



PhotonStar LED Group PLC (formerly Enfis Group PLC)

**Consolidated financial statements
for the year ended 31 December 2010**

PhotonStar LED Group PLC

Consolidated financial statements for the year ended 31 December 2010

Contents

| | Page |
|---|-------------|
| Directors and Advisers | 1 |
| Chief Executive Officer's Statement..... | 2 |
| Directors' Report | 5 |
| Directors' Responsibilities Statement..... | 8 |
| Independent Auditor's report to the members of PhotonStar LED Group PLC | 9 |
| Consolidated Statement of Comprehensive Income..... | 11 |
| Consolidated Statement of Financial Position..... | 12 |
| Company Statement of Financial Position | 13 |
| Consolidated Statement of Cash Flows | 14 |
| Company Statement of Cash Flows..... | 15 |
| Consolidated Statement of Changes in Equity..... | 16 |
| Company Statement of Changes in Equity | 17 |
| Notes to the Financial Statements..... | 18 |

Directors and Advisers

Directors

| | |
|----------------|---|
| Drew Nelson | Non-Executive Chairman |
| James McKenzie | Chief Executive Officer (Appointed 23 December 2010) |
| Majd Zoorob | Chief Technology Officer (Appointed 23 December 2010) |
| Ceri Jones | Chief Financial Officer |
| Giles Davies | (Resigned 23 December 2010) |
| Gareth Jones | (Resigned 23 December 2010) |
| Simon Gibson | (Resigned 23 December 2010) |
| Ron Jones | (Resigned 23 December 2010) |
| John Thynne | (Resigned 23 December 2010) |

Company Secretary

Ceri Jones (Appointed 23 December 2010)

Registered Number

01633765

Registered Office and Directors' business address

Unit 8 Westlink
Belbins Business Park
Cupernham Lane
Romsey
Hants
SO51 7JF

Nominated Adviser, Financial Adviser and Broker

Finncap Limited
60 New Broad Street
London
EC2M 1JJ

Solicitors

Berry Smith LLP
Haywood House
Dumfries Place
Cardiff
CF10 3GA

Auditor

PKF (UK) LLP
8th Floor, Helmont House
Churchill Way
Cardiff
CF10 2HE

Registrar

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham
Kent
BR3 4TU

Chief Executive Officer's Statement

Overview

PhotonStar LED Group PLC (formerly Enfis Group PLC) was admitted to AIM in December 2010 following the reverse takeover of AIM-listed Enfis Group by PhotonStar LED Limited and a placing which raised approximately £2m.

Background to the transaction

PhotonStar, based in Romsey Hampshire, was a UK-based LED lighting fixture designer and manufacturer focused on solving the cost problems and increasing the efficiency of LEDs for use in general and residential lighting. The company's product range includes a range of high efficiency LED fixtures and drivers and a range of advanced lighting control solutions.

Enfis Group, based in Swansea, specialised in the design and development of intelligent high power LED arrays and light engines, which were used across a broad range of industry sectors such as film and TV production, architectural lighting, medical lighting and ultra-violet curing of epoxies, printing inks and dental treatment products.

Combining the two businesses has created a larger listed entity, PhotonStar LED Group PLC, with a higher profile and access to capital to pursue further organic and acquisitive growth. Following the transaction, the initial focus has been to integrate the two businesses and to bring increased commercial focus by rationalising the product lines.

This restructuring and integration process is proceeding to plan. Today the Group now comprises two divisions. PhotonStar LED, comprising the LED fixture business, 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. PhotonStar Technology, comprising the former Enfis Light Engine technology, provides LED lighting solutions for specialist applications such as film & TV production lighting, UV curing and medical applications.

The Group is using the former Enfis Group's resources to accelerate the development of its SmartWhite technology and to lower the manufacturing cost of certain products in its product range. PhotonStar also intends to drive development of a range of highly integrated light engines and controls for use in general illumination based on a combination of both of the former companies' technologies. The Group will also continue to focus on the supply of arrays and light engines to specialist sectors, specifically film and TV production lighting and UV curing.

The market opportunity

Lighting accounts for 19% of global electricity usage and CO2 emissions attributable to lighting are equivalent to 70% of all global car CO2 emissions. General lighting is in transition, driven by energy efficiency and lower operating costs and across many sectors LED lighting is having a large impact.

General lighting of buildings is estimated to be a US\$70bn market with an expected compound annual growth rate of 6% overall 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 October 2010 increase in efficiency for UK building regulations.

Chief Executive Officer's Statement (continued)

Group development and integration

PhotonStar Technology - LED light engines, former Enfis business

Following the reverse takeover, the Group moved swiftly to cut the cost base. The monthly overheads have been reduced by over 60% year on year as a result of headcount reduction and the curtailment of some technology development programmes.

The LED light engine product range has been dramatically rationalised to increase the focus on substantial near-term commercial opportunities in UV curing and film and TV production lighting. There are early signs of growth from this more focused approach with a new supply agreement announced recently.

The Innovate^(tm) Chip-on-Board (COB) technology programme is now undergoing a full lighting reliability test program, and is proceeding according to plan.

PhotonStar LED – LED fixtures business

The sales and marketing team has been expanded in 2011 to cope with a significant increase in the level of sales enquiries. Stock levels and production capacity have been increased to cope with this increased sales demand. As a result product lead times have been reduced from four to eight weeks to two to four weeks in line with other lighting companies. The project pipeline continues to grow which is providing the Group with increasing levels of visibility.

The Group has removed significant level of overhead and all staff changes are now completed. The business has also invested in upgrading its infrastructure.

