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This document comprises a prospectus (the “Prospectus”) relating to Nanoco Group plc (the “Company”) and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “FCA”) made under Section 73A of FSMA. This Prospectus has been filed with, and approved by, the FCA and has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made, respectively, to the FCA and to London Stock Exchange plc (the “London Stock Exchange”) for all of the ordinary share capital of the Company, being the Ordinary Shares in issue as at the date of this Prospectus and the New Ordinary Shares that will be issued in connection with the Placing, to be admitted to the premium listing segment of the Official List of the FCA (the “Official List”) and to trading on the London Stock Exchange’s main market for listed securities (together “Admission”). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or to be dealt in on any other exchange. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8:00 a.m. (London time) on 1 May 2015.

The Company and its Directors (whose names appear on page 42 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read the whole of this Prospectus and, in particular, the attention of potential investors is drawn to Part II: “Risk Factors” on pages 28 to 40 of this Prospectus for a discussion of certain risks and other factors that should be considered in connection with the Company and an investment in the New Ordinary Shares.

NANOCO GROUP PLC

*(incorporated under the Companies Acts 1985 to 2006 and registered in England and Wales
with registered number 05067291)*

**Placing of 19,047,619 New Ordinary Shares at a Placing Price
of 105 pence per New Ordinary Share**

**Admission to the premium listing segment of the Official List and to trading on the
main market for listed securities of the London Stock Exchange**

Sponsor and Joint Bookrunner

CANACCORD GENUITY LIMITED

Joint Bookrunner

LIBERUM CAPITAL LIMITED

Ordinary Share capital immediately following the Placing and Admission

Number	Ordinary Shares of £0.10 each	Amount
236,378,002		£23,637,800.20

The New Ordinary Shares to be issued pursuant to the Placing will, following Admission, rank *pari passu* in all respects with the other issued Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the issued Ordinary Shares after Admission.

Canaccord Genuity Limited (“Canaccord”), which is authorised and regulated by the FCA in the United Kingdom, is acting as sponsor and joint bookrunner to the Company and no one else in connection with the Placing and Admission and the matters described herein and will not be acting for any other person (whether or not a recipient of this Prospectus) or otherwise be responsible to any other person for providing the protections afforded to customers of Canaccord or for advising any other person in connection with the Placing and/or Admission. Liberum Capital Limited (“Liberum”) is acting as joint bookrunner to the Company and no one else in connection with the Placing and Admission and the matters described herein and will not be acting for any other person (whether or not a recipient of this Prospectus) or otherwise be responsible to any other person for providing the protections afforded to customers of Liberum or for advising any other person in connection with the Placing and/or Admission. Neither Canaccord nor Liberum has authorised the contents of any part of this Prospectus or independently verified the contents of any part of this Prospectus. Neither Canaccord nor Liberum accepts any responsibility or liability whatsoever, and makes no representation or warranty, express or implied, in relation to the contents of this Prospectus nor for the accuracy of any information or opinions contained in this Prospectus nor for the omission of any information from this Prospectus for which the Company and the Directors are solely responsible. Each of Canaccord and Liberum accordingly disclaim all and any liability, whether arising in tort, contract or otherwise, which any of them might otherwise be found to have in respect of this Prospectus or any such statement. This does not exclude or limit any responsibility which might be imposed on either of Canaccord or Liberum (including in the case of Canaccord in its capacity as sponsor) under FSMA, the Financial Services Act 2012 or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable.

Reliance on this Prospectus

Prior to making any decision as to whether to invest in New Ordinary Shares, prospective investors should read the entirety of this Prospectus. In making any investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Placing, including the associated merits and risks. Investors should rely only on the information contained in the Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus in connection with the Placing and Admission and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, Canaccord or Liberum.

Without prejudice to any legal or regulatory obligation of the Company to publish a supplementary prospectus pursuant to Section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or purchase of shares pursuant to it shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group taken as a whole since, or that the information contained in this Prospectus is correct at any time subsequent to, the date of this Prospectus.

The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult their own legal advisor, financial advisor or tax advisor for legal, financial or tax advice.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Prospectus and the Placing of the New Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken or will be taken by the Company, Canaccord or Liberum to permit a public offering of the Ordinary Shares or to permit the possession, issue or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction.

None of the Company, the Directors, Canaccord or Liberum is making any representation to any placee or subscriber of New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares.

This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, Ordinary Shares or New Ordinary Shares to any person in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Prospectus is not for distribution or publication in Australia, Canada, Japan or the United States. Neither the Ordinary Shares nor the New Ordinary Shares have been and they will not be registered under the applicable securities laws of Australia, Canada or Japan and, subject to certain exceptions, Ordinary Shares and New Ordinary Shares may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan.

In addition, the Ordinary Shares and the New Ordinary Shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risk of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Further information with regard to the restrictions on the distribution of this Prospectus and the offering, sale and transfer of New Ordinary Shares are set out in paragraph 8 of Part XIII: “Details of the Placing”.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

In the United Kingdom, this Prospectus is only addressed to and directed to Qualified Investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the “FP Order”); (ii) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order; or (iii) other persons who fall within an exemption in the FP Order and to whom this Prospectus can lawfully be communicated. The persons specified in (i), (ii) and (iii) above are collectively referred to as “Relevant Persons”. The New Ordinary Shares are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the New Ordinary Shares in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the New Ordinary Shares may not be offered or sold within the United States except to qualified institutional buyers (“QIBs”), as defined in Rule 144A under the Securities Act (“Rule 144A”), that are also accredited investors (“Accredited Investors”), as defined in Rule 501 of Regulation D under the Securities Act (“Regulation D”), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 506 of Regulation D or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers of the New Ordinary Shares in the United States are hereby notified that the Company may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 506 under Regulation D and there are no specific disclosure requirements for such type of offering. In addition, prospective purchasers are hereby notified that sellers of New Ordinary Shares may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Until the expiration of 40 days after the commencement of the Placing an offer or sale of the Ordinary Shares within the United States by a dealer, whether or not participating in the Placing, may violate the registration requirements of the Securities Act if such offer or sale is made other than pursuant to Regulation D or another available exemption from the registration requirements of the Securities Act.

THE ORDINARY SHARES OFFERED BY THIS PROSPECTUS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE PLACING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

INVESTING INVOLVES RISK AND INVESTORS SHOULD BE PREPARED TO FACE THE LOSS OF THEIR INVESTMENT.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

For so long as any of the New Ordinary Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a New Ordinary Share, or to any prospective purchaser of a New Ordinary Share designated by such holder or beneficial owner, upon their request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

The date of this Prospectus is 31 March 2015.

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PART I: SUMMARY INFORMATION

Prospectus summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings		
A.1	Introduction and warnings	This summary should be read as an introduction to this Prospectus. Any decision to invest in the New Ordinary Shares should be based on the consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the New Ordinary Shares.
A.2	Consent for Intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer		
B.1	Legal and commercial name	Nanoco Group plc (the “Company”). The Company has no other commercial name other than its registered name.
B.2	Domicile/legal form/legislation/country of incorporation	The Company is incorporated and registered in England and Wales as a public company limited by shares. The liability of the members of the Company is limited. The principal legislation under which the Company operates, and under which the New Ordinary Shares are created, is the Companies Acts and the regulations made thereunder. The registered office and principal place of business of the Company is 46 Grafton Street, Manchester, M13 9NT, United Kingdom.
B.3	Current operations/principal activities/products/services/principal markets	The Group is a leading nanotechnology company involved in the research, development and manufacture of fluorescent, heavy metal-free, semi-conducting materials called cadmium-free quantum dots (“CFQD [®] ”) and other heavy metal-free nano-materials. Headquartered in Manchester, United Kingdom, as at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, the Group had a total of 109 staff (including the Non-executive Directors and consultants), with the majority based at this location. The Group also operates a second facility in Runcorn, United Kingdom, as well as having a presence in Boston, USA.

		<p>The Group was created in April 2009 through the reverse acquisition of Nanoco Tech Limited by Evolutec Group plc in conjunction with which transaction Evolutec Group plc changed its name to Nanoco Group Plc and secured its re-admission to trading on AIM with effect from 1 May 2009.</p> <p>Nanoco Tech Limited was incorporated in June 2006 with the name Nanoco Tech Public Limited Company as the parent company of Nanoco Technologies. Nanoco Technologies was founded in 2001 by Professor Paul O'Brien and Dr Nigel Pickett, in order to progress the R&D of quantum dot technology that was previously developed at the University of Manchester and Imperial College London.</p> <p>The Board's vision is that the Group will become a leading global material science business. The Board intends to utilise the Group's platform technology, covering both quantum dots and other nano-materials, to access multiple end use markets to achieve this goal.</p> <p>Quantum dots are a platform technology with uses in a wide range of applications from life sciences through to optoelectronics dominated by solid state lighting, photovoltaics and next generation displays. Quantum dot based applications have the ability potentially to offer significant benefits in performance and energy savings compared to those materials currently used in these industry sectors.</p> <p>The Group's Business Expansion Strategy is to focus on the research, development and commercialisation of its technology in applications within four distinct industries, namely the consumer electronic display, lighting, solar and biological imaging industries.</p> <p>The Group has been successful in signing development contracts as well as establishing distribution channels with multinational companies to supply the Group materials and has entered into a licensing agreement with Dow in connection with the commercialisation of its CFQD[®] quantum dots within the electronic display industry.</p>
B.4a	Significant recent trends affecting the Group and the industry in which it operates	<p>Through the Business Expansion Strategy, the Directors have identified four key target markets which they believe have significant potential applications for the Group's CFQD[®] quantum dots and proprietary processes, being electronic display, LED lighting, solar and biological imaging and other medical applications. The Group is currently at differing stages of the R&D process for the application of its technologies within each of these markets.</p> <p>It is estimated that the global electronic display materials market will be worth \$120 billion in 2018, of which the global Flat Panel Display segment of this market was estimated to have been worth \$79 billion in 2013, growing to an estimated \$117 billion in 2018. The market, and in particular the higher quality end of the market, is now dominated by LCD technology with approximately 223 million LCD TVs sold by 2014 and larger producers are ceasing production of televisions based on other technologies, such as plasma. LCD display manufacturers have continued to develop picture quality with high definition and more recently ultra-high definition displays launched in recent years, in addition to the introduction of 3D displays.</p> <p>The LCD TV market is dominated by the two South Korean OEMs, LG and Samsung, who in 2014 together had a market share of approximately 38 per cent of LCD displays globally and in 2015 will have in the region of 50 per cent of the market share for LCD TVs larger than 55 inches. In addition, the Chinese OEMs TCL and Hisense have significantly increased their market shares in recent years to the detriment of the Japanese display producers.</p>

		<p>The global lighting market is projected to be worth approximately €110 billion by 2020 and, within this, LED lighting applications are expected to contribute approximately €65 billion of revenues by 2020 (McKinsey & Company, Lighting the Way: Perspectives on the Global Lighting Market, published July 2011). The Directors believe that high CRI lighting and other high value lighting applications will be worth between \$7 billion and \$10 billion of sales in 2016.</p> <p>The key growth drivers for the lighting market are population growth and increasing urbanisation, while the transition to LED lighting has been driven by the growing requirement for energy efficiency and reliability. The demand for high CRI lighting applications is driven by the need for high quality light for applications ranging from high end lighting for retail stores to specialist lighting for surgical operating theatres.</p> <p>Solar power has become increasingly important in the drive to satisfy world energy demands, energy security and addressing the generally accepted belief that the world's reliance upon fossil fuels to satisfy its energy demands is increasing the effects of climate change. The market is growing rapidly with 37 gigawatts (in this paragraph, "GW") installed (100 megawatts per day) and \$96 billion spent on new PV capacity in 2013 forecast to rise to 1,721GW by 2030 and 4,674GW by 2050 (International Energy Agency (IEA), Technology Roadmap: Solar Photovoltaic Energy: 2014 Edition, published 2014). This represents average capacity additions of 120GW per year over a long term.</p> <p>In connection with the production of solar panels, there are two major options; crystalline silicon and thin-film. c-Si solar cells are currently the most common solar cells in use mainly because c-Si is stable, it delivers working efficiencies in the range of approximately 15 per cent and it relies on established process technologies. However, c-Si needs to be relatively thick and rigid and can be expensive to produce. Thin-film solar panels are potentially cheaper than traditional panels, are more flexible, lighter weight and consequently easier to handle. The thin-film solar market is currently dominated by First Solar, who produce cadmium-containing solar panels, while cadmium-free thin-film examples include CIGS.</p> <p>The main competitive factor for PV module manufacturers is the U.S. Dollar cost per watt (in this paragraph, "\$/W"). The market price of modules reduced by approximately five times between 2009 and 2013 (International Energy Agency (IEA), Technology Roadmap: Solar Photovoltaic Energy: 2014 Edition, published 2014) and now appears to have stabilised around 0.50 \$/W. It is anticipated that further cost reductions will be required in order to increase PV installation.</p> <p>It is estimated that the global cancer diagnostic market will be worth \$101 billion in 2013 and \$168.6 billion by 2020, while it is estimated that the global market for imaging agents will be \$14.5 billion by 2017 of which \$4.9 billion is expected to relate to optical agents. The demand for diagnostic imaging agents in the scientific and healthcare markets is increasing; in particular, demand for imaging agents with improved efficacy in providing early detection and more accurate detection are very desirable. There is scope for water soluble quantum dots to replace current technologies in the market.</p> <p>Being small at present, the market in the use of quantum dots in healthcare applications was estimated to be worth \$60 million in 2011. However, it is estimated that this market will grow to \$1.1 billion by 2022. The Directors believe that the reason that quantum dots have not been used greatly to date in biological imaging is due to the lack of commercial suppliers of heavy metal-free quantum dots for biological imaging.</p>
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		The market can be split into two segments; <i>in vitro</i> and <i>in vivo</i> . Given the inherent risks, <i>in vivo</i> applications require more stringent government approvals which take significant time and investment to achieve; <i>in vitro</i> applications do not have the same requirements. The Directors estimate that the Group's addressable <i>in vitro</i> market could be worth tens of millions of U.S. Dollars per annum while the much larger addressable <i>in vivo</i> market could be worth hundreds of millions of U.S. Dollars per annum in revenue.																																																	
B.5	Description of Issuer's Group	The Company is the holding company of its group. The Company has two wholly owned subsidiaries, Nanoco Life Sciences Limited and Nanoco Tech Limited. Nanoco Tech Limited has two wholly owned subsidiaries, Nanoco U.S. Inc and Nanoco Technologies.																																																	
B.6	Major shareholders	<p>As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, except as disclosed in the table below, in so far as is known to the Company, no person is or will, immediately following the Placing, be directly or indirectly interested in 3 per cent or more of the Company's capital or voting rights.</p> <table border="1"> <thead> <tr> <th rowspan="2">Beneficial Owner</th> <th colspan="2">Ordinary Shares Owned Immediately Before the Placing</th> <th colspan="2">Ordinary Shares Owned Immediately After the Placing</th> </tr> <tr> <th>Number of Ordinary Shares</th> <th>% of share capital</th> <th>Number of Ordinary Shares</th> <th>% of share capital</th> </tr> </thead> <tbody> <tr> <td>Henderson Global Investors</td> <td>36,264,187</td> <td>16.69</td> <td>40,030,460</td> <td>16.93</td> </tr> <tr> <td>Baillie Gifford & Co.</td> <td>30,090,007</td> <td>13.85</td> <td>31,804,292</td> <td>13.45</td> </tr> <tr> <td>Richard Griffiths including Blake Holdings</td> <td>22,917,000</td> <td>10.54</td> <td>24,980,308</td> <td>10.57</td> </tr> <tr> <td>Pickett N.L, Dr</td> <td>10,945,681</td> <td>5.04</td> <td>10,945,681</td> <td>4.63</td> </tr> <tr> <td>Universities Superannuation Scheme</td> <td>10,776,893</td> <td>4.96</td> <td>11,676,893</td> <td>4.94</td> </tr> <tr> <td>Fidelity Investment International</td> <td>10,186,846</td> <td>4.69</td> <td>10,872,560</td> <td>4.60</td> </tr> <tr> <td>Edelman M.A, Dr</td> <td>6,988,640</td> <td>3.22</td> <td>6,988,640</td> <td>2.96</td> </tr> <tr> <td>NFU Mutual Investment Mgrs</td> <td>6,713,247</td> <td>3.09</td> <td>7,301,620</td> <td>3.09</td> </tr> </tbody> </table> <p>All Ordinary Shares have the same voting rights and accordingly, the Shareholders in the table above will not have voting rights different from those of any other Shareholders.</p>	Beneficial Owner	Ordinary Shares Owned Immediately Before the Placing		Ordinary Shares Owned Immediately After the Placing		Number of Ordinary Shares	% of share capital	Number of Ordinary Shares	% of share capital	Henderson Global Investors	36,264,187	16.69	40,030,460	16.93	Baillie Gifford & Co.	30,090,007	13.85	31,804,292	13.45	Richard Griffiths including Blake Holdings	22,917,000	10.54	24,980,308	10.57	Pickett N.L, Dr	10,945,681	5.04	10,945,681	4.63	Universities Superannuation Scheme	10,776,893	4.96	11,676,893	4.94	Fidelity Investment International	10,186,846	4.69	10,872,560	4.60	Edelman M.A, Dr	6,988,640	3.22	6,988,640	2.96	NFU Mutual Investment Mgrs	6,713,247	3.09	7,301,620	3.09
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As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, the Directors and members of the Senior Management and their connected persons had, or immediately following the Placing will have, the following interests in the Ordinary Share capital of the Company (all of which, unless otherwise stated, are beneficial):

	Ordinary Shares Owned Immediately before Admission		Ordinary Shares Owned Immediately after Admission	
	Number of Ordinary Shares	% of share capital	Number of Ordinary Shares	% of share capital
Directors				
Dr Michael Edelman	6,988,640	3.22	6,988,640	2.96
Dr Nigel Pickett	10,945,681	5.04	10,945,681	4.63
Keith Wiggins	Nil	Nil	Nil	Nil
Gordon Hall	100,000	0.05	100,000	0.04
Dr Peter Rowley	50,000	0.02	50,000	0.02
Robin Williams	Nil	Nil	9,523	0.00
Anthony Clinch	57,640	0.03	57,640	0.02
Senior Management				
Mark Sullivan	99,952	0.05	99,952	0.04
Andrew Gooda	Nil	Nil	Nil	Nil

As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus and save as set out above, the Company is not aware of any person who exercises or could, directly or indirectly, jointly or severally, exercise or who, immediately following the Placing, could exercise control over the Company and is not aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

B.7 Selected historical key financial information and significant changes

The summary financial information set out below has been extracted without material adjustment from the financial information set out in Part XI: “Unaudited Interim Financial Information” of this Prospectus.

Interim Consolidated Statement of Comprehensive Income

	6 months to 31.01.15 (unaudited) £'000	6 months to 31.01.14 (unaudited) £'000	Year to 31.07.14 (audited) £'000
Revenue	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	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	(1.45)p	(2.07)p	(3.65)p

Interim Consolidated Statement of Changes in Equity					
	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 (unaudited)	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 (unaudited)	38,277	2,059	(1,242)	(24,330)	14,764

Interim Consolidated Statement of Financial Position			
	31.01.15 (unaudited) £'000	31.01.14 (unaudited) £'000	31.07.14 (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

Interim Consolidated Statement of Cash Flows

	6 months to 31.01.15 (unaudited) £'000	6 months to 31.01.14 (unaudited) £'000	Year to 31.07.14 (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	9,669
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

The summary financial information set out below has been extracted without material adjustment from the financial information set out in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus.

Consolidated Statement of Comprehensive Income

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Revenue	1,445	333	1,433	3,928	2,948
Cost of sales	(352)	(453)	(1,563)	(1,293)	(1,165)
Gross profit/(loss)	1,093	(120)	(130)	2,635	1,783
Administrative expenses	(2,662)	(2,564)	(9,119)	(7,957)	(6,442)
Operating loss					
– before share-based payments	(1,439)	(2,534)	(8,676)	(4,452)	(4,294)
– share-based payments	(130)	(150)	(573)	(870)	(365)
	(1,569)	(2,684)	(9,249)	(5,322)	(4,659)
Finance income	28	40	194	286	317
Finance expense	(2)	(1)	(5)	(6)	(8)
Loss on ordinary activities before taxation	(1,543)	(2,645)	(9,060)	(5,042)	(4,350)
Taxation	588	325	1,249	920	710
Loss for the period/year and total comprehensive loss for the period/year	<u>(955)</u>	<u>(2,320)</u>	<u>(7,811)</u>	<u>(4,122)</u>	<u>(3,640)</u>
Loss per share					
Basic and diluted loss for the period/year	<u>(0.44)p</u>	<u>(1.10)p</u>	<u>(3.65)p</u>	<u>(2.00)p</u>	<u>(1.80)p</u>

The loss for the period/year arises from the Group's continuing operations and is attributable to the equity holders of the parent.

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

Consolidated Statement of Changes in Equity

	Issued equity capital £000	Share-Based payment reserve £000	Merger reserve £000	Revenue reserve £000	Total £000
At 31 July 2011	27,427	486	(1,242)	(6,512)	20,159
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
At 31 July 2012	27,475	851	(1,242)	(10,152)	16,932
Loss for the year and total comprehensive loss for the year	—	—	—	(4,122)	(4,122)
Issue of share capital	579	—	—	—	579
Issue of shares by EBT	—	(468)	—	603	135
Share-based payments	—	870	—	—	870
At 31 July 2013	28,054	1,253	(1,242)	(13,671)	14,394
Loss for the year and total comprehensive loss for the year	—	—	—	(7,811)	(7,811)
Issue of share capital	10,000	—	—	—	10,000
Expenses of placing	(263)	—	—	—	(263)
Share-based payments	—	573	—	—	573
At 31 July 2014	37,791	1,826	(1,242)	(21,482)	16,893
Loss for the period and total comprehensive loss for the period	—	—	—	(955)	(955)
Issue of share capital	486	—	—	—	486
Issue of shares by EBT	—	—	—	297	297
Share-based payments	—	130	—	—	130
At 31 October 2014	38,277	1,956	(1,242)	(22,140)	16,851
At 31 July 2013	28,054	1,253	(1,242)	(13,671)	14,394
Loss for the period and total comprehensive loss for the period	—	—	—	(2,320)	(2,320)
Issue of share capital	10,000	—	—	—	10,000
Expenses of placing	(238)	—	—	—	(238)
Share-based payments	—	150	—	—	150
At 31 October 2013 (unaudited)	37,816	1,403	(1,242)	(15,991)	21,986

Consolidated Statement of Financial Position				
	31.10.2014	31.07.2014	31.07.2013	31.07.2012
	£000	£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment	2,607	2,783	3,470	2,596
Intangible assets	1,602	1,557	1,230	1,042
Investment in subsidiaries	—	—	—	—
	<u>4,209</u>	<u>4,340</u>	<u>4,700</u>	<u>3,638</u>
Current assets				
Inventories	167	134	120	79
Trade and other receivables	536	633	932	762
Income tax asset	1,798	1,210	870	654
Short-term investments and cash on deposit	2,791	5,791	6,176	11,119
Cash and cash equivalents	8,679	6,391	3,768	4,355
	<u>13,971</u>	<u>14,159</u>	<u>11,866</u>	<u>16,969</u>
Total assets	<u>18,180</u>	<u>18,499</u>	<u>16,566</u>	<u>20,607</u>
Liabilities				
Current liabilities				
Trade and other payables	1,187	1,448	1,951	3,390
Financial liabilities	63	63	63	63
	<u>1,250</u>	<u>1,511</u>	<u>2,014</u>	<u>3,453</u>
Non-current liabilities				
Financial liabilities	79	95	158	222
	<u>79</u>	<u>95</u>	<u>158</u>	<u>222</u>
Total liabilities	<u>1,329</u>	<u>1,606</u>	<u>2,172</u>	<u>3,675</u>
Net assets	<u>16,851</u>	<u>16,893</u>	<u>14,394</u>	<u>16,932</u>
Capital and reserves				
Issued equity capital	38,277	37,791	28,054	27,475
Share-based payment reserve	1,956	1,826	1,253	851
Merger reserve	(1,242)	(1,242)	(1,242)	(1,242)
Capital redemption reserve	—	—	—	—
Revenue reserve	(22,140)	(21,482)	(13,671)	(10,152)
Total equity	<u>16,851</u>	<u>16,893</u>	<u>14,394</u>	<u>16,932</u>

Consolidated Statement of Cash Flows

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Loss before interest and tax	(1,569)	(2,684)	(9,249)	(5,322)	(4,659)
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	279	303	1,181	901	849
Amortisation of intangible assets	61	46	209	152	122
Share-based payments	130	150	573	870	365
Changes in working capital:					
(Increase)/decrease in inventories	(33)	6	(14)	(41)	1
Decrease/(increase) in trade and other receivables	99	144	256	(130)	(429)
(Decrease)/increase in trade and other payables	(142)	(718)	(510)	384	533
Increase/(decrease) in deferred revenue	(119)	(71)	7	(1,823)	1,216
Cash outflow from operating activities	(1,294)	(2,824)	(7,547)	(5,009)	(2,002)
Research and development tax credit received	—	—	918	704	637
Overseas corporation tax paid	—	—	(9)	—	—
Net cash outflow from operating activities	(1,294)	(2,824)	(6,638)	(4,305)	(1,365)
Cash flows from investing activities					
Purchases of property, plant and equipment	(103)	(237)	(494)	(1,775)	(292)
Purchases of intangible fixed assets	(106)	(31)	(536)	(340)	(336)
Decrease/(increase) in cash placed on deposit	3,000	(1,000)	385	4,943	896
Interest received	26	37	237	246	391
Net cash inflow/(outflow) from investing activities	2,817	(1,231)	(408)	3,074	659
Cash flows from financing activities					
Proceeds from issues of ordinary share capital	783	10,000	10,000	714	58
Expenses on issue of shares	—	(238)	(263)	—	(10)
Loan repayment	(16)	(16)	(63)	(64)	(63)
Interest paid	(2)	(1)	(5)	(6)	(8)
Net cash inflow from financing activities	765	9,745	9,669	644	(23)
Increase/(decrease) in cash and cash equivalents	2,288	5,690	2,623	(587)	(729)
Cash and cash equivalents at the start of the year	6,391	3,768	3,768	4,355	5,084
Cash and cash equivalents at the end of the year	8,679	9,458	6,391	3,768	4,355
Monies placed on deposit at the end of the year	2,791	7,176	5,791	6,176	11,119
Cash, cash equivalents and deposits at the end of the year	11,470	16,634	12,182	9,944	15,474

Certain significant changes to the Group's financial condition and operating results occurred during the three financial years ended 31 July 2012, 31 July 2013 and 31 July 2014 and during the three month period ending 31 October 2014 and during the six month period ending 31 January 2015, these changes being set out below:

Revenue has moved significantly between the periods. This is largely due to the fact that, historically, Nanoco revenues have taken the form of one-off payments relating to the rendering of services, royalty advances and government grants. In particular, the reduction in revenue in the year to 31 July 2014 relates to the loss of revenue arising from royalties and licences includes non-refundable royalty advances under a joint development agreement with a corporation whose relationship with the Company subsequently ceased in July 2013. The Directors believe that in the future, Nanoco will begin to report more recurring revenues relating to material sales and royalty receipts.

		<p>The increase in loss after tax over the reviewed period was largely due to an increase in administrative expenses which were due to increased payroll costs as a consequence of higher staff numbers and higher share-based payment charges.</p> <p>As the Company reports losses after tax, it also generally has negative cash flow. However, the Company raised gross proceeds of £10,000,000 from a placing on 15 October 2013 through the issue of 6,369,427 new ordinary shares which significantly improved the Company's cash balance.</p> <p>Save as described above, there has been no significant change in the financial condition or operating results of the Group during the three financial years ended 31 July 2012, 31 July 2013 and 31 July 2014 or during the three month period ending 31 October 2014 or during the six month period ending 31 January 2015.</p> <p>There has been no significant change in the financial condition or operating results of the Group since 31 January 2015, the period to which the unaudited interim financial information of the Group covered by this Prospectus has been prepared.</p>
B.8	Selected key <i>pro forma</i> financial information	<p>The unaudited <i>pro forma</i> statement of net assets set out below has been prepared to illustrate the effect of the Placing on the Group's net assets, as if it had taken place on 31 January 2015. This unaudited <i>pro forma</i> statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited <i>pro forma</i> statement of net assets is compiled on a basis consistent with the accounting policies of the Group and on the basis set out below from the IFRS combined balance sheet of the Group as at 31 January 2015, as set out in Part XII: "Unaudited Pro Forma Financial Information" of this Prospectus. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited <i>pro forma</i> financial information has been prepared on the basis set out in the notes below and in accordance with the Prospectus Rules.</p>

		Unaudited consolidated net assets as at 31 January 2015 (Note 1.) £000	Net proceeds of placing (Note 2.) £000	Pro forma net assets as at 31 January 2015 £000
	Assets			
	Non-current assets			
	Property, plant and equipment	2,414	—	2,414
	Intangible assets	1,703	—	1,703
		4,117	—	4,117
	Current assets			
	Inventories	137	—	137
	Trade and other receivables	673	—	673
	Income tax asset	2,198	—	2,198
	Short-term investments and cash on deposit	1,134	—	1,134
	Cash and cash equivalents	8,216	18,650	26,866
		12,358	18,650	31,008
	Total assets	16,475	18,650	35,125
	Liabilities			
	Current liabilities			
	Trade and other payables	1,585	—	1,585
	Financial liabilities	63	—	63
		1,648	—	1,648
	Non-current liabilities			
	Financial liabilities	63	—	63
		63	—	63
	Total liabilities	1,711	—	1,711
	Net assets	14,764	18,650	33,414
	Notes:			
	1. The consolidated net assets of the Group as at 31 January 2015 have been extracted, without material adjustment, from the unaudited interim financial information of the Group for the six month period ended 31 January 2015 as set out in Part XI (<i>Unaudited Interim Financial Information</i>).			
	2. As set out in Part XIII (<i>Details of the Placing</i>), the total net proceeds receivable by the Company from the Placing are £18,650,000, after deduction of underwriting commissions (including agreed discretionary commissions only to the extent necessary to increase the commission to 2.25% on orders where a reduced fee has been agreed and assuming that, as already determined by the Company, no further discretionary commission will be payable) and other fees and expenses incurred by the Group in connection with the Placing of approximately £1,350,000 (excluding VAT).			
	3. The unaudited <i>pro forma</i> statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.			
	4. The unaudited <i>pro forma</i> statement of net assets does not reflect any trading results or other transactions undertaken by the Group since 31 January 2015.			
B.9	Profit forecast/estimate	Not applicable. No profit forecast or estimate is made in this Prospectus.		
B.10	Audit report qualifications	Not applicable. The accountant's report on the consolidated historical financial information included in this Prospectus contains no qualification.		
B.11	Working capital	Not applicable. The Company is of the opinion that, taking into account existing cash, bank and other facilities available to the Group and the net proceeds receivable by the Company from the issue of the New Ordinary Shares pursuant to the Placing, the working capital available to the Group		

		is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this Prospectus.
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Section C – Securities		
C.1	The Ordinary Shares	The New Ordinary Shares being issued by the Company pursuant to the Placing will, on Admission, rank equally in all respects with the existing Ordinary Shares in issue and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Share capital of the Company after Admission. When admitted to trading on the London Stock Exchange, the Ordinary Shares will be registered with ISIN GB00B01JLR99 and SEDOL number B01JLR9.
C.2	Currency of the Placing	Pounds sterling, the lawful currency of the United Kingdom.
C.3	Ordinary Shares in issue	As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, there are 217,330,383 Ordinary Shares in issue, each of which is credited as fully paid. On Admission, there will be 236,378,002 Ordinary Shares in issue, each of which will be credited as fully paid. The par (or nominal value) of each Ordinary Share is £0.10.
C.4	Rights attached to the Ordinary Shares and the New Ordinary Shares	<p>The Ordinary Shares and the New Ordinary Shares will rank <i>pari passu</i> in all respects and will form a single class of share for all purposes, including with respect to voting and for all dividends and other distributions (including on a winding up) declared, made or paid on the Ordinary Share capital of the Company on or after Admission.</p> <p>On a show of hands, each Shareholder has one vote and on a poll each Shareholder has one vote per Ordinary Share held.</p> <p>Save to the extent agreed from time to time by the Shareholders in general meeting, the Ordinary Shares benefit from full pre-emption rights.</p>
C.5	Restrictions on transferability	Save as disclosed in Part XIII: “Details of the Placing” of this Prospectus, there are no additional restrictions imposed by the Company’s constitutional documents on the transferability of either the Ordinary Shares or the New Ordinary Shares, subject to compliance with the provisions of the Articles relating to the transfer of shares.
C.6	Applications for Admission	<p>Applications will be made respectively to the FCA and to the London Stock Exchange for all of the Ordinary Share capital of the Company, being the Ordinary Shares in issue as at the date of this Prospectus and the New Ordinary Shares that will be issued in connection with the Placing, to be admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on the London Stock Exchange, at 8:00 a.m. (London time) on 1 May 2015.</p> <p>In relation to the applications detailed above, the Company will separately notify the London Stock Exchange of its wish to cancel the admission of its Ordinary Shares to trading on AIM and it is anticipated that such cancellation will occur simultaneously with Admission.</p>
C.7	Dividend policy	Whilst it remains the Directors’ intention to consider the payment of a dividend when appropriate and commercially prudent, the Directors are of the opinion that it is currently most prudent to retain cash to finance the operation of the Company and to continue the scale-up in commercialisation of its CFQD [®] quantum dots for application within

		the electronic display industry. As a result, the Directors believe it inappropriate to give an indication of the likely level and timing of future dividends. Any future determination related to the Company's dividend policy will be made at the discretion of the Directors after considering its financial condition, results of operations, capital requirements, business prospects and other factors the Directors deem relevant, and subject to the restrictions contained in any future financing instruments.
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Section D – Risks		
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D.1	Key information on the key risks that are specific to the Company or its industry	<p>The Company believes that the following are the key risks it faces in conducting its business.</p> <p><i>Technology risks</i></p> <p>The electronic display industry is subject to rapid technological changes and the Group is required to continue to develop new and innovative technical applications. The future success of the Group, in common with other technological businesses, will depend upon the Group's ability to respond to the technical challenges associated with rapidly changing technologies and the ability to ensure that the Group's products in the electronic display industry comply with constantly evolving industry standards and meet the constantly evolving expectations and requirements of the OEM customers of Dow (as the Group's exclusive licensee for the exploitation of its cadmium-free quantum dot technology in electronic display applications) along with those of the ultimate end consumer. If the Group is unable to satisfy these industry standards or otherwise keep pace with customer expectations and requirements, or experiences significant difficulties or delays in doing so, this would have a material adverse effect on its business.</p> <p>The Group has to date invested a significant proportion of its financial resources in the development of its cadmium-free quantum dot technology for application in the electronic display industry and is currently seeking the commercialisation of that technology through the Dow Agreement. Any failure or significant delay in the commercialisation of that technology, for example due to a failure in the Group's technology, would have a material adverse effect on its business and could negatively affect the development and commercialisation of its other products in the lighting, solar and biological imaging industries, which in turn would have a material adverse effect on the Group's business, results of operations and/or financial condition.</p> <p>There is an inherent market risk within each of the three new divisions (lighting, solar and biological imaging) that the Group is targeting within the Business Expansion Strategy, that the Group's technology will not ultimately be adopted by customers (OEM's and/or end user consumers, as applicable), whether because the technology fails to meet OEM or end user consumer's specification requirements, fails to satisfy applicable regulation or otherwise. The failure of the Group to bring its technology to market successfully in any of these industries and/or the failure of customers to adopt it could have a material adverse effect on the Group's results of operations, financial condition and future prospects in the medium to long term.</p> <p><i>Intellectual property risks</i></p> <p>The commercial success of the Group depends in large part on its ability, and the ability of any third party with which it may partner, to obtain, maintain, defend or enforce its patents, trademarks and other intellectual property rights so as to preserve its exclusive rights in respect of its technology, to preserve the confidentiality of its own and its third party</p>
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		<p>partners' know-how and to be able to operate without having third parties circumvent the rights that it owns, has licensed or has been licensed. There is a risk that if the Group is, or any of its third party partners are, unable to or otherwise fail to protect or enforce its or their respective rights, its position in the market may be compromised.</p> <p>The Group's products and technologies may infringe or be alleged to infringe third parties' intellectual property or rights that may be granted in the future. If the Group is sued for infringement, the Group would need to demonstrate that its product or methods either do not infringe the relevant third party rights or that the rights of the third party are invalid and there can be no guarantee that the Group will be successful in defending any such proceedings.</p> <p><i>Directors and employees</i></p> <p>The success of the Group will depend on the continued service and performance of the Directors and other key employees and whilst it has entered contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Directors or other key employees could damage the Group's results of operations, financial condition and future prospects. The Group hopes that this risk has been mitigated against through the implementation of key man insurance in respect of Nigel Pickett and Michael Edelman. However, there is no certainty that any claims made under a key man insurance policy will be valid nor that any payments made to the Group pursuant to such policies will be sufficient to cover any resulting losses of the Group. Equally, the ability to attract new employees and in particular senior executives for the business with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.</p> <p><i>Relationship with Dow and other key partners</i></p> <p>The Group is heavily reliant on its relationship with Dow for the successful commercialisation of its technology in the electronic display industry. Pursuant to the Dow Agreement, Dow has exclusive rights to manufacture its products, provide logistics assistance and distribute the products and equipment. In relation to materials produced by the Group for end use within the electronic display industry, Dow is solely responsible for negotiating and agreeing contracts and pricing for the Group's products. Any material breach by Dow of any of its commitments and obligations under the Dow Agreement or a significant delay in satisfying any such commitments and obligations and any termination of the Dow Agreement, or any renegotiation of the Dow Agreement on detrimental terms, could have a material adverse effect on the Group's business. In the event of any such circumstances arising, the Group's only course of redress may be to pursue Dow in the courts for specific performance and/or damages and any such action could be both time-consuming and costly, and, even if successful, may not adequately compensate the Group in respect of the relevant loss of profit and business opportunity.</p> <p><i>Competition</i></p> <p>There may be products and competitors of which Directors are currently unaware that could have a detrimental effect on the trading performance of the Group following Admission. In addition, there is a further risk in respect of the Group whereby its key OEM customers may elect to do the work the Group currently carries out for them in-house instead of interacting with the Group.</p>
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Product manufacturing

The Group is currently reviewing whether scaling up production of its CFQD[®] quantum dots at its Runcorn facility is possible. The Group is currently able to produce small quantities of either CFQD[®] quantum dots or CFQD[®] quantum dots in resin directly from its Runcorn facility. However, there are inherent risks associated with any scaling up of production in that such scale-up could either not work or could detrimentally affect the quality of the product being produced. For example, in the case of CFQD[®] quantum dots produced for the electronic display industry, it could result in deficiencies with their colour or inconsistencies with their delivery. If the scaling up of production, whether at the Runcorn facility or the new facility being constructed by Dow in South Korea and referred to below, were not successful then the financial condition and future prospects of the Group may be adversely affected.

Dow is in the process of building a production facility in South Korea which will facilitate the large-scale commercialisation of the Group's technology in the electronic display industry. Any failure to bring, or significant delay in bringing, this facility on-line would have a material adverse effect on the Group's business and its financial condition and future prospects. Similarly, once this facility has commenced operations, if it were to subsequently go off-line for any reason and for any period of time or not achieve its expected performance, it would have a material adverse effect upon the Group's ability to supply its product to the market which in turn would have a material adverse effect upon its business and its financial condition.

Dependence of third party suppliers

Whilst the Group's contract manufacturers will manage their own supply chains, the Group will continue to hold relationships with (i) key component suppliers (which are likely to be used by contract manufacturers) and (ii) a more extensive supply chain to support its ongoing development activities. Whilst the Group has sought to mitigate the risk attaching to its reliance on third party suppliers through expanding its supplier base and ultimately having the ability to produce materials in-house, a supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meet the Group's quality, quantity or cost requirements, or the Group's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to it, could harm its ability to meet its contractual obligations to its customers. To the extent that the processes that the Group's suppliers use to manufacture the materials and components are proprietary, the Group may be unable to obtain comparable materials or components from alternative suppliers, which could adversely affect its ability to produce quantum dots in large volumes at low cost.

The Group may continue to make losses

The Group has historically focussed on R&D with only limited commercialisation of its technology. Notwithstanding the commencement of commercialisation of its technology in the electronic display industry through the Dow Agreement, the Group expects to continue to make significant expenditure on R&D in order to develop further its business in the electronic display market and the three new divisions which have been identified in its Business Expansion Strategy.

Expansion into new markets

The Group has recently begun the commercialisation of its CFQD[®] quantum dot technology in the electronic display industry through the Dow Agreement and has targeted lighting, solar and biological imaging as three further markets in which to focus its technological development. There are no guarantees that the Group will be able to implement the

		<p>strategy detailed in the Business Expansion Strategy and as described in this Prospectus successfully or at all. The ability of the Group to implement its strategy in a competitive market will require effective management planning and operational controls. If the Group fails to implement its strategy as set out in the Business Expansion Strategy then this may have a material adverse effect on the Group's results of operations, financial condition and future prospects.</p> <p><i>Research and development risk</i></p> <p>The Group will be engaged in developing new technology solutions to address specific market needs identified by the Directors from time to time. The Group will therefore be involved in complex scientific areas and industry experience indicates this can result in a very high incidence of delay or failure to produce results. Therefore the Group may not be able to develop new technology solutions or may identify specific market needs that cannot be addressed by technology solutions developed by the Group. The ability of the Group to develop new technology relies partly on the recruitment and retention of appropriately qualified staff as the Group grows. The Group may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop new technologies as planned. In addition, novel chemical reagents may face potential regulatory barriers which, by their nature, will vary, for example, by application, geography, and volume of business and thus are difficult to anticipate at present.</p>
D.3	Key information on the key risks that are specific to the Ordinary Shares	<p>The Company believes the following are the key risks relevant to the Ordinary Shares.</p> <p>The Ordinary Shares may be subject to market volatility and their value may decrease as well as increase.</p> <p>There is no guarantee that an active trading market in the Ordinary Shares will develop, or that the Main Market will provide an increased liquidity in the Ordinary Shares.</p> <p>The availability of Ordinary Shares for future sale could depress the share price: for example, the issue of additional Ordinary Shares in the future, and Shareholders could earn a negative or no return on their investment in the Company.</p> <p>Not all rights available to shareholders under U.S. law will be available to holders of the Ordinary Shares.</p> <p>Shareholders may have difficulty in effecting service of process on the Company or the Directors or officers of the Company in the United States, in enforcing U.S. judgements in the United Kingdom or in enforcing U.S. federal securities laws in UK courts.</p>

Section E – Offer		
E.1	Net proceeds of the Placing and estimated expenses	The Placing will raise proceeds receivable by the Company of £18,650,000, net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: “Additional Information” of this Prospectus and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission. The expenses of the Placing will be met by the Company.
E.2a	Reasons for the placing, use of proceeds and estimated net amount of the proceeds	The Company intends to raise £18,650,000 through the Placing (net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: “Additional Information” of this Prospectus, and other fees and expenses expected to be incurred by the Company in connection with the

Placing and Admission), in order to continue developing and innovating its CFQD[®] quantum dot and nano-material platform technologies (including CIGS). The Group intends to achieve this through:

Improved working capital to support ongoing development of the CFQD[®] quantum dot production processes

At present, the Group does not receive any significant revenue and therefore requires sufficient cash resources in order to satisfy its working capital requirements and to continue its R&D operations. Whilst the Directors expect the first stage of commercialisation of CFQD[®] quantum dots for the electronic display industry to occur in the near term, the processes for production of CFQD[®] quantum dots and CFQD[®] quantum dot-containing resin film still require further development and refinement to enable large-scale commercialisation and therefore industry adoption. A cash injection will enable the Group to accelerate the rate at which it will be able to achieve large-scale commercialisation of its CFQD[®] quantum dot technology for the electronic display market as well as the commercialisation of its CFQD[®] quantum dot and nanomaterial technologies for the other target markets in a much shorter timescale than would otherwise be the case if it had to wait for its own internally generated working capital to reach sufficient levels to fund its Business Expansion Strategy.

Hiring additional research and development staff

In order to better pursue the four key target markets identified in its Business Expansion Strategy, the Group intends to recruit a further 32 employees in addition to the new divisional heads identified below. The intention is to recruit 15 new employees into the electronic display division (the majority of which will be focussing on the development of the production process), eight to focus on lighting R&D, two solar power specialists and seven individuals to develop the Group's biological imaging capabilities. These new employees will be involved in the further research and development of the Group's CFQD[®] quantum dot and nano-material platform technologies (including CIGS). It is anticipated that these new staff will cost approximately £1.3 million per annum once they have been recruited.

Broadening research capabilities through outsourcing

In order to further increase its research capabilities without increasing fixed costs, the Group intends to engage a third party provider to access expensive specialist solar panel manufacturing equipment to fulfil the Group's objective of proving the Group's solar technology on larger 30cm x 30cm solar panels. This is not something that the Group currently has the capacity to do in-house. It is anticipated that this will cost the Group approximately £3 million in the medium term.

Improving laboratory facilities

The Group also plans to develop its infrastructure through expanding its laboratory space at either Manchester or Runcorn in order to accommodate the additional research and development staff identified above as well as conducting a planned laboratory fit out. It is anticipated that the expansion and planned fit out will cost approximately £4 million.

Enhancing the Group's intellectual property portfolio

The net proceeds of the Placing will also provide capital for the Group to improve and increase its intellectual property portfolio by developing new technologies and processes through its research and development programme and, where appropriate, seeking patent or trade mark protection. Where appropriate, the Group may seek to augment its intellectual property portfolio by acquiring strategically important

		<p>intellectual property rights. The exact cost of this will depend on the rate at which new technologies and processes are developed and availability of suitable acquisition opportunities.</p> <p><i>Enhancing its senior management structure</i></p> <p>As part of its Business Expansion Strategy, the Group intends to re-organise its business into four distinct divisions, electronic display, lighting, solar power and biological imaging. As part of this strategy, new divisional heads for each of lighting, solar and biological imaging will be recruited to lead the three new divisions. In the medium term, the Group also intends to recruit a Commercial Director to boost the profile of the Group’s capabilities in its target markets and to work with the divisional heads to develop strategies to commercialisation as well as considering further commercial applications for the Group’s products and capabilities. It is anticipated that these additional staff will cost approximately £430,000 per annum once they have all been recruited.</p> <p>The Directors believe these initiatives will strengthen the Group’s ability to pursue its Business Expansion Strategy by putting in place an appropriate management structure with sufficient research and development resources (in terms of staffing, laboratory facilities and third party support) to drive forward the development of its technologies in all four of its target markets. It is anticipated that this will enable the Group to achieve the large-scale commercialisation of its CFQD[®] quantum dot technology for the electronic display market as well as the commercialisation of its CFQD[®] quantum dot and nano-material platform technologies (including CIGS) for the other target markets in a much shorter timescale than would otherwise be the case if it had to wait for its own internally generated working capital to reach sufficient levels to fund its Business Expansion Strategy.</p>
E.3	Terms and conditions of the Placing	<p>Pursuant to the Placing, the Company will issue the New Ordinary Shares (representing 8.06 per cent of the Enlarged Share Capital). All New Ordinary Shares will be issued at the Placing Price of 105 pence per New Ordinary Share.</p> <p>The Placing is being made by way of a placing of New Ordinary Shares to qualified investors in certain member states of the EEA, including to institutional investors in the United Kingdom and certain other institutional investors outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”), and to QIBs that are also Accredited Investors in the United States in reliance on Rule 506 of Regulation D or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.</p> <p>In the event that the Joint Bookrunners shall be unable to procure subscribers for all of the New Ordinary Shares pursuant to the Placing, the Joint Bookrunners shall themselves subscribe for such New Ordinary Shares.</p> <p>The Placing is subject to satisfaction of the conditions set out in the Placing and Underwriting Agreement, including: (i) the Shareholders passing the three inter-conditional resolutions (without material amendment) set out in the GM Circular at the General Meeting; (ii) Admission occurring and becoming effective by no later than 8:00 a.m. (London time) on 1 May 2015 or such later time and/or date as the Company, Canaccord and Liberum may agree being not later than 8:00 a.m. (London time) on 29 May 2015; and (iii) to the Placing and Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.</p> <p>In the event that the Placing and Underwriting Agreement is terminated in accordance with its terms prior to Admission, Admission will not occur.</p>

E.4	Material interests	Not applicable. As at the date of this Prospectus, in so far as is known to the Company, there are no interests, including conflicting interests, that are material to the Placing, other than those disclosed in B.6 above.
E.5	Lock-up agreements	The Company and the Directors have each agreed to certain lock-up arrangements under the Placing and Underwriting Agreement and the Lock-in Agreement (as applicable) respectively. Subject to certain customary exceptions, the Company and each of the Directors have undertaken, <i>inter alia</i> , not to offer, issue or sell Ordinary Shares (or securities convertible into Ordinary Shares or securities whose price is determined by reference to the price of Ordinary Shares) for a period commencing on the date of the Placing and Underwriting Agreement and the Lock-in Agreement (as applicable) and expiring in each case 180 days after the Admission Date unless the Joint Bookrunners otherwise consent.
E.6	Dilution resulting from the Placing	The issue of 19,047,619 New Ordinary Shares in the Placing will result in Shareholders immediately prior to the Placing being diluted by 8.06 per cent.
E.7	Estimated expenses charged to investors in the Placing	Not applicable. The expenses of the Placing will be met by the Company. No expenses will be charged by the Company to any investor who subscribes for New Ordinary Shares pursuant to the Placing.

PART II: RISK FACTORS

Any investment in the New Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the Section of this Prospectus headed "Summary" are the risks that the Directors and the Group believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the Section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial position and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. An investment in Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Accordingly prospective investors are recommended to obtain independent financial advice from an advisor authorised under FSMA (or other appropriately authorised independent professional advisor) who specialises in advising upon investments. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

Risks relating to the Business and the Industry

Technology

Risks relating to the application of the Group's technology within the electronic display industry

The electronic display industry is subject to rapid technological changes and the Group is required to continue to develop new and innovative technical applications. The future success of the Group, in common with other technological businesses, will depend upon the Group's ability to respond to the technical challenges associated with rapidly changing technologies and the ability to ensure that the Group's products in the electronic display industry comply with constantly evolving industry standards and meet the constantly evolving expectations and requirements of the OEM customers of Dow (as the Group's exclusive licensee for the exploitation of its cadmium-free quantum dot technology in electronic display applications) along with those of the ultimate end consumer. If the Group is unable to satisfy these industry standards or otherwise keep pace with customer expectations and requirements, or experiences significant difficulties or delays in doing so, this would have a material adverse effect on its business.

