16 September 2013

# PhotonStar LED Group Plc

## Half year results

PhotonStar LED Group Plc (AIM: PSL, "PhotonStar" or "the Group" or "Company"), the British designer and manufacturer of smart LED lighting solutions, announces its half year results for the six months ending 30 June 2013.

**Highlights**

- Revenue up 13% to £4.32m (H1 2012: £3.82m)
- Gross profit up 12% to £1.69m (H1 2012: £1.51m)
- EBITDA loss of £0.31m (H1 2012: loss £0.29m)
- Pre-tax loss of £0.61m (H1 2012: loss £0.53m)
- Loss per share of 0.5p (H1 2012: loss per share 0.6p)
- Operating results steadily improving, expecting to be EBITDA breakeven for the full year 2013
- At 30 June 2013, net debt of £0.3m (2012: net debt £0.2m). Cash outflow significantly reduced month on month since first quarter 2013
- H1 operational issues and product development delays now addressed
- Business resized to the revised forecast with strong financial control now in place
- ChromaWhite, the next generation smart circadian light engine, is now shipping, expected to contribute to revenues in 2013
- Patent portfolio continues to mature

**James McKenzie**, CEO of PhotonStar, commented:

***"We have continued to make progress despite experiencing some challenges this half. These have all been resolved and we are already seeing an improved performance.***

***"We remain excited about the commercialisation of our Chromawhite colour tuneable LED technology and our newly enhanced LED fixtures range. These products, along with the usual seasonal increase in construction activity and the improved efficiency of our resized operations, mean that we expect to achieve EBITDA breakeven for the full year.***

***"We remain on track with the continued development and improvement of the ChromaWhite range including the smart lamp, a standard lamp form factor with full wireless control. We believe that products such as these will revolutionize the lighting industry and help drive the Group's growth."***

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**Note to editors**

**About PhotonStar LED Group Plc**

PhotonStar LED Group Plc is a British designer and manufacturer of smart LED lighting solutions. The Group's proprietary technology seamlessly integrates LEDs, sensors and controls to provide intelligent lighting for commercial and architectural applications which benefit from greater CO2 reduction, lower cost of ownership and improved functionality compared to other available light sources. PhotonStar's lighting products have won numerous awards for performance, innovation and reliability. They are unique in the industry for the use of recycled and recyclable materials, which means they have 90% less embodied CO2 than equivalent products providing the same levels of illumination.

PhotonStar comprises two divisions: LED Lighting Fixtures which works with lighting designers, architects, house builders, facilities management companies and sustainability consultants to provide intelligent, high-end LED lighting solutions for the commercial and architectural market; and LED Light Engines which provide LED lighting solutions for specialist applications such as film and television production lighting, UV curing and medical applications, as well as modules for the general lighting market based on the Group's patented ChromaWhite technology.

PhotonStar is based in Romsey, Hampshire, with manufacturing facilities at both Romsey and Tredegar in Wales. The Group was admitted to AIM in December 2010.

**Overview**

PhotonStar comprises two divisions:

- LED lighting fixtures - PhotonStar LED, which works with lighting designers, architects, house builders, facilities management companies and sustainability consultants to provide intelligent, high-end LED lighting solutions for the commercial and architectural market.

- LED light engines - PhotonStar Technology provides LED lighting solutions for specialist applications such as film and television production lighting, UV curing and medical applications as well as modules for the general lighting market based on the Group's patented ChromaWhite technology.

As previously reported, there were some operational challenges in the first half of 2013, relating to the development of ChromaWhite, upgrades to the LED fixtures range, and the general low level of activity in the construction sector across Europe. Despite this, PhotonStar has continued to make progress.

Revenue was up 13% to £4.32m (H1 2012: £3.82m) and gross profit up 12% to £1.69m (H1 2012: £1.51m). This progress is expected to improve further into the second half of 2013, as sales revenue is traditionally weighted towards the second half of the year, driven by seasonal increases in construction activity in domestic and export markets.