Financial review

The Group is required to treat PhotonStar LED Limited as the acquiring company, with the reported trading results relating solely to the PhotonStar LED business for the calendar years 2010 and 2009. *The reported results do not include any trading results of the former Enfis business as this was not acquired until 23 December 2010.*

PhotonStar LED sales increased by 74% to £2.7m (2009: £1.6m), reflecting the strong growth in LED lighting sales and a full year contribution from the ALC business acquired in May 2009.

Gross margin for 2010 was 31% (2009: 39%). This reflects the full year contribution of the lower margin ALC lighting design and supply business acquired in May 2009 and a period of heavy product development costs, partially offset by increasing sales of higher margin LED lighting fixtures.

The increase in administrative expenses partly reflects the inclusion of the ALC business and fees for the reverse takeover of Enfis Group.

Non cash costs (depreciation, amortisation and share based payments) included in administrative expenses increased to £314,000 (2009 £124,000), reflecting increased patent expenditure, the full year inclusion of ALC and wider use of share options as part of employees' remuneration packages.

The Group's pre tax loss for the year was £0.9m (2009: £0.4m). Basic loss per share was 1.7p (2009: basic loss per share 0.8p). The group has tax losses of c. £5m available to set against future trading profits.

The Group's year-end net cash position was £1.8m following the fund raising at the time of the reverse take-over.

Chief Executive Officer's Statement (continued)

Recent events and outlook for 2012

The integration of the Enfis and PhotonStar businesses during the first half of 2011 financial year has gone well. The Light Engine business, previously Enfis, has been rationalised and integrated as planned and continues to show signs of growth. We announced a volume UV LED light engine supply contract on 21 March 2011 and a major Film and TV LED light engine supply agreement on 12 April 2011. In addition we have made a number of important infrastructure and product range investments which are beginning to bear fruit.

In addition we are delighted to welcome Camtronics Vale to the Group and look forward to developing the expertise within both companies. This acquisition provides us with technical strength and capability in surface mount electronics and reduces planned capital equipment spend through access to surplus production capacity. The acquisition of Camtronics Vale Limited on 13 May 2011 is a positive step forward for the group and will allow significantly higher levels of automated production output at lower cost, enabling increasingly cost competitive products to be supplied to the expanding customer base. However the subsequent aggressive integration process, carried out quickly to maximize benefit to shareholders, has stretched internal resources and resulted in a delay in the publication of the Group's audited accounts for 2010. We have taken preventative action to ensure this does not happen again and are strengthening procedures to support these actions.

We expect to see benefits from these investments and acquisitions come through during the second half of 2011 and into 2012 and we look forward to continued growth during both 2011 and 2012.

James McKenzie
Group Chief Executive

Directors' Report for the year ended 31 December 2010

The directors present the annual report and audited financial statements for the year ended 31 December 2010.

Principal activity, business review and future developments

The principal activity of the Group is the design, development and manufacture of LED lighting fixtures and light engines.

The Consolidated Statement of Comprehensive Income is set out on page 11. A review of the group's trading during the year, its position at year-end and its prospects for the future, is set out in the Chief Executive Officer's Statement.

Dividends

No dividend is proposed in respect of the year (2009: £nil).

Key performance indicators (KPI's)

Given the straightforward nature and relative size of the business, the Group's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business. The key metrics monitored by the directors include revenue, sales pipeline, gross margin, overheads, profitability, cash flow and new product development and these are discussed regularly at board level and noted within the Financial Review in the Chief Executive Officer's Statement.

Risks and uncertainties

There are a number of potential risks and uncertainties that could impact on the group's performance. Details of these risks and uncertainties are set out in note 2.2.

Financial risk management

The directors' assessment of key financial risks and the policies that have been put in place to mitigate those risks are set out in note 3 to the financial statements.

Research and development

PhotonStar LED Group PLC continues to invest in research and development associated with the design, development and manufacture of LED lighting fixtures and light engines. Costs attributed to this process have been charged to the income statement to the extent that they do not meet all the criteria for capitalisation as set out in IAS 38 'Intangible Assets'.

Directors

The directors of the Group who served during the year are listed below:

| Directors | Function |
|----------------|---|
| Drew Nelson | Non Executive Chairman |
| James McKenzie | Chief Executive Officer (Appointed 23 December 2010) |
| Majd Zoorob | Chief Technology Officer (Appointed 23 December 2010) |
| Ceri Jones | Chief Financial Officer |
| Giles Davies | (Resigned 23 December 2010) |
| Gareth Jones | (Resigned 23 December 2010) |
| Simon Gibson | (Resigned 23 December 2010) |
| Ron Jones | (Resigned 23 December 2010) |
| John Thynne | (Resigned 23 December 2010) |

Directors' Report for the year ended 31 December 2010 (continued)

Details of directors' interests in share options over the Group's share capital are set out in note 21.

Employees

The Group's employment policies are designed to attract, retain and motivate the very best staff for each role in the Group, recognising that this can only be achieved through equal opportunities regardless of gender, race, religion or disability.

Regular meetings are held with employees to discuss the performance of the Group as a whole and the area in which they work. Financial and economic factors are dealt with in this context.

Information concerning employees and their remuneration is given in note 18 to the financial statements.

Capital structure

Details of the issued share capital are set out in note 13. The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Substantial shareholders are listed in the separate section that follows.

Details of employee share schemes are set out in note 13.

No person has any special right of control over the Company's share capital and all issued shares are fully paid.

The appointment and replacement of directors of the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Substantial interests

As at 31 December 2010, the Group had been notified, in accordance with the Companies Act 2006, of the following substantial interests of 3% or more in the ordinary share capital of the company:

| | % of ordinary shares held |
|-------------------------|------------------------------|
| James McKenzie | 16.9 |
| Majd Zoorob | 12.3 |
| Herald Investment Trust | 5.8 |
| Artemis | 4.7 |
| Axa Framlington | 3.5 |
| Williams de Broe | 3.4 |
| Martin Konig | 3.2 |
| Mufid Shawwa | 3.2 |

Donations

No donations were made during the year (2009: £nil).