In the event that ultimate end user consumers either fail to adopt, or are otherwise slow in adopting, display devices using the Group's CFQD[®] quantum dots, in either case in sufficient quantities to ensure that they become a fixture within the electronic display industry, it could result in the OEM customers of Dow rethinking their colour strategies for display devices and ultimately moving away from solutions which incorporate the Group's technology which would have a material adverse effect on its business.

A failure of the Group's cadmium-free quantum dots as against the stated specification required by Dow's OEM customers could significantly affect the take up of the Group's technology in electronic display products which would have a material adverse effect on its business.

The Group has to date invested a significant proportion of its financial resources in the development of its cadmium-free quantum dot technology for application in the electronic display industry and is currently seeking the commercialisation of that technology through the Dow Agreement. Any failure or significant delay in the commercialisation of that technology, for example due to a failure in the Group's technology, would have a material adverse effect on its business and could negatively affect the development and commercialisation of its other products in the lighting, solar and biological

imaging industries, which in turn would have a material adverse effect on the Group's business, results of operations and/or financial condition.

Risks relating to the application of the Group's technology within the lighting industry

The lighting market is increasingly being dominated by LEDs which can operate at high temperatures. In order for the Group to be able to access the full lighting market it needs to address certain key technological challenges successfully to enable its cadmium-free quantum dot technology to work effectively alongside and to enhance traditional LEDs. If the Group's future technological development is not able to address these challenges there is a risk that the market opportunity for the Group in lighting will not be as big as it currently expects, which would have a material adverse effect on its business in the medium to long term.

The Group is currently targeting niche applications within the lighting industry. There is an inherent risk that these applications will not gain sufficient traction within the market to make them financially viable with the consequence that the Group will be unable to meet the level of expected returns within this business division which would have a material adverse effect on its business in the medium to long term.

Risks relating to the application of the Group's technology within the solar industry

The Group's value proposition in the solar industry materially depends on it being able to provide minimum cost per watt efficiency levels on commercial scale panels. In the event that the cost per watt efficiency levels achieved by the Group over small surface areas in the laboratory will not successfully scale up to the larger surface areas required for commercial application, it is likely that the Group will be unable to meet its expected performance specifications and cost targets in this industry which would have a material adverse effect on its business and future prospects.

Risks relating to the application of the Group's technology within the biological imaging industry

The Group's technology within the biological imaging market is the least developed of the four divisions identified in its current strategy. There is therefore a material risk that the Group will not be able to develop its technology for application within this industry in accordance with its current expectations or that the performance of the Group's technology will not meet the highly scrutinised and stringent specification requirements demanded by the biological imaging industry, for example, by failing to obtain the regulatory approvals necessary for the *in vivo* use of the Group's technology. The failure of the Group to develop its technology for commercial application successfully within this industry would have a material adverse effect on its business in the medium to long term.

General risks related to the Group's strategy to develop its technology in the lighting, solar and biological imaging sectors

There is an inherent market risk within each of the three new divisions (lighting, solar and biological imaging) that the Group is targeting within the Business Expansion Strategy, that the Group's technology will not ultimately be adopted by customers (OEMs and/or end user consumers, as applicable), whether because the technology fails to meet OEM or end user consumer's specification requirements, fails to satisfy applicable regulation or otherwise. The failure of the Group to bring its technology to market successfully in any of these industries and/or the failure of customers to adopt it could have a material adverse effect on the Group's results of operations, financial condition and future prospects in the medium to long term.

Intellectual Property

Protecting the Group's intellectual property and that of its partners

The commercial success of the Group depends in large part on its ability, and the ability of any third party with which it may partner, to obtain, maintain, defend or enforce its patents, trademarks and other intellectual property rights so as to preserve its exclusive rights in respect of its technology, to preserve the confidentiality of its own and its third party partners' know-how and to be able to operate without having third parties circumvent the rights that it owns, has licensed or has been licensed. There is a risk that if the Group is, or any of its third party Partners are, unable to or otherwise fail to protect or enforce its or their respective rights, its position in the market may be comprised.

The Group's patent portfolio is based primarily around the continued development of its technology and as at 30 January 2015, being the date to which the report by Wong Cabello on the patent portfolio of the Group included in Part VIII: "Patent Report on the Group" of this Prospectus is

made up, contained 84 granted patent licences and 246 pending patent applications. Where appropriate, the Group also seeks to protect its technology and know-how through other means such as trade secrets and copyright. A report by Wong Cabello on the Group's intellectual property portfolio is included in Part VIII: "Patent Report on the Group" of this Prospectus.

Obtaining a patent is a time consuming and costly process which can take months and typically involves arguing patentability over other patents. There can therefore be no guarantee that: (a) all or any of the Group's current pending patent applications, or any future patent applications will result in patents being granted, or (b) the Group's issued patents will not be challenged after they are granted. Additionally, there can be no guarantee that the scope of any copyright or trademark protection will provide advantages to the Group or that third parties will not be able to claim rights in or ownership of the intellectual property from time to time held by the Group.

Patents are by their nature public and a direct consequence of obtaining a patent is to publicise and describe the intellectual property that is the subject of the patent. Therefore, the Group will run the risk that its patents will be challenged and that its technology will be copied, either of which outcomes could result in the Group incurring material time and costs in defending and enforcing its rights. In order to avoid publicising its technology and processes by seeking patents, the Group sometimes relies upon trade secret protection to protect its interests in proprietary know-how, for example, where patents may be difficult to obtain or enforce. No assurance can therefore be given that others will not gain access to the Group's un-patented proprietary technology or develop similar technology, or that the Group can ultimately protect such un-patented technology.

Patents are an exclusive right and are territorial. They grant to the successful applicant the exclusive right in the country or territory in which the patent is granted to prevent others from, amongst other things, making, offering, putting on the market or using a product, which is the subject matter of a patent, and from using a process which is the subject matter of a patent. Trademarks are also territorial in their application and may also be limited to specific products or services. The territories in which the Group seeks to protect its intellectual property are selected so as to maintain a balance between the cost of protection and the value of the resulting intellectual property. Should the cost of maintaining adequate intellectual property protection across the selected territories rise then the Group would either need to reduce the number of territories in which it seeks to protect its intellectual property or pay the increased costs, which could have a material adverse effect on the results of operations, financial conditions and future prospects of the Group.

Once registered, a patent is generally valid for a period of 20 years from its earliest filing date. Although almost all of the Group's patents have nine years or more to run before they expire, it should be recognised that the life of a patent is limited and there is a risk that, when the Group's patents expire, the intellectual property that had been patented becomes available for exploitation by third parties, which could erode the Group's current competitive advantage and affect its future prospects.

For the reasons stated above, the Group may not be able to adequately protect and preserve its intellectual property rights or those of any third parties with which it may partner, which could materially adversely affect its results of operations, financial condition and future prospects.

Infringement of the Group's intellectual property and that of its partners

There can be no assurance that any patents, once granted, will prevent other persons or companies from developing similar technologies or products or that other persons or companies will not be issued patents that may prevent the sale of the Group's products or that will require licensing and the payment of significant fees or royalties by the Group. The Group may not be able to protect and preserve its intellectual property rights or those of any third parties with which it may partner, or to exclude competitors with competing technology products from seeking to exploit its intellectual property or finding ways to invalidate or otherwise circumvent the Group's intellectual property by producing a competing product that falls outside the scope of the Group's registrations. For example, if the Group is unable to maintain, defend or enforce its intellectual property rights covering its heavy metal (including cadmium) free quantum dots for application within the electronic display industry, third parties may be able to make products that would otherwise infringe the Group's patents, which may materially adversely affect its ability to compete in the market, its results of operations, financial condition and future prospects.

There can be no guarantee that issued patents will not be contested, invalidated or found to be invalid or unenforceable by a court of law. The activities of "patent trolls", who seek to enforce patent rights against alleged infringers without manufacturing products or supplying services based

upon the patents in question, is on the increase, particularly in the United States. Furthermore, there is no assurance that contractual obligations to maintain the Group's or its partners' know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse. The Group may need to initiate litigation or other proceedings against third parties in order to uphold its intellectual property rights, or may have such proceedings commenced against it by such third parties. No assurance can be given that claims based on a third parties' infringement of the Group's or its partners' intellectual property will be upheld by a court, whether in whole or in part. Intellectual property litigation is costly and time consuming, regardless of whether the Group wins or loses. There can be no assurance that the Group will have, or will be able to devote, sufficient resources to effectively pursue such litigation. Any unfavourable outcomes in such proceedings could limit the Group's ability to rely on its intellectual property and have a consequential effect on the scope of its business operations, financial condition and future prospects.

Infringement by the Group of intellectual property owned by third parties

The Group's products and technologies may infringe or be alleged to infringe third parties' intellectual property or rights that may be granted in the future. If the Group is sued for infringement, the Group would need to demonstrate that its product or methods either do not infringe the relevant third party rights or that the rights of the third party are invalid and there can be no guarantee that the Group will be successful in defending any such proceedings.

Any claims made against the Group for breach of a third party's intellectual property, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group's resources. Any such claims are likely to be costly and some of the Group's competitors might be able to sustain the costs of complex intellectual property infringement litigation more effectively than the Group because they have access to greater resources. Moreover, even if the Group is successful in defending any infringement proceedings, it may incur substantial costs and divert management's time and attention in doing so. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant management resource and cost, all of which could materially adversely affect the Group's business, results of operations or condition. Similarly, such claims could have a negative impact on the Group's reputation in the market and be damaging to its business.

If the Group is found to infringe a third party's rights, the Group could be required to obtain a licence from such third party to continue developing or marketing its products and technology or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms, or at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licenced to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology. A finding of infringement could prevent the Group from commercialising the infringing technology or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated confidential information or trade secrets could have a similarly negative impact on its business.

The value of the Group's intellectual property

The ability of the Group to enter into future partnership and/or licensing agreements with third parties to commercialise its technology within particular industries and for specific applications, and its relative bargaining power in any such negotiations, will be materially dependent upon and reflective of the strength and value of its intellectual property portfolio. Any future reduction in the scope and quality of the Group's portfolio, or any significant challenges to such portfolio (including, without limitation, current, pending, threatened or historical litigation) could have a material adverse effect on the ability of the Group to commercialise its technology and the future condition and prospects of the Group.

Directors and employees

Attraction and retention of key employees

The success of the Group will depend on the continued service and performance of the Directors and other key employees and whilst it has entered contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Directors or other key employees could damage the Group's

results of operations, financial condition and future prospects. The Group hopes that this risk has been mitigated against through the implementation of key man insurance in respect of Nigel Pickett and Michael Edelman. However, there is no certainty that any claims made under a key man insurance policy will be valid nor that any payments made to the Group pursuant to such policies will be sufficient to cover any resulting losses of the Group. Equally, the ability to attract new employees and in particular senior executives for the business with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

The technical ability of its employees is a key strength of the Group and the Group will continue to depend on the technical and specialist skills and experience of many employees for the development, implementation and sale of its products, particularly given the specialist nature of the market in which the Group's business currently operates. The Group's ability to recruit and retain suitably qualified and experienced staff is important for the Group's ongoing success. Whilst the Group is confident that it will continue to recruit and retain suitable staff, there is a risk that employees are attracted away from the Group. Given the highly specialised nature of many of the Group's employees this may have a detrimental effect on the business as it can often take time to recruit appropriate replacements. If technical employees were to leave the Group then this may have an adverse effect on the results of operations, financial condition and future prospects of the Group.

Replacement of Chief Financial Officer

Colin White resigned from his position as Chief Financial Officer of the Company on 31 December 2014 due to health reasons. The Company began the search for a suitable replacement immediately following his resignation and the process is ongoing. The Company is devoted to finding a highly qualified and committed replacement but cannot guarantee that an appropriate replacement will be found quickly and any new Chief Financial Officer will inevitably require a period of acclimatisation following appointment. Whilst the Company has sought to mitigate the loss of Colin through the appointment of Mark Sullivan, a man who the Directors believe to have the requisite experience to undertake the role of Chief Financial Officer and who also has intimate knowledge of the Group having worked as a consultant to Nanoco for approximately 10 years, as interim Chief Financial Officer, there is a risk that the Company's operations will be adversely affected pending the successful resolution of this appointment process.

Relationship with Dow and other key partners

The Group is heavily reliant on its relationship with Dow for the successful commercialisation of its technology in the electronic display industry. Pursuant to the Dow Agreement, Dow has exclusive rights to manufacture its products, provide logistics assistance and distribute the products and equipment. In relation to materials produced by the Group for end use in the electronic display market, Dow is solely responsible for negotiating and agreeing contracts and pricing for the Group's products. Any material breach by Dow of any of its commitments and obligations under the Dow Agreement or a significant delay in satisfying any such commitments and obligations and any termination of the Dow Agreement, or renegotiation by Dow of the Dow Agreement on detrimental terms, could have a material adverse effect on the Group's business. In the event of any such circumstances arising, the Group's only course of redress may be to pursue Dow in the courts for specific performance and/or damages and any such action could be both time-consuming and costly, and, even if successful, may not adequately compensate the Group in respect of the relevant loss of profit and/or business opportunity.

Similarly, if Dow were to suffer financial difficulty or insolvency then the Group would be required to find alternative manufacturing capacity, either in-house or with a third party, which would be likely to cause delays in the interim period and would risk damaging the reputation of the Group within the electronic display industry and accordingly would have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group is currently working closely with a large spectrum of potential OEM customers in the lighting and solar industries and research partners in the biological imaging and solar industries as well as with intermediary component manufacturers making parts such as film or lighting optics. Given the scale of manufacturing required for commercialisation in the solar industry or the regulatory constraints inherent in the biological imaging industry by way of examples, the Group will probably need to partner with appropriate third parties to fully commercialise its technology in both of those industries. Even in the lighting sector, despite the Group's initial focus on niche industries

resulting in it being able to produce components in-house and sell to manufacturers directly in the short term, the long term success of its technology in this industry will inevitably require the Group to look to enter into a suitable licensing or other third party manufacturing agreement to facilitate the scale-up of its technology. Any failure by the Group to agree commercially acceptable terms successfully with such partners, licensees and/or other third parties for the commercialisation of its technology, or following establishment, any failure of, or significant delay by, such partners and/or licensees to deliver on their obligations, or any failure of such partnership and/or licensing agreements to deliver the expected returns or results, could have a material adverse effect on the financial condition and future prospects of the Group.

Competition

Competition risks relating to the electronic display industry

The principal competition for the Group in the electronic display industry is from other quantum dot manufacturers, for example, Nanosys Inc. and QD Vision, both of which produce quantum dots containing cadmium, and Quantum Materials.

The competitive environment of the electronic display industry poses a number of potential risks to the Group, including:

- the Group's competitors and/or certain OEM's may seek to enter the market by developing (or further developing) their own cadmium-free quantum dots, which could materially impact on the Group's ability to win and to retain customers and which in turn could adversely affect the Group's market share;
- the Group's competitors may merge or form strategic partnerships, which could enhance their ability to compete with the Group;
- if the EU grants an exemption to the RoHS legislation, an application in connection with which is currently under review by the European Commission, then competitors using cadmium-containing quantum dots may divert potential customers away from the Group;
- the market may become more competitive with competing technologies, such as OLED and products using phosphor technologies, reducing the market share of products incorporating the Group's cadmium-free quantum dot technology; or
- prices could be driven down which could reduce the Group's margins and profitability or alternatively it could negatively impact on the quality of the product being produced which in turn could have a material adverse effect on the reputation of the Group within the industry.

Competition risks relating to the lighting industry

The primary opportunity for the Group's technology in the lighting industry is to supply red CFQD[®] quantum dots to enhance the quality of white LED light.

The principal competition for the Group's technology in this industry currently comes in the form of phosphor technologies which are also used to enhance the quality of white LED light. These phosphor technologies are generally produced in-house by the large lighting companies and manufacturers, some of whom will be potential OEM customers for the Group's competing cadmium-free quantum dot technology. In the event that some or all of these OEM customers fail to adopt the Group's technology this could have a material adverse effect on its business.

Competition risks relating to the solar industry

The Group has developed printing technology using solution printable nano-particles of CIGS which can be used to produce low cost solar cells rather than the current, more expensive vacuum-based manufacturing processes.

The solar market is currently dominated by c-Si panels and thin-film solutions using cadmium telluride, so products using cadmium-free quantum dots or nano-particles are currently not a significant feature of the solar industry. In the event that the technology and products produced by the Group are unable to gain traction in the market place and/or to replace in sufficient quantities existing entrenched products this could have a material adverse effect on the Group as it would materially impact on the Group's ability to win and to retain clients.

Competition risks relating to biological imaging industry

The potential competition risks associated with the Group's technology in the biological imaging industry are greater than in the other three divisions identified in its Business Expansion Strategy

because they are the furthest away from market. New unforeseen competing technologies could be developed which could result in the Group's technology becoming outdated or requiring significant additional investment by the Group before it is able to compete in this industry which could have a material adverse effect on the Group.

The *in vitro* market has begun adopting cadmium-containing quantum dot technology. There is a risk that the market will not adopt cadmium-free quantum dots.

General competition risks

The cash resources and capital available to the Group's competitors in any particular industry could be significantly greater than that available to the Group which could have a material adverse effect on the Group's ability to bring its technology to market in a cost effective and profitable manner or at all.

The competitive landscape in which the Group operates could be adversely impacted in favour of its competitors if state funded subsidies start operating within the particular industries in which the Group is active. If specific subsidies are introduced within any of the industries in which the Group is operating and seeking to commercialise its technology and are available only to the Group's competitors, it could have a material adverse effect on its business.

There may be competing products and/or competitors of which the Directors are currently unaware which could have a material adverse effect on the trading performance of the Group following Admission. The emergence of new competing technology that can be used in any of the applications in which the Group is operating could have a material adverse effect on its business.

In the event that the Group's key OEM customers decide to use their knowledge and resources to produce in-house technology that is similar to the Group's then this could have a material adverse effect on the Group's business, results of operations, financial condition and/or future prospects.

Product manufacturing

Given that the production facility in Runcorn is currently the sole manufacturing facility used by and available to the Group, if this facility were to go offline for any reason and for any period of time it would have a material adverse effect upon the Group's ability to supply its product to the market which in turn would have a material adverse effect upon its business and its financial condition.

The Group is currently reviewing whether scaling up production of its CFQD[®] quantum dots at its Runcorn facility is possible. The Group is currently able to produce small quantities of either CFQD[®] quantum dots or CFQD[®] quantum dots in resin directly from Runcorn facility. However, there are inherent risks associated with any scaling up of production in that such scale-up could either not work or could detrimentally affect the quality of the product being produced. For example in the case of CFQD[®] quantum dots produced for the electronic display industry, it could result in deficiencies with their colour or inconsistencies with their delivery. If the scaling up of production, whether at the Runcorn facility or the new facility being constructed by Dow in South Korea and referred to below, were not successful then the financial condition and future prospects of the Group may be adversely affected.

Dow is in the process of building a production facility in South Korea which will facilitate the large-scale commercialisation of the Group's technology in the electronic display industry. Any failure to bring, or significant delay in bringing, this facility on-line would have a material adverse effect on the Group's business and its financial condition and future prospects. Similarly, once this facility has commenced operations, if it were to subsequently go off-line for any reason and for any period of time or not achieve its expected performance, it would have a material adverse effect upon the Group's ability to supply its product to the market which in turn would have a material adverse effect upon its business and its financial condition.

Pending the new facility in South Korea coming on-line, the Group is manufacturing and supplying products to LG (one of Dow's OEM customers for the Group's CFQD[®] quantum dot technology within the electronic display industry). The manufacture and supply of the Group's CFQD[®] quantum dots pursuant to this arrangement falls outside the scope of the Dow Agreement and the inherent protections that that agreement provides to the Group in relation to, for example, manufacture and supply risk. In taking responsibility for the manufacture and supply of products under this agreement, the Group will be exposed to potential product liability claims and increases in shipping costs, all of which may have a material adverse effect on the Group's results of operations, financial condition or future prospects.

Whilst the current strategy of the Group as reflected in its business plan is to expand its product development into additional industries, there can be no guarantees that the Group will, or will be able to, successfully develop and/or launch any such additional products. The failure of the Group to enter additional industries successfully with its technology could have a material adverse effect on the Group's results of operations, financial condition or future prospects. In the event that the Group is successful in developing its technology for application in new industries, it will need, in due course, to address how best to manufacture those products on a commercial scale. Any failure by the Group to produce such products in-house in sufficient quantities to satisfy demand or to otherwise enter into third party manufacturing or licensing agreements on commercially acceptable terms to facilitate the manufacture and delivery of such products could adversely affect the results of operations, financial condition or future prospects of the Group.

Dependence on third party suppliers

Whilst the Group's contract manufacturers will manage their own supply chains, the Group will continue to hold relationships with (i) key component suppliers (which are likely to be used by contract manufacturers) and (ii) a more extensive supply chain to support its ongoing development activities. Whilst the Group has sought to mitigate the risk attaching to its reliance on third party suppliers through expanding its supplier base and ultimately having the ability to produce materials in-house, a supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meet the Group's quality, quantity or cost requirements, or the Group's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to it, could harm its ability to meet its contractual obligations to its customers. To the extent that the processes that the Group's suppliers use to manufacture the materials and components are proprietary, the Group may be unable to obtain comparable materials or components from alternative suppliers, which could adversely affect its ability to produce quantum dots in large volumes at low cost.

The Group has historically been loss-making and may continue to make losses

The Group has historically focussed on research and development with only limited commercialisation of its technology. Notwithstanding the commencement of commercialisation of its technology in the electronic display industry through the Dow Agreement, the Group expects to continue to make significant expenditure on research and development in order to develop further its business in the electronic display market and the three new divisions which have been identified in its strategy.

The amount of the Group's future net losses will depend, in part, on the rate of its future expenditures and its ability to obtain funding through equity or debt financings or strategic collaborations. The amount of net losses will also depend in the short to medium term on the Group's success in commercialising its technology in the electronic display industry on a larger scale, and in the medium to long term, in developing and commercialising its technology in other industries and for other applications, in each case so as to generate sufficient revenues in order to become profitable.

The Group is dependent on Dow to perform its obligations successfully pursuant to the Dow Agreement to enable the Group to develop a commercial revenue stream and ultimately become profit making. If Dow is unable to fulfil its obligations under the Dow Agreement or if the Group is unable to take any of the following steps successfully:

- increase the production volume in order to satisfy demand from its and Dow's OEM customers for application within the electronic display industry;
- produce its CFQD[®] quantum dots in a cost efficient manner;
- meet the product specifications required by its and Dow's OEM customers for application within the electronic display industry; and
- ensure its products' build costs and lifetime service costs are competitive with comparable products,

it may never operate profitably, and, even if it does achieve profitability, it may be unable to sustain or increase its profitability in the future.

In order for the Group to achieve and sustain profitability in the other industries outside of consumer electronic display which it is targeting through the Business Expansion Strategy, it will need to take the following steps successfully:

- introduce its products for application within the relevant industries on which it is focused;
- produce its technology at the requisite volume in order to satisfy demand for application within the relevant industry;
- produce its technology for application within the relevant industry in a cost efficient manner;
- meet the product specifications required by its clients for application in the relevant industry;
- accurately evaluate the markets for, and react to, competitive threats in the relevant technologies for application within the relevant industry; and
- ensure that its products' build costs and lifetime service costs are competitive with comparable products within the relevant industry.

If the Group is unable to take the aforementioned steps successfully, it may never operate profitably within any of its targeted industries, and, even if it does achieve profitability, it may be unable to sustain or increase its profitability within those industries in the future.

The Group's failure to become and remain profitable could depress the value of the Ordinary Shares and could impair its ability to raise capital, expand its business, maintain its research and development efforts, diversify its product offerings or even continue in operation.

Expansion into new markets

The Group has recently begun the commercialisation of its CFQD[®] quantum dot technology in the electronic display industry through the Dow Agreement and has targeted lighting, solar and biological imaging as three further markets in which to focus its technological development. There are no guarantees that the Group will be able to implement the strategy detailed in the Business Expansion Strategy and as described in this Prospectus successfully or at all. The ability of the Group to implement its strategy in a competitive market will require effective management planning and operational controls. If the Group fails to implement its strategy as set out in the Business Expansion Strategy then this may have a material adverse effect on the Group's results of operations, financial condition and future prospects.

The Group may require further funding in the future, the availability of which is uncertain

Having analysed the Group's capital and operating expenditure requirements over the short to medium term and taking into account existing cash, bank and other facilities available to the Group and the net proceeds receivable by the Company from the issue of the New Ordinary Shares pursuant to the Placing, the Company is of the opinion that the working capital of the Group is sufficient for its present requirements, that is, for at least 12 months from the date of publication of this Prospectus.

However, in order to implement the Business Expansion Strategy and to fully commercialise all of the Group's future technological output, the Group may require further funding in the future. The ability of the Group to secure any such additional financing will be subject to a number of factors, including the Group's operating performance and financial condition, as well as market conditions and other factors beyond the control of the Group. These factors could also make the terms and conditions of additional financing unattractive for the Group. The Group therefore may not be able to raise additional funds when needed and as a result its ability to implement its strategy for growth set out in the Business Expansion Strategy and described in this Prospectus could be materially adversely affected.

Research and development risk

The Group will be engaged in developing new technology solutions to address specific market needs identified by the Directors from time to time. The Group will therefore be involved in complex scientific areas and industry experience indicates this can result in a very high incidence of delay or failure to produce results. Therefore the Group may not be able to develop new technology solutions or may identify specific market needs that can be addressed by technology solutions developed by the Group. The ability of the Group to develop new technology relies partly on the recruitment and retention of appropriately qualified staff as the Group grows. The Group may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop new technologies as planned. In addition, novel chemical reagents may face potential regulatory barriers which, by their nature, will vary, for example, by application, geography, and volume of business and thus are difficult to anticipate at present.

Regulation

Certain of the Group's competitors produce cadmium-based quantum dots. The use of cadmium is prohibited within the EU pursuant to the RoHS legislation, and its use is also limited elsewhere in the world through legislative restrictions. This prohibition places the Group, with its focus on cadmium-free quantum dots, at a significant competitive advantage within the EU in particular but also within those other jurisdictions where the use of cadmium is restricted. In the event that the strict regulations surrounding the use of cadmium are softened or the proposed three year exemption to the prohibition which is currently being considered by the EU is ultimately approved, the Group will be subject to greater competition and certain OEM customers might decide not to adopt the Group's technology, the occurrence of any of which events may have a material adverse effect on the Group's results of operations, financial condition and future prospects.

The failure of the Group's technology to comply with specific regulatory requirements could place the Group at a competitive disadvantage whilst the costs of complying with such regulatory requirements could be prohibitive and undermine the Group's ability to commercialise its technology profitably. Whilst the Group's current technology complies with regulations, such regulatory requirements may change over time. New technology developed by the Group may be subject to enhanced regulatory requirements. The biological imaging industry, in particular in relation to *in vivo* imaging, is subject to a high level of regulation and technologies require prior regulatory approvals before being accepted for use. Even where the Group's technology obtains the requisite regulatory approval in a specific jurisdiction, regulatory authorities may still impose significant restrictions on the indicated uses or marketing of such products, or impose on-going requirements for potentially costly post-approval studies.

Taxation

The attention of potential investors is drawn to paragraphs 26 and 27 of Part XIV: "Additional Information" of this Prospectus. The tax rules and their interpretation relating to an investment in the Group may change during the life of the Group.

Any change in the Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Group or the Group's ability to provide returns to its shareholders or alter the post-tax returns to shareholders. Representations in this Prospectus concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

The Group has historically received significant tax refunds from the government due to the heavy research and development costs the Group has incurred. If the government were to change this policy or, in the worst case scenario, withdraw such tax benefits completely then the Group could, in the short term, no longer receive any tax refund and therefore report lower post-tax results and in the longer term, be faced with a higher tax bill.

Currency risks

The majority of the Group's current revenue is obtained in U.S. Dollars whilst future revenue may be in another non-pounds sterling currency. Due to the unpredictable nature of currency exchange rates, the Group cannot guarantee against any losses which may be incurred as a result and its performance might therefore be subject to exchange rate fluctuations.

The revenue which the Group derives from foreign currency transactions may vary depending on the geographic locations of its customers from time to time, because customers may become more sensitive to the price charged for foreign currency transactions required to be undertaken and therefore may require that the Group reduces any fee charged which would reduce the revenue of the Group from foreign currency transactions. Either of the foregoing factors could have a material adverse effect on the Group's results of operations, financial conditions and future prospects.

In preparing its consolidated financial statements, the Group converts into pounds sterling its non-pounds sterling denominated assets and liabilities. These non-pounds sterling assets and liabilities of the Group are denominated in U.S. Dollars, Euros and other currencies. The Group's exposure to this translational currency risk impacts on its results of operations, balance sheet and cash flows. Any changes in these exchange rates could have an adverse effect on the Group's results of operations, financial condition and future prospects.

Geo-political risks

The Group may be subject to various risks associated with conducting its business and its operations in international markets. Any global economic downturn could have an effect on the desire and/or ability of both OEM customers and end-user consumers to purchase the Group's products.

The Group may also face challenges resulting from political instability, wars, terrorism, regional and/or multinational conflicts, natural disasters, epidemics and strikes. The location of the Dow production facility in South Korea and its proximity to the politically unstable territory of North Korea provides an additional potential risk in this regard.

If any of the geo-political risks set forth in this Section were to occur then these may result in significant or prolonged disruptions or delays in the Group's operations and might have a material adverse effect on the Group's results of operations, financial condition and future prospects.

Risks relating to the Ordinary Shares

The Ordinary Shares may be subject to market price volatility and their value may decrease as well as increase

Following Admission, it is likely that the price of the Ordinary Shares will fluctuate and may not always accurately reflect the underlying value of the Group's businesses. The value of the Ordinary Shares may decrease as well as increase and investors may realise less than the original sum invested. The Placing Price may not be indicative of prices that will prevail in the trading market. The price that investors may realise for their holdings of Ordinary Shares, when they are able to do so, may be influenced by a large number of factors including, but not limited to, those referred to in these risk factors, as well as period-to-period variations in operating results or changes in revenue or profit estimates by the Company industry participants or financial analysts. The market price of the Ordinary Shares could also be affected by developments many of which are outside the Group's control. These factors could include, for example, the possibility that the market for the Ordinary Shares is less liquid than for other equity securities, that the price of the Ordinary Shares is relatively volatile, legislative changes and general economic, political or regulatory conditions. Investors may not be able to sell their Ordinary Shares at or above the Placing Price.

There is no guarantee that an active trading market for the Ordinary Shares will develop or that the Main Market will provide an increased liquidity in the Ordinary Shares

The liquidity of the Ordinary Shares on the Main Market will be influenced by a large number of factors, some specific to the Group, its proposed operations and its ability to implement the Business Expansion Strategy and others outside its control and unrelated to the Company's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Company, speculation about the Company in the press or the investment community, strategic actions by competitors, including acquisitions and/or restructurings, changes in market conditions and regulatory changes in any number of countries, whether or not the Company derives significant revenue from them. There can be no guarantee that following Admission an active secondary market in the Ordinary Shares will develop or, if developed, that it will be maintained or that Admission will result in an increase in the liquidity of the Ordinary Shares.

There are no guarantees that the Group will pay dividends or the level of any such dividends

The Company's results of operations could fluctuate and the ability of the Company to pay dividends is dependent on, amongst other things, its achieving sufficient profits. The Company might not pay dividends if the Directors believe this would cause any Group member to be less than adequately capitalised, if there are otherwise insufficient distributable reserves or for any other reason the Directors conclude it would not be in the best interests of the Company. Future dividends will depend on, amongst other things, the Company's future profits, financial position, general economic conditions and other factors that the Directors consider significant from time to time. There can be no assurance that the Company will pay dividends or if it does pay dividends, as to the amount of such dividends and consequently therefore Shareholders may not receive their anticipated income stream.

An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling may be affected by exchange rate fluctuations

The Ordinary Shares are to be traded, and any cash dividends to be paid in respect of them will be, in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of

pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in relation to such foreign currency.

When the lock-up arrangements to which the Company and the Directors are subject expire, more Ordinary Shares may become available on the market

Subject to certain limited exceptions, the Directors will be prevented from selling Ordinary Shares held by them for a period commencing on the date of the Lock-in Agreement and ending 180 days after the date of Admission. Similarly, the Company will be restricted, subject to certain limited exceptions, for the period commencing on the date of the Placing and Underwriting Agreement and ending 180 days following the date of Admission, from issuing Ordinary Shares. On the expiry of these periods, the Company may issue Ordinary Shares and the Directors will be free (subject to applicable laws) to sell the Ordinary Shares held by them. The end of restrictions on the sale of Ordinary Shares held by the Directors and the issue of new Ordinary Shares by the Company, will increase the number of Ordinary Shares available for sale and may have a material adverse effect on the market price of the Ordinary Shares.

Other than in connection with Admission and the Placing and pursuant to the Employee Share Plans or other similar incentive arrangements, the Company has no current plans to offer Ordinary Shares within the next 12 months. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future, either to raise capital or for other purposes, including in respect of potential acquisitions or investments which the Group may undertake as part of its growth strategy. Subject to any applicable pre-emption rights, an additional offering may have a dilutive effect on the holdings of Shareholders and could have an adverse effect on the market price of Ordinary Shares as a whole.

Similarly, Directors selling additional Ordinary Shares, or the Company issuing additional Ordinary Shares, may affect the confidence of the market in the Ordinary Shares and cause the market price of the Ordinary Shares to fall.

Investors may not be able to participate in rights offerings or elect to receive dividends and may experience dilution of holdings

The Company may, from time to time, distribute rights to its Shareholders, including rights to acquire securities. Holders of the Ordinary Shares located in the United States will not be able to exercise these rights, unless the distribution and sale of rights and the securities to which these rights relate are either exempt from, or not subject to, registration under the Securities Act, with respect to all holders of the Ordinary Shares, or are registered under the Securities Act. There can be no assurance that the Company will be able to establish an exemption from registration under the Securities Act or, if such an exemption is available, that the Company will utilise it, and the Company is under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavour to have a registration statement declared effective under the Securities Act. Accordingly, holders of the Ordinary Shares located in the United States may be unable to participate in rights offerings and may experience dilution of their holdings as a result. In addition, if the rights that are not exercised or not distributed are not sold or if the sale is not lawful or reasonably practicable, the Company will allow the rights to lapse, in which case holders of such Ordinary Shares will receive no value for these rights.

The Company may offer, from time to time, a stock dividend election to all holders of the Ordinary Shares subject to applicable securities laws, in respect of future dividends. However, the Company will not permit holders of the Ordinary Shares located in the United States to exercise such election unless the issuance of Ordinary Shares pursuant to such election is either exempt from, or not subject to, registration under the Securities Act or registered under the Securities Act. There can be no assurance that the Company will be able to establish an exemption from registration under the Securities Act or, if such an exemption is available, that the Company will utilise it, and the Company is under no obligation to file a registration statement with respect to Ordinary Shares issuable pursuant to these elections or to endeavour to have a registration statement declared effective under the Securities Act. In addition, the Company may choose not to offer such election to certain holders of the Ordinary Shares, and may instead offer such holders of Ordinary Shares dividends in the form of cash only. Accordingly, holders of the Ordinary Shares located in the United States may be unable to elect to receive dividends in the form of Ordinary Shares rather than cash and, as a result, may experience dilution of their holdings.

Not all rights available to shareholders under U.S. law will be available to holders of the Ordinary Shares

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical U.S. companies. The rights of holders of the Ordinary Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances under which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a U.S. company.

Shareholders may have difficulty in effecting service of process on the Company or the Directors or officers of the Company in the United States, in enforcing U.S. judgements in the United Kingdom or in enforcing U.S. federal securities laws in UK courts

Most of the Directors and officers of the Company are residents of the United Kingdom and substantially all of the assets of the Company, the Directors and the Company's officers are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process in the United States upon all of the Directors or officers of the Company or on the Company, or to obtain discovery of relevant documents and/or testimony of witnesses. U.S. Shareholders may have difficulties enforcing in courts outside the United States judgements obtained in U.S. courts against some of the Directors, officers or the Company. In particular, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgement of a U.S. court for a liquidated amount as a debt enforceable by fresh proceedings in English courts. Also, there is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgements of the U.S. courts, of civil liabilities predicated upon U.S. federal securities laws.

PART III: EXPECTED TIMETABLE OF PRINCIPAL EVENTS, PLACING STATISTICS AND DEALING CODES

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and date
GM Circular issued	31 March 2015
Prospectus published	31 March 2015
20 Business Day notice of intention to de-list from AIM submitted to the London Stock Exchange	31 March 2015
General Meeting held	2.00 p.m. on 22 April 2015
Announcement of the results of the General Meeting and Placing through a Regulatory Information Service announcement	23 April 2015
Last day of dealings on AIM	30 April 2015
Admission and expected commencement of dealings in Ordinary Shares on the London Stock Exchange ⁽¹⁾	8.00 a.m. on 1 May 2015
CREST accounts to be credited	8.00 a.m. on 1 May 2015
Despatch of definitive share certificates (where applicable) ⁽²⁾	Week commencing 11 May 2015

Each of the times and dates in the timetable above is subject to change without further notice. References to a time of day are to London Time.

Notes:

- (1) Or as soon as practicable thereafter. No temporary documents of title will be issued.
(2) Or as soon as practicable thereafter.

PLACING STATISTICS

Placing Price (per New Ordinary Share)	105 pence
Number of New Ordinary Shares to be issued under the Placing	19,047,619
Existing Share Capital	217,330,383
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares to be issued under the Placing	8.06%
Enlarged Share Capital	236,378,002
Market capitalisation of the Company following the Placing	£248,196,902
Gross Placing Proceeds	£20,000,000
Net proceeds of the Placing receivable by the Company ⁽¹⁾	£18,650,000

Notes:

- (1) Net proceeds receivable by the Company are stated after deduction of Placing commissions (calculated on the basis explained in paragraph 31 of Part XIV: "Additional Information" of this Prospectus) and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission.

DEALING CODES

The dealing codes for the Ordinary Shares will be as follows:

ISIN	GB00B01JLR99
SEDOL	B01JLR9

PART IV: DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISORS

Directors	Anthony Clinch (Non-executive Chairman) Dr Michael Edelman (Chief Executive Officer) Keith Wiggins (Chief Operating Officer) Dr Nigel Pickett (Chief Technology Officer) Gordon Hall (Non-Executive Director) Dr Peter Rowley (Non-Executive Director) Robin Williams (Non-Executive Director)
Company secretary	Mark Sullivan
Registered Office	46 Grafton Street Manchester M13 9NT Tel: +44 (0)161 603 7900
Principal Place of Business and business address of the Directors	46 Grafton Street Manchester M13 9NT
Sponsor and Joint-Bookrunner	Canaccord Genuity Limited 8th Floor, 88 Wood Street London EC2V 7QR
Joint-Bookrunner	Liberum Capital Limited Level 12, Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Legal Advisors to the Company as to English and U.S. Law	King & Wood Mallesons LLP 10 Queen Street Place London EC4R 1BE
Legal Advisors to the Sponsors, Financial Advisors and Joint Bookrunners as to English and U.S. Law	Dorsey & Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT
Legal Advisor to the Company as to intellectual property aspects of U.S. Law	Wong, Cabello, Lutsch, Rutherford & Brucculeri LLP 20333 SH 249 Suite 600 Houston Texas 77070
Auditor and Reporting Accountant to the Company	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Registrar	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 9NT

PART V: PRESENTATION OF INFORMATION

1 DISTRIBUTION OF THE PROSPECTUS

Recipients of this Prospectus are authorised to use it solely for the purpose of considering an investment in the New Ordinary Shares and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information contained in it for any purpose other than considering an investment in the New Ordinary Shares. Recipients of this Prospectus agree to these restrictions by accepting delivery of this Prospectus.

2 PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Prospectus, the term “Group” refers to the Company and its subsidiaries. Unless otherwise indicated, financial information in this Prospectus has been prepared on the basis set out in Note 2 of the consolidated historical financial information in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus. IFRS differ in certain significant respects from U.S. GAAP. Investors should seek their own advice on the differences between IFRS and U.S. GAAP.

The consolidated historical financial information contained in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus with respect to the Company for the financial years ended 31 July 2012, 31 July 2013 and 31 July 2014 and the three month periods ended 31 October 2013 and 31 October 2014 has been prepared in accordance with IFRS. The consolidated historical financial information for the financial years ended 31 July 2012, 31 July 2013 and 31 July 2014 and the three months ended 31 October 2014 (but not the comparative financial information for the three months ended 31 October 2013) has been audited. Unless otherwise indicated, financial information set out below has been extracted without material adjustment from the financial information set out in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus.

The unaudited interim financial information contained in Part XI: “Unaudited Financial Information” of this Prospectus with respect to the Company for the six months to 31 January 2014 and the six months to 31 January 2015 has been prepared in accordance with IFRS. The unaudited interim financial information for the six months to 31 January 2014 and the six months to 31 January 2015 has not been audited.

None of the financial information used in this Prospectus has been audited in accordance with U.S. GAAS or auditing standards of the Public Company Accounting Oversight Board (United States) (in this Part V, “PCAOB”). U.S. GAAS and the auditing standards of the PCAOB do not provide for the expression of an opinion on accounting standards which have not been finalised and are still subject to modification, as is the case with accounting standards as adopted for use in the EU and included in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus. Accordingly, it would not be possible to express any opinion on the financial information in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus under U.S. GAAS or the auditing standards of the PCAOB. In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by U.S. GAAS or the auditing standards of the PCAOB. Investors should seek their own advice to gain an understanding of the financial information in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus and the implications of differences between the auditing standards noted therein.

The non-financial operating data included in this Prospectus has been extracted without material adjustment from the management records of the Group and are unaudited.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure for that column or row.

3 CURRENCIES

In this Prospectus references to “pounds sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom, references to “U.S. Dollars”, “USD”, “U.S.\$” or “\$” are to the lawful currency of the United States of America, references to “Euros” or “€” are to the single currency of those relevant adopting member states of the EU, and references to “Yen” are to the lawful currency of Japan.

The Placing Price will be stated in pence sterling.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. The functional currency of the Company is pounds sterling, as is the reporting currency of the Group. Transactions not already measured in pounds sterling have been translated into pounds sterling in accordance with the relevant provisions of IAS 21. On consolidation, income statements of subsidiaries for which pounds sterling is not the functional currency are translated into pounds sterling, the presentation currency for the Group, at average rates of exchange. Balance sheet items are translated into pounds sterling at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into pounds sterling at the rate indicated, at any other rate or at all.

4 FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Group’s and/or the Directors’ intentions, beliefs or current expectations concerning, among other things, the Group’s business, results of operations, financial position, liquidity, prospects, growth and strategies.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations, financial position and liquidity, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- materially adverse changes in economic or industry conditions generally or in the markets served by the Group;
- change in costs; and
- other factors discussed in Part II: “Risk Factors”, Part VI: “Information on the Company and the Group” and Part IX: “Operating and Financial Review” of this Prospectus.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Group’s current view as at the date of this Prospectus with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s business, results of operations, financial condition, liquidity, prospects, growth and strategies. Investors should specifically consider the factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Subject to the requirements of the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules, the Company undertakes no obligation publicly to release the result of any updates or revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company’s and/or the Directors’ expectations or to reflect events or circumstances after the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision. Investors and Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Prospectus.

5 MARKET, ECONOMIC AND INDUSTRY DATA

This Prospectus includes market share and industry data and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this Prospectus, the Company has obtained market and industry data relating to the Group's business from providers of industry data, including:

- WinterGreen Research, Quantum Dot and Quantum Dot Display (QLED): Market Shares, Strategy, and Forecasts, Worldwide (2012-2019), published 2012;
- McKinsey & Company, Lighting the Way: Perspectives on the Global Lighting Market (July 2011);
- International Energy Agency (IEA), Technology Roadmap: Solar Photovoltaic Energy: 2014 Edition, published 2014; and
- Markets&Markets, Quantum Dots (QD) Market Global Forecast & Analysis (2012-2022), published 2012.

In addition, as noted in this Prospectus, the Company has referred to relevant regulation and legislation relating to the Group's business, including:

- European Commission Directive 2011/65/EU, Restriction of the Use of Certain Hazardous Substances (RoHS).

6 THIRD PARTY REPORTS

The Company has commissioned Wong Cabello to produce a report on its intellectual property portfolio, a copy of which can be found in Part VIII: "Patent Report on the Group" of this Prospectus.

All other sources referenced in this Prospectus are publicly available or historically commissioned reports, and are not expert reports for the purposes of the Prospectus Rules. The Company has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. Statements or estimates as to the Group's market position, which are not attributed to independent sources, are based on market data or internal information currently available to the Company. The Company confirms that information sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published from third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

7 ENFORCEABILITY OF U.S. JUDGMENTS

The Company is a holding company incorporated under the laws of England and Wales with business operations conducted through various subsidiary undertakings. With the exception of Michael Edelman, all of the Directors and officers of the Company reside outside the United States. In addition, substantially all of the assets of the Company, the Directors and the Company's officers are located outside the United States. As a result, it may not be possible for U.S. investors to effect service of process within the United States upon the Company or its Directors and officers located outside the United States or to enforce against them any judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state or territory within the United States. In particular, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgement of a U.S. court for a liquidated amount as a debt enforceable by fresh proceedings in English courts. Also, there is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgements of the U.S. courts, of civil liabilities predicated upon U.S. federal securities laws.

8 NO INCORPORATION OF WEBSITE INFORMATION

Information contained on the Group's website is not incorporated into and does not form part of this Prospectus.

9 REFERENCES TO DEFINED TERMS

Certain terms used in this Prospectus, including certain capitalised terms and certain technical and other terms are defined in Part XV: "Definitions and Glossary of Technical Terms" of this Prospectus.

10 GENERAL NOTICE

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for prospective investors' information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate independent professional advisor for specific advice rendered on the basis of their particular situation.

PART VI: INFORMATION ON THE COMPANY AND GROUP

1 INTRODUCTION

Company overview, history and areas of operation

The Group is a leading nanotechnology business involved in the research, development and manufacture of fluorescent, heavy metal-free, semi-conducting materials called cadmium-free quantum dots (“CFQD[®]”) and other heavy metal-free nano-materials. Headquartered in Manchester, United Kingdom, as at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, the Group had a total of 109 staff (including the Non-executive Directors and consultants), with the majority based at this location. The Group also operates a second facility in Runcorn, United Kingdom, as well as having a presence in Boston, USA and operations in Asia.

The Group was created in April 2009 through the reverse acquisition of Nanoco Tech Limited by Evolutec Group plc in conjunction with which transaction Evolutec Group plc changed its name to Nanoco Group Plc and secured its re-admission to trading on AIM with effect from 1 May 2009.

Nanoco Tech Limited was incorporated in June 2006 with the name Nanoco Tech Public Limited Company as the parent company of Nanoco Technologies. Nanoco Technologies Limited was founded in 2001 by Professor Paul O’Brien and Dr Nigel Pickett, in order to progress the R&D of quantum dot technology that was previously developed at the University of Manchester and Imperial College London.

The Board’s vision is that the Group will become a leading global material science business. The Board intends to utilise the Group’s platform technology, covering both quantum dots and other nano-materials, to access multiple end use markets to achieve this goal.

The Group’s technology, its advantages and applications in end markets

Quantum dots are tiny particles of a semiconductor material which are typically between 10 and 100 atoms in diameter, approximately 1/10,000th the width of a human hair, and because of their small size, display useful optical and electrical properties that are different in character from those of the same material in bulk. Quantum dots provide a versatile platform technology, with possible uses in a wide range of applications. These quantum dot based applications have the potential to offer significant benefits in performance and energy savings compared to those materials currently used today.

The most immediately apparent property of quantum dots is the emission of photons under excitation, which are visible to the human eye as light. The wavelength of these photon emissions depends on the size of the quantum dot. The ability to precisely control the size of a quantum dot enables the manufacturer to determine the wavelength of the emission, which in turn determines the colour of light the human eye perceives. Quantum dots can therefore be tuned during production to emit any colour of light desired. The smaller the dot, the closer it is to the blue end of the spectrum, and the larger the dot, the closer to the red end of the spectrum. Quantum dots can also be tuned beyond visible light, into the infra-red or ultra-violet parts of the spectrum.

Quantum dot technology has potential applications in a number of industries where there is a requirement for colour, imaging or the manipulation of light.

The Group’s CFQD[®] quantum dot technology has been, and continues to be, developed to address three key challenges in the development and manufacturing of quantum dots:

- (a) firstly, the requirement that its quantum dots should be produced free of highly regulated heavy metals;
- (b) secondly, the requirement for these heavy metal free quantum dots to be manufactured in sufficient commercial volumes to satisfy demand from customers looking to incorporate them into their consumer facing products whilst maintaining the high efficiency characteristics that made them attractive to producers and end user consumers in the first place; and
- (c) thirdly, the requirement to deliver commercial volumes of these highly efficient heavy metal free quantum dots to producers in a consistently reliable state to facilitate long term use in end user products.

Each of these three key challenges are discussed and explained in more detail in paragraph 4 (The Group’s Technology) of this Part VI.

The Group's patented molecular seeding process allows for the production of uniform, high quality and efficient heavy metal-free quantum dots on a commercial scale. Having sought at the outset to address the three key challenges in the development and manufacturing of quantum dots detailed above, the Directors believe that the Group is significantly closer than any other business to achieving the capability to successfully produce high quality cadmium free quantum dots in a cost efficient manner on a commercial scale.

Development and commercialisation of the Group's technology

The Group's core focus to date for the application of its technology has been within the electronic display industry, the initial commercialisation of which is likely to be through quantum dot containing LCD televisions which, though in the early stages of development, are starting to gain traction in the display market with Displaysearch forecasting that 1.3 million quantum dot containing LCD televisions will be shipped during 2015, rising to 18.7 million in 2018.

Through LG's commercial agreement with Dow, the Group's exclusive global licensing partner in the display industry, the Group's CFQD[®] quantum dots will feature in LG's new range of large screen (55 inch to 65 inch) Ultra HD 4k televisions, which were unveiled at the 2015 Consumer Electronics Show in Las Vegas and which are expected to be available to consumers during 2015. Other manufacturers, for example Samsung, have also stated an intention to incorporate quantum dot technology into their LCD television ranges and the Directors therefore believe that LCD televisions offers a potentially large addressable market for the Group's CFQD[®] quantum dots.

