Capital and reserves</b>					
Issued equity capital	18	27,475	105,247	27,427	105,103
Share-based payment reserve	19	851	851	486	486
Merger reserve	20	(1,242)	–	(1,242)	–
Capital redemption reserve	20	–	4,498	–	4,594
Revenue reserve	21	(10,152)	(26,409)	(6,512)	(26,542)
<b>Total equity</b>		16,932	84,187	20,159	83,641

Approved by the Board and authorised for issue on 12 October 2012.

The notes on pages 35 to 54 form an integral part of these financial statements.



**Colin White**

Director

12 October 2012

# Cash Flow Statements

for the year ended 31 July 2012

	Notes	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
(Loss)/profit before interest and tax		(4,659)	16	(3,385)	67
Adjustments for:					
Depreciation of tangible fixed assets	10	849	–	734	–
Amortisation of intangible assets	11	122	–	87	–
Share-based payments	19	365	–	153	–
Changes in working capital:					
Decrease/(increase) in inventories		1	–	(62)	–
(Increase)/decrease in trade and other receivables		(429)	–	279	–
Increase in trade and other payables		533	–	172	–
Increase in deferred revenue		1,216	–	180	–
<b>Cash (outflow)/inflow from operating activities</b>		<b>(2,002)</b>	<b>16</b>	<b>(1,842)</b>	<b>67</b>
Interest paid	7	(8)	–	(10)	–
Research and development tax credit received		637	–	514	–
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,373)</b>	<b>16</b>	<b>(1,338)</b>	<b>67</b>
<b>Cash flows from investing activities</b>					
Purchases of tangible fixed assets		(292)	–	(1,605)	–
Purchases of intangible fixed assets	11	(336)	–	(299)	–
Cash advance to subsidiary		–	(3,354)		(8,421)
Decrease/(increase) in cash placed on deposit	15	896	1,500	(10,015)	(3,500)
Interest received	7	391	117	78	63
<b>Net cash inflow/(outflow) from investing activities</b>		<b>659</b>	<b>(1,737)</b>	<b>(11,841)</b>	<b>(11,858)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issues of ordinary share capital		58	58	15,163	15,163
Expenses on issue of shares	18	(10)	(10)	(519)	(519)
Loan repayment		(63)	–	(63)	–
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(15)</b>	<b>48</b>	<b>14,581</b>	<b>14,644</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(729)</b>	<b>(1,673)</b>	<b>1,402</b>	<b>2,853</b>
Cash and cash equivalents at the start of the year		5,084	3,369	3,682	516
<b>Cash and cash equivalents at the end of the year</b>		<b>4,355</b>	<b>1,696</b>	<b>5,084</b>	<b>3,369</b>
Monies placed on deposit at the end of the year		11,119	2,000	12,015	3,500
<b>Cash, cash equivalents and deposits at the end of the year</b>	15	<b>15,474</b>	<b>3,696</b>	<b>17,099</b>	<b>6,869</b>

The notes on pages 35 to 54 form an integral part of these financial statements.



## Financial Statements

# Notes to the Financial Statements

## for the year ended 31 July 2012

### 1. Reporting entity

Nanoco Group PLC (“the Company”) is an AIM listed company incorporated and domiciled in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) for the year ended 31 July 2012.

The financial statements of Nanoco Group PLC and its subsidiaries (the “Group”) for the year ended 31 July 2012 were authorised for issue by the Board of Directors on 12 October 2012 and the Statement of Financial Position was signed on the Board’s behalf by Mr Colin White.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company’s Statement of Comprehensive Income. The parent company’s result for the period ended 31 July 2012 was a profit of £133,000 (2011: profit of £130,000).

The significant accounting policies adopted by the Group are set out in note 3.

### 2. Basis of preparation

#### (a) Statement of compliance

The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and International Financial Reporting Committee (IFRIC) interpretations as they apply to the financial statements of the Group for the period ended 31 July 2012.

#### (b) Basis of measurement

The parent company and Group financial statements have been prepared on the historical cost basis except for all derivative contracts being carried at their fair value.

The methods used to measure fair values of assets and liabilities are discussed in the respective notes in note 3 below.

#### (c) Going concern

On the basis of the cash balances in place as at 31 July 2012 and management’s forecasts, there are sufficient funds available for the Group to operate comfortably for the foreseeable future. Accordingly the directors have continued to adopt the going concern basis in preparing the Company and Group financial statements.

#### (d) Functional and presentational currency

These financial statements are presented in pounds sterling, which is the Group’s functional currency. All financial information presented has been rounded to the nearest thousand.

#### (e) Use of estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual amounts could differ from those estimates. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. While every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain and, as such, changes in estimates and assumptions may have a material impact on the financial statements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### *Revenue recognition*

Revenue is recognised in line with the methodology described in note 3. If any of the key assumptions used in allocating revenue were to be subsequently revised this could alter revenue recognition between periods.

#### *Equity-settled share-based payments*

The estimation of share-based payment costs requires: the selection of an appropriate valuation method; consideration as to the inputs necessary for the valuation model chosen; assumptions regarding when and if performance conditions will be met; and the estimation of the number of awards that will ultimately vest. Inputs required for this arise from judgements relating to the future volatility of the share price of comparable companies, the Company’s expected dividend yields, risk free interest rates and expected lives of the options. The directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations.

# Notes to the Financial Statements continued

## for the year ended 31 July 2012

### 2. Basis of preparation continued

#### Taxation

Management judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised tax losses at 31 July 2012 was £2,004,000 (2011: £1,691,000). The value of tax asset (net of deferred tax liability) not recognised at the year-end is £1,751,000 (2011: £1,190,000), as measured at a standard tax rate of 24% (2011: 26%).

Further information on critical judgements made in applying accounting policies, including details of significant methods and assumptions used, is included in note 3 and also in notes 8, income tax, and 19, share-based payments.

### 3. Significant accounting policies

The accounting policies set out below are consistent with those of the previous financial year and are applied consistently by Group entities.

The Group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

#### (a) Basis of consolidation

The Group financial statements consolidate the financial statements of Nanoco Group PLC and the entities it controls (its subsidiaries) drawn up to 31 July each year.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. All Nanoco Group plc's subsidiaries are 100% owned. Subsidiaries are fully consolidated from the date control passes.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The costs of an acquisition are measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at acquisition date irrespective of the extent of any minority interest. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the identifiable net assets acquired is capitalised as goodwill and reviewed annually for impairment. Any deficiency in the cost of acquisition below the fair value of identifiable net assets acquired (ie, discount on acquisition) is recognised directly in the Consolidated Statement of Comprehensive Income.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group. All financial statements are made up to 31 July 2012.

#### (b) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Consolidated Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### (c) Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at the reporting date the Company operated with only a single segment.

#### (d) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, excluding discounts, rebates, VAT and other sales taxes or duties.

The Group's revenues to date comprise amounts earned under joint development agreements and individual project development programmes, material supply and licence agreements and revenue from the sale of quantum dot products.

Revenues received in advance of work performed, from development programmes, are recognised on a straight line basis over the period that the development work is being performed as measured by contractual milestones. Revenue is not recognised where there is uncertainty regarding the achievement of such milestones and where, either revenue has not been paid, or where the customer has the right to recoup advance payments.

## ○ Financial Statements

### 3. Significant accounting policies continued

Royalties received in advance under material supply and licence agreements are recognised as revenue when goods are supplied or when contractual rights for the customer to recoup such payments have lapsed.

Revenue from the sale of products is recognised at the point of transfer of risks and rewards of ownership which is generally on shipment of product.

#### (e) Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions are met, usually on submission of a valid claim for payment.

Government grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in line with the terms of the underlying grant agreement.

Government grants relating to capital expenditure are deducted in arriving at the carrying amount of the asset.