Policy and Practice on Payment of Creditors

The Group aims to settle supplier accounts in accordance with individual suppliers' terms of business. The Group's average number of days' purchases outstanding in respect of trade creditors at 31 December 2010 was 78 days (2009: 98 days).

Directors' Report for the year ended 31 December 2010 (continued)

Share issues

Details of shares issued during the year are set out in note 13.

Going concern

The directors have concluded, having regard to the most recent projections available that the Group and Company will have in place sufficient funding to enable them to continue trading and meet their liabilities to third parties as they fall due for the foreseeable future.

Post Statement of Financial Position Event

On 13 May 2011 the Group acquired the entire issued share capital of Camtronics Vale Limited, a long-established and highly skilled electronic components manufacturer. The initial consideration was £275,000 (paid £100,000 in cash and £175,000 in shares), and additional consideration of up to £100,000 is payable dependent on the performance of the business for the 9 month period ending 31 December 2011. Camtronics brings into the Group surplus production capacity along with extensive production know-how and experience highly relevant to the manufacture of the Group's expanding LED lighting product range.

Corporate governance

The company is listed on AIM and is therefore not required to comply with the provisions of the Combined Code.

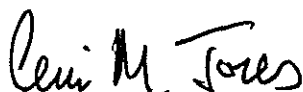
Disclosure of Information to Auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, PKF (UK) LLP, which has been appointed by the Directors since the last Annual General Meeting, has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Ceri Jones
Company Secretary

Directors' Responsibilities Statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, www.photonstarled.com. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of PhotonStar LED Group PLC

We have audited the financial statements of PhotonStar LED Group PLC for the year ended 31 December 2010 which comprise the consolidated and parent company statements of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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;

**Independent Auditor's Report to the Members of PhotonStar LED Group PLC
(continued)**

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 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

PKF (UK) LLP

Timothy Smith (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

22 July 2011

Cardiff, UK

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010**

| | Notes | 2010 £'000 | 2009 £'000 |
|--|-------|---------------|---------------|
| Revenue | 5 | 2,720 | 1,561 |
| Cost of Sales | | (1,888) | (959) |
| Gross Profit | | 832 | 602 |
| Administrative Expenses | | (1,793) | (1,064) |
| Other Income | | 60 | 46 |
| Operating (Loss) | 6 | (901) | (416) |
| Financial Income | 19 | - | 1 |
| Financial Expense | 20 | (2) | - |
| Net Financial Income | | (2) | 1 |
| (Loss) before Income Tax | | (903) | (415) |
| Income Tax Credit | 22 | 17 | 46 |
| (Loss) attributable to the equity shareholders of the parent | | (886) | (369) |
| Total Comprehensive Income for the year attributable to the equity shareholders of the parent | | (886) | (369) |
| Loss per share | | | |
| Basic and diluted loss per share | 24 | (1.7p) | (0.8p) |

The results relate to continuing operations.

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company statement of comprehensive income.

The loss for the parent company for the year was £805,000 (2009 loss: £6,303,000).

The notes on pages 18 to 49 are an integral part of these consolidated financial statements.

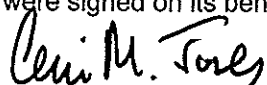
Registered number: 06133765 (England and Wales)

**Consolidated Statement of Financial Position
As at 31 December 2010**

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|---------------|---------------|
| Non-Current Assets | | | |
| Plant and Equipment | 8 | 123 | 59 |
| Intangible Assets | 9 | 2,073 | 411 |
| | | 2,196 | 470 |
| Current Assets | | | |
| Inventories | 10 | 361 | 203 |
| Trade and Other Receivables | 11 | 451 | 410 |
| Current Tax Assets | | 183 | 70 |
| Cash and Cash Equivalents | 12 | 1,885 | 32 |
| | | 2,880 | 715 |
| Total Assets | | 5,076 | 1,185 |
| Equity | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Ordinary Shares | 13 | 8,638 | 1,498 |
| Share Premium | 13 | 5,108 | 5,294 |
| Share Option Reserve | | 265 | 59 |
| Reverse Acquisition Reserve | 32 | (8,843) | (5,590) |
| Retained Losses | | (1,626) | (740) |
| Total equity | | 3,542 | 521 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 14 | 1,267 | 649 |
| Current Tax Liabilities | | - | 15 |
| Borrowings | 14 | 38 | - |
| Provisions | 16 | 227 | - |
| | | 1,532 | 664 |
| Non-Current Liabilities | | | |
| Deferred Tax Liabilities | | 2 | - |
| Total Liabilities | | 1,534 | 664 |
| Total Equity and Liabilities | | 5,076 | 1,185 |

The notes on pages 18 to 49 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the board on 22 July 2011 and were signed on its behalf by:



Ceri Jones
Director

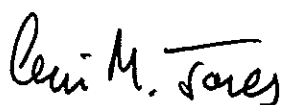
Registered number: 06133765 (England and Wales)

**Company Statement of Financial Position
As at 31 December 2010**

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|---------------|---------------|
| Non-Current Assets | | | |
| Investments | 7 | 5,102 | 572 |
| Trade and Other Receivables | 11 | 266 | - |
| | | 5,368 | 572 |
| Current Assets | | | |
| Cash and Cash Equivalents | 12 | 1,520 | - |
| | | 1,520 | - |
| Total Assets | | 6,888 | 572 |
| Equity | | | |
| Capital and Reserves attributable to Equity Holders of the Company | | | |
| Ordinary Shares | 13 | 8,638 | 1,498 |
| Share Premium | 13 | 5,108 | 5,294 |
| Share Option Reserve | | 393 | 226 |
| Retained Losses | | (7,251) | (6,446) |
| Total Equity | | 6,888 | 572 |
| Total Equity and Liabilities | | 6,888 | 572 |

