



A World of Innovation



www.nanocotechnologies.com
www.nanocogroup.com



A world of colour light, energy & vision

A world of display, lighting, solar energy & life sciences.

Nanoco Group plc (LSE: NANO), a world leader in the development and manufacture of cadmium-free quantum dots and other nanomaterials, is pleased to announce its interim results for the six months ended 31 January 2016.

Contents

Review

- 1 Highlights
- 2 Chairman and Chief Executive Officer's joint review

FINANCIAL STATEMENTS

- 8 Chief Financial Officer's Review
- 10 Responsibility statement
- 11 Condensed Consolidated Statement of Comprehensive Income
- 12 Condensed Consolidated Statement of Changes in Equity
- 13 Condensed Consolidated Statement of Financial Position
- 14 Condensed Consolidated Cash Flow Statement
- 15 Notes to the Condensed Consolidated Financial Statements

Highlights

- Decision to convert the Company's worldwide licensing agreement with The Dow Chemical Company ("Dow") to non-exclusive gives the Company greater control to pursue multiple routes to market in the display industry
- The capacity of our manufacturing plant in Runcorn' continues to be enhanced by process improvements, allowing Nanoco to directly target OEM display makers, film converters and other display partners with its own products
- Dow's plant in Cheonan, South Korea, continues to supply sample material to meet potential customers' requirements
- Further Joint Development Agreement ("JDA") signed with Osram in general lighting and Nanoco's own Lighting Division launched four product lines
- Life Sciences Division formed to pursue potentially significant opportunities in the medical devices and medical diagnostics markets
- David Blain joined the Company as Chief Financial Officer in August 2015 and Chris Richards was appointed a Non-Executive Director in November 2015. We today announce that Dr Peter Rowley is retiring from the Board after 10 years
- Loss for H1 2016 after exceptional items and taxation was £5.24 million (H1 2015: £3.15 million)
- Balance sheet remains strong with cash, cash equivalents and deposits at 31 January 2016 of £18.3 million (31 January 2015: £9.4 million; 31 July 2015: £24.3 million)

Chairman and Chief Executive Officer's joint review

[We continued to drive the development of Nanoco during the year and to deliver our strategy for the commercialisation of the Company's nanomaterial technologies. Progress at the Company was accompanied by positive trends in our marketplace, increasing the opportunities open to us.]

The six months to 31 January 2016, along with the weeks to date in the current half year, represent a period of substantial progress in the commercialisation of the Company's cadmium-free quantum dots. Dow's large-scale production plant in South Korea continues to supply sample material to meet potential customers' requirements and, in addition to commercialising our technology with Dow, we are now pursuing multiple routes to market in the display sector using production from our own plant in Runcorn and by appointing additional licensees.

Considerable progress has been made to increase Runcorn's capacity through significant improvements to manufacturing processes to support our commercialisation initiatives.

Our balance sheet remains strong with net cash of £18.3 million at the period end. Cash, and costs, continue to be tightly managed.

Commercial applications – display

Nanoco has been driving the commercialisation of its technology in the LCD display industry through its worldwide licensing deal with Dow, which was signed in January 2013. In September 2014, Dow announced that it was starting construction of the world's first, large scale manufacturing plant for cadmium-free quantum dots. The Cheonan plant continues to supply sample material to meet potential customers' requirements.

As announced on 31 March 2016, the Company mutually agreed with Dow to amend the exclusivity of the licensing agreement such that the agreement is now non-exclusive. Nanoco therefore has greater control of its strategy with the freedom to aggressively pursue additional sales channels for its technology in the display market. In return, Nanoco will receive a lower royalty rate from Dow on Dow's sales of cadmium-free quantum dot products and the Company will not receive earn-out income from Dow.



The additional sales channels that Nanoco can now target include selling products manufactured in-house directly to OEM display makers, selling directly to film converters that sell to display OEMs, and establishing other licensing relationships with companies interested in Nanoco's technology. The flexibility and control that the Company now has will allow greater market penetration of the Company's technology to a much wider display customer base.

In the near term, the Company intends to develop new partnerships to serve the display sector as well as to manufacture, market and sell its cadmium-free quantum dot products directly from the Company's own plant in Runcorn. The Company is already in early stage discussions with potential commercial partners.