#### (f) Research and development

Research costs are charged against the Consolidated Statement of Comprehensive Income as they are incurred. Development costs could be capitalised as intangible assets when it is probable that future economic benefits will flow to the Company. Such intangible assets will be amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and will be reviewed for impairment at each reporting date.

The criteria for recognising expenditure as an asset are:

- it is technically feasible to complete the product;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development, use and sale of the product; and
- expenditure attributable to the product can be reliably measured.

Development costs are currently charged against income as incurred since the criteria for their recognition as an asset are not met.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the directors.

#### (g) Lease payments

Rentals payable under operating leases, which are leases where the lessor retains a significant proportion of the risks and rewards of the underlying asset, are charged in the Consolidated Statement of Comprehensive Income on a straight-line basis over the expected lease term.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### (h) Finance income and expenses

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through the Consolidated Statement of Comprehensive Income. Interest income is recognised as interest accrues using the effective interest rate method.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through the Consolidated Statement of Comprehensive Income, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the Consolidated Statement of Comprehensive Income. All borrowing costs are recognised using the effective interest method.

#### (i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

## Notes to the Financial Statements continued

### for the year ended 31 July 2012

#### 3. Significant accounting policies continued

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantially enacted by the date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which differences can be utilised. An asset is not recognised to the extent that the transfer or economic benefits in the future is uncertain.

#### (j) Tangible fixed assets

Tangible fixed assets are recognised initially at cost. After initial recognition, these assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component.

The following bases and rates are used to depreciate classes of assets:

Laboratory infrastructure	–	straight line over remainder of lease period
Fixtures and fittings	–	straight line over five years
Office equipment	–	straight line over three years
Plant and machinery	–	straight line over five years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

A tangible fixed asset item is de-recognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the Consolidated Statement of Comprehensive Income in the period of de-recognition.

#### (k) Intangible assets

Intangible assets acquired either as part of a business combination or from contractual or other legal rights are recognised separately from goodwill provided they are separable and their fair value can be measured reliably. This includes the costs associated with acquiring and registering patents in respect of intellectual property rights.

Where intangible assets recognised have finite lives, after initial recognition their carrying value is amortised on a straight line basis over those lives. The nature of those intangibles recognised and their estimated useful lives are as follows:

Patents	–	straight line over ten years
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#### (l) Impairment of assets

At each reporting date the Group reviews the carrying value of its plant, equipment and intangible assets to determine whether there is an indication that these assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an assessment of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the Consolidated Statement of Comprehensive Income in those expense categories consistent with the function of the impaired assets.

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An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Comprehensive Income unless the asset is carried at re-valued amount, in which case the reversal is treated as a valuation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The carrying values of plant, equipment and intangible assets as at the reporting date have not been subjected to impairment charges.

### **(m) Investments in subsidiaries**

Investments in subsidiaries are stated in the Company Statement of Financial Position at cost less provision for any impairment.

### **(n) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost based on latest contractual prices includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal. Provision is made for slow-moving or obsolete items.

### **(o) Trade and other receivables**

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. The time value of money is not material.

Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Significant financial difficulties faced by the customer, probability that the customer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

### **(p) Cash, cash equivalents and short-term investments**

Cash and cash equivalents comprise cash at hand and deposits with maturities of three months or less. Short-term investments comprise deposits with maturities of more than three months, but no greater than twelve months.

### **(q) Trade and other payables**

Trade and other payables are non-interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

### **(r) Borrowings**

Borrowings are recognised when the Group becomes party to related contracts and are measured initially at fair value, net of directly attributable transaction costs incurred. After initial recognition, borrowings are stated at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Costs of borrowing funds are expensed in the period in which they occur.

### **(s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the Consolidated Statement of Comprehensive Income, net of any expected reimbursement, but only where recoverability of such reimbursement is virtually certain.

Provisions are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## Notes to the Financial Statements continued

### for the year ended 31 July 2012

#### 3. Significant accounting policies continued

##### (t) Financial assets and liabilities

Financial assets and liabilities are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the Consolidated Statement of Comprehensive Income. The Group determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at each financial year-end.

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

At the year-end, the Group had no financial assets or liabilities designated at fair value through the Consolidated Statement of Comprehensive Income (2011: £nil).

##### (u) Share capital

Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not re-measured in subsequent years.

##### (v) Shares held by the Employee Benefit Trust

The Employee Benefit Trust is consolidated in the financial statements and the shares are reported as treasury shares in the Group's Statement of Financial Position. Shares are treated as though they had been cancelled when calculating earnings per share until such time that the shares are exercised. The Employee Benefit Trust is treated similarly in the financial statements of the parent company.

##### (w) Share-based payments

Equity settled share-based payment transactions are measured with reference to the fair value at the date of grant, recognised on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. Fair value is measured using a suitable pricing model.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the Consolidated Statement of Comprehensive Income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where awards are granted to the employees of the subsidiary company, the fair value of the awards at grant date is recorded in the Company's financial statements as an increase in the value of the investment with a corresponding increase in equity via the share-based payment reserve.

##### (x) Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting period.

##### (y) New standards and interpretations not yet adopted

The following new and amended IFRS and IFRIC interpretations were mandatory for accounting periods beginning on or after 1 August 2011, but have no material effect on the Group's financial statements.

- Amendments to IFRS 7, clarification of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments
- IAS 1, Presentation of financial statements, clarification as to the presentation of the components of other comprehensive income
- IFRIC 14, Prepayments of a minimum funding requirement, guidance as to how reductions in minimum funding requirement might affect the availability of reductions in future contributions
- Amendments to IAS 12, Deferred tax: recovery of underlying assets, guidance as to the treatment of deferred tax in respect of investment property

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 August 2012 and have not been applied in preparing these consolidated financial statements and are summarised below. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

## Financial Statements

### 3. Significant accounting policies continued

The effective dates stated here are those given in the original IASB standards and interpretations. As the Group prepares its financial statements in accordance with IFRS, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

The following standards and interpretations have an effective date after the date of these financial statements:

		Effective date
IFRS 1	Government Loans	1 January 2013
IFRS 7	Financial Instruments – Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 7 & IFRS 9	Mandatory Effective Date and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013

### 4. Segmental information

#### Operating segments

At 31 July 2012 the Group operated as one segment, being the provision of high performance nano particles for research and development purposes. This is the level at which operating results are reviewed by the chief operating decision maker (i.e. the CEO) to make decisions about resources, and for which financial information is available. All revenues have been generated from continuing operations and are from external customers.

	31 July 2012 £000	31 July 2011 £000
<b>Analysis of revenue</b>		
Products sold	134	194
Rendering of services	1,557	1,351
Royalties and licences	1,257	1,097
	<b>2,948</b>	<b>2,642</b>

Included within rendering of services is revenue from one material customer amounting to £937,000 (2011: two material customers amounting to £697,000 and £603,000) and included within royalties and licences is revenue from one material customer amounting to £1,257,000 (2011: one material customer amounting to £1,097,000).

#### Geographical information

The Group operates in four main geographic areas, although all are managed in the UK. The Group's revenue per geographical segment is as follows:

	31 July 2012 £000	31 July 2011 £000
<b>Revenue</b>		
UK	182	–
Europe (excluding UK)	124	200
Asia	2,542	2,397
USA	100	45
	<b>2,948</b>	<b>2,642</b>

All the Group's assets are held in the UK and all of its capital expenditure arises in the UK.