The notes on pages 18 to 49 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 22 July 2011 and were signed on its behalf by:



Ceri Jones
Director

Consolidated Statement of Cash Flows for the year ended 31 December 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|---------------|---------------|
| Cash flows from operating activities | | | |
| Operating loss | | (901) | (416) |
| Depreciation | 8 | 26 | 27 |
| Amortisation | 9 | 82 | 39 |
| Share option charge | | 206 | 59 |
| Grant income | 6 | (60) | (46) |
| Receipt of government grants | | 59 | 25 |
| Change in inventories | 10 | (71) | (92) |
| Change in trade & other receivables | 11 | 96 | (86) |
| Change in trade & other payables | 14 | 250 | 380 |
| Cash generated/(used) in operations | | (313) | (110) |
| Interest paid | 20 | (2) | - |
| Interest received | 19 | - | 1 |
| Tax received/(paid) | | 10 | (40) |
| Net cash generated/(used) in operating activities | | (305) | (149) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary | 28 | (35) | (65) |
| Cash acquired by acquisition | 28 | 175 | 56 |
| Purchase of plant and equipment | 8 | (8) | (18) |
| Purchase of intangible assets | 9 | (104) | (67) |
| Net cash generated/(used) in investing activities | | 28 | (94) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of ordinary shares | 13 | 2,130 | 231 |
| Net cash generated from financing activities | | 2,130 | 231 |
| Net increase/(decrease) in cash and cash equivalents | | 1,853 | (12) |
| Cash and cash equivalents at the start of the year | 12 | 32 | 44 |
| Cash and cash equivalents at the end of the year | 12 | 1,885 | 32 |

The notes on pages 18 to 49 are an integral part of these financial statements.

Company Statement of Cash Flows for the year ended 31 December 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|---------------|----------------|
| Cash flows from operating activities | | | |
| Operating loss | | (805) | (6,302) |
| Share option charge | | 167 | 82 |
| Impairment of investment | | 572 | - |
| Impairment of loan to subsidiary | | 48 | 6,220 |
| Impairment of loan to Employee Benefit Trust | | 18 | - |
| Cash generated/(used) in operating activities | | - | - |
| Cash flows from investing activities | | | |
| Change in intra group funding | 11 | (266) | (1,787) |
| Net cash generated/(used) in investing activities | | (266) | (1,787) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of ordinary shares | 13 | 1,786 | 1,787 |
| Net cash generated from financing activities | | 1,786 | 1,787 |
| Net increase in cash and cash equivalents | | 1,520 | - |
| Cash and cash equivalents at the start of the year | 12 | - | - |
| Cash and cash equivalents at the end of the year | 12 | 1,520 | - |

The notes on pages 18 to 49 are an integral part of these financial statements.

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2010**

| | Ordinary Share Capital £'000 | Share Premium £'000 | Share Option Reserve £'000 | Reverse Acquisition Reserve £'000 | Retained Losses £'000 | Total £'000 |
|------------------------------------|---------------------------------------|---------------------------|-------------------------------------|--|-----------------------------|----------------|
| Balance at 1 January 2009 | 938 | 4,067 | - | (4,468) | (371) | 166 |
| Issue of new shares | 560 | 1,227 | - | - | - | 1,787 |
| Reverse Acquisition Reserve | - | - | - | (1,122) | - | (1,122) |
| Share option charge | - | - | 59 | - | - | 59 |
| Comprehensive loss for year | - | - | - | - | (369) | (369) |
| Balance at 31 December 2009 | 1,498 | 5,294 | 59 | (5,590) | (740) | 521 |
| Issue of new shares | 7,140 | (186) | - | - | - | 6,954 |
| Reverse Acquisition Reserve | - | - | - | (3,253) | - | (3,253) |
| Share option charge | - | - | 206 | - | - | 206 |
| Comprehensive loss for year | - | - | - | - | (886) | (886) |
| Balance at 31 December 2010 | 8,638 | 5,108 | 265 | (8,843) | (1,626) | 3,542 |

The notes on pages 18 to 49 are an integral part of these financial statements.

**Company Statement of Changes in Equity
for the year ended 31 December 2010**

| Notes | Ordinary Share Capital £'000 | Share Premium £'000 | Share Option Reserve £'000 | Retained Losses £'000 | Total £'000 |
|------------------------------------|---------------------------------------|---------------------------|-------------------------------------|-----------------------------|----------------|
| Balance at 1 January 2009 | 938 | 4,067 | 144 | (144) | 5,005 |
| Issue of new shares | 560 | 1,227 | - | - | 1,787 |
| Share option charge | - | - | 82 | - | 82 |
| Comprehensive loss for the year | - | - | - | (6,302) | (6,302) |
| Balance at 31 December 2009 | 1,498 | 5,294 | 226 | (6,446) | 572 |
| Issue of new shares | 7,140 | (186) | - | - | 6,954 |
| Share option charge | - | - | 167 | - | 167 |
| Comprehensive loss for the year | - | - | - | (805) | (805) |
| Balance at 31 December 2010 | 8,638 | 5,108 | 393 | (7,251) | 6,888 |

The notes on pages 18 to 49 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2010

1 General information

The principal activity of the group is the design, development, manufacture and sale of LED light fixtures and light engines.

The company is a public limited liability company incorporated and domiciled in England and Wales and listed on the Alternative Investment Market ('AIM').

The directors consider there to be no ultimate controlling shareholder of the company.

The address of the registered office is Unit 8 Westlink, Belbins Business Park, Cupernham Lane, Romsey SO51 7JF and the registered number of the company is 06133765.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of PhotonStar LED Group PLC have been prepared in accordance with the requirements of the AIM rules and in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The acquisition of PhotonStar LED Limited by PhotonStar LED Group PLC is treated as a reverse acquisition as described in note 28.