To summarise, our new commercialisation strategy in display puts the Company in a much stronger strategic position in the display market:

- We have regained control of the commercialisation of our technology in display
- Our strategy to work with multiple partners means that manufacturing capacity can be brought on-stream faster and the Company can benefit from multiple royalty streams
- Multiple partners open up new display segments, for example high-end computer monitors
- Runcorn capacity continues to be enhanced without the need for major capital expenditure

This new strategy will allow Nanoco to maximise the roll-out of its technology and gives the Company greater control over the commercialisation of its intellectual property in display.

Chairman and Chief Executive Officer's joint review continued

Commercial applications – general lighting

In October last year we announced a further Joint Development Agreement ("JDA") with Osram in connection with the development of a near-chip lighting solution. Under the JDA we are working on encapsulating our quantum dots to optimise them for the operating conditions associated with LEDs.

The Company is also working with a number of other lighting companies in Asia, the USA and Europe on both general and niche lighting applications.

The Company's Lighting Division has made considerable progress on the Company's own lighting products during the half year, particularly the launch of product lines it has developed with the Company's partner on niche applications, Marl International Limited. These products are based on Nanoco's CFQD® quantum dot film technology.

The Lighting Division showcased its product lines in November 2015 at LuxLive, an international trade show held in London, where there was considerable interest in Nanoco's technology, primarily because of its ability to create true-to-life colour. The product lines showcased included units for high-end lighting applications in retail and architectural settings and also the Company's deep red CFQD® quantum dot film for horticultural applications.

Nanoco's Lighting Division is also making good progress with a cosmetic facial mask using cadmium-free quantum dots.

Commercial applications – solar

Nanoco's solar ink, developed from cadmium-free nanomaterials, has been designed to maximise the absorption of solar energy and to have physical characteristics such that it can be printed by low cost methods and annealed into a photovoltaic film ("PV"). The technology is based on copper, indium, gallium, selenium ("CIGS") materials whereas the current thin-film solar market is dominated by cadmium-containing solar panels.

Development work on our CIGS materials has been focused on increasing the efficiency of the conversion of light into electricity and we have now reached a conversion rate of 17%, which we believe is close to the efficiency level required to form the basis for low cost, printable solar panels. We believe that we could achieve a highly competitive cost performance of less than 0.33\$/W.

Development work to scale up the CIGS PV technology from small lab-sized cells to larger 300mm x 300mm square cells, or mini-modules, is on-going. As part of this scale up, Nanoco is working with Loughborough University's Centre for Renewable Energy Systems Technology ("CREST"), a major UK centre of photovoltaic research, under a grant-funded project to optimise the architecture of the mini-modules.



Given the resource requirements for eventual production, the Company intends to identify a suitable partner to pursue the solar opportunity.

Commercial applications – life sciences

We see a substantial opportunity for the Company's cadmium-free quantum dot technology in the healthcare sector, both as a cancer diagnostic and as a surgical imaging tool. We have worked in this area since Nanoco was founded and to progress our involvement we have formed a Life Sciences Division under the leadership of Dr Imad Nassani, who joined Nanoco in 2009. Imad, one of the pioneers of the use of quantum dots in life sciences, is being assisted by a small team and the current focus is on further demonstrating the efficacy of Nanoco's CFQDs materials on life science applications including cancer imaging.

Restriction of the use of Hazardous Substances ("RoHS")

The Company's move to diversify and expand its channels into the display market comes at a time when the market environment for heavy metal free quantum dots is increasingly positive and we believe it will continue to improve, supported by further environmental legislation.

For some time, the European Commission has been considering the future of cadmium-based quantum dots. Countries including the UK and Sweden believe these should be banned owing to their risk to human and environmental health and the commercial availability of alternatives. The Commission is considering the extension of an exemption to allow the use of cadmium-containing quantum dots for a limited period, which in Nanoco's view is in conflict with the stated objectives of the RoHS.





Chairman and Chief Executive Officer's joint review continued

Samsung has successfully launched a range of TVs equipped with cadmium-free quantum dots to critical acclaim. In addition, the Dow plant is fully operational. Consequently, we believe that it would be environmentally irresponsible to prolong the use of cadmium-based quantum dots. We expect the Commission to reach a decision on this issue during the coming months.

Cadmium-free quantum dots are expected to be at the centre of a major, emerging industry in consumer electronics, with DisplaySearch forecasting that 18.7 million quantum dot TVs will be shipped in 2018.