**Market opportunity**

Lighting accounts for 19% of global electricity usage and $CO_2$ emissions attributable to lighting are equivalent to 70% of all global motor car $CO_2$ emissions. The lighting market is in transition, driven by energy efficiency and lower operating costs. The benefits of LED lighting are having a large impact across many sectors.

General lighting of buildings is currently estimated to be a $70bn market worldwide with an expected compound annual growth rate of 6% between 2010-2015. It is also estimated that by 2015, LED lamps and modules will account for over 50% of general lighting light source sales. There are multiple EU and UK legislative drivers such as the Europe-wide phased banning of incandescent lamps, the code for sustainable homes and the 2013 increase in efficiency requirements for lighting included in UK building regulations.

Whilst energy savings from source replacement are significant, the addition of controls via smart lighting can improve energy savings by a further 70%.

**Business review**

*LED Lighting Fixtures*

First half revenues were up 11% to £3.92m, from £3.54m in H1 2012. This was a good performance, given the backdrop of general low levels of activity in the construction sector across Europe during the period. The wholesale business was particularly strong, reflecting the progress of the EcoStar range targeted at this market, which combines quality and affordability. The Group's previously announced exclusive agreement with a renowned house builder is now beginning to show a meaningful contribution and is expected to further ramp up in the second half of the year.

PhotonStar has continued to develop new, more efficient and competitive versions of its LED fixture products. The new EcoStar wholesale range now has a fixture efficiency above 80 lumens per watt (lm/W) and the specification range has a fixture efficiency range of up to 100lm/W, an increase of 25-30% in efficiency since 2011. This upgraded and expanded the wholesale product ranges in May and expanded the specification product range in July, the combination of which is expected to have a significant impact on sales and margins in the second half of the year.

The Group attended and presented at a number of major trade shows, all of which helped secure valuable business leads and notable project wins such as:

- Stockholm's Scandic Grand Central Hotel. The PhotonStar solution, which runs on dimming and occupancy detection control systems, suits the hotels sustainable ethos and compliments the distinct décor and provides up to 80% efficiency against Halogen with 24/7 usage.
- The Arcola Theatre in Hackney won the Greenbuild Award after installing PhotonStar LED luminaires, a step further towards becoming the world's first carbon neutral theatre. As part of a solar powered hybrid DC microgrid system, the PhotonStar fittings helped significantly reduce energy consumption whilst providing the high quality of light needed for a theatre.
- Google's head office in London installed PhotonStar LED luminaires to increase light level and quality for work purposes and lower energy usage. The PhotonStar solution offered a 70% energy saving against linear fluorescents and delivered excellent quality of light to the work spaces; achieving a compliant lighting level for tasks and orientation. The aesthetics of the luminaires suited the modern and bold décor of the new office, and offered flexibility in terms of dimming and direction
- The prestigious Wellesley Hotel in London had PhotonStar luminaires installed throughout in order to reduce energy and improve quality of light. The PhotonStar solution provided an 85% energy saving and two year payback against typical 50W Halogens whilst still achieving the desired warmth and cosiness.

*LED Light Engines*

First half revenues were up 43% to £0.40m from £0.28m in H1 2012. Strong demand came from both the UV curing and specialty fibre optic lighting sectors, and the outlook for both of these specialist areas is promising. Demand in the UV markets is set to grow at 22% per annum according to a 2012 Yole Development report, with some segments such as UV print curing expected to undergo a rapid switchover to LED sources over the next few years.

PhotonStar's ChromaWhite range is the first widely colour tuneable light source, providing exceptional colour rendering. ChromaWhite is protected by a series of patents, a number of which have now been granted. A prototype ChromaWhite colour tuneable smart lamp in a standard lamp form factor, with full wireless control has been demonstrated publically and is now being evaluated by customers.

ChromaWhite's capabilities have been showcased at a number of industry trade shows. These included collaborating with CSR plc at the Consumer Electronics Show in Las Vegas to demonstrate how Bluetooth low energy wireless technology can enable smartphones, tablets and other devices to control systems such as lighting throughout the home; and collaborating with ARM Holdings plc at the Embedded World exhibition in Nuremburg to demonstrate the capabilities of LED lighting with embedded microprocessors

In May 2013, PhotonStar was awarded a grant of up to £372,000 by the Department of Energy and Climate Change to help fund the development of ChromaWhite smart circadian retrofit LED solutions. This is a strong validation of the Group's strategy in developing this next generation of smart circadian lighting solutions.

