

11 August 2014

PhotonStar LED Group Plc

Half year results

PhotonStar LED Group Plc (AIM: PSL, "PhotonStar" or "the Group"), the British designer and manufacturer of smart LED lighting solutions, announces its half year results for the six months ending 30 June 2014.

Operational and strategic overview

- Halcyon™ domestic systems now shipping in beta form, expected to contribute to revenues in the second half of 2014
 - Marks the culmination of six years of development
 - Product release signifies inflection point in Group's strategy
 - Expected to represent Group's biggest value driver
- All technical milestones for grant from Department of Energy & Climate Change (DECC) Entrepreneurs Fund completed - underpins the Halcyon™ smart circadian retrofit LED lighting system
- Patent portfolio continues to mature

Financial overview

- Revenues down 13% to £3.78m (H1 2013: £4.33m)
 - Weather related delays in new build market push some revenue into H2
- Total gross profit margin slightly higher at 39.4% (H1 2013: 39.1%)
- Pre-tax loss of £0.60m (H1 2013: loss £0.61m)
- Loss per share of 0.4p (H1 2013: loss per share 0.5p)
- At 30 June 2014, net debt of £0.43m (H1 2013: net debt £0.32m)

Post period end

- Raised £2.2m through placing of shares, as announced on 18 July 2014
- Proceeds of placing to be used to maximise commercial opportunities for the Halcyon™ system

James McKenzie, Chief Executive of PhotonStar, said:

"We are delighted to now be shipping Halcyon™ domestic systems in beta form. Our connected lighting platform Halcyon™ can also provide a grid to enable rich data collection, as well as an ecosystem to enable other devices to operate simply and more effectively as part of the Internet of Things. We are working with partners on ways of using the Halcyon™ system to deliver new business models and solutions."

"The completion of the DECC grant validates our technology and underpins the Halcyon™ smart Circadian retrofit LED lighting system for both residential and commercial applications. We have now entered beta testing and field trials of the commercial Halcyon™ product, and the £2.2m we have recently raised will support the full launch expected later in 2014."

"The Board remains confident that its full-year results will be in line with expectations."

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About PhotonStar LED Group PLC

PhotonStar LED Group plc is a leading British designer and manufacturer of intelligent lighting solutions. The Group's proprietary technology Halcyon™ is a connected lighting platform that includes hardware and software for wireless, microprocessor controlled retrofit LED lighting and control systems, optimised for energy saving, circadian and data-centric applications.

The Group's ChromaWhite light source technology within Halcyon™ is optimised for "Circadian," or non-visual effects of light on humans. The Group is currently working with partners to deliver low-cost lighting solutions that can help improve productivity, health and wellbeing in healthcare facilities, schools, workplaces and homes.

The Group also provides fixed white LED lighting products for a range of commercial and architectural applications.

PhotonStar comprises two divisions: PhotonStar LED, which works with lighting designers, architects, house builders, facilities management companies and sustainability consultants to provide intelligent, high-end, recyclable LED lighting solutions for the commercial and architectural market which is expected to see rapid adoption of the new Halcyon™ ecosystem; and PhotonStar Technology which provides LED lighting solutions for specialist applications such as film & television production lighting, UV curing and medical applications.

Photonstar has won awards for performance, innovation and reliability, with its flagship light source technology ChromaWhite winning the Lighting Association's 'Light Source of the Year' Award for two consecutive years. The Group was also awarded the UKTI's Business Innovation Award for Energy and Environment in 2010 for a commercial lighting solution with embedded sensors and microprocessor control.

Overview

PhotonStar currently comprises two divisions:

- LED lighting fixtures - 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 - 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.

The Group sees significant opportunities for its next generation lighting system, Halcyon™, through existing channels and retrofit opportunities. It is expected that, as this new business segment develops, more strategic focus will be placed on its business and financial performance, and the Group will split this performance out as a separate section in future disclosures.

Group revenue was down 13% at £3.78m (H1 2013: £4.33m) and gross profit down 12% to £1.49m (H1 2013: £1.69m). Revenues are expected to be concentrated in the second half of the year due in part to delays in new build projects during the first half of the year. This will accentuate the second half weighting in revenues that the Group already experiences, driven by seasonal increases in construction activity in domestic and export markets.