In order to satisfy this expected increase in demand for the Group's CFQD[®] quantum dots, in the immediate term for application within LCD televisions, Dow is currently building a large-scale heavy metal-free quantum dot manufacturing facility in Choenan, South Korea. The Directors believe that the decision by Dow to commence production of this facility supports the Directors' belief in the Group's patented molecular seeding process and the capability for the Group's technology to be produced in a uniform, high quality, efficient manner on a commercial scale and ultimately at yields which will make it commercially viable.

However, in order for Dow to be able to manufacture commercial quantities of the Group's CFQD[®] quantum dots for application within LCD televisions at yields which make production commercially viable, further development will be required to be undertaken by the Group, specifically in the short term to optimise the production process and to maximise efficiencies by minimising the amount of product which ultimately has to be discarded.

This refinement and optimisation process is an inherent, expected and normal part of developing new technologies and bringing them to market and is currently, and will continue to be, on-going. To this end, development work is currently being undertaken at the Group's production facility in Runcorn and will continue once Dow's facility in South Korea is operational, supported in the short to medium term through the planned recruitment of the additional production staff discussed further in paragraph 6 (Reasons for the move to the Main Market and Use of Proceeds) of this Part VI below, several of whom it is anticipated will work closely with Dow in order to address specific issues arising in connection with the commercialisation of the production process for the display industry.

Rather than being the final step in the commercialisation process, the decision by Dow to commence construction of its large-scale production facility in South Korea is therefore simply the next in a number of anticipated steps towards the large-scale commercialisation of the Group's technology within the electronic display industry, which is being driven initially through LG's first generation of LCD televisions containing the Group's CFQD[®] quantum dots which were unveiled at the 2015 Consumer Electronics Show in Las Vegas and which are expected to be available to consumers during 2015.

The initial launch by LG of its first generation of LCD televisions containing the Group's CFQD[®] quantum dots is expected to be in Korea, the CFQD[®] quantum dots for which will be supplied out of the Group's Runcorn facility pending Dow's production facility in South Korea coming on line. Development work to optimise the production process by increasing efficiencies and commercial yield is therefore expected to be undertaken contemporaneously with any initial launch of, and to continue throughout the initial scale up in commercialisation of, these first generation televisions by LG.

Given the continual demands within the technology industry to innovate and progress, the Directors expect the Group to continue to have a significant amount of R&D spend in the medium to long term to support the continued development and optimisation of its technology for the next

generations of LCD televisions containing its CFQD[®] quantum dots which they expect to be released over the next several years.

The Directors currently expect the Group's longer term R&D focus within the electronic display industry to be on developing new generations of its CFQD[®] quantum dots with enhanced performance as well as developing additional colours, continuing to improve the optimisation of the production process and responding to the specific requirements of Dow's OEM customers.

In the medium to long term, the Group will seek to progress the R&D of its technology for application within the three other industries it is targeting through its Business Expansion Strategy, with the ultimate objective of achieving commercialisation of its products in each of those industries. This objective will be supported in the short to medium term through the planned recruitment of the additional research scientists discussed further in paragraph 6 (Reasons for the move to the Main Market and use of proceeds) of this Part VI who will focus on the three targeted industries outside of display and the recruitment of the additional production staff discussed further in paragraph 6 (Reasons for the move to the main market and use of proceeds) of this Part VI who will focus on improving in general terms the production process for the Group's CFQD[®] quantum dot materials.

In addition, through Nanoco's research into quantum dots, the Group has gained significant expertise in and developed proprietary processes for the creation of nano-materials which have further potential applications outside of quantum dot technology; for example the production of solar cells utilising solution printable nano-particles of CIGS.

The intellectual property supporting the Group's technology

The Directors intend to assign further resources to the development of additional potential applications in the future.

The Group's core intellectual property revolves around five key areas:

- i) the material composition of CFQD[®] quantum dots;
- ii) CFQD[®] quantum dot mass production processes;
- iii) CFQD[®] quantum dot surface chemistry;
- iv) CFQD[®] quantum dots for devices; and
- v) solar cell technology based on solution printable nano-particles of CIGS.

With this technology, the Group has identified four key addressable areas of application on which it intends to focus in accordance with its Business Expansion Strategy:

- i) electronic displays (for instance, LCD display such as televisions);
- ii) LED lighting (for both commercial and residential use);
- iii) solar panels; and
- iv) biological imaging (for instance, for use in cancer imaging).

Each of these end markets is large and the Directors believe that each market is a multi-million U.S. Dollar opportunity for the Group representing a significant revenue generation opportunity. In the near term, the Group's primary target market is electronic displays with the Group's CFQD[®] quantum dots offering enhanced colour, enhanced energy efficiency and seamless integration into the existing LCD display production processes. In the medium term, the Group expects to develop materials which will assist with entry into the lighting, solar and *in vitro* biological imaging markets. The Directors believe that the approval of materials for *in vivo* biological imaging will take longer to achieve primarily due to the level of regulation which typically accompanies this area of potential application.

Business model

Nanoco's business model has historically been to establish strategic partnerships, typically with large global electronics corporations, and to enter into joint development agreements with quantum dot application developers across a wide range of end products and industry sectors. In these development partnerships, Nanoco has focused on its CFQD[®] quantum dot materials and embedding the CFQD[®] quantum dots in various applications whilst the application developer has focused on the end use application itself. Nanoco has historically been loss-making, generating revenue under the joint development agreements following specific pre-agreed technical 'milestones' being achieved which, in combination with receiving funding grants, has enabled Nanoco to continue its R&D activities. Once

a joint development agreement is completed, Nanoco's strategy has historically been for the Group's CFQD[®] quantum dot materials to be supplied under a licensing agreement, for which it has received royalty revenue and/or direct payments for the manufacture and sale of CFQD[®] quantum dot materials.

Outside the application of its technology within the electronic display industry, which is covered by the Dow Agreement, the Group is free to develop whatever business model is best suited for the application of its technology in the other three industries it is targeting through its Business Expansion Strategy. This could include, for example, manufacturing the material themselves, adopting the licensing/partnering with third party approach that it has historically adopted or a hybrid of the two. Notwithstanding the approach ultimately adopted, however, the Board believe it is likely in the long term that the Group will need to explore some form of suitable licensing or third party partnership arrangement in each of the targeted industries in the event that its technology gains commercial traction in each of those industries.

Partnership agreements

In January 2013, the Group entered into the Dow Agreement pursuant to which it licensed its CFQD[®] quantum dot technology to Dow, a global leader within the chemicals and technology space which in 2013 recorded sales of \$57bn and reported employing 53,000 members of staff. The Dow Agreement provides Dow with exclusive worldwide rights to manufacture, market and sell the Group's CFQD[®] quantum dot technology for use in electronic displays. The Dow Agreement is royalty bearing, exclusive both ways, long term and limited to the electronic display industry only. Based on the Group's technology, and its entry into the licence agreement, Dow announced in September 2014 that it would begin construction of the world's first large-scale CFQD[®] quantum dot manufacturing plant capable of supporting the manufacture of millions of televisions and other displays containing the Group's CFQD[®] quantum dots. The Directors currently believe that Dow will commence CFQD[®] quantum dot production at this new facility around mid-2015 although they do not expect to receive any royalty revenue from Dow during the financial year ending 31 July 2015.

The Dow Agreement is summarised in more detail in paragraph 21.3 of Part XIV "Additional Information" of this Prospectus.

Since entering into the Dow Agreement, Dow has signed a partnering agreement with LG to supply the Group's CFQD[®] quantum dots for LG's ultra HD 4K TV range. Prior to Dow's production facility in South Korea coming on stream, the Group will continue to manufacture limited quantities of its CFQD[®] quantum dots at the Group's Runcorn facility for supply on an ad hoc basis to LG and other OEMs. Once the Dow manufacturing facility in South Korea has been finished and is fully operational, the Group's Runcorn facility will be used to manufacture CFQD[®] quantum dots for niche applications, to satisfy incremental demand from Dow following commencement of operations at its new facility in South Korea and to assist with the commercialisation of the Group's lighting products.

In August 2011, the Group signed the first of several joint development agreements with Osram, most recently signing a 12 month follow-on agreement in September 2014 for the continued development of quantum dot lighting applications.

The Group has recently begun 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, the Group is developing LED linear strips and LED flat panels for use in architectural lighting.

Reason for the move to the Main Market and use of proceeds

The Company intends to apply for admission to the Main Market as the Directors believe it will provide a more appropriate platform for the continued growth of the business, raise its profile and ultimately improve its trading liquidity.

The Group intends to raise the Gross Placing Proceeds to fund further research and development of its technology, which the Directors believe will enable the Group to pursue its strategy and commercialise its technology in all of the target markets identified in its Business Expansion Strategy. Further information relating to the use of proceeds is discussed in paragraph 6 (Reasons for the Move to the Main Market and Use of Proceeds) of this Part VI.

2 KEY STRENGTHS

Developed technology with multiple applications

The Group's CFQD[®] quantum dot technology and developed production processes enable it to produce a product free from all heavy and precious metals in a cost efficient manner. The Directors believe that the Group's technology could have multiple applications in a diverse mix of markets including, but not limited to, the four markets identified as key targets in the Business Expansion Strategy. The electronic display market is responsible for the Group's near-term revenue opportunities, which the Directors believe will grow significantly following the commencement of production at Dow's new facility in South Korea and the resulting scale-up in production capacity of the Group's CFQD[®] quantum dots for application within the electronic display industry that that new facility will provide. It is estimated that the global electronic display materials market will be worth approximately \$120 billion by 2018 while the Directors believe approximately \$7.5 billion represents the addressable market for the Group. As further detailed in paragraph 5 below, the Directors also believe that quantum dots will have near-term applications in the lighting market while other longer-term prospective markets include the use of quantum dots in biological imaging and the use of the Group's processes in the production of solar panels, which could enable the Group to access additional markets.

The Directors believe that all four of the market segments identified by the Group pursuant to its Business Expansion Strategy represent significant revenue and growth opportunities for the Group.

High quality intellectual property and proprietary knowledge

Nanoco has an extensive intellectual property portfolio developed over a period of more than 15 years of research and development building on initial research conducted at Manchester University and Imperial College London which underpins its commercial offering and provides revenue generating opportunities. Throughout Nanoco's existence, it has continuously developed, refined and enhanced its technology and manufacturing processes to create leading quantum dot or nano-material based products which are highly challenging to replicate.

Furthermore, Nanoco has also actively sought to commercially protect its intellectual property through the use of trade secret protections and intellectual property patents. As at 30 January 2015, being the date to which the report by Wong Cabello on the patent portfolio of the Group included in Part VIII: "Patent Report on the Group" of this Prospectus is made up, the Group's intellectual property portfolio has 84 patents granted, with a further 246 patent applications pending. The portfolio covers a wide range of technologies, applications and manufacturing processes. It is the Directors' intention to continue to develop the Group's patent portfolio as it continues to innovate.

Proven ability to innovate

The Group's intellectual property portfolio and expertise is focused around its proprietary heavy metal-free quantum dot technology. Nanoco's drive for constant innovation through R&D has enabled the Group to refine and scale its quantum dot technology whilst continuing to improve quality and efficiency.

With this strong history of successful innovation, the Directors believe that the Group is well placed to continue to develop its products in order to facilitate the scale up in commercial production of its technology for application in the electronic display industry in the near term whilst also targeting the additional market segments identified in its Business Expansion Strategy over the medium to long term.

Strength of industry relationships

The Group prides itself on the strength of the long term relationships it has developed with leading OEMs in the display, lighting and solar markets. The Directors believe that the Dow Agreement signed in 2013 was a clear endorsement of the depth and quality of the Group's intellectual property and technology in relation to display products and was followed by Dow signing a partnering agreement with LG to supply the Group's CFQD[®] quantum dots for LG's Ultra HD 4K TV range. Dow is currently building a manufacturing plant in South Korea, to meet the anticipated demand for the Group's CFQD[®] quantum dots in the electronic display industry.

Over a number of years, the Group has also developed numerous other strong relationships with leading, large-scale electronic and manufacturing partners and brands. These active relationships include Osram within the lighting industry among other multi-national OEMs whose identities are

protected by confidentiality agreements. The Group's relationships outside the electronic display industry are beneficial given the exclusivity which Dow has under the Dow Agreement for the exploitation of the Group's CFQD[®] quantum dot technology within the electronic display industry.

Highly knowledgeable, experienced and motivated staff and management team

As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, the Group had a total of 109 staff (including the Non-executive Directors and consultants) with 82 directly involved in R&D of the Group's products and processes. The Group's employees are highly trained and knowledgeable in their relevant fields and Nanoco has an impressive track record of retaining its key employees. The Directors believe this has been instrumental in Nanoco's development achievements to date and will continue to be in the future.

The Group benefits from an experienced management team. A strong Board, with knowledge relevant to the industries and geographies in which the Group operates, is served by Executive Directors who have a strong and proven track record in the fields of R&D of nano-particle material, product design, implementation, manufacturing, product commercialisation and finance. The Board includes Non-executive Directors with significant experience in areas relevant to the Group.

A biography of each of the Directors and the members of Senior Management is set out in paragraph 1 of Part VII: "Directors, Senior Management and Corporate Governance" of this Prospectus.

Anticipated path to commercialisation of its technology within the electronic display industry

The Company entered into the Dow Agreement in January 2013 pursuant to which Dow was granted the exclusive worldwide rights to manufacture, market and sell the Group's CFQD[®] quantum dots for application within electronic displays.

The Group's patented molecular seeding process allows for the production of uniform, high quality and efficient heavy metal-free quantum dots on a commercial scale. The Directors believe that this capability is supported in the context of electronic display by Dow's decision to commence construction, announced by Dow in September 2014, of its large-scale CFQD[®] quantum dot manufacturing plant in South Korea capable of supporting the manufacture of millions of televisions and other displays containing the Group's CFQD[®] quantum dots.

The key development challenges, both short term but also covering the medium to long term, which the Directors expect the Group to have to face and successfully address if Dow is to achieve the successful large-scale commercialisation of the Group's CFQD[®] quantum dots for application within the electronic display industry (focussing initially on their application within LCD televisions), are discussed in more detail in paragraph 1 (Introduction) of this Part VI.

3 GROUP HISTORY

The Group, which is headquartered in Manchester, United Kingdom, was created in April 2009 through the reverse acquisition of Nanoco Tech Limited by Evolutec Group plc in conjunction with which transaction Evolutec Group plc changed its name to Nanoco Group Plc and secured its re-admission to trading on AIM with effect from 1 May 2009.

Nanoco Tech Limited was incorporated in June 2006 with the name Nanoco Tech Public Limited Company as the parent company of Nanoco Technologies.

Nanoco Technologies was founded in 2001 by Professor Paul O'Brien and Dr Nigel Pickett, in order to progress the R&D of quantum dot technology that was initially developed at the University of Manchester and Imperial College, London. Professor Paul O'Brien developed the single source precursor technology while at Imperial College London and Dr Nigel Pickett developed the seeding process, both of which are currently used by the Group in the production of its CFQD[®] quantum dots.

Evolutec Group plc was initially admitted to trading on AIM in August 2004 and at the time of the reverse acquisition of Nanoco Tech Limited in April 2009 was classified as an investment company.

During its period of operation, Nanoco has received, in aggregate, approximately \$25 million (approximately £16.7 million) in revenue from the rendering of services through joint development agreements with strategic partners and other non-material sales. Some of the highlights of its development during this period include the following:

- in 2006 Nanoco signed its first major joint development agreement with a large Japanese chemicals company;
- in September 2009, the Group signed its first electronic display joint development agreement, with a large Japanese display maker;
- in January 2011, to assist with the increased quantum dot production requirements of its OEM customers, an additional production laboratory was commissioned in Runcorn, United Kingdom. Shortly after the site was commissioned, the Group successfully manufactured and supplied a 1kg batch of red high quality cadmium-free quantum dots in April 2011, proving that production scale-up was possible;
- in August 2011, the Group successfully signed the first of several JDAs with Osram, one of the world's largest lighting companies, to develop the Group's CFQD[®] quantum dots for use with LEDs for general lighting purposes in order to advance the Group's objective within the lighting industry, of applying its technology to produce superior and tailored colour performance in lighting;
- in February 2012, the Group signed a joint development agreement extending its CFQD[®] quantum dot technology to the electronic display market through successfully partnering with the major Korean display manufacturer LG;
- reacting to new research and production demand, the Group extended its Manchester laboratory in April 2012 by a further 12,500 square feet shortly before the first successful production of 1kg of green quantum dots;
- in January 2013, the Group entered into the Dow Agreement, for Dow to manufacture, market and sell its CFQD[®] quantum dots to display customers. Dow subsequently announced in September 2014 that it would begin construction of the world's first large-scale CFQD[®] quantum dot manufacturing plant capable of supporting the manufacture of millions of televisions and other displays containing the Group's CFQD[®] quantum dots;
- during September 2013, the Group completed its expansion of the Runcorn facility, where it installed and commissioned a further two pilot plant lines to expand near-term production capacity;
- in October 2013, the Group received further shareholder and financial support and successfully raised £10m through a share placing providing the Group with the capital to commence scale up production of its CFQD[®] quantum dots to commercialisation;
- in June 2014, the Group's financial position was further supported with the £308,000 grant provided by TSB to fund the Group's further R&D of *in vivo* imaging of cancer cells; and
- in October 2014, the Group signed a 12 month follow-on agreement with Osram, for the continued development of CFQD[®] quantum dot lighting applications.

4 THE GROUP'S TECHNOLOGY

The Group's CFQD[®] quantum dot technology has been, and continues to be, developed to address three key challenges in the development and manufacturing of quantum dots:

- (a) firstly, the requirement that its quantum dots should be produced free of highly regulated heavy metals. There is a global trend to remove toxic materials (WinterGreen Research, Quantum Dot and Quantum Dot Display (QLED): Market Shares, Strategy, and Forecasts, Worldwide (2012-2019), published 2012) which are harmful to the environment and human health from consumer products. Traditionally quantum dots have been made using the toxic heavy metal cadmium. Cadmium, in common with other heavy metals, presents a serious threat to environmental and human health because of its toxicity. Cadmium is subject to the RoHS legislation in the EU whilst its use is also restricted elsewhere in the world through comparable legislation. The decision to remove toxic elements from its quantum dots was taken in part to address this global trend and ultimately to allow for the wider adoption of the Group's technology in the long term;
- (b) secondly, the requirement for these heavy metal free quantum dots to be manufactured in sufficient commercial volumes to satisfy demand from customers looking to incorporate them into their consumer facing products whilst maintaining the high efficiency characteristics that made them attractive to producers and end user consumers in the first place. Any newly invented material which has ambitions of use in commercial applications needs to be capable of

being produced in sufficient volumes to satisfy the demand from the producers building the products into which the new material is to sit, the production of which must in turn satisfy the demand from end user consumers. Ultimately this material needs to be manufactured and supplied to producers at a cost which allows the product to be attractive to end user consumers to purchase. Irrespective of the supply capability, however, the material also needs to continue to demonstrate the level of performance criteria of the original proof of principal samples which were attractive to the industry in the first place and which will ultimately be part of the 'reason for purchase' message to the end user consumer; and

- (c) thirdly, the requirement to deliver commercial volumes of these highly efficient heavy metal free quantum dots to producers in a consistently reliable state to facilitate long term use in end user products. Cadmium free quantum dots are unstable which has required the Group to develop complex delivery and protection systems to ensure not only that their CFQD[®] quantum dots are capable of being delivered safely to producers for incorporation into their consumer facing products but also to ensure that they are protected from air and moisture within their operating environment during the lifetime of the product into which they are ultimately incorporated.

Conventional, small-scale quantum dot manufacturing relies on a process called "high temperature dual injection", whereby raw materials are injected into a hot reaction solution followed by particle growth. This process of producing high quality quantum dots involves harsh reaction conditions and hazardous, often toxic starting materials. Also, attempts to scale up this process cause increasing inconsistency in the resulting quality of quantum dots that are produced.

A reproducible route to larger quantities of consistent, high quality quantum dots has been developed by the Group which avoids using the high temperature, difficult to control, process. This process is called the "seeding" method for quantum dot production.

The Group's patented molecular seeding process allows for the production of uniform, high quality and efficient heavy metal-free quantum dots on a commercial scale. The Directors believe that this capability is supported in the context of electronic display by Dow's decision to commence construction of its large-scale facility in South Korea.

The key development challenges, both short term but also covering the medium to long term, which the Directors expect the Group to have to face and successfully address if Dow is to achieve the successful large-scale commercialisation of the Group's CFQD[®] quantum dots for application within the electronic display industry (focussing initially on their application within LCD televisions), are discussed in more detail in paragraph 1 (Introduction) of this Part VI.

More specifically, the Group's technology seeks to address six key issues associated with quantum dots and other nano-particles. These are:

1. the production of bright, highly efficient fluorescent semiconductors;
2. the production of materials which are highly tuneable to a specific colour emission narrow band width;
3. the production of stable materials which can stand up to the rigours of commercial applications;
4. the production of heavy metal-free quantum dots which are RoHS compliant;
5. the capability for cost effective manufacturing scale-up of quantum dots; and
6. the ability to chemically tune the surface of the quantum dots to ensure that it is compatible with different environments dictated by the end use application.

The Group is also exploring other technology that addresses key issues of the semi-conductor nano-materials which can be utilised in PV applications.

The Group works through a methodical process to develop, manufacture and scale up production of its quantum dots. The quantum dot formulations are developed by the research group within the Group to meet specifications set by customers. Once a formulation has been decided upon it is passed to the process development group whose job is to scale up and optimise the formulations against a number of parameters. Once complete, the optimised formulations are further passed to the production group who produce the quantum dots on a larger production scale.

Once the quantum dots are produced they are either shipped directly to the customer in an organic solvent or formulated into a matrix system which is typically a polymer resin. The matrix utilised is highly dependent on the end use market for which the quantum dots are destined.

Through Nanoco's research into quantum dots, the Group has gained significant expertise in and developed proprietary processes for the creation of nano-materials which have further potential applications outside of quantum dot technology; for example the production of solar cells utilising solution printable nano-particles of CIGS. The Directors intend to assign further resources to the development of these applications in the future pursuant to the Business Expansion Strategy.

5 GROUP BUSINESS MODEL AND STRATEGY

Historically Nanoco has formed strategic partnerships with technology and production application developers across the world. The application developer and Nanoco have then worked together in strategic partnership to develop an application centred on Nanoco's existing intellectual property or proprietary technology or processes. In these development partnerships Nanoco has focussed on the material or process technology, while the application developer has focussed on the application and the production side.

In order to be successfully embedded into an application or device, the quantum dots need to be designed and produced in a bespoke manner specific to each application. The matrix can be made from a number of materials and can exist in a liquid, powder or solid state.

Nanoco has developed its ability to fabricate quantum dots into end use devices in order to assist the Group's application partners and facilitate adoption of its technology by the market. These devices include displays, quantum dot printing inks, quantum dot enhanced LED lighting and CIGS nano-material based PV devices. The quantum dot containing devices give the Group rapid feedback on its quantum dot material performance which enables the Group to quickly improve and modify the quantum dots to better suit the end use applications of the Group's partners.

For each identified application, the Group's CFQD[®] quantum dots are developed over a four phase process. Phase one consists of developing the CFQD[®] quantum dots to a particular specification before scaling the manufacturing process without affecting quality. Phase two involves ensuring that the Group's CFQD[®] quantum dots work in a suitable resin or carrier system. In phase three, the CFQD[®] quantum dots are incorporated into a form factor which is then integrated into a final product. This form factor could be a film, lens, capillary, LED or other medium, the production of which is achieved through partnering with an end use customer or device producer such as a film manufacturer. Phase four is the final CFQD[®] quantum dot containing product, manufactured through partnership with an end-use customer.

The Group seeks to control and own all the intellectual property created in phases one and two of the development process. Phase one relates to the Group's CFQD[®] quantum dot material itself whilst phase two relates to the surface chemistry and the carrier system into which the Group's CFQD[®] quantum dot sit. Both of these phases therefore represent the core material chemistry that the Group has developed and are important for the Group to protect. By contrast, phases three and four tend to sit on the final product application side and are typically controlled by the OEM customer to whom the Group's materials are sold, for example the producer of the consumer electronic displays incorporating the Group's CFQD[®] quantum dot technology, and are therefore not controlled, and do not need to be protected, by the Group.

Following a successful joint development, the Group will typically either seek to enter into a material supply and licence agreement with the application developer or develop the infrastructure to manufacture the product itself.

In some cases the application developer may not be the manufacturer of the final product, but will supply a quantum dot containing subcomponent to the ultimate manufacturer of the application.

The Group generates, and the Directors believe will in the future continue to generate, revenue from three sources: (i) rendering of services; (ii) products sold; and (iii) royalties and licences gained from licensing its technology in specific fields such as electronic display.

Rendering of services

Revenue from the rendering of services involves the Group endeavouring to tailor its quantum dot technologies to suit a customer's specific application. Over the years Nanoco has entered into a number of joint development agreements with companies developing products containing the Group's CFQD[®] quantum dots or using the Group's proprietary technology and processes. In return for Nanoco carrying out such services, Nanoco has received payments from customers to gain preferential treatment in terms of supply or pricing should the research prove successful. To date, these agreements have been in the areas of display, lighting and PV (solar end use) applications. To date,

Nanoco has received approximately \$25 million (£16.7 million) in revenue from the rendering of services through joint development agreements with strategic partners and other non-material sales. By its nature, rendering of services income often takes the form of one-off and non-recurring revenue.

Products sold

The Group currently sells materials on a small-scale to a number of OEM customers around the world. At present, the majority of sales of material relate to the electronic display industry. In the financial year ended 31 July 2014, the Group received a small amount of revenue from these sales.

Royalty and licences

Nanoco has historically received royalty income from the license of its CFQD[®] quantum dot and related technologies in specific fields. The Directors expect future royalty income to come from the development of, and the formation of, new strategic partnerships for application of the Group's technology outside the electronic display industry similar to, the Group's relationship with Dow. In the financial year ended 31 July 2014, the Group received no revenue from royalty income: however, the Directors expect to begin receiving revenues under the Dow Agreement in the Company's next financial year following production coming on-line at Dow's new South Korean facility, which the Directors currently believe will occur around mid-2015.

Business divisions

Through the Business Expansion Strategy, the Directors have identified four key target markets which they believe have significant potential applications for the Group's CFQD[®] quantum dots and proprietary processes. The Group is currently at differing stages of the R&D process for the application of its technologies within each of these markets.

Electronic display

Market overview

It is estimated that the global electronic display materials market will be worth \$120 billion in 2018, of which the global Flat Panel Display segment of this market was estimated to have been worth \$79 billion in 2013, growing to an estimated \$117 billion in 2018. The market, and in particular the higher quality end of the market, is now dominated by LCD technology with approximately 223 million LCD TVs sold by 2014 and larger producers are ceasing production of televisions based on other technologies, such as plasma. LCD display manufacturers have continued to develop picture quality with high definition and more recently ultra-high definition displays launched in recent years, in addition to the introduction of 3D displays.

The LCD TV market is dominated by the two South Korean OEMs, LG and Samsung, who in 2014 together had a market share of approximately 38 per cent of LCD displays globally and in 2015 will have in the region of 50 per cent of the market share for LCD TVs larger than 55 inches. In addition, the Chinese OEMs TCL and Hisense have significantly increased their market shares in recent years to the detriment of the Japanese display producers.

Application of the Group's technology in electronic display

The Group's CFQD[®] quantum dots are incorporated into a film and assembled into the LCD backlight unit to provide the LCD displays with a wider colour gamut resulting in improved colour performance of the display. Blue LEDs are used to excite or "turn on" the red and green quantum dots to provide improved colour with the potential for reduced power consumption of the display.

The use of quantum dots allows LCD displays to match next-generation OLED colour performance without significantly altering current manufacturing processes or existing supply chains. OLED is a fundamentally different technology to LCD technology and consequently OLED technology cannot be integrated into LCD technology. By contrast to OLED, the Group's CFQD[®] quantum dot technology is simply the next step in the evolution of LCD technology. OLED generally refers to direct emitting materials when excited by electrons, for example, electroluminescence. LCD technology uses a backlight to generate white light which passes through a liquid crystal shutter and then colour filters. Quantum dots are used in the backlight to create a white light made up of three distinct colours; red and green from the quantum dot and blue from the underlying LED. The LED emits blue photons which are absorbed by the red and green quantum dots to "switch them on". This photon excitation or pumping is referred to as photoluminescence. The ability to build the Group's products into the existing LCD display manufacturing process is a key attraction for LCD display

manufacturers. CFQD[®] quantum dots provide the enhanced colour gamut without the drawbacks of having to develop a new manufacturing process.

If the industry were to fully adopt quantum dot technology, as the Directors believe it is already showing signs of doing (with certain top OEMs already ceasing development of OLED displays in favour of QD-LCD), this would require a very significant scale-up of production of the Group's CFQD[®] quantum dots. The Group is continuing to work with Dow in order to scale-up production capacities in anticipation of this increase in demand.

The Group's electronic display strategy

In January 2013, the Group licensed its quantum dot technology to Dow pursuant to the Dow Agreement, in order to more effectively satisfy the anticipated high demand for quantum dots from the electronic display market in a timely manner. The Group has licensed its technology to Dow exclusively in order that Dow can manufacture, market and sell the Group's CFQD[®] quantum dot technology to the display market. The licence is royalty bearing, exclusive for both parties, long term and limited to the display industry only.

Based on the Group's technology, Dow announced in September 2014 that it would begin construction of the world's first large-scale CFQD[®] quantum dot manufacturing plant capable of supporting the manufacture of millions of televisions and other displays containing the Group's CFQD[®] quantum dots. The Directors currently believe that Dow will commence CFQD[®] quantum dot production at this new facility around mid-2015 although they do not expect to receive any royalty revenue from Dow during the financial year ending 31 July 2015.

Once fully operational, this facility will result in a significant scale-up of the production capacity of the Group's CFQD[®] quantum dots for application within the electronic display industry. In addition, Dow has the ability to use the Group's Runcorn facility to produce smaller quantities of CFQD[®] quantum dots until the facility in Choenan begins production and in order to help satisfy incremental demand following its opening.

The Group will support Dow both with the development of the production facility in Choenan and with technical support, facilitating new customer acquisition and product specification. In addition, the Group will continue to develop and innovate its technology with the objective of optimising the production process by increasing efficiencies and commercial yield and producing materials showing improved performance in order that Dow can bring these to the electronic display market in a commercially viable manner.

The key development challenges, both short term but also covering the medium to long term, which the Directors expect the Group to have to face and successfully address if Dow is to achieve the successful large-scale commercialisation of the Group's CFQD[®] quantum dots for application within the electronic display industry (focussing initially on their application within LCD televisions), are discussed in more detail in paragraph 1 (Introduction) of this Part VI.

The Group will receive a percentage royalty from all Dow sales irrespective of the medium in which the CFQD[®] quantum dots are sold, whether that be quantum dots themselves in a solvent, in a resin or as an encapsulated film. The Group will receive 100 per cent of profits for sales of CFQD[®] quantum dots produced at its own Runcorn site both before and after production of Dow's new South Korean facility comes on-line.

While under the Dow Agreement Dow is free to sell to any display OEM globally, the Directors believe the key targets for sales in the display industry are the OEMs in Korea, China, Japan, Taiwan and the U.S. Markets & Markets reports states that the value of the quantum dot market will be approximately \$7.5 billion by 2022 dominated by sales into the electronic display industry (Markets&Markets, Quantum Dots (QD) Market Global Forecast & Analysis (2012-2022), published 2012) and the Directors believe that the Group is well placed to command a significant market share.

The Dow Agreement is summarised in more detail in paragraph 21.3 of Part XIV "Additional Information" of this Prospectus.

Competition

The Directors believe that the Group is significantly closer than any other business to achieving the capability to successfully produce high quality cadmium-free quantum dots in large enough quantities to satisfy anticipated future demand from display OEMs and therefore is well placed in this market. However, there are manufacturers of cadmium-containing quantum dots, principally Nanosys Inc. and QD Vision, who could take market share from the Group if their product becomes widely accepted

and changes are made to the legal environment to allow the use of cadmium containing products in jurisdictions where these products are currently restricted (for example, the application for an exemption to the prohibition of the use of cadmium under the RoHS legislation, if granted, that will run until 30 June 2018 and which is currently being reviewed by Members of the European Parliament). Also, it is known that Samsung have developed their own in-house cadmium-free quantum dot capability and, whilst it is not known whether or not Samsung have the ability to produce cadmium-free quantum dots in-house on a commercial scale, the Directors believe they will pursue a dual sourcing strategy.

In addition, there is potential competition from the adoption of competing technologies such as OLED for high end displays and improved phosphor technologies for smaller or cheaper displays. The Directors believe that the adoption of OLED technology by OEMs would require significant capital investment to change their manufacturing processes while CFQD[®] quantum dot films would produce similar improvements in colour gamut without the need to significantly alter current LCD production processes.

LED lighting

Market overview

The global lighting market is projected to be worth approximately €110 billion by 2020 and, within this, LED lighting applications are expected to contribute approximately €65 billion of revenues by 2020 (McKinsey & Company, *Lighting the Way: Perspectives on the Global Lighting Market*, published July 2011). The Directors believe that high CRI lighting and other high value lighting applications will be worth between \$7 billion and \$10 billion of sales in 2016.

The key growth drivers for the lighting market are population growth and increasing urbanisation, while the transition to LED lighting has been driven by the growing requirement for energy efficiency and reliability. The demand for high CRI lighting applications are driven by the need for high quality light for applications ranging from high end lighting for retail stores to specialist lighting for surgical operating theatres.

Application of the Group's technology in lighting

The Directors believe that the primary opportunity for the Group's technology within the lighting industry is to supply red CFQD[®] quantum dots to enhance the quality of white LED light. The Group's CFQD[®] quantum dot technology allows the lighting manufacturer to tune and tailor the emission spectrum to whatever is required.

The transition to LED lighting is currently being restricted by the quality of light which LED lighting is able to produce. Light quality is measured by colour temperature (in degrees kelvin) and CRI, measured on a scale from 1 to 100, with 100 being the optimum, which describes how accurately a light source reproduces the real colours of objects being illuminated. The Group's CFQD[®] quantum dots can be manufactured to produce light at a range of colour temperatures which, at the same time, has a CRI above 90. By improving the quality of light from LEDs, CFQD[®] quantum dots can further increase the attractiveness of LEDs, thereby enabling greater market adoption.

Using already developed processes, the Group can incorporate its CFQD[®] quantum dots into a film to make a component which will alter the CRI of an LED and which can be integrated into a lighting fixture, allowing the Group to enter the market immediately. However, the Directors believe that this form will only be suitable for a small portion of the market relating to specialist lighting companies with specific requirements. In order to access a larger portion of the market, the Group will need to develop its CFQD[®] quantum dots to operate at higher temperatures in order to allow them to be placed in closer proximity to the LED chip. This would allow the Group's CFQD[®] quantum dots to be adopted in a larger number of lighting applications, leading to the potential for its technology to be adopted across a larger market.

The Directors believe that the current addressable market for the Group's products in their current format is approximately \$150m per annum. By improving the ability of the Group's CFQD[®] quantum dots to operate at higher temperatures, the Directors believe that the available market increases to approximately \$700m.

The Group's lighting strategy

Initially, the Directors intend to target lighting OEMs which supply niche, high value lighting applications, for example high end retail displays. These OEMs range from smaller, specialised

lighting companies such as Advanced Lighting Solutions to several larger companies such as Acuity Lighting and Zumtobel.

The Group intend to sell a CFQD[®] quantum dot component where the quantum dots are embedded in a resin and sealed between two layers of barrier film and then cut to size. The Directors anticipate that pursuant to such a model, the quantum dots could be produced in the Group's Runcorn facility using existing technology and processes while the sealing in barrier film would likely be performed by a third party supplier.

In addition, the Group will further invest in research and development in order to produce CFQD[®] quantum dots capable of operating at temperatures above 110 degrees Celsius. Provided that the improved temperature performance of the materials has been established the Group will look to manufacture and sell materials to OEMs on a larger scale. Key target customers in this area are the large lighting companies such as Philips, Osram and GE Lighting as well as large display OEMs with whom the Group has existing relationships such as LG and Sharp who are getting involved in the lighting industry. The Group is also working with Marl to develop LED linear strips and LED flat panels for use in architectural lighting.

Competition

The Group's strategy depends on the continued adoption of LED lighting, although the Directors believe this is highly likely given the significant energy saving benefits and improved reliability of LED lighting as against traditional incandescent lighting solutions.

The use of cadmium in lighting products is banned in the EU pursuant to the RoHS legislation as well as being restricted in other jurisdictions pursuant to comparable legislation and accordingly the Directors believe the most significant competition that the Group will face in this industry will be from the current phosphor products used to alter the light quality of LED lighting. A significant portion of the large lighting companies produce these in-house and so may be resistant to the widespread adoption of quantum dots in lighting notwithstanding the benefits that LEDs offer over traditional incandescent lighting solutions.

However, phosphors are rare earth metal-based unlike the Group's materials which do not contain any rare earth elements. The Directors believe that this may become increasingly important as the majority of rare earth elements are sourced from China and have historically been, and could again in the future be, subject to significant geopolitical supply risks.

Another source of red light is red LEDs. This technology can produce warm white light but suffers from higher cost and differential aging of the different LEDs leading to a change in the quality of white light produced over time.

Solar power

Market overview

Solar power has become increasingly important in the drive to satisfy world energy demands, energy security and addressing the generally accepted belief that the world's reliance upon fossil fuels to satisfy its energy demands is increasing the effects of climate change. The market is growing rapidly with 37 gigawatts (in this Part VI, "GW") installed (100 megawatts per day) and \$96 billion spent on new PV capacity in 2013 forecast to rise to 1,721GW by 2030 and 4,674GW by 2050 (International Energy Agency (IEA), Technology Roadmap: Solar Photovoltaic Energy: 2014 Edition, published 2014). This represents average capacity additions of 120GW per year over a long term.

In connection with the production of solar panels, there are two major options; crystalline silicon and thin-film. C-Si solar cells are currently the most common solar cells in use mainly because c-Si is stable, it delivers working efficiencies in the range of approximately 15 per cent and it relies on established process technologies. However, c-Si needs to be relatively thick and rigid and can be expensive to produce. Thin-film solar panels are potentially cheaper than traditional panels, are more flexible, lighter weight and consequently easier to handle. The thin-film solar market is currently dominated by First Solar, who produce cadmium-containing solar panels, while cadmium-free thin-film examples include CIGS.

The main competitive factor for PV module manufacturers is the U.S. Dollar cost per watt (in this Part VI, "\$/W"). The market price of modules reduced by approximately five times between 2009 and 2013 (International Energy Agency (IEA), Technology Roadmap: Solar Photovoltaic Energy: 2014 Edition, published 2014) and now appears to have stabilised around 0.50 \$/W. It is anticipated that further cost reductions will be required in order to increase PV installation.

Application of the Group's technology in solar

The Group has developed printing technology which can be used to produce lower cost solar cells rather than the current, more expensive vacuum-based manufacturing processes. The Group has developed solution printable nano-particles of CIGS which can be formulated into a solar printing ink.

The Group's printable CIGS technology currently produces solar modules with approximately 17 per cent efficiency; however, the Directors are confident that this can be increased to above 20 per cent. The Group's solar cells have the potential to achieve a cost performance figure of approximately 0.33\$/W which is very competitive with existing technology.

However, the development of the printing technology is ongoing and will require further investment to scale the production without sacrificing quality and efficiency. At present, the Group has successfully produced lab cells with a substrate size of 6.25cm² but are targeting the production of high quality solar cells roughly 30cm by 30cm in size from which point the Directors believe the technology would then be scalable. In addition, once the process is sufficiently improved, it is unlikely that the Group will have the production capability to produce commercial quantities and therefore it is likely that it will require a partnership with a third party supplier.

The Group's solar strategy

Given the upfront capital requirements for R&D and the eventual production requirements, the Directors believe that the most appropriate strategy for the Group is to identify a suitable partner to help pursue the solar market. The Directors intend to work with a large solar company or a company with an interest in entering the solar market to prove the technology at a larger scale. The Group is actively exploring opportunities in the sector and is in early stage discussions with several third parties with respect to establishing an initial development partnership. The Directors also believe that the Group may receive some funded research revenues in the near term relating to the solar market.

Once the technology has been developed, the Directors intend to enter into a licensing agreement with a production partner, similar to the current agreement with Dow in display, in order to produce solar cells in commercial quantities.

Competition

The solar market is currently dominated by c-Si panels; however, the market is moving towards thin-film solutions. Similarly, the thin-film solar market has comprised predominantly of cadmium-containing amorphous silicon and other cadmium-containing options. However the CIGS solution is becoming more popular as production qualities are improved. The Directors believe that the lower production costs of the Group's process will significantly increase these trends with CIGS thin-film solutions eventually playing a significant role in the market due to its low cost potential and relatively high performance.

Biological imaging and other medical applications

Market overview

It is estimated that the global cancer diagnostic market will be worth \$101 billion in 2013 and \$168.6 billion by 2020, while it is estimated that the global market for imaging agents will be \$14.5 billion by 2017 of which \$4.9 billion is expected to relate to optical agents. The demand for diagnostic imaging agents in the scientific and healthcare markets is increasing; in particular, demand for imaging agents with improved efficacy in providing early detection and more accurate detection are very desirable. There is scope for water soluble quantum dots to replace current technologies in the market.

Being small at present, the market in the use of quantum dots in healthcare applications was estimated to be worth \$60 million in 2011. However, it is estimated that this market will grow to \$1.1 billion by 2022. The Directors believe that the reason that quantum dots have not been used greatly to date in biological imaging is due to the lack of commercial suppliers of heavy metal-free quantum dots for biological imaging.

The market can be split into two segments; *in vitro* and *in vivo*. Given the inherent risks, *in vivo* applications require more stringent government approvals which take significant time and investment to achieve; *in vitro* applications do not have the same requirements. The Directors estimate that the Group's addressable *in vitro* market could be worth tens of millions of U.S. Dollars per annum while

the much larger addressable *in vivo* market could be worth hundreds of millions of U.S. Dollars per annum in revenue.

Application of the Group's technology in biological imaging

Heavy metal-free quantum dots have the potential to be suitable for both *in vitro* and *in vivo* imaging applications as quantum dots absorb excitation light ten times more strongly and fluoresce longer than the traditional fluorescent dyes currently used. For example, this would provide surgeons with a longer period of time to visualize cancer cells which make up tumours.

The Group's CFQD[®] quantum dots imaging agents can also be viewed by the naked eye unlike radio isotopes and magnetic particles which require expensive imaging machines. The Directors believe that the Group is currently the only potential supplier of heavy metal-free quantum dots within the biological imaging sector.

The Group's biological imaging strategy

The Directors intend to target both segments of the market. The smaller market relating to *in vitro* diagnostics does not require any significant regulatory approval and so can, in the Directors' opinion, be targeted in the near to mid-term. *In vitro* diagnostic kits will require the Group to produce water soluble, functionalised CFQD[®] quantum dots which can be sold to the market through distributors or directly.

Meanwhile *in vivo* applications will require significant further research and development as well as the successful completion of the regulatory approval process. However, once completed, this will provide access to the potentially lucrative *in vivo* market. The Group is currently partnering with University College London, a world leader in lymph node tracking and photodynamic therapy to conduct initial *in vivo* cancer imaging studies and gather proof of principal data.

In order to research, develop and commercialise the Group's CFQD[®] quantum dots imaging agents for the *in vivo* cancer imaging market, the Group would need to partner with a pharmaceutical biological imaging or diagnostic company. This would be likely to involve a licence arrangement with technology milestone payments. Whilst this is a longer term strategy the Directors believe that it is currently worth exploring due to its potential size.

The Group received a grant of £308,000 by TSB to fund the Group's further research and development of *in vivo* imaging of cancer cells in June 2014. This grant has been critical in providing the Company with proof of concept for the *in vivo* imaging of cancer.

Competition

The *in vitro* market has already begun to adopt quantum dots as a solution for biological imaging, although to date it has predominantly used cadmium-containing quantum dots. The largest suppliers of these are Thermo Fischer (formerly Life Technologies), Affymetrix and eBioscience.

The competing technologies in the *in vivo* market are the incumbent options including conventional dyes and radio isotopes which have, in large part, remained unchallenged for many years due, in the Directors' opinion, to the arduous regulatory approval process required before the adoption of new technology by the industry is possible.

6 REASONS FOR THE MOVE TO THE MAIN MARKET AND USE OF PROCEEDS

The Company intends to apply for Admission. The Directors' believe that such a move will:

- provide a more appropriate platform for the continued growth of the Group and further raise its profile and status as a growth focused business;
- place the Company in a better position to achieve improved liquidity in its Ordinary Shares due to the higher number of institutional investors who regularly trade in shares of companies admitted to the Official List and the higher profile of such companies; and
- benefit Shareholders due to the further development of the Company's corporate governance, regulatory and reporting disciplines.

In conjunction with the move to the Main Market, the Company intends to raise £18,650,000 through the Placing (net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: "Additional Information" of this Prospectus and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission), in order to continue developing and innovating its CFQD[®] quantum dot and nano-material platform technologies (including CIGS). The Group intends to achieve this through:

Improved working capital to support ongoing development of the CFQD[®] quantum dot production processes

At present, the Group does not receive any significant revenue and therefore requires sufficient cash resources in order to satisfy its working capital requirements and to continue its R&D operations. Whilst the Directors expect the first stage of commercialisation of CFQD[®] quantum dots for the electronic display industry to occur in the near term, the processes for production of CFQD[®] quantum dots and CFQD[®] quantum dot-containing resin film still require further development and refinement to enable large-scale commercialisation and therefore industry adoption. A cash injection will enable the Group to accelerate the rate at which it will be able to achieve large-scale commercialisation of its CFQD[®] quantum dot technology for the electronic display market as well as the commercialisation of its CFQD[®] quantum dot and nanomaterial technologies for the other target markets in a much shorter timescale than would otherwise be the case if it had to wait for its own internally generated working capital to reach sufficient levels to fund its Business Expansion Strategy.

Hiring additional research and development staff

In order to better pursue the four key target markets identified in its Business Expansion Strategy, the Group intends to recruit a further 32 employees in addition to the new divisional heads identified below. The intention is to recruit 15 new employees into the electronic display division (the majority of which will be focussing on the development of the production process), eight to focus on lighting R&D, two solar power specialists and seven individuals to develop the Group's biological imaging capabilities. These new employees will be involved in the further research and development of the Group's CFQD[®] quantum dot and nano-material platform technologies (including CIGS). It is anticipated that these new staff will cost approximately £1.3 million per annum once they have been recruited.

Broadening research capabilities through outsourcing

In order to further increase its research capabilities without increasing fixed costs, the Group intends to engage a third party provider to access expensive specialist solar panel manufacturing equipment to fulfil the Group's objective of proving the Group's solar technology on larger 30cm x 30cm solar panels. This is not something that the Group currently has the capacity to do in-house. It is anticipated that this will cost the Group approximately £3 million in the medium term.

Improving laboratory facilities

The Group also plans to develop its infrastructure through expanding its laboratory space at either Manchester or Runcorn in order to accommodate the additional research and development staff identified above as well as conducting a planned laboratory fit out. It is anticipated that the expansion and planned fit out will cost approximately £4 million.

Enhancing the Group's intellectual property portfolio

The net proceeds of the Placing will also provide capital for the Group to improve and increase its intellectual property portfolio by developing new technologies and processes through its research and development programme and, where appropriate, seeking patent or trade mark protection. Where appropriate, the Group may seek to augment its intellectual property portfolio by acquiring strategically important intellectual property rights. The exact cost of this will depend on the rate at which new technologies and processes are developed and availability of suitable acquisition opportunities.

Enhancing its senior management structure

As part of its Business Expansion Strategy, the Group intends to re-organise its business into four distinct divisions, electronic display, lighting, solar power and biological imaging. As part of this strategy, new divisional heads for each of lighting, solar and biological imaging will be recruited to lead the three new divisions. In the medium term, the Group also intends to recruit a Commercial Director to boost the profile of the Group's capabilities in its target markets and to work with the divisional heads to develop strategies to commercialisation as well as considering further commercial applications for the Group's products and capabilities. It is anticipated that these additional staff will cost approximately £430,000 per annum once they have all been recruited.

The Directors believe these initiatives will strengthen the Group's ability to pursue its Business Expansion Strategy by putting in place an appropriate management structure with sufficient research and development resources (in terms of staffing, laboratory facilities and third party support) to drive forward the development of its technologies in all four of its target markets. It is anticipated that this will enable the Group to achieve the large-scale commercialisation of its CFQD[®] quantum dot

technology for the electronic display market as well as the commercialisation of its CFQD[®] quantum dot and nano-material platform technologies (including CIGS) for the other target markets in a much shorter timescale than would otherwise be the case if it had to wait for its own internally generated working capital to reach sufficient levels to fund its Business Expansion Strategy.

7 CURRENT TRADING AND PROSPECTS

For the six months ended 31 January 2015, the Company reported revenue of £1.6 million and a loss on ordinary activities before taxation of £4.1 million. Cash and cash equivalents, short term investments and cash on deposit at the end of the period was £9.4 million.

Since the end of January 2015, the Company has continued to make progress towards the commercialisation of its CFQD[®] quantum dot technology in the display market. The Directors believe that Dow, the Group's worldwide licensing partner, will begin production in mid-2015 at its new production plant in South Korea whilst LG, one of Dow's OEM customers, is moving closer to the launch of its LG Ultra HD ColourPrime TV range, which will mark the first consumer electronics product to incorporate the Group's technology. The Group is also continuing to make considerable technical progress in its other target markets of LED lighting, solar and biological imaging.

The Directors believe that the Group remains well placed to achieve the commercialisation of its CFQD[®] quantum dots for display as well as the other target markets described in its Business Expansion Strategy.

8 INTELLECTUAL PROPERTY

Nanoco has developed a proactive strategy to identify and protect the intellectual property that it develops. It uses all forms of intellectual property protection to safeguard its technology and know-how, including patents, trade secret protection, copyright and trademarks.

