# FROM PATENTS TO PRODUCTS

NANOCO GROUP PLC

Nanoco Group PLC
Interim Report
For the six months ended 31 January 2015

We're big in the world of the very small.

Nanoco leads the world in the research, development and large-scale manufacture of heavy-metal free quantum dots and semiconductor nanoparticles for use in displays, lighting, solar energy and bio-imaging.

CFQD®
QUANTUM DOTS

**Review**



**Financial Statements**

We are the only manufacturer currently able to produce large quantities of bespoke cadmium-free quantum dots.

## HIGHLIGHTS

- Major progress in the commercialisation of Nanoco's technology in the display industry in partnership with worldwide licensing partner The Dow Chemical Company ("Dow")
- Dow building the world's first, large-scale cadmium-free quantum dot manufacturing plant in South Korea using Nanoco's patented technology with production expected to begin in mid-2015
- LG Electronics signed a partnering agreement with Dow in January 2015 for the supply of Nanoco quantum dots for LG Ultra HD ColourPrime TVs, which are close to launch in the USA
- Considerable technical progress in Nanoco's other key target markets: LED general lighting, solar and bio-imaging
- Second grant-funded project on the use of cadmium-free quantum dots in the in vivo imaging of cancer began in October 2014 with University College London
- Company continues to explore a move from AIM to a premium listing on the LSE Main Market
- Cash, cash equivalents and deposits of £9.35 million at the half year end (31 July 2014: £12.18 million)

# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT REVIEW

"We're delighted by the pace of progress towards the commercialisation of our cadmium-free quantum dot technology in the display market. Our worldwide licensing partner Dow expects to begin production in mid-2015 at the world's first large-scale production plant for cadmium-free quantum dots. LG Electronics is moving closer to the commercial launch of the LG Ultra HD ColourPrime TV range unveiled earlier this year, which will mark the first consumer electronics products to incorporate Nanoco's technology."

**Anthony Clinch**
Non-executive Chairman

**Michael Edelman**
Chief Executive Officer

**Overview**

The half year to 31 January 2015 was a period of significant milestones towards the commercialisation of Nanoco's cadmium-free quantum dot technology. One of the most exciting of these milestones was the announcement by the South Korean electronics giant LG that it would launch large-screen LCD TVs incorporating Nanoco quantum dots. These TVs, which will be available in the USA in the near future, will be the first commercially available display products to use Nanoco's technology.

Another important milestone in the half year was The Dow Chemical Company ('Dow'), Nanoco's worldwide licensing partner for the display industry, beginning construction of the world's first large-scale, cadmium-free quantum dot manufacturing plant in Cheonan, South Korea. Production at this plant, which Dow has stated will ultimately be capable of supporting the manufacture of 'millions of cadmium-free quantum dot televisions', is expected to begin in mid-2015.

The acceleration of interest in quantum dots, owing to their ability to deliver a step change in the colour performance of LCD displays, was highlighted by this year's Consumer Electronics Show ("CES") in Las Vegas. At CES, a number of TV makers, including LG and Samsung, showcased TVs using quantum dots. The first TVs to be launched by LG and Samsung will mark the beginning of a potentially substantial industry based on incorporating quantum dots into LCD TVs. DisplaySearch forecasts that the modest number of 1.3 million quantum dot TVs will be shipped during 2015, rising to 18.7 million in 2018.

The majority of the display industry is opting for cadmium-free quantum dots owing to the threat that cadmium presents to human and environmental health. European legislation on the Restriction of Hazardous Substances (RoHS), as well as regulatory codes operating in certain US states and in a number of other developed countries, severely restricts the use of cadmium in electronic devices. The European Commission has been considering an extension of an exemption to allow the use of cadmium-containing quantum dots for a limited period to 30 June 2018, which in Nanoco's view is in conflict with the stated objectives of the RoHS. Should MEPs vote to enact the extension, there is a right to an immediate appeal which we would use if necessary.

We are making good progress with the commercialisation of our technology in the display industry. Whilst further R&D is required to fully commercialise our technology in the display market, we will soon have the opportunity to focus more closely on our other three target areas: LED general lighting, solar power and bio-imaging. The Company has continued to make progress in all three of these areas during the half year and is excited by the potential for value creation that each of these areas presents.