**Financial review**

The Group's half year revenues increased by 13% to £4.32m (2012: £3.82m) with gross margins of 39.1% (2012: 39.6%), the reduction arising predominantly because of adverse currency fluctuation effecting the cost of imported materials.

Administrative expenses increased by £0.28m to £2.31m (2012: £2.03m), due to further investment and commitment to the next generation of ChromaWhite products, including the smart lamp, the results of which will start to be felt in the second-half of 2013. The Group also took the view that other operating/administrative expenses should be reduced to reflect a weaker construction environment than originally envisaged, with this reduction being implemented early in the second half of 2013.

EBITDA loss was £0.31m (2012: loss £0.29m).

The Group reported a pre-tax loss of £0.61m (2012: loss £0.53m) and loss per share for the half year was 0.5p (2012: loss per share 0.6p). The Group's unused aggregate tax losses are approximately £7.5m.

Group net borrowings at 30 June 2013 were £0.3m (2012: £0.2m). The rate of cash burn has reduced significantly in recent months as a consequence of improving monthly operating results. This trend is expected to continue in the second half of 2013.

Group capital expenditure was £0.38m (2012: £0.51m), mostly related to continuing investment in product development and the patent portfolio, in particular the development of the ChromaWhite technology.

**Current trading and outlook**

*LED Lighting Fixtures*
The new product ranges introduced in the first half of the year are driving growth in export and specification with the anticipated loading on sales volumes in the second half of the year. The house builder contract announced in 2012 is growing as anticipated, and is on track for the full year 2013. The new specification range has been well received by the customers.

*LED Light Engines*
The Group is seeing strong interest and demand for its ChromaWhite products in both module and luminaire form. Sales of UV LED modules continue to grow.

PhotonStar is making excellent progress on development of ChromaWhite for the retrofit market and achieving the milestones for the DECC grant. A phase two system demonstration of a 10 lamp system and basic software was recently achieved and the product development is on track for 2014 launch.

*Intellectual property*
PhotonStar has a substantial and growing IP platform, comprising a total of 15 patent families covering advanced LED chip design, optimal low cost packaging, advanced colour mixing and control. In December 2012 the Group signed its first licensing agreement, on a non-exclusive basis, for its next generation LED chip design patents and an associated design services supply agreement, with a leading LED chip manufacturer. This product development is progressing well and the customer is on track for 2014 LED chip production. The LED chip patents dating back to 2008/9 are now mostly granted in the United Kingdom and the United States and are progressing through Europe and the international phase.

*Summary*
Despite operational challenges experienced in the first half of 2013, the Group has continued to make progress, and it expects this progress to continue into the second half of 2013.

In July 2013 PhotonStar resized its manufacturing operation and reduced its operating cost base to carefully manage cash and to reflect the slower sales growth in the first half.

The Group's focused sales activity, targeting further retailers and housebuilders, is paying off, with a new wholesaler agreement already in place. This is expected to make PhotonStar products available in 100 branches by the end of 2013, and is currently in 74.

As with prior years, sales revenue is expected to be weighted towards the second half of the year, driven by seasonal increases in construction activity and the introduction in the second quarter of the Group's new, more efficient and competitive versions of its LED fixture products, which have already been well received by customers. The current financial period is already seeing month on month improving EBITDA levels. The Board expects the Group to be EBITDA breakeven for the year as a whole.

Based on current sales projections, the Board remains comfortable that the Group has adequate working capital facility available to finance its anticipated growth.

