

30 September 2011

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 2011.

Highlights

- Revenue up 85% to £2.54m (H1 2010: £1.37m)
- Gross profit up to £0.93m (H1 2010: £0.27m)
- Operating loss £0.71m (H1 2010: loss £0.4m)
- LED Fixtures business is scaling up well and showing good growth
- LED Light Engines business rationalised and now showing strong growth
 - Two major LED Light Engine supply agreements signed
- Camtronics Vale acquired in May 2011 - now increasing capability in assembly
- Integration of Enfis and Camtronics completed
 - Removal of duplicate R&D and overhead costs - Swansea site now closed

James Mckenzie, CEO of PhotonStar LED Group PLC, commented

"In six months since our admission to AIM via a reverse into Enfis, we have rationalised the Enfis specialty LED light engine product line, turning it from loss making into a profitable product line. It is now showing strong growth, based off the two supply agreements announced in the first half."

"The acquisition of Camtronics in May provided us with technical strength and capability in surface mount electronics and reduced planned capital equipment spend. The integration and reorganisation has been completed as planned and we are already seeing the benefits."

"Progress on the Group's patent protection has been excellent with an additional two patents allowed, making four granted out of 11 applications. In addition our ChromaWhite colour tuneable technology has won an industry award and we see a significant opportunity to exploit this as standard light engines emerge through the work of Zhaga consortium."

"We very are encouraged by what has been achieved in the first half of the year and this puts us in a good position to make further progress in the remainder of the year."

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Note to editors

About PhotonStar LED Group PLC

PhotonStar LED Group PLC ("PhotonStar" or the "Group") 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 & improved functionality compared to other available light sources. PhotonStar's lighting products have won numerous awards for performance, innovation and reliability, and 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 provides LED lighting solutions for specialist applications such as film & television production lighting, UV curing and medical applications.

PhotonStar is based in Romsey, Hampshire with manufacturing in Wales. The Company was admitted to AIM in December 2010.

Overview

PhotonStar LED Group was admitted to AIM in December 2010 following the reverse takeover of AIM-listed Enfis Group and a placing which raised approximately £2m. Following the transaction, the initial focus of has been to integrate the two businesses and to bring increased commercial focus by rationalising the product lines.

The Group 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 & television production lighting, UV curing and medical applications.

In the six months to 30 June 2011, Group revenue increased by 85% to £2.54m (H1 2010: £1.37m) with gross profit moving up to £0.93m (H1 2010: £0.27m). The increase in operating loss to £0.71m (H1 2010: loss £0.4m) reflects the expansion of the Group's product range, sales force and marketing activities of the LED lighting fixtures business, first time inclusion of PLC running costs and the losses of the LED Light engines business included for the first time following its acquisition in December 2010.

On 13 May 2011, the Group acquired Camtronics Vale, a specialist contract assembly company based in Tredgar, Wales. The acquisition has provided access to surplus manufacturing capacity and brought in valuable expertise in surface mount electronics.

The Group has completed the integration of both Enfis and Camtronics, removed the duplicate R&D facility and reduced the cost base by £150,000 on an annual basis, including closing the Swansea site.

Market opportunity

The LED market is still in its early stages, currently accounting for less than 3% of the \$70bn global general lighting market. However, the market is rapidly transitioning to LED lighting, driven by cost reductions, increased efficiency and multiple regulatory drivers such as Europe-wide phased banning of incandescent lamps and the code for sustainable homes.

It is estimated that by 2015 LED sources will account for over 50% of the \$100bn general lighting market (JP Morgan 2010). Currently, lighting accounts for 19% of global electricity usage, much of which is wasted as traditional light sources radiate up to 90% of their energy as heat.

A rapid switch over to LED lighting will not only lead to significant reduction in energy usage but it will also have a significant impact on greenhouse gas production, as grid electricity use has a disproportionately higher impact on CO2 emissions than other energy sources. As a result, in markets where development is required to meet CO2 reduction targets, such as CRC, Code for sustainable homes & the Kyoto agreement, reducing electricity use by using cleaner supplies or reducing demand will have 3x the impact compared to addressing heating and insulation and 2x the impact of addressing transport. This is due to the greater CO2 emissions associated with grid electricity (Source: Carbon Trust (Grid electricity kWh 0.544, Natural gas kWh 0.184, LPG kWh 0.214, Gas oil kWh 0.277, Fuel oil kWh 0.266, Burning oil kWh)).