# Notes to the Financial Statements continued

for the year ended 31 July 2012

## 5. Operating loss

The Group	31 July 2012 £000	31 July 2011 £000
<b>Operating loss is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets (see note 10)	849	734
Amortisation of intangible assets (see note 11)	122	87
Staff costs (see note 6)	3,170	2,564
Foreign exchange losses	3	41
Research and development expense*	2,887	2,581
Cost of inventories recognised as an expense (included in cost of sales)	1,044	531
Operating lease rentals (see note 22):		
Land and buildings	357	195
<b>Auditor's remuneration:</b>		
Audit services:		
– Fees payable to Company auditor for the audit of the parent and the consolidated accounts	10	10
Fees payable to Company auditor for other services:		
– Auditing the accounts of subsidiaries pursuant to legislation	14	14
– Other services	3	8
<b>Total auditor's remuneration</b>	<b>27</b>	<b>32</b>

\* Included within research and development expense are staff costs totalling £1,808,000 (2011: £1,695,000) also included in note 6.

## 6. Staff costs

	31 July 2012 £000	31 July 2011 £000
Wages and salaries	2,414	2,087
Social security costs	249	216
Pension contributions	142	108
Share-based payments	365	153
	<b>3,170</b>	<b>2,564</b>
Directors' remuneration included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	646	528

Directors' emoluments (excluding social security costs) disclosed above include £208,000 paid to the highest paid director (2011: £164,000).

An analysis of the highest paid director's remuneration is included in the Director's Remuneration Report.

The average number of employees during the year (including directors), was as follows:

The Group	31 July 2012 Number	31 July 2011 Number
Directors	7	7
Laboratory and administrative staff	57	49
	<b>64</b>	<b>56</b>

## 7. Finance income and expense

The Group	31 July 2012 £000	31 July 2011 £000
<b>Finance income:</b>		
Bank interest receivable	317	180
<b>Finance expense:</b>		
Loan interest payable	(8)	(10)
	<b>309</b>	<b>170</b>

Bank interest receivable includes £28,000 (2011: £102,000) which is receivable after the year-end.

## Financial Statements

### 8. Income tax

The tax credit is made up as follows:

	31 July 2012 £000	31 July 2011 £000
<b>The Group</b>		
<b>Current income tax:</b>		
UK corporation tax losses in the year	–	–
Research and development income tax credit receivable	(654)	(600)
Adjustment in respect of prior years	(56)	6
<b>Total current income tax</b>	<b>(710)</b>	<b>(594)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	–	(129)
<b>Total deferred tax</b>	<b>–</b>	<b>(129)</b>
<b>Total tax credit in the income statement</b>	<b>(710)</b>	<b>(723)</b>

The tax assessed for the year varies from the standard rate of corporation tax as explained below:

	31 July 2012 £000	31 July 2011 £000
<b>The Group</b>		
Loss on ordinary activities before taxation	(4,350)	(3,215)
Tax at standard rate of 25.33% (2011: 27.33%)	(1,102)	(878)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	96	42
Movement in unprovided deferred tax	99	(279)
Additional reduction for research and development expenditure	(758)	(587)
Surrender of research and development relief for repayable tax credit	1,432	1,292
Research and development tax credit receivable	(654)	(600)
Share options exercised (CTA 2009 Pt 12 deduction)	(179)	(1,132)
Tax losses carried forward	412	1,413
Adjustment in respect of prior years	(56)	6
<b>Tax credit in income statement</b>	<b>(710)</b>	<b>(723)</b>

Deferred tax has been calculated at the rate of 24% being the rate based on Budget announcements and which had been substantively enacted by law at the date of these accounts. The change in tax rate is not considered to have had a material impact.

The Group has accumulated losses available to carry forward against future trading profits. The estimated value of the deferred tax asset, measured at a standard rate of 24% (2011: 26%) is £2,004,000 (2011: £1,691,000). The amount recognised as a deferred tax asset is £253,000 (2011: £501,000). Remaining tax losses have not been recognised as an asset as the transfer of economic benefits in the future is uncertain (2011: £nil).

The Group also has a deferred tax liability being accelerated capital allowances less the deferred tax on share-based payments for which the tax, measured at a standard rate of 24% (2011: 26%) is £253,000 (2011: £501,000).

The deferred tax asset and liability have been offset and consequently the net deferred asset/(liability) recognised at 31 July 2012 is £nil (2011: £nil).

The Chancellor has proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reduction from 24% to 22%, if these are applied to the net unprovided deferred tax asset of 31 July 2012, would be to further reduce the deferred tax asset by £168,000.

# Notes to the Financial Statements continued

for the year ended 31 July 2012

## 9. Earnings per share

The Group	31 July 2012 £000	31 July 2011 £000
Loss for the financial year attributable to equity shareholders	(3,640)	(2,492)
Share-based payments	365	153
Loss for the financial year before share-based payments	(3,275)	(2,339)
Weighted average number of shares:		
Ordinary shares in issue	202,661,900	192,142,536
Adjusted loss per share before share-based payments (pence)	(1.62)	(1.22)
Basic loss per share (pence)	(1.80)	(1.30)

Diluted loss per share has not been presented above as the effect of share options issued is anti-dilutive.

## 10. Tangible fixed assets

The Group	Laboratory infrastructure £000	Office equipment, fixtures and fittings £000	Plant and machinery £000	Total £000
Cost:				
At 31 July 2010	1,652	189	1,844	3,685
Additions	367	116	601	1,084
At 31 July 2011	2,019	305	2,445	4,769
Additions	10	38	244	292
At 31 July 2012	2,029	343	2,689	5,061
Depreciation:				
At 31 July 2010	399	115	368	882
Provided during the year	268	52	414	734
At 31 July 2011	667	167	782	1,616
Provided during the year	298	67	484	849
At 31 July 2012	965	234	1,266	2,465
Net book value:				
At 31 July 2012	1,064	109	1,423	2,596
At 31 July 2011	1,352	138	1,663	3,153

## 11. Intangible assets

The Group	Patents £000
Cost:	
At 31 July 2010	759
Additions	299
At 31 July 2011	1,058
Additions	336
At 31 July 2012	1,394
Amortisation:	
At 31 July 2010	143
Provided during the year	87
At 31 July 2011	230
Provided during the year	122
At 31 July 2012	352
Net book value:	
At 31 July 2012	1,042
At 31 July 2011	828

Amortisation provided during the period is recognised in administrative expenses.

## Financial Statements

### 12. Investment in subsidiaries

The Company	Shares £000	Loans £000	Loan impairment £000	Total £000
<b>At 31 July 2010</b>	<b>63,255</b>	<b>20,619</b>	<b>(20,286)</b>	<b>63,588</b>
Increase in respect of share-based payments	–	153	–	153
Transfer of treasury shares	–	(96)	–	(96)
Recognition of treasury shares acquired on reverse acquisition	(20)	–	–	(20)
<b>At 31 July 2011</b>	<b>63,235</b>	<b>20,676</b>	<b>(20,286)</b>	<b>63,625</b>
Increase in respect of share-based payments	–	365	–	365
<b>At 31 July 2012</b>	<b>63,235</b>	<b>21,041</b>	<b>(20,286)</b>	<b>63,990</b>

The impairment of the loan relates to the Company's investment in Nanoco Life Sciences Limited. The directors have concluded that the investment's recoverable amount is £nil.

The accounting for the reverse acquisition that took place in 2009 is described in note 18. The treasury shares were initially written off at the time of the reverse acquisition and have subsequently been re-recognised.

Loans to subsidiary undertakings carry no interest and are repayable on demand. Further information in relation to these loans is given in note 24.

Subsidiary undertakings	Country of incorporation	Principal activity	Share of issued ordinary share capital	
			31 July 2012	31 July 2011
Nanoco Life Sciences Limited (formerly Evolutech Limited)	England and Wales	Research and development	100%	100%
Nanoco Tech Limited	England and Wales	Holding company	100%	100%
Nanoco Technologies Limited*	England and Wales	Research and develop nano particles	100%	100%

\* Share capital is owned by Nanoco Tech Limited. All other shareholdings are owned by Nanoco Group PLC.