Market opportunity

Lighting accounts for 19% of global electricity usage and CO2 emissions attributable to lighting are equivalent to 70% of all global motor car CO2 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 down by 8% to £3.59m, from £3.92m in H1 2013. This was due mainly to delays in new build projects as a result of severe adverse weather (wide spread flooding across the UK and continental Europe). In contrast, our wholesale product sales grew significantly. This product range sells to new build, retrofit and refurbishment customers. The Group's previously announced exclusive agreement with a renowned house builder is now beginning to show a meaningful contribution, with sales also growing significantly compared to H1 2013.

The Group saw an increase in store and retail lighting trials in H1 2014, which are expected to develop into meaningful sales orders throughout the remainder of the year and beyond.

The Group supplied LED solutions to a range of diverse and high profile retrofit projects in the first half of 2014, including:

- The Bill and Melinda Gates Foundation EMEA headquarters in Victoria, London was fitted with the PhotonStar ECO600 downlight. The foundation is co-chaired by Microsoft co-founder Bill Gates and his wife and tackles critical problems across four divisions; global development, global health, the US and global policy and advocacy. The building also houses the Rolls Royce and World Fuel Organisation offices. The fittings offer excellent quality of light whilst requiring minimal maintenance.
- The Pinnington opticians practice in Cheshire chose PhotonStar LED luminaires to improve customer satisfaction and deliver a modern and refreshing atmosphere whilst offering energy savings of almost 80%. The PhotonStar solution provides accurate colour rendering to successfully represent the true colours of the high-end products on sale.
- The Torch Centre, a holiday retreat for elderly, partially sighted people, now benefits from a PhotonStar LED solution after a refurbishment took place to improve the quality of the facilities for the guests. The EcoStar fittings were chosen for their high performance and quality of light, which will assist the guests better than previous installations. The fittings were also competitively priced and suited the Centre's tight renovation budget.

LED Light Engines

First half revenues were down by 53% to £0.19m from £0.40m in H1 2013. This was primarily due to delays in the requalification of a UV product by one of our major customers, causing orders and sales to slip into the second half of the year. This requalification is now complete.

New Technology – “The Halcyon™ system”

In April 2013, PhotonStar was awarded a grant of up to £372,000 by the DECC Entrepreneurs Fund, to help fund the development of ChromaWhite smart circadian retrofit LED solutions. This was a strong validation of the Group's strategy in developing this next generation of smart circadian lighting solutions.

During the first half of 2014, Photonstar completed the technical milestones for the grant.

The Group was invited to demonstrate the Halcyon™ wireless home lighting system as part of ARM Holdings PLC's 'Seamless computing' demonstrating a future 'day in the life' scenario at the NMI Future World Symposium in April 2014.

Shipping of Beta-test systems of the Halcyon™ next generation retrofit domestic system started in the second quarter of 2014.

Financial review

The Group's half year revenues decreased by 13% to £3.78m (2013: £4.33m) with a gross margin of 39.4% (2013: 39.1%). The maintenance of this gross margin level was achieved despite the sales mix being skewed towards traditionally lower margin revenue streams, and underscores the Group's continuing focus on improving margins.

Administrative expenses decreased by £0.20m to £2.13m (2013: £2.33m), due to continuing tight control on costs, whilst maintaining and increasing investment in R&D and Product Development.

EBITDA loss was £0.32m (2013: loss £0.33m).

The Group reported a pre-tax loss of £0.60m (2013: loss £0.61m) and loss per share for the half year was 0.4p (2013: loss per share 0.5p). The Group's unused aggregate tax losses are approximately £8m.

Group net borrowings at 30 June 2014 were £0.43m (2013: £0.32m). This comprised cash & cash equivalents of £0.24m (2012: £0.64m), offset by total drawn invoice finance borrowings of £0.67m (2012: £0.96m). The total invoice facility available to the Group is £1.3m.

Group capital expenditure was £0.30m (2013: £0.38m), mostly related to continuing investment in product development and the patent portfolio, in particular the development of the Halcyon™ lighting system.