Today, CO2 emissions attributable to lighting are equivalent to 70% of all global car CO2 emissions.

Business review

LED Lighting Fixtures

First half revenues were £2.11m, up 54% from H1 2010 of £1.37m. As a result of increased sales & marketing activity plus attendance at three major trade shows, there has been substantial new lead generation and pipeline growth. In addition the Group was a double finalist in the 2011 Lighting Association industry awards and 2011 CIBSE (Chartered Institute of Building Services Engineers) awards.

At the beginning of the year PhotonStar had two granted patents and during the first half of the year two additional patents were allowed and proceeding to grant. One key fire rating patent was allowed for the best selling CeilingStar LED fixture range and the CeilingStar successfully passed its fire rating test in June which the Group expects to boost demand for the range.

In May 2011 PhotonStar acquired Camtronics for a maximum consideration of £365,000. The acquisition provides PhotonStar with an expanded manufacturing base as it continues to broaden its presence in the LED lighting space. The directors expect the acquisition to be earnings enhancing in the first full financial year of ownership.

LED Light Engines (including the former Enfis business)

First half revenues were £420,000. This compared to revenue of £254,000 for the former Enfis business in the first half of 2010, and was due to the impact of a rationalisation and refocusing of the former Enfis product range on growth segments such as Film and TV production and UV printing ink curing.

The first significant supply agreement was announced in March with an international developer of UV curing solutions for the inkjet printing industry. This is the first commercial application of the Group's technology into the printing industry. The two companies will collaborate on the development of high intensity LED arrays emitting light in the UV spectrum for use in various printing and industrial markets.

UV curing is increasingly being used in the inkjet printing industry because it offers significant benefits in terms of instant drying, lower operating costs and improved quality. As the UV source is now solid state there are size, lifetime and durability benefits over the traditional arc lamp sources for these applications.

The second supply agreement was announced in May with a specialist manufacturer and supplier of lighting products for the film and television production markets. The two companies will collaborate on the development of a new high output, high colour quality, colour tuneable LED light source for film and television lighting based on the Group's SmartWhite technology and light engine expertise.

During the first half of the year the LED Light Engine business was accepted as a full member of the Zhaga consortium www.zhagastandard.org. Zhaga is standard setting body supported by all the leading lighting industry companies. Zhaga's role is to define and create standard form factors for LED light engines to speed up the adoption of LED lighting globally. The Group intends to produce LED light engines complying with these standards and views its involvement with Zhaga as a major growth opportunity.

Financial review

The Group's half year revenues are up 85% to £2.54m (2010: £1.37m). Gross margin was 37% (2010: 20%). These improvements reflect a combination of organic growth in Lighting Fixture sales, the inclusion of Camtronics and the Light Engines business and very high levels of product development cost in Lighting Fixtures in 2010.

Administrative expenses were £1.67m (2010: £0.70m). The inclusion of the Light Engines division and Camtronics plus public company running costs increased the cost base by some £0.6m.

There were also some one-off and non-operational costs. These included costs of closure of the Swansea operation, professional fees for the acquisition of Camtronics and relocation of the Light Engines business (£45,000). Non cash depreciation, amortisation and share based payments charges were £208,000 (2010: £111,000).

The EBITDA loss, before the share option charge, was £0.5m (2010: loss £0.3m).

The Group reported a pre tax loss of £0.7m (2010: loss £0.4m) and loss per share for the half year was 0.8p (2010: loss per share 0.8p). The Group has c. £5.5m of tax losses.

The Group started the year with net cash of £1.8m, raised in December 2010.

Group capital expenditure was £235,000 (2010: £91,000). Most of this expenditure was incurred in the Lighting Fixtures division and the major components were further investment in the patent portfolio, including the ChromaWhite technology, product development costs and significant enhancements to IT systems.