### 13. Inventories

	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
Raw materials and consumables	79	–	80	–

### 14. Trade and other receivables

	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
Trade receivables	66	–	29	–
Prepayments	538	–	247	–
Inter-company short-term loan to subsidiary	–	16,951	–	13,596
Other receivables	158	–	131	–
	<b>762</b>	<b>16,951</b>	<b>407</b>	<b>13,596</b>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are denominated in the following currency:

	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
US Dollars	66	–	29	–

# Notes to the Financial Statements continued

## for the year ended 31 July 2012

### 14. Trade and other receivables continued

At 31 July the analysis of trade receivables that were past due but not impaired was as follows:

	Total £000	Neither past due nor impaired £000	<30 days £000	Past due but not impaired 30 to 60 days £000
2012	66	66	—	—
2011	29	29	—	—

### 15. Cash, cash equivalents and deposits

	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
Short-term investments and cash on deposit	11,119	2,000	12,015	3,500
Cash and cash equivalents	4,355	1,696	5,084	3,369
	15,474	3,696	17,099	6,869

Under IAS 7, cash held on long-term deposits (being deposits with maturity of greater than three months and no more than twelve months) that cannot readily be converted into cash has been classified as a short-term investment. The maturity on this investment was less than twelve months at the reporting date.

Cash and cash equivalents at 31 July 2012 include deposits with original maturity of three months or less of £3,464,000 (2011: £4,962,000).

An analysis of cash, cash equivalents and deposits by denominated currency is given in note 23.

### 16. Trade and other payables

	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
<b>Current</b>				
Current payables	887	—	600	—
Other payables	76	—	83	—
Deferred revenue	1,935	—	719	—
Accruals	492	—	239	—
	3,390	—	1,641	—
<b>Non-current</b>				
Long-term loan from subsidiary	—	450	—	449
	—	450	—	449

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 17. Financial liabilities

	31 July 2012 Group £000	31 July 2012 Company £000	31 July 2011 Group £000	31 July 2011 Company £000
Other loan:				
Current	63	—	63	—
Non-current	222	—	285	—
	285	—	348	—

The directors consider that the carrying amount of financial liabilities approximate to their fair value, in so far as this is an arm's length transaction taken out at a market rate of interest.

The other loan is unsecured, bears interest at two per cent above base rate and is repayable in quarterly instalments and will be fully repaid in 2017.

## Financial Statements

### 18. Issued equity capital

The Group	Number	Share capital £000	Share premium £000	Reverse acquisition reserve £000	Total £000
<b>Authorised ordinary shares of 10p:</b>					
At 31 July 2010, 31 July 2011 and 31 July 2012	250,000,000	25,000	–	–	25,000
<b>Allotted, called up and fully paid ordinary shares of 10p:</b>					
<b>As at 31 July 2010</b>	<b>184,156,282</b>	<b>18,416</b>	<b>71,400</b>	<b>(77,465)</b>	<b>12,351</b>
Shares issued on exercise of options	4,522,900	452	59	(211)	300
Shares issued in placing	16,700,000	1,670	13,193	–	14,863
EBT shares issued on 30 June 2011	479,235	48	384	–	432
Expenses of placing	–	–	(519)	–	(519)
<b>As at 31 July 2011</b>	<b>205,858,417</b>	<b>20,586</b>	<b>84,517</b>	<b>(77,676)</b>	<b>27,427</b>
Shares issued on exercise of options	1,525,750	152	2	(96)	58
Expenses of 2011 placing	–	–	(10)	–	(10)
<b>As at 31 July 2012</b>	<b>207,384,167</b>	<b>20,738</b>	<b>84,509</b>	<b>(77,772)</b>	<b>27,475</b>

The balances classified as share capital and share premium include the total net proceeds (nominal value and share premium respectively) on issue of the Company's equity share capital, comprising 10 pence ordinary shares.

The retained loss and other equity balances recognised in the Group financial statements reflect the consolidated retained loss and other equity balances of Nanoco Tech Limited immediately before the business combination which was reported in the year ended 31 July 2009. The consolidated results for the period from 1 August 2008 to the date of the acquisition by Nanoco Group PLC are those of Nanoco Tech Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the transaction. The effect of using the equity structure of the legal parent gives rise to an adjustment to the Group's issued equity capital in the form of a reverse acquisition reserve.

On 21 November 2011 options over 1,493,750 shares were exercised at 3.5 pence per share, with total proceeds of £52,520. On 27 March 2012 options over 20,000 shares were exercised at 14.5 pence per share, with total proceeds of £2,900. On 26 July 2012 options over 12,000 shares were exercised at 14.5 pence per share, with total proceeds of £1,740. Options exercised include certain options which had an exercise price that was less than the nominal value of shares issued (see note 20).

The Company	Number	Share capital £000	Share premium £000	Total £000
<b>Authorised ordinary shares of 10p:</b>				
At 31 July 2010, 31 July 2011 and 31 July 2012	250,000,000	25,000	–	25,000
<b>Allotted, called up and fully paid ordinary shares of 10p:</b>				
<b>As at 31 July 2010</b>	<b>184,156,282</b>	<b>18,416</b>	<b>71,401</b>	<b>89,817</b>
Shares issued on exercise of options	4,522,900	452	58	510
Shares issued in placing	16,700,000	1,670	13,193	14,863
EBT shares issued on 30 June 2011	479,235	48	384	432
Expenses of placing	–	–	(519)	(519)
<b>As at 31 July 2011</b>	<b>205,858,417</b>	<b>20,586</b>	<b>84,517</b>	<b>105,103</b>
Shares issued on exercise of options	1,525,750	152	2	154
Expenses of 2011 placing	–	–	(10)	(10)
<b>As at 31 July 2012</b>	<b>207,384,167</b>	<b>20,738</b>	<b>84,509</b>	<b>105,247</b>

### 19. Share-based payments

The share-based payment reserve accumulates the corresponding credit entry in respect of share-based payment charges. Movements in the reserve are disclosed in the Consolidated Statement of Changes in Equity.

A charge of £365,000 has been recognised in the Statement of Comprehensive Income for the year (2011: £153,000).

#### Share option schemes

The Group operates the following share option schemes all of which are operated as Enterprise Management Incentive (EMI) schemes in so far as the share options being issued meet the EMI criteria as defined by HM Revenue & Customs. Share options issued that do not meet EMI criteria are issued as unapproved share options, but are subject to the same exercise performance conditions.

# Notes to the Financial Statements continued

## for the year ended 31 July 2012

### 19. Share-based payments continued

#### Nanoco Tech Share Incentive Plan

Share options issued under the Nanoco Tech Share Incentive Plan had been issued to staff who were employed by Nanoco Tech Limited in the period from 1 September 2006 up to the date of the reverse take-over on 1 May 2009. These options were conditional on achievement of share price performance criteria and either a sale or listing of the Company. All of the relevant vesting conditions have been successfully met and options are capable of being exercised at any time from 1 August 2010 to 31 August 2016. Following the reverse take-over the number of share options in issue were increased in line with the terms of the reverse acquisition by a factor of 4.55 times and the exercise price decreased by 4.55 times. This was reflected as a reverse acquisition adjustment in the 2009 accounts.

#### Nanoco Group PLC long-term incentive plan (LTIP)

##### – Grant in November 2009

Share options were granted to management and staff on 27 November 2009 under the terms of the Nanoco Group PLC long-term incentive plan and will be exercisable subject to performance conditions being met based on: share price following publication of the 2012 results and EPS targets relating to financial year ending 31 July 2012. The exercise price was set at 40 pence for all staff apart from Michael Edelman and Nigel Pickett, for whom the exercise price was set at 78 pence. The average market price of the Company's shares on the date of issue of the LTIP award was 69 pence. The fair value benefit is measured using binomial and Monte Carlo models, taking into account the terms and conditions upon which the share options were issued.