Current trading and outlook

LED Lighting Fixtures

It is expected that sales to house builders will increase in the second half of the year, as a result of an expansion of the Group's wholesale network in H1 2014, coupled with a planned cost reduction in the Ecostar range.

The Group has, following trials in H1 2014, become an approved supplier to one of the largest facilities management companies in the UK.

Sales into the energy saving retrofit market continue to grow, and with payback now as short as three to five months for some products in our range, the Group is expecting to see retrofit become a significant part of our business in the near future.

LED Light Engines

The delays in projects experienced in H1 2014 have now been resolved, and growth in sales of UV and specialty light engines is expected in the second half of the year.

New Technology – “The Halcyon™ system”

Commercial sales of the domestic Halcyon™ system are expected to begin in late 2014. The commercial version of the Halcyon™ system is due for beta testing in the fourth quarter, with a full launch expected in 2015.

The Group's recently announced fundraising of £2.2m, from both existing shareholders and new institutional holders, will be used to maximise the significant commercial opportunities that exist for the Group with this new Halcyon™ domestic and commercial system. The Group will also be pursuing Joint Development Agreements and Licensing opportunities to accelerate the uptake of this exciting technology.

Intellectual property

PhotonStar has a substantial and growing IP platform, comprising a total of 16 patent families covering advanced LED chip design, optimal low cost packaging, and advanced colour mixing and control.

We have appointed an external organization which specializes in generating value from patents to advise us on how best to extract value from third parties for six of our chip patent families which are not core to the future of the Group. These LED chip patents, which date back to 2008 and 2009, are now mostly granted in the United Kingdom and the United States, and are progressing through Europe and the international phase.

The Group is also in the process of filing five additional patent families on connected lighting protecting the significant investments made in the development of Halycon™.

Group outlook

Despite the weather related slow down experienced in the first half of 2014, the Group has continued to make progress, and expects this progress to continue into the second half of 2014. As with prior years, sales revenue is expected to be weighted towards the second half of the year, driven by seasonal increases in construction. In addition, the commercial launch of Halcyon™ later this year is expected to further boost the Group's prospects into 2015 and beyond. Therefore, based on current sales projections and the expected proceeds from the recent fund raise, the Board is comfortable that the Group will meet market expectations for the full year and has adequate working capital facility available to finance its anticipated growth in the second half of the year and beyond.

**Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014**

		6 Months Ended 30 June 2014 Unaudited £'000	6 Months Ended 30 June 2013 Unaudited £'000	Year Ended 31 December 2013 Audited £'000
	Notes			
Revenue	2	3,775	4,325	9,423
Cost of Sales		(2,288)	(2,632)	(5,811)
Gross Profit		1,487	1,693	3,612
Administrative Expenses		(2,132)	(2,327)	(4,400)

Other Income		64	43	95
Operating Loss		(581)	(591)	(693)
Financial Expense		(20)	(14)	(35)
Loss Before Income Tax		(601)	(605)	(728)
Taxation Credit	3	120	39	77
Loss and total comprehensive income for the period attributable to the Equity Shareholders of the Parent		(481)	(566)	(651)
Loss per share				
Basic and diluted	4	(0.4)p	(0.5)p	(0.6)p

Consolidated Statement of Financial Position As at 30 June 2014

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Non-Current Assets			
Property, Plant & Equipment	348	517	443
Intangible Assets	3,279	2,928	3,151
Total Non-Current Assets	3,627	3,445	3,594
Current Assets			
Inventories	1,243	1,214	1,296
Trade & Other Receivables	1,258	1,965	1,832
Current Tax Assets	182	215	62
Cash & Cash Equivalents	240	637	603
Total Current Assets	2,923	4,031	3,793
Total Assets	6,550	7,476	7,387
Equity			
Ordinary Share Capital	11,239	11,237	11,239
Other Reserves	(2,853)	(2,929)	(2,889)
Profit and Loss	(4,562)	(3,996)	(4,081)
Equity	3,824	4,312	4,269
Liabilities			
Current Liabilities			
Trade & Other Payables	2,010	2,067	2,131
Borrowings	673	960	927
Provisions	28	122	45
Total Current Liabilities	2,711	3,149	3,103