**Consolidated Statement of Comprehensive Income**
**For the six months ended 30 June 2013**

| | Notes | **6 Months Ended 30 June 2013 Unaudited £'000** | 6 Months Ended 30 June 2012 Unaudited £'000 | Year Ended 31 December 2012 Audited £'000 |
|---|---|---|---|---|
| **Revenue** | 2 | **4,325** | 3,823 | 8,701 |
| Cost of Sales | | **(2,632)** | (2,308) | (5,263) |
| **Gross Profit** | | **1,693** | 1,515 | 3,438 |
| Administrative Expenses | | **(2,306)** | (2,031) | (4,244) |
| Other Income | | **43** | 3 | 7 |
| **Operating Loss** | | **(570)** | (513) | (799) |
| Financial Expense | | **(35)** | (13) | (37) |
| **Loss Before Income Tax** | | **(605)** | (526) | (836) |
| Taxation Credit/(Charge) | 3 | **39** | (69) | 56 |
| **Loss and total comprehensive income for the period attributable to the Equity Shareholders of the Parent** | | **(566)** | (595) | (780) |
| **Loss per share** | | | | |
| **Basic and diluted loss per share** | 4 | **(0.5)p** | (0.6)p | (0.8)p |

**Consolidated Statement of Financial Position**
**as at 30 June 2013**

| | **30 June 2013** | 30 June 2012 | 31 December 2012 |
|---|---|---|---|
| | **Unaudited** | Unaudited | Audited |
| | **£'000** | £'000 | £'000 |
| **Non-Current Assets** | | | |
| Property, Plant & Equipment | **517** | 657 | 574 |
| Intangible Assets | **2,928** | 2,663 | 2,755 |
| **Total Non-Current Assets** | **3,445** | 3,320 | 3,329 |
| | | | |
| **Current Assets** | | | |
| Inventories | **1,214** | 900 | 1,041 |
| Trade & Other Receivables | **1,965** | 1,601 | 1,603 |
| Current Tax Assets | **215** | 128 | 214 |
| Cash & Cash Equivalents | **637** | 86 | 1,953 |
| **Total Current Assets** | **4,031** | 2,715 | 4,811 |
| | | | |
| **Total Assets** | **7,476** | 6,035 | 8,140 |
| | | | |
| **Equity** | | | |
| Ordinary Share Capital | **11,237** | 9,875 | 11,184 |
| Other Reserves | **(2,929)** | (3,055) | (2,961) |
| Profit and Loss | **(3,996)** | (3,245) | (3,430) |
| **Equity** | **4,312** | 3,575 | 4,793 |
| | | | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade & Other Payables | **2,067** | 2,070 | 2,428 |
| Borrowings | **960** | 279 | 816 |
| Provisions | **122** | 97 | 88 |
| **Total Current Liabilities** | **3,149** | 2,446 | 3,332 |
| | | | |
| **Non-Current Liabilities** | | | |
| Deferred Tax Liabilities | **15** | 14 | 15 |
| **Total Liabilities** | **3,164** | 2,460 | 3,347 |
| | | | |
| **Total Equity and Liabilities** | **7,476** | 6,035 | 8,140 |

**Consolidated Statement of Cash Flows**
**For the six months ended 30 June 2013**

| | **6 Months Ended 30 June Unaudited 2013 £'000** | 6 Months Ended 30 June Unaudited 2012 £'000 | Year Ended 31 December Audited 2012 £'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| **Operating Loss** | **(570)** | (513) | (799) |
| Depreciation | **104** | 100 | 210 |
| Amortisation | **157** | 122 | 266 |
| Share Option Charge | **32** | 86 | 33 |
| Grant Income | **(35)** | (30) | (7) |
| Change in Inventories | **(173)** | (205) | (256) |
| Change in Trade & Other Receivables | **(288)** | (175) | (267) |
| Change in Trade & Other Payables | **(353)** | 346 | 673 |
| **Cash Used in Operations** | **(1,126)** | (269) | (147) |
| Interest Paid | **(35)** | (13) | (37) |
| Tax Received | **78** | - | 39 |
| **Net Cash Used in Operating Activities** | **(1,083)** | (282) | (145) |
| | | | |
| **Cash Flows From Investing Activities** | | | |
| Purchase of Property, Plant and Equipment | **(47)** | (269) | (296) |
| Purchase of Intangible Assets | **(330)** | (242) | (478) |
| **Net Cash Used in Investing Activities** | **(377)** | (511) | (774) |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Increase in borrowings | **144** | 131 | 668 |
| Proceeds from Issue of Ordinary Shares | - | - | 1,456 |
| **Net Cash Generated from Financing Activities** | **144** | 131 | 2,124 |
| | | | |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | **(1,316)** | (662) | 1,205 |
| **Cash and Cash Equivalents at the Start of the Period** | **1,953** | 748 | 748 |
| **Cash and Cash Equivalents at the End of the Period** | **637** | 86 | 1,953 |