Financial results

Loss for H1 2016 after exceptional items and taxation was £5.24 million (H1 2015: £3.15 million). This reflects a fall in revenues as the £1.3 million milestone received in H1 2015 was not repeated in H1 2016 and further investment in R & D together with increased overheads.

Cash, cash equivalents and deposits, at 31 January 2016 were £18.3million (31 January 2015: £9.35 million; 31 July 2015: £24.3 million). Both cash and costs continue to be prudently and tightly managed.

Net assets at 31 January 2016 have increased compared to 2015 due to the fund raising concurrent with the move to the main market less losses incurred during the period.

Further details are given in the accompanying Chief Financial Officer's report.

People

As reported in our 2015 Annual Report, David Blain was appointed as Chief Financial Officer on 3 August 2015. Chris Richards was appointed to the Board as a Non-executive Director on 11 November 2015 and subsequently appointed as Senior Independent Director on 2 December 2015. Today we announce that Dr Peter Rowley will be retiring from the Nanoco Board after 10 years of dedicated service. Peter was chairman of the Company throughout its early years and has been instrumental in guiding the Company through its rapid development. We wish Peter well for the future.

We have recently appointed Brian Gally as Head of Application Development. Brian, who will be based in Manchester, has a track record of high-tech product development in the US where he spent more than 10 years at the technology company Qualcomm. At Qualcomm, he developed, managed and launched multiple products including new display technologies.

Outlook

We have made substantial tangible progress in the financial year to date. The decision to convert the worldwide licensing agreement with Dow to non-exclusive gives us greater control over the commercialisation of our technology in the display industry. We have an exciting strategy in display in which we are now targeting multiple routes to market.

The Dow plant in South Korea is now producing red and green cadmium-free quantum dots for potential customers. We look forward to Dow receiving commercial orders as a result of this customer sampling.

We continue to make progress in our other target markets and to build our organisation. We look forward to the months ahead with confidence.

Anthony Clinch
Chairman
12 April 2016

Michael Edelman
Chief Executive Officer
12 April 2016



Chief Financial Officer's review

Revenue

Revenues in the six months to 31 January 2016 were £0.29 million (H1 2015: £1.61 million) and the loss before tax was £6.26 million (H1 2015: loss of £4.13 million). Revenues are lower than in the prior period as H1 2015 revenue benefited from the inclusion of a milestone payment from Dow, triggered by the announcement that it was beginning the construction of the cadmium-free quantum dot manufacturing plant in South Korea.

Research and development

Gross investment in research and development in 2016 increased to £2.94 million (H1 2015: £2.72 million) to support the ongoing development of CFQD and other nanoparticles.

Administrative expenses

Administrative expenses increased by £0.63 million as a result of increases in expenditure on travel, professional fees (including patent maintenance), recruitment costs, marketing fees and costs associated with the EU cadmium review.

Operating loss before tax

Operating loss in H1 2016 was £6.39 million (H1 2015: £4.17 million). Interest income increased to £0.13m (H1 2015: £0.04m) reflecting higher cash balances. As a result, loss before tax for H1 2016 was £6.26 million (H1 2015: £4.13 million).

Taxation

The Group continues to make Research and Development tax credit claims on its qualifying expenditure. We also take advantage of the provision whereby such losses so generated may be surrendered for cash. The tax credit for the period was £1.02 million (H1 2015: £0.98 million). The amount receivable at 31 January 2016 was £2.83 million (H1 2015: £2.20 million).

Net result

Loss for H1 2016 after exceptional items and taxation was £5.24 million (H1 2015: £3.15 million).

Earnings per share

For H1 2016, basic loss per share was 2.21 pence per share (H1 2015 1.45 pence per share). As at 31 January 2016 there were 237,077,578 Ordinary Shares in issue (31 January 2015: 217,330,383).

Cash position and liquidity

As at 31 January 2016 the Group had short term deposits, cash and cash equivalents of £18.3 million (31 July 2015: £24.3 million). Both cash and costs continue to be prudently and tightly managed. The tax credit for the year ended 31 July 2015 of £1.9 million has been approved for payment in April 2016.

During H1 2016, the Group generated a cash outflow from operations of £5.7 million compared with an outflow of £3.2 million in H1 2015. Prior year cash outflow from operations included £1.3 million milestone receipts (H1 2016: £Nil).