Non-Current Liabilities

Deferred Tax Liabilities	15	15	15
Total Liabilities	2,726	3,164	3,118
Total Equity and Liabilities	6,550	7,476	7,387

**Consolidated Statement of Cash Flows
For the six months ended 30 June 2014**

	6 Months Ended 30 June Unaudited 2014 £'000	6 Months Ended 30 June Unaudited 2013 £'000	Year Ended 31 December Audited 2013 £'000
Cash Flows from Operating Activities			
Operating Loss	(581)	(591)	(693)
Depreciation	101	104	204
Amortisation	163	157	314
Share Option Charge	36	32	71
Movement in Provisions	(17)	-	(44)
Grant Income	(64)	(35)	(95)
Receipt of grants	109	-	216
Change in Inventories	53	(173)	(255)
Change in Trade & Other Receivables	574	(288)	(229)
Change in Trade & Other Payables	(166)	(353)	(361)
Cash Generated from/(Used in) Operations	208	(1,147)	(872)
Interest Paid	(20)	(14)	(35)
Tax Received	-	78	229
Net Cash Generated from/(Used in) Operating Activities	188	(1,083)	(678)
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	(6)	(47)	(73)
Purchase of Intangible Assets	(291)	(330)	(710)
Net Cash Used in Investing Activities	(297)	(377)	(783)
Cash Flows from Financing Activities			
(Decrease)/Increase in borrowings	(254)	144	111
Net Cash (Used in)/Generated from Financing Activities	(254)	144	111
Net (Decrease) in Cash and Cash Equivalents	(363)	(1,316)	(1,350)
Cash and Cash Equivalents at the Start of the Period	603	1,953	1,953
Cash and Cash Equivalents at the End of the Period	240	637	603

**Consolidated Statement of Changes in Equity
For the six months ended 30 June 2014 (unaudited)**

	Ordinary Share Capital £'000	Share Share Premium £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
At 1 January 2014	11,239	5,430	524	(8,843)	(4,081)	4,269
Share Option Charge	-	-	36	-	-	36
Comprehensive Loss for the Period	-	-	-	-	(481)	(481)
At 30 June 2014	11,239	5,430	560	(8,843)	(4,562)	3,824

For the six months ended 30 June 2013 (unaudited)

	Ordinary Share Capital £'000	Share 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 year ended 31 December 2013 (audited)

	Ordinary Share Capital £'000	Share 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	55	1	-	-	-	56
Share Option Charge	-	-	71	-	-	71
Comprehensive Loss for the Year	-	-	-	-	(651)	(651)
At 31 December 2013	11,239	5,430	524	(8,843)	(4,081)	4,269

**Notes to the financial statements
For the six months ended 30 June 2014 (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

2014 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2013.

The financial information for the six months ended 30 June 2014 and 30 June 2013 is unaudited and does not constitute statutory financial statements for those periods.

The comparative financial information for the year ended 31 December 2013 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 2013 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 2013 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 2013 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 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 £651,000 during the year ended 31 December 2013 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 cash resources and existing borrowing facilities. No additional equity or debt 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. 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 2013. 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 31 March 2015.

Current Funding

Group net debt balance at 31 December 2013 was £324,000. 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 meaningful volume production and the development of the technology into the wireless retrofit lamp version known as Halcyon™.

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 £651,000 in the year and has been loss making since incorporation. The projections reflect the directors' expectation that the Group will be EBITDA (as calculated in Note 5) positive in 2014. 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 their cash resource and existing borrowing facilities. No additional equity or debt 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 have 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."

The above Emphasis of Matter does not reflect the fact that the Group recently placed £2.2million (gross) of new shares with existing and new investors, which is expected to complete on 12th August 2014.