As of 30 January 2015, the date to which the report by Wong Cabello on the patent portfolio of the Group included in Part VIII: "Patent Report on the Group" of this Prospectus is made up the Group's patent portfolio consisted of 84 granted patents and a further 246 pending patent applications.

The Group's current patent portfolio covers a wide range of technologies including:

- the scalable synthesis of quantum dots;
- the surface functionalization of quantum dots;
- the encapsulation of quantum dots in beads and resins;
- the use of quantum dots for LED and phosphor applications; and
- nano-particles for PV devices.

The Group seeks patent protection in key regions across the globe, including the United Kingdom, United States and various other European and Asian countries. Applications may be filed in additional countries where strategically important. The countries in which the Group seeks patent protection are selected in order to maintain a balance between the cost of protection and the value of the resulting intellectual property.

Where appropriate, the Group will seek to protect its technology and know-how through other means such as trade secret protection, copyright and trademarks.

As the Group grows and develops its technology, products and methods of producing products, the Group will continue with its strategy of seeking appropriate protection for its intellectual property. It works with its advisors to actively monitor its portfolio for infringement by third parties and to take enforcement action where appropriate.

In addition to developing its own intellectual property, the Group has in the past acquired or licensed in intellectual property developed and owned by third parties where suitable opportunities have presented themselves. Whilst the Group's primary focus is on the development and protection of its own intellectual property, it may in the future acquire or license in third party rights if it is felt that this would enhance the Group's existing portfolio and appropriate commercial terms are available.

9 EMPLOYEE INCENTIVISATION AND SHARE OWNERSHIP

The Group believes it to be of key importance for employees to be appropriately incentivised in line with the interests of Shareholders.

(a) Salary and bonuses

The Group pays its employees' salaries which the Directors believe are in line with market rates. The base salary of employees is reviewed annually with effect from 1 August. The review process takes into account several factors, including the current position and development of the Group, individual contributions and market salaries for comparable organisations.

All Executive Directors along with Andrew Gooda (a member of the Senior Management) are eligible for a discretionary annual bonus. This takes into account individual contribution, business performance and technical and commercial progress, along with financial results of the Group.

(b) Employee share ownership

The Directors aim to align the interests of employees as closely as possible with the interests of Shareholders. They therefore regard employee share ownership as a key incentive. The Group operates the Employee Share Plans comprising the Long Term Incentive Plan (further details of which are set out in paragraph 15.1 of Part XIV: "Additional Information" of this Prospectus) and the Employee Benefit Trust (further details of which are set out in paragraph 15.2 of Part XIV: "Additional Information" of this Prospectus).

Further details of the Group's remuneration framework and policy are set out in paragraph 14 of Part XIV: "Additional Information" of this Prospectus.

10 DIVIDEND POLICY AND USE OF SURPLUS CAPITAL

Whilst it remains the Directors' intention to consider the payment of a dividend when appropriate and commercially prudent, the Directors are of the opinion that it is currently most prudent to retain cash to finance the operation of the Group and to continue the scale up to commercialisation of its CFQD[®] quantum dots for application in the electronic display industry. As a result, the Directors believe it inappropriate to give an indication of the likely level and timing of future dividends. Any future determination related to the Company's dividend policy will be made at the discretion of the Directors after considering its financial condition, results of operations, capital requirements, business prospects and other factors that the Directors deem relevant, and subject to the restrictions, if any, contained in any future financing instruments.

11 GENERAL MEETING

The Company will issue the GM Circular on or around the date of this Prospectus pursuant to which Shareholders will be asked at the General Meeting to adopt the Articles in anticipation of (and conditional upon) Admission and to approve specific share allotment authorities in connection with the New Ordinary Shares to be issued pursuant to the Placing. In the event that the Shareholders do not approve either or both of the resolutions (which will be conditional upon each other) at the General Meeting neither the Placing or Admission will occur.

12 THE PLACING

The Company, Canaccord and Liberum have entered into the Placing and Underwriting Agreement under which the Joint Bookrunners have severally agreed, subject to certain conditions including *inter alia* Admission, to use their respective reasonable endeavours to procure subscribers for the New Ordinary Shares pursuant to the Placing. All such subscriptions will be at the Placing Price. In the event that the Joint Bookrunners are unable to procure subscribers for all of the New Ordinary Shares pursuant to the Placing, the Joint Bookrunners shall themselves subscribe for such New Ordinary Shares.

Pursuant to the Placing, the Company will issue the New Ordinary Shares (representing 8.06 per cent of the Enlarged Share Capital), raising proceeds receivable by the Company of £18,650,000, net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: "Additional Information" of this Prospectus and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission.

The Placing is being made by way of a placing of New Ordinary Shares to qualified investors in certain Relevant Member States, including to institutional investors in the United Kingdom and certain other institutional investors outside the United States in reliance on Regulation S, and to

QIBs that are also Accredited Investors in the United States in reliance on Rule 506 of Regulation D or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. All New Ordinary Shares will be issued at the Placing Price.

The Placing is subject to satisfaction of the conditions set out in the Placing and Underwriting Agreement, including: (i) the Shareholders passing the three inter-conditional resolutions (without material amendment) set out in the GM Circular at the General Meeting; (ii) Admission occurring and becoming effective by no later than 8:00 a.m. (London time) on 1 May 2015 or such later time and/or date as the Company, Canaccord and Liberum may agree being not later than 8:00 a.m. (London time) on 29 May 2015; and (iii) the Placing and Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.

In the event that the Placing and Underwriting Agreement is terminated in accordance with its terms prior to Admission, neither of the Placing or Admission will occur.

Further details of the terms of the Placing and Underwriting Agreement are set out in Part XIII “Details of the Placing” and in paragraph 21.1 of Part XIV “Additional Information” of this Prospectus.

Upon Admission, the Company will cancel its existing Ordinary Shares from trading on AIM and the premium listing on the Official List will be the Company’s only listing.

PART VII: DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

The Company currently has seven Directors, including three executives and the non-executive chairman who is independent of the Company and its significant Shareholders. Two of the Non-executive Directors are independent of the Company and its significant Shareholders. Peter Rowley is not considered to be independent due to the length of his service as a director within the Nanoco group. The day to day running of the Group is the responsibility of the Executive Team which consists of the three Executive Directors and the members of Senior Management.

The Board is responsible for the management of the Company and meets regularly. The Company supports high standards of corporate governance. The Company has regard to the corporate governance principles for smaller companies (being ones that are below the FTSE 350) as set out in the Code and, following Admission, intends to comply with the corporate governance principles set out in the Code. For further information on the Company's corporate governance standards, see paragraph 4 below of this Part VII.

1 DIRECTORS

Anthony Clinch – Non-Executive Chairman

Anthony Clinch is an experienced non-executive director having served on the boards of a number of international companies, most recently at CABB International GmbH, a global manufacturer of fine and intermediate chemicals where he was chairman of the advisory board until June 2014. He is also former chairman of the Valence Group, a specialist investment bank, and was senior advisor to CVC Capital Partners. He was an investment manager and a managing director at CVC Capital Partners between 1987 and 2007 and was responsible for, and a non-executive director of, a number of CVC Capital Partners' private equity investments. He is a member of the entrepreneurship assessment panel at Imperial College Business School and a member of the chemistry faculty advisory board at the same institution. 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.

Dr Michael Edelman – Chief Executive Officer, Executive Director

The Company is led by Michael Edelman. Michael joined Nanoco Technologies in 2004, led the initial fund-raising and spun the Company out of the University of Manchester. Michael became Chief Executive upon completion of the reverse acquisition of Nanoco Tech Limited by Evolutec Group plc in April 2009. Prior to joining Nanoco Technologies, Michael held a number of executive roles including having responsibility for licensing the technology developed by a GE/Bayer joint venture, Exatec LLP, and being Vice President and Managing Director at yet2.com, Commercial Director at Colloids Ltd and Business Manager at Brunner Mond & Co Ltd. Michael started his career with ICI, has a Ph.D. in organo-metallic chemistry from the University of Sussex, UK, and an undergraduate degree in classics and chemistry from Tufts University, Boston, MA, USA.

Dr Nigel Pickett – Chief Technology Officer, Executive Director

The Company's technology team is led by Nigel Pickett who is a co-founder of Nanoco Technologies and inventor of the Group'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.

Keith Wiggins – Chief Operating Officer, Executive Director

Keith Wiggins is a highly experienced chemicals industry executive. He began his career with ICI, working in R&D and manufacturing, before joining Dow in 1989 as a sales manager in its London office. He went on to lead progressively bigger and more complex specialty chemical businesses around the world, living in Germany, Switzerland and the USA. In 2006 Keith returned to the UK in a dual role as Managing Director for Dow UK, Ireland & Nordic and CEO of Haltermann, a

fuels, fine chemical and custom processing subsidiary of Dow. Keith, who graduated in chemistry at Imperial College, London, is an Honorary Fellow of the Royal Society of Chemistry. He has held a number of industry offices including President of the Chemical Industries Association between 2011 and 2013.

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 Quoram plc, which is listed on AIM.

Dr Peter Rowley – Non-Executive Director

Peter Rowley joined the board of Nanoco Technologies in 2006 and became a member of the Board in 2009 following the reverse acquisition of Nanoco Technologies by Evolutec Group plc, acting as non-executive chairman between 2006 and 2013. 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. He is currently a non-executive director of two other companies, Hylomar Ltd and Oxford Advanced Surfaces Ltd.

Robin Williams – Non-Executive Director

Robin Williams qualified as an accountant in 1981 after graduating in engineering science from Oxford University. He worked in corporate finance for 10 years at investment banks including Salomon Brothers and UBS before leaving the City in 1992 to co-found the packaging business Britton Group plc, which he sold in 1998. He then moved to Hepworth plc, the building materials group, and since 2004 he has focused on non-executive work in public, private and PE-backed businesses.

2 SENIOR MANAGEMENT

Mark Sullivan – Interim Chief Financial Officer

Mark Sullivan was appointed as interim Chief Financial Officer of the Company in October 2014 through his role as a partner in Summ.It Assist LLP. Mark has provided accountancy services to Nanoco for the past 10 years through this firm, which provides outsourced finance staffing to UK based companies. Prior to the reverse acquisition of Nanoco Tech Limited by Evolutec Group plc in April 2009, Mr. Sullivan acted as Head of Finance of Nanoco and thereafter acted in a supporting role to the Company's Chief Financial Officers. Mark has also previously held roles which included Head of Finance at Tier 1 Asset Management Limited from August 2002 to July 2004, Financial Controller of Strand Technology plc from December 2000 to July 2002, Finance Director of a major subsidiary of FirstGroup plc and assisted with the privatisation of Greater Manchester Buses North as well as its subsequent sale to FirstGroup plc. Mark is a Fellow of the Chartered Association of Certified Accountants.

Mark was appointed as a temporary replacement for the Group's former CFO, Colin White, who resigned on 31 December 2014 due to health reasons. Mark has intimate knowledge of the Group having worked as a consultant to Nanoco for many years and the Directors are confident that he has the necessary skills and experience to act as interim Chief Financial Officer until such time as a suitable permanent replacement is identified, recruited and installed.

Andrew Gooda – Manufacturing director

Andrew joined the Company in January 2010 to lead the scale-up of nano-material processes and establish the quality and technical management systems needed to support commercial manufacturing. Prior to joining the Company, Andrew worked in the chemical manufacturing industry for 25 years with ICI and Croda in various roles, including as Site Director in the Uniqema business group. He is a chartered engineer with a degree in mechanical engineering from Imperial College London, an MBA

from Durham University and a postgraduate qualification in Sustainable Business from Cambridge University.

As the Group develops its Business Expansion Strategy of focusing on the four key markets identified in Part VI: “Information on the Company and Group” of this Prospectus, it is intended to put in place a senior management team for each of the electronic display, LED Lighting, solar power and biological imaging divisions.

3 EMPLOYEES

The following table shows the number of staff of the Group (including full time or equivalent, part time, Non-Executive Directors and temporary workers (but excluding consultants) and showing the split between the main categories of activity) as at each of the dates presented:

TYPE:	30 March 2015 <i>Number*</i>	31 July 2014 <i>Number</i>	31 July 2013 <i>Number</i>	31 July 2012 <i>Number</i>
Executive Directors	3	3	3	3
Non-executive Directors	4	4	4	4
Research and Development				
<i>Full time</i>	73	70	66	40
<i>Part Time</i>	9	9	6	3
Administration, Business Development and Finance				
<i>Full Time</i>	15	15	13	15
<i>Part Time</i>	2	3	3	2
TOTAL				
<i>Full Time</i>	90	88	82	58
<i>Part Time</i>	14	16	13	9

* being the last practicable date prior to the publication of this Prospectus.

The majority of employees employed by the Group during the periods reflected by the table above have been based in the United Kingdom.

4 CORPORATE GOVERNANCE

4.1 UK Corporate Governance Code

The Directors support high standards of corporate governance. Following Admission, the Company intends to comply with the corporate governance principles set out in the Code.

As envisaged by the Code, the Board has established three committees: an audit and risk committee, a nomination committee and a remuneration committee.

The Code recommends that at least half the board of directors of a UK listed company, excluding the Chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director’s judgement. For smaller companies (being ones that are below the FTSE 350) the Code recommends that the Board should comprise at least two independent non-executive directors. The Board will consist of the Chairman, three Executive Directors and three Non-executive Directors of which two are independent, and so will comply with the requirements of the Code for smaller companies. As the Company grows it will monitor the requirements of the Code and seek to adhere to the more rigorous regime for larger companies at the appropriate time.

The Code also recommends that the Board should appoint one of its independent Non-executive Directors to be the senior independent Director. The senior independent Director should be available to Shareholders if they have concerns that contact through the normal channels of chairman, chief executive officer and chief financial officer or other executive directors has failed to resolve, or for which such contact is inappropriate. It is intended that the Board will appoint Gordon Hall as its senior independent Director.

4.2 Audit & Risk Committee

The Audit & Risk Committee’s role is to assist the Board with the discharge of its responsibilities in relation to internal and external financial reporting, audits and controls, including reviewing the

Group's annual and half year financial statements and accounting policies, external audits and internal and external controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, internal control and risk management systems in place within the Group. The Audit & Risk Committee will normally meet not less than four times a year and as requested by the external auditor.

The Code recommends that the Audit & Risk Committee is made up of at least three, or in the case of smaller companies two, non-executive directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Audit & Risk Committee will be chaired by Robin Williams and its other member will initially be Gordon Hall, thereby satisfying the requirements for small companies set out in the Model Code. The chairman of the Audit & Risk Committee has recent and relevant financial experience.

4.3 Remuneration Committee

The Remuneration Committee recommends the Company's policy on executive remuneration, determines the levels of remuneration for each of the Executive Directors and the Chairman and recommends and monitors the remuneration of members of Senior Management. The Remuneration Committee will also prepare an annual remuneration report to be approved by the members of the Company at the annual general meeting. The Remuneration Committee will meet not less than twice a year.

The Code recommends that the Remuneration Committee is made up of at least two non-executive directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. In compliance with this requirement, the Remuneration Committee will be chaired by Gordon Hall and its other members will be Peter Rowley and Robin Williams.

4.4 Nomination Committee

The Nomination Committee assists the Board in determining the composition and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The Nomination Committee also determines succession plans for the Directors, including the Chairman and the Chief Executive, and other senior executives. The Nomination Committee will meet not less than twice a year.

The Nomination Committee will be chaired by Gordon Hall and its other members will initially be Peter Rowley, Robin Williams and Anthony Clinch. It is envisaged that Michael Edelman, as Chief Executive, will normally be invited to attend meetings of the Nomination Committee, save where the Nomination Committee is dealing with matters relating to him or with the appointment of his successor. The Code recommends that a majority of the Nomination Committee be non-executive directors independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement, so the Company is compliant in that respect.

4.5 Share dealing code

Upon Admission, the Company will amend its current code of securities dealings in relation to the securities of the Group (which was adopted at the time of the Company's admission to AIM) to ensure that it is at least as rigorous as the Model Code as published in the Listing Rules. The code adopted will apply to the Directors, Senior Management and other relevant employees of the Group and the Board will be responsible for taking all proper and reasonable steps to ensure compliance with its terms.

PART VIII: PATENT REPORT ON THE GROUP



ATTORNEYS AND COUNSELORS At LAW

Intellectual Property

January 30, 2015

Mr. Michael Edelman, CEO
Nanoco Group PLC
46 Grafton Street
Manchester
M13 9NT
United Kingdom

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR
United Kingdom

Re: Intellectual Property Report

Dear Mr. Edelman:

You have requested that Wong, Cabello, Lutsch, Rutherford & Brucculeri, LLP (“Wong Cabello”) prepare a report on Nanoco Technologies Limited’s (“Nanoco” or “Company”) patent portfolio and intellectual property (“IP”) strategy. This report contains information and opinions, if any, based on Wong Cabello’s service to Nanoco as outside counsel on intellectual property matters. Those portions of the text that describe the Company’s strategy and plans regarding the development and protection of its intellectual property are based on information provided to us by the Company in our capacity as legal advisers to the Company. Information on the Company’s patents, pending applications and trademark registrations has been extracted from publicly available information from the patent and trademark offices of the various countries or regions shown.

Executive Summary

The company has developed a proactive strategy to identify and protect IP that it develops, including seeking patent protection in key regions across the globe. As of January 2015, Nanoco’s patent portfolio consisted of 84 granted patents and 246 pending patent applications. The company plans to continue increasing those numbers. The portfolio covers a wide range of technologies, including:

- the scalable synthesis of quantum dots;
- the surface functionalisation of quantum dots;
- the encapsulation of quantum dots in beads and resins;
- the use of quantum dots for light-emitting diode (LED) and phosphor applications; and
- nanoparticles for photovoltaic (PV) devices.

Wong, Cabello, Lutsch, Rutherford & Brucculeri, L.L.P.

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www.counselip.com

Relationship Between Wong Cabello and Nanoco

Wong Cabello is a law firm based in Houston, Texas, U.S.A. The firm's practice is limited primarily to the area of intellectual property. At present, the firm has twenty-four attorneys.

The firm has acted as IP counsel to Nanoco since 2009. In 2011, Wong Cabello was asked to assist Nanoco in developing Nanoco's patent portfolio and IP strategy. Wong Cabello has primary responsibility for the preparation and prosecution of Nanoco's patent applications in the U.S. For related applications in the rest of the world, Wong Cabello coordinates the activities of patent advisors in those other countries. For example, Wong Cabello works with Marks and Clerk for filings in Europe.

Nanoco's IP Strategy

Nanoco uses all forms of IP protection to protect its technology, including patents, trade secret protection, and copyrights. With respect to patents, Nanoco seeks to build a portfolio that at least (1) protects Nanoco's core technologies, (2) demonstrates Nanoco is a technology leader; (3) has significant market potential; and (4) may be useful to counter assertions made against the Company. Nanoco builds its portfolio by filing patent applications on its own innovations and by strategic acquisitions.

Nanoco will also acquire or license in patents that are strategically important to the Company. An example are those patents that have been assigned to Nanoco and that originated at The University of Manchester. Nanoco purchased two patents and a patent application in 2011 from Evident Technologies, Inc. Those patents are listed as items 4 – 6 under Miscellaneous in Addendum 1.

Nanoco aims to protect its IP in key markets across the globe. The countries in which it files for patent protection are selected to maintain a balance between the cost of protection and the value of the resulting IP. As shown in Addendum 1, those countries include the United Kingdom, Germany, France, U.S.A., Japan, South Korea, and Taiwan.

Implementation

Nanoco directs and manages its IP program through its senior management team, a Patent Review Board which includes some of senior management, and with the assistance of Wong Cabello. The Patent Review Board includes both technical and marketing members to assist in assessing the potential value of IP.

In the normal process, scientists involved in the development of new or improved technology, such as process or material improvements, will submit an invention disclosure form when it is believed appropriate. The PRB reviews invention disclosures quarterly (or more frequently depending on circumstances specific to the disclosure) to decide whether the disclosure should be the subject of a patent application. In making that determination, the PRB is guided by the strategy outlined above, as well as practical considerations, such as whether the likely scope of patent protection would permit effective enforcement.

If the PRB decides to commission a patent application, Nanoco's IP team works with the inventors to prepare a patent application. The PRB later decides where to file the application worldwide. Normally, depending on various considerations, applications may be filed in the United Kingdom, Germany, France, U.S.A., Japan, South Korea, and Taiwan, among others.

Maintenance fees for maintaining the patent portfolio can be substantial, especially as the patents age. Therefore Nanoco regularly reviews its patent portfolio to ensure that patent maintenance costs remain justified.

Patent Portfolio

Attached as Addendum 1 is a listing of Nanoco's published patent applications and patents (collectively "patents"). The list includes the title of the patent, its abstract, and the status of the patent by country or region. The listing is grouped by general technology categories as outlined

below, and a general or miscellaneous category. The grouping does not mean that those patents necessarily are limited to those categories.

The discussion below is a brief summary of the technology areas. It is not intended to be a legal description of the scope of Nanoco's patents. One should read Nanoco's patents themselves to understand their scope of protection.

Scalable Synthesis of Quantum Dots

Nanoco's earliest patent family relates to the synthesis of nanocrystalline material from a single-source molecular precursor, developed by Nanoco's co-founder Prof. Paul O'Brien, whilst at Imperial College, London. The patent family has now been assigned to Nanoco.

A Nanoco core technology is the scalable synthesis of heavy metal-free QDs. To achieve this, Nanoco has developed a "molecular seeding" process, which provides a reproducible route to the production of high quality QDs in large volumes. The process utilises a molecular cluster compound as "seeds" or nucleation sites upon which nanoparticle growth may be initiated. Nanoparticle growth is maintained by the periodic addition of precursors at moderate temperatures until the desired nanoparticle properties are achieved.

Surface Functionalisation of Quantum Dots

QDs prepared in colloidal solutions are typically inherently surface coated ("capped") with lipophilic ligands, providing solubility in non-polar media. For certain applications, such as in vivo diagnostic imaging, it is necessary to functionalise the QD surface with hydrophilic capping ligands, to provide water solubility. A key challenge is to achieve water solubility while preserving the optical properties (e.g. quantum yield) of the QDs. Nanoco has developed a range of methods to address this. For example, Nanoco's patent portfolio includes methods for binding pre-modified ("activated") ligands to the QD surface via interchelation or ligand exchange procedures, and for coordinating pre-chemically functionalised ligands to the QD surface, in situ, during nanoparticle growth.

Encapsulation of Quantum Dots in Beads and Resins

For certain applications, it is useful to encapsulate QDs within a polymer matrix, with an aim to improving their thermal stability while maintaining their optical properties. Nanoco's patent portfolio includes methods to encapsulate QDs within polymer microbeads, and within resin matrices to form films.

Quantum Dots for LED and Phosphor Applications

QDs absorb light and re-emit it at a longer wavelength, the wavelength (colour) of light emitted being determined by the particle size. Visible-emitting QDs can be used in combination with a primary light source, to convert the light to one or more different colours. For example, a blue LED can be used in combination with green and red QDs to produce white light. Nanoco's patent portfolio comprises a number of patent families relating to the use of QDs in light-emitting applications such as LEDs and down-converting phosphors.

Nanoparticles for Photovoltaic Devices

Solution processing of PV devices offers an alternative to expensive vacuum-based deposition techniques. In addition, a nanoparticle-based deposition approach offers advantages such as, *inter alia*, the potential for lower temperature device processing, and a means to tune the stoichiometry of the absorber layer. Nanoco has developed technologies relating to the scalable synthesis of nanoparticles and their processing to manufacture thin film PV devices.

Trade Secret/Confidential Information

Nanoco has instituted a written policy regarding the protection of its confidential information. That policy is provided to Nanoco employees so that they understand their obligations regarding the protection of Nanoco's confidential information.

Trademarks

Attached as Addendum 2 is a list of trademarks for which Nanoco has obtained or is seeking registration.

Licensing and Technology Development Relationships

In January 2013, Nanoco entered into a global licensing agreement with Dow Electronic Materials (Dow), a business unit of The Dow Chemical Company, for Nanoco's cadmium-free quantum dot technology. The agreement gives Dow the exclusive worldwide rights for the sale, marketing and manufacture of Nanoco's cadmium-free quantum dots for use in electronic displays.

Nanoco also has entered into a number of development agreements with leading technology companies around the world. Those technologies include display applications, photovoltaic devices and lighting. Those agreements typically provide that Nanoco owns IP that might be developed that is directed at quantum dots. Nanoco expects those relationships will lead to the development of additional valuable IP for the Company.

We are responsible for this report and have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Very truly yours,

Russell T. Wong

RTW/wst
Enclosures

Addendum 1
Intellectual Property Report
Patents

Below is a listing of Nanoco’s patents and published patent applications (collectively “patents”). The list includes the title of the patent, its abstract, and the status of the patent by country or region. The listing is grouped by general technology categories as outlined below, and a general or miscellaneous category. The grouping does not mean that those patents necessarily are limited to those categories.

Scalable Synthesis of Quantum Dots

1 Title: NANOPARTICLES

A nanoparticle comprising a core comprised of a first material and a layer comprised of a second material. One of the first and second materials is a semiconductor material incorporating ions from group 13 and group 15 of the periodic table and the other of the first and second materials is a metal oxide material incorporating metal ions selected from any one of groups 1 to 12, 14 and 15 of the periodic table. Methods for preparing such nanoparticle are also described. There is further provided a nanoparticle comprising a core comprised of a first material and a layer comprised of a second material deposited on said core, wherein one of the first and second materials is a semiconductor material and the other of the first and second materials is an oxide of a metal selected from any one of groups 3 to 10 of the periodic table.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Australia	09/01/14	AU2008303396
China	12/03/14	CN101815774
Europe	22/06/11	EP2190944
Finland	22/06/11	FI2190944
France	22/06/11	FR2190944
Germany	22/06/11	DE2190944
Netherlands	22/06/11	NL2190944
Taiwan	21/10/14	TWI457272
United Kingdom	22/06/11	GB2190944

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,700,179
Europe	EP2341117
Hong Kong	HK1139430; HK1155770
Israel	
India	
Japan	JP2010540709
South Korea	KR20100085941
Taiwan	TW200927642
United States	US2010/0283005

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2 Title: PREPARATION OF NANOPARTICLE MATERIALS

A method of producing nanoparticles comprises effecting conversion of a nanoparticle precursor composition to the material of the nanoparticles. The precursor composition comprises a first precursor species containing a first ion to be incorporated into the growing nanoparticles and a separate second precursor species containing a second ion to be incorporated into the growing nanoparticles. The conversion is effected in the presence of a molecular cluster compound under conditions permitting seeding and growth of the nanoparticles.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Australia	06/09/11	AU2005238271
Canada	13/11/12	CA2,563,995
China	07/07/11	CN1997778
Hong Kong	27/04/12	HK1107275
Israel	28/12/11	IL178874
Japan	01/02/12	JP5190260
South Korea	11/12/13	KR10-2342684
United States	28/09/10	US7,803,423
	26/07/11	US7,985,446
	22/11/11	US8,062,703
	03/09/13	US8,524,365

Pending in:

COUNTRY	PUBLICATION NUMBER
Europe	EP1743054; EP2377973
India	
United States	US2014/0091257

3 Title: PREPARATION OF NANOPARTICLE MATERIALS

Nanoparticles including a molecular cluster compound incorporating ions from groups 12 and 16 of the periodic table, as well as a core semiconductor material incorporating ions from groups 13 and 15 of the periodic table, are fabricated. The core semiconductor material is provided on the molecular cluster compound.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	15/09/09	US7,588,828

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4 Title: CONTROLLED PREPARATION OF NANOPARTICLE MATERIALS

A method of producing nanoparticles comprising effecting conversion of a nanoparticle precursor composition to the material of the nanoparticles, the precursor composition comprising a first precursor species containing a first ion to be incorporated into the growing nanoparticles and a second precursor species containing a second ion to be incorporated into the growing nanoparticles, said conversion being effected in the presence of a molecular cluster compound under conditions permitting seeding and growth of the nanoparticles.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Australia	11/03/11	AU2006307668
Canada	05/08/14	CA2,626,281
China	08/08/12	CN101346306
Hong Kong	03/05/13	HK1122266
Israel	31/08/13	IL190837
Japan	26/04/13	JP5254800
South Korea	10/01/14	KR10-1352632
United States	01/11/11	US7,867,556

Pending in:

COUNTRY	PUBLICATION NUMBER
Europe	EP1940739
India	

5 Title: NANOPARTICLES

A nanoparticle comprised of a molecular cluster compound incorporating ions from groups (12) and (16) of the periodic table, and a core semiconductor material provided on said molecular cluster compound, wherein the core semiconductor material incorporates ions from groups (13) and (15) of the periodic table.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Europe	11/09/13	EP2171016
Finland	11/09/13	FI2171016
France	11/09/13	FR2171016
Germany	11/09/13	DE2171016
Hong Kong	17/01/14	HK1139171
Israel	29/08/14	IL203406
Netherlands	11/09/13	NL2171016
Taiwan	21/11/13	TWI415981
United Kingdom	11/09/13	GB2171016

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Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,693,281
China	CN101765649
Europe	EP2500396
Hong Kong	HK1110908
India	
Japan	JP2010535262
South Korea	KR20100047876

6 Title: NANOPARTICLES

Method for producing a nanoparticle comprised of core, first shell and second shell semiconductor materials. Effecting conversion of a core precursor composition comprising separate first and second precursor species to the core material and then depositing said first and second shells. The conversion is effected in the presence of a molecular cluster compound under conditions permitting seeding and growth of the nanoparticle core. Core/multishell nanoparticles in which at least two of the core, first shell and second shell materials incorporate ions from groups 12 and 15, 14 and 16, or 11, 13 and 16 of the periodic table. Core/multishell nanoparticles in which the second shell material incorporates at least two different group 12 ions and group 16 ions. Core/multishell nanoparticles in which at least one of the core, first and second semiconductor materials incorporates group 11, 13 and 16 ions and the other semiconductor material does not incorporate group 11, 13 and 16 ions.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Australia	08/04/11	AU2006281232
Canada	15/07/14	CA2,617,972
Israel	01/12/12	IL189346
Japan	20/06/14	JP5561935
South Korea	19/08/13	KR10-1299699
United Kingdom	09/03/11	GB2429838
	23/03/11	GB2472541
	23/03/11	GB2472542
United States	01/11/11	US7,867,557

Pending in:

COUNTRY	PUBLICATION NUMBER
China	CN101365828
Europe	EP1913182; EP2405037
Hong Kong	HK1110908
India	
South Korea	
United States	US2011/0108799

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7 Title: PROCESS FOR PREPARING A NANOCRYSTALLINE MATERIAL

A process for preparing a nanocrystalline material comprising at least a first ion and at least a second ion different from the first ion, and wherein at least the first ion is a metal ion, is described. The process comprises contacting a metal complex comprising the first ion and the second ion with a dispersing medium suitable to form the nanocrystalline material and wherein the dispersing medium is at a temperature to allow formation by pyrolysis of the nanocrystalline material when contacted with the metal complex.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Europe	07/01/98	EP0850194
France	07/01/98	FR0850194
Germany	07/01/98	DE0850194
United Kingdom	07/01/98	GB0850194
United States	30/04/02	US6,379,635

8 Title: QUANTUM DOTS MADE USING PHOSPHINE

A process is disclosed for producing quantum dots (QDs) by reacting one or more core semiconductor precursors with phosphine in the presence of a molecular cluster compound. The core semiconductor precursor(s) provides elements that are incorporated into the QD core semiconductor material. The core semiconductor also incorporates phosphorus, which is provided by the phosphine. The phosphine may be provided to the reaction as a gas or may, alternatively, be provided as an adduct of another material.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/140866
Taiwan	
United States	US2014/0370690

9 Title: GROUP III-V/ZINC CHALCOGENIDE ALLOYED SEMICONDUCTOR QUANTUM DOTS

A scalable method for the manufacture of narrow, bright, monodisperse, photo-luminescent quantum dots prepared in the presence of a Group II-VI molecular seeding cluster fabricated in situ from a zinc salt and a thiol or selenol compound. Exemplary quantum dots have a core containing indium, phosphorus, zinc and either sulfur or selenium.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/162208
Taiwan	
United States	US2014/0264172

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Surface Functionalisation of Quantum Dots

1 Title: SEMICONDUCTOR NANOPARTICLE CAPPING AGENTS

Semiconductor nanoparticle capping ligands, their production and use. An aspect of the present invention provides a ligand having the formula (I); wherein m ranges from approximately 8 to approximately 45. A further aspect provides a method of forming a compound of the formula (II), the method comprising the steps of providing a first starting material comprising poly(ethyleneglycol) and reacting the first starting material with a second starting material comprising a functional group for chelating to the surface of a nanoparticle.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
China	18/09/13	CN101959933
Israel	01/02/14	IL207721
Taiwan	11/10/14	TWI455958
United States	25/12/15	US8,337,720

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,716,552
China	CN103554477
Europe	EP2250212
Hong Kong	HK1149036
India	
Japan	JP2011513508
South Korea	KR20100138925

2 Title: SURFACE FUNCTIONALISED NANOPARTICLES

A process for the production of surface functionalised nanoparticles, such as the production of semiconductor quantum dot nanoparticles incorporating surface-bound functional groups that increase the ease with which the dots can be employed in applications, such as incorporation into solvents, inks, polymers, glasses, metals, electronic materials and devices, bio-molecules and cells. Embodiments of the method include reacting first and second nanoparticle precursor species in the presence of a nanoparticle surface binding ligand X-Y-Z where X is a nanoparticle surface binding group, Y is a linker group, and Z is a functional group, in which Y comprises a polyethyleneglycol group and/or Z comprises an aliphatic group incorporating a terminal unsaturated group, the reaction being effected under conditions permitting binding of said surface binding ligand to the growing nanoparticles to produce said surface functionalised nanoparticles.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Taiwan	10/11/14	TWI455887
United States	03/12/12	US8,597,730

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Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,733,443
China	CN102177095
Europe	EP2310321
Hong Kong	HK1150238
Israel	IL211049
India	
Japan	JP2011530187
South Korea	KR20110044280
Taiwan	
United States	US2014/0155640

3 Title: SURFACE FUNCTIONALISED NANOPARTICLES

Embodiments of the invention relate to a process for the production of surface functionalised nanoparticles, such as semiconductor quantum dot nanoparticles incorporating surface-bound functional groups suitable for enabling the dots to be incorporated into silicone polymers.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	12/03/13	US8,394,976

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,741,825
China	CN102272217
Europe	EP2350183
Hong Kong	HK1160157
Israel	IL212663
India	
Japan	JP2012507588
South Korea	KR20110091740
Taiwan	TW201022364

4 Title: METHOD FOR PREPARING AQUEOUS COMPATIBLE NANOPARTICLES

A method for producing aqueous compatible semiconductor nanoparticles includes binding pre-modified ligands to nanoparticles without the need for further post-binding modification to render the nanoparticles aqueous compatible. Nanoparticles modified in this way may exhibit enhanced fluorescence and stability compared to aqueous compatible nanoparticles produced by methods requiring post-binding modification processes.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	03/06/14	US8,741,177

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Pending in:

COUNTRY	PUBLICATION NUMBER
China	CN102159503
Europe	EP2307317
Hong Kong	HK1149742
Israel	IL210726
India	
Japan	JP2011528624
South Korea	KR20110042080
Taiwan	TW201020308
United States	US2014/0252273

5 Title: SURFACE MODIFIED NANOPARTICLES

Surface-modified nanoparticles are produced by associating ligand interactive agents with the surface of a nanoparticle. The ligand interactive agents are bound to surface modifying ligands that are tailored to impart particular solubility and/or compatibility properties. The ligand interactive agents are crosslinked via a linking/crosslinking agent, such as hexamethoxymethylmelamine or a derivative thereof. The linking/crosslinking agent may provide a binding site for binding the surface modifying ligands to the ligand interactive agents.

Pending in:

COUNTRY	PUBLICATION NUMBER
China	CN104245568
Europe	EP2794464
Japan	
South Korea	KR20140108684
United States	US2013/0190493

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Encapsulation of Quantum Dots in Beads and Resins

1 Title: SEMICONDUCTOR NANOPARTICLE-BASED MATERIALS FOR USE IN LIGHT EMITTING DIODES, OPTOELECTRONIC DISPLAYS AND THE LIKE

A formulation incorporates nanoparticles, particularly quantum dot (QD) nanoparticles, into an optically clear medium (resin) to be used as a phosphor material in lighting and display applications, and as a down converting phosphor material in LEDs (light emitting diodes). The resin is compatible with QDs to allow high performance and stability of QD-based LEDs, lighting and display applications.

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,836,057
China	CN103597622
Europe	EP2715810
Hong Kong	
Israel	
India	
Japan	JP2014523634
South Korea	KR20140024404
United Kingdom	
United States	US2013/0105839

2 Title: LABELLED BEADS

A labelled polymeric bead wherein individual beads comprise a primary particle formed of a synthetic polymeric material, and at least one secondary particle entrapped within the primary particle of the bead and being comprised of a synthetic polymer material incorporating reporter moieties.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	06/09/09	US7,544,725
	03/09/10	US7,674,844

3 Title: ENCAPSULATED NANOPARTICLES

In various embodiments, the present invention relates to production of encapsulated nanoparticles by dispersing said nanoparticles and an encapsulating medium in a common solvent to form a first solution system and applying a stimulus to said first solution system to induce simultaneous aggregation of the nanoparticles and the encapsulating medium.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	14/10/14	US8,859,442

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Pending in:

COUNTRY	PUBLICATION NUMBER
Europe	EP2553046
Patent Cooperation Treaty	WO2011/121280
Taiwan	TW201209132
United States	

4 Title: SEMICONDUCTOR NANOPARTICLE-BASED MATERIALS

In various embodiments, a primary particle includes a primary matrix material containing a population of semiconductor nanoparticles, with each primary particle further comprising an additive to enhance the physical, chemical and/or photo-stability of the semiconductor nanoparticles. A method of preparing such particles is described. Composite materials and light-emitting devices incorporating such primary particles are also described.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	30/09/14	US8,847,197

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,774,838
China	CN102648536
Europe	EP2481100
Hong Kong	HK1167041
Israel	
India	
Japan	JP2013505346
South Korea	KR20120062902
Taiwan	TW201141985
United States	

5 Title: SEMICONDUCTOR NANOPARTICLE-BASED MATERIALS

In various embodiments, the present invention relates to a plurality of coated primary particles, each primary particle including a primary matrix material and containing a population of semiconductor nanoparticles, wherein each primary particle is provided with a separate layer of a surface coating material. Various methods of preparing such particles are described. Composite materials and light-emitting devices incorporating such primary particles are also described.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
South Korea	30/09/14	KR10-1448127

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Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,774,839
China	CN102668143
Europe	EP2481101
Hong Kong	HK1166880
Israel	
India	
Japan	JP2013505347
Taiwan	TW201120112
United States	US2011/0068322

6 Title: SEMICONDUCTOR NANOPARTICLE-BASED LIGHT-EMITTING DEVICES AND ASSOCIATED MATERIALS AND METHODS

Embodiments of the present invention relate to a formulation for use in the fabrication of a light-emitting device, the formulation including a population of semiconductor nanoparticles incorporated into a plurality of discrete microbeads comprising an optically transparent medium, the nanoparticle-containing medium being embedded in a host light-emitting diode encapsulation medium. A method of preparing such a formulation is described. There is further provided a light-emitting device including a primary light source in optical communication with such a formulation and a method of fabricating the same.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
Japan	03/10/14	JP5624055

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,743,244
China	CN102217106
Europe	EP2351113
Hong Kong	HK1160700
Israel	IL212953
India	
South Korea	KR20110084324
Taiwan	TW201036214
United States	US2010/0123155

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7 Title: ENHANCEMENT OF QUANTUM YIELD USING HIGHLY REFLECTIVE AGENTS

Compositions having luminescent properties are described. The compositions can include a luminescent material, such as quantum dots and a reflective material, such as barium sulfate, both suspended in a matrix material. The presence of the reflecting material increases the amount of light captured from the composition. The compositions described herein can be used in back-lighting for LCDs and can also be used in other applications, such as color conditioning of ambient lighting.

Pending in:

COUNTRY	PUBLICATION NUMBER
Europe	
Japan	
Patent Cooperation Treaty	WO2013/175317
South Korea	
United States	US2013/0313595

8 Title: MULTI-LAYER-COATED QUANTUM DOT BEADS

Disclosed herein are coated beads made of a primary matrix material and containing a population of quantum dot nanoparticles. Each bead has a multi-layer surface coating. The layers can be two or more distinct surface coating materials. The surface coating materials may be inorganic materials and/or polymeric materials. A method of preparing such particles is also described. The coated beads are useful for composite materials for applications such as light-emitting devices.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/140936
Taiwan	
United States	US2014/0264196

9 Title: PREPARATION OF QUANTUM DOT BEADS HAVING A SILYL SURFACE SHELL

Quantum dots (QDs) are encapsulated within microbeads having a silyl surface shell. The microbeads are prepared by copolymerizing unsaturated resins and an unsaturated organosilane in the presence of QDs. During the copolymerization, the unsaturated resin and the organosilane phase separate, forming beads having a silyl surface shell surrounding an essentially unsilylated interior. The QDs are encapsulated within the interior. The silyl shell provides a barrier against oxygen and other contaminants diffusing into the bead and reacting with the QDs.

Pending in:

COUNTRY	PUBLICATION NUMBER
United Kingdom	GB2514238
United States	US2014/0264193

Quantum Dots for LED and Phosphor Applications

1 Title: SEMICONDUCTOR NANOPARTICLE-CONTAINING MATERIALS AND LIGHT-EMITTING DEVICE INCORPORATING THE SAME

In various embodiments, the present invention provides a light emitting device cap configured for location on a light emitting device comprising or consisting essentially of a primary light source. The cap defines a well region within which is received a population of semiconductor nanoparticles such that the semiconductor nanoparticles are in optical communication with the primary light source of the light emitting device when the cap is located on the light emitting device. There is further provided a light emitting device comprising or consisting essentially of a primary light source and such a cap, as well as methods for fabricating such a cap and device.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	18/03/14	US8,674,390

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,836,048
China	CN103563106
Europe	EP2715811
Hong Kong	
Israel	
India	
Japan	JP2014519708
South Korea	KR20140038464
United Kingdom	

2 Title: SEMICONDUCTOR NANOPARTICLE-BASED LIGHT EMITTING MATERIALS

A light emitting layer including a plurality of light emitting particles embedded within a host matrix material. Each of said light emitting particles includes a population of semiconductor nanoparticles embedded within a polymeric encapsulation medium. A method of fabricating a light emitting layer comprising a plurality of light emitting particles embedded within a host matrix material, each of said light emitting particles comprising a population of semiconductor nanoparticles embedded within a polymeric encapsulation medium. The method comprises providing a dispersion containing said light emitting particles, depositing said dispersion to form a film, and processing said film to produce said light emitting layer.

Pending in:

COUNTRY	PUBLICATION NUMBER
China	CN103946147
Europe	EP2758336
Japan	JP2014531762
South Korea	KR20140064979
Taiwan	TW201317325
United Kingdom	
United States	US2013/0075692

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3 Title: SHAPED ARTICLES COMPRISING SEMICONDUCTOR NANOCRYSTALS AND METHODS OF MAKING AND USING THE SAME

A shaped article comprising a plurality of semiconductor nanocrystals. Devices incorporating shaped articles are also provided. Methods of manufacturing shaped articles by various molding processes are also provided.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	05/01/12	US8,168,457

4 Title: QUANTUM DOT LED'S TO ENHANCE GROWTH IN PHOTOSYNTHETIC ORGANISMS

Quantum dot (QD) LEDs useful for plant, algal and photosynthetic bacterial growth applications. The QD LEDs utilizes a solid state LED (typically emitting blue or UV light) as the primary light source and one or more QD elements as a secondary light source that down-converts the primary light. The emission profile of the QD LED can be tuned to correspond to the absorbance spectrum of one or more photosynthetic pigments of the organism.

Pending in:

COUNTRY	PUBLICATION NUMBER
Europe	
Japan	
Patent Cooperation Treaty	WO2013/150388
South Korea	
United States	US2013/0326941

5 Title: MOLDED NANOPARTICLE PHOSPHOR FOR LIGHT EMITTING APPLICATIONS

A molded nanoparticle phosphor for light emitting applications is fabricated by converting a suspension of nanoparticles in a matrix material precursor into a molded nanoparticle phosphor. The matrix material can be any material in which the nanoparticles are dispersible and which is moldable. The molded nanoparticle phosphor can be formed from the matrix material precursor/nanoparticle suspension using any molding technique, such as polymerization molding, contact molding, extrusion molding, injection molding, for example. Once molded, the molded nanoparticle phosphor can be coated with a gas barrier material, for example, a polymer, metal oxide, metal nitride or a glass. The barrier-coated molded nanoparticle phosphor can be utilized in a light-emitting device, such as an LED. For example, the phosphor can be incorporated into the packaging of a standard solid state LED and used to down-convert a portion of the emission of the solid state LED emitter.

Pending in:

COUNTRY	PUBLICATION NUMBER
China	CN104066814
Europe	EP2804925
Japan	
Patent Cooperation Treaty	WO2013/108125
South Korea	KR20140108299
United States	US2013/0189803

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6 Title: ILLUMINATED SIGNAGE USING QUANTUM DOTS

An illuminated sign has a primary light source in spaced apart relation to a transparent or translucent substrate having quantum dot phosphors printed or coated thereon. The primary light source may be a blue LED, a white LED or an LED having a significant portion of its emission in the ultraviolet region of the spectrum. The LED may be a backlight for the transparent or translucent substrate and/or an edge light, a down light or an up light.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/064537
United States	US2014/0098515

7 Title: QUANTUM DOT LIGHT-EMITTING DIODES FOR PHOTOTHERAPY

Disclosed herein are articles for use in phototherapy utilizing quantum dots (QDs). One embodiment is a medical dressing having an occlusive layer and translucent layer. Quantum dot light-emitting diode chips are configured within the occlusive layer to provide light of a specific wavelength for use in phototherapy. Another embodiment is a medical dressing having an occlusive layer and translucent layer, wherein quantum dot material is embedded or impregnated within one or both layers.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/177943
United States	US2014/0277297

8 Title: MULTI-WAVELENGTH-EMITTING LENS TO REDUCE BLENDING OF LIGHT OVER LONG DISTANCES

A lamp for safety signalling is disclosed. The lamp uses quantum dot phosphors to down-convert light from a primary light source and provide red or green light.

Pending in:

COUNTRY	PUBLICATION NUMBER
United Kingdom	GB2514462
United States	US2014/0268639

Nanoparticles for Photovoltaic Devices

1 Title: PREPARATION OF NANOPARTICLE MATERIAL

A process for producing nanoparticles incorporating ions selected from groups 13, 16, and 11 or 12 of the periodic table, and materials produced by the process. In an embodiment, the process includes effecting conversion of a nanoparticle precursor composition comprising group 13, 16, and 11 or 12 ions to the material of the nanoparticles in the presence of a selenol compound. Other embodiments include a process for fabricating a thin film including nanoparticles incorporating ions selected from groups 13, 16, and 11 or 12 of the periodic table as well as a process for producing a printable ink formulation including the nanoparticles.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
China	05/03/14	CN101878535
Japan	27/06/14	JP5566901
Taiwan	11/11/14	TWI460281
United States	22/07/14	US8,784,701

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Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,706,381
Europe	EP2212916
Hong Kong	HK1146673
Israel	IL205766
India	
South Korea	KR20100098624
Taiwan	
United States	US2014/0319433

2 Title: HYBRID PHOTOVOLTAIC CELLS AND RELATED METHODS

Embodiments of the present invention involve photovoltaic (PV) cells comprising a semiconducting nanorod-nanocrystal-polymer hybrid layer, as well as methods for fabricating the same. In PV cells according to this invention, the nanocrystals may serve both as the light-absorbing material and as the heterojunctions at which excited electron-hole pairs split.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
China	30/05/12	CN101689609
Israel	01/02/14	IL201712
Taiwan	11/02/14	TWI426614
United States	12/03/12	US8,394,663

3 Title: FABRICATION OF ELECTRICALLY ACTIVE FILMS BASED ON MULTIPLE LAYERS

A continuous film of desired electrical characteristics is obtained by successively printing and annealing two or more dispersions of prefabricated nanoparticles.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
China	27/03/13	CN101681938
Israel	01/07/14	IL201604
Taiwan	21/05/12	TWI364848
United States	22/10/13	US8,563,348

Pending in:

COUNTRY	PUBLICATION NUMBER
Canada	CA2,684,535
Europe	EP2140498
Hong Kong	HK1132844
India	
South Korea	KR20100016544
United States	US2010/0212544

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4 Title: GROUP XIII SELENIDE NANOPARTICLES

A method of preparing Group XIII selenide nanoparticles comprises reacting a Group XIII ion source with a selenol compound. The nanoparticles have an MxSey semiconductor core (where M is In or Ga) and an organic capping ligand attached to the core via a carbon-selenium bond. The selenol provides a source of selenium for incorporation into the semiconductor core and also provides the organic capping ligand. The nanoparticles are particularly suitable for solution-based methods of preparing semiconductor films.