In H1 2016 the Group's total cash outflow in respect of tangible fixed assets was £0.14 million (H1 2015: £0.19 million) mainly comprising the continued investment in scale up of manufacturing capacity, support for R&D activities and IT improvement projects. In H1 2016 the Group's total cash outflow in respect of intangible fixed assets was £0.39 million (H1 2015: £0.27 million) and related to patent costs.

Balance Sheet

At 31 January 2016, the consolidated balance sheet shows total shareholders' equity of £24.0 million (31 July 2015: £29.1 million).

Going concern

At the time of approving the financial statements the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Half Year Report 2016.

Principal risks

The Directors have considered the principal risks which may have a material impact on the Group's performance in the second half of 2016. The risks remain as disclosed in pages 18 to 21 of the 2015 Annual Report and Accounts.

David Blain

Chief Financial Officer
12 April 2016

Forward looking statements

The foregoing disclosures contain certain forward-looking statements. Although Nanoco believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will materialise. Because the expectations are subject to risks and uncertainties, actual results may vary significantly from those expressed or implied by the forward-looking statements based upon a number of factors. Nanoco undertakes no obligation to revise or update any forward statement to reflect events or circumstances after the date of this Interim Report.

Responsibility statement

The Directors of Nanoco Group Plc, as listed on pages 26 and 27 of the 2015 Annual Report and Accounts together with Chris Richards who was appointed during the period, confirm to the best of their knowledge:

- The condensed set of financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting*, as required by paragraph 4.2.2 of the Disclosure and Transparency Rules ("DTR");
- The condensed set of financial statements, which have been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4;
- The interim management report includes a fair review of the information required by DTR 4.2.7 – an indication of important events which have occurred during the first six months of the year, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The interim management report includes a fair review of the information required by DTR 4.2.8 – the disclosure of related party transactions occurring during the first six months of the year, and any changes in related party transactions disclosed in the 2015 Annual Report and Accounts.

By order of the Board



Michael Edelman
Chief Executive Officer
12 April 2016

Condensed consolidated statement of comprehensive income

For the six months ended 31 January 2016

	Notes	Six months to 31 January 2016 (Unaudited) £'000	Restated Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Revenue	3	290	1,612	2,029
Cost of sales		(151)	(105)	(316)
Gross profit		139	1,507	1,713
Research and development expenses		(2,939)	(2,723)	(5,580)
Administrative expenses		(3,586)	(2,957)	(7,130)
Operating loss				
– Before share-based payment and the costs of the move to the main market		(6,273)	(3,940)	(9,452)
– Cost of admission to main market		–	–	(926)
– Share-based payment		(113)	(233)	(619)
		(6,386)	(4,173)	(10,997)
Finance income	4	130	46	119
Finance expense	4	(2)	(2)	(3)
Loss on ordinary activities before taxation		(6,258)	(4,129)	(10,881)
Taxation	5	1,021	984	1,906
Loss for the period and total comprehensive loss for the period		(5,237)	(3,145)	(8,975)
Loss per share:				
Basic and diluted loss for the period	6	(2.21)p	(1.45)p	(4.05)p

Condensed consolidated statement of changes in equity

For the six months ended 31 January 2016

	Issued equity capital £'000	Share-based payment reserve £'000	Merger reserve £'000	Revenue reserve £'000	Total £'000
At 1 August 2014	37,791	1,826	(1,242)	(21,482)	16,893
Loss for the six months to 31 January 2015	–	–	–	(3,145)	(3,145)
Issue of share capital	486	–	–	–	486
Issue of shares by EBT	–	–	–	297	297
Share-based payments	–	233	–	–	233
At 31 January 2015	38,277	2,059	(1,242)	(24,330)	14,764
Loss for the six months to 31 July 2015	–	–	–	(5,830)	(5,830)
Issue of share capital	20,340	–	–	–	20,340
Expenses of placing	(560)	–	–	–	(560)
Share-based payments	–	386	–	–	386
At 31 July 2015	58,057	2,445	(1,242)	(30,160)	29,100
Loss for the six months to 31 January 2016	–	–	–	(5,237)	(5,237)
Share-based payments	–	113	–	–	113
At 31 January 2016	58,057	2,558	(1,242)	(35,397)	23,976