## Consolidated Statement of Changes in Equity
## For the six months ended 30 June 2013 (unaudited)

| | Ordinary Share Capital £'000 | Share Premium £'000 | Share Option Reserve £'000 | Reverse Acquisition Reserve £'000 | Retained Losses £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| At 1 January 2013 | 11,184 | 5,429 | 453 | (8,843) | (3,430) | 4,793 |
| Issue of Shares in Lieu of Consideration | 53 | - | - | - | - | 53 |
| Share Option Charge | - | - | 32 | - | - | 32 |
| Comprehensive Loss for the Period | - | - | - | - | (566) | (566) |
| At 30 June 2013 | 11,237 | 5,429 | 485 | (8,843) | (3,996) | 4,312 |

**For the six months ended 30 June 2012 (unaudited)**

| | Ordinary Share Capital £'000 | Share Premium £'000 | Share Option Reserve £'000 | Reverse Acquisition Reserve £'000 | Retained Losses £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| At 1 January 2012 | 9,875 | 5,282 | 420 | (8,843) | (2,650) | 4,084 |
| Share Option Charge | - | - | 86 | - | - | 86 |
| Comprehensive Loss for the Period | - | - | - | - | (595) | (595) |
| At 30 June 2012 | 9,875 | 5,282 | 506 | (8,843) | (3,245) | 3,575 |

**For the year ended 31 December 2012 (audited)**

| | Ordinary Share Capital £'000 | Share Premium £'000 | Share Option Reserve £'000 | Reverse Acquisition Reserve £'000 | Retained Losses £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| At 1 January 2012 | 9,875 | 5,282 | 420 | (8,843) | (2,650) | 4,084 |
| Issue of Shares for Cash | 1,309 | 147 | - | - | - | 1,456 |
| Share Option Charge | - | - | 33 | - | - | 33 |
| Comprehensive Loss for the Year | - | - | - | - | (780) | (780) |
| At 31 December 2012 | 11,184 | 5,429 | 453 | (8,843) | (3,430) | 4,793 |

**Notes to the financial statements**
**For the six months ended 30 June 2013 (unaudited)**

## 1. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively "Adopted IFRS").

The principal accounting policies used in preparing these interim financial statements are those expected to apply to the Group's Consolidated Financial Statements for the year ending 31 December 2013 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2012.

The financial information for the six months ended 30 June 2013 and 30 June 2012 is unaudited and does not constitute statutory financial statements for those periods.

The comparative financial information for the year ended 31 December 2012 is not statutory accounts within the meaning of s434 of the Companies Act 2006 but has been derived from the audited statutory financial statements for that year. The statutory accounts for the year ended 31 December 2012 have been reported on by the Company's auditor, delivered to the Registrar of Companies and have been sent to the shareholders.

The Auditor's opinion on the Group's statutory financial statements for the year ended 31 December 2012 included the following:

"Opinion on financial statements

In our opinion:

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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the directors' assessment of the Company's ability to continue as a going concern. The Group incurred a net loss of £780,000 during the year ended 31 December 2012 and has been loss making since incorporation. The ability of the Company and the Group to continue as going concerns is dependent on the ability of the Group overall to achieve the growth projected by the directors and on the growth being sufficient for the Company and the Group to be able to operate within its cash resources and existing borrowing facilities. These conditions along with other matters disclosed in note 2.2 indicate the existence of material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. The financial statements do not include the adjustments that would result if the Group and the Company was unable to continue as going concerns."