During the half-year, Colin White resigned as the Company's Chief Financial Officer owing to health reasons. We are very grateful to Colin for his contribution to the development of Nanoco and wish him all the best for the future. The recruitment process for the appointment of a new Chief Financial Officer is proceeding well. Until the appointment is made, Mark Sullivan, who has provided accountancy services for Nanoco for the past 10 years, will continue in the role of Interim Chief Financial Officer.

**Commercial applications – displays**

Nanoco is driving the commercialisation of its technology in the LCD display industry through its exclusive worldwide licensing deal with Dow, which was signed in January 2013. On 24 September 2014 Dow announced that it was starting construction of a large-scale plant in South Korea to produce Nanoco quantum dots, which Dow is marketing under the brand name TREVISTA™ Quantum Dots. In January this year, Dow announced a partnering agreement with LG Electronics in connection with the supply of TREVISTA™ Quantum Dots for the LG Ultra HD ColourPrime TV range, which was launched at CES.

The ColourPrime TVs, in 65 inch and 55 inch screen sizes, are expected to be made available in the near future in the US, where they have the product codes LG 65UF9400 and LG 55UF9400. They can be viewed on LG's American website at these links: www.lg.com/us/tvs/lg-65UF9400-led-tv and www.lg.com/us/tvs/lg-55UF9400-led-tv. The TVs are also listed on Amazon's US site and on the websites of other US retailers as a product soon to be launched.

The quantum dots in these TVs will initially be supplied from the relatively small-scale production at Nanoco's Runcorn plant. The initial launch by LG is therefore likely to be on a modest scale, awaiting commercial roll-out once Dow's South Korea plant is in full production. In December 2014, Nanoco and Dow signed a manufacturing contract to set out details of how materials produced by Nanoco's production facility in Runcorn are being supplied ahead of the plant in South Korea starting production. The manufacturing contract includes the pricing and payment terms associated with materials supplied by Nanoco to Dow.

The pattern of introduction of new technologies in the display sector is that they are first introduced in relatively low volumes on premium-priced large-size screens before being rolled-out into mid-market models. We are focusing our research and development work on optimising the production process to maximise yields at Dow's South Korea plant. This on-going development work is standard practice in the introduction of new technologies to drive down costs and thereby to allow commercial roll-out into the mid-market.

We continue at various stages of the development process with a number of display makers from South Korea, Japan, USA, China and Taiwan in connection with products including TVs, monitors and tablets. One of the strengths of Nanoco's technology is that it can be incorporated into any type of LCD display, including 4K, as the quantum dots sit in a film between the backlight and the screen.

The display industry has invested billions of dollars in existing LCD manufacturing supply chains and is therefore keen to support the further development of LCD technology. During the period, there was a trend away from OLED by a number of leading display manufacturers which are focusing instead on extending the lifetime of LCD through new technologies such as quantum dots.

# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT REVIEW
CONTINUED

**Commercial applications – general lighting**

LEDs are increasingly available on the high street for general lighting, owing to their key advantages over traditional lighting particularly long service life and reduced power consumption. The limiting factor to the widespread adoption of LEDs remains colour performance as existing products tend to offer either bright cold light or warm dull light, neither of which is attractive in a home or office environment.

It should be noted that the use of cadmium in lighting products is banned under the RoHS legislation and restricted elsewhere, underlining the risk that cadmium presents to human and environmental health.

Nanoco's quantum dots have been shown to transform LEDs so they produce bright, warm light with a high colour rendering index without the loss of lumens. In addition, as Nanoco quantum dots are tuneable to any specific wavelength, any shade of light can be produced.

Nanoco has been working under joint development agreements with Osram, one of the world's largest lighting companies, since August 2011. We continue to make good progress in this work, which is focused on encapsulating our quantum dots to protect them from the relatively high temperatures they experience from proximity to an LED chip. We are also working with a number of other lighting companies in Asia, the USA and Europe on both general lighting and niche applications such as the lighting of food in retail premises.

We have recently been working with Marl International Limited ("Marl"), a privately held UK company pioneering the use of LED lighting in niche commercial applications. In this work with Marl, we are developing LED linear strips and LED flat panels for use in architectural lighting. Marl has both of these lighting designs available for customer demonstrations and we look forward to the commercialisation of these novel products.