(a) *New and amended standards adopted by the group*

The group has adopted the following new and amended IFRSs as of 1 January 2010:

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income. It is not expected to have a material impact on the group or company's financial statements.
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010, and the principal impact on the group's and company's results will be expensing rather than capitalising acquisition-related expenses.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)**

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions (effective from 1 January 2010)'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group or company's financial statements.

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group*

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2011 or later periods, but the group has not early adopted them.

- IC19: Extinguishing Financial Liabilities with Equity Instruments - The IFRIC clarifies that equity instruments issued to a creditor form part of the consideration paid to extinguish the financial liability, and the equity instruments should be measured at fair value. If fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the liability extinguished. The directors estimate that the adoption of IFRIC19 would have no impact on the group or company's financial statements.
- IFRS 9 Financial Instruments - Introduces new requirements for classification and measurement of financial assets. Financial assets are required to be measured based on the management model for these assets and the cash flow characteristics of the instrument derived from the contract. Financial assets are measured at either amortised cost or fair value.

Financial assets may only be measured at amortised cost if:

- The objective is to hold assets to collect all contractual cash flows.
- The contractual cash flows arise from payments of principal and interest only.

If one of the above is not met or the entity chooses to, the asset is to be measured at fair value through profit and loss. Only financial assets carried at amortised cost are tested for impairment.

Equity investments are classified as measured at fair value through profit and loss, unless not held for trading and designated as at fair value through other comprehensive income.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)**

The directors estimate that the adoption of IFRS9 would have no impact on the group or company's financial statements.

- (b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group (continued)*
- IFRS 10 Consolidated Financial Statements - Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard revises the definition of control and provides additional guidance to assist in the determination of control where this is difficult to assess. The directors estimate that the adoption of IFRS10 would have no impact on the group or company's financial statements.
 - IFRS 11 Joint Arrangements - Provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in joint ventures. The directors estimate that the adoption of IFRS11 would have no impact on the group or company's financial statements.
 - IFRS 12 Disclosure of Interests in Other Entities - Is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The directors estimate that the adoption of IFRS12 would have no impact on the group or company's financial statements.
 - IFRS 13 Fair value measurement. The requirements of IFRS 13 do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The objective of the standard is to improve consistency and reduce complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The directors estimate that the adoption of IFRS13 would have no impact on the group or company's financial statements.
 - IAS 27 Separate Financial Statements (amendment) and IAS 28 Investments in Associates and Joint Ventures (amendment) - The two existing standards have been amended in order to align them with the new standards above. The directors estimate that the adoption of these amendments would have no impact on the group or company's financial statements.
- (c) *IFRS effective in 2010 but not relevant*
- IFRIC 17 Distributions of non-cash assets to owners
 - IFRS 5 (amendment) Non-current assets held for sale and discontinued operations
 - IFRIC 16 (amendment) Hedges of a Net investment in a Foreign Operation

Notes to the financial statements for the year ended 31 December 2010

2 Summary of significant accounting policies (continued)

2.2 Going Concern

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.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)****2.3 Consolidation**

These financial statements are the consolidated financial statements of PhotonStar LED Group PLC and all of its subsidiaries ("the Group").

Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in order to obtain control of the acquiree (at the date of exchange). Costs such as professional fees incurred in connection with the acquisition are recognised in the statement of comprehensive income as incurred.

Where a business combination is achieved in stages, previously held interests in the acquiree are remeasured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss. If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about their existence is obtained during this period.

The reverse acquisition of the company by PhotonStar LED Limited has been treated as a continuation of the financial statements of the legal subsidiary, PhotonStar LED Limited. The capital of the legal subsidiary has been adjusted to reflect that of the legal parent, PhotonStar LED Group PLC. This adjustment has been made retroactively in the current and comparative periods.

Subsidiaries

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

2.4 Segmental reporting

IFRS 8 requires that segmental information be disclosed on the basis of information reported to the chief operating decision maker. The Group considers that the role of chief operating decision maker is performed by the Group's Board of Directors.

Although the Group has different entities in the United Kingdom operating as wholly-owned subsidiaries, their primary activities focus on the supply of LED lighting fixtures.

On this basis the Directors' consider the Group operated in one business segment assessable up to 31 December 2010 only by its performance as a whole and for the purpose of making decisions about its resources.

Following the reverse takeover of Enfis on 23 December 2010, the Group in 2011 operates in two business segments, LED Light Fixtures and LED Light Engines. Future interim and annual reports will report on these segments, which is consistent with the Group's internal reporting.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)****2.5 Foreign currency translation**

The functional currency of the group and company is sterling. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.6 Intangible fixed assets – patents, development costs, customer lists and goodwill**Patents and development costs**

Acquired patents associated with internally developed intellectual property are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

The costs associated with acquiring patents relating to technology which are no longer integral to the product range planned for market are expensed to the statement of comprehensive income.

Development costs capitalised under IAS38 are carried at historical cost. Development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

Intangible amortisation is recognised within administrative expenses in the statement of comprehensive income.

Customer lists

Customer lists are stated at fair value on acquisition less amortisation recognised since acquisition. Amortisation of customer lists is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Architectural Lighting & Controls customer list – 6 years

Goodwill

Goodwill arising on acquisition is the residual cost of the acquisition after allocation of the consideration paid to the fair value of the net tangible and other intangible assets acquired. Goodwill valuation is subject to annual review for impairment, and any writedown resulting from impairment is charged to the statement of comprehensive income.

Impairment of assets

The group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as a decrease in the revaluation reserve.

For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually and whenever there is an indication of impairment.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)****2.7 Plant and equipment**

All plant and equipment is stated at cost less accumulated depreciation. The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation on all plant and equipment is calculated using the straight-line method to allocate cost less residual value over estimated useful life, as follows:

Plant and equipment 3 – 5 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Repairs and maintenance expenditure is written off to the statement of comprehensive income as incurred.