The key performance target criteria governing the exercise of the share options are summarised as follows:

% of award	Performance conditions	Targets		% shares vesting		Notes
		Min.	Stretch	Min.	Stretch	
50%	EPS	2p	4p	0%	100%	(1)
50%	Share price	£1.20	£1.60	50%	100%	(2)

(1) The target has not been achieved and these have therefore lapsed.

(2) To the extent that the share price is greater than the minimum target but less than the stretch target, the number of options that will become exercisable will be calculated pro-rata on a straight line basis. The reference date for the share price is the date following the publication of the 2012 results. If the share price does not fall within the targets then these options will not be exercisable and will lapse.

##### – Grant in June 2011

Share options were granted to management on 2 June 2011 and were subject to performance conditions being achieved, based on sales targets for the financial year ended 31 July 2012. As the sales target has not been achieved these options are not exercisable and have lapsed.

##### – Grant in November 2011

Share options were granted to staff and executive directors on 25 November 2011. The options granted to executive directors were subject to commercial revenue targets being achieved over a three year period from the date of grant. The exercise price was set at 50 pence, being the average closing share price on the day preceding issue of the share options. The fair value benefit is measured using a binomial model, taking into account the terms and conditions upon which the share options were issued. Share options issued to staff vest over a three year period from the date of grant but are not subject to performance conditions.

##### – Other awards

Share options are awarded to management and key staff as a mechanism for attracting and retaining key members of staff. The options are issued at either market price on the day preceding grant or in the event of abnormal price movements at an average market price for the week preceding grant date. These options are exercisable any time after the third anniversary of the award and prior to the tenth anniversary of the award. Exercise of the award is subject to the employee remaining a full time member of staff at the point of exercise. The fair value benefit is measured using a binomial valuation model, taking into account the terms and conditions upon which the share options were issued.

#### Shares held in the Employee Benefit Trust (EBT)

The Group operates a jointly owned EBT share scheme for senior management under which the trustee of the Group-sponsored EBT has acquired shares in the Company jointly with a number of employees. The shares were acquired pursuant to certain conditions set out in jointly owned agreements (JOA). Subject to meeting the performance criteria conditions set out in the JOA, the employees are able to exercise an option to acquire the trustee's interests in the jointly owned EBT shares at the option price. The jointly owned EBT shares issued on 1 September 2006 had met the option conditions on 1 August 2010 and are capable of being exercised at any time until 31 August 2016.

The fair value benefit is measured using a binomial valuation model, taking into account the terms and conditions upon which the jointly owned shares were issued.



## Financial Statements

### 19. Share-based payments continued

The following tables illustrate the number and weighted average exercise prices of, and movements in, share options and jointly owned EBT shares during the year.

The Group and Company	Share options number	EBT number	2012 total number	2011 total number
Outstanding at 1 August	7,056,401	4,238,486	11,294,887	14,788,086
Granted during the year	4,820,000	–	4,820,000	1,721,989
Exercised during the year	(1,513,750)	–	(1,513,750)	(4,522,900)
Lapsed/cancelled	(1,701,953)	–	(1,701,953)	(692,288)
<b>Outstanding at 31 July</b>	<b>8,660,698</b>	<b>4,238,486</b>	<b>12,899,184</b>	<b>11,294,887</b>
Exercisable at 31 July	2,280,750	3,759,251	6,040,001	7,667,502

#### Weighted average exercise price of options:

The Group and Company	2012 pence	2011 pence
Outstanding at 1 August	26.0	14.0
Granted during the year	50.3	80.8
Exercised during the year	3.5	6.6
Forfeited/cancelled	68.5	37.2
<b>Outstanding at 31 July</b>	<b>34.3</b>	<b>26.0</b>

The weighted average fair value of options granted during the year to 31 July 2012 was 50 pence (2011: 89 pence). The range of exercise prices for options and jointly owned EBT shares outstanding at the end of the year was 3.5 pence – 100.75 pence, (2011: 3.5 pence – 100.75 pence).

For the share options outstanding as at 31 July 2012, the weighted average remaining contractual life is 7.2 years (2011: 6.4 years).

The weighted average share price at the date of exercise for those share options exercised in the year ended 31 July 2012 was 50.2 pence (2011: 100.9 pence).

The following table lists the inputs to the models used for the years ended 31 July 2012 and 31 July 2011:

The Group and Company	Performance linked grants		Non-performance linked grants	
	2012	2011	2012	2011
Expected volatility (%)	50%	44%	50%	44%
Risk-free interest rate (%)	1.28%	2.20%	0.96%–1.6%	1.8%–2.3%
Expected life of options (years average)	3 years	1.2 years	3 years	3 years
Weighted average exercise price (pence)	50p	79p	50p	95p
Weighted average share price at date of grant (pence)	50p	79p	50p	95p
Model used	Binomial	Binomial	Binomial	Binomial

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

# Notes to the Financial Statements continued

## for the year ended 31 July 2012

### 20. Merger reserve and capital redemption reserve

#### Merger reserve

The Group	£000
At 31 July 2010, 31 July 2011 and 31 July 2012	(1,242)

The merger reserve arises under section 612 of the Companies Act 2006 on the shares issued by Nanoco Tech Limited to acquire Nanoco Technologies Limited as part of a simple Group re-organisation on 27 June 2007.

#### Capital redemption reserve

The Company	£000
<b>At 31 July 2010</b>	<b>4,804</b>
Share options exercised at a discount to nominal value	(210)
<b>At 31 July 2011</b>	<b>4,594</b>
Share options exercised at a discount to nominal value	(96)
<b>At 31 July 2012</b>	<b>4,498</b>

The capital redemption reserve arises from the off-market purchase of deferred shares on 4 May 2005 and their subsequent cancellation.

Certain share options exercised during the year had an exercise price less than nominal value. The aggregate discount to nominal value on these options of £96,000 (2011: £210,000) has been charged to the Company's capital redemption reserve and, on consolidation, to the Group's reverse acquisition reserve. The discount arose as a result of the formula agreed, at the time of the acquisition of Nanoco Tech Limited by the Company on 1 May 2009, for converting share options in Nanoco Tech Limited into equivalent share options in the Company. This accounting treatment was authorised at the AGM held on 16 December 2011.

### 21. Movement in revenue reserve and treasury shares

The Group	Retained deficit £000	Treasury shares £000	Total revenue reserve £000
<b>As at 31 July 2010</b>	<b>(3,023)</b>	<b>(565)</b>	<b>(3,588)</b>
Jointly owned shares granted to EBT*	–	(432)	(432)
Loss for the year	(2,492)	–	(2,492)
<b>As at 31 July 2011</b>	<b>(5,515)</b>	<b>(997)</b>	<b>(6,512)</b>
Loss for the year	(3,640)	–	(3,640)
<b>As at 31 July 2012</b>	<b>(9,155)</b>	<b>(997)</b>	<b>(10,152)</b>

\* No jointly owned EBT shares were granted during the year (2011: 479,235 shares).

Retained deficit represents the cumulative loss attributable to the equity holders of the parent company.

Treasury shares include the value of Nanoco Group PLC shares issued as jointly owned equity shares and held by the Nanoco Group sponsored Employee Benefit Trust (EBT) jointly with a number of the Group's employees. At 31 July 2012 4,238,486 shares in the Company were held by the EBT (2011: 4,238,486). In addition there are 12,222 (2011: 12,222) treasury shares not held by the EBT.