**Commercial applications – solar**

Nanoco's solar ink, developed from cadmium-free nanomaterials, has been designed to maximise the absorption of solar energy and to have physical characteristics such that it can be printed by low cost methods and annealed into a photovoltaic film. Our development work has been focused on increasing the efficiency of the conversion of light into electricity and we have now reached approximately 17%, compared with 13% a year ago.

This level of 17% is, we believe, close to the efficiency level to form the basis for low cost, printable solar panels. We believe that we could achieve a cost performance of 0.33$/W, which is very competitive when compared with existing technologies.

Nanoco's printable thin-film solar technology is based on copper, indium, gallium, selenium ("CIGS") materials and can be used in building integrated photo-voltaic applications due to its high performance, light weight and its potential ease of integration into different architectural form factors. A significant amount of intellectual property, both in patents and know how, has been built up which gives us a strong platform on which to commercialise this exciting technology in the coming years.

We have a relatively small team working on this technology currently and we are considering how best to advance this exciting application.

**Commercial applications – bio-imaging**

We have been working since 2009 with University College London on the use of cadmium-free quantum dots in the in-vivo imaging of cancer. The fluorescence of Nanoco quantum dots is being used in this work to pinpoint malignant lymph nodes to guide surgeons in the removal of cancerous tissue. Other materials have already been used in this way in clinical practice but Nanoco quantum dots offer the major advantage of fluorescing for a longer period of time, and their fluorescence can be detected from deeper tissues, giving surgeons more time and accuracy to visualise the cancer which we believe will lead to a greater improvement in healing rates and patient outcomes.

Nanoco won a second grant award from Innovate UK, the UK's innovation agency, totalling £308,000, in support of the current phase of this research work. This grant funded phase commenced in October 2014.

**Production at Runcorn**

We have four Semi-Tech lines at The Heath Business and Technical Park in Runcorn. We use these production lines to produce high quality sample materials for the display industry and we are also satisfying initial commercial orders from the display industry. Our technical team at Runcorn is focused on the continual improvement of production processes, reactor yields and quantum dot performance.

**Financial results**

Revenues in the six months to 31 January 2015 were £1.61 million (H1 2014: £0.68 million) and the loss before tax was £4.13 million (H1 2014: loss of £4.99 million). As has historically been the case, the timing of revenue receipts in the form of milestone and joint development payments from strategic partners continued to be the major determinant of the results of the business. In the period under review, revenue has benefited from the inclusion of a milestone payment from Dow, triggered by the announcement that it was beginning the construction of the cadmium-free quantum dot manufacturing plant in South Korea.

The research and development element of cost of sales decreased as compared with the prior period, as a consequence of the absence of commissioning and material costs associated with scaling up the Runcorn facility and reduced large scale trialling. The primary reason behind the increase in administrative expenses was additional scientific and managerial staff related costs.

The additional research and development led tax credit as compared with the prior period stems from a combination of a higher credit in respect of the current period augmented by an adjustment from £1.21m to £1.32m to the credit receivable in respect of the year to 31 July 2014.

Statutory cash, cash equivalents and deposits, at 31 January 2015 were £9.35 million (31 January 2014: £14.48 million; 31 July 2014: £12.18 million). The tax credit of £1,323,000 in respect of the year ended 31 July 2014 was received on 3 February 2015. Both cash and costs continue to be prudently and tightly managed.

The Company received cash funds of £0.78 million in October, following an employee share option exercise round.

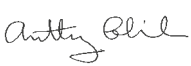
**Capital markets strategy**

As stated in earlier financial results statements, we continue to consider a move from AIM to a premium listing on the Official List of the London Stock Exchange.

**Outlook**

We are delighted by the pace of progress towards the commercialisation of our cadmium-free quantum dot technology in the display market. Our worldwide licensing partner Dow expects to begin production in mid-2015 at the world's first mass-production plant for cadmium-free quantum dots in South Korea. LG Electronics is moving closer to the commercial launch of the LG Ultra HD ColourPrime TV range, which will mark the first consumer electronics products to incorporate Nanoco technology.

We have made considerable technical progress in our other key target markets of LED general lighting, solar and bio-imaging. Going forwards we intend to put more emphasis on these additional markets, all of which offer major commercial potential.