2.8 Research and development

Expenditure on research is charged to the income statement as incurred. Expenditure on product development is capitalised as an intangible asset in the statement of financial position from the date that the expenditure incurred on the development meets all the capitalisation criteria detailed below:

- Technical feasibility of completing the asset so that it will be available for use or sale can be demonstrated;
- The intention to complete the asset and use or sell it can be demonstrated;
- The ability to use or sell the asset can be demonstrated;
- The ability to demonstrate how the asset will generate probable future economic benefits;
- The ability to demonstrate the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The ability to measure reliably the expenditure attributable to the asset during its development.

Expenditure on product development is expensed to the income statement as incurred where the capitalisation criteria are not met. Development costs recognised as an expense are not recognised as an asset in a subsequent period.

2.9 Trade receivables

Trade receivables are stated at the original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised within administrative expenses in the income statement. Trade receivables are not discounted as the effect would be immaterial.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)****2.10 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the *first in, first out method*. The cost of finished goods comprises the purchase price including transport and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are non derivative financial liabilities with fixed or determinable payments. Trade payables are included in current liabilities, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current liabilities. Trade payables are recognised at cost. They are not discounted as the effect would be immaterial.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)****2.16 Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services or consideration receivable from cooperative partners for product development in the ordinary course of the company's activities. Revenue is shown net of value added taxes, returns and rebates.

Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefit will flow to the company under the terms of any sale agreements. Revenue is not considered to be reliably measurable until all contingent clauses in sale agreements are met. Revenue is recognised when goods are invoiced, this normally corresponds to the date that goods are either despatched to customers or notified to ex-works customers as available for collection.

Details of the accounting policy for warranty and stock return provisions are in note 2.20.

2.17 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in other income in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Capital grants that relate to specific capital expenditure are included in current and non-current liabilities as deferred income which is credited to the statement of comprehensive income over the related asset's useful life.

2.18 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised in the period in which they are incurred.

Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-lined expense.

2.19 Share based payments

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense and credited to the share option reserve within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and, if applicable, share premium when the options are exercised.

2.20 Provisions

The Group's principal provisions relate to product warranties and stock returns from distributors.

Provisions are recognised when the group has a present obligation as a result of an event that occurred in the past and the settlement of that obligation will result in an outflow of resources, but the timing of or amount that will be required to settle is uncertain. The amount recognised as a provision is the best estimate of the consideration which will be required to settle the obligation.

Notes to the financial statements for the year ended 31 December 2010**2 Summary of significant accounting policies (continued)****2.21 Retirement benefits**

The Group operates defined contribution plans. A defined contribution plan is one where the group pays fixed contributions into a separate entity. These contributions are expensed in the period in which the employees rendered the services entitling them to the benefits.

3 Financial risk**3.1 Capital risk management**

The capital structure of the Group consists of debt, which comprises the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

3.2 Financial risk factors

The Group's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs. The group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

(a) Market Risk**(i) Foreign exchange risk**

The group distributes and sells internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and UK pound. Foreign exchange risk arises from future commercial transactions and translation of foreign currency denominated monetary assets and liabilities. Foreign currency risk is managed via the purchase of raw materials and the sale of products in equivalent currencies.

(ii) Price risk

The group has periodic price reviews within distributor sales contracts that enable the company to reassess and adjust for price risk as part of contractual negotiations. Commodity price risk is assessed as medium as a result of the various supply alternatives available for key components.

(b) Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The group's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the statement of financial position are net of allowances for impairment.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's financial liabilities include its borrowings and trade and other payables shown in note 14. Responsibility for monitoring liquidity risk and for ensuring that Group members are adequately funded lies with the parent company PhotonStar LED Group PLC. Contractual maturity analysis for financial liabilities is also shown in note 14.

Notes to the financial statements for the year ended 31 December 2010

3.2 Financial risk factors (continued)

- (d) Interest rate cash flow risk
The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at floating rates. Interest bearing liabilities comprise debt at fixed and floating rates.

4 Critical accounting estimates and judgements

In the preparation of the financial information the directors must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that the Board believes are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

The principal area where judgement has been exercised in the financial statements is in respect of intangible assets.

Impairment of non-current assets

Determining whether intangible assets or plant and equipment are impaired requires an estimation of the value in use of those assets.

The value in use calculation requires the group to estimate the future cash flows expected to arise from the business or asset and to apply a suitable discount rate in order to calculate present value.

The carrying value of intangible assets was £2,073,000 and plant and equipment £123,000 at the statement of financial position date. Based on the calculations prepared by the directors, no impairment is required.

Stock Provisions

The directors review at each reporting date the net realisable value of all stock. Where the cost of stock is believed to exceed its net realisable value, stock provisions are made to reduce cost to net realisable value, taking into account the costs of disposal. The stock provision at 31 December 2010 was £286,000 (2009: £nil).

Deferred tax

The group has tax losses of approximately £5 million available for off-set against future taxable profits. In determining the value of the deferred tax asset that can be attributed to these losses, the directors have to estimate future taxable profits and the period over which the asset may be recovered. The directors consider the most up-to-date forecasts for the business and assess the risks inherent in achieving those forecasts. At the statement of financial position date, no deferred tax asset has been recorded. The deferred tax asset may be recognised again in the future if there is an improvement in the forecast taxable profits.

5 Segmental Information

The directors consider that the group has operated in one business segment, LED Lighting Fixtures, for the year ending 31 December 2010 and for prior years. Following the reverse takeover by PhotonStar LED Limited on 23 December 2010, the Group will operate in two business segments, LED Lighting Fixtures and LED Light Engines.