Pending in:

COUNTRY	PUBLICATION NUMBER
Europe	
Patent Cooperation Treaty	WO2014/009815
South Korea	
United States	US2014/0011317

5 Title: NANOSTRUCTURED LAYERS, METHOD OF MAKING NANOSTRUCTURED LAYERS, AND APPLICATIONS THEREOF

A first population of semiconductor nanocrystals to create electron transport conduits, a second population so semiconductor nanocrystals to create hole transport conduits; and a third population of semiconductor nanocrystals to be used for either light absorption or light emission can be combined to form an inorganic nanostructure layer.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	31/08/10	US7,785,657
	05/02/13	US8,368,048

6 Title: MOLYBDENUM SUBSTRATES FOR CIGS PHOTOVOLTAIC DEVICES

Photovoltaic (PV) devices and solution-based methods of making the same are described. The PV devices include a CIGS-type absorber layer formed on a molybdenum substrate. The molybdenum substrate includes a layer of low-density molybdenum proximate to the absorber layer. The presence of low-density molybdenum proximate to the absorber layer has been found to promote the growth of large grains of CIGS-type semiconductor material in the absorber layer.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/072833
United States	US2014/0283913

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7 Title: COPPER-INDIUM-GALLIUM-CHALCOGENIDE NANOPARTICLE PRECURSORS FOR THIN-FILM SOLAR CELLS

Nanoparticles containing IUPAC group 11 ions, group 13 ions and sulfur ions are synthesized by adding metal salts and an alkanethiol in an organic solvent and promoting the reaction by applying heat. Nanoparticles are formed at temperatures as low as 200° C. The nanoparticles may be thermally annealed for a certain amount of time at a temperature lower than the reaction temperature (usually ~40° C. lower) to improve the topology and narrow the size distribution. After the reaction is complete, the nanoparticles may be isolated by the addition of a non-solvent and re-dispersed in organic solvents including toluene, chloroform and hexane to form a nanoparticle ink. Additives may be incorporated in the reaction solution to tailor the final ink viscosity.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/135979
United States	US2014/0249324

8 Title: PV DEVICE WITH GRADED GRAIN SIZE AND S:Se RATIO

Disclosed herein are CIGS-based photon-absorbing layers disposed on a substrate. The photon-absorbing layers are useful in photovoltaic devices. The photon absorbing-layer is made of a semiconductor material having empirical formula $AB_{1-x}B'_xC_{2-y}C'_y$, where A is Cu, Zn, Ag or Cd; B and B' are independently Al, In or Ga; C and C' are independently S, or Se, and wherein $0 \leq x \leq 1$; and $0 \leq y \leq 2$. The grain size of the semiconductor material and the composition of the semiconductor material both vary as a function of depth across the layer. The layers described herein exhibit improved photovoltaic properties, including increased shunt resistance and decreased backside charge carrier recombination.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/140897
United States	US2014/0261651

9 Title: Cu_2ZnSnS_4 NANOPARTICLES

Materials and methods for preparing Cu_2ZnSnS_4 (CZTS) layers for use in thin film photovoltaic (PV) cells are disclosed herein. The CZTS materials are nanoparticles prepared by a colloidal synthesis in the presence of a labile organothiol. The organothiol serves as both a sulphur source and as a capping ligand for the nanoparticles.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/140889
United States	US2014/0273337

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10 Title: Cu_2XSnY_4 NANOPARTICLES

Materials and methods for preparing Cu_2XSnY_4 nanoparticles, wherein X is Zn, Cd, Hg, Ni, Co, Mn or Fe and Y is S or Se, (CXTY) are disclosed herein. The nanoparticles can be used to make layers for use in thin film photovoltaic (PV) cells. The CXTY materials are prepared by a colloidal synthesis in the presence of labile organo-chalcogens. The organo-chalcogens serves as both a chalcogen source for the nanoparticles and as a capping ligand for the nanoparticles.

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/140900
United States	US2014/0264192

11 Title: PREPARATION OF COPPER SELENIDE NANOPARTICLES

A process for producing copper selenide nanoparticles by effecting conversion of a nanoparticle precursor composition comprising copper and selenide ions to the material of the copper selenide nanoparticles in the presence of a selenol compound. Copper selenide-containing films and CIGS semiconductor films produced using copper selenide as a fluxing agent are also disclosed.

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2015/008076
Taiwan	
United States	US2015/0024543

Miscellaneous Applications of QDs

1 Title: PERSONAL CARE COMPOSITIONS COMPRISING SEMICONDUCTOR NANOCRYSTALS AND METHODS OF MAKING AND USING THE SAME

A personal care composition that includes a personal care ingredient and semiconductor nanocrystals. A method of protecting at least a portion of a body against ultraviolet radiation by applying a personal care composition is also provided.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	03/11/08	US7,341,734

2 Title: METHOD FOR THE DETECTION OF DEFECTS IN GAS-BARRIER FILMS USING QUANTUM DOTS

By forming nanoparticles from gas-phase precursors within cracks or defects in a gas-barrier film, crack-width may be determined from the diameter of the nanoparticles formed within. The optical absorption and emission wavelengths of a quantum dot are governed by the particle size. For a particular material, the absorption and/or emission wavelengths may therefore be correlated to the particle size (as determined from techniques such as transmission electron microscopy, TEM). Thus, fluorescence measurement techniques and/or confocal microscopy may be used to determine the size of quantum dots formed within a gas-barrier film, allowing both the size and nature of a defect to be determined. The method may be used to assess the potential effects of defects on the integrity of the gas-barrier film.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	09/12/14	US8,908,164

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Pending in:

COUNTRY	PUBLICATION NUMBER
China	CN104272092
Europe	
Japan	
Patent Cooperation Treaty	WO2013/164697
South Korea	

3 Title: QUANTUM DOTS FOR DIAGNOSTIC IMAGING

Methods for detecting disease in a patient are disclosed. The methods involve administering to the patient a quantum dot-analyte conjugate, which includes an analyte that binds to a marker for the disease in the patient's gastrointestinal tract. The analyte is conjugated to a quantum dot having a characteristic emission wavelength. Using an endoscopic modality, a physician can illuminate portions of the patient's gastrointestinal tract and detect the presence of the marker based on emission of the quantum dot. Also disclosed are methods of predicting a response to a treatment in a patient.

Pending in:

COUNTRY	PUBLICATION NUMBER
Patent Cooperation Treaty	WO2014/140920
United States	US2014/0271486

4 Title: PERSONAL CARE COMPOSITIONS COMPRISING SEMICONDUCTOR NANOCRYSTALS AND METHODS OF MAKING AND USING THE SAME

A personal care composition that includes a personal care ingredient and semiconductor nanocrystals. A method of protecting at least a portion of a body against ultraviolet radiation by applying a personal care composition is also provided.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	03/11/08	US7,341,734

5 Title: NANOSTRUCTURED LAYERS, METHOD OF MAKING NANOSTRUCTURED LAYERS, AND APPLICATION THEREOF

One embodiment of the invention provides a nanostructure layer, comprising: a first population of semiconductor nanocrystals forming electron transport conduits; a second population of semiconductor nanocrystals forming hole transport conduits; and a third population of semiconductor nanocrystals capable of at least one of the following: absorbing light or emitting light.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	08/31/10	US7,785,657
United States	02/05/13	US8,368,048

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6 Title: SHAPED ARTICLES COMPROMISING SEMICONDUCTOR NANOCRYSTALS AND METHODS OF MAKING AND USING SAME

A shaped article comprising a plurality of semiconductor nanocrystals. Devices incorporating shaped articles are also provided. Methods of manufacturing shaped articles by various molding processes are also provided.

Granted in:

COUNTRY	GRANT DATE	PATENT NUMBER
United States	05/01/12	US8,168,457

January 30, 2015

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Trademarks

Mark Name	Status	Country
CFQD	Registered	China P.R.
	Registered	Community Trademark
	Registered	Great Britain
	Registered	Israel
	Registered	Japan
	Registered	South Korea
	Pending	Taiwan
	Registered	United States
NANOCO	Registered	Community Trademark
	Registered	Great Britain
	Registered	Japan
	Registered	United States
QDTV	Registered	Community Trademark
	Registered	Japan
	Pending	United States
ZIPS	Registered	Great Britain

PART IX: OPERATING AND FINANCIAL REVIEW

A prospective investor should read the following review in conjunction with the rest of this Prospectus, including the financial information contained in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus and the Accountant’s Report contained in Section A of Part X: “Accountants Report on the Consolidated Historical Financial Information” of this Prospectus and should not rely solely on the information contained in this Part IX. This discussion contains forward-looking statements that involve risks and uncertainties that could cause the Group’s actual results to differ from those expressed or implied by such forward-looking statements. These risks and uncertainties are discussed in Part II: “Risk factors” and Part V: “Presentation of Information”, each of this Prospectus.

The discussion contained in this Part IX relates to, and all financial information has been extracted without material adjustment from, the historical financial information set out in Section B of Part X: “Consolidated Historical Financial Information” of this Prospectus, which has been prepared in accordance with IFRS. See Part V: “Presentation of Information” of this Prospectus for further information.

This Part IX discusses the historical financial information of the Company for each of the three years ended 31 July 2012, 31 July 2013 and 31 July 2014, the three month periods ended 31 October 2013 and 31 October 2014 and the six month periods ended 31 January 2014 and 31 January 2015 (also referred in this Part IX as the “period under review”).

1 OVERVIEW

The Group is a leading nanotechnology business involved in the research, development and manufacture of fluorescent, heavy metal-free, semi-conducting materials called cadmium-free quantum dots and other heavy metal-free nano-materials.

Quantum dots are a platform technology with uses in a wide range of applications from life sciences through to optoelectronics dominated by next generation displays, solid state lighting and photovoltaics. Quantum dot based applications potentially have the ability to offer significant benefits in performance and energy savings compared to those materials currently used in these industry sectors.

Of the range of potential applications for the Group’s technology, the Group is currently focussing on four application areas through the application of its Business Expansion Strategy. These are: (i) enhanced colour, energy efficient displays; (ii) tuneable, high-efficiency LED lighting; (iii) highly efficient, low cost and lightweight solar cells; and (iv) *in vivo* and *in vitro* biological imaging of cells for advanced diagnostic applications.

The Group continues to address three key challenges in the development and manufacturing of its CFQD[®] quantum dots:

- (a) firstly, the requirement that its quantum dots should be produced free of highly regulated heavy metals. There is a global trend to remove toxic materials which are harmful to the environment and human health from consumer products. Traditionally quantum dots have been made using the toxic heavy metal cadmium. Cadmium, in common with other heavy metals, presents a serious threat to environmental and human health because of its toxicity. Cadmium is subject to the RoHS legislation in the EU whilst its use is also restricted elsewhere in the world through comparable legislation. The decision to remove toxic elements from its quantum dots was taken in part to address this global trend and ultimately to allow for the wider adoption of the Group’s technology in the long term;
- (b) secondly, the requirement for these heavy metal free quantum dots to be manufactured in sufficient commercial volumes to satisfy demand from customers looking to incorporate them into their consumer facing products whilst maintaining the high efficiency characteristics that made them attractive to producers and end user consumers in the first place. Any newly invented material which has ambitions of use in commercial applications needs to be capable of being produced in sufficient volumes to satisfy the demand from the producers building the products into which the new material to sit, the production of which must in turn satisfy the demand from end user consumers. Ultimately this material needs to be manufactured and supplied to producers at a cost which allows the product to be attractive to end user consumers to purchase. Irrespective of the supply capability, however, the material also needs to continue

to demonstrate the level of performance criteria of the original proof of principal samples which were attractive to the industry in the first place and which will ultimately be part of the 'reason for purchase' message to the end user consumer; and

- (c) thirdly, the requirement to deliver commercial volumes of these highly efficient heavy metal free quantum dots to producers in a consistently reliable state to facilitate long term use in end user products. Cadmium free quantum dots are unstable which has required the Group to develop complex delivery and protection systems to ensure not only that their CFQD[®] quantum dots are capable of being delivered safely to producers for incorporation into their consumer facing products but also to ensure that they are protected from air and moisture within their operating environment during the lifetime of the product into which they are ultimately incorporated.

The Group's patented molecular seeding process allows for the production of uniform, high quality and efficient heavy metal cadmium-free quantum dots on a commercial scale.

2 PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The principal factors that affect the Group's results of operations are explained more fully below.

During the period under review, whilst cost increases in line with the ever increasing scale of operations have played their part, the principal cause of fluctuating results has been the timing of revenue receipts in the form of payments for the rendering of services, royalties and licence payments.

2.1 Revenue

Hitherto the Group's revenue streams have taken the form of:

- material sales;
- receipts for the rendering of services;
- royalty advances and licence income; and
- government grants.

Material sales to date have taken the form of payments for sample batches which enable prospective customers to conduct in-house trials to gauge the potential for the Group's products to work in their applications. Alternatively they have been sold to bodies such as universities to enable their research. Whilst it is expected that sales of this nature will be ongoing, it is thought that these will be immaterial as compared with sales of materials for commercial purposes and as compared with royalty receipts.

Receipts for the rendering of services have generally been from interested parties and made in order to secure some preference of supply or pricing in certain markets once viable product is available in commercial volumes. Whilst receipts of this nature have historically reduced the frequency with which the Company has needed to raise funds, they have been insufficient to meet the Group's outgoings and are not expected to form a significant part of the Group's future revenue.

The Group has periodically received royalty advances and payments for the right to distribute certain products in certain geographical territories. The party from whom the non-refundable royalty advance was received has since chosen not to pursue the technology, whilst the materials distribution agreement expired in 2013. Again, whilst such receipts have historically reduced the frequency with which the Company has needed to raise funds, it is not anticipated that they will form a significant revenue stream for the Group in future.

Grants have and continue to be received by the Group, primarily from the UK Government, which enable the Group to pursue research into applications which would otherwise not be a priority due to the Group's need to concentrate its research on areas with a likely near term payback. The Group is currently in receipt of grant funding to support the Group's research into the use of cadmium-free quantum dots for cancer diagnostics using fluorescent imaging. It runs for a 33 month period which commenced in October 2014. Subject to the delivery of certain work packages and the achievement of certain milestones the Group will receive a grant totalling £308,000 to assist with the funding of costs of both a revenue and capital nature. The Group has recently been notified that its application for grant funding for research into CIGS solar cells has been successful and as such should lead to the receipt of grant funding of approximately £400,000 over a two year period commencing mid-2015.

In the near term the Company anticipates that its major revenue streams will comprise:

- commercial material sales; and

- royalty receipts.

Pending Dow's production facility in South Korea coming on stream, the Company will supply small quantities of either quantum dots or quantum dots in resin directly from its Runcorn facility. The revenue earned from the sale of materials manufactured in Runcorn is wholly receivable by the Company and as such is not the subject of any sharing arrangement with Dow. The price per kilo expected to be achieved from sales out of Runcorn will be significantly higher than the price which will ultimately be enjoyed on bulk sales out of Dow's production facility in South Korea. Once Dow's production facility in South Korea comes on stream it is anticipated that the Company's production facility at Runcorn will be used to manufacture non-standard products or small batches. It is anticipated that sales price per kilo for materials supplied from its Runcorn facility will command a premium as compared with the bulk product supplied by Dow out of its facility in South Korea.

Royalty receipts will be receivable by the Company on the sale by Dow to the end user of materials produced at Dow's production facility in South Korea. Although Dow announced in September 2014 its expectation that the facility will come on line in the first half of 2015, the Company does not expect to receive any royalties from Dow in the financial year ended 31 July 2015. Royalties will be payable by Dow to the Company in the middle of the quarter following the quarter in which Dow makes sales to its end user OEM customers. It is therefore anticipated that the first royalties will be received by the Company in the next financial year, although these may not be based on a full quarter's output. The Directors expect that Dow will be able to produce quantum dots in significantly greater numbers at the facility in South Korea once it is operational than it would otherwise be able to produce from the Group's own facility in Runcorn.

2.2 Cost of sales

The Company currently classes bought in costs, in contrast to payroll costs, associated with the research and development as cost of sales. The actual material cost of producing the sample material sales made in any year is in fact only a small percentage of the value of those sales and therefore the bulk of the costs described as cost of sales are materials and consumables costs attributable to R&D rather than the sales achieved in the period.

Cost of sales has historically comprised chemicals, consumables and the use of specialist equipment not owned by the Company. As the Group has moved towards the commercialisation of its products, the number and size of trials has increased, which, together with the increase in the number of scientists and technical staff employed in the business, has led to the increase in the cost of bought in R&D costs described as cost of sales.

Notwithstanding the transition to the production at its Runcorn plant, of commercial quantities of materials for resale, the Company anticipates that it will continue to incur R&D costs, other than those associated with the production of materials for resale, at levels similar to those seen historically.

The Company will bear none of the costs associated with the operation of Dow's plant in South Korea, other than possible travel costs incurred by its staff visiting the Dow site in South Korea, for example, to impart know-how.

Due to the fluctuating nature and composition of the Company's historical revenues, the ratio of cost of sales to revenue and thus gross profit or gross loss to revenue has little meaning.

2.3 Research and Development

Throughout the whole of the period under review, research costs have been charged to the profit or loss as they have been incurred. Development costs will 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 based on the circumstances at the 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 have, throughout the period under review, been charged to profit and loss as incurred, since the criteria for their recognition as an asset has not been met.

R&D costs comprise three main categories:

- The payroll costs of R&D staff
- Bought in R&D materials including chemicals, consumables and the use of specialist equipment not owned by the Company
- Laboratory utility costs and specialist waste disposal costs

As explained above in paragraph 2.2 (Cost of sales) of this Part IX, bought in R&D materials including chemicals, consumables and the use of specialist equipment not owned by the Company, are included within cost of sales.

The payroll costs of R&D staff together with laboratory utility and specialist waste disposal costs are included within administrative expenses.

R&D expenditure, by main category, for the period under review, is summarised below:

Research and development expense

	6 months to 31.01.15 (unaudited)	6 months to 31.01.14 (unaudited)	3 months to 31.10.14 (audited)	3 months to 31.10.13 (unaudited)	Year to 31.07.14 (audited)	Year to 31.07.13 (audited)	Year to 31.07.12 (audited)
Staff payroll costs	1,988	1,886	1,082	943	3,452	2,666	1,808
Bought in materials and consumables	619	795	334	397	1,516	1,230	989
Laboratory utility costs including waste disposal	136	145	56	72	209	172	90
	2,743	2,826	1,472	1,412	5,177	4,068	2,887

2.4 Administrative expenses

An analysis of the Group's administrative expenses for the period under review is given at paragraph 3.3 (Administrative expenses) of this Part IX. The more significant elements of administrative expenses are discussed in more detail below.

Payroll costs

Management and administrative payroll costs includes the payroll costs of Directors. Directors' payroll costs will increase in future following the recent recruitment of a Chief Operating Officer and in consequence of any salary revisions associated with the move from AIM to the Main Market. It is anticipated that future increases in other management and administrative payroll costs will arise as a result of the recruitment of additional employees in line with the intention set out further in paragraph 9 (Use of Proceeds) of this Part IX, which will include the recruitment of certain specialist staff such as chemical engineers.

Scientist and technical staff costs have historically been and will continue to be a function of scientific and technical staff numbers. It is currently anticipated that the production of commercial materials out of the Runcorn site will necessitate the recruitment of 12 additional staff.

The costs below include employer's national insurance contributions and employer's pension contributions, but exclude share-based payments. Historically, the Company has operated a salary sacrifice pension scheme and therefore the true cost to the business has been nil. With effect from January 2015, the business was obliged to implement the auto-enrolment pension regulations: this has led to an additional true cost to the Company in respect of employees who were not previously in the salary sacrifice pension scheme. The initial cost, in respect of employees who were not previously in the salary sacrifice pension scheme, was 1 per cent of salary costs of those employees, this will increase to a minimum of 3 per cent when the rules are fully in force. Initial indications are that the additional cost to the Company will be immaterial.

Payroll costs and staff numbers

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014	Year to 31.07.2013	Year to 31.07.2012
Payroll costs excluding share based payments							
Management and administrative staff	1,300	1,141	730	698	1,958	1,525	1,293
Scientists and technical staff	1,535	1,390	828	700	2,664	1,980	1,525
	<u>2,835</u>	<u>2,531</u>	<u>1,558</u>	<u>1,398</u>	<u>4,622</u>	<u>3,505</u>	<u>2,818</u>
Staff numbers							
Management and administrative staff	24	26	24	25	25	22	21
Scientists and technical staff	83	79	84	80	79	58	43
	<u>107</u>	<u>105</u>	<u>108</u>	<u>105</u>	<u>104</u>	<u>80</u>	<u>64</u>

Premises costs

The Group currently leases laboratory and office space at two sites, one of which is its main site at the University of Manchester Incubator Centre (in this Part IX, "UMIC") and the other being its production facility in Runcorn.

The initial laboratory and office space at UMIC is leased at a cost of £102,000 per year on a 10 year lease which expires in 2017. The additional laboratory and office space at UMIC which was leased as part of the Group's expansion described in more detail in paragraph 3 of Part VI: "Information on the Company and the Group" of this Prospectus is leased at a cost of £388,000 per year on a 10 year lease which expires in 2022.

The laboratory and office space in Runcorn is leased at a cost of £229,670 per year on a two year lease which expires on 28 February 2017.

In addition to the above, the Group leases office space in Boston, USA at the cost of £6,000 per year and which is subject to a one year lease which expires on 31 July 2015.

Intellectual property maintenance costs

In addition to the costs associated with registering new patents, which are capitalised under the heading of intangible assets and amortised over 10 years, the Company incurs further patent related costs in connection with the administration and maintenance of its patent portfolio. Costs in connection with the administration of the Company's patent portfolio are written off in the year in which they are incurred. Patent administration costs are expected to increase in line with the number of patents which the Company has at the time.

Professional costs in connection with the Company's stock market listing

The costs, in the form of professional fees, which the Company currently incurs in consequence of its listing on AIM are expected to increase coincidental with its move to the Main Market.

Travel and entertainment costs

The Company incurs significant travel costs in consequence of the constant need for both its sales and technical staff to visit existing and potential customers in Asia, the USA and to a lesser extent Europe. The Company expects these costs to increase in line with increases in employee numbers. The Company's annual entertaining costs are negligible.

Other administration costs

The main cost components include equipment repairs and renewals, recruitment costs, insurance costs and IT related expenditure.

Amortisation of intangible assets

The costs associated with the registration of new patents are capitalised under the heading of intangible assets and amortised over 10 years. The costs incurred under this heading have increased in recent years in line with the number of new patents being generated and, in the financial years ended

31 July 2012 and 31 July 2014, actually exceeded the amounts incurred in the acquisition of tangible fixed assets in the form of plant and machinery. The first costs to be capitalised were incurred in 2005 and therefore from 2015 these costs will be fully amortised. However, it is anticipated that the costs of new patent creation costs added by the Company will exceed those dropping out and therefore amortisation costs will continue to increase, albeit more steadily.

Depreciation of property, plant and equipment

In addition to research and development related plant and equipment, the other main asset class comprises the fit out costs of the laboratories at UMIC and Runcorn. These fit out costs are being depreciated over periods coincidental with the respective property leases.

The Company anticipates spending between £0.5 million and £0.75 million on plant and machinery at its Runcorn facility aimed at eliminating bottle-necks in in-house quantum dot production.

Share-based payments

Equity settled share-based payments are non-cash transactions which are measured with reference to the fair value at the date of grant and are recognised on a straight line basis over the vesting period based on the Company's estimate of shares that will eventually vest.

Recent developments and material transactions since 31 January 2015

There have been no developments or material transactions since 31 January 2015 which have affected the Company's results.

Period on period comparisons

Year to 31 July 2013 versus year to 31 July 2012

As compared with the year ended 31 July 2012, notwithstanding significantly higher revenue, the loss for the year ended 31 July 2013 was greater, due to an increase in administrative expenses larger than the increase in revenue and in turn gross profit.

The year on year increase in revenue was in consequence of a one-off joint development agreement payment included within rendering of services and a payment from Dow on the signing of the Dow Agreement included within royalties and licences.

The main sources of the year on year rise in administrative expenses were increased payroll costs in consequence of higher staff numbers, the full year effect of the second Manchester laboratory opened part way through the year to 31 July 2012 and a higher share-based payments charge.

Year to 31 July 2014 versus year to 31 July 2013

As compared with the year ended 31 July 2013, the significantly higher losses in the year to 31 July 2014 were due to a combination of lower revenues and to a lesser extent higher administrative expenses.

The year on year decrease in revenue was in consequence of the absence of the prior year one-off joint development agreement payment included within rendering of services, the payment from Dow on the signing of a worldwide licensing agreement included within royalties and licences and the absence of a multi-year joint development agreement which ended in 2013.

The principal factors underlying the year on year increase in administrative expenses were increased payroll costs in consequence of higher staff numbers and additional depreciation charges.

Three months to 31 October 2014 versus three months to 31 October 2013

As compared with the three months to 31 October 2013, the reduced losses in the 3 months to 31 October 2014 were largely due to the receipt of a milestone payment on the commencement of the construction of a production plant.

Six months to 31 January 2015 versus six months to 31 January 2014

As compared with the six months to 31 January 2014, the reduced losses in the 6 months to 31 January 2015 were largely due to the receipt of a milestone payment on the commencement of the construction of a production plant.

3 RESULTS OF OPERATIONS

The table below sets forth the Group's results of operations for the period under review:

Table 1: Consolidated income statement

Consolidated statement of comprehensive income

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014 (audited)	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Revenue	1,612	679	1,445	333	1,433	3,928	2,948
Cost of sales	(672)	(859)	(352)	(453)	(1,563)	(1,293)	(1,165)
Gross profit/(loss)	940	(180)	1,093	(120)	(130)	2,635	1,783
Administrative expenses	(5,113)	(4,907)	(2,662)	(2,564)	(9,119)	(7,957)	(6,442)
Operating loss							
before share based payments	(3,940)	(4,787)	(1,439)	(2,534)	(8,676)	(4,452)	(4,294)
share based payments	(233)	(300)	(130)	(150)	(573)	(870)	365
after share based payments	(4,173)	(5,087)	(1,569)	(2,684)	(9,249)	(5,322)	(4,659)
Finance income	46	102	28	40	194	286	317
Finance costs	(2)	(3)	(2)	(1)	(5)	(6)	(8)
Loss before tax	(4,129)	(4,988)	(1,543)	(2,645)	(9,060)	(5,042)	(4,350)
Tax	984	650	588	325	1,249	920	710
Loss after tax	(3,145)	(4,338)	(955)	(2,320)	(7,811)	(4,122)	(3,640)

3.1 Total revenue

Revenue operating segments

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014 (audited)	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Analysis of revenue							
Products sold	181	50	59	16	178	110	134
Rendering of services	199	629	154	317	1,255	2,116	1,557
Royalties and licences	1,232	—	1,232	—	—	1,702	1,257
	1,612	679	1,445	333	1,433	3,928	2,948
Analysis of revenue							
UK	29	93	10	47	159	254	182
Europe (excluding UK)	—	1	—	—	26	42	124
Asia	297	539	174	277	1,139	2,854	2,542
USA	1,286	46	1,261	10	109	778	100
	1,612	679	1,445	333	1,433	3,928	2,948

3.2 Revenue

Rendering of services, during all periods under review, includes amounts received from Tokyo Electron under a development agreement into solar power. The relationship and revenues from Tokyo Electron ceased in August 2014 when, following its acquisition, Tokyo Electron decided not to renew its development agreement with the Group.

During the years ended 31 July 2012 and 31 July 2013, revenue arising from royalties and licences includes non-refundable royalty advances under a joint development agreement with a corporation whose relationship with the Company subsequently ceased in July 2013.

During the year ended 31 July 2013 and the period ended 31 October 2014, revenue arising from royalties and licences includes, respectively, amounts receivable on the signing of a worldwide licensing agreement and a milestone payment on the commencement of the construction of a production plant.

In the 6 month period to 31 January 2015, revenue from royalties and licences comprises a milestone payment receivable on the commencement of construction of a cadmium-free quantum dot manufacturing plant.

3.3 Administrative expenses

The following table provides a breakdown of the Group's administrative expenses for the period under review:

Table 2: Breakdown of administrative expenses

Administrative expenses

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014 (audited)	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Management & admin staff	1,300	1,141	730	698	1,958	1,525	1,293
Scientists & technical staff	1,535	1,390	828	700	2,664	1,980	1,525
Premises costs	495	467	234	232	925	837	556
Professional fees – IP	177	193	48	59	256	269	277
Professional fees – finance & legal	87	100	35	56	161	113	127
Professional fees – AIM related costs	99	88	45	44	179	160	159
Travel & entertainment	148	195	71	110	302	341	306
Admin other	397	334	215	162	710	825	862
Amortisation	125	97	61	46	209	152	122
Depreciation	554	599	279	305	1,181	899	849
Foreign exchange difference	(37)	3	(14)	1	4	(13)	3
Share based payments	233	300	130	150	573	870	365
	5,113	4,907	2,662	2,564	9,119	7,957	6,442

3.4 Finance income and finance expense

The following table provides a breakdown of the Group's finance income and finance expense for the period under review:

Finance income & finance expense

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014 (audited)	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Finance income:							
Bank interest receivable	46	102	28	40	194	286	317
Finance expense:							
Loan interest payable	(2)	(3)	(2)	(1)	(5)	(6)	(8)
	44	99	26	39	189	280	309

Bank interest receivable arises from the investment of surplus funds in investment grade banks. Fluctuations in the amounts receivable primarily reflect the level of funds available for investment during the periods concerned, rather than the interest rate received.

Loan interest payable relates to the loan received from UMIC, which is more fully described in paragraph 4.3 (Liquidity) of this Part IX.

3.5 Taxation

The expenditure which attracts R&D led tax refunds comprises the payroll and associated employee related costs such as employer's national insurance and employer's pension contributions of employees engaged in R&D, expenditure on bought in R&D costs such as chemicals and consumables, plus R&D related utility costs and the cost of removal of R&D related waste.

As the R&D led tax refunds are a function of R&D expenditure, the Company has benefitted from the increasing amount which it has spent on R&D. The Group has additionally benefitted from the fact that for tax purposes, £100 spent on R&D is counted as £225, thereby increasing its tax losses. Furthermore, the Group has benefitted from the increase in the percentage of the tax loss which can be surrendered for a cash refund and which currently stands at 14.5 per cent.

Notwithstanding the commencement of the manufacture of commercial quantities of materials for resale at the Runcorn plant, the Company anticipates that it will continue to incur R&D costs at levels similar to, if not higher than, those seen historically.

In addition to the favourable tax regime in connection with R&D related expenditure, the Company believes it should, in the future, be able to benefit from the Patent Box. The Patent Box enables companies to apply a lower rate of Corporation Tax to profits earned after 1 April 2013 from their patented inventions. The relief is being phased in from 1 April 2013 and the lower rate of Corporation Tax to be applied will be 10 per cent, which is half the normal rate of Corporation Tax.

The Company's U.S. subsidiary, Nanoco U.S. Inc, which primarily provides the rest of the Group with the services of staff located in the U.S., generated a profit of £28,000 during the year ended 31 July 2014 on which tax of £9,000 was payable.

The Company has historically received significant tax refunds from the government due to the heavy R&D costs it has incurred. If the government were to change this policy or, in the worst case scenario, withdraw such tax benefits completely then the Company could, in the short term, be faced with a cash shortfall and adverse post-tax results and in the longer term, a higher tax bill. The Directors believe that this outcome is unlikely as the government is under pressure to increase, not decrease, the tax benefits it currently offers to R&D companies.

4 LIQUIDITY AND CAPITAL RESOURCES

4.1 Capital Resources

The Company has received no loans during the period under review.

During the period under review, the Company has received amounts of £58,000, £714,000 and £783,000 respectively during the years ended 31 July 2012, 31 July 2013 and the three month period to 31 October 2014. These amounts relate to the exercise of share options by employees.

In the year ended 31 July 2014, the Company received £10,000,000 less associated costs of £263,000 in respect of a placing made in October 2013.

Also see paragraph 5.1 (Equity) of this Part IX which details the number of shares issued.

4.2 Cash flows

The following table shows the Group's consolidated statement of cash flows for the periods under review:

Summary cash flow statement

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014 (audited)	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Loss before interest and tax	(4,173)	(5,087)	(1,569)	(2,684)	(9,249)	(5,322)	(4,659)
<i>Adjustments for:</i>							
Depreciation of property, plant and equipment	554	599	279	303	1,181	901	849
Amortisation of intangible assets	125	97	61	46	209	152	122
Share-based payments	233	300	130	150	573	870	365
Changes in working capital:							
(Increase)/decrease in inventories	(3)	(9)	(33)	6	(14)	(41)	1
Increase/(decrease) in trade and other receivables	(59)	(67)	99	144	256	(130)	(429)
(Increase)/decrease in trade and other payables	256	(321)	(142)	(718)	(510)	384	533
(Decrease)/increase in deferred revenue	(119)	(112)	(119)	(71)	7	(1,823)	1,216
(a) Cash outflow from operating activities	(3,186)	(4,600)	(1,294)	(2,824)	(7,547)	(5,009)	(2,002)
Research and development tax credit received	—	—	—	—	918	704	637
Overseas corporation tax paid	(4)	(8)	—	—	(9)	—	—
Net cash outflow from operating activities	(3,190)	(4,608)	(1,294)	(2,824)	(6,638)	(4,305)	(1,365)
(b) Cash flows from investing activities							
Purchases of tangible fixed assets	(185)	(399)	(103)	(237)	(494)	(1,775)	(292)
Purchases of intangible fixed assets	(271)	(318)	(106)	(31)	(536)	(340)	(336)
Decrease/(increase) in cash placed on deposit	4,657	(3,552)	3,000	(1,000)	385	4,943	896
Interest received	65	146	26	37	237	246	391
Net cash inflow/(outflow) from investing activities	4,266	(4,123)	2,817	(1,231)	(408)	3,074	659
(c) Cash flows from financing activities							
Proceeds from issues of ordinary share capital	783	10,000	783	10,000	10,000	714	58
Expenses on issue of shares	—	(253)	—	(238)	(263)	—	(10)
Interest paid	(2)	(3)	(2)	(1)	(5)	(6)	(8)
Loan repayment	(32)	(31)	(16)	(16)	(63)	(64)	(63)
Net cash inflows/(outflows) from financing activities	749	9,713	765	9,745	9,669	644	(23)
Increase/decrease in cash and cash equivalents	1,825	982	2,288	5,690	2,623	(587)	(729)
Cash and cash equivalents at the start of the year	6,391	3,768	6,391	3,768	3,768	4,355	5,084
Cash and cash equivalents at the end of the year	8,216	4,750	8,679	9,458	6,391	3,768	4,355
Monies placed on deposit at the end of the year	1,134	9,728	2,791	7,176	5,791	6,176	11,119
Cash, cash equivalents and deposits at the end of the year	9,350	14,478	11,470	16,634	12,182	9,944	15,474

(a) Cash flows from operating activities

R&D tax receipts are generally received in the second half of the financial following the financial year to which they relate.

(b) Cash flows from investing activities

Interest receivable on bank deposits is not always received during the financial period to which it relates and for this reason the amounts shown above differ from those shown in paragraph 3.4 (Finance income and finance expense) of this Part IX.

(c) Cash flows from financing activities

The amounts of £58,000, £714,000, £783,000 and £783,000 received respectively during the years ended 31 July 2012, 31 July 2013, the 3 months to 31 October 2014 and the 6 months to 31 January 2015 relate to the exercise of share options by employees.

The receipt of £10,000,000 and the associated costs of £263,000 (6 months to 31 January 2014: £253,000) in the year ended 31 July 2014 (and the 6 months to 31 January 2014) relate to a placing made in October 2013.

Also see paragraph 5.1 (Equity) of this Part IX which details the number of shares issued.

4.3 Liquidity

The following table sets out the amount of the Group's obligations in respect of loans and borrowings as at 31 January 2015.

Current financial liabilities

Repayment of amounts due to UMIC.

	£000s
1 April 2015	16
1 July 2015	16
1 October 2015	15
1 January 2016	16
	63

Non current financial liabilities

Repayment of amounts due to UMIC.

	£000s
1 April 2016	16
1 July 2016	16
1 October 2016	15
1 January 2017	16
	63

Further details in respect of the current and non-current financial liabilities set out above are as follows. See also Section B of Part X: "Consolidated Historical Financial Information" of this Prospectus.

Loan recipient	Nanoco Technologies
Currency	pounds sterling
Nominal Annual Interest Rate	2 per cent above base rate
Security	the loan is unsecured
Guarantees	there are no inter-company guarantees in respect of the loan

There has been no material change in the Group's obligations in respect of loans and borrowings from 31 January 2015 to 30 March 2015 (being the last practicable date prior to the publication of this Prospectus). The Company expects to finance the payments set out above from net cash generated from operating activities.

4.4 Capital expenditure

The following table shows the Group's capital expenditures (excluding disposals) for the period under review:

	6 months to 31.01.2015 (unaudited)	3 months to 31.01.2014 (audited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Property, plant and equipment					
Laboratory infrastructure	5	—	70	402	10
Office equipment, fixtures and fittings	20	7	35	71	38
Plant and machinery	160	96	389	1,302	244
	<u>185</u>	<u>103</u>	<u>494</u>	<u>1,775</u>	<u>292</u>

No property, plant and equipment is financed.

Intangible assets

Intangible assets	271	106	536	340	336
	<u>271</u>	<u>106</u>	<u>536</u>	<u>340</u>	<u>336</u>

No intangible assets are financed.

4.5 Operating lease commitments

The following table shows the Group's operating lease commitments for the periods under review:

Operating lease commitments

	6 months to 31.01.2015 (unaudited)	6 months to 31.01.2014 (unaudited)	3 months to 31.10.2014 (audited)	3 months to 31.10.2013 (unaudited)	Year to 31.07.2014 (audited)	Year to 31.07.2013 (audited)	Year to 31.07.2012 (audited)
Land and buildings:							
Not later than one year	493	626	548	672	584	667	524
After one year but not more than five years	1,671	1,824	1,696	1,868	1,722	1,912	1,918
After five years	808	1,196	905	1,293	1,002	1,390	1,777
	<u>2,972</u>	<u>3,646</u>	<u>3,149</u>	<u>3,833</u>	<u>3,308</u>	<u>3,969</u>	<u>4,219</u>

Operating lease commitments relate to laboratory and office space at UMIC and Runcorn.

5 CAPITALISATION AND INDEBTEDNESS

5.1 Equity

On 30 April 2009, the Company was renamed Nanoco Group plc and on 1 May 2009 the Company began trading on AIM following the reverse takeover of Evolutec Group plc.

The table below shows the Company's issued equity capital:

Issued equity capital

	Shares Number	Share capital £000	Share premium £000	Reverse acquisition reserve £000	Total £000
Allotted, called up and fully paid ordinary shares of 10p:					
Evolutec Group plc as at 1 August 2008	25,949,996	2,595	24,442	—	27,037
Share premium on treasury shares reclassified to EBT	—	—	(20)	—	(20)
Shares issued to acquire Nanoco Tech Limited	158,138,036	15,814	47,441	—	63,255
Arising on reverse acquisition of Nanoco Tech Limited	—	—	—	(77,466)	(77,466)
Other movement	68,250	7	(8)	1	—
Expenses on issue of shares	—	—	(455)	—	(455)
At 31 July 2009 and 31 July 2010	184,156,282	18,416	71,400	(77,465)	12,351
Shares 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 on issue of shares	—	—	(519)	—	(519)
At 31 July 2011	205,858,417	20,586	84,517	(77,676)	27,427
Shares on exercise of options	1,525,750	152	2	(96)	58
Expenses of 2011 placing	—	—	(10)	—	(10)
At 31 July 2012	207,384,167	20,738	84,509	(77,772)	27,475
Shares issued on exercise of options	2,776,842	278	397	(96)	579
At 31 July 2013	210,161,009	21,016	84,906	(77,868)	28,054
Shares issued in placing	6,369,427	637	9,363	—	10,000
Expenses of placing	—	—	(263)	—	(263)
At 31 July 2014	216,530,436	21,653	94,006	(77,868)	37,791
Shares issued on exercise of options	799,947	80	406	—	486
At 31 October 2014 and 31 January 2015	217,330,383	21,733	94,412	(77,868)	38,277

5.2 Debt

The Group has not entered into any further loan arrangements since the date at which the capitalisation and indebtedness table at paragraphs 5.3 (Capitalisation and Indebtedness) and 5.4 (Net Indebtedness) of this Part IX were prepared being, for the avoidance of doubt, 31 January 2015.

5.3 Capitalisation and Indebtedness:

The table below sets out the Group's capitalisation and indebtedness as at 31 January 2015. The figures have been extracted without material adjustment from the Group's unaudited interim financial information as at 31 January 2015 as set out in Part XI: "Unaudited Interim Financial Information" of this Prospectus.

	31 January 2015 (Unaudited) £'000
	<hr/>
Total Current debt	
Guaranteed	—
Secured	—
Unguaranteed/ Unsecured	63
	<hr/>
	63
Total Non-Current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	—
Unguaranteed/ Unsecured	63
	<hr/>
	63
Shareholder's equity:	
Issued equity capital (includes share capital, share premium and reverse acquisition reserve)	38,277
Share-based payment reserve	2,059
Merger reserve	(1,242)
	<hr/>
Total equity (excluding retained earnings)	39,094
	<hr/> <hr/>
Total capitalisation	39,220
	<hr/> <hr/>

5.4 Net Indebtedness:

The table below sets out the Group's net indebtedness as at 31 January 2015. The figures have been extracted without material adjustment from the Group's unaudited interim financial information as at 31 January 2015 as set out in Part XI: "Unaudited Interim Financial Information" of this Prospectus.

	31 January 2015 (Unaudited) £'000
	<hr/>
Cash	8,216
Cash equivalent (Short-term investments and cash on deposit)	1,134
Trading securities	—
Liquidity	9,350
Current Financial Receivable	—
Current Bank debt	—
Current portion of non current debt	—
Other current financial debt	63
Current Financial Debt	63
Net Current Financial Indebtedness	(9,287)
Non current Bank loans	—
Bonds Issued	—
Other non current loans	63
Non Current Financial Indebtedness	63
Net Financial Indebtedness	(9,224)
	<hr/> <hr/>

6 RISKS ON FINANCIAL ASSETS AND LIABILITIES

6.1 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 of trade receivables at 31 October 2014, these were 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.

6.2 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 which is pounds sterling. These are primarily U.S. Dollars and Euros. Transactions outside of these currencies are limited.

Almost all of the Group's revenue is denominated in U.S.\$.. The Group purchases some raw materials, certain services and some assets in U.S.\$.. which partly offsets its U.S.\$.. 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 October 2014.

6.3 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.

6.4 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 31 October 2014, 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.

7 CRITICAL ACCOUNTING POLICIES

The Group's Consolidated Financial Statements reflect the selection and application of accounting policies that require management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's accounting policies, which are subject to estimations and assumptions, are summarised below. See also Note 1 to the Group's Consolidated Financial Statements for a discussion of the critical accounting policies adopted by the Group.

7.1 Use of estimates and judgements

The Group makes no significant judgements in the process of applying the Group's accounting policies, other than those involving estimates and assumptions related to:

- equity-settled share-based payments;
- taxation;
- research and development; and
- revenue recognition.

8 TREASURY POLICY

The objectives of the Group's treasury policy are to identify risks to the Group's capital and balance sheet positions; establish responsibility, policies and procedures for managing such risks; and identify the reporting needed to allow oversight of treasury activity.

The Group's business is impacted through movements in currency exchange rates, as the majority of its income is based on the value of assets denominated in currencies other than pounds sterling, principally U.S. Dollars and Euros. The Group's policy is to hold cash balances in a foreign currency where they are held for a specific purpose (such as to match a liability in a foreign currency) but otherwise to convert fee receivables denominated in a foreign currency into pounds sterling as soon as they are received. Currency exposure to earnings in Euros and U.S. Dollars are partially mitigated by outgoings in those currencies.

As the Group has no significant borrowings the interest risk is limited to the reduction of interest received on cash surpluses held at bank which receive a floating rate of interest.

To mitigate liquidity risk, the Group maintains a policy to keep cash resources sufficient to meet all liabilities when they fall due, taking into account expected cash receipts. In addition, the Group performs regular cash-flow forecasts, modelling both normal and stressed conditions.

As part of its treasury policy, the Group prepares the following reports and performance measurements: weekly cash report of all companies; monthly management accounts, monthly cash flow analysis and agreed debtor reconciliation analysis.

9 USE OF PROCEEDS

In conjunction with the move to the Main Market, the Company intends to raise £18,650,000 through the Placing (net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: "Additional Information" of this Prospectus and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission), in order to continue developing and innovating its CFQD[®] quantum dot and nano-material platform technologies (including CIGS). The Group intends to achieve this through:

Improved working capital to support ongoing development of the CFQD[®] quantum dot production processes

At present, the Group does not receive any significant revenue and therefore requires sufficient cash resources in order to satisfy its working capital requirements and to continue its R&D operations. Whilst the Directors expect the first stage of commercialisation of CFQD[®] quantum dots for the electronic display industry to occur in the near term, the processes for production of CFQD[®] quantum dots and CFQD[®] quantum dot-containing resin film still require further development and refinement to enable large-scale commercialisation and therefore industry adoption. A cash injection will enable the Group to accelerate the rate at which it will be able to achieve large-scale commercialisation of its CFQD[®] quantum dot technology for the electronic display market as well as the commercialisation of its CFQD[®] quantum dot and nanomaterial technologies for the other target markets in a much shorter timescale than would otherwise be the case if it had to wait for its own internally generated working capital to reach sufficient levels to fund its Business Expansion Strategy.

Hiring additional research and development staff

In order to better pursue the four key target markets identified in its Business Expansion Strategy, the Group intends to recruit a further 32 employees in addition to the new divisional heads identified below. The intention is to recruit 15 new employees into the electronic display division (the majority

of which will be focussing on the development of the production process), eight to focus on lighting R&D, two solar power specialists and seven individuals to develop the Group's biological imaging capabilities. These new employees will be involved in the further research and development of the Group's CFQD[®] quantum dot and nano-material platform technologies (including CIGS). It is anticipated that these new staff will cost approximately £1.3 million per annum once they have been recruited.

Broadening research capabilities through outsourcing

In order to further increase its research capabilities without increasing fixed costs, the Group intends to engage a third party provider to access expensive specialist solar panel manufacturing equipment to fulfil the Group's objective of proving the Group's solar technology on larger 30cm x 30cm solar panels. This is not something that the Group currently has the capacity to do in-house. It is anticipated that this will cost the Group approximately £3 million in the medium term.

Improving laboratory facilities

The Group also plans to develop its infrastructure through expanding its laboratory space at either Manchester or Runcorn in order to accommodate the additional research and development staff identified above as well as conducting a planned laboratory fit out. It is anticipated that the expansion and planned fit out will cost approximately £4 million.

Enhancing the Group's intellectual property portfolio

The net proceeds of the Placing will also provide capital for the Group to improve and increase its intellectual property portfolio by developing new technologies and processes through its research and development programme and, where appropriate, seeking patent or trade mark protection. Where appropriate, the Group may seek to augment its intellectual property portfolio by acquiring strategically important intellectual property rights. The exact cost of this will depend on the rate at which new technologies and processes are developed and availability of suitable acquisition opportunities.

Enhancing its senior management structure

As part of its Business Expansion Strategy, the Group intends to re-organise its business into four distinct divisions, electronic display, lighting, solar power and biological imaging. As part of this strategy, new divisional heads for each of lighting, solar and biological imaging will be recruited to lead the three new divisions. In the medium term, the Group also intends to recruit a Commercial Director to boost the profile of the Group's capabilities in its target markets and to work with the divisional heads to develop strategies to commercialisation as well as considering further commercial applications for the Group's products and capabilities. It is anticipated that these additional staff will cost approximately £430,000 per annum once they have all been recruited.

The Directors believe these initiatives will strengthen the Group's ability to pursue its Business Expansion Strategy by putting in place an appropriate management structure with sufficient research and development resources (in terms of staffing, laboratory facilities and third party support) to drive forward the development of its technologies in all four of its target markets. It is anticipated that this will enable the Group to achieve the large-scale commercialisation of its CFQD[®] quantum dot technology for the electronic display market as well as the commercialisation of its CFQD[®] quantum dot and nano-material platform technologies (including CIGS) for the other target markets in a much shorter timescale than would otherwise be the case if it had to wait for its own internally generated working capital to reach sufficient levels to fund the Business Expansion Strategy.

PART X: SECTION A: ACCOUNTANT'S REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Directors
Nanoco Group plc
46 Grafton Street
Manchester
M13 9NT

31 March 2015

Dear Sirs

Nanoco Group plc

We report on the financial information set out in Section B of this Part X: "Consolidated Historical Financial Information" of this prospectus for the years ended 31 July 2012, 31 July 2013, 31 July 2014 and the three month period ended 31 October 2014 (the "Financial Information"). The Financial Information has been prepared for inclusion in the prospectus dated 31 March 2015 of Nanoco Group plc on the basis of the accounting policies set out in Note 2 to the Financial Information. This report is required by paragraph 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under Rule 5.5.3R (2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited or reviewed the financial information for the three month period ended 31 October 2013 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of Nanoco Group plc are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the EU.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information gives, for the purposes of the prospectus dated 31 March 2015, a true and fair view of the state of affairs of Nanoco Group plc, as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B: CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income for the 3 years ended 31 July 2014 and the 3 month period ended 31 October 2014

	Notes	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Revenue	4	1,445	333	1,433	3,928	2,948
Cost of sales		(352)	(453)	(1,563)	(1,293)	(1,165)
Gross profit/(loss)		1,093	(120)	(130)	2,635	1,783
Administrative expenses		(2,662)	(2,564)	(9,119)	(7,957)	(6,442)
Operating loss						
– before share-based payments		(1,439)	(2,534)	(8,676)	(4,452)	(4,294)
– share-based payments	19	(130)	(150)	(573)	(870)	(365)
Finance income	5	(1,569)	(2,684)	(9,249)	(5,322)	(4,659)
Finance expense	7	28	40	194	286	317
	7	(2)	(1)	(5)	(6)	(8)
Loss on ordinary activities before taxation		(1,543)	(2,645)	(9,060)	(5,042)	(4,350)
Taxation	8	588	325	1,249	920	710
Loss for the period/year and total comprehensive loss for the period/year		<u>(955)</u>	<u>(2,320)</u>	<u>(7,811)</u>	<u>(4,122)</u>	<u>(3,640)</u>
Loss per share						
Basic and diluted loss for the period/year	9	<u>(0.44)p</u>	<u>(1.10)p</u>	<u>(3.65)p</u>	<u>(2.00)p</u>	<u>(1.80)p</u>

The loss for the period/year arises from the Group's continuing operations and is attributable to the equity holders of the parent.

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

The notes below form an integral part of this financial information.