**Anthony Clinch**
Non-executive Chairman

23 March 2015

**Michael Edelman**
Chief Executive Officer

23 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE SIX MONTHS ENDED 31 JANUARY 2015

| | Notes | Six months to 31 January 2015 (Unaudited) £'000 | Six months to 31 January 2014 (Unaudited) £'000 | Year to 31 July 2014 (Audited) £'000 |
|---|---|---|---|---|
| Revenue | 4 | 1,612 | 679 | 1,433 |
| Cost of sales | | (672) | (859) | (1,563) |
| Gross profit/(loss) | | 940 | (180) | (130) |
| Administrative expenses | | (5,113) | (4,907) | (9,119) |
| Operating loss | | | | |
| – before share-based payment | | (3,940) | (4,787) | (8,676) |
| – share-based payment | | (233) | (300) | (573) |
| | | (4,173) | (5,087) | (9,249) |
| Finance income | | 46 | 102 | 194 |
| Finance costs | | (2) | (3) | (5) |
| Loss on ordinary activities before taxation | | (4,129) | (4,988) | (9,060) |
| Taxation | 5 | 984 | 650 | 1,249 |
| Loss for the period and total comprehensive loss for the period | | (3,145) | (4,338) | (7,811) |
| Loss per share: | | | | |
| Basic and diluted loss for the period | 6 | (1.45)p | (2.07)p | (3.65)p |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 31 JANUARY 2015

| | Issued equity capital £'000 | Share-based payment reserve £'000 | Merger reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 August 2013 | 28,054 | 1,253 | (1,242) | (13,671) | 14,394 |
| Loss for the six months to 31 January 2014 | – | – | – | (4,338) | (4,338) |
| Issue of share capital | 10,000 | – | – | – | 10,000 |
| Expenses of placing | (253) | – | – | – | (253) |
| Share-based payments | – | 300 | – | – | 300 |
| At 31 January 2014 | 37,801 | 1,553 | (1,242) | (18,009) | 20,103 |
| Loss for the six months to 31 July 2014 | – | – | – | (3,473) | (3,473) |
| Expenses of prior period placing | (10) | – | – | – | (10) |
| Share-based payments | – | 273 | – | – | 273 |
| At 31 July 2014 | 37,791 | 1,826 | (1,242) | (21,482) | 16,893 |
| Loss for the six months to 31 January 2015 | – | – | – | (3,145) | (3,145) |
| Issue of share capital | 486 | – | – | – | 486 |
| Issue of shares by EBT | – | – | – | 297 | 297 |
| Share-based payments | – | 233 | – | – | 233 |
| At 31 January 2015 | 38,277 | 2,059 | (1,242) | (24,330) | 14,764 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 JANUARY 2015

| | 31 January 2015 (Unaudited) £'000 | 31 January 2014 (Unaudited) £'000 | 31 July 2014 (Audited) £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 2,414 | 3,270 | 2,783 |
| Intangible assets | 1,703 | 1,451 | 1,557 |
| | 4,117 | 4,721 | 4,340 |
| **Current assets** | | | |
| Inventories | 137 | 129 | 134 |
| Trade and other receivables | 673 | 955 | 633 |
| Income tax asset | 2,198 | 1,528 | 1,210 |
| Short-term investments and cash on deposit | 1,134 | 9,728 | 5,791 |
| Cash and cash equivalents | 8,216 | 4,750 | 6,391 |
| | 12,358 | 17,090 | 14,159 |
| **Total assets** | 16,475 | 21,811 | 18,499 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 1,585 | 1,518 | 1,448 |
| Financial liabilities | 63 | 63 | 63 |
| | 1,648 | 1,581 | 1,511 |
| **Non-current liabilities** | | | |
| Financial liabilities | 63 | 127 | 95 |
| | 63 | 127 | 95 |
| **Total liabilities** | 1,711 | 1,708 | 1,606 |
| **Net assets** | 14,764 | 20,103 | 16,893 |
| **Capital and reserves** | | | |
| Issued equity capital | 38,277 | 37,801 | 37,791 |
| Share-based payment reserve | 2,059 | 1,553 | 1,826 |
| Merger reserve | (1,242) | (1,242) | (1,242) |
| Revenue reserve | (24,330) | (18,009) | (21,482) |
| Total equity | 14,764 | 20,103 | 16,893 |