The disclosures made in note 2.2 to the financial statements remain valid and are reproduced in full below:

"The directors have adopted the going-concern basis in preparing the financial statements for the year to 31 December 2012. In reaching this conclusion, the directors have considered for both the Company and the Group, current trading and the current and projected funding position for the period of just over 12 months from the date of approval of the financial statements through to 30 June 2014.

**Current Funding**

Group net cash balances at 31 December 2012 were £1,137,000. Since then the Group has continued to execute its business plan by:

- investing in the continuing growth of its light fixtures business and the development of new product ranges, and
- continued further investment in the ChromaWhite technology in support of bringing it to volume production.

**Projected Funding**

The cash flow projections show that the Group can continue to operate utilising existing cash resources, existing borrowing facilities and anticipated innovation funding for a period of 12 months from the date the financial statements were signed.

The achievement of these projections is subject to uncertainties described below.

The projections include assumptions on the amount and timing of revenue and gross margin that the Group expects to achieve during the period of the projections. These assumptions are subject to both market and operational uncertainty.

The Group has incurred a net loss of £780,000 in the year and has been loss making since incorporation. The projections reflect the directors' expectation that the Group will become EBITDA positive from the middle of 2013 onwards. To the extent there is a shortfall in revenue and/or gross margin, it is likely to be at least partially offset by a reduction in working capital requirements. Nevertheless, the ability of the Company and the Group to continue as going concerns is dependent on the ability of the Group to achieve the growth projected by the directors and on the growth being sufficient for the Company and the Group to be able to operate within its cash resource and existing borrowing facilities. No additional equity funding has been assumed in the cash flow projections, but should it be required there can be no guarantee either as to its availability or the terms on which it would be made available.

**Conclusion**

It is acknowledged that the achievement of these projections is subject to market and operational uncertainty as outlined above and consequently there is a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concerns. Nevertheless, after taking account of the Group's current funding position, its cash flow projections and the risks and uncertainties associated with these, the directors have a reasonable expectation that the Group and Company has access to adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to prepare the financial statements on a going-concern basis. These financial statements do not include any adjustments that would result from the going-concern basis of preparation being inappropriate."

## 2. Segmental Information

The Group's reportable segments are LED Light Fixtures and LED Light Engines. There is no inter-segment revenue.

| **Six Months Ended 30 June 2013 (unaudited)** | **LED Light Fixtures** | **LED Light Engines** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Revenue; | | | |
| European Union | 3,668 | 401 | 4,069 |
| Outside of the EU | 256 | - | 256 |
| Total Revenue | 3,924 | 401 | 4,325 |
| Adjusted EBITDA | 45 | (132) | (87) |
| Depreciation and Amortisation | (218) | (43) | (261) |
| Interest Expense | (35) | - | (35) |
| Taxation (Charge)/Credit | (28) | 67 | 39 |
| | | | |
| Total Assets | 3,903 | 2,935 | 6,839 |
| Total Liabilities | 2,620 | 543 | 3,164 |
| Capital Expenditure | 116 | 261 | 377 |

| **Six Months Ended 30 June 2012 (unaudited)** | **LED Light Fixtures** | **LED Light Engines** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Revenue | | | |
| European Union | 3,005 | 280 | 3,285 |
| Outside of the EU | 538 | - | 538 |
| Total Revenue | 3,543 | 280 | 3,823 |
| Adjusted EBITDA | 103* | (212)* | (109)* |
| Depreciation and Amortisation | (185) | (37) | (222) |
| Interest Expense | (13) | - | (13) |
| Taxation Charge | (69) | - | (69) |
| | | | |
| Total Assets | 3,856 | 2,093 | 5,949 |
| Total Liabilities | 2,129 | 231 | 2,360 |
| Capital Expenditure | 436 | 75 | 511 |