The Group	Retained deficit £000	Treasury shares £000	Total revenue reserve £000
<b>At 31 July 2010</b>	<b>(25,675)</b>	<b>–</b>	<b>(25,675)</b>
Recognition of treasury shares acquired on reverse acquisition	–	(20)	(20)
Jointly owned shares granted to EBT	–	(432)	(432)
Treasury shares transferred from Nanoco Tech Ltd *	–	(545)	(545)
Profit for the year	130	–	130
<b>At 31 July 2011</b>	<b>(25,545)</b>	<b>(997)</b>	<b>(26,542)</b>
Profit for the year	133	–	133
<b>At 31 July 2012</b>	<b>(25,412)</b>	<b>(997)</b>	<b>(26,409)</b>

\* Shares issued to EBT previously reported by Nanoco Tech Limited.

## Financial Statements

### 22. Commitments

#### Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The future aggregate minimum lease and service charge payments under non-cancellable operating leases are as follows:

	31 July 2012 Group £000	31 July 2011 Group £000
<b>Land and buildings:</b>		
Not later than one year	524	192
After one year but not more than five years	1,918	420
After five years	1,777	67
	<b>4,219</b>	<b>679</b>

### 23. Financial risk management

#### Overview

This note presents information about the Group's exposure to various kinds of financial risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The executive directors report regularly to the Board on Group risk management.

#### Capital risk management

The Company reviews its forecast capital requirements on a half-yearly basis to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 18, 20 and 21 and in the Group Statement of Changes in Equity. Total equity was £16,932,000 at 31 July 2012 (£20,159,000 at 31 July 2011).

The Company is not subject to externally imposed capital requirements.

#### Liquidity risk

The Group's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages all of its external bank relationships centrally in accordance with defined treasury policies. The policies include the minimum acceptable credit rating of relationship banks and financial transaction authority limits. Any material change to the Group's principal banking facility requires Board approval. The Group seeks to mitigate the risk of bank failure by ensuring that it maintains relationships with a number of investment grade banks.

At the reporting date the Group was cash positive with no outstanding borrowings, apart from a long-term loan which is being repaid on a quarterly basis in line with the terms of the loan agreement.

#### Categorisation of financial instruments

Financial assets/liabilities	Loans and receivables £000	Financial liabilities at amortised cost £000	Group £000	Company £000
<b>31 July 2012</b>				
Trade and other receivables	66	—	66	—
Cash, cash equivalents and deposits	16,969	—	16,969	3,696
Trade and other payables *	—	(1,455)	(1,455)	—
Financial liabilities	—	(285)	(285)	—
	<b>17,035</b>	<b>(1,740)</b>	<b>(15,295)</b>	<b>3,696</b>
<b>31 July 2011</b>				
Trade and other receivables	29	—	29	—
Cash, cash equivalents and deposits	17,099	—	17,099	6,869
Trade and other payables *	—	(922)	(922)	—
Financial liabilities	—	(348)	(348)	—
	<b>17,128</b>	<b>(1,270)</b>	<b>15,858</b>	<b>6,869</b>

\* Excluding deferred revenue.

# Notes to the Financial Statements continued

## for the year ended 31 July 2012

### 23. Financial risk management continued

The values disclosed in the above table are carrying values. The Board considers that the carrying amount of financial assets and liabilities approximates to their fair value.

The main risks arising from the Group's financial instruments are credit risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Other loans (note 17) are subject to interest at base rate plus 2%, however as the Group's cash deposits which attract interest at rates set for the period of the respective deposit, are of a greater amount, any increase in base rate and thus interest payable are more than offset by higher interest income.

#### Credit risk

The Group's principal financial assets are cash, cash equivalents and deposits. The Group seeks to limit the level of credit risk on the cash balances by only depositing surplus liquid funds with multiple counterparty banks that have investment grade credit ratings.

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group's maximum exposure is the carrying amount as disclosed in note 14, which was neither past due nor impaired. All trade receivables are ultimately overseen by the Chief Financial Officer and are managed on a day-to-day basis by the UK credit control team. Credit limits are set as deemed appropriate for the customer.

The maximum exposure to credit risk in relation to cash, cash equivalents and deposits is the carrying value at the balance sheet date.

#### Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company. These are primarily US Dollars (USD) and Euros. Transactions outside of these currencies are limited.

Almost all of the Company's revenue is denominated in USD. The Group purchases some raw materials, certain services and some assets in USD which partly offsets its USD revenue, thereby reducing net foreign exchange exposure.

The Group may use forward exchange contracts as an economic hedge against currency risk, where cash flow can be judged with reasonable certainty. Foreign exchange swaps and options may be used to hedge foreign currency receipts in the event that the timing of the receipt is less certain. There were no open forward contracts as at 31 July 2012 or at 31 July 2011.

The split of Group assets between Sterling and other currencies at the year-end is analysed as follows:

The Group	31 July 2012			31 July 2011		
	GBP £000	USD £000	Total £000	GBP £000	USD £000	Total £000
Cash, cash equivalents and deposits	16,427	542	16,969	17,042	57	17,099
Trade receivables	–	66	66	–	29	29
Trade payables	(729)	(158)	(887)	(503)	(97)	(600)
	15,698	450	16,148	16,539	(11)	16,528

#### Sensitivity analysis to movement in exchange rates

The following table demonstrates the sensitivity to a reasonably possible change in Sterling against the US Dollar exchange rate with all other variables held constant, on the Group's loss before tax (due to foreign exchange translation of monetary assets and liabilities) and the Group's equity.

Increase/(decrease) in Sterling vs. US Dollar rate%	Impact on loss before tax and Group equity 2012 £000	Impact on loss before tax and Group equity 2011 £000
10%	(41)	1
5%	(21)	1
(5)%	24	(1)
(10)%	50	(1)

## Financial Statements

### 23. Financial risk management continued

#### Interest rate risk

As the Group has no significant borrowings the risk is limited to the reduction of interest received on cash surpluses held at bank which receive a floating rate of interest. The principal impact to the Group is the result of interest-bearing cash and cash equivalent balances held as set out below:

	31 July 2012			31 July 2011		
	Fixed rate £000	Floating rate £000	Total £000	Fixed rate £000	Floating rate £000	Total £000
<b>The Group</b>						
Cash, cash equivalents and deposits	12,813	2,661	15,474	16,244	855	17,099
<b>The Company</b>						
Cash, cash equivalents and deposits	3,696	–	3,696	6,519	350	6,869

As the majority of cash and cash equivalents are held on fixed deposit the exposure to interest rate movements is immaterial.

#### Maturity profile

Set out below is the maturity profile of the Group's financial liabilities at 31 July 2012 based on contractual undiscounted payments including contractual interest.

	Less than 1 year £000	1 to 5 years £000	Greater than 5 years £000	Total £000
<b>2012</b>				
<b>Financial liabilities</b>				
Trade and other payables*	1,455	–	–	1,455
Other loans (including contractual interest)	65	227	–	292
	1,520	227	–	1,747
<b>2011</b>				
<b>Financial liabilities</b>				
Trade and other payables*	922	–	–	922
Other loans (including contractual interest)	65	259	33	357
	987	259	33	1,279

\* Excluding deferred revenue.

The directors consider that the carrying amount of the financial liabilities approximates to their fair value.

As all financial assets are expected to mature within the next twelve months an aged analysis of financial assets has not been presented.

# Notes to the Financial Statements continued

## for the year ended 31 July 2012

### 24. Related party transactions

#### The Group:

There were no sales to, purchases from, or at the year-end, balances with any related party.