Working capital increased by £0.8m and in May the Group paid £0.1m in cash as part of the initial consideration for Camtronics.

The Group's debt facilities at 30 June 2011 comprised £25,000 of overdrafts and £300,000 of invoice financing.

Acquisition of Camtronics

The Group acquired Camtronics Vale on 13 May 2011. Camtronics results since acquisition have been included in the results of the LED Lighting Fixtures business.

The fair value of the initial consideration was £265,000 comprising £100,000 paid in cash on completion and £165,000 paid by the issue of 1.1m Group shares. The vendors are entitled to additional consideration of up to £100,000 dependent on the sales performance of the business for the period to 31 December 2011. This additional consideration is payable 75% in cash and 25% in shares in 2012.

Current trading and outlook

LED Lighting Fixtures

The new specification brochure is creating a stronger project pipeline than anticipated but as is the industry norm will take 4-8 months to translate into sales numbers. The wholesale range of fixtures, launched in June 2011 has been well received and a large UK electrical group has agreed to allow its >280 branches to stock the product. With the key fire test now in place, PhotonStar anticipates a good reception by customers.

The acquisition of Camtronics has provided the Group with an expanded manufacturing base and is expected to secure planned margin enhancements. The integration of this business into the Group is now substantially complete.

LED Light Engines

The specialty LED Light engines developed have been well received and several new products are being trialed with customers.

The Group intends to produce LED light engines complying with Zhaga industry standards using its ChromaWhite™ technology. ChromaWhite is an extension of the Group's multi-award winning SmartWhite colour tuneable lighting technology and offers a substantial growth opportunity.

The ChromaWhite light engine has been prototyped and previewed at the EuroLED trade show in June and was overall winner of the E.ON light source product of the year at the 2011 Lighting Association Industry Awards in July 2011.

The prospects for the Group continue to look very positive as the general lighting market transitions to LED lighting. PhotonStar anticipates further organic growth whilst looking at selective acquisitions to grow its channels and routes to market as part of its buy and build strategy.

**Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011**

		6 Months Ended 30 June 2011 Unaudited £'000	6 Months Ended 30 June 2010 Unaudited £'000	Year Ended 31 December 2010 Audited £'000
	Notes			
Revenue	2	2,538	1,368	2,720
Cost of Sales		(1,611)	(1,101)	(1,888)
Gross Profit		927	267	832
Administrative Expenses		(1,669)	(701)	(1,793)
Other Income		30	30	60
Operating (Loss)		(712)	(404)	(901)
Financial Income		-	-	-
Financial Expense		(4)	(2)	(2)
Net Financial Expense		(4)	(2)	(2)
(Loss) Before Income Tax		(716)	(406)	(903)
Income Tax Credit	4	18	15	17
Loss attributable to the Equity Shareholders of the Parent		(698)	(391)	(886)
Total Comprehensive Income for the period attributable to the Equity Shareholders of the Parent		(698)	(391)	(886)
Loss per share				
Basic and diluted loss per share	5	(0.8)p	(0.8)p	(1.7)p

The accompanying notes are an integral part of these interim financial statements

**Consolidated Statement of Financial Position
as at 30 June 2011**

	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	31 December 2010 Audited £'000
Non-Current Assets			
Property, Plant & Equipment	407	50	123
Intangible Assets	2,143	461	2,073
Total Non-Current Assets	2,550	511	2,196
Current Assets			
Inventories	816	182	361
Trade & Other Receivables	1,353	408	451
Current Tax Assets	201	59	183
Cash & Cash Equivalents	160	42	1,885
Total Current Assets	2,530	691	2,880
Total Assets	5,080	1,202	5,076
Equity			
Ordinary Share Capital	8,750	1,516	8,638
Other Reserves	(3,327)	176	(3,470)
Profit and Loss	(2,324)	(1,131)	(1,626)
Equity	3,099	561	3,542
Liabilities			
Current Liabilities			
Trade & Other Payables	1,583	641	1,267
Current Tax Liabilities	15	-	-
Borrowings	57	-	38
Due to Camtronics Vendors	100	-	-
Provisions for Other Liabilities & Charges	200	-	227
Total Current Liabilities	1,955	641	1,532
Non-Current Liabilities			
Deferred Tax Liabilities	26	-	2
Total Liabilities	1,981	641	1,534
Total Equity and Liabilities	5,080	1,202	5,076