Condensed consolidated statement of financial position

As at 31 January 2016

	Notes	31 January 2016 (Unaudited) £'000	31 January 2015 (Unaudited) £'000	31 July 2015 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		1,668	2,414	2,062
Intangible assets	7	2,068	1,703	1,821
		3,736	4,117	3,883
Current assets				
Inventories		232	137	208
Trade and other receivables		855	673	902
Income tax asset		2,825	2,198	1,800
Short-term investments and cash on deposit		10,000	1,134	20,000
Cash and cash equivalents		8,273	8,216	4,311
		22,185	12,358	27,221
Total assets		25,921	16,475	31,104
Liabilities				
Current liabilities				
Trade and other payables		1,882	1,585	1,909
Financial liabilities		63	63	63
		1,945	1,648	1,972
Non-current liabilities				
Financial liabilities		–	63	32
		–	63	32
Total liabilities		1,945	1,711	2,004
Net assets		23,976	14,764	29,100
Capital and reserves				
Issued equity capital	8	58,057	38,277	58,057
Share-based payment reserve	9	2,558	2,059	2,445
Merger reserve		(1,242)	(1,242)	(1,242)
Revenue reserve		(35,397)	(24,330)	(30,160)
Total equity		23,976	14,764	29,100

Approved by the Board and authorised for issue on 12 April 2016



Michael Edelman
Chief Executive Officer

Condensed consolidated cash flow statement

For the six months ended 31 January 2016

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Loss for the period	(5,237)	(3,145)	(8,975)
Adjustments for:			
Tax	(1,021)	(984)	(1,906)
Net Finance income	(128)	(44)	(116)
Depreciation of tangible fixed assets	533	554	1,106
Amortisation of intangible assets	139	125	269
Share-based payments	113	233	619
Operating outflows before movements in working capital	(5,601)	(3,261)	(9,003)
Changes in working capital:			
Increase in inventories	(24)	(3)	(74)
Decrease/(increase) in trade and other receivables	2	(59)	(250)
(Decrease)/increase in trade and other payables	(27)	256	580
Decrease in deferred revenue	-	(119)	(119)
Research and development tax credit received	-	-	1,323
Overseas corporation tax paid	(4)	(4)	(7)
Net cash outflow by operations	(5,654)	(3,190)	(7,550)
Cash flows from investing activities:			
Purchases of tangible fixed assets	(139)	(185)	(385)
Purchases of intangible fixed assets	(386)	(271)	(533)
Increase in cash placed on deposit	-	-	(20,000)
Decrease in cash placed on deposit	10,000	4,657	5,791
Interest received	175	65	100
Net cash inflow/(outflow) from investing activities	9,650	4,266	(15,027)
Cash flows from financing activities			
Issue of share capital	-	783	21,123
Expenses on issue of shares	-	-	(560)
Interest paid	(2)	(2)	(3)
Loan repayment	(32)	(32)	(63)
Net cash (outflow)/inflow from financing activities	(34)	749	20,497
Increase/(decrease) in cash and cash equivalents	3,962	1,825	(2,080)
Cash and cash equivalents at the start of the period	4,311	6,391	6,391
Cash and cash equivalents at the end of the period	8,273	8,216	4,311
Monies placed on short-term deposit	10,000	1,134	20,000
Cash, cash equivalents and deposits at the end of the period	18,273	9,350	24,311

Notes to the condensed consolidated financial statements

For the six months ended 31 January 2016

1. Corporate information

The Interim Report and Accounts of the Group for the six months ended 31 January 2016 was authorised for issue in accordance with a resolution of the Directors on 12 April 2016. The Interim Report and Accounts 2016 is unaudited but has been reviewed by the Auditors as set out in their report.

Nanoco Group plc ("the company") has a premium listing on the main market of the London Stock Exchange and is incorporated and domiciled in the UK.

These group interim financial statements consolidate those of the company and its subsidiaries (together referred to as the 'group').

These condensed half-yearly financial statements are unaudited and do not constitute statutory accounts of the Group as defined in section 434 of the Companies Act 2006. The auditor, Ernst & Young LLP, has carried out a review of the financial information in accordance with the guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and their review report is set out at the end of this report.

The financial information for the year ended 31 July 2015 has been extracted from the Group's published financial statements for that year, and a copy of the statutory accounts for that financial year has been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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 2015. The interim condensed financial statements for the six months ended 31 January 2016 and 31 January 2015 are unaudited and do 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 2015. The 2015 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

At the time of approving the financial statements the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the interim financial statements.