2. Segmental Information

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

Six Months Ended 30 June 2014 (unaudited)	LED Light Fixtures £'000	LED Light Engines £'000	Total £'000
Revenue;			
UK	3,306	185	3,491
Rest of World	284	-	284

Total Revenue	3,590	185	3,775
Adjusted EBITDA for reportable segments	(24)	(88)	(112)
Depreciation and Amortisation	(225)	(39)	(264)
Interest Expense	(20)	-	(20)
Taxation Credit	25	95	120
Total Assets	3,253	3024	6,277
Total Liabilities	2,139	307	2,446
Capital Expenditure	79	218	297
Six Months Ended 30 June 2013 (unaudited)	LED Light Fixtures £'000	LED Light Engines £'000	Total £'000
Revenue			
European Union	3,668	401	4,069
Outside of the EU	256	-	256
Total Revenue	3,924	401	4,325
Adjusted EBITDA for reportable segments	24	(132)	(108)
Depreciation and Amortisation	(218)	(43)	(261)
Interest Expense	(14)	-	(14)
Taxation (Charge)/Credit	(28)	67	39
Total Assets	3,904	2,935	6,839
Total Liabilities	2,621	543	3,164
Capital Expenditure	116	261	377
Year Ended 31 December 2013 (audited)	LED Light Fixtures £'000	LED Light Engines £'000	Total £'000
Revenue;			
UK	7,154	983	8,137
Rest of World	1,286	-	1,286
Total Revenue	8,440	983	9,423
Adjusted EBITDA for reportable segments	183	(126)	57
Depreciation and Amortisation	(437)	(81)	(518)
Interest Expense	(35)	-	(35)
Taxation Credit	15	62	77
Total Assets	4,011	2,761	6,772
Total Liabilities	2,689	228	2,917
Capital Expenditure	313	470	783

Adjusted EBITDA for reportable segments is defined as EBITDA before Share Option Charge and Corporate Expense allocation.

Reconciliation of Adjusted EBITDA for Reportable Segments to Loss Before Tax

	6 Months ended 30 June Unaudited 2014 £'000	6 Months ended 30 June Unaudited 2013 £'000	Year Ended 31 December Audited 2013 £'000
Adjusted EBITDA for Reportable Segments	(112)	(108)	57
Corporate Expense	(169)	(190)	(161)
Adjusted EBITDA	(281)	(298)	(104)
Share Option Charge	(36)	(32)	(71)
Depreciation and Amortisation	(264)	(261)	(518)
Interest Expense	(20)	(14)	(35)
Loss before Tax	<u>(601)</u>	<u>(605)</u>	<u>(728)</u>

Reconciliation of Reportable Segment Assets to Total Assets

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Segment Assets for Reportable Segments	6,277	6,839	6,772
Unallocated:			
Cash at Bank	240	637	603
Other	33	-	12
Total Assets per the Statement of Financial Position	<u>6,550</u>	<u>7,476</u>	<u>7,387</u>

Reconciliation of Reportable Segment Liabilities to Total Liabilities

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Segment Liabilities for Reportable Segments	2,446	3,164	2,917
Unallocated:			
Other	280	-	201
Total Liabilities per the Statement of Financial Position	<u>2,726</u>	<u>3,164</u>	<u>3,118</u>

3. Income Tax Credit

The income tax credit of £120,000 for the six months ended 30 June 2014 represents estimated research and development tax credit receivable for that period, together with an adjustment for an under provision in 2013. Excluding research and development tax credits, the effective tax rate for the

Group for the year ended 31 December 2014 is expected to be zero, reflecting the availability of estimated brought forward tax losses at 31 December 2013 of £8million.

4. Earnings per share

	6 months ended 30 June 2014	6 months ended 30 June 2013	Year ended 31 December 2013
Loss attributable to ordinary shareholders	£(481,000)	£(566,000)	£(651,000)
Weighted average number of ordinary shares	112,394,651	111,843,544	112,225,058
Basic and diluted loss per share	(0.4p)	(0.5p)	(0.6p)

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 2014 and 30 June 2013 and for the year ended 31 December 2013 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. Subsequent Events

Capital Reduction

At the Company's Annual General Meeting on 30 June 2014 a resolution was passed to approve a reduction in the capital of the Company by reducing the nominal value of each Ordinary share in issue from £0.10 to £0.01. When this resolution is fully implemented, there will be a resulting transfer within shareholder's equity from share capital to reserves.

On 31 July 2014, PhotonStar LED Group plc completed the legal process required to make this reduction effective.

Fund Raise

The Company expects to complete the placing of 31,400,000 shares with existing and new institutional shareholders on 12th August 2014, for a total consideration of £2,198,000 gross (approximately £2,060,000 net of costs)

6. 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.