The accompanying notes are an integral part of these interim financial statements

**Consolidated Statement of Cash Flows
For the six months ended 30 June 2011**

	6 Months Ended 30 June Unaudited 2011 £'000	6 Months Ended 30 June Unaudited 2010 £'000	Year Ended 31 December Audited 2010 £'000
Cash Flows from Operating Activities			
Operating Loss	(712)	(404)	(901)
Depreciation	56	14	26
Amortisation	62	36	82
Share Option Charge	90	61	206
Grant Income	(30)	(30)	(60)
Receipt of Government Grants	-	11	59
Change in Inventories	(216)	21	(71)
Change in Trade & Other Receivables	(315)	29	96
Change in Trade & Other Payables	(264)	1	250
Cash Generated/(Used) in Operations	(1,329)	(261)	(313)
Interest Paid	(4)	(2)	(2)
Interest Received	-	-	-
Tax Received	-	12	10
Net Cash Generated/(Used) in Operating Activities	(1,333)	(251)	(305)
Cash Flows From Investing Activities			
Business Combination	(100)	(10)	(35)
Cash acquired by Acquisition	11	-	175
Purchase of Plant and Equipment	(148)	(5)	(8)
Purchase of Intangible Assets	(87)	(86)	(104)
Net Cash Generated/(Used) in Investing Activities	(324)	(101)	28
Cash Flows from Financing Activities			
Repayment of Loans	(68)	-	-
Proceeds from the Issue of Ordinary Shares	-	362	2,130
Net Cash Generated from/(Used) in Financing Activities	(68)	362	2,130
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,725)	10	1,853
Cash and Cash Equivalents at the Start of the Period	1,885	32	32
Cash and Cash Equivalents at the End of the Period	160	42	1,885

The accompanying notes are an integral part of these interim financial statements

**Consolidated Statement of Changes in Equity
For the six months ended 30 June 2011 (unaudited)**

	Ordinary Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
At 1 January 2011	8,638	5,108	265	(8,843)	(1,626)	3,542
Issue of Shares	112	53	-	-	-	165
Share Option Charge	-	-	90	-	-	90
Comprehensive Loss for the Period	-	-	-	-	(698)	(698)
At 30 June 2011	8,750	5,161	355	(8,843)	(2,324)	3,099

For the six months ended 30 June 2010 (unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
At 1 January 2010	1,498	5,294	59	(5,590)	(740)	521
Issue of Shares	18	-	-	-	-	18
Reverse Acquisition Reserve	-	-	-	352	-	352
Share Option Charge	-	-	61	-	-	61
Comprehensive Loss for the Period	-	-	-	-	(391)	(391)
At 30 June 2010	1,516	5,294	120	(5,238)	(1,131)	561

**For the year ended 31 December 2010
(audited)**

	Ordinary Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
At 1 January 2010	1,498	5,294	59	(5,590)	(740)	521
Issue of Shares	7,140	(186)	-	-	-	6,954
Reverse Acquisition Reserve	-	-	-	(3,253)	-	(3,253)
Share Option Charge	-	-	206	-	-	206
Comprehensive Loss for the Year	-	-	-	-	(886)	(886)
At 31 December 2010	8,638	5,108	265	(8,843)	(1,626)	3,542

The accompanying notes are an integral part of these interim financial statements

Notes to the financial statements

For the six months ended 30 June 2011 (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 2011 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2010.

The financial information for the six months ended 30 June 2011 and 30 June 2010 is unaudited and does not constitute statutory financial statements for those periods.