Notes to the condensed consolidated financial statements continued

For the six months ended 31 January 2016

2. Accounting policies continued

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 2015.

There are no new, revised or amended standards and interpretations which are mandatory for the first time for the financial year ending 31 July 2016. New, revised or amended standards and interpretations that are not yet effective have not been adopted early.

Basis of consolidation

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

Restatement of comparative figures

As stated in note 3(f) on page 71 of the 2015 Annual report, the Statement of Comprehensive Income was restated to show the impact of Research and Development expenditure previously recorded in Cost of sales and Administrative expenses. Accordingly the Condensed Consolidated Statement of Comprehensive Income in respect of the comparative period for the six months to 31 January 2015 has been restated on a consistent basis.

3. Segmental information

Operating segments

The Board has identified, based on information used internally by management to assess the performance of and allocate resources to the business, that it has one operating segment being the provision of high performance nanoparticles utilising the same manufacturing process.

All revenues have been generated from continuing operations and are from external customers.

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Analysis of revenue			
Products sold	89	181	445
Rendering of services	201	199	353
Royalties and licences	–	1,232	1,231
	290	1,612	2,029

3. Segmental information continued

Operating segments continued

Rendering of services in the six months to 31 January 2016 included revenue from one customer amounting to £105,000, (year to 31 July 2015 one customer amounting to £106,000). Included in rendering of services is £Nil from government grants (six months to 31 January 2015 £29,000 and in the year to 31 July 2015 £129,000).

Revenue from royalties and licences comprised 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 based on the customer's location is as follows:

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Analysis of revenue			
UK	219	29	130
Europe (excluding UK)	1	–	–
Asia	58	297	395
USA	12	1,286	1,504
	290	1,612	2,029

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

4. Finance income and expense

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Finance income			
Bank interest receivable	130	46	119
Finance expense			
Loan interest payable	(2)	(2)	(3)
	128	44	116

Notes to the condensed consolidated financial statements continued

For the six months ended 31 January 2016

5. Taxation

The tax credit is made up as follows:

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Current income tax:			
UK corporation tax losses in the year	–	–	–
Research and development income tax credit receivable	(975)	(875)	(1,800)
Adjustment in respect of prior years	(50)	(113)	(113)
Overseas corporation tax	4	4	7
	(1,021)	(984)	(1,906)

The group has accumulated losses available to carry forward against future trading profits of £22.1 million (2015: £19.2million).

Deferred tax liabilities/(assets) provided/recognised are as follows:

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Accelerated capital allowances	238	398	336
Share-based payments	(238)	(398)	(336)
Tax losses	–	–	–
	–	–	–

The group also has deferred tax assets, measured at a standard rate of 18% (2015: 20%) in respect of share based payments of £307,000 (2015: £247,000) and tax losses of £3,970,000 (2015: £3,842,000) which have not been recognised as an asset as it is not probable that future taxable profits will be available against which the assets can be utilised.

6. Loss per share

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Loss for the period attributable to equity shareholders	(5,237)	(3,145)	(8,975)
Cost of the move to the main market	–	–	926
Share-based payments	113	233	619
Loss for the period before the cost of the move to the main market and share-based payments	(5,124)	(2,912)	(7,430)
Weighted average number of shares	Number	Number	Number
Ordinary shares in issue ⁽¹⁾	236,535,267	216,294,181	221,360,893
Adjusted loss per share before the cost of the move to the main market and share-based payments (pence)	(2.17)p	(1.35)p	(3.36)p
Basic loss per share (pence)	(2.21)p	(1.45)p	(4.05)p

(1) Excludes shares held by the Nanoco Employee Benefit Trust and those held in Treasury.

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

7. Intangible assets

	Six months to 31 January 2016 (Unaudited) £'000	Six months to 31 January 2015 (Unaudited) £'000	Year to 31 July 2015 (Audited) £'000
Cost			
At the beginning of the period	2,803	2,270	2,270
Additions in the period	386	271	533
At the end of the period	3,189	2,541	2,803
Amortisation			
At the beginning of the period	982	713	713
Provided in the period	139	125	269
At the end of the period	1,121	838	982
Net book value	2,068	1,723	1,821

The expenditure on patents is amortised on a straight-line basis over ten 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.