Consolidated Statement of Changes in Equity
for the 3 years ended 31 July 2014 and the 3 month period ended 31 October 2014

	Issued equity capital £000	Share- Based payment reserve £000	Merger reserve £000	Revenue reserve £000	Total £000
At 31 July 2011	27,427	486	(1,242)	(6,512)	20,159
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
At 31 July 2012	27,475	851	(1,242)	(10,152)	16,932
Loss for the year and total comprehensive loss for the year	—	—	—	(4,122)	(4,122)
Issue of share capital	579	—	—	—	579
Issue of shares by EBT	—	(468)	—	603	135
Share-based payments	—	870	—	—	870
At 31 July 2013	28,054	1,253	(1,242)	(13,671)	14,394
Loss for the year and total comprehensive loss for the year	—	—	—	(7,811)	(7,811)
Issue of share capital	10,000	—	—	—	10,000
Expenses of placing	(263)	—	—	—	(263)
Share-based payments	—	573	—	—	573
At 31 July 2014	37,791	1,826	(1,242)	(21,482)	16,893
Loss for the period and total comprehensive loss for the period	—	—	—	(955)	(955)
Issue of share capital	486	—	—	—	486
Issue of shares by EBT	—	—	—	297	297
Share-based payments	—	130	—	—	130
At 31 October 2014	38,277	1,956	(1,242)	(22,140)	16,851
At 31 July 2013	28,054	1,253	(1,242)	(13,671)	14,394
Loss for the period and total comprehensive loss for the period	—	—	—	(2,320)	(2,320)
Issue of share capital	10,000	—	—	—	10,000
Expenses of placing	(238)	—	—	—	(238)
Share-based payments	—	150	—	—	150
At 31 October 2013 (unaudited)	37,816	1,403	(1,242)	(15,991)	21,986

Consolidated Statement of Financial Position
at 31 July 2012, 31 July 2013, 31 July 2014 and 31 October 2014

	Notes	31.10.2014 £000	31.07.2014 £000	31.07.2013 £000	31.07.2012 £000
Assets					
Non-current assets					
Property, plant and equipment	10	2,607	2,783	3,470	2,596
Intangible assets	11	1,602	1,557	1,230	1,042
Investment in subsidiaries	12	—	—	—	—
		<u>4,209</u>	<u>4,340</u>	<u>4,700</u>	<u>3,638</u>
Current assets					
Inventories	13	167	134	120	79
Trade and other receivables	14	536	633	932	762
Income tax asset		1,798	1,210	870	654
Short-term investments and cash on deposit	15	2,791	5,791	6,176	11,119
Cash and cash equivalents	15	8,679	6,391	3,768	4,355
		<u>13,971</u>	<u>14,159</u>	<u>11,866</u>	<u>16,969</u>
Total assets		<u>18,180</u>	<u>18,499</u>	<u>16,566</u>	<u>20,607</u>
Liabilities					
Current liabilities					
Trade and other payables	16	1,187	1,448	1,951	3,390
Financial liabilities	17	63	63	63	63
		<u>1,250</u>	<u>1,511</u>	<u>2,014</u>	<u>3,453</u>
Non-current liabilities					
Financial liabilities	17	79	95	158	222
		<u>79</u>	<u>95</u>	<u>158</u>	<u>222</u>
Total liabilities		<u>1,329</u>	<u>1,606</u>	<u>2,172</u>	<u>3,675</u>
Net assets		<u>16,851</u>	<u>16,893</u>	<u>14,394</u>	<u>16,932</u>
Capital and reserves					
Issued equity capital	18	38,277	37,791	28,054	27,475
Share-based payment reserve	19	1,956	1,826	1,253	851
Merger reserve	20	(1,242)	(1,242)	(1,242)	(1,242)
Capital redemption reserve	20	—	—	—	—
Revenue reserve	21	(22,140)	(21,482)	(13,671)	(10,152)
Total equity		<u>16,851</u>	<u>16,893</u>	<u>14,394</u>	<u>16,932</u>

The notes below form an integral part of this financial information.

Consolidated Statement of Cash Flows
for the 3 years ended 31 July 2014 and the 3 month period ended 31 October 2014

		3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
	Notes					
Loss before interest and tax		(1,569)	(2,684)	(9,249)	(5,322)	(4,659)
<i>Adjustments for:</i>						
Depreciation of property, plant and equipment	10	279	303	1,181	901	849
Amortisation of intangible assets	11	61	46	209	152	122
Share-based payments	19	130	150	573	870	365
Changes in working capital:						
(Increase)/decrease in inventories		(33)	6	(14)	(41)	1
Decrease/(increase) in trade and other receivables		99	144	256	(130)	(429)
(Decrease)/increase in trade and other payables		(142)	(718)	(510)	384	533
Increase/(decrease) in deferred revenue		(119)	(71)	7	(1,823)	1,216
Cash outflow from operating activities		(1,294)	(2,824)	(7,547)	(5,009)	(2,002)
Research and development tax credit received		—	—	918	704	637
Overseas corporation tax paid		—	—	(9)	—	—
Net cash outflow from operating activities		(1,294)	(2,824)	(6,638)	(4,305)	(1,365)
Cash flows from investing activities						
Purchases of property, plant and equipment	10	(103)	(237)	(494)	(1,775)	(292)
Purchases of intangible fixed assets	11	(106)	(31)	(536)	(340)	(336)
Decrease/(increase) in cash placed on deposit	15	3,000	(1,000)	385	4,943	896
Interest received	7	26	37	237	246	391
Net cash inflow/(outflow) from investing activities		2,817	(1,231)	(408)	3,074	659
Cash flows from financing activities						
Proceeds from issues of ordinary share capital	18,21	783	10,000	10,000	714	58
Expenses on issue of shares	18	—	(238)	(263)	—	(10)
Loan repayment		(16)	(16)	(63)	(64)	(63)
Interest paid	7	(2)	(1)	(5)	(6)	(8)
Net cash inflow from financing activities		765	9,745	9,669	644	(23)
Increase/(decrease) in cash and cash equivalents		2,288	5,690	2,623	(587)	(729)
Cash and cash equivalents at the start of the year		6,391	3,768	3,768	4,355	5,084
Cash and cash equivalents at the end of the year		8,679	9,458	6,391	3,768	4,355
Monies placed on deposit at the end of the year		2,791	7,176	5,791	6,176	11,119
Cash, cash equivalents and deposits at the end of the year	15	11,470	16,634	12,182	9,944	15,474

The notes below form an integral part of this financial information.

Notes to the Historical Financial Information

1 REPORTING ENTITY

The Company is a UK incorporated and domiciled company whose shares have been publicly traded on AIM during the period covered by the historical financial information. The registered office of the Company is located at 46 Grafton Street, Manchester, M13 9NT.

The Group historical financial information (“Historical Financial Information”) consolidates those of the Company and the other Group Companies for the years ended 31 July 2012, 31 July 2013, 31 July 2014 and the 3 month period ended 31 October 2014 (and the comparative 3 month period ended 31 October 2013 which is unaudited).

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

2 BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) and International Financial Reporting Interpretation Committee interpretations (“IFRIC”) as they will apply to the financial statements of the Group for the period ended 31 July 2015.

(b) Basis of measurement

The Group Historical Financial Information has been prepared on the historical cost basis.

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

(c) Going concern

The Directors have prepared the Historical Financial Information on the going concern basis, taking into account the Gross Placing Proceeds and successful Admission.

Admission and the Placing are conditional upon three inter-conditional shareholder resolutions to be voted on in the period between the date of this Prospectus and Admission. In the event of an adverse outcome to one or more of the shareholder resolutions, the Placing proceeds would not be received by the Company.

In the event of an unsuccessful Admission and Placing, the Directors would put on hold the business plans outlined in the Prospectus and implement cost and capital savings.

Having made appropriate enquiries and preparing cash flow projections, 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 Historical Financial Information.

(d) Functional and presentational currency

This financial information is presented in pounds sterling, which is the Company’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 judgements 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 judgements 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 judgements are reasonable, changes in estimates and judgements may have a material impact on the financial statements.

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

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

The determination of share-based payment costs requires: the selection of an appropriate valuation method; consideration as to the inputs necessary for the valuation model chosen; judgement regarding when and if performance conditions will be met. Inputs required for this arise from judgements relating to the future volatility of the share price of Nanoco and 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. The share-based payment expense is most sensitive to vesting assumptions and to the future volatility of the future share price factor. Further information is included in note 19.

- **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. Further information is included in note 8.

- **Research and development**

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 until such time as technical viability has been proven and commercial supply agreements are likely to be achieved. 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. Further information is included in note 3.

- **Revenue recognition**

Judgements are required as to whether and when contractual milestones have been achieved and in turn the period over which development revenue should be recognised. Management judgements are similarly required to determine whether services or rights under licence agreements have been delivered so as to enable licence revenue to be recognised. Further information is included in note 3.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are those relating to the estimation of the number of share options that will ultimately vest (note 19). The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The Group Historical Financial Information consolidates the results and financial position of the Company and the entities it controls (its subsidiaries) drawn up to 31 July 2012, 31 July 2013, 31 July 2014 and the 3 month period to 31 October 2014 (and the comparative 3 month period to 31 October 2013 which is unaudited).

Subsidiaries are all entities over which the Group has the power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. All the Company's subsidiaries are 100 per cent owned. Subsidiaries are fully consolidated from the date control passes.

The acquisition 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 (i.e., discount on acquisition) is recognised directly in the profit or loss.

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.

(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 profit or loss.

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 dates the Group 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.

Contractual payments received from licence agreements are recognised as revenue when goods, services or rights and entitlements 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 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 as (rendering of services) revenue in the profit or loss 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 in the profit or loss as they are incurred. Development costs will be capitalised as intangible assets when it is probable that future economic benefits will flow to the Group. 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 based on the circumstances at the 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.

(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 profit or loss 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 expense

Finance income comprises interest income on funds invested. Interest income is recognised as interest accrues using the effective interest rate method.

Finance expense comprises interest expense on borrowings, changes in the fair value of financial assets at fair value through the profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the profit or loss. 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 profit or loss 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.

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 benefit in the future is uncertain.

(j) Property, plant and equipment

Property, plant and equipment 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 profit or loss 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 10 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 Group 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 of disposal 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 of disposal, 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 profit or loss in those expense categories consistent with the function of the impaired asset.

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 profit or loss 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) 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.

(n) 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 profit or loss within administrative expenses.

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

(o) 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 12 months.

(p) 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.

(q) 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 12 months after the reporting date.

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

(r) 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 and liabilities at fair value through the Consolidated profit or loss. 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 31 October 2014, the Group had no financial assets or liabilities designated at fair value through the profit or loss (31 July 2014, 31 July 2013 and 31 July 2012: Nil).

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.

(s) 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.

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 Group's estimate of shares that will eventually vest. Fair value is measured using a suitable option 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 profit or loss 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 Group's financial statements as an increase in the value of the investment with a corresponding increase in equity via the share-based payment reserve.

(t) Defined contribution pension scheme

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

(u) New accounting standards and interpretations

The following new and amended IFRS, IAS and IFRIC interpretations are mandatory for accounting periods ending 31 July 2015 and thereafter, but have no material effect on the Group's financial statements.

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- 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 (endorsed for use in the EU on 17 and 18 December 2014)
- Annual Improvements to IFRSs 2011 to 2013 Cycle (endorsed for use in the EU on 17 and 18 December 2014)

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 31 July 2015 and have not been applied in preparing the Historical Financial Information and those that are relevant to the Group are summarised below. None of these are

expected to have a significant effect on the consolidated financial statements of the Group in the period of initial application.

The following standards and interpretations have an effective date after 31 July 2015.

	Effective date
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 1 Disclosure Initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments (issued in 2013)	1 January 2018
Annual Improvements to IFRSs 2012 to 2014 Cycle	1 January 2016

4 SEGMENTAL INFORMATION

Operating segments

At 31 July 2012, 31 July 2013, 31 July 2014 and the 3 month period to 31 October 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 Chief Executive) 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.

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
<i>Analysis of revenue</i>					
Products sold	59	16	178	110	134
Rendering of services	154	317	1,255	2,116	1,557
Royalties and licences	1,232	—	—	1,702	1,257
	1,445	333	1,433	3,928	2,948

Included within rendering of services is revenue from one material customer amounting to £754,000 in the year to 31 July 2014 (three months to 31 October 2013: one material customer amounting to £198,000, year to 31 July 2013: two material customers amounting to £1,573,000 and year to 31 July 2012: one material customer amounting to £937,000).

In the three months ended 31 October 2014, revenues from rendering of services included government grants of £10,000 (three months to 31 October 2013: £47,000, year to 31 July 2014: £184,000, year to 31 July 2013: £283,000 and year to 31 July 2012: £204,000).

Royalties and licences revenue in the three months to 31 October 2014 comprised one customer, in the year to 31 July 2013 comprised two customers and in the year to 31 July 2012 comprised two customers.

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

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Revenue					
UK	10	47	159	254	182
Europe (excluding UK)	—	—	26	42	124
Asia	174	277	1,139	2,854	2,542
USA	1,261	10	109	778	100
	<u>1,445</u>	<u>333</u>	<u>1,433</u>	<u>3,928</u>	<u>2,948</u>

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

5 OPERATING LOSS

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Operating loss is stated after charging /(crediting):					
Depreciation of tangible fixed assets (see note 10)	279	303	1,181	901	849
Amortisation of intangible assets (see note 11)	61	46	209	152	122
Staff costs (see note 6)	1,674	1,518	5,107	4,336	3,170
Foreign exchange losses/(gains)	(14)	1	4	(13)	3
Research and development expense**	1,472	1,453	5,177	4,068	2,887
Cost of inventories recognised as an expense (included in cost of sales)	351	168	1,561	1,272	1,044
Operating lease rentals (see note 22):					
Land and buildings	170	168	674	614	357
Auditor's remuneration:					
Audit services:					
– Fees payable to Company auditor for the audit of the parent and the consolidated accounts	—	—	10	10	10
– Audit of the Historical Financial Information	40	—	—	—	—
Fees payable to Company auditor for other services:					
– Auditing the accounts of subsidiaries pursuant to legislation	—	—	19	18	14
– Other services	—	—	2	3	3
Total auditor's remuneration	<u>40</u>	<u>0</u>	<u>31</u>	<u>31</u>	<u>27</u>

** Included within research and development expense are staff costs totalling, 3 months to 31 October 2014: £1,082,000 (3 months to 31 October 2013: £943,000, 2014: £3,452,000, 2013: £2,666,000 and 2012: £1,808,000) also included in note 6.

6 STAFF COSTS

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Wages and salaries	1,350	1,034	3,777	2,960	2,414
Social security costs	134	167	424	296	249
Pension contributions	60	167	333	210	142
Share-based payments	130	150	573	870	365
	1,674	1,518	5,107	4,336	3,170
Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:					
Emoluments for qualifying services	393	331	879	1,228	588

In the three months to 31 October 2014, Directors' emoluments (excluding social security costs, but including benefits in kind) disclosed above include £118,000 paid to the highest paid director (year to 31 July 2014: £359,000, 3 months to 31 October 2013: £138,000, year to 31 July 2013: £736,000 and year to 31 July 2012: £208,000). The remuneration of the directors for the year ended 31 July 2013 included a benefit in kind of £468,000 for Dr Michael Edelman in respect of the exercise of jointly owned EBT shares.

Aggregate gains made by Directors following the exercise of share options and jointly owned EBT shares were in the three months to 31 October 2014 £94,000 (three months to 31 October 2013: £nil, year to 31 July 2014 £nil, year to 31 July 2013: £3,198,000 and in the year to 31 July 2012: £692,000).

The average number of staff during the periods below (including directors) was as follows:

	3 months to 31.10.2014 (audited) Number	3 months to 31.10.2013 (unaudited) Number	Year to 31.07.2014 (audited) Number	Year to 31.07.2013 (audited) Number	Year to 31.07.2012 (audited) Number
Directors	7	7	7	7	7
Laboratory and administrative staff	101	98	97	73	57
	108	105	104	80	64

7 FINANCE INCOME AND EXPENSE

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
<i>Finance income:</i>					
Bank interest receivable	28	40	194	286	317
<i>Finance expense:</i>					
Loan interest payable	(2)	(1)	(5)	(6)	(8)
	26	39	189	280	309

Bank interest receivable includes the following amounts receivable after the period end, three months to 31 October 2014 £27,000 (year to 31 July 2014: £25,000, year to 31 July 2013: £68,000 and year to 31 July 2012: £28,000).

8 INCOME TAX

The tax credit is made up as follows:

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Current income tax:					
UK corporation tax losses in the period					
Research and development income tax credit receivable	(475)	(325)	(1,210)	(870)	(654)
Adjustment in respect of prior years	(113)	—	(48)	(50)	(56)
Overseas corporation tax	—	—	9	—	—
Total current income tax	(588)	(325)	(1,249)	(920)	(710)

The adjustment in respect of prior years relates to research and development income tax credits. The research and development income tax for the year ended 31 July 2014 was submitted in January 2015 and repayment received in February 2015.

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

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Loss on ordinary activities before taxation	(1,543)	(2,645)	(9,060)	(5,042)	(4,350)
Tax at standard rate of 20.67% (3 months to 31 October 2013: 23.00%, 2014: 22.33%, 2013: 23.67%, 2012: 25.33%)	(319)	(547)	(2,023)	(1,193)	(1,102)
<i>Effects of:</i>					
Expenses not deductible for tax purposes	27	11	43	207	96
Movement in un-provided deferred tax	—	—	—	(236)	99
Additional reduction for research and development expenditure	(378)	(348)	(1,390)	(1,121)	(758)
Surrender of research and development relief for repayable tax credit	681	659	2,471	1,972	1,432
Research and development tax credit receivable	(475)	(325)	(1,210)	(870)	(654)
Share options exercised (CTA 2009 Pt 12 deduction)	(88)	—	—	(509)	(179)
Overseas corporation tax paid	—	—	9	—	—
Tax losses carried forward	77	225	899	880	412
Adjustment in respect of prior years	(113)	—	(48)	(50)	(56)
Tax credit in income statement	(588)	(325)	(1,249)	(920)	(710)

Reductions of the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted on 2 July 2013. The changes in tax rate are not considered to have had a material impact.

At 31 October 2014, the Group has accumulated losses available to carry forward against future trading profits of £15.6m (at 31 July 2014: £15.3m, at 31 July 2013: £12.0m and at 31 July 2012: £8.0m).

The estimated value of the deferred tax asset, measured at 31 October 2014 at a standard rate of 20% is £3,115,000, (at 31 July 2014 measured at 20% is £3,070,000, at 31 July 2013 measured at 20% is £2,391,000 and at 31 July 2012 measured at 24% is £2,004,000), of which £nil has been recognised for all periods other than 31 July 2013 (£220,000) and 31 July 2012 (£253,000). Remaining tax losses have not been recognised as an asset as it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

At 31 October 2014, the Group has a deferred tax asset for share-based payments, which measured at a standard rate of 20% is £433,000, (at 31 July 2014 measured at 21% is £464,000, at 31 July 2013 measured at 21% is £361,000 and at 31 July 2012 measured at 24% is £204,000). At 31 October 2014, a further £39,000 (31 July 2014: £18,000; 31 July 2013 and 31 July 2012: £nil) was not recognised as an asset as the transfer of economic benefits in the future was uncertain.

At 31 October 2014, the Group also has a deferred tax liability being accelerated capital allowances for which the tax, measured at a standard rate of 20% is £433,000, (at 31 July 2014 measured at 20% is £464,000, at 31 July 2013 measured at 20% is £581,000 and at 31 July 2012 measured at 24% is £457,000).

9 EARNINGS PER SHARE

	31.10.2014 (audited) £000	31.10.2013 (unaudited) £000	31.07.2014 (audited) £000	31.07.2013 (audited) £000	31.07.2012 (audited) £000
Loss for the financial year attributable to equity shareholders	(955)	(2,320)	(7,811)	(4,122)	(3,640)
Share-based payments	130	150	573	870	365
Loss for the financial year before share-based payments	<u>(825)</u>	<u>(2,170)</u>	<u>(7,238)</u>	<u>(3,252)</u>	<u>(3,275)</u>
Weighted average number of shares:					
Ordinary shares in issue	<u>215,788,069</u>	<u>210,418,235</u>	<u>214,248,996</u>	<u>205,826,395</u>	<u>202,661,900</u>
Adjusted loss per share before share-based payments (pence)	<u>(0.38)</u>	<u>(1.03)</u>	<u>(3.38)</u>	<u>(1.58)</u>	<u>(1.62)</u>
Basic loss per share (pence)	<u>(0.44)</u>	<u>(1.10)</u>	<u>(3.65)</u>	<u>(2.00)</u>	<u>(1.80)</u>

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

10 PROPERTY, PLANT AND EQUIPMENT

	Laboratory infrastructure £000	Office equipment, fixtures and fittings £000	Plant and machinery £000	Total £000
<i>Cost:</i>				
At 31 July 2011	2,019	305	2,445	4,769
Additions	10	38	244	292
Disposals	—	—	—	—
At 31 July 2012	2,029	343	2,689	5,061
Additions	402	71	1,302	1,775
Disposals	—	(24)	—	(24)
At 31 July 2013	2,431	390	3,991	6,812
Additions	70	35	389	494
Disposals	—	(117)	—	(117)
At 31 July 2014	2,501	308	4,380	7,189
Additions	—	7	96	103
Disposals	—	—	—	—
At 31 October 2014	2,501	315	4,476	7,292
<i>Depreciation:</i>				
At 31 July 2011	667	167	782	1,616
Provided during the year	298	67	484	849
Disposals	—	—	—	—
At 31 July 2012	965	234	1,266	2,465
Provided during the year	309	61	531	901
Disposals	—	(24)	—	(24)
At 31 July 2013	1,274	271	1,797	3,342
Provided during the year	371	75	735	1,181
Eliminated on disposal	—	(117)	—	(117)
At 31 July 2014	1,645	229	2,532	4,406
Provided during the period	90	11	178	279
Eliminated on disposal	—	—	—	—
At 31 October 2014	1,735	240	2,710	4,685
<i>Net book value:</i>				
At 31 October 2014	766	75	1,766	2,607
At 31 July 2014	856	79	1,848	2,783
At 31 July 2013	1,157	119	2,194	3,470
At 31 July 2012	1,064	109	1,423	2,596
At 1 August 2011	1,352	138	1,663	3,153

11 INTANGIBLE ASSETS

	Patents £000
<i>Cost:</i>	
At 31 July 2011	1,058
Additions	336
At 31 July 2012	1,394
Additions	340
At 31 July 2013	1,734
Additions	536
At 31 July 2014	2,270
Additions	106
At 31 October 2014	2,376
<i>Amortisation:</i>	
At 31 July 2011	230
Provided during the year	122
At 31 July 2012	352
Provided during the year	152
At 31 July 2013	504
Provided during the year	209
At 31 July 2014	713
Provided during the period	61
At 31 October 2014	774
<i>Net book value:</i>	
At 31 October 2014	1,602
At 31 July 2014	1,557
At 31 July 2013	1,230
At 31 July 2012	1,042
At 1 August 2011	828

Intangible assets are amortised on a straight line basis over 10 years. Amortisation provided during the period is recognised in administrative expenses. The Group does not believe that any of its patents in isolation is material to the business.

12 INVESTMENT IN SUBSIDIARIES

Subsidiary undertakings	Country of incorporation	Principal activity	31.10.2014	31.07.2014	31.07.2013	31.07.2012
Nanoco Life Sciences Limited (formerly Evolutec Limited)	England and Wales	Research and development	100%	100%	100%	100%
Nanoco Tech Limited	England and Wales	Holding company	100%	100%	100%	100%
Nanoco Technologies Limited*	England and Wales	Research and develop nano-particles	100%	100%	100%	100%
Nanoco U.S. Inc.**	USA	Management services	100%	100%	100%	—

With the exception of the companies noted below all other shareholdings are owned by the Company.

* Share capital is owned by Nanoco Tech Limited.

** Nanoco U.S. Inc. is a wholly owned subsidiary of Nanoco Tech Limited. It was formed in July 2013 primarily in order to provide the services of U.S. located staff to the rest of the Group.

13 INVENTORIES

	31.10.2014 £000	31.07.2014 £000	31.07.2013 £000	31.07.2012 £000
Raw materials and consumables	167	134	120	79

14 TRADE AND OTHER RECEIVABLES

	31.10.2014 £000	31.07.2014 £000	31.07.2013 £000	31.07.2012 £000
Trade receivables	118	116	114	66
Prepayments	273	375	446	538
Other receivables	145	142	372	158
	536	633	932	762

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

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

	Total £000	Neither past due nor impaired £000	Past due but not impaired > 90 days £000	Past due but not impaired 120 to 150 days £000
31 October 2014	118	56	—	62
31 July 2014	116	89	18	9
31 July 2013	114	114	—	—
31 July 2012	66	66	—	—

15 CASH, CASH EQUIVALENTS AND DEPOSITS

	<u>31.10.2014</u> £000	<u>31.07.2014</u> £000	<u>31.07.2013</u> £000	<u>31.07.2012</u> £000
Short-term investments and cash on deposit	2,791	5,791	6,176	11,119
Cash and cash equivalents	8,679	6,391	3,768	4,355
	<u>11,470</u>	<u>12,182</u>	<u>9,944</u>	<u>15,474</u>

Under IAS 7, cash held on long-term deposits (being deposits with maturity of greater than three months and no more than 12 months) that cannot readily be converted into cash has been classified as a short-term investment. The maturity on this investment was less than 12 months at the reporting date.

Cash and cash equivalents at 31 October 2014 include deposits with original maturity of three months or less of £8,679,000 (31 July 2014: £6,391,000, 31 July 2013: £3,768,000 and 31 July 2012 £3,464,000).

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

16 TRADE AND OTHER PAYABLES

	<u>31.10.2014</u> £000	<u>31.07.2014</u> £000	<u>31.07.2013</u> £000	<u>31.07.2012</u> £000
Current				
Current payables	422	760	1,277	887
Other payables	164	98	109	76
Deferred revenue	—	119	112	1,935
Accruals	601	471	453	492
	<u>1,187</u>	<u>1,448</u>	<u>1,951</u>	<u>3,390</u>

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

17 FINANCIAL LIABILITIES

	<u>31.10.2014</u> £000	<u>31.07.2014</u> £000	<u>31.07.2013</u> £000	<u>31.07.2012</u> £000
Other loan:				
Current	63	63	63	63
Non-current	79	95	158	222
	<u>142</u>	<u>158</u>	<u>221</u>	<u>285</u>

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

The loan is unsecured, bears interest at 2% above base rate, is repayable in quarterly instalments and will be fully repaid in 2017.

18 ISSUED EQUITY CAPITAL

	Number	Share capital £000	Share premium £000	Reverse acquisition reserve £000	Total £000
Authorised ordinary shares of 10p:					
At 31 July 2012, 31 July 2013 and 31 July 2014	250,000,000	25,000	—	—	25,000
Allotted, called up and fully paid ordinary shares of 10p:					
As at 31 July 2011	205,858,417	20,586	84,517	(77,676)	27,427
Shares issued on exercise of options	1,525,750	152	2	(96)	58
Expenses of 2011 placing	—	—	(10)	—	(10)
As at 31 July 2012	207,384,167	20,738	84,509	(77,772)	27,475
Shares issued on exercise of options	2,776,842	278	397	(96)	579
As at 31 July 2013	210,161,009	21,016	84,906	(77,868)	28,054
Shares issued in placing	6,369,427	637	9,363	—	10,000
Expenses of placing	—	—	(263)	—	(263)
As at 31 July 2014	216,530,436	21,653	94,006	(77,868)	37,791
Shares issued on exercise of options	799,947	80	406	—	486
As at 31 October 2014	217,330,383	21,733	94,412	(77,868)	38,277

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 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 the Company 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.

Shares issued on exercise of options

799,947 shares were issued on the exercise of options during the three months to 31 October 2014 with an average exercise price of 60.72 pence, resulting in share proceeds of £486,000 (year ended 31 July 2014: no shares were issued on the exercise of options, year ended 31 July 2013: 2,776,842 shares were issued with an average exercise price of 20.85 pence resulting in share proceeds of £579,000, year ended 31 July 2012: 1,525,750 shares were issued with an average exercise price of 3.80 pence resulting in share proceeds of £58,000).

During the years ended 31 July 2013 and 31 July 2012, options exercised included certain options which had an exercise price that was less than the nominal value of shares issued. The aggregate discount to nominal value on these options was charged to the reverse acquisition reserve.

The Company raised gross proceeds of £10,000,000 from a placing on 15 October 2013 through the issue of 6,369,427 new ordinary shares at an issue price of 157 pence per share. Issue costs associated with the placing totalled £263,000.

19 SHARE-BASED PAYMENT RESERVE

	£000
At 31 July 2011	486
Share-based payments	365
Issue of shares by EBT	—
At 31 July 2012	851
Share-based payments	870
Issue of shares by EBT	(468)
At 31 July 2013	1,253
Share-based payments	573
At 31 July 2014	1,826
Share-based payments	130
At 31 October 2014	1,956

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 £130,000 has been recognised in the profit or loss for the three months to 31 October 2014 (year to 31 July 2014: £573,000, three months to 31 October 2013: £150,000, year to 31 July 2013: £870,000 and year to 31 July 2012: £365,000).

Share option schemes

The Group operates (or in the case of the Nanoco Tech Share Incentive Plan, historically operated) the following share option schemes all of which are operated as Enterprise Management Incentive (for the purposes of this Part X, “EMI”) schemes in so far as the share options being issued meet the EMI criteria as defined by HMRC. Share options issued that do not meet EMI criteria are issued as unapproved share options, but are subject to the same exercise performance conditions.

Nanoco Tech Share Incentive Plan

Share options issued under the Nanoco Tech Share Incentive Plan were 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.

As at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus) no shares options remain exercisable under the Nanoco Tech Share Incentive Plan.

The Long Term Incentive Plan

— 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.

— *Grant in October 2012*

Share options were granted to staff and executive directors on 22 October 2012. 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 57 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.

— *Grant in May 2014*

Share options were granted to certain staff on 23 May 2014. The exercise price was set at 89 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. The options vest at the end of three years from the date of grant and are exercisable until the tenth anniversary of the award. The awards are not subject to performance conditions. Exercise of the award is subject to the employee remaining a full time member of staff at the point of exercise. No options were granted to executive directors.

— *Grant in October 2014*

Share options were granted to certain staff on 1 October 2014. The exercise price was set at 10 pence, being the nominal value of the share. The fair value benefit is measured using a binomial model, taking into account the terms and conditions upon which the share options were issued. The options vest at the end of three years from the date of grant and are exercisable until the tenth anniversary of the award. The awards are not subject to performance conditions. Exercise of the award is subject to the employee remaining a full time member of staff at the point of exercise. No options were granted to executive directors.

— *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 vest over a three year period from the date of grant and are exercisable until 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

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 (in this Part X, “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.

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.

	Share options Number	EBT Number	3 months to October 2014 Number	2014 total Number	2013 total Number	2012 total Number
Outstanding at 1 August	13,373,756	850,500	14,224,256	13,915,256	12,899,184	11,294,887
Granted during the year	380,000	—	380,000	444,000	8,260,000	4,820,000
Exercised during the period	(799,947)	(320,411)	(1,120,358)	—	(6,176,828)	(1,513,750)
Lapsed/cancelled	—	—	—	(135,000)	(1,067,100)	(1,701,953)
Outstanding at period end	<u>12,953,809</u>	<u>530,089</u>	<u>13,483,898</u>	<u>14,224,256</u>	<u>13,915,256</u>	<u>12,899,184</u>
Exercisable at period end	<u>8,854,809</u>	<u>530,089</u>	<u>9,384,898</u>	<u>4,968,590</u>	<u>1,261,923</u>	<u>6,040,001</u>

During the prior year ended 31 July 2013, options over 3,387,986 shares, jointly owned by the EBT and which had been issued at their original market value of £603,000, were exercised for an aggregate consideration of £135,000; the balance of £468,000 was charged to the share-based payment reserve.

Weighted average exercise price of options

	October 2014 Pence	2014 Pence	2013 Pence	2012 Pence
Outstanding at 1 August	54.4	56.8	34.3	26.0
Granted during the year	10.0	89.0	60.8	50.3
Exercised during the year	97.8	—	13.4	3.5
Forfeited/cancelled	—	113.2	95.6	68.5
Outstanding at period ends	<u>53.0</u>	<u>54.4</u>	<u>56.8</u>	<u>34.3</u>

The weighted average fair value of options granted during the three months to October 2014 was 10 pence (2014: 89 pence, 2013: 61 pence, 2012: 50 pence). The range of exercise prices for options and jointly owned EBT shares outstanding at 31 October was nil – 146 pence (2014: nil – 146 pence, 2013: nil – 146 pence, 2012: nil – 100.75 pence).

For the share options outstanding as at 31 October 2014, the weighted average remaining contractual life is 7.4 years (2014: 7.6 years, 2013: 8.5 years, 2012: 7.2 years).

The weighted average share price at the date of exercise for those share options exercised during the three months to 31 October 2014 was 114 pence (2014: no share options exercised, 2013: 110 pence, 2012: 50 pence).

The following table lists the inputs to the models used for the three months ended 31 October 2014 and the years ended 31 July 2014, 31 July 2013 and 31 July 2012.

	Performance linked grants				Non-performance linked grants			
	October 2014	2014	2013	2012	October 2014	2014	2013	2012
Expected volatility (%)	55%	n/a	50%-55%	50%	—	56%	50%-55%	50%
Risk-free interest rate (%)	1.8%	n/a	0.8%	1.28%	—	1.84%	0.7%-0.9%	0.96%-1.6%
Expected life of options (year's average)	3 years	n/a	2.5 years	3 years	—	3 years	2 years	3 years
Weighted average exercise price (pence)	10p	n/a	61p	50p	—	89.0	62.5p	50p
Weighted average share price at date of grant (pence)	147p	n/a	57p	50p	—	89.0	62.5p	50p
Model used	Binomial	Binomial	Binomial	Binomial	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.

20 MERGER RESERVE AND CAPITAL REDEMPTION RESERVE

Merger reserve

	£000
31 October 2014, 31 July 2014, 31 July 2013 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 as part of a simple Group re-organisation on 27 June 2007.

21 MOVEMENT IN REVENUE RESERVE AND TREASURY SHARES

	Retained deficit £000	Treasury shares £000	Total revenue reserve £000
As at 31 July 2011	(5,515)	(997)	(6,512)
Loss for the year	(3,640)	—	(3,640)
As at 31 July 2012	(9,155)	(997)	(10,152)
Issue of shares by EBT	—	603	603
Loss for the year	(4,122)	—	(4,122)
As at 31 July 2013	(13,277)	(394)	(13,671)
Loss for the year	(7,811)	—	(7,811)
As at 31 July 2014	(21,088)	(394)	(21,482)
Issue of shares by EBT	—	297	297
Loss for the period	(955)	—	(955)
As at 31 October 2014	(22,043)	(97)	(22,140)

During the three months to 31 October 2014, no jointly owned EBT shares were granted (years to 31 July 2014, 2013 and 2012: no shares).

During the three months to 31 October 2014, 320,411 jointly owned EBT shares were exercised for aggregate consideration of £297,000 (years to 31 July 2014: nil, 31 July 2013: 3,387,986 shares and 31 July 2012: no shares).

During the year to 31 July 2013, the 3,387,986 shares, jointly owned by the EBT and which had been issued at their original market value of £603,000, were exercised for an aggregate consideration of £135,000; the balance of £468,000 was charged to the share-based payment reserve).

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

Treasury shares include the value of the Company's shares issued as jointly owned equity shares and held by the EBT jointly with a number of the Group's employees. At 31 October 2014 530,089 shares in the Company were held by the EBT (at 31 July 2014: 850,500, at 31 July 2013: 850,500 and at 31 July 2012: 4,238,486).

In addition, there are, at 31 October 2014 12,222 treasury shares not held by the EBT (at 31 July 2014, 2013 and 2012; 12,222 shares).

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:

	31.10. 2014	31.10. 2013	31.07.2014	31.07.2013	31.07.2012
	(audited)	(unaudited)	(audited)	(audited)	(audited)
	£000	£000	£000	£000	£000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and buildings:					
Not later than one year	548	672	584	667	524
After one year but not more than five years	1,696	1,868	1,722	1,912	1,918
After five years	905	1,293	1,002	1,390	1,777
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,149	3,833	3,308	3,969	4,219
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 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, 19, 20 and 21 and in the Group Statement of Changes in Equity. Total equity was £16,893,000 at 31 July 2014 (£14,394,000 at 31 July 2013).

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	Total £000
31 October 2014			
Trade receivables	118	—	118
Short term investments	2,791	—	2,791
Trade and other payables *	—	(1,187)	(1,187)
Financial liabilities	—	(142)	(142)
	2,909	(1,329)	1,580
31 July 2014			
Trade receivables	116	—	116
Short term investments	5,791	—	5,791
Trade and other payables *	—	(1,329)	(1,329)
Financial liabilities	—	(158)	(158)
	5,907	(1,487)	4,420
31 July 2013			
Trade receivables	114	—	114
Short term investments	6,176	—	6,176
Trade and other payables *	—	(1,839)	(1,839)
Financial liabilities	—	(221)	(221)
	6,290	(2,060)	4,320
31 July 2012			
Trade receivables	66	—	66
Short term investments	11,119	—	11,119
Trade and other payables *	—	(1,455)	(1,455)
Financial liabilities	—	(285)	(285)
	11,185	(1,740)	9,445
	11,185	(1,740)	9,445

* Excluding deferred revenue.

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 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 U.S. Dollars and Euro. Transactions outside of these currencies are limited.

Almost all of the Company's revenue is denominated in U.S.\$.. 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 2014 or at 31 July 2013.

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

	31 October 2014			31 July 2014		
	GBP £000	U.S.\$. £000	Total £000	GBP £000	U.S.\$. £000	Total £000
Cash, cash equivalents and deposits	11,065	405	11,470	12,032	150	12,182
Trade receivables	—	118	118	—	116	116
Trade payables	(341)	(81)	(422)	(629)	(131)	(760)
	10,724	442	11,166	11,403	135	11,538

	31 July 2013			31 July 2012		
	GBP £000	U.S.\$. £000	Total £000	GBP £000	U.S.\$. £000	Total £000
Cash, cash equivalents and deposits	9,813	131	9,944	14,932	542	15,474
Trade receivables	—	114	114	—	66	66
Trade payables	(1,024)	(253)	(1,277)	(729)	(158)	(887)
	8,789	(8)	8,781	14,203	450	14,653

Sensitivity analysis to movement in exchange rates

The following table demonstrates the sensitivity to a reasonably possible change in pounds sterling against the U.S. 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 pounds sterling vs. U.S. Dollar rate	Impact on loss before tax and equity			
	October 2014	2014	2013	2012
	£000	£000	£000	£000
%				
10%	(40)	(12)	1	(41)
5%	(21)	(6)	1	(21)
(5)%	23	7	—	24
(10)%	49	15	(1)	50

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 October 2014			31 July 2014		
	Fixed rate £000	Floating rate £000	Total £000	Fixed rate £000	Floating rate £000	Total £000
Cash, cash equivalents and deposits	2,791	8,679	11,470	11,996	186	12,182

	31 July 2013			31 July 2012		
	Fixed rate £000	Floating rate £000	Total £000	Fixed rate £000	Floating rate £000	Total £000
Cash, cash equivalents and deposits	6,176	3,768	9,944	12,813	2,661	15,474

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 October 2014 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
31 October 2014				
<i>Financial liabilities</i>				
Trade and other payables *	1,187	—	1,187	
Other loans (including contractual interest)	65	84	—	149
	<u>1,252</u>	<u>84</u>	<u>—</u>	<u>1,336</u>
31 July 2014				
<i>Financial liabilities</i>				
Trade and other payables *	1,329	—	—	1,329
Other loans (including contractual interest)	65	101	—	166
	<u>1,394</u>	<u>101</u>	<u>—</u>	<u>1,495</u>
31 July 2013				
<i>Financial liabilities</i>				
Trade and other payables *	1,839	—	—	1,839
Other loans (including contractual interest)	68	163	—	231
	<u>1,907</u>	<u>163</u>	<u>—</u>	<u>2,070</u>
31 July 2012				
<i>Financial liabilities</i>				
Trade and other payables *	1,455	—	—	1,455
Other loans (including contractual interest)	65	227	—	292
	<u>1,520</u>	<u>227</u>	<u>—</u>	<u>1,747</u>

* Excluding deferred revenue. Trade and other payables are due within three months.

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 12 months an aged analysis of financial assets has not been presented.

24 RELATED PARTY TRANSACTIONS

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

25 COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS)

	3 months to 31.10.2014 (audited) £000	3 months to 31.10.2013 (unaudited) £000	Year to 31.07.2014 (audited) £000	Year to 31.07.2013 (audited) £000	Year to 31.07.2012 (audited) £000
Short-term employee benefits	393	211	624	549	560
Pension costs	25	135	204	97	48
Benefits in kind	—	16	64	468	—
Share-based payments	35	45	180	305	128
	453	407	1,072	1,419	736

PART XI: UNAUDITED INTERIM FINANCIAL INFORMATION

Interim 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

Interim 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 (audited)	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 (unaudited)	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 (audited)	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 (unaudited)	38,277	2,059	(1,242)	(24,330)	14,764

Interim 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
 Director

Interim 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	9,669
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 statements

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 (unaudited) £'000	Six months to 31 January 2014 (unaudited) £'000	Year to 31 July 2014 (audited) £'000
<i>Analysis of revenue</i>			
Products sold	181	50	178
Rendering of services	199	629	1,255
Royalties and licences	1,232	—	—
	<u>1,612</u>	<u>679</u>	<u>1,433</u>

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 (unaudited) £'000	Six months to 31 January 2014 (unaudited) £'000	Year to 31 July 2014 (audited) £'000
<i>Analysis of revenue</i>			
UK	29	93	159
Europe (excluding UK#)	—	1	26
Asia	297	539	1,139
USA	1,286	46	109
	<u>1,612</u>	<u>679</u>	<u>1,433</u>

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

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:	No.	No.	No.
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.

PART XII: SECTION A: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Nanoco Group plc
46 Grafton Street
Manchester
M13 9NT
31 March 2015

Dear Sirs

Nanoco Group plc

We report on the *pro forma* financial information (the 'Pro Forma Financial Information') set out in Section B of Part XII of the prospectus dated 31 March 2015, which has been prepared on the basis described in the notes to Section B of Part XII, for illustrative purposes only, to provide information about how the net proceeds of the placing might have affected the net assets presented on the basis of the accounting policies that will be adopted by Nanoco Group plc in preparing the financial statements for the period ended 31 July 2015. This report is required by item 7 of Annex II of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

Responsibilities

It is the responsibility of the directors of Nanoco Group plc to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II of Commission Regulation (EC) 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of Commission Regulation (EC) 809/2004 the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of Nanoco Group plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Nanoco Group plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Nanoco Group plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B: UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Introduction

The unaudited *pro forma* statement of net assets of the Group set out below has been prepared to illustrate the effect of receipt of the net proceeds of the Placing (as detailed in Part XII (*Details of the Placing*)) on the net assets of the Group. It has been compiled using the Group's unaudited consolidated net assets as at 31 January 2015, adjusted to illustrate the *pro forma* effect of the Placing as if it had occurred on 31 January 2015. The unaudited *pro forma* statement of net assets has been prepared in a manner consistent with the accounting policies applied in preparing the Group's historical financial information as set out in Section B of Part X (*Consolidated Historical Financial Information*) of this Prospectus, on the basis set out in the notes below, and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II to the PD Regulation.

The unaudited *pro forma* statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

2. Unaudited *pro forma* statement of net assets

	Unaudited consolidated net assets as at 31 January 2015 (Note 1.) £000	Net proceeds of placing (Note 2.) £000	Pro forma net assets as at 31 January 2015 £000
Assets			
Non-current assets			
Property, plant and equipment	2,414	—	2,414
Intangible assets	1,703	—	1,703
	4,117	—	4,117
Current assets			
Inventories	137	—	137
Trade and other receivables	673	—	673
Income tax asset	2,198	—	2,198
Short-term investments and cash on deposit	1,134	—	1,134
Cash and cash equivalents	8,216	18,650	26,866
	12,358	18,650	31,008
Total assets	16,475	18,650	35,125
Liabilities			
Current liabilities			
Trade and other payables	1,585	—	1,585
Financial liabilities	63	—	63
	1,648	—	1,648
Non-current liabilities			
Financial liabilities	63	—	63
	63	—	63
Total liabilities	1,711	—	1,711
Net assets	14,764	18,650	33,414

Notes:

1. The consolidated net assets of the Group as at 31 January 2015 have been extracted, without material adjustment, from the unaudited interim financial information of the Group for the six month period ended 31 January 2015 as set out in Part XI (*Unaudited Interim Financial Information*).
2. As set out in Part XIII (*Details of the Placing*), the total net proceeds receivable by the Company from the Placing are estimated to be approximately £18,650,000, after deduction of underwriting commissions (including agreed discretionary commissions only to the extent necessary to increase the commission to 2.25% on orders where a reduced fee has been agreed and assuming that, as already determined by the Company, no further discretionary commission will be payable) and other estimated fees and expenses incurred by the Group in connection with the Placing of approximately £1,350,000 (excluding VAT).
3. The unaudited *pro forma* statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.
4. The unaudited *pro forma* statement of net assets does not reflect any trading results or other transactions undertaken by the Group since 31 January 2015.

PART XIII: DETAILS OF THE PLACING

1 SUMMARY OF THE PLACING

Pursuant to the Placing, the Company will issue the New Ordinary Shares (representing 8.06 per cent of the Enlarged Share Capital), raising proceeds receivable by the Company of £18,650,000, net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: “Additional Information” of this Prospectus and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission. The expenses of the Placing will be met by the Company. No expenses will be charged by the Company to any investor who subscribes for New Ordinary Shares pursuant to the Placing.

The Placing is being made by way of a placing of New Ordinary Shares to qualified investors in certain member states of the EEA, including to institutional investors in the United Kingdom and certain other institutional investors outside the United States in reliance on Regulation S, and to QIBs that are also Accredited Investors in the United States in reliance on Rule 506 of Regulation D or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. All New Ordinary Shares will be issued at the Placing Price.

In the event that the Joint Bookrunners shall be unable to procure subscribers for all of the New Ordinary Shares pursuant to the Placing, the Joint Bookrunners shall themselves subscribe for such New Ordinary Shares.

Certain restrictions that apply to the distribution of this Prospectus and the New Ordinary Shares being issued under the Placing in jurisdictions outside the United Kingdom are described in paragraph 10 of this Part XIII.

When admitted to trading on the London Stock Exchange, the Existing Share Capital and the New Ordinary Shares will be registered with ISIN GB00B01JLR99 and SEDOL number B01JLR9.

The New Ordinary Shares being issued by the Company pursuant to the Placing will, on Admission, rank equally in all respects with the Existing Share Capital in issue and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. The Ordinary Shares will, immediately following Admission, be freely transferable under the Articles.

Immediately following Admission, it is expected that in excess of 38.40 per cent of the Enlarged Share Capital will be held in public hands (within the meaning of Rule 6.1.19 of the Listing Rules). The Shareholders immediately prior to the Placing will be diluted by 8.06 per cent as a result of the Placing.

2 REPRESENTATIONS AND WARRANTIES

2.1 By receiving this Prospectus, each investor and, in the case of paragraphs 2.1(d), 2.1(e) and 2.1(f) below, any person confirming his agreement to purchase New Ordinary Shares on behalf of an investor, is deemed to represent and warrant to each of the Joint Bookrunners and the Company that:

- (a) if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor’s agreement to purchase Ordinary Shares under the Placing and will not be any such person on the date any such Placing is accepted;
- (b) in agreeing to purchase New Ordinary Shares under the Placing, the investor is relying on this Prospectus or any supplementary prospectus (as the case may be) or any regulatory announcement issued by the Company, and not on any other information or representation concerning the Company or the Placing. The investor agrees that none of the Company nor the Joint Bookrunners nor any of their respective officers or directors will have any liability for any such other information or representation;
- (c) if the laws of any place outside the United Kingdom apply to the investor’s agreement to purchase New Ordinary Shares and/or receipt of such shares, the investor has complied with all such laws and the investor will not infringe any laws outside the United Kingdom as a result of such investor’s agreement to purchase New Ordinary Shares and/or receipt of such shares or any actions arising from the investor’s rights and obligations under the investor’s agreement to purchase New Ordinary Shares and/or receipt of such shares or under the Articles;

- (d) in the case of a person who confirms to the Joint Bookrunners on behalf of an investor an agreement to purchase New Ordinary Shares, that person represents and warrants that he has authority to do so on behalf of the investor;
- (e) the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of Sections 67, 70, 93 and 96 of the UK Finance Act 1986 (depository receipts and clearance services);
- (f) in the case of a person who confirms to the Joint Bookrunners on behalf of an investor which is an entity other than a natural person an agreement to purchase New Ordinary Shares, that person warrants that he has authority to do so on behalf of the investor; and
- (g) the investor has not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision and it has relied only on the information contained in this Prospectus.

2.2 Each investor who is a person in a Relevant Member State who receives any communication in respect of, or who acquires any New Ordinary Shares under, the Placing will be deemed to have represented, warranted and agreed to and with the Joint Bookrunners and the Company that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive or it is itself acquiring New Ordinary Shares for a total consideration of not less than €50,000; and
- (b) in the case of any New Ordinary Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the New Ordinary Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Bookrunners has been given to the offer or resale; or (ii) where New Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons.

3 LISTING, DEALINGS, ADMISSION AND CANCELLATION OF ADMISSION TO AIM

Admission is expected to take place, and dealings in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8:00 a.m. on 1 May 2015 (London time). These dates and times may change.

It is expected that New Ordinary Shares allocated to investors in the Placing will be delivered in uncertificated form and settlement will take place through CREST on Admission. All New Ordinary Shares issued pursuant to the Placing will be issued payable in full at the Placing Price. It is intended that, if applicable, definitive share certificates will be distributed from 11 May 2015 or as soon after that as is practicable. No temporary documents of title will be issued.

In connection with the Placing, each of the Joint Bookrunners and any affiliate acting as an investor for its own account may take up the New Ordinary Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, references in this Prospectus to the New Ordinary Shares being offered or placed should be read as including any offering or placement of securities to any of the Joint Bookrunners and any affiliate acting in such capacity. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Upon Admission, the Company will cancel its existing Ordinary Shares from trading on AIM and the premium listing on the Official List will be the Company's only listing.

4 CREST

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer.

Upon Admission, the Articles will permit the holding of Ordinary Shares under the CREST system.

The Ordinary Shares are already admitted to CREST and will continue to be so from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive share certificates will be able to do so.

5 CONDITIONALITY OF THE PLACING

The Placing is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Placing and Underwriting Agreement, including: (i) the Shareholders passing the three inter-conditional resolutions (without material amendment) set out in the GM Circular at the General Meeting; (ii) Admission becoming effective by no later than 8.00 am on 1 May 2015 or such later date and/or time as the Company, Canaccord and Liberum may agree being not later than 8.00 am on 29 May 2015; and (iii) the Placing and Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.

In the event that the Placing and Underwriting Agreement does not become unconditional, neither of the Placing or Admission will occur.

Further details of the terms of the conditionality of the Placing are set out in paragraph 21.1 of Part XIV “Additional Information” of this Prospectus.