The comparative financial information for the year ended 31 December 2010 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 2010 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 2010 included the following:

"Basis for qualified opinion on financial statements

Because we were appointed auditors of Photonstar LED Group PLC during 2010, we were not able to observe the counting of the physical inventories for certain of the company's subsidiaries at the beginning of that or the comparative period or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we are unable to determine whether adjustments to the consolidated statement of comprehensive income and opening retained earnings stated in the consolidated statement of financial position might be necessary for the year ended 31 December 2010. In addition we are unable to determine whether adjustments might be necessary to comparative figures for inventories and earnings.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the group's loss for the year ended 31 December 2010.

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 2010; 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."

The audit report for the year ended 31 December 2010 drew attention to the following matter:

"Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified in this respect, we have considered the adequacy of the disclosures 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 £886,000 during the year ended 31 December 2010 and has to that date been loss making. The directors have prepared projections that show the group is able to operate within its cash

resources and existing borrowing facilities over the next 12 months. However, as set out in note 2.2, the achievement of these projections is subject to market and operational uncertainty. These material uncertainties may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern."

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 2010. 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 July 2012.

Current Funding

Group cash balances at 31 December 2010 were £1.885m. Since then the Group has:

- settled the remainder of the costs relating to the December 2010 reverse takeover
- continued to execute its business plan by:
 - making significant investment in working capital and capital expenditure
 - expanding its workforce and its sales and marketing activities in accordance with its business plan
 - acquiring the Camtronics Vale Limited business on 13 May 2011 to secure manufacturing expertise and surplus manufacturing capacity to support expansion and margin enhancement, paying £100,000 of the initial consideration in cash
 - completed the closure of its Swansea operation and its relocation to the Camtronics and Romsey facilities, thereby concentrating the Group's R and D function in a single location in Romsey.
 - secured important supply agreements with key customers for its specialist light engine products

Financial gearing remains low, and at 30 June 2011 the Group had unused borrowing facilities of £270,000.

Projected Funding

The cash flow projections show that the Group can continue to operate utilizing existing cash resources, existing borrowing facilities and anticipated grant and other innovation funding for the period of the projections.

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.

The Group has to date been loss making. The projections reflect the directors' expectation that the Group will become EBITDA positive in the second half of 2011. 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. 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. 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. "

The Auditor is required to report by exception on certain matters, and its report included the following:

"Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to stock described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit."

The audit report did not include a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Board of Directors approved this interim report on 29 September 2011.

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 2011 (unaudited)	LED	LED	Total
	Light	Light	
	Fixtures	Engines	
	£'000	£'000	£'000
Revenue (European Union)	2,118	420	2,538
Adjusted EBITDA	(340)	(164)	(504)
Depreciation and Amortisation	(74)	(44)	(118)
Interest Expense	(4)	-	(4)
Income Tax Credit	18	-	18
Total Assets	2,661	2,259	4,920
Total Liabilities	1,291	590	1,881
Capital Expenditure	229	6	235
Six Months Ended 30 June 2010 (unaudited)	LED	LED	Total
	Light	Light	
	Fixtures	Engines	
	£'000	£'000	£'000
Revenue (European Union)	1,368	-	1,368
Adjusted EBITDA	(293)	-	(293)
Depreciation and Amortisation	(50)	-	(50)
Interest Expense	(2)	-	(2)
Income Tax Credit	15	-	15
Total Assets	1,160	-	1,160
Total Liabilities	641	-	641
Capital Expenditure	91	-	91
Year Ended 31 December 2010 (audited)	LED	LED	Total
	Light	Light	
	Fixtures	Engines	
	£'000	£'000	£'000
Revenue (European Union)	2,720	-	2,720

Adjusted EBITDA	(587)	-	(587)
Depreciation and Amortisation	(108)	-	(108)
Interest Expense	(2)	-	(2)
Income Tax Credit	17	-	17
Total Assets	1,133	2,058	3,191
Total Liabilities	860	674	1,534
Capital Expenditure	112	-	112

Reconciliation of Adjusted EBITDA to Loss Before Tax

	6 Months ended 30 June 2011	6 Months ended 30 June 2010	Year ended 31 December 2010
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Adjusted EBITDA for Reportable Segments	(504)	(293)	(587)
Depreciation and Amortisation	(118)	(50)	(108)
Share Option Charge	(90)	(61)	(206)
Interest Expense	(4)	(2)	(2)
Loss before Tax	<u>(716)</u>	<u>(406)</u>	<u>(903)</u>