The group's principal activity consisted of the design, development, manufacture and sale of LED Lighting Fixtures with turnover and operating loss on ordinary activities arising entirely from within the UK and from this activity. The group's revenue by destination has been generated from the UK and Europe.

Notes to the financial statements for the year ended 31 December 2010

5 Segmental Information (continued)

| | Lighting Fixtures | Light Engines | Total | Total |
|-------------------------------|----------------------|------------------|-------|-------|
| | 2010 | 2010 | 2010 | 2009 |
| | £'000 | £'000 | £'000 | £'000 |
| European Union | 2,720 | - | 2,720 | 1,561 |
| Total Segment Revenue | 2,720 | - | 2,720 | 1,561 |
| Adjusted EBITDA | (587) | - | (587) | (291) |
| Depreciation and amortisation | (108) | - | (108) | (66) |
| Interest income | - | - | - | 1 |
| Interest expense | (2) | - | (2) | - |
| Income tax credit | 17 | - | 17 | 46 |
| | | | | |
| Total assets | 1,133 | 2,058 | 3,191 | 1,153 |
| Total liabilities | 860 | 674 | 1,534 | 589 |

A reconciliation of the adjusted EBITDA to the loss before tax is as follows:

| | Total 2010 | Total 2009 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Adjusted EBITDA for reportable segments | (587) | (291) |
| Depreciation and amortisation | (108) | (66) |
| Share option charge | (206) | (59) |
| Interest income | - | 1 |
| Interest expense | (2) | - |
| Loss before tax | (903) | (415) |

A reconciliation of the reportable segments' assets to the Group's total assets is as follows:

| | Total 2010 | Total 2009 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Segment assets for reportable segments | 3,191 | 1,153 |
| Unallocated: | | |
| Cash at bank | 1,885 | 32 |
| Total assets per the Statement of financial position | 5,076 | 1,185 |

A reconciliation of the reportable segments' liabilities to the Group's total liabilities is as follows:

| | Total 2010 | Total 2009 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Segment liabilities for reportable segments | 1,534 | 589 |
| Unallocated: | | |
| Due to vendors of acquired business | - | 75 |
| Total liabilities per the Statement of financial position | 1,534 | 664 |

Notes to the financial statements for the year ended 31 December 2010

6 Operating Loss

| | | |
|--|---------------|---------------|
| Operating loss is stated after charging/(crediting): | 2010 £'000 | 2009 £'000 |
| Exchange (gains)/losses | (3) | 3 |
| Staff costs | 1,040 | 483 |
| Depreciation | 26 | 27 |
| Amortisation of intangible assets | 82 | 39 |
| Research and development | 325 | 246 |
| Operating lease expense | 46 | 35 |
| Cost of inventory recognised as expense | 1,888 | 959 |
| Impairment of trade receivables | 43 | 52 |
| Government grant income | (60) | (46) |

7 Investments in subsidiary undertakings

| | | |
|----------------------|---------------|---------------|
| Company | 2010 £'000 | 2009 £'000 |
| Opening balance | 572 | 572 |
| Business combination | 5,102 | - |
| Impairment | (572) | - |
| Closing balance | 5,102 | 572 |

| Name | Country of incorporation | Proportion of ownership interest | Principal activities |
|---|--------------------------|--|--|
| Enfis Limited | England and Wales | 100% interest in Ordinary Share Capital | Dormant |
| PhotonStar LED Limited | England and Wales | 100% interest in Ordinary Share Capital | Design and development of LED lighting fixtures. |
| Architectural Lighting & Controls Limited | England and Wales | 100% interest in Ordinary Share Capital* | Lighting design and supply |
| PhotonStar Technology Limited | England and Wales | 100% interest in Ordinary Share Capital | Design and development of LED light engines |

*Shares held by subsidiary company.

On 23 December 2010 the Company acquired the entire issued share capital of PhotonStar LED Limited through the issue of 51,023,849 10p ordinary shares in the Company at a fair value of 10p per share. On the same date, holders of share options in PhotonStar LED Limited received in aggregate 10,263,715 replacement options over shares in the Company at an exercise price per share of 2.8 pence.

Impairment of £572,000 has been charged reflecting the continued operating losses of the Enfis business.

Notes to the financial statements for the year ended 31 December 2010

8 Plant and Equipment

| Group | Plant & Equipment £'000 | Total £'000 |
|---------------------------------|-------------------------------|----------------|
| Cost | | |
| At 1 January 2009 | 50 | 50 |
| Additions | 18 | 18 |
| On Acquisition | 38 | 38 |
| At 31 December 2009 | 106 | 106 |
| Additions | 8 | 8 |
| On Acquisition | 82 | 82 |
| At 31 December 2010 | 196 | 196 |
| Accumulated depreciation | | |
| At 1 January 2009 | 20 | 20 |
| Charge for the year | 27 | 27 |
| At 31 December 2009 | 47 | 47 |
| Charge for the year | 26 | 26 |
| At 31 December 2010 | 73 | 73 |
| Net book value | | |
| At 31 December 2010 | 123 | 123 |
| At 31 December 2009 | 59 | 59 |
| At 31 December 2008 | 30 | 30 |

At 31 December 2010 tangible fixed assets with a net book value of £81,805 (2009 £nil) were pledged as security for the bank loan (see note 14 Financial Liabilities).

The company has no fixed assets.