6 PLACING AND UNDERWRITING AGREEMENT

The Company, Canaccord and Liberum have entered into the Placing and Underwriting Agreement under which the Joint Bookrunners have severally agreed, subject to certain conditions which are customary in agreements of this nature, to use their respective reasonable endeavours to procure subscribers for the New Ordinary Shares pursuant to the Placing. All such subscriptions will be at the Placing Price. In the event that the Joint Bookrunners shall be unable to procure subscribers for all of the New Ordinary Shares pursuant to the Placing, the Joint Bookrunners shall themselves subscribe for such New Ordinary Shares.

The Placing and Underwriting Agreement provides that the obligations of the Joint Bookrunners are conditional upon, *inter alia*, (i) the Shareholders passing the three inter-conditional resolutions (without material amendment) set out in the GM Circular at the General Meeting; (ii) Admission becoming effective by no later than 8.00 am on 1 May 2015 or such later date and/or time as the Company, Canaccord and Liberum may agree being not later than 8.00 am on 29 May 2015; and (iii) the Placing and Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.

In the event that the Placing and Underwriting Agreement is terminated in accordance with its terms prior to Admission, neither of the Placing or Admission will occur.

Further details of the terms of the Placing and Underwriting Agreement are set out in paragraph 21.1 of Part XIV “Additional Information” of this Prospectus.

7 ALLOCATION

Allocations under the Placing will be determined by Canaccord and Liberum in consultation with the Company. A number of factors will be considered in deciding the bases of allocation under the Placing, including the level and the nature of the demand for New Ordinary Shares and the objective of encouraging the development of an orderly after-market in the Ordinary Shares.

All New Ordinary Shares issued or sold pursuant to the Placing will be issued, payable in full, at the Placing Price. Each investor will be required to pay the Placing Price for the New Ordinary Shares issued to such investor in cleared funds in such manner as shall be directed by the relevant Joint Bookrunner who procured the subscription of New Ordinary Shares by such investor.

Upon notification of any allocation, prospective investors will be contractually committed to acquire or subscribe for the number of Ordinary Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing may not begin before notification is made. The rights attaching to the Ordinary Shares will be uniform in all respects and will form a single class for all purposes.

8 LOCK-UP ARRANGEMENT

The Company and the Directors have each agreed to certain lock-up arrangements under, respectively, the Placing and Underwriting Agreement and the Lock-in Agreement.

Subject to certain exceptions, the Company and each of the Directors have undertaken, *inter alia*, not to offer, issue or sell Ordinary Shares (or securities convertible into Ordinary Shares or securities whose price is determined by reference to the price of Ordinary Shares) for a period commencing on the date of the Placing and Underwriting Agreement or the Lock-in Agreement (as applicable) and ending 180 days from the date of Admission unless the Joint Bookrunners otherwise consent.

Further information in relation to these arrangements is set out in paragraph 21 of Part XIV “Additional Information” of this Prospectus.

9 WITHDRAWALS

In the event that the Company is required to publish a supplementary prospectus, investors who have applied to subscribe for New Ordinary Shares in the Placing will not have the right to withdraw their offer to subscribe for New Ordinary Shares in the Placing because the Placing is not an offer to the public for the purposes of the Prospectus Directive.

10 SELLING AND TRANSFER RESTRICTIONS

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares and/or the New Ordinary Shares, or possession or distribution of this Prospectus or any other offering or publicity material relating to the New Ordinary Shares or the Ordinary Shares, in any country or jurisdiction where action for that purpose is required other than in the United Kingdom. Neither the Ordinary Shares nor the New Ordinary Shares may be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Ordinary Shares and/or the New Ordinary Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Ordinary Shares and/or the New Ordinary Shares, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any Ordinary Shares or New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

10.1 European Economic Area

In relation to each Relevant Member State no New Ordinary Shares have been offered or will be offered under the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR43,000,000; and (iii) an annual turnover of more than EUR50,000,000 as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners; or
- (d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure

implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any New Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purpose of the expression an “offer of any Ordinary Shares to the public” in relation to any New Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any New Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale. The Company, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Bookrunners of such fact in writing may, with the consent of the Joint Bookrunners, be permitted to acquire New Ordinary Shares in the Placing.

10.2 United Kingdom

This Prospectus is being distributed only to, and is directed only at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the FP Order, (ii) who are members and creditors of certain bodies corporate falling within Article 43 of the FP Order, (iii) falling within Article 49(2)(a) to (d) of the FP Order and (iv) to whom it may otherwise lawfully be distributed (all such persons together with qualified investors (as defined above) being referred to as “relevant persons”). This Prospectus must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.

10.3 United States

The Ordinary Shares have not been and will not be registered under the Securities Act or any state securities laws of the United States and the New Ordinary Shares may not be offered or sold within the United States except to QIBs that are also Accredited Investors in reliance on Rule 506 of Regulation D or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The New Ordinary Shares are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S. The Placing and Underwriting Agreement provides that the Joint Bookrunners may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of New Ordinary Shares within the United States only to QIBs that are also Accredited Investors in reliance on Rule 506 of Regulation D or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the offering of the New Ordinary Shares an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation D or pursuant to another exemption from, or in a transaction not subject to, the registration requirements under the Securities Act.

Due to the following restrictions, U.S. investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any Ordinary Shares.

Notice to U.S. Investors

Each purchaser of New Ordinary Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (a) it is: (i) a QIB within the meaning of Rule 144A; (ii) an Accredited Investor within the meaning of Regulation D; (iii) acquiring such New Ordinary Shares for its own account or for the account of one or more QIBs that are also Accredited Investors with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein; (iv) acquiring the New Ordinary Shares for investment purposes, and not with a view to further distribution of such New Ordinary Shares; and (v) aware, and each beneficial owner of such New Ordinary Shares has been advised that the sale of such New Ordinary Shares to it is being made in reliance on Regulation D or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (b) it understands that the New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that such New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or territory or other jurisdictions in the United States and may not be offered, sold, pledged or otherwise transferred except: (i) to the Company; (ii) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB; (iii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); (v) pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (vi) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state, territory or other jurisdiction of the United States and provided that in the case of offers, sales, pledges and transfers pursuant to (ii), (iv) or (v) above, if required, a legal opinion satisfactory to the Company must first be provided;
- (c) it understands that such New Ordinary Shares (to the extent they are in certified form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE, TERRITORY OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUER, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE, TERRITORY OR OTHER JURISDICTION OF THE UNITED STATES AND PROVIDED THAT IN THE CASE OF OFFERS, SALES, PLEDGES AND TRANSFERS PURSUANT TO (2), (4) OR (5) ABOVE, IF REQUESTED, A LEGAL OPINION SATISFACTORY TO THE ISSUER MUST FIRST BE PROVIDED. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE ORDINARY SHARES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY OF THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

- (d) notwithstanding anything to the contrary in the foregoing, the New Ordinary Shares may not be deposited into any unrestricted depository receipt facility in respect of the Ordinary Shares established or maintained by a depository bank;
- (e) it understands that the New Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) sold to it in the Placing will constitute “restricted securities” within the meaning of Rule 144 under the Securities Act, and for so long as they remain “restricted securities”, such New Ordinary Shares may not be transferred except as described in paragraph (b) above, and that no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Ordinary Shares;
- (f) any offer, sale, resale, pledge or other transfer made other than in compliance with the above stated restrictions will not be recognized by the Company in respect of the New Ordinary Shares;
- (g) it is not acquiring or subscribing for the New Ordinary Shares as a result of any general solicitation or general advertising, including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio or television; or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
- (h) prior to its deciding to purchase or subscribe for any New Ordinary Shares, it (i) will have consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, (ii) will have possessed all information relating to the Company and the Ordinary Shares which it believes is necessary for the purpose of making its investment decision, including, but not limited to, this Prospectus, (iii) will have reviewed all information that it believes is necessary or appropriate in connection with a purchase of or subscription for any New Ordinary Shares, including, but not limited to, the information contained in this Prospectus and (iv) will have conducted its own due diligence on the Company, the Ordinary Shares and the Placing, and will have made its own investment decisions based upon its own judgement, due diligence and advice from such advisors as it has deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of any representatives, agents or advisors of the Company or any Joint Bookrunners;
- (i) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the New Ordinary Shares, and it has the financial ability to bear the economic risk of investment in the New Ordinary Shares and to sustain a complete loss in connection therewith. It will not look to the Company or any of its representatives, agents or advisors or any Joint Bookrunners for all or part of any such loss or losses it may suffer. It has no reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of any New Ordinary Shares it may decide to invest in; and
- (j) if, in the future, it offers, resells, pledges or otherwise transfers such New Ordinary Shares while they remain “restricted securities” within the meaning of Rule 144 under the Securities Act, it shall notify such subsequent transferee of the restrictions set out above.

Notice to Regulation S Investors

Each purchaser of New Ordinary Shares outside the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (a) at the time the New Ordinary Shares are offered and at the time such purchaser’s buy order is originated, it and the person, if any, for whose account it is purchasing such New

Ordinary Shares are located outside the United States (within the meaning of Regulation S); and

- (b) it and the person, if any, for whose account it is purchasing such New Ordinary Shares are not acquiring or subscribing for such New Ordinary Shares as a result of any directed selling efforts (within the meaning of Regulation S) in the United States.

Notice to both U.S. Investors and Regulation S Investors

Each purchaser of New Ordinary Shares, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (a) the Company, the Registrar, the Joint Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements;
- (b) if any of the acknowledgements, representations or agreements of the purchaser deemed to have been made by virtue of accepting delivery of this Prospectus are no longer accurate, such purchaser will promptly notify the Company and the Joint Bookrunners; and
- (c) if it is acquiring any New Ordinary Shares for the account of one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Deemed Representations from all Investors

All investors purchasing the New Ordinary Shares will be deemed to have represented and agreed as follows:

- (a) whether such investor acquires New Ordinary Shares on its own behalf or as a fiduciary or agent, the New Ordinary Shares are acquired only for purpose of investments;
- (b) it will require any person for whose accounts it is purchasing any New Ordinary Shares and any person to whom it may offer or sell any New Ordinary Shares to comply with the provisions of this Section;
- (c) it will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Prospectus) which may be applicable in its jurisdiction and it has obtained or will obtain any consent, approval or authorization required for it to subscribe for and accept delivery of the New Ordinary Shares and it acknowledges and agrees that none of the Company, its affiliates, and the Joint Bookrunners and their respective affiliates shall have any responsibility in this regard;
- (d) it will on demand indemnify and keep indemnified the Company, the Joint Bookrunners and their respective affiliates, officers, agents and employees for all losses or liabilities incurred by any of the foregoing arising out of or in connection with any breach of either the selling restrictions, or its agreement to subscribe for or acquire its allocated New Ordinary Shares, or any other breach of its obligations hereunder;
- (e) it had at all times and still has full power and authority to enter into the contract to subscribe for or purchase the New Ordinary Shares for its own account or for the account of one or more persons for whom it exercises investment discretion and its agreement to do so constitutes its valid and legally binding obligation and is enforceable in accordance with its terms;
- (f) it will not copy or otherwise distribute this Prospectus to any third party; and
- (g) it understands that the foregoing representations are required in connection with United States securities laws. It acknowledges that the Company, the Joint Bookrunners and others will rely upon the truth and accuracy of its representations, acknowledgments and agreements set forth herein, and it agrees to notify the Company and the Joint Bookrunners promptly in writing if any of its representations, acknowledgments or agreements herein ceases to be accurate and complete.

10.4 Japan

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "FIEL"). This Prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which

term as used herein means any person resident in Japan, including any corporation or entity, organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except in accordance with an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

10.5 **Australia**

This Prospectus has not been lodged with the Australian Securities and Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this Prospectus in Australia:

- (a) you confirm and warrant that you are either:
 - (i) a “sophisticated investor” under Section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia (“Corporations Act”);
 - (ii) a “sophisticated investor” under Section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant’s certificate pursuant to the Section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
 - (iii) a person associated with the company under Section 708(12) of the Corporations Act; or
 - (iv) a “professional investor” within the meaning of Section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this Prospectus is void and incapable of acceptance;
- (b) you warrant and agree that you will not offer any of the shares issued to you pursuant to this Prospectus for resale in Australia within 12 months of those shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under Section 708 of the Corporations Act.

10.6 **Canada**

The Ordinary Shares may not be offered or sold, directly or indirectly, within Canada to a resident of Canada and this Prospectus is not for delivery to a resident of Canada other than with the prior approval of the Joint Bookrunners on a basis exempt from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each province or territory in Canada where trades of Ordinary Shares are effected.

PART XIV: ADDITIONAL INFORMATION

1 RESPONSIBILITY

The Directors, whose names appear on page 42, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

2 COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 9 March 2004 as a private company limited by shares under the Companies Act 1985 with the name Newincco 338 Limited and with registered number 05067291. The name of the Company was subsequently changed from Newincco 338 Limited to Evolutec Group Limited on 29 April 2004. The name of the Company was subsequently changed from Evolutec Group Limited to Evolutec Group PLC on 17 June 2004. The name of the Company was subsequently changed from Evolutec Group PLC to Nanoco Group PLC on 30 April 2009. The liability of the members of the Company is limited. The Company has no other commercial name other than its registered name.
- 2.2 The principal legislation under which the Company operates, and under which the Ordinary Shares are created, is the Companies Acts and regulations made under those Acts.
- 2.3 The registered office and principal place of business for the Company is 46 Grafton Street, Manchester, M13 9NT. The Company's telephone number is 0161 603 7900.
- 2.4 The principal activities of the Company are as described in Part VI: "Information on the Company and the Group" of this Prospectus. There are no exceptional factors which have influenced the Company's activities.
- 2.5 The Company is the holding company of the Group. Details of the Company's subsidiaries are set out in paragraph 10 of this Part XIV.

3 SHARE CAPITAL

- 3.1 The Company was incorporated with an issued share capital of £1,000 divided into one thousand Ordinary Shares of £1.00.
- 3.2 Since 31 July 2011 (being the period from which historical financial information is provided in this Prospectus), the issued share capital of the Company, which comprised 205,858,417 Ordinary Shares as at that date, has been changed as follows:
 - 3.2.1 on 22 November 2011, the Company allotted 1,493,750 Ordinary Shares;
 - 3.2.2 on 5 April 2012, the Company allotted 20,000 Ordinary Shares;
 - 3.2.3 on 1 August 2012, the Company allotted 12,000 Ordinary Shares;
 - 3.2.4 between 25 October 2012 and 7 December 2012, the Company allotted 1,603,746 Ordinary Shares;
 - 3.2.5 on 13 January 2013, the Company allotted 311,759 Ordinary Shares;
 - 3.2.6 on 19 March 2013, the Company allotted 250,079 Ordinary Shares;
 - 3.2.7 on 16 July 2013, the Company allotted 611,258 Ordinary Shares;
 - 3.2.8 on 21 October 2013, the Company allotted 6,369,427 Ordinary Shares;
 - 3.2.9 on 21 October 2014, the Company allotted 784,947 Ordinary Shares; and
 - 3.2.10 on 5 November 2014, the Company allotted 15,000 Ordinary Shares.
- 3.3 At the most recent annual general meeting of the Company on 11 December 2014, the Shareholders passed ordinary and special resolutions in relation to the Company's share capital to:
 - (a) authorise the Directors under Section 551 of the Companies Act 2006 to allot equity securities up to an aggregate nominal value of £7,217,681, including in connection with a rights issue, subject to such exclusions or other arrangements as the directors see fit;

- (b) disapply the statutory pre-emption rights contained in Section 561 of the Companies Act 2006 in connection with the allotment of equity securities, provided that the allotment shall be:
 - (i) for cash in connection with an offer to holders of equity securities and other persons entitled to participate, in proportion to their then holdings of equity securities, subject to such exclusions or other arrangements as the directors see fit; or
 - (ii) for cash up to a maximum nominal value of £2,165,304; and
 - (c) authorise the Company under Section 701 of the Companies Act 2006 to make market purchases of its Ordinary Shares provided that:
 - (i) the Company does not purchase more than 32,457,912.36 Ordinary Shares;
 - (ii) the Company does not pay for any such Ordinary Share less than its nominal value at the time of purchase; and
 - (iii) the Company does not pay for any such Ordinary Share more than 5 per cent above the average of the closing mid-market price for Ordinary Shares 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.
- 3.4 As at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus), the Existing Share Capital, all of which is fully paid, is 217,330,383 Ordinary Shares with an aggregate nominal value of £21,733,038.30.
- 3.5 Immediately following Admission, the Enlarged Share Capital, all of which will be fully paid, will be 236,378,002 Ordinary Shares with an aggregate nominal value of £23,637,800.20.
- 3.6 In addition, subject to Shareholders approving the resolutions contained in the GM Circular at the General Meeting and conditional on Admission becoming effective:
- (a) the Articles, being articles of association in a form appropriate for a Company admitted to the premium listing segment of the Official List, will be adopted;
 - (b) the Directors will be generally authorised, in accordance with Section 551 of the Companies Act 2006, to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company pursuant to the Placing, this authority being limited to allotments and grants of 19,047,619 Ordinary Shares;
 - (c) the Directors will be given power to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority referred to in sub-paragraph (b) above and to make sales of treasury shares as if Section 561 of the Companies Act 2006 did not apply to the allotment or sale.
- 3.7 Section 561 of the Companies Act 2006 confers on shareholders certain rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in Section 1166 of the Companies Act 2006 or by way of bonus issue. Following Admission, the Company will be subject to the continuing obligations contained in the Listing Rules with regard to the issue of securities for cash and the statutory rights of pre-emption in Section 561 of the Companies Act 2006. The statutory rights of pre-emption have been disapplied:
- 3.7.1 in connection with the New Ordinary Shares to be issued and allotted pursuant to the Placing; and
 - 3.7.2 as set out in paragraph 3.3 above to:
 - (i) give the Directors flexibility in relation to rights issues; and
 - (ii) permit the Directors to allot Ordinary Shares for cash, including following the Placing, having an aggregate nominal value of up to £2,165,304.
- 3.8 Save as disclosed above and in connection with the Employee Share Plans described further in paragraph 15 below:
- (a) no share or loan capital of the Company has within the period covered by the historical financial information set out in this Prospectus (other than pursuant to the Placing) been

- issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company within the period covered by the historical financial information set out in this Prospectus in connection with the issue or sale of any share or loan capital of the Company; and
 - (c) no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.9 A maximum of 12,953,809 Ordinary Shares (being 5.5 per cent of the Enlarged Share Capital) will be available for issue in respect of the exercise of options granted under the Employee Share Plans.
- 3.10 All the Ordinary Shares have been marketed and are available to the public.
- 3.11 The par (or nominal value) of each Ordinary Share is £0.10. The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Ordinary Shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post.
- 3.12 The New Ordinary Shares will be issued on Admission which is expected to occur on 1 May 2015.
- 3.13 There are no restrictions on the transferability of the Ordinary Shares and the New Ordinary Shares subject to (a) any selling and transfer restrictions as described in paragraph 10 of Part XIII: “Details of the Placing”; (b) compliance with the provisions of the Articles relating to the transfer of shares as described in paragraph 4.2(d) of this Part XIV; and (b) any restriction on transfer imposed by a direction notice as summarised in paragraph 4.2(b) of this Part XIV.
- 3.14 On Admission, the Ordinary Shares and the New Ordinary Shares will rank equally in all respects.

4 ARTICLES OF ASSOCIATION

- 4.1 The Company’s objects are unrestricted.
- 4.2 The following is a summary of the rights under the Articles (and, in particular, relating to voting, transfers, entitlement to share in the profits and, in the event of liquidation, in any surplus) which, conditionally upon Admission, will attach to the Ordinary Shares with which the New Ordinary Shares will rank equally in all respects when unconditionally issued and fully paid.

(a) Voting rights

Subject to the provisions of the Companies Acts and the provisions summarised in paragraph (b) below, Shareholders shall have the right to receive notice of and to attend and to vote at all general meetings of the Company. A Shareholder may appoint one or more proxies to exercise all or any of his rights to attend and to speak at the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Save as otherwise provided in the Articles, on a vote on a show of hands each holder of Ordinary Shares present in person shall have one vote and every proxy present who has been duly appointed by a member shall have one vote (save that if the same proxy is appointed by more than one member, and is instructed by some members to vote one way and some to vote the other way, the proxy will have one vote for and one vote against the resolution). On a vote on a poll every member present in person or by proxy shall have one vote for each share held by him.

(b) Restrictions on Ordinary Shares

If a Shareholder or any person appearing to be interested in any Ordinary Shares has been served with a notice under Section 793 of the Companies Act 2006 and is in default in supplying to the Company the information required within a prescribed period after the service of such notice, the Directors may serve on such Shareholder, or on any such person, a notice (a “direction notice”) in respect of the Ordinary Shares in relation to which the default occurred (“default shares”) directing that in relation to such Ordinary Shares the Shareholder shall not be

entitled to be present or to vote at any general meeting or class meeting of the Company. Where the default Ordinary Shares represent at least 0.25 per cent of the class of shares the direction notice may in addition direct, among other things, that any dividend or other money which would otherwise be payable on such Ordinary Shares shall (in whole or in part) be retained by the Company and that no transfer of any of the Ordinary Shares held by the Shareholders shall be registered. The direction notice will cease to have effect when the Shareholder complies with the direction notice or sells the whole beneficial ownership of the relevant Ordinary Shares to an unconnected third party acting in good faith by way of an arm's length transfer. The prescribed period referred to above means 28 days (if the member has a shareholding of less than 0.25 per cent) or 14 days (if the member has a shareholding of 0.25 per cent or more) from the date of service of the notice under Section 793 of the Companies Act 2006.

(c) Variation of class rights and alteration of capital

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Companies Acts, be modified, abrogated or varied either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class (excluding shares held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings apply but so that the necessary quorum at such a meeting other than an adjourned meeting shall be two persons present in person or by proxy holding at least one-third in nominal value of the issued shares of the relevant class (excluding shares held as treasury shares) and at an adjourned meeting one person present in person or by proxy shall be a quorum. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking equally with such shares or the purchase or redemption by the Company of any of its own shares in accordance with the Companies Acts and the Articles.

Subject to the provisions of the Companies Acts, any Ordinary Shares may be issued on terms that they may be redeemed or are liable to be redeemed at the option of the Company or the Shareholders on the terms and in the manner provided for by the Articles.

(d) Transfer of Ordinary Shares

Subject to the following paragraph, the instrument of transfer of an Ordinary Share shall be signed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the Ordinary Shares until the name of the transferee is entered in the register. All transfers shall be effected by instrument in writing, in the usual or common form or any other form which the Directors may approve. The Directors may refuse to register any transfer of Ordinary Shares if in their opinion exceptional circumstances so warrant. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and unless the instrument of transfer is in respect of only one class of shares and in the case of a transfer to joint holders, the transfer is not in favour of more than four persons jointly.

Notwithstanding any other provision of the Articles to the contrary, any Ordinary Shares may be held in uncertificated form and title to Ordinary Shares may be transferred by means of a relevant system such as CREST.

(e) Dividends and distributions on liquidation to shareholders

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid *pro rata* to the nominal amounts of the shares in respect of which the dividend is paid.

The Directors may pay such interim dividends as they think fit. No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Companies Acts.

Unless otherwise provided by the rights attached to any Ordinary Share, no dividends in respect of an Ordinary Share shall bear interest.

The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or any part of the dividend.

Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and cease to remain owing by the Company and shall belong to the Company absolutely.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's Ordinary Shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

(f) Appointment and removal of Directors

The number of Directors of the Company must not be fewer than two but shall be no more than 10. The Company may by ordinary resolution elect any person to be a director. The Board also has powers to appoint a person as a director but such person will only hold office until the next annual general meeting and will then be eligible for re-election. A director is not required to hold shares in the Company but is entitled to attend and speak at any general meeting of the Company or any meeting of the holders of any class of shares in the Company.

The office of a director will be vacated if the director resigns, becomes bankrupt or is the subject of other insolvency-related proceedings, in certain circumstances where the director is suffering from mental disorder, if the director is absent from meetings of the Board for six months without leave and the Board resolves that the director's office should be vacated, if requested in writing by all the other directors to resign, if the director is an executive director and ceases to hold that office and the majority of the other directors resolve that such office be vacated, or if the director is removed or becomes prohibited from being a director under any provision of applicable statutes.

At every annual general meeting each director who has been in office more than three years since his appointment or last re-appointment shall retire from office and be eligible for re-election. No person other than a director retiring at the meeting shall, unless recommended by the Board, be eligible for election to the office of director at any general meeting unless not less than seven nor more than 42 days before the date appointed for the meeting there has been notice in writing given to the Company by a member duly qualified to attend and vote at the meeting of his intention to propose the person for appointment and a written notice signed by the person to be proposed of his willingness to be elected. The Company has power by ordinary resolution (of which special notice has been given) to remove any director from office before the expiration of his period of office and may by ordinary resolution appoint another person in his place.

(g) Meetings of Directors

At meetings of the Board questions are determined by a majority of votes and in the case of an equality of votes the Chairman of the Board has a second or casting vote. The quorum at Directors' meetings may be fixed by the Directors but otherwise is two. The Board may delegate any of its powers to committees. Decisions of the Directors may also be taken by written resolution approved by all Directors eligible to vote on the matter, provided they would have formed a quorum at a meeting of the Board.

(h) Directors' interests

Subject to relevant statutory provisions, a Director (i) may be a party to, or otherwise interested in, any contract, transaction, arrangement or proposal with the Company or in which the Company is interested; or (ii) may be a director or other officer of, or employed by, or a party to any contract, transaction, arrangement or proposal or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and (iii) may act in a professional capacity (other than that of an auditor) for the Company or any

other body corporate promoted by the Company or in which the Company is otherwise interested.

If a situation arises in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (other than a conflict of interest arising in relation to a transaction or arrangement with the Company or a situation which cannot reasonably be regarded as likely to give rise to a conflict of interest) the Directors who are not conflicted may resolve to authorise the conflict and the continuing performance by the Director of his duties on such terms as they may decide. The terms on which the Directors may authorise a Director's conflict of interest may be imposed at the time of authorisation or may be imposed or varied subsequently and may include (without limitation):

- (a) subject to the Articles, whether the interested Director may vote (or be counted in the quorum at a meeting) in respect of any resolution relating to the subject matter of the conflict;
- (b) the exclusion of the interested Director from all information and discussion by the Directors or within the Company in respect of the subject matter of the conflict; and
- (c) (without prejudice to any other obligations of confidentiality) the application to the interested Director of a strict duty of confidentiality to the Company in respect of any confidential information of the Company in relation to the subject matter of the conflict.

The Directors' authorisation of the conflict may provide that where the interested Director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company.

A Director shall not, by reason of his holding an office as a Director (or of the fiduciary relationship established by holding that office), be liable to account to the Company for any remuneration, profit or other benefit resulting from any interest or transaction that has been authorised by the other Directors in accordance with the Articles or that is otherwise permitted by the Articles. No contract, transaction or arrangement shall be liable to be avoided on the grounds of any Director having any such authorised or permitted interest.

Except where otherwise provided by the Articles, a Director shall not vote on, or be counted in the quorum in respect of, any contract or arrangement or any other proposal in which he has any direct or indirect interest other than an interest that cannot reasonably be regarded as likely to give rise to a conflict of interest or an interest that arises by virtue of his interests in shares or debentures or other securities or rights or otherwise in or through the Company. However, this prohibition does not apply (in the absence of any other prohibited interest) where the resolution relates:

- (a) to the giving to him of any guarantee, security or indemnity in respect of: (i) money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt of the Company or any subsidiary undertaking in respect of which the Director has assumed responsibility in whole or in part under a guarantee, indemnity or by giving security;
- (b) to any proposal whereby the Company or of any of its subsidiary undertakings is offering securities under an offer in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (c) any proposal relating to any other body corporate in which he is not beneficially interested, directly or indirectly, in one per cent or more of the issued shares of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
- (d) to any proposal relating to an arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not award any Director any privilege or benefit not generally added to the employees to whom it relates; and
- (e) to any proposal concerning: (i) the purchase or maintenance of any insurance policy for the benefit of Directors; or (ii) indemnities in favour of the Directors; or (iii) the funding of expenditure by one or more Directors on defending proceedings against such Director or Directors; or (iv) doing anything to enable such Director or Directors to avoid incurring such expenditure.

Subject to the relevant statutory provisions the Company may, by ordinary resolution, suspend or relax the above provisions either generally or in respect of a particular matter or ratify any transaction, arrangement or proposal not duly authorised by reason of a contravention of such provisions.

(i) Directors' fees and expenses

The Directors (other than alternate Directors and directors holding executive office) shall be paid out of the funds of the Company for their services as Directors such aggregate sums (not exceeding £300,000 per year, or such larger amount as the Company may by ordinary resolution approve) as the Board may determine. Any such sums shall be distinct from any salary, remuneration or other amounts payable to a Director under other provisions of the Articles.

The Directors are entitled to be paid all travelling, hotel and other expenses properly incurred in attending meetings of the Board, committees of the Board, general meetings or otherwise in connection with the business of the Company.

(j) Share qualification

A Director is not required to hold any shares in the Company.

(k) Borrowing powers

Subject to relevant statutory provisions and as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property, assets (present and future) including uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Group so as to secure that the aggregate amount at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the sanction of an ordinary resolution of the Company exceed an amount equal to £25,000,000 or, if greater, an amount equal to two and a half times the adjusted capital and reserves of the Company.

5 VARIATION OF SHAREHOLDING RIGHTS

The rights attaching to Ordinary Shares are set out in the Articles and summarised above. For these rights to be varied or changed would require the passing of a special resolution at a general meeting of the Company. In the absence of appropriate consent to short notice, this would require not less than 14 days' written notice to be given to each Shareholder. Every Shareholder has the right to attend the general meeting in person or by proxy and vote on the resolution to be proposed. A special resolution of the Company requires a majority of not less than three-fourths of the Ordinary Shares voted in person or by proxy at such general meeting.

6 SHAREHOLDER MEETINGS

The Company must in each year hold a general meeting as its AGM within six months of its financial year end. An AGM must be convened by giving not less than 21 days' notice to all Shareholders of the Company.

Other general meetings can be convened by the Company from time to time. Not less than 14 days' notice is required to convene a general meeting (other than an AGM).

Shareholders need not attend a meeting of the Company in person but can do so by way of validly appointed proxy. Proxies are appointed in accordance with the Articles. In essence, to be validly appointed, details of the proxy must be lodged at the Company's registered office no later than 48 hours (excluding non-business days) before the commencement of the relevant meeting. Failure to lodge details of the appointed proxy in accordance with the Articles could result in the vote of the proxy being excluded on any resolution and possibly in the exclusion of the proxy from the meeting unless the proxy is also a Shareholder.

If a Shareholder is a corporation, whether or not a company, it can pass a resolution of its directors or other governing body to authorise one or more persons as it thinks fit to act as its representative(s) and exercise its powers at any meeting of the Company or class meeting of Shareholders. Each authorised person may vote on behalf of the corporate member provided he or she exercises the voting rights attached to different shares.

7 CHANGE OF CONTROL

There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

8 DISCLOSURE OF INTERESTS IN ORDINARY SHARES

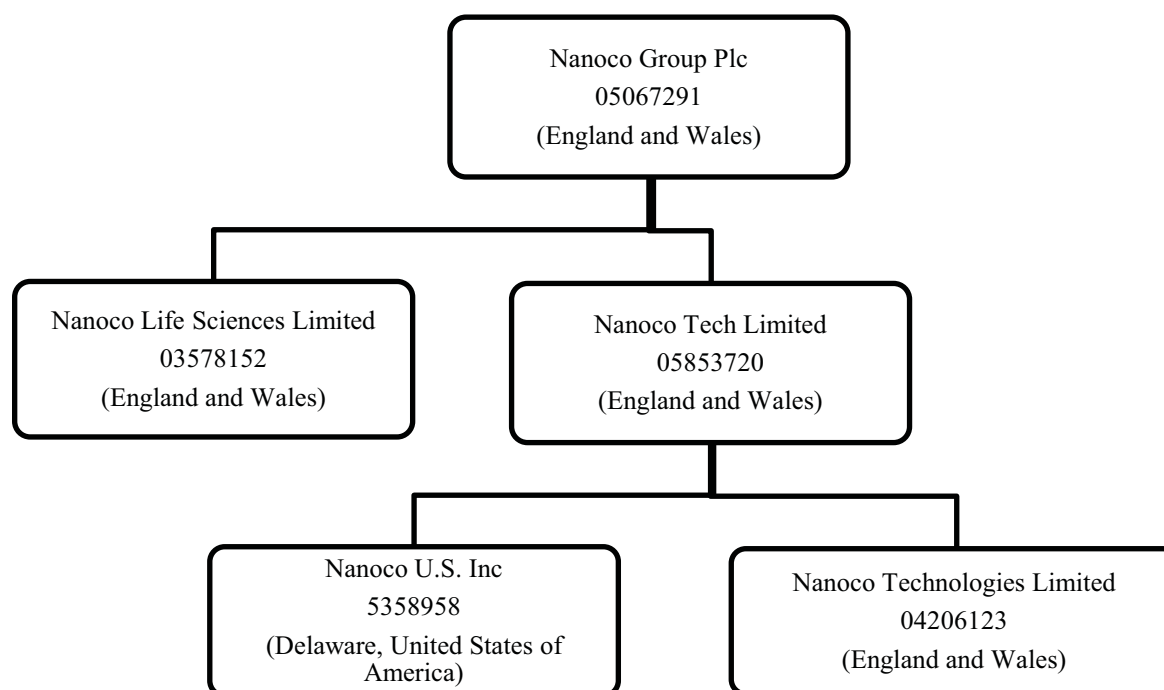
Rule 5 of the Disclosure and Transparency Rules contains provisions regarding the disclosure of voting rights in respect of the Ordinary Shares, which apply with effect from Admission. Subject to limited exceptions, where a person holds (or is deemed to hold) voting rights in respect of the Ordinary Shares (whether directly or indirectly or through direct or indirect holdings of financial instruments or through a combination of such holdings) equal to or more than three per cent of the total voting rights in issue, then that person has an obligation to notify the Company with the details of such voting rights within two trading days. Where the percentage or nature of voting rights held by such a person changes by one per cent, then further disclosure obligations arise.

9 CHANGE IN SHARE CAPITAL

There are no conditions imposed by the Articles regarding changes in the Company's capital which are more stringent than required by the laws of England and Wales.

10 GROUP STRUCTURE AND THE COMPANY'S SUBSIDIARIES

A simplified structure chart for the Group is as follows:



The principal subsidiaries of the Company are as follows:

Principal subsidiaries	Country of incorporation and registration	Proportion of equity share capital held	Proportion of voting power held
Nanoco Life Sciences Limited	England	100%	100%
Nanoco Tech Limited	England	100%	100%
Nanoco Technologies Limited	England	100%	100%
Nanoco U.S. Inc.	United States of America	100%	100%

11 DIRECTORS AND SENIOR MANAGEMENT

11.1 The business address of each of the Directors and the Senior Management of the Company is 46 Grafton Street, Manchester, M13 9NT. Their full names and functions within the Group are as set out below:

Directors

Name	Function
Anthony Clinch	Non-Executive Chairman
Dr Michael Edelman	Chief Executive Officer
Dr Nigel Pickett	Chief Technology Officer
Keith Wiggins	Chief Operating Officer
Gordon Hall	Non-Executive Director
Dr Peter Rowley	Non-Executive Director
Robin Williams	Non-Executive Director

Senior Management

Name	Function
Mark Sullivan	Interim Chief Financial Officer
Andrew Gooda	Manufacturing director

11.2 Details of other directorships and/or partnerships held by the Directors and Senior Management at any time in the five years prior to the date of this Prospectus are set out below:

Directors

Name	Current Directorships/ Partnerships	Past Directorships/Partnerships
Anthony Clinch	Saint Gabrielle LLP N147VC LLP Second Spring Limited Teens and Toddlers Ltd	Creative Light Productions Ltd (company dissolved in July 2012) Drakkar G.P. Limited (company dissolved in April 2009)
Dr Michael Edelman	Nanoco Technologies Limited Nanoco Tech Limited Nanoco Life Sciences Limited	
Dr Nigel Pickett	Nanoco Technologies Limited Nanoco Tech Limited Nanoco Life Sciences Limited	
Keith Wiggins	Wyfold Limited	Chemoxy International Limited DOW Agrosiences Limited DOW Chemical Company Limited DOW Limited DOW Trent Limited DOW UK Limited Chemical Industries Association Limited Hyperlast Limited Trinseo UK Limited DOW Services Trustees UK Limited ROHM and HASS (Scotland) Limited ROHM and HASS (UK) Holdings Limited ROHM and HAAS (UK) Limited ROHM and HASS Electronic Materials Europe Ltd ROHM and HAAS Electronic

Name	Current Directorships/ Partnerships	Past Directorships/Partnerships
		Materials Holdings UK Ltd (in liquidation) ROHM and HAAS Europe Trading APS ROHM and HASS UK Investment Limited (in liquidation) DOW (Wilton) Limited (resigned in December 2012, company dissolved in March 2014) DOW UK Pension Trustees Limited (resigned in December 2012, company dissolved in October 2014) DOWCHEMCO Pension Trust Limited (resigned December 2012, company dissolved in March 2014) Haltermann Pension Trustees Limited (resigned December 2012, dissolved October 2014) Autothane Limited (company dissolved in February 2012) Hypertec Print Services Ltd (resigned December 2012, dissolved July 2013) ALH Rail Coatings Limited (company dissolved in February 2014) EDULAN U.K. Limited (company dissolved in November 2011) Ascot Group Pension Trustee Limited (resigned December 2012, dissolved October 2014) XITRACK Limited (resigned December 2012, dissolved October 2014)
Gordon Hall	Nanoco Life Sciences Limited Quoram Plc	Nanoco Tech Limited EFK Diagnostics Holdings PLC
Dr Peter Rowley	Hylomar Limited Oxford Advanced Surfaces Limited	Nanoco Tech Limited Oxford Advanced Surfaces Group Plc
Robin Williams	26 Gledhow Gardens Limited NHS Professionals Limited XAAR Plc Baronsmead VCT 4 Plc NHS Property Services Limited	Constantine Group Plc London Linen Supply Limited Castleton Technology Holdings Limited A H Worth and Company Limited Bio Products Laboratory Limited Bio Products Laboratory Holdings Limited Killby & Gayford Group Limited

Senior Management

Name	Current Directorships/ Partnerships	Past Directorships/Partnerships
Mark Sullivan Andrew Gooda	Summ.it Assist LLP Nanoco Technologies Limited	Wirral Investment Network (Management) Limited Uniqema UK Limited

- 11.3 Save as disclosed above, during the five years immediately prior to the date of this Prospectus, none of the Directors nor any member of the Senior Management has:
- been convicted in relation to a fraudulent offence;
 - been associated with any bankruptcies, receiverships or liquidations whilst acting in his capacity as a member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of senior management of a company; or
 - received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.
- 11.4 Save for their capacities as persons legally and beneficially interested in Ordinary Shares, there are:
- no potential conflicts of interest between any duties to the Company of the Directors and members of Senior Management and their private interests and/or other duties; and
 - no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director or member of the Senior Management was selected.

12 DIRECTORS', SENIOR MANAGEMENT'S AND OTHER INTERESTS IN THE COMPANY

- 12.1 The interests (in accordance with paragraph 12.2 below) of the Directors and members of the Senior Management and their respective connected persons in the share capital of the Company (all of which, unless otherwise stated, are beneficial) on 30 March 2015, being the last practicable date prior to the publication of this Prospectus, and as they are expected to be immediately following Admission, are as follows:

	Immediately prior to Admission		Immediately following Admission	
	Number of Ordinary Shares	Percentage of issued ordinary share capital (%)	Number of Ordinary Shares	Percentage of issued ordinary share capital (%)
Directors				
Dr Michael Edelman	6,988,640	3.22	6,988,640	2.96
Dr Nigel Pickett	10,945,681	5.04	10,945,681	4.63
Keith Wiggins	Nil	Nil	Nil	Nil
Gordon Hall	100,000	0.05	100,000	0.04
Dr Peter Rowley ¹	50,000	0.02	50,000	0.02
Robin Williams ²	Nil	Nil	9,523	0.00
Anthony Clinch	57,640	0.03	57,640	0.02
Senior Management				
Mark Sullivan ³	99,952	0.05	99,952	0.04
Andrew Gooda	Nil	Nil	Nil	Nil

- 12.2 The interests detailed in paragraph 12.1 above reflect those interests in the Ordinary Share capital of the Company which:

12.2.1 are required to be notified to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules;

12.2.2 are interests of a connected person (within the meaning of Schedule 11B of FSMA) which would be required to be disclosed under paragraph 12.2.1 above and the existence of

¹ Of the Ordinary Shares recorded against Peter Rowley's name, 50,000 Ordinary Shares are held by his wife. In October 2014, Peter Rowley and his wife transferred 1,571,820 Ordinary Shares into Family Trusts of which neither he nor his wife is a beneficiary.

² Robin Williams will be acquiring 9,523 New Ordinary Shares through his self-invested personal pension plan.

³ Of the Ordinary Shares recorded against Mark Sullivan's name, 49,976 Ordinary Shares are held by his wife.

which is known to or could with reasonable diligence be ascertained by that Director or member of Senior Management, in each case as at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus); or

12.2.3 would be required to be disclosed by paragraphs 12.2.1 or 12.2.2 above if the relevant member of Senior Management had been a PDMR of the Company.

12.3 The following Directors and members of the Senior Management will immediately following Admission hold options to acquire Ordinary Shares under the Employee Share Plans.

The Long Term Incentive Plan

Name	Date of Grant	Ordinary Shares under option	Exercise price	Last date of exercise
Director				
Michael Edelman	25 November 2011	500,000	0.50	24 November 2021
	22 October 2012	1,000,000	0.57	21 October 2022
Nigel Pickett	25 November 2011	500,000	0.50	24 November 2021
	22 October 2012	750,000	0.57	21 October 2022
Keith Wiggins	14 October 2014	380,000	0.10	13 October 2024

Name	Date of Grant	Ordinary Shares under option	Exercise price	Last date of exercise
Senior Management				
Andrew Gooda	25 November 2011	166,668	0.50	24 November 2021
	22 October 2012	333,334	0.57	21 October 2022

The Employee Benefit Trust

Name	Date of Grant	Ordinary Shares under option	Exercise price	Last date of exercise
Dr Nigel Pickett	7 April 2008	530,089	nil	6 April 2018

12.4 Other than under the Employee Share Plans, there are no other persons to whom any capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

12.5 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

12.6 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

12.7 So far as is known to the Company, other than as set out above and in paragraph 17.1 below, no Director or member of the Senior Management intends to acquire Ordinary Shares in the Placing and, so far as is known to the Company, no person intends to acquire more than three per cent of New Ordinary Shares in the Placing.

13 REMUNERATION FRAMEWORK AND POLICY

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

1.16.3

The Remuneration 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.

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 reasonable manner, rewarded for their contribution to the success of the Group, including, where appropriate, bonuses and the award of share options. The Remuneration Committee takes into account the remuneration practices adopted in similar businesses and best practice in other listed companies as well as in the general market. The Remuneration Committee has appointed external consultants to help define overall remuneration policy.

Consistent with this framework, overall remuneration has been set at a level considered by the Remuneration Committee to be appropriate for the size and nature of the business.

13.2 It is intended that the following arrangements will form part of the remuneration policy from Admission:

(a) Basic annual salary

The base salary is reviewed annually with effect from 1 August. 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 the private pension schemes of executives. However, certain executives elect to use a salary sacrifice scheme to make their own payments into private pension schemes.

(b) Annual bonus plan

All Executive Directors and the Senior Management are eligible for a discretionary annual bonus. This takes into account individual contribution, business performance and technical and commercial progress, along with financial results.

(c) Discretionary share schemes

All Executive Directors and the Senior Management are eligible for discretionary share scheme awards to be made in accordance with the Long Term Incentive Plan. Details of the awards made under the scheme to the Executive Directors and Senior Management are contained at paragraph 12.2 above.

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

13.4 The Company will be required to submit its remuneration policy (as it relates to the Directors) to a binding vote of shareholders at the Company's first annual general meeting following Admission. Accordingly the Company will outline its future policy relating to directors' remuneration in its report and accounts for the financial year ending 31 July 2015.

14 DIRECTORS' SERVICE AGREEMENTS, REMUNERATION AND OTHER MATTERS

14.1 The terms of the Directors' service contracts and letters of appointment are summarised below:

<u>Name</u>	<u>Date of contract</u>	<u>Notice period</u>	<u>Current salary/ fees</u>	<u>Other material benefits</u>
Chairman (Non-Executive)				
Anthony Clinch	30 March 2015	6 months	£50,000	Directors' and officers' insurance and indemnity protection
Executive Directors				
Dr Michael Edelman	27 June 2006 (as amended and novated)	12 months	\$394,800	Bonus (up to 50% of salary), life assurance (4 times salary), monthly payment towards cost of

<u>Name</u>	<u>Date of contract</u>	<u>Notice period</u>	<u>Current salary/ fees</u>	<u>Other material benefits</u>
Dr Nigel Pickett	27 June 2006 (as amended)	12 months	£170,000	purchasing health and dental insurance Bonus (up to 50% of salary), life assurance (4 times salary)
Keith Wiggins	1 October 2014 (as amended)	3 months save as set out in paragraph 14.2 below	£190,000	Bonus (up to 50% of salary), life assurance (4 times salary), relocation expenses up to £30,000 and share options
Non-executive Directors				
Gordon Hall	30 March 2015	6 months	£25,000	Directors' and officers' insurance and indemnity protection
Dr Peter Rowley	30 March 2015	6 months	£25,000	Directors' and officers' insurance and indemnity protection
Robin Williams	30 March 2015	6 months	£35,000	Directors' and officers' insurance and indemnity protection

14.2 A summary of the service contracts entered into with each of the Directors is set out below.

- (a) Michael Edelman and Nigel Pickett have entered into service agreements with Nanoco Tech Limited on the dates set out against their respective names in the table contained in paragraph 14.1 above, however, Michael Edelman's contract was amended and novated to Nanoco US Inc. in 2013. Keith Wiggins has entered into a service agreement with the Company on the date set out against his name in the table contained in paragraph 14.1 above. All of the service agreements contain materially the same terms save as set out in the table contained in paragraph 14.1 above and as detailed further below. The service agreements provide that the Executive Directors' salaries shall be reviewed annually in July each year with any changes taking effect from August in that year. The service agreements of the Executive Directors have no fixed term and in respect of Michael Edelman and Nigel Pickett are terminable by either party giving to the other not less than 12 months' notice in writing. Keith Wiggins' employment contract is terminable by either party giving to the other not less than three months' notice in writing save where there is a change of control of the Company (within the meaning of Section 1124 of the Corporation Tax Act 2010) in which instance the notice to be given by either party is not less than 12 months' notice in writing. The service agreements contain a 'gardening leave' clause which entitles the Company, Nanoco US Inc. or Nanoco Tech Limited (as the case may be) to require the relevant Executive Director to remain away from work during any notice period, and also provide the Company, Nanoco US Inc. or Nanoco Tech Limited (as the case may be) with the discretion to terminate the relevant Executive Director with immediate effect and make a payment in lieu of the whole or any unexpired portion of their notice period (salary and benefits). The service agreements of the Executive Directors contain confidentiality provisions which have effect during employment and after termination, and provisions protecting the Group's intellectual property.
- (b) The service agreements also provide that the Executive Directors are entitled to the following:
- (i) participation in the Company's, Nanoco US Inc.'s or Nanoco Tech Limited's (as the case may be) annual bonus scheme;
 - (ii) 25 working days' holiday in each holiday year in addition to all bank and public holidays (English bank and public holidays for Keith Wiggins and Nigel Pickett and American bank and public holidays for Michael Edelman);
 - (iii) up to 60 days' company sick pay.

- (c) Michael Edelman and Nigel Pickett both participate in the EBT and are covered by key person insurance policies. All of the Executive Directors are provided with life assurance (at four times their respective salaries).
 - (d) Pursuant to:
 - (i) a letter of appointment dated 30 March 2015, the Company appointed Mr Robin Williams to the office of Non-executive Director with effect from 9 July 2014;
 - (ii) a letter of appointment dated 30 March 2015, the Company appointed Anthony Clinch to the office of Non-executive Director with effect from 30 March 2010 (Anthony Clinch being appointed as a Non-executive Director on this date through Saint Gabrielle LLP, a service company, and subsequently being appointed in his own name on 26 April 2013);
 - (iii) a letter of appointment dated 30 March 2015, the Company appointed Mr Gordon Hall to the office of Non-executive Director with effect from 9 July 2007; and
 - (iv) a letter of appointment dated 30 March 2015, the Company appointed Dr Peter Rowley to the office of Non-executive Director with effect from 30 April 2009,
 (each an "Appointment" and together the "Appointments").
 - (e) The Appointments are each for an initial term of 3 years from their respective effective dates and are then on a rolling annual term:
 - (i) all Appointments are subject to the terms of the articles of association of the Company in force from time to time. The Articles include a requirement for Non-executive Directors to retire and seek re-election by the Shareholders;
 - (ii) all Appointments are conditional upon satisfactory performance as a Director in accordance with the articles of association of the Company in force from time to time and any other statutory, fiduciary or common law duties arising from the Appointment; and
 - (iii) all Appointments may be terminated on six months' notice by either party but may also be terminated by the Company with immediate effect upon the occurrence of any of the specified grounds contained in the Appointment Letters.
 - (f) Each Non-executive Director receives the fee set out against their respective names in the table contained in paragraph 14.1 above, and will be reimbursed for all reasonable expenses incurred in performing their duties. The Non-executive Directors will normally be required to provide services in the region of 24 days per year. Each Appointment specifies the Non-executive Directors' duties and contains obligations of confidentiality which have effect during the Appointment and after termination.
 - (g) Mr Williams is also appointed as Chairman of the Company's Audit & Risk Committee. His remuneration comprises of a fee of £25,000 gross per annum and an additional £10,000 gross per annum so long he remains the Chairman of the Audit & Risk Committee which continued appointment is subject to Mr Williams remaining a Director.
 - (h) Pursuant to the Companies Act 2006, the Company may not make remuneration payments or payments for loss of office to the Directors that are inconsistent with the directors' remuneration policy approved by shareholders (unless such payment is given separate shareholder approval).
 - (i) The Company has appointed Mark Sullivan on or around 31 December 2014 as the secretary of the Company.
- 14.3 The aggregate emoluments paid to Andrew Gooda (a member of the Senior Management), inclusive of all benefits payable by the Company or any of its subsidiaries, for the financial year ended 31 July 2014 amounted to £192,427.