#### The Company:

The following table summarises inter-company balances at the year-end between Nanoco Group PLC and subsidiary entities:

	Notes	31 July 2012 £000	31 July 2011 £000
<b>Long-term loans owed to Nanoco Group PLC by:</b>			
Nanoco Life Sciences Limited		20,286	20,286
Nanoco Technologies Limited*		755	390
	12	21,041	20,676
Less provision against debt owed by Nanoco Life Sciences Limited	12	(20,286)	(20,286)
		755	390
<b>Short-term loan owed to Nanoco Group PLC by:</b>			
Nanoco Technologies Limited**	14	16,951	13,596
<b>Long-term loan owed by Nanoco Group PLC to:</b>			
Nanoco Tech Limited	16	(450)	(449)

\* The movement in the long-term loan due from Nanoco Technologies Limited relates to the recharge in respect of the expense for share-based payments for staff working for Nanoco Technologies Limited and is included in investments.

\*\* The movement in the short-term loan due from Nanoco Technologies Limited relates to transfers of cash balances between the entities for the purposes of investing short-term funds.

There are no formal terms of repayment in place for these loans and it has been confirmed by the directors that the long-term loans will not be recalled within the next twelve months.

None of the loans are interest bearing.

### 25. Compensation of key management personnel (including directors)

	2012 £000	2011 £000
Short-term employee benefits	560	475
Pension costs	48	40
Share-based payments	128	90
	736	605

## Other Information

# Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of Nanoco Group PLC will be held at The Core Technology Facility, 46 Grafton Street, Manchester M13 9NT on 14 December 2012 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions.

### Ordinary resolutions

- 1 That the Company's annual report and audited financial statements, and the reports of the Directors and auditors, for the period ended 31 July 2012, now laid before this meeting, be and are hereby approved.
- 2 That the Directors' Remuneration Report, on pages 22 to 24 of the Company's annual report, be and is hereby approved.
- 3 That Michael Bretherton, who retires by rotation, be and is hereby re-elected as a Director of the Company.
- 4 That Peter Rowley, who retires by rotation, be and is hereby re-elected as a Director of the Company.
- 5 That Ernst & Young LLP be and are hereby reappointed as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
- 6 That the Board of Directors be and is hereby authorised to agree the remuneration of the auditors.
- 7 That in accordance with section 551 of the Companies Act 2006 (the "2006 Act"):
  - 7.1 the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the 2006 Act) up to an aggregate nominal value of £6,912,806 (approximately one-third of the Company's issued share capital at the date of this notice); and
  - 7.2 in addition to the authority granted pursuant to sub-paragraph 7.1, the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities up to an aggregate nominal value of £6,962,597 (approximately one-third of the Company's issued share capital at the date of this notice) in connection with a rights issue offered to holders of equity securities and other persons who are entitled to participate, in proportion (as nearly as may be) to their then holdings of equity securities (or, as appropriate, the numbers of such securities which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, or any stock exchange in, any territory,

provided that both such authorities shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company and 14 March 2014, save that, in respect of either authority, 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 authority conferred hereby had not expired.

These authorities are in substitution for any and all authorities previously conferred upon the Directors for the purposes of section 551 of the 2006 Act, without prejudice to any allotments made pursuant to the terms of such authorities.

### Special resolutions

- 8 That, conditionally upon the passing of resolution 7 above, in accordance with section 570 of the 2006 Act, the Directors be and they are hereby given power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 7 above, and to sell treasury shares, as if section 561 of the 2006 Act did not apply to such allotment or sale, provided that this power shall be limited to:
  - 8.1 the allotment or sale of equity securities for cash in connection with or pursuant to an offer to the holders of equity securities and other persons entitled to participate, in proportion (as nearly as may be) to their then holdings of equity securities (or, as appropriate, the numbers of such securities which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, or any stock exchange in, any territory; and
  - 8.2 the allotment or sale of equity securities (otherwise than pursuant to sub-paragraph 8.1) for cash up to a maximum nominal value of £2,088,779 (approximately 10% of the Company's issued share capital at the date of this notice),

provided that the power granted by this resolution shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting and 14 March 2014, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Directors may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.



## Notice of Annual General Meeting continued

9 That the Company be and is hereby generally authorised pursuant to section 701 of the 2006 Act to make market purchases (as defined in section 693(4) of the 2006 Act) of its ordinary shares of 10 pence provided that:

- 9.1 the Company does not purchase more than 31,331,686 ordinary shares of 10 pence (approximately 14.99% of the Company's issued share capital at the date of this notice);
- 9.2 the Company does not pay for any such ordinary share less than its nominal value at the time of purchase; and
- 9.3 the Company does not pay for any such ordinary share more than 5% above the average of the closing mid-market price for ordinary shares of 10 pence for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned, based on the share prices published in the Daily Official List of the London Stock Exchange or the AIM supplement thereto.

The authority conferred by this resolution shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company and 14 March 2014, save that the Company may before such expiry make a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of shares in pursuance of any such contract, as if such authority had not expired.

By order of the Board

**Colin White**

Chief Financial Officer

Registered office:

46 Grafton Street

Manchester

M13 9NT

30 October 2012

## Other Information

### Notes to the Notice of Annual General Meeting:

- 1 As a member of the Company, you are entitled to appoint a proxy or proxies of your own choice to exercise all or any of your rights to attend, speak and vote on your behalf at the meeting and you should have received a proxy form. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2 A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy. Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 4 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote (or abstain from voting) at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- 5 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 6.00 p.m. on 12 December 2012, or if the meeting is adjourned, on the register of members at 6.00 p.m. on the day two days before the date fixed for the adjourned meeting (as the case may be), shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares in the Company registered in their name at the relevant time. Changes to entries on the register of members after 6.00 p.m. on 12 December 2012 or, if the meeting is adjourned, on the register of members after 6.00 p.m. on the day two days before the date fixed for the adjourned meeting, will be disregarded in determining the right of any person to attend and vote at the meeting.

### Appointment of proxy using hard copy proxy form

- 6 The notes to the proxy form explain how to direct your proxy on how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to the Company's registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA; and
  - received by no later than 10.00 a.m. on 12 December 2012.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power of authority) must be included with the proxy form.

### Changing your proxy instructions

- 7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### Termination of proxy appointments

- 8 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of authority) must be included with the revocation notice.
- 9 The revocation notice must be received no later than 24 hours before the time and date scheduled for the meeting.
- 10 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

## Notice of Annual General Meeting continued

### Appointment of proxy using CREST electronic proxy appointment service

- 11 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
- 12 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer’s Agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s Agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to the appointee by other means.
- 13 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 14 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### Communications

- 15 Except as provided above, members who have general queries about the Annual General Meeting should contact Ruth Hailwood (0161 603 7900; 46 Grafton Street, Manchester M13 9NT). No other methods of communication will be accepted.

### Documents available for inspection

- 16 There are available for inspection at the registered office of the Company during usual business hours on any week day (Saturdays, Sundays and public holidays excepted), and there will be available for inspection at the place of the Annual General Meeting from at least fifteen minutes prior to and until the conclusion of the Annual General Meeting:
- Copies of the service contracts of Executive Directors of the Company; and
  - Copies of the letters of appointment of the Non-Executive Directors of the Company.

## Other Information

# Explanatory Notes of Annual General Meeting

This explanatory note gives further information in relation to the resolutions listed in the enclosed notice of the Company's Annual General Meeting.

### **Resolution 1 – Receipt of accounts**

The Directors must lay the Company's accounts, the Directors' Report and the Auditors' Report before the shareholders at a general meeting. This is a legal requirement after the Directors have approved the accounts and the Directors' Report, and the auditors have prepared their report.

### **Resolution 2 – Directors' Remuneration Report**

This resolution approves the Directors' Remuneration Report for the period ended 31 July 2012. The full text of the report is contained on pages 22 to 24 of the Company's annual report, and sets out the Company's policy towards, and gives details of, Directors' remuneration and other relevant information.

### **Resolutions 3 and 4 – Re-election of directors**

Although the Company is not bound to adhere to the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (formerly the Combined Code (2008)) ("the Code"), the Directors recognise the importance of sound corporate governance and intend to ensure that the Company continues to comply with such principles of the Code as are appropriate to the size, nature and stage of development of the Company.