Notes to the condensed consolidated financial statements continued

For the six months ended 31 January 2016

8. Share capital

	Number	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Total £'000
<i>Allotted, called up and fully paid ordinary shares of 10p:</i>					
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 January 2015	217,330,383	21,733	94,412	(77,868)	38,277
Shares issued on exercise of options	699,576	70	270	–	340
Shares issued in placing	19,047,619	1,905	18,095	–	20,000
Expenses of placing	–	–	(560)	–	(560)
At 31 July 2015 and 31 January 2016	237,077,578	23,708	112,217	(77,868)	58,057

The company raised gross proceeds of £20,000,000 from a placing on 1 May 2015 through the issue of 19,047,619 new ordinary shares at an issue price of 105 pence per share. Issue costs associated with the placing totalled £560,000.

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.

As explained in note 21 of the 2015 Annual Report, the value of Nanoco Group PLC shares issued as jointly owned equity shares and held by the Nanoco Group sponsored EBT jointly with a number of the Group's employees are included in the revenue reserve. There have been no changes in the number of shares held during the period.

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.

9. Share-based payment reserve

	Total £'000
At 31 July 2014	1,826
Share-based payments	233
At 31 January 2015	2,059
Share-based payments	386
At 31 July 2015	2,445
Share-based payments	113
At 31 January 2016	2,558

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 Condensed consolidated statement of changes in equity.

A charge of £113,000 has been recognised in the Statement of comprehensive income for the half year (2015: £233,000).

Share option schemes

Full details of the group's share option schemes are detailed in note 19 of the 2015 Annual report.

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

Full details of the group's EBT share scheme are detailed in note 19 of the 2015 Annual report.

Fair value benefit

The fair value benefit is independently measured using Binomial or Black-Scholes valuation models where there are non-market performance conditions and Stochastic (Monte Carlo) models for options with market based performance conditions taking into account the terms and conditions upon which the options were granted.

Grant of options

On 23 December 2015 the Company granted a total of 1,395,368 nil-cost options over ordinary shares in the Company under the Nanoco Group 2015 Long Term Incentive Plan to the Executive directors following the approval by shareholders of this new scheme at the AGM held on 10 December 2015.

The vesting of the options is subject to the achievement of performance conditions based upon share price growth and revenue targets over the three year performance period commencing with Nanoco's 2015/2016 financial year. Ordinarily, the options will vest (subject to the achievement of the performance conditions) following the announcement of Nanoco's results for its 2017/2018 financial year and be released to the participants following the end of a two year holding period.

Notes to the condensed consolidated financial statements continued

For the six months ended 31 January 2016

9. Share-based payment reserve continued

Grant of options continued

In addition, on 14 October 2015, the Company granted options over 150,000 ordinary shares to an employee with an exercise price of 56.5p. Ordinarily, the options will vest (subject to the achievement of the market based performance conditions) after three years.

10. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated upon consolidation.

The Company has intercompany loans and accounts with its subsidiary undertakings, details of which are set out in the 2015 Annual Report and Accounts.

Independent review report to Nanoco Group Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2016 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related notes 1 to 10. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent review report to Nanoco Group Plc continued

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

Manchester
12 April 2016

Investor information

Directors

Anthony Clinch	(Non-executive Chairman)
Dr Michael Edelman	(Chief Executive Officer)
Dr Nigel Pickett	(Chief Technology Officer)
Keith Wiggins	(Chief Operating Officer)
David Blain	(Chief Financial Officer)
Dr Peter Rowley	(Non-executive Director)
Gordon Hall	(Non-executive Director)
Robin Williams	(Non-executive Director)
Brendan Cummins	(Non-executive Director)

Secretary

David Blain

Joint broker

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

Joint broker

Liberum Capital
Ropemaker Place, level 12,
25, Ropemaker Street
London EC2Y 9LY

Auditor

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Legal adviser

King & Wood Mallesons
10 Queen Street Place
London EC4R 1BE

Investor relations and PR consultants

Buchanan Communications
107 Cheapside
London EC2V 6DN

Registrar

Neville Registrars
Neville House
18 Laurel Lane
Halesowen B63 3DA

Registered office

46 Grafton Street
Manchester M13 9NT

Website

www.nanocotechnologies.com