Reconciliation of Reportable Segment Assets to Total Assets

	30 June 2011	30 June 2010	31 December 2010
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Segment Assets for Reportable Segments	4,920	1,160	3,191
Unallocated:			
Cash at Bank	160	42	1,885
Total Assets per the Statement of Financial Position	<u>5,080</u>	<u>1,202</u>	<u>5,076</u>

Reconciliation of Reportable Segment Liabilities to Total Liabilities

	30 June 2011	30 June 2010	31 December 2010
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Segment Liabilities for Reportable Segments	1,881	641	1,534
Unallocated:			
Due to Vendors of Acquired Business	100	-	-
Total Liabilities per the Statement of Financial Position	<u>1,981</u>	<u>641</u>	<u>1,534</u>

3. Acquisition of Subsidiary

On 13 May 2011 the Group acquired 100% of the share capital of Camtronics Vale Limited. The business was acquired to provide access to production expertise relevant to the Group's products and to surplus production capacity. The fair values of assets acquired and liabilities assumed on the acquisition date of 13 May 2011 were as follows:

	£'000
Cash	11
Inventories	239
Trade receivables	563
Property, plant and equipment	191
Trade payables	(558)
Borrowings	(87)
Current tax	(15)
Deferred tax	(24)
<hr/> Total net assets	<hr/> 320
Total fair value of initial consideration paid	265
Less: fair value of 1,121,075 ordinary shares issued	(165)
<hr/> Cash	<hr/> 100
Less: Cash of Camtronics Vale Limited on acquisition	(11)
<hr/> Cash outflow on acquisition net of cash acquired	<hr/> 89
Maximum additional earn-out consideration payable	100
<hr/> Goodwill recognised assuming maximum consideration	<hr/> 45

The additional consideration payable is determined by the sales performance of Camtronics Vale Limited to its customers excluding Group companies for the 9 months ended 31 December 2011. The directors believe the maximum additional consideration will be payable, and the full amount has been recognised at the date of acquisition.

The additional consideration is payable 75% in cash and 25% in shares in the Group. The Group has the option to settle the entire additional consideration in cash.

The fair value of the equity consideration paid was determined by the closing share price of the Group (14.75p per share) on the date of acquisition. The fair value of any additional consideration settled in shares (maximum £25,000) will be determined by reference to the share price of the Group on the issue date of the additional consideration shares.

The goodwill recognised above reflects the benefit the Group expects to receive from access to its production expertise relevant to the Group's current and planned LED lighting and LED light engine products, and from access to its surplus production capacity. None of the goodwill is expected to be deductible for tax purposes.

The fair value of trade and other receivables shown above is net of a provision of £4,000 for receivables which were estimated to be uncollectable at the date of acquisition.

Other costs relating to the acquisition of Camtronics Vale Limited have not been included in the consideration shown above and are included in administrative expenses.

In its most recent accounts for the year to 31 March 2011, Camtronics reported revenues of £2.6m (£1.6m), EBITDA of £0.2m (£0.1m), profit after tax of £0.1m (£0.1m) and gross assets of £0.4m (£0.4m).

Camtronics contributed £430,000 to revenue and a profit of £47,000 to profit before tax for the period between the date of acquisition and the balance sheet date.

The fair values are provisional and will be finalised by 31 December 2011.

4. Income Tax Credit

The income tax credit of £18,000 for the six months ended 30 June 2011 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 2011 is zero, reflecting the availability of estimated brought forward tax losses at 31 December 2010 of £5m.

5. Earnings per share

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 December 2010
Loss attributable to ordinary shareholders	£(698,000)	£(391,000)	£(886,000)
Weighted average number of ordinary shares	86,683,805	49,190,108	50,873,408
Basic and diluted loss per share	(0.8p)	(0.8p)	(1.7p)

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 2011 and 30 June 2010 and for the year ended 31 December 2010 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.

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.