Approved by the Board and authorised for issue on 23 March 2015

**Michael Edelman**
Chief Executive Officer

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE SIX MONTHS ENDED 31 JANUARY 2015

| | Six months to 31 January 2015 (Unaudited) £'000 | Six months to 31 January 2014 (Unaudited) £'000 | Year to 31 July 2014 (Audited) £'000 |
|---|---|---|---|
| Loss before interest and tax | (4,173) | (5,087) | (9,249) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 554 | 599 | 1,181 |
| Amortisation of intangible assets | 125 | 97 | 209 |
| Share-based payments | 233 | 300 | 573 |
| Changes in working capital: | | | |
| Increase in inventories | (3) | (9) | (14) |
| (Increase)/decrease in trade and other receivables | (59) | (67) | 256 |
| Increase/(decrease) in trade and other payables | 256 | (321) | (510) |
| (Decrease)/increase in deferred revenue | (119) | (112) | 7 |
| Cash outflow from operating activities | (3,186) | (4,600) | (7,547) |
| Research and development tax credit received | – | – | 918 |
| Overseas corporation tax paid | (4) | (8) | (9) |
| Net cash outflow from operating activities | (3,190) | (4,608) | (6,638) |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (185) | (399) | (494) |
| Purchases of intangible fixed assets | (271) | (318) | (536) |
| Decrease/(increase) in cash placed on deposit | 4,657 | (3,552) | 385 |
| Interest received | 65 | 146 | 237 |
| Net cash inflow/(outflow) from investing activities | 4,266 | (4,123) | (408) |
| Cash flows from financing activities: | | | |
| Issue of share capital | 783 | 10,000 | 10,000 |
| Expenses of placing | – | (253) | (263) |
| Interest paid | (2) | (3) | (5) |
| Loan repayment | (32) | (31) | (63) |
| Net cash inflow from financing activities | 749 | 9,713 | 9,699 |
| Increase in cash and cash equivalents | 1,825 | 982 | 2,623 |
| Cash and cash equivalents at the start of period | 6,391 | 3,768 | 3,768 |
| Cash and cash equivalents at the end of the period | 8,216 | 4,750 | 6,391 |
| Monies placed on deposit | 1,134 | 9,728 | 5,791 |
| Cash, cash equivalents and deposits at the end of the period | 9,350 | 14,478 | 12,182 |

# NOTES TO THE INTERIM FINANCIAL REPORT
## FOR THE SIX MONTHS ENDED 31 JANUARY 2015

**1. Corporate information**

The Company is a UK incorporated and domiciled company whose shares are publicly traded on AIM. The registered office of the Company is located at 46 Grafton Street, Manchester, M13 9NT.

**2. Accounting policies**

### Basis of preparation

The accounting policies adopted in these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual report and accounts for the year to 31 July 2014. The interim condensed financial statements for the six months ended 31 January 2015 and 31 January 2014 is unaudited and does not constitute statutory accounts as defined in the Companies Act 2006. This interim condensed financial report includes audited comparatives for the year to 31 July 2014. The 2014 annual report and accounts, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, received an unqualified audit opinion and has been filed with the Registrar of Companies. These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and using the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union and have been prepared under the historical cost convention.

### Going concern

Having made appropriate enquiries and having prepared cash flow projections, the Directors believe that in the event of delays in the receipt of revenues, the Company may need to implement cost and capital savings in the 12 months from the date of these interim financial statements. On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the interim financial statements.

### Accounting policies

Accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2014, except for the adoption of new Standards and Interpretations noted below.

- IFRS 10, IFRS 12 and IAS 27 Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27
- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- Annual Improvements to IFRSs 2010 to 2012 Cycle (EU endorsed December 2014)
- Annual Improvements to IFRSs 2011 to 2013 Cycle (EU endorsed December 2014)

### Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of Nanoco Group PLC and the entities it controls (its subsidiaries).

**3. Risks and uncertainties**

The Group has successfully managed to reduce the inherent risk for the business by partnering with Dow, through the licensing of CFQD® quantum dot materials to Dow for use in display applications.
The principal risks to achieving full commercialisation and to becoming cash generative are those relating to technology, production scale-up, customers, regulatory, market and competition, intellectual property and attraction and retention of key employees. These risks and uncertainties facing our business were reported in detail in the Strategic Report in the 2014 Annual Report and Accounts. There have been no changes to the Group's principal risks and uncertainties in the six month period to 31 January 2015 and the Board of Directors do not anticipate any changes to the principal risks and uncertainties in the second half of the year.