Therefore, in accordance with the Code and the provisions of the Company's articles of association, all Directors of the Company who have been appointed since the Company's last Annual General Meeting, and all other Directors on a regular basis as set out in the Company's articles of association, seek election (or re-election as the case may be) by the shareholders.

### **Resolution 3 and 4 – Re-election of Michael Bretherton and Peter Rowley**

Each of Michael Bretherton and Peter Rowley, retiring by rotation, offers himself for re-election, in accordance with the Company's articles of association. Details of their respective CV's are on page 17 of the Company's annual report.

### **Resolution 5 – Re-election of Ernst & Young LLP as auditors**

The Board of Directors, on the recommendation of its audit committee, recommends the re-election of Ernst & Young LLP as auditors, to hold office until the next general meeting at which accounts are laid.

### **Resolution 6 – Remuneration of the auditors**

This resolution authorises the Board of Directors to agree the remuneration of the auditors.

### **Resolution 7 – Authority to allot shares**

The purpose of resolution 7 is to renew the Directors' power to allot shares. Section 551 of the Companies Act 2006 provides that the Board of Directors may not allot new shares (other than for employee share schemes) without shareholder authority.

Accordingly, resolution 7 will be proposed as an ordinary resolution to authorise the Directors (pursuant to Section 551 of the Companies Act 2006):

- (i) to allot ordinary shares of 10 pence each in the capital of the Company up to a maximum nominal amount of £6,912,806, being approximately one third of the nominal value of the ordinary shares in issue on 30 October 2012; and
- (ii) in addition to the authority described above, to allot ordinary shares of 10 pence each in the capital of the Company up to a maximum nominal amount of £6,962,597 pursuant to a rights issue in respect of which all shareholders are entitled to participate as nearly as possible in proportion to their holding of shares in the Company at the time.

This authority (unless previously revoked, varied or renewed) will expire on the earlier of the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of the resolution. The Directors will exercise the authority to allot only when satisfied that it is in the interests of the Company to do so. They have no present intention of exercising the authority, except in connection with the issue of shares under the Company's share option and long-term incentive plans.

Were the Company to use the relevant authorities and:

- the number of shares in issue increased, in aggregate, by more than one-third; and
- (as regards the use as a part of a rights issue) the proceeds of the relevant rights issue exceeded one-third (or the relevant specific proportion) of the pre-issue market capitalisation, then those members of the board wishing to remain in office would stand for re-election at the next Annual General Meeting.

# Explanatory Notes of Annual General Meeting continued

## Resolution 8 – Disapplication of pre-emption rights

Section 561 of the Companies Act 2006 confers on shareholders rights of pre-emption in respect of the allotment of “equity securities” which are, or are to be paid up in cash, otherwise than by way of allotment to employees under an employees’ share scheme. The provisions of section 561 apply to the ordinary shares of 10 pence each of the Company, to the extent that they are not disappplied pursuant to section 570 of the Companies Act 2006. This provision also covers the sale of treasury shares (should the Company elect to hold any) for cash.

It is proposed that the disapplication of these statutory pre-emption rights be approved, as a special resolution, to give the Directors power to allot shares without the application of these statutory pre-emption rights, first, in relation to rights issues and, secondly, in relation to the issue of ordinary shares of 10 pence each in the capital of the Company for cash up to a maximum aggregate nominal amount of £2,088,779 (representing approximately 10% of the nominal value of the ordinary shares in issue on 30 October 2012).

This authority (unless previously revoked, varied or renewed) will expire on the earlier of the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of the resolution.

The Directors have no present intention of exercising the authority; they are seeking the authority, which is in accordance with current voting guidelines for AIM Companies issued by the National Association for Pension Funds, so as to be able to raise funds at short notice, where appropriate, from the issue of new share capital for the purpose of taking advantage of investment opportunities that may arise.

## Resolution 9 – Purchase by the Company of its own shares

The purpose of resolution 9 is to obtain the authority for the Company to make market purchases of its ordinary shares. Under the Companies Act 2006 such an authority must first be sanctioned by an ordinary resolution of the Company in general meeting, but current institutional shareholder voting guidelines require that any such authority should be sanctioned by special resolution.

Accordingly, resolution 10 will be proposed as a special resolution to authorise the Company to purchase a maximum of 31,331,686 ordinary shares (equal to approximately 14.99% of the Company’s present issued ordinary share capital) on AIM at a price per share of not less than 10 pence, and not more than 5% above the average of the middle market quotations for ordinary shares of the Company for the five business days immediately preceding the day of purchase. In order to maximise the benefit to be derived by the Company, it would be the Directors’ intention that any purchases should be made at as low a price (within the limits specified in resolution 10) as they considered reasonably obtainable.

This authority (unless previously revoked, varied or renewed) will expire on the earlier of the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of the resolution.

Pursuant to the Companies Act 2006, the Company can hold the shares which have been repurchased as treasury shares and either resell them for cash, cancel them (either immediately or at a point in the future) or use them for the purposes of its employee share schemes. The Directors believe that it is desirable for the Company to have this choice and therefore currently envisage holding any shares purchased under this authority as treasury shares. Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them in the future, and so provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

Shares will only be repurchased if the Directors consider such purchases to be in the best interests of shareholders generally and that they can be expected to result in an increase in earnings per share. The authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities and the overall financial position of the Company. Shares held as treasury shares will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently resold or transferred out of treasury).

If any shares repurchased by the Company are held in treasury and used for the purposes of its employee share schemes, so long as required under the guidelines of the Association of British Insurers Investment Committee, the Company will count those shares towards the limits on the number of new shares which may be issued under such schemes.

Purchases will not be made to the extent that they may affect the eligibility of the Company for continued admission to AIM and it is not the Board of Directors’ current intention that the Company should stand in the market for any particular period or until any specified number of shares has been acquired.

The purchase of shares by the Company pursuant to these proposals will be a market purchase and thus made through AIM. This means that any shareholder selling shares, even if those shares are subsequently acquired by the Company, will not be subject to different tax considerations from those normally applying to a sale of shares in the market provided that the purchase by the Company is made exclusively through a market maker acting as principal. In that event, for shareholders who held their shares as an investment, the sale proceeds will normally be treated as capital and the normal capital gains tax rules will apply to those sale shares. There will normally be no liability to tax on income unless the shareholder’s disposal is by way of trade.

## Investor Information

### Directors

**Dr Peter Rowley**  
(Non-executive Chairman)

**Dr Michael Edelman**  
(Chief Executive Officer)

**Dr Nigel Pickett**  
(Chief Technology Officer)

**Mr Colin White**  
(Chief Financial Officer)

**Mr Michael Bretherton**  
(Non-executive Director)

**Mr Gordon Hall**  
(Non-executive Director)

**St Gabrielle LLP**  
(Non-executive Director)  
represented by Mr Anthony Clinch

### Secretary

Mr Colin White

### Nominated Advisor and Joint Broker

Canaccord Genuity  
8th Floor  
88 Wood Street  
London EC2V 7QR

### Joint Broker

Bank of America Merrill Lynch  
2 King Edward Street  
London EC1A 1HQ

### Auditor

Ernst & Young LLP  
100 Barbirolli Square  
Manchester M2 3EY

### Legal Adviser

Schofield Sweeney  
76 Wellington Street  
Leeds LS1 2AY

### Investor Relations and PR Consultants

Buchanan  
107 Cheapside  
London EC2V 6DN

### Registrar

Neville Registrars  
18 Laurel House  
Halesowen B63 3DA

### Registered Office

46 Grafton Street  
Manchester M13 9NT  
United Kingdom

### Website

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[www.nanocogroup.com](http://www.nanocogroup.com)