* Adjusted for comparability with 2012 changed Management reporting

| **Year Ended 31 December 2012 (audited)** | **LED Light Fixtures £'000** | **LED Light Engines £'000** | **Total £'000** |
| --- | --- | --- | --- |
| Revenue; | | | |
| European Union | 5,963 | 777 | 6,740 |
| Outside of the EU | 1,954 | 7 | 1,961 |
| Total Revenue | 7,917 | 784 | 8,701 |
| Adjusted EBITDA | 185 | (125) | 60 |
| Depreciation and Amortisation | (401) | (75) | (476) |
| Interest Expense | (37) | - | (37) |
| Taxation Credit/(Charge) | 100 | (44) | 56 |
| | | | |
| Total Assets | 3,844 | 2,343 | 6,187 |
| Total Liabilities | 2,876 | 401 | 3,277 |
| Capital Expenditure | 509 | 265 | 774 |

Adjusted EBITDA is defined as EBITDA before Share Option charge.

**Reconciliation of Adjusted EBITDA to Loss Before Tax**

| | **6 Months ended 30 June Unaudited 2013 £'000** | 6 Months ended 30 June Unaudited 2012 £'000 | Year Ended 31 December Audited 2012 £'000 |
|---|---|---|---|
| Adjusted EBITDA for Reportable Segments | (87) | (109)* | 60 |
| Corporate Expense | (190) | (96)* | (350) |
| Share Option Charge | (32) | (86) | (33) |
| EBITDA | (309) | (291) | (323) |
| Depreciation and Amortisation | (261) | (222) | (476) |
| Interest Expense | (35) | (13) | (37) |
| Loss before Tax | (605) | (526) | (836) |

* Adjusted for comparability with 2012 changed Management reporting

Adjusted EBITDA is defined as EBITDA before Share Option charge.

**Reconciliation of Reportable Segment Assets to Total Assets**

| | **30 June 2013 Unaudited £'000** | 30 June 2012 Unaudited £'000 | 31 December 2012 Audited £'000 |
|---|---|---|---|
| Segment Assets for Reportable Segments | 6,839 | 5,949 | 6,187 |
| Unallocated: | | | |
| Cash at Bank | 637 | 86 | 1,953 |
| Total Assets per the Statement of Financial Position | 7,476 | 6,035 | 8,140 |

**Reconciliation of Reportable Segment Liabilities to Total Liabilities**

| | **30 June 2013 Unaudited £'000** | 30 June 2012 Unaudited £'000 | 31 December 2012 Audited £'000 |
|---|---|---|---|
| Segment Liabilities for Reportable Segments | 3,164 | 2,360 | 3,277 |
| Unallocated: | | | |
| Due to Vendors of Acquired Business | - | 100 | 70 |
| Total Liabilities per the Statement of Financial Position | 3,164 | 2,460 | 3,347 |

## 3. Income Tax Credit

The income tax credit of £39,000 for the six months ended 30 June 2013 represents the estimated research and development tax credit receivable for that period. Excluding research and development tax credits, the effective tax rate expected by the group for the year ended 31 December 2013 is zero, reflecting the availability of estimated brought forward tax losses at 31 December 2012 of £7.5m.

## 4. Earnings per share

| | **6 months ended 30 June 2013** | 6 months ended 30 June 2012 | Year ended 31 December 2012 |
|---|---|---|---|
| Loss attributable to ordinary shareholders | **£(566,000)** | £(595,000) | £(780,000) |
| Weighted average number of ordinary shares | **111,843,544** | 98,757,711 | 99,259,633 |
| Basic and diluted loss per share | **(0.5p)** | (0.6p) | (0.8p) |

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding after adjusting these amounts for the effects of dilutive potential ordinary shares.

As the results for the six months ended 30 June 2013 and 30 June 2012 and for the year ended 31 December 2012 are losses, any exercise of share options would have an anti-dilutive effect on earnings per share. Consequently earnings per share and diluted earnings per share are the same as potentially dilutive share options have been excluded from the calculation.

## 5. Copies of Interim Report

Copies of this interim report are available upon request to members of the public from the Company's registered office, Unit 8 Westlink, Belbins Business Park, Cupernham Lane, Romsey, Hampshire SO51 7JF. This interim report can also be viewed on the Group's website: www.photonstarled.com.