14.4 The emoluments paid to each of the Directors (including salaries, fees, bonus payments, benefits in kind and pension contributions) by the Company and its subsidiaries for the financial year ended 31 July 2014 were as follows:

Director	Salary or fees	Benefits in kind and Pension Contributions	Bonus
Michael Edelman	£ 179,000	£ 64,000	£ 64,000
Nigel Pickett	£ 79,000	£ 65,000	£ 48,000
Colin White ³	£ 138,000	—	£ 41,000
Anthony Clinch	£ 23,000	—	—
Dr Peter Rowley	£ 15,000	—	—
Michael Bretherton ⁴	£ 8,000	—	—
Gordon Hall	£ 15,000	—	—
Robin Williams ⁵	—	—	—

14.5 It is estimated that the aggregate amounts payable to the Directors and Senior Management under the arrangements in force at the date of this Prospectus (including salaries, fees, bonus payments, benefits in kind and pension contributions) from the Company and its subsidiaries in respect of the financial year ending 31 July 2015 will be approximately £1,195,000 (including the maximum amount of the discretionary performance related bonus that is payable to certain Directors and members of Senior Management) and for each Director is expected to be as follows:

Director	Salary or fees	Benefits in kind and Pension Contributions	Maximum potential bonus payable
Michael Edelman	£ 250,000	—	£ 125,000
Nigel Pickett	£ 105,000	£ 75,000	£ 85,000
Keith Wiggins	£ 160,000	—	£ 80,000
Anthony Clinch	£ 50,000	—	—
Dr Peter Rowley	£ 25,000	—	—
Gordon Hall	£ 25,000	—	—
Robin Williams ⁶	£ 38,000	—	—

14.6 The total emoluments receivable by the Directors will not be varied as a consequence of the Placing.

14.7 There is no arrangement under which any of the Directors have agreed to waive future emoluments nor have there been any such waivers during the financial year immediately preceding the date of this Prospectus.

14.8 Save as set out above, there were not during the financial year of the Company which ended on 31 July 2014, and there are no existing or proposed, service contracts between any of the Directors and the Company or any of its subsidiaries providing for any additional payments upon termination of employment.

15 EMPLOYEE SHARE PLANS

15.1 *The Long Term Incentive Plan*

The Company operates the Long Term Incentive Plan which is administered by the Remuneration Committee. The Long Term Incentive Plan is designed to contain the parameters expected for a scheme operated by a quoted company and to ensure that the awards are made in the most tax efficient manner. Awards made under the Long Term Incentive Plan (in this paragraph 15.1, “Awards”) will not be pensionable.

³ Resigned as a Director and the secretary of the Company on 31/12/2014.

⁴ Resigned as a Director on 04/04/2014.

⁵ Appointed as a Director on 09/07/2014.

⁶ Includes £3,000 which was accrued but not paid in respect of the financial year ended 31/07/2014.

The Remuneration Committee keeps the terms of the Long Term Incentive Plan and Awards made under it under regular review taking into account commercial imperatives, evolving best practice and prevailing corporate governance requirements. Accordingly, before any further Awards are made under the LTIP, the Remuneration Committee will be reviewing it to ensure that it is still aligned with best practice and corporate governance requirements following Admission.

15.1.1 *Eligibility*

Any person who is a director or an employee of any member of the Group is eligible to participate in the Long Term Incentive Plan. On and following Admission, the Remuneration Committee has an absolute discretion as to the selection of employees to whom awards may be made.

15.1.2 *Grant of Awards*

Awards (which may relate to new and/or existing Ordinary Shares of the Company) may be made at any time save where the making of such an Award would be in contravention of the Listing Rules.

15.1.3 *Performance criteria*

At the time of making an Award, the Remuneration Committee will set challenging performance targets in order to align the interests of employees with shareholders and which must be satisfied before the Award vests.

Performance targets once set will not be amended unless an event occurs which causes the Remuneration Committee to consider that an amended target would be a fairer measure of performance and is not materially less difficult to satisfy.

The Remuneration Committee's overall policy is to make Awards under the Long Term Incentive Plan using performance conditions and target levels which will be stretching and will provide value to the participants commensurate with the performance achieved. When deciding on performance measures, the participants can, by their actions, influence such measure in order to provide effective motivation.

15.1.4 *Vesting of Awards*

In normal circumstances, an Award will only vest in accordance with the vesting dates as set out in the participants' award certificate.

Awards may continue to vest if the employee dies or ceases employment by reason of or cessation of employment or service of the Company or any member of the Group by reason of:

- (i) injury, ill health or disability;
- (ii) redundancy;
- (iii) retirement;
- (iv) the employing company leaving the Group; or
- (v) any other reason as determined by the Remuneration Committee.

However, the Company may determine that the Awards vest immediately on cessation of employment and that the number of Ordinary Shares that vest can be reduced *pro rata* according to the number of months between the employee ceasing employment and the date that the Award vests.

15.1.5 *Rights attaching to shares*

All shares allotted when an Award vests or is exercised under the Long Term Incentive Plan will rank *pari passu* with all other Ordinary Shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of vesting).

15.1.6 *Variation of capital*

In the event of any variation of share capital of the Company, the number of the shares subject to Awards may be adjusted in such manner as the Remuneration Committee may deem appropriate.

15.1.7 *Alterations to the Long Term Incentive Plan*

The Remuneration Committee may, at any time, alter or amend the provisions of the Long Term Incentive Plan, save that alterations which would materially increase the rights of option holders shall not be made without the prior approval by ordinary resolution of the Shareholders in general meeting. For the avoidance of doubt, any alteration which constitutes a minor amendment to benefit the administration of the plan, to take account of changes in legislation or to obtain or maintain favourable tax treatment for the Company, existing option holders or prospective option holders shall not require the prior approval from the shareholders of the Company.

Alterations to the terms of an option or the rules of the Long Term Incentive Plan which have materially decreased the rights of subsisting options shall not be made without the relevant option holders' written consent.

15.1.8 *Limits on the issue of shares under the Long Term Incentive Plan*

No Awards may be made under the Long Term Incentive Plan which would cause the number of Ordinary Shares which have been or may be issued in pursuance of Awards made under the Long Term Incentive Plan or any other employees' share scheme over a 10 year period to exceed 10 per cent of the Company's issued Ordinary Share capital from time to time.

15.1.9 *Events occurring on the winding up or takeover of the Company*

Ordinary Shares subject to allocations may be transferred to participants in the event of a takeover, court sanctioned compromise or arrangement resulting in the change of control of the Company, or winding-up of the Company subject to the achievement of a pro-rated performance target. In addition, unless the Remuneration Committee decides otherwise, the number of Ordinary Shares under allocation that will vest will be pro-rated to reflect the period of time that has elapsed between the date of grant and the date of the relevant event. Any remainder of the allocation will lapse.

15.2 *The Employee Benefit Trust*

The Group operates the EBT 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 (for the purposes of this paragraph 15.2, a "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.

16 PENSIONS

Historically, the Company has operated a salary sacrifice pension scheme and therefore the true cost to the business has been nil. In the financial year ended 31 July 2014, the Directors and Senior Management sacrificed £204,000 of their salaries in return for contributions to the Company's money purchase pension scheme. It is estimated that for the financial year ending 31 July 2015, the Directors and Senior Management will sacrifice £102,000 of their salaries in return for contributions to the Company's money purchase pension scheme and that the pension contribution by the Company, in consequence of the implementation of auto enrolment for the Directors and Senior Management will be approximately a further £3,000.

17 MAJOR SHAREHOLDERS

17.1 As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, except as disclosed in the table below and in paragraph 12.1 of this Part XIV, in so far as is known to the Company, no person is or will, immediately following the Placing, be directly or indirectly interested in three per cent or more of the Enlarged Share Capital.

	Ordinary Shares Owned Before Admission		Ordinary Shares Owned After Admission	
	Number of Ordinary Shares	% of share capital	Number of Ordinary shares	% of share capital
Beneficial Owner				
Henderson Global Investors	36,264,187	16.69	40,030,460	16.93
Baillie Gifford & Co.	30,090,007	13.85	31,804,292	13.45
Richard Griffiths including Blake Holdings	22,917,000	10.54	24,980,308	10.57
Pickett N.L, Dr	10,945,681	5.04	10,945,681	4.63
Universities Superannuation Scheme	10,776,893	4.96	11,676,893	4.94
Fidelity Investment International	10,186,846	4.69	10,872,560	4.60
Edelman M.A, Dr	6,988,640	3.22	6,988,640	2.96
NFU Mutual Investment Mgrs	6,713,247	3.09	7,301,620	3.09

17.2 The Companies Acts impose no requirement on Shareholders to disclose holdings of three per cent (or any greater limit) or more of any class of the share capital of the Company. However, the Disclosure and Transparency Rules provide that certain persons (including Shareholders) will be obliged to notify the Company if the proportion of the Company's voting rights which they own reaches, exceeds or falls below three per cent (and again on every occasion it alters by one per cent above that threshold).

17.3 The Shareholders in the above table will not have different voting rights to other Shareholders.

17.4 As at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, and save as set out in this paragraph 17, the Company is not aware of any person who will or could, directly or indirectly, jointly or severally, exercise or, immediately following the Placing, exercise control over the Company and is not aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

18 CITY CODE ON TAKEOVERS AND MERGERS

The Company will be subject to the provisions of the City Code, including the rules regarding mandatory takeover bids. Under Rule 9 of the City Code, when:

- (a) a person acquires interests in shares which, when taken together with interests in shares already held by him or persons acting in concert with him (as defined in the City Code), carry 30 per cent or more of the voting rights of the Company; or
- (b) a person who, together with persons acting in concert with him, is interested in shares equal to not less than 30 per cent of the voting rights of the Company (but does not hold shares carrying more than 50 per cent of such voting rights), and such person, or any person acting in concert with him, acquires additional interests in shares which increase the percentage of shares carrying voting rights in which he is interested,

then that person is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the Company within the preceding 12 months, for all the remaining equity share capital (and any other class of transferable securities carrying voting rights) in the Company.

If a "takeover offer" (as defined in Section 974 of the Companies Act 2006) is made and the offeror, by virtue of acceptance of such offer, acquires or contracts to acquire not less than 90 per cent in value of the Ordinary Shares to which the takeover offer relates and not less than 90 per cent of the voting rights carried by those shares, then the offeror has the right to acquire compulsorily the remaining Ordinary Shares of the minority Shareholders for the offer price within a fixed period. In certain circumstances, where the offeror has acquired or agreed to acquire not less than 90 per cent in value of the Ordinary Shares and not less than 90 per cent of the voting rights carried by those

shares, the minority Shareholders also have the right to require the offeror to buy their Ordinary Shares at the offer price within a fixed period.

No takeover offers have been made in respect of the Company either in the last financial year of the Company (being the financial year ended 31 July 2014) or the current financial year of the Company.

19 EXPENSES OF THE PLACING

The proceeds of the Placing receivable by the Company are expected to amount to £18,650,000 net of Placing commissions calculated on the basis explained in paragraph 31 of Part XIV: “Additional Information” of this Prospectus and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission. The expenses of the Placing will be met by the Company. No expenses will be charged by the Company to any investor who subscribes for New Ordinary Shares pursuant to the Placing.

20 STATUTORY AUDITOR

20.1 The auditor of the Company and Group is Ernst & Young LLP. Ernst & Young LLP are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. The address of Ernst & Young LLP is 100 Barbirolli Square Manchester, M2 3EY.

20.2 The financial information contained in this Prospectus does not constitute statutory financial statements within the meanings of Section 434(3) of the Companies Act 2006. Copies of the statutory financial statements for the years ended 31 July 2012, 31 July 2013 and 31 July 2014 have been delivered to the Registrar of Companies. The Auditor’s opinions on those financial statements were unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and contained no statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

21 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, are contracts which are material and have either been entered into by the Company or any other member of the Group within the two years immediately preceding the date of this Prospectus or (regardless of when entered into) contain obligations or entitlements which are, or may be, material to the Company or a member of the Group as at the date of this Prospectus:

21.1 Placing and Underwriting Agreement

Under the terms and subject to the conditions contained in the Placing and Underwriting Agreement entered into on 31 March 2015 between the Company, Canaccord and Liberum, the Joint Bookrunners have severally agreed, as agent for the Company, on the terms and subject to certain conditions contained in the Placing and Underwriting Agreement which are customary in agreements of this nature, to use their respective reasonable endeavours to procure subscribers for the New Ordinary Shares to be issued in the Placing at the Placing Price.

In the event that the Joint Bookrunners shall be unable to procure subscribers for all of the New Ordinary Shares pursuant to the Placing, the Joint Bookrunners shall themselves subscribe for such New Ordinary Shares.

The Placing and Underwriting Agreement contains the following principal terms:

- (a) The Company has appointed Canaccord as sponsor and joint bookrunner and Liberum as joint bookrunner, each in connection with Admission and the Placing and Canaccord and Liberum have respectively accepted such appointments.
- (b) The Company has agreed to pay to Canaccord a sponsor and corporate finance fee of £300,000 of which £25,000 became due and payable on 6 February 2015, being the date on which the draft Prospectus was first submitted to the UKLA (and which amount will remain due and payable irrespective of whether or not the Placing and Admission are successful) and the remaining £275,000 will become due and payable upon Admission.
- (c) In addition, the Company has agreed that Canaccord and Liberum may severally deduct from the Gross Placing Proceeds payable to the Company the following commissions:
 - (i) a fixed commission of two and a quarter per cent (2.25%) of an amount equal to the Gross Placing Proceeds (the “Fixed Commission”); and

- (ii) in the Company's absolute discretion, a discretionary commission of one per cent (1%) of an amount equal to the Gross Placing Proceeds (the "Discretionary Commission", together with the Fixed Commission, the "Commissions").¹
- (d) To the extent due and payable, the Commissions are payable as to 55 per cent to Canaccord and 45 per cent to Liberum.
- (e) The obligations of the parties to the Placing and Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others: (i) the Shareholders passing the three inter-conditional resolutions (without material amendment) set out in the GM Circular at the General Meeting; (ii) the accuracy of the warranties given by the Company up to and as at immediately prior to Admission; (iii) Admission becoming effective by no later than 8.00 am on 1 May 2015 or such later date and/or time as the Company, Liberum and Canaccord may agree being not later than 8.00 am on 29 May 2015; and (iv) the Placing and Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.
- (f) Canaccord (after consultation with Liberum) may terminate the Placing and Underwriting Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature. These include the occurrence of certain material adverse changes in the condition (financial, operational, legal or otherwise), earnings, management, business, operations or prospects of the Group, taken as a whole, and certain material adverse changes in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls.
- (g) If any of the conditions contained within the Placing and Underwriting Agreement are not satisfied (or waived, where capable of being waived) by, or the Placing and Underwriting Agreement is otherwise terminated prior to, Admission, the Placing will lapse.
- (h) The Company has agreed to pay or cause to be paid (together with any related VAT) certain costs, charges, fees and expenses in connection with, or incidental to, amongst other things, the Placing and Admission, which are estimated to amount to £1,350,000 in total calculated on the basis explained in paragraph 31 of Part XIV: "Additional Information" of this Prospectus.
- (i) The Company has given certain customary warranties, undertakings and indemnities to the Joint Bookrunners. The liability of the Company under the warranties and the indemnities is unlimited as to time and amount.
- (j) The Company has undertaken to each of the Joint Bookrunners that, during the period commencing on the date of the Placing and Underwriting Agreement and ending 180 days following the date of Admission, it will not directly or indirectly issue, offer, lend, sell or contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue any options, in respect of or otherwise transfer or dispose of, or announce an offer or issue of any Ordinary Shares (or any interest thereon) or any other securities convertible into or substantially similar to, Ordinary Shares or any interest in Ordinary Shares; or enter into or other transaction with the same economic effect as, or agree to do any of the foregoing. The foregoing undertaking shall not apply to:
 - (i) the issue and offer by the Company of the New Ordinary Shares pursuant to the Placing; and/or
 - (ii) the granting of options or other rights relating to the Ordinary Shares and/or the issue by the Company of any Ordinary Shares upon the exercise of an option, in each case under the Employee Share Schemes in existence at the date of this Prospectus as further described in paragraph 15 of this Part XIV.
- (m) The Company has undertaken to each of the Joint Bookrunners that during the period commencing on the date of the Placing and Underwriting Agreement and ending 90 days following the date of Admission, it shall not, and shall procure that no member of the Group shall, enter into any agreement, commitment or arrangement which is or may be material in the context of the business or affairs of the Group or in relation to the Placing or the issue of the New Shares without the prior written consent of each of the

¹ The Company has determined that no discretionary commission will be payable save to the extent necessary to increase the commission to 2.25% on orders where a reduced fee has been agreed.

Joint Brokers in relation to the same (such consent not to be unreasonably withheld or delayed).

21.2 Lock-in Agreement

- (a) Under the terms of the Lock-in Agreement, each of the Directors has severally undertaken to each of the Joint Bookrunners, except as provided below, that during the Restricted Period (as defined below), he will not effect, and will procure that his Connected Persons (as defined below) will not effect, any Disposal (as defined below) of his or his Connected Persons respective interests in: (i) all or any Ordinary Shares which are beneficially owned or held by him or his Connected Persons (as the case may be), and any other Ordinary Shares or interest in Ordinary Shares from time to time during the Restricted Period acquired by or issued to such Director or (as the case may be) a Connected Person of such Director, including all or any Ordinary Shares which are allotted or issued to him or his Connected Persons (as the case may be) pursuant to any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company) and all or any Ordinary Shares issued after Admission as a result of the conversion of any convertible debt securities or the exercise of any warrants, options or similar rights held by him or his Connected Persons (as the case may be) at Admission. The undertaking will not apply to any of the following:
- (A) any Disposal to which the Joint Bookrunners give their prior consent in writing;
 - (B) (I) an acceptance by a Director or Connected Person of a Director (as applicable) of a general offer open to all shareholders for the entire issued Ordinary Share capital of the Company (other than any Ordinary Shares held by or committed to the offeror or persons acting in concert with the offeror in relation to such offer) made in accordance with the City Code; or (II) the provision by a Director or Connected Person of a Director (as applicable) of an irrevocable commitment or undertaking to accept such an offer;
 - (C) any Disposal of Ordinary Shares under a scheme of reconstruction under Section 110 of the Insolvency Act 1986 or similar arrangement entered into in relation to the insolvency of the Company;
 - (D) any Disposal of Ordinary Shares under a compromise or arrangement under Part 26 of the Companies Act 2006 which compromise or arrangement has been sanctioned by the Court;
 - (E) any Disposal of Ordinary Shares pursuant to an offer by the Company to purchase its own shares which is made on identical terms to all holders of Ordinary Shares and otherwise complies with the Companies Act 2006;
 - (F) any Disposal by way of gift: (I) by any Director or Connected Person of a Director (as applicable) to a Family Member; (II) by any Director or Connected Person of a Director (as applicable) to any person or persons acting in the capacity of trustee or trustees of a trust created by such Director or Connected Person of a Director (as applicable) or, upon any change of trustees of a trust so created, to the new trustee or trustees, provided that the trust is established for charitable purposes only or there are no persons beneficially interested under the trust other than the Director or Connected Person of a Director (as applicable) and the Directors Family Members; or (III) by the trustee or trustees of a trust to which paragraph (II) applies to any person beneficially interested under that trust; or (IV) by any Director to a Jersey incorporated Family Investment Partnership or Family Investment Company pursuant to which the partners and/or directors (as applicable) of and the beneficiaries under such Family Investment Partnership or Family Investment Company (as applicable) shall be Family Members of such Director in each case provided that, prior to the making of any such Disposal, the relevant Director has reasonably satisfied the Joint Bookrunners that the transferee falls within one of the categories in (I) to (IV) above;
 - (G) any Disposal to or by personal representatives of a Director or a Connected Person of a Director (as applicable) who dies during the Restricted Period;

- (H) taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company; and
- (I) a Disposal pursuant to an intervening Court order,

provided that prior to the making of any Disposal pursuant to any of paragraphs (F) or (G) above, the transferee shall have agreed to be bound by this undertaking as if it were the transferor by execution and delivery to the Joint Bookrunners of an agreed form of deed of adherence.

- (b) For purposes of the undertaking in clause (a), (i) “Connected Person” shall, in relation to a Director, have the meaning given to such term in Schedule 11B of FSMA; (ii) “Disposal” means the transfer of either or both of the legal and beneficial ownership and/or the grant of an option to acquire either or both of the legal and beneficial ownership in such Ordinary Shares including any direction that any new Ordinary Shares be issued to someone other than the Director or Connected Person entitled to them, the sale of any legal or equitable interest (whether or not for consideration) and any grant of legal or equitable mortgage or charge over any Ordinary Share or any pledge; (iii) “Family Member” means, in relation to a Director, the spouse, parent and partner, widow, widower, cohabitee, adult sibling, child or grandchild (including such child or grandchild by adoption or step child) of such Director; (iv) an “interest” in Ordinary Shares shall have the meaning given to that term in Part 22 of the Companies Act 2006 and the term “interested” shall be construed accordingly; and (v) “Restricted Period” means the period commencing on the date of the Lock-in Agreement and ending 180 days after the date of Admission.

21.3 Dow Agreement

The Dow Agreement is a collaborative business arrangement to develop, produce and commercialise cadmium-free quantum dots for use in displays used to present information such as graphics and texts (the “Field”).

The Dow Agreement contains the following principal terms in summary:

- (a) Nanoco Technologies grants Dow a non-transferable, worldwide, non-sublicensable, exclusive licence under the Group’s intellectual property to make, have made, use, sell and offer to sell compositions containing cadmium-free quantum dots (i) alone, (ii) in solution and (iii) combined with a resin, for onward sale by Dow to third parties for use in the Field (“Licensed Products”);
- (b) the Term of the contract is 15 years from 22 January 2013 (the “Term”). The contract shall expire at the end of the Term only if either party serves 180 days’ prior written notice that they do not wish to renew the contract. If either party asks the other to renew the contract then the other party agrees to enter into good faith negotiations for the contract’s renewal;
- (c) the contract may be terminated at any time upon written notice by either party in the event the other party has materially breached the agreement and has failed within 60 days to remedy such a breach after receiving the non-breaching parties notice of termination;
- (d) if during the Term, a third party makes an acceptable *bona fide* offer to Nanoco Technologies to licence intellectual property belonging to the Group in the Field after the Term then before entering such licence, the Group shall offer a licence under those terms to Dow;
- (e) Dow shall provide notice to any buyer of Licensed Products that such Licensed Products are for use only in the Field and the Dow must include a label on the packaging of Licensed Products in substantially similar form to the following:
“CFQD® quantum dots are made under licence from Nanoco Technologies Limited and are for use only in displays. All other uses are prohibited”;
- (f) Nanoco Technologies has the option, but not the obligation, to change the licence granted to Dow to non-exclusive if either of the following occur:
 - (i) Dow’s net sales of Licensed Products fall below 25 per cent of the forecasted sales revenue for a calendar year; or

- (ii) Dow fails to use commercially reasonable efforts to support the manufacturing, sale and marketing of Licensed Products;
- (g) Nanoco Technologies grants to Dow a licence to use certain trademarks it owns in connection with the Field;
- (h) Dow grants to Nanoco Technologies a non-transferable, worldwide, non-sublicensable, non-exclusive licence to certain intellectual property that Dow creates in relation to Nanoco Technologies' products to make, use, sell and offer to sell quantum dots after the Term and for such certain other such intellectual property the licence is co-exclusive;
- (i) Dow is liable to pay certain one off payments to the Group upon specific milestones being achieved;
- (j) royalties are payable to Nanoco Technologies as a percentage of the net sales of Licensed Products at different rates depending on whether the licence to Dow continues to be on an exclusive basis or moves to a non-exclusive basis;
- (k) for so long as the licence granted to Dow is on an exclusive basis, Dow will pay earn-out fees to Nanoco Technologies when certain net sales targets are met;
- (l) interest provisions apply in the event of late payment by Dow of monies due to the Group;
- (m) Nanoco Technologies shall provide training to Dow personnel regarding quantum dots and commission on site support of plant, product quality and analytical support and technical training;
- (n) Dow shall provide technical support to Nanoco Technologies such as assistance with research and development, engineering and manufacturing personnel, product quality procedures and product formulations;
- (o) Dow shall, in its sole discretion, be responsible for pricing the Licensed Products it sells;
- (p) if a dispute arises, the parties will attempt to settle their dispute by amicable negotiation. If this fails then the dispute shall be escalated to senior executives who shall attempt for a period of seven days to resolve the dispute. If they remain unable to solve the dispute then it shall be referred to a non-binding mediation panel consisting of three persons, one selected by Nanoco Technologies, one selected by Dow and one selected by those two persons;
- (q) all know-how, invention disclosures, proprietary materials, technologies and data, financial information, business or research strategies or information, customer information and lists, trade secrets, and any other confidential and proprietary information shared between the parties are subject to strict confidentiality restrictions;
- (r) Nanoco Technologies and Dow shall retain sole and exclusive ownership of all of their respective intellectual property. Nanoco Technologies shall have sole ownership of any intellectual property created by Nanoco Technologies and Dow shall have sole ownership of any intellectual property created by Dow;
- (s) all intellectual property created jointly by the parties shall be jointly owned. Whether intellectual property is jointly created shall be determined in accordance with U.S. intellectual property laws;
- (t) both parties provide title and capacity warranties and both warrant that neither party has granted or will grant during the Term any right to its respective technology in conflict with the licences used pursuant to the agreement;
- (u) Dow represents and warrants that it will not sell the Licensed Products below fair market value to stimulate sales of its own products and services;
- (v) Nanoco Technologies represents and warrants that to the best of Nanoco Technologies' knowledge the Licensed Products and the methods of manufacturing the Licensed Products do not violate or infringe any patents, copyrights or other intellectual property rights of third parties;
- (w) Dow provides Nanoco Technologies with an indemnity, with certain conditions and exceptions, from and against an assertion by a third party of any and all claims, demands, causes of action, liability, damages, losses resulting from and arising out of (i) any breach of any provision of the agreement by Dow; (ii) any claim that Dow are using

intellectual property in a way that violates or infringes the patents, copyrights or other intellectual property rights of third parties; and/or (iii) the manufacturing, labelling, packaging, distribution, shipment, advertising, promotion, offering for sale and/or sale of Licensed Products or any other products or services, except for claims of intellectual property infringement by or on behalf of Dow;

- (x) Nanoco Technologies provides Dow with an indemnity, with certain conditions and exceptions, from and against any assertion by a third party of (i) any breach of any provision of the agreement by Nanoco Technologies; (ii) any claim that the Licensed Products or the manufacture of the Licensed Products according to the procedures provided by the Group violate or infringe the patents, copyright or other intellectual property rights of third parties.

21.4 Placing agreement

On 15 October 2013 the Company entered into a placing agreement with Canaccord and Liberum pursuant to which Canaccord and Liberum, as joint placing agents, agreed to use their reasonable endeavours, as joint agents for the Company, to procure subscribers for up to 9,554,140 new Ordinary Shares and not less than 6,369,427 new Ordinary Shares, in each case at a placing price of 157 pence per new Ordinary Share. The obligations of the joint placing agents under the placing agreement were conditional upon the fulfilment of a number of conditions typical of this sort of agreement. The placing agreement contained certain customary warranties and indemnities from the Company to the joint placing agents. The liability of the Company under the indemnities was unlimited as to time or amount. The Company agreed to pay to the joint placing agents a fixed aggregate commission of 2 per cent of the aggregate value at the placing price of the number of new Ordinary Shares subscribed by placees pursuant to the Placing and, in the absolute discretion of the Company, a further discretionary commission of 1 per cent of the aggregate value at the placing price of the number of new Ordinary Shares subscribed by placees pursuant to the Placing, both such commissions (to the extent payable) to be split 50:50 between Canaccord and Liberum.

22 PROPERTY

Aside from the leasehold property interests listed below, there is no existing or planned material tangible asset which is material to the business of the Group:

<u>Property location</u>	<u>Current Use</u>	<u>Size (sq ft)</u>	<u>Current Annual Rent</u>	<u>Expiry of Lease</u>
Pavilions 2 and 3, First Floor, The Core Technology Facility, 46 Grafton Street, Manchester M13 9NT	Scientific research and development and the commercial exploitation of intellectual property in the life or physical sciences and all uses ancillary thereto	12,575	£39,418 pa rising to £213,775 pa on 20 April 2015 for years 4 and 5. Thereafter, upwards only review to RPI but capped at £256,530 pa	10 years expiring on 1 March 2022 (subject to a tenant only right to terminate on 1 March 2017 exercisable on not less than 1 year's notice and payment of £400,964)
Ground Floor, The Core Technology Facility, 46 Grafton Street, Manchester M13 9NT	Scientific research and development and the commercial exploitation of intellectual property in the life or physical sciences and all uses ancillary thereto	6,254	£60,600 pa subject to upwards only review to RPI on 21 March 2012	10 years expiring on 20 March 2017 (subject to tenant only right to terminate on 1 March 2017 exercisable on not less than 1 year's notice)

<u>Property location</u>	<u>Current Use</u>	<u>Size (sq ft)</u>	<u>Current Annual Rent</u>	<u>Expiry of Lease</u>
Rooms 301, 311, 312, 313, 3137, 3138, 3139, 314, 3140, 3140A/3143, 3144, EB15, EB18, EB35, TAA3/1, 301 The Heath Business & Technical Park, Runcorn, Cheshire WA7 4QX	Labs/offices/ server room	Unknown	£227,386 pa. In respect of the part of such rent applicable to rooms 3137 and 3138 (being £6,908 pa) RPI will be applied on 1 November 2015	28 February 2017

None of the properties leased by the Company set out above have any major encumbrances.

23 WORKING CAPITAL

The Company is of the opinion that, taking into account existing cash, bank and other facilities available to the Group and the net proceeds receivable by the Company from the issue of the New Ordinary Shares pursuant to the Placing, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this Prospectus.

24 LITIGATION

There have been no governmental, legal or arbitration proceedings during the 12 month period prior to the date of this Prospectus, and so far as the Company is aware there are no governmental, legal or arbitration proceedings pending or threatened which have had in the recent past, or may have, significant effects on the Company and/or the Group's financial position or profitability.

25 RELATED PARTY TRANSACTIONS

There were no transactions between the Company and its related parties which were material to the Company during the three financial years ended 31 July 2012, 31 July 2013 and 31 July 2014, in the three month period ended 31 October 2014, and between 31 October 2014 and 30 March 2015, being the last practicable date prior to the publication of this Prospectus.

26 UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK legislation and what is understood to be the current practice of HMRC as at 30 March 2015, being the last practicable date prior to the publication of this Prospectus, both of which may change, possibly with retrospective effect. They apply only to Ordinary Shareholders who are resident for tax purposes in and only in the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than in a new individual savings account or self-invested pension plans) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Ordinary Shareholders who are subject to special rules (such as persons acquiring their Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisors.

26.1 Taxation of dividends

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent of the aggregate of the dividend received and the tax credit (the "gross dividend") and will be subject to income tax on

the gross dividend. This will be regarded as the top slice of the individual's income and will be subject to UK income tax at the rates described below.

An individual UK resident Ordinary Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent, so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Ordinary Shareholders tax liability the Ordinary Shareholder cannot claim repayment of the excess tax credit from HMRC.

An individual UK resident Ordinary Shareholder who is subject to income tax at the higher rate or the additional rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent or 37.5 per cent respectively to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate or additional rate income tax. After taking into account the 10 per cent tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent of the gross dividend, equal to 25 per cent of the net dividend. A Shareholder who is subject to income tax at the additional rate will be liable to income tax on the gross dividend at the rate of 37.5 per cent to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for additional rate income tax. After taking into account the 10 per cent tax credit, an additional rate taxpayer will therefore be liable to additional income tax of 27.5 per cent of the gross dividend, equal to approximately 30.6 per cent of the net dividend.

A corporate Ordinary Shareholder resident for tax purposes in the UK should generally be entitled to an exemption from UK corporation tax in respect of dividend payments provided certain anti-avoidance provisions are not triggered. If the conditions for the exemption are not satisfied, or the corporate Ordinary Shareholder elects for an otherwise exempt dividend to be taxable, UK corporation tax will be chargeable on the gross amount of any dividends. Such corporate Ordinary Shareholders will not be able to claim repayment of tax credits attaching to dividends.

Other UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit. Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax advisor concerning his tax position on dividends received from the Company.

26.2 Taxation of disposals

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals or indexation for corporate Ordinary Shareholders) give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of chargeable gains on the disposal or deemed disposal of Ordinary Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are held.

If an individual Ordinary Shareholder ceases to be resident for tax purposes in the UK and subsequently disposes of ordinary shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that shareholder becoming once again resident in the UK.

If an individual Ordinary Shareholder who is subject to income tax at the higher or additional rate becomes liable to UK capital gains tax on the disposal of Ordinary Shares, the applicable rate will be 28 per cent. Other individual Ordinary Shareholders may only be liable to any such capital gains tax at a rate of 18 per cent.

26.3 Stamp duty and Stamp Duty Reserve Tax (“SDRT”)

(a) *The Placing*

The issue of New Ordinary Shares direct to persons acquiring New Ordinary Shares pursuant to the Placing will not generally give rise to stamp duty or SDRT.

(b) *Subsequent transfers in certificated form*

Stamp duty at the rate of 0.5 per cent of the amount or value of the consideration given (rounded up to the next multiple of £5) is generally payable on an instrument transferring Ordinary Shares. Stamp duty is not normally payable where the amount or value of the consideration given is less than £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

(c) *Ordinary Shares held through CREST*

Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent) will arise.

(d) *Ordinary Shares held through Clearance Systems or Depositary Receipt Arrangements*

Where Ordinary Shares are transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depositary receipt scheme. Clearance services may opt, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (0.5 per cent of the consideration paid) to apply to issues or transfers of Ordinary Shares into, and to transactions within, such services instead of the higher rate of 1.5 per cent generally applying to an issue or transfer of Ordinary Shares into the clearance service and instead of the exemption from SDRT on transfers of Ordinary Shares whilst in the service.

Following litigation, HMRC has confirmed that it will no longer seek to apply the 1.5 per cent stamp duty or SDRT charge on the issue of shares into a clearance service or depositary receipt system established in a member state of the EU on the basis that the charge is not compatible with EU law. HMRC’s view is that the 1.5 per cent charge will however apply on the transfer of shares into such a clearance service or depositary receipts system where the transfer is not an integral part of the issue of share capital. This view is currently being challenged in further litigation. Accordingly, it may be appropriate to seek specific professional advice before incurring the 1.5 per cent stamp duty or SDRT charge.

27 U.S. TAXATION

27.1 United States Federal Income Taxation

The following discussion is a general summary based on current law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of Ordinary Shares. The discussion is not a complete description of all tax considerations that may be relevant to investors and does not consider an investor’s particular circumstances. It applies to U.S. Holders (as defined below) that subscribe for the New Ordinary Shares in the Placing at the Placing Price, hold the Ordinary Shares as capital assets and use the U.S. Dollars as functional currency. It does not address the tax treatment of investors subject to special rules,

such as banks, tax-exempt entities, regulated investment companies, real estate investment trusts, persons that received Ordinary Shares as compensation for the performance of services, insurance companies, dealers, traders in securities that elect to mark to market treatment, investors liable for alternative minimum tax, U.S. expatriates, investors that directly, indirectly or constructively own 10 per cent or more of the Company's voting stock, investors that are resident or ordinarily resident in or have a permanent establishment in the United Kingdom or investors that hold Ordinary Shares as part of a straddle, hedging, conversion or other integrated transaction. It also does not address U.S. state and local tax considerations.

THE STATEMENTS ABOUT U.S. FEDERAL INCOME TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE PLACING. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE PLACING UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used in this paragraph 27, a "U.S. Holder" means a beneficial owner of the Ordinary Shares that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States; (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court.

The U.S. federal income tax treatment of a partner in a partnership that holds Ordinary Shares will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Ordinary Shares.

27.2 Dividends

Dividends on Ordinary Shares paid by the Company out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles) will be includable in a U.S. Holder's gross income as ordinary income from foreign sources when the U.S. Holder actually or constructively receives the dividend. Distributions in excess of current or accumulated earnings and profits will generally be treated as a non-taxable return of capital to the extent of a U.S. Holder's basis in the Ordinary Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Ordinary Shares will constitute ordinary dividend income. The dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations, but, subject to the passive foreign investment company rules, they should be eligible for the preferential tax rate applicable to qualified dividend income of individuals and certain other non-corporate persons.

The amount includible in income on account of a dividend in foreign currency will be the U.S. Dollar value of the payment on the date the U.S. Holder actually or constructively receives the dividend, regardless of whether the U.S. Holder converts the payment into U.S. Dollars at that time. Any gain or loss recognised by a U.S. Holder on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss from U.S. sources.

From time to time, the Company may distribute additional shares or rights to acquire additional shares to its shareholders. Prospective investors should consult their own tax advisors about the consequences to them of participating in a rights offering with respect to Ordinary Shares.

27.3 Sale or other disposition

When a U.S. Holder disposes of Ordinary Shares, it will recognise gain or loss in an amount equal to the difference between the amount realised and its adjusted tax basis in the Ordinary Shares. Adjusted tax basis generally will be the Ordinary Share's U.S. Dollar cost (including commissions and transfer taxes related to the sale). The U.S. Dollar cost of an Ordinary Share

purchased with foreign currency generally will be the U.S. Dollar value of the purchase price paid in the Placing. The gain or loss generally will be from sources within the United States. The capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Ordinary Shares for at least one year. Deductions for capital losses are subject to limitations.

If you receive a currency other than U.S. Dollars on the disposition of Ordinary Shares, you will realise an amount equal to the U.S. Dollar value of the currency received at the spot rate on the date of disposition or, if the Ordinary Shares are traded on an established securities market, at the spot rate on the settlement date. If you are an accrual basis U.S. Holder you may elect to determine the amount realised using the spot exchange rate on the settlement date. If you do not so elect, different rules apply and you should consult your tax adviser.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE PLACING OR NEW ORDINARY SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

28 SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 31 January 2015, the date to which the last unaudited consolidated interim financial information of the Group has been prepared.

29 CONSENTS

Canaccord is acting for the Company in the capacity of Sponsor and Joint Bookrunner. Canaccord has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.

Liberum is acting for the Company in the capacity of Joint Bookrunner. Liberum has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.

Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this Prospectus of its reports set out in Section A of Part X: "Accountant's Report on the Consolidated Historical Financial Information" of this Prospectus and Section A of Part XII: "Accountant's Report on Unaudited Pro Forma Financial Information" of this Prospectus, in each case in the form and context in which they appear and has authorised the contents of those parts of this Prospectus which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

Wong Cabello is acting for the Company in its capacity as legal advisors for intellectual property matters of U.S. Law. Wong Cabello has given and not withdrawn its written consent to the inclusion in this Prospectus of its report set out in Part VIII: "Patent Report on the Group" of this Prospectus in the form and context in which it appears and has authorised the contents of those parts of this Prospectus which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

30 MISCELLANEOUS

Where information included in this Prospectus has been sourced from third parties, the Company confirms that such information has been accurately reproduced, and as far as the Company is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

31 FEES AND EXPENSES

It is estimated that the aggregate Placing commissions (including agreed discretionary commissions only to the extent necessary to increase the commission to 2.25% on orders where a reduced fee has been agreed and assuming that, as already determined by the Company, no further discretionary commission will be payable) and other fees and expenses expected to be incurred by the Company in connection with the Placing and Admission will be £1,350,000.

32 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of King & Wood

Mallesons LLP, 10 Queen Street Place, London, EC4R 1BE from the date of this Prospectus until 1 May 2015 (or, if earlier, Admission):

- the existing articles of association of the Company in force as at 30 March 2015, being the last practicable date prior to the publication of this Prospectus;
- the Articles;
- IFRS audited consolidated historical financial information for the Company for the financial years ending 31 July 2012, 31 July 2013 and 31 July 2014, and the three month periods ending 31 October 2013 (unaudited) and 31 October 2014;
- the reports of the Reporting Accountant set out in Section A of Part X: “Accountant’s Report on the Consolidated Historical Financial Information” and Section A of Part XII: “Accountant’s Report on the Unaudited Pro Forma Financial Information” of this Prospectus;
- the report of Wong Cabello set out in Part VII “Patent Report on the Group” of this Prospectus;
- the letters of consent referred to in paragraph 29 above; and
- this Prospectus.

Dated: 31 March 2015

PART XV: DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

The following definitions and terms apply throughout this Prospectus unless the context requires otherwise:

Accountant's Report	the accountant's report set out in Section A of Part X: "Accountants Report on the Consolidated Historical Financial Information" of this Prospectus;
Accredited Investors	has the meaning given by Rule 501 of Regulation D;
Admission	admission of the Ordinary Shares and the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
Admission and Disclosure Standards	the requirements contained in the London Stock Exchange's publication "Admission and Disclosure Standards" containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities;
AGM	annual general meeting;
AIM	the AIM market of London Stock Exchange;
Articles	the new articles of association of the Company to be adopted at the General Meeting conditional on Admission;
Audit & Risk Committee	the committee of the Board described in paragraph 4.2 of Part VII: "Directors, Senior Management and Corporate Governance" of this Prospectus;
Auditor	Ernst & Young LLP;
Board	the board of the Directors from time to time;
Business Days	any day, other than a Saturday or Sunday, on which clearing banks are open for a full range of banking transactions in London;
Business Expansion Strategy	the strategy of the Group to expand its activities beyond the traditional focus on the research, development and commercialisation of its technology within the electronic display industry into the research, development and commercialisation of its technology in applications within three additional industries, namely lighting, solar and biological imaging;
Canaccord	Canaccord Genuity Limited;
Chairman	the Chairman of the Board, being, as at 30 March 2015 (being the last practicable date prior to the publication this Prospectus), Anthony Clinch;
Chief Executive	the Chief Executive Officer of the Company, being, as at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus), Dr Michael Edelman;
CIGS	copper, indium, gallium, selenium or sulphur;
CFQD[®] quantum dots	the Group's trademark registered cadmium-free quantum dots;
City Code	the UK City Code on Takeovers and Mergers;
Code	the UK Corporate Governance Code;
Company	Nanoco Group plc;
Companies Acts	the Companies Acts as defined in Section 2 of the Companies Act 2006, as amended, re-enacted and consolidated from time to time;
Consolidated Financial Statements	the consolidated financial statements as included in Section B of Part X: "Consolidated Historical Financial Information" of this Prospectus;

CREST	the computerised settlement system operated by Euroclear UK & Ireland to facilitate the transfer of title to shares in uncertificated form;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI2001/3755), as amended from time to time;
CRI	colour rendering index;
c-Si	crystalline silicon;
Directors	the Executive Directors and Non-executive Directors;
Disclosure and Transparency Rules	the rules relating to the disclosure of information made in accordance with Section 73A and 89A to 89G of FSMA;
Dow	Dow Chemical Company, a global leader in the chemicals and technology space, the Company's global licensing partner for the application of the Group's technology within the consumer electronic display industry;
Dow Agreement	the licensing and co-operation agreement entered into between Nanoco Technologies and Dow Europe GmbH (a subsidiary of Dow), as amended and updated from time to time, with an effective date of 22 January 2013;
Employee Benefit Trust or EBT	the Company's joint owned employee benefit trust scheme, details of which are contained in paragraph 15.2 of Part XIV: "Additional Information" of this Prospectus;
EEA	the European Economic Area;
Employee Share Plans	the Company's current active employee share plans under which grants of shares are capable of being exercised, being as at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus), the LTIP and the EBT;
Enlarged Share Capital	the Ordinary Shares in issue immediately following Admission comprising the Existing Share Capital and the New Ordinary Shares;
EU	the European Union;
Euroclear UK & Ireland	Euroclear UK & Ireland Limited, the operator of CREST;
Exchange Act	the U.S. Securities Exchange Act of 1934, as amended;
Executive Directors	the executive directors of the Company, being as at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus), as listed in Part IV: "Information on the Group – Directors and Senior Management of the Company" of this Prospectus;
Executive Team	the Executive Directors and the Senior Management;
Existing Share Capital	the Ordinary Shares in issue as at the date of this Prospectus;
Financial Conduct Authority or FCA	the Financial Conduct Authority of the United Kingdom in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA, or any successor authority;
FP Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
FS Act	the Financial Services Act 2012, as amended;
FSMA	the UK Financial Services and Markets Act 2000, as amended;
General Meeting	the general meeting of the Company to be convened pursuant to the GM Circular;

GM Circular	the circular to be circulated to Shareholders on or around the date of this Prospectus containing the notice convening the General Meeting;
Gross Placing Proceeds	£20,000,000, being the aggregate of the Placing Price multiplied by the number of New Ordinary Shares;
Group	the Company and its subsidiaries and “Group Company” shall be construed accordingly;
HMRC	Her Majesty’s Revenue & Customs;
IAS	International Accounting Standards;
IFRIC	International Financial Reporting Interpretations Committee;
IFRS	International Financial Reporting Standards, as adopted by the EU;
<i>in vivo</i>	inside the body;
<i>in vitro</i>	outside the body;
IRS	U.S. Internal Revenue Service;
ISIN	International Securities Identification Number;
Joint Bookrunners	Canaccord and Liberum;
LCD	liquid crystal display;
LED	light-emitting diode;
LG	LG Electronics Inc, a South Korean multi-national electronics company;
Liberum	Liberum Capital Limited;
Listing Rules	the rules relating to admission to the Official List made in accordance with Section 73A(2) of FSMA;
Lock-in Agreement	the agreement entered into by the Directors, Canaccord and Liberum on 31 March 2015, details of which are set out in paragraph 21.2 of Part XIV: “Additional Information” of this Prospectus;
London Stock Exchange	London Stock Exchange plc;
Long Term Incentive Plan or LTIP	the Company’s long term incentive plan, details of which are contained in paragraph 15.1 of Part XIV: “Additional Information” of this Prospectus;
Marl	Marl International Limited
Main Market	the main market for listed securities of the London Stock Exchange;
Member States	the member states of the EU;
Model Code	the model code on directors’ dealing published in Annex IR to Rule 9 of the Listing Rules;
Nanoco	the businesses operated by Nanoco Technologies since its incorporation in April 2001, by Nanoco Tech Limited following its incorporation in June 2006 and by the Group following completion of the reverse acquisition of Nanoco Tech Limited by Evlutec Group plc on 30 April 2009;
Nanoco Technologies	Nanoco Technologies Limited a company incorporated in England and Wales with company number 04206123 and whose registered office is at 46 Grafton Street, Manchester, M13 9NT;
New Ordinary Shares	the 19,047,619 new Ordinary Shares to be issued by the Company pursuant to the Placing;

Non-executive Directors	the non-executive directors of the Company, being as at the date of this Prospectus as listed in Part IV: “Information on the Group – Directors and Senior Management of the Company” of this Prospectus;
Nomination Committee	the committee of the Board described in paragraph 4.4 of Part VII: “Directors, Senior Management and Corporate Governance” of this Prospectus;
OEMs	original equipment manufacturers;
Official List	the Official List of the Financial Conduct Authority;
OLED	organic LED;
Ordinary Shares	ordinary shares of £0.10 each in the capital of the Company;
Osram	OSRAM Licht AG, one of the world’s largest lighting companies;
PDMR	person discharging managerial responsibility within the meaning of section 96B(1) of FSMA;
Placing	the placing to certain institutional and other investors of the New Ordinary Shares at the Placing Price pursuant to the Placing and Underwriting Agreement;
Placing and Underwriting Agreement	the conditional agreement entered into on 31 March 2015 between the Company, Canaccord and Liberum, details of which are set out in paragraph 21.1 of Part XIV: “Additional information” of this Prospectus;
Placing Price	105 pence, being the price at which each New Ordinary Share is to be issued under the Placing;
Prospectus	this document relating to the Company and the Ordinary Shares prepared in accordance with the Listing Rules and the Prospectus Rules;
Prospectus Directive	EU Directive (2003/71/EC), including any relevant implementing measure in each Relevant Member State;
Prospectus Rules	the rules made for the purposes of Part VI of FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market;
PV	Photovoltaic;
QD-LCD	quantum dot LCD;
Qualified institutional buyers or QIBs	has the meaning given by Rule 144A;
R&D	research and development;
Regulation D	Regulation D under the Securities Act;
Regulation S	Regulation S under the Securities Act;
Regulatory Information Service	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Service providers maintained by the FCA;
Relevant Member State	each member state of the EEA which has implemented the Prospectus Directive;
Remuneration Committee	the committee of the Board described in paragraph 4.3 of Part VII: “Directors, Senior Management and Corporate Governance” of this Prospectus;
Reporting Accountant	Ernst & Young LLP;
RoHS	the European Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment 2002/95/EC commonly referred to as the Restriction of Hazardous Substances Directive or RoHS which was adopted in February

	2003 by the EU, took effect on 1 July 2006 and which restricts the use of six substances including heavy metals such as cadmium, lead, mercury and chromium VI in electrical and electronic equipment;
Rule 144A	Rule 144A under the Securities Act;
SDRT	Stamp Duty Reserve Tax;
SEC	the U.S. Securities and Exchange Commission;
Securities Act	the U.S. Securities Act of 1933, as amended;
SEDOL	Stock Exchange Daily Official List number;
Senior Management	those members of the Group’s management team being, as at 30 March 2015 (being the last practicable date prior to the publication of this Prospectus) as listed in Part VII: “Directors, Senior Management and Corporate Governance” of this Prospectus;
Shareholders	holders of Ordinary Shares from time to time;
Sponsor	Canaccord;
subsidiary	shall refer to any entity which falls within any of the meanings attributed to a “subsidiary” in accordance with Section 1159 and Schedule 7 of the Companies Act 2006 or any of the meanings attributed to the term “subsidiary undertaking” in Section 1162 and Schedule 7 of such Act, save that an undertaking shall also be treated, for the purposes only of the membership requirement contained in Subsections 1162(2)(b) and (d), as a member of another undertaking if any shares in that other undertaking are held by a person (or its nominee) by way of security or in connection with the taking of security granted by the undertaking or any of its subsidiary undertakings;
TSB	Technology Strategy Board;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or USA or U.S.	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
U.S. GAAP	U.S. Generally Accepted Accounting Principles;
U.S. GAAS	U.S. Generally Accepted Auditing Standards;
VAT	Value Added Tax; and
Wong Cabello	Wong, Cabello, Lutsch, Rutherford & Brucculeri LLP, the Company’s intellectual property advisors.