## 4. Segmental information

### Operating segments

At 31 January 2015, 31 July 2014 and 31 January 2014 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.

| | Six months to 31 January 2015 £'000 | Six months to 31 January 2014 £'000 | Year to 31 July 2014 £'000 |
|---|---|---|---|
| Analysis of revenue | | | |
| Products sold | 181 | 50 | 178 |
| Rendering of services | 199 | 629 | 1,255 |
| Royalties and licences | 1,232 | – | – |
| | 1,612 | 679 | 1,433 |

Rendering of services in the six months to 31 January 2014 included revenue from one customer amounting to £388,000, year to 31 July 2014 one customer amounting to £754,000). Included in rendering of services is £29,000 from government grants (six months to 31 January 2014 £93,000 and in the year to 31 July 2014 £184,000).

Revenue from royalties and licences comprises a milestone payment receivable on the commencement of construction of a cadmium-free quantum dot manufacturing plant.

### 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:

| | Six months to 31 January 2015 £'000 | Six months to 31 January 2014 £'000 | Year to 31 July 2014 £'000 |
|---|---|---|---|
| Analysis of revenue | | | |
| UK | 29 | 93 | 159 |
| Europe (excluding UK) | – | 1 | 26 |
| Asia | 297 | 539 | 1,139 |
| USA | 1,286 | 46 | 109 |
| | 1,612 | 679 | 1,433 |

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

# NOTES TO THE INTERIM FINANCIAL REPORT
**FOR THE SIX MONTHS ENDED 31 JANUARY 2015** CONTINUED

## 5. Tax

The tax credit of £984,000 recorded in the consolidated statement of comprehensive income for the six months ended 31 January 2015 comprises a research and development tax credit receivable of £875,000 plus a revision in respect of a prior period of £113,000, net of overseas corporation tax charged of £4,000.

Prior period tax credits receivable comprised: for the six months ended 31 January 2014, £658,000 in respect of a research and development tax credit receivable, net of overseas tax charged of £8,000 and for the year ended 31 July 2014, the £1,249,000 credit comprised, £1,210,000 in respect of a research and development tax credit, plus a revision in respect of a prior period of £48,000, net of overseas corporation tax charged of £9,000.

The income tax asset of £1,323,000 in respect of the year ended 31 July 2014 was received on 3 February 2015.

## 6. Loss per share

| | 31 January 2015 £'000 | 31 January 2014 £'000 | 31 July 2014 £'000 |
|---|---|---|---|
| Loss for the financial period attributable to equity shareholders | (3,145) | (4,338) | (7,811) |
| Share-based payments | 233 | 300 | 573 |
| Loss for the financial period before share-based payments | (2,912) | (4,038) | (7,238) |
| Weighted average number of shares: | Number | Number | Number |
| Ordinary shares in issue[1] | 216,294,181 | 209,564,972 | 214,248,996 |
| Adjusted loss per share before share-based payments (pence) | (1.35)p | (1.93)p | (3.38)p |
| Basic loss per share (pence) | (1.45)p | (2.07)p | (3.65)p |

(1) Excludes shares held by the Nanoco Employee Benefit Trust

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

## 7. Share capital

During the period 799,947 shares with an average exercise price of 60.7 pence were issued on the exercise of share options resulting in share proceeds of £486,000.

During the period 320,411 jointly owned Employee Benefit Trust shares were taken up at an exercise price of 92.6 pence resulting in share proceeds of £297,000.

## 8. Interim financial report

A copy of these interim condensed consolidated financial statements will be distributed to shareholders and is also available on the Company's website at www.nanocogroup.com.

# INVESTOR INFORMATION

**Directors**

| | |
|---|---|
| Mr Anthony Clinch | (Non-executive Chairman) |
| Dr Michael Edelman | (Chief Executive Officer) |
| Dr Nigel Pickett | (Chief Technology Officer) |
| Mr Keith Wiggins | (Chief Operating Officer) |
| Dr Peter Rowley | (Non-executive Director) |
| Mr Robin Williams | (Non-executive Director) |
| Mr Gordon Hall | (Non-executive Director) |

**Company Secretary and Interim Chief Financial Officer**
Mr Mark Sullivan

**Nominated Advisor and Joint Broker**
Canaccord Genuity
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**Joint Broker**
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**Investor Relations and PR Consultants**
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NANOCO
GROUP PLC

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