Notes to the financial statements for the year ended 31 December 2010

9 Intangible fixed assets

| Group | Patents & Licenses £'000 | Customer List £'000 | Goodwill £'000 | Development Costs £'000 | Total £'000 |
|----------------------------|-----------------------------------|---------------------------|-------------------|-------------------------------|----------------|
| Cost | | | | | |
| At 1 January 2009 | 36 | - | - | - | 36 |
| Additions | 67 | - | - | - | 67 |
| Business combinations | - | 243 | 106 | - | 349 |
| At 31 December 2009 | 103 | 243 | 106 | - | 452 |
| Additions | 104 | - | - | - | 104 |
| Business combinations | 20 | - | 1,560 | 60 | 1,640 |
| At 31 December 2010 | 227 | 243 | 1,666 | 60 | 2,196 |
| Amortisation | | | | | |
| At 1 January 2009 | 2 | - | - | - | 2 |
| Charge for the year | 14 | 25 | - | - | 39 |
| At 31 December 2009 | 16 | 25 | - | - | 41 |
| Charge for year | 41 | 41 | - | - | 82 |
| At 31 December 2010 | 57 | 66 | - | - | 123 |
| Net book value | | | | | |
| At 31 December 2010 | 170 | 177 | 1,666 | 60 | 2,073 |
| At 31 December 2009 | 87 | 218 | 106 | - | 411 |
| At 31 December 2008 | 34 | - | - | - | 34 |

Patents include the external third party cost associated with the acquisition of patents for internally developed intellectual property and technical expertise. Intangible amortisation is recognised within administrative expenses in the statement of comprehensive income.

The costs associated with acquiring patents relating to technology which are not integral to the product range planned for market have been expensed to the statement of comprehensive income during the period.

At 31 December 2010 intangible fixed assets with a net book value of £79,904 (2009 £nil) were pledged as security for the bank loan (see note 14 Financial Liabilities).

Impairment testing of cash generating units to which goodwill has been allocated

The group has £1,560,000 goodwill allocated to its Enfis business acquired on 23 December 2010, and this represents 94% of the Group's total intangible assets with indefinite useful life as at 31 December 2010.

In accordance with the Group's accounting policies, the Enfis business unit has been tested for impairment at 31 December 2010 with its recoverable amount based on value in use. In calculating value in use, the present value of the cash flows expected to be generated over the next 10 years was considered. The key assumptions are the expected significant growth in the business unit's revenue and EBITDA over the next 4 years, after which growth is expected to be 4% per annum. The 10 year period was chosen as the business unit operates in substantial markets where the adoption of LED based products is at an early stage. The revenue growth assumptions are consistent with the business unit's customer expectations and market assessments.

Present value was calculated using a pre tax discount factor of 10%.

Notes to the financial statements for the year ended 31 December 2010

9 Intangible fixed assets (continued)

In determining the assumptions used in this year's impairment review, management considered a range of factors including the growth prospects of the business unit's customers, prospective customers and target markets and the development plan for the business unit's products.

Different assumptions could have resulted in recoverable amount being assessed at less than carrying value, and by way of example a pre tax discount factor of 19% would have necessitated an impairment.

The company has no intangible fixed assets.

10 Inventories

| Group | 2010 £'000 | 2009 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 361 | 203 |

The company has no inventories.

11 Trade and other receivables

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|-------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Trade receivables | 377 | - | 392 | - |
| Less: provision for impairment | (64) | - | (52) | - |
| Trade receivables (net) | 313 | - | 340 | - |
| Amounts due from subsidiaries | - | 6,534 | - | 6,220 |
| Less: provision for impairment | - | (6,268) | - | (6,220) |
| Amounts due from subsidiaries (net) | - | 266 | - | - |
| Prepayments | 65 | - | 32 | - |
| Other receivables | 73 | - | 38 | - |
| | 451 | 266 | 410 | - |

The company has a single class of financial asset which is classified as trade and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as 'trade and other receivables' in the statement of financial position and are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Amounts due from subsidiary undertakings represent net amounts provided to the company's wholly owned subsidiaries PhotonStar Technology Limited and PhotonStar LED Limited.

During the year PhotonStar Technology Limited assumed the liabilities of Enfis Limited to the Company. Receivables of £6,534,000 are due from subsidiaries at 31 December 2010, against which a provision of £6,268,000 has been made. Of the total amount advanced, £2,100,000 is unsecured and repayable on demand. The remaining balance of £4,434,000 is unsecured and is repayable on the basis that one year's notice is required.

The fair value of trade and other receivables at 31 December 2010 and 31 December 2009 approximate to the net book value stated above.

Notes to the financial statements for the year ended 31 December 2010

11 Trade and other receivables (continued)

As of 31 December 2010, trade receivables of £81,490 (2009: £85,682) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:-

| | 2010 £'000 | 2009 £'000 |
|-------------------------|---------------|---------------|
| Up to 2 months past due | 61 | 39 |
| Over 2 months past due | 20 | 47 |
| Total | 81 | 86 |

As of 31 December 2010, trade receivables of £131,761 (2009: £51,611) were impaired. The individually impaired receivables mainly relate to old balances where it has been assessed that the receivable is not expected to be recovered. The ageing of these receivables is as follows:

| | 2010 £'000 | 2009 £'000 |
|-------------------------|---------------|---------------|
| Up to 2 months past due | 13 | - |
| Over 2 months past due | 119 | 52 |

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

| | 2010 £'000 | 2009 £'000 |
|----------|---------------|---------------|
| Sterling | 451 | 410 |
| | 451 | 410 |

Movements on the provision for impairment of trade receivables are as follows:

| | 2010 £'000 | 2009 £'000 |
|--------------------------------------|---------------|---------------|
| At 1 January | 52 | - |
| Specific write off | (31) | - |
| Provision for Receivables Impairment | 43 | 52 |
| At 31 December | 64 | 52 |

12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the consolidated and company statement of cash flows comprise the following statement of financial position amounts.

| | Group 2010 £'000 | Company 2009 £'000 | Group 2010 £'000 | Company 2009 £'000 |
|------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Cash on hand & balances with banks | 1,885 | 1,520 | 32 | - |
| | 1,885 | 1,520 | 32 | - |

Notes to the financial statements for the year ended 31 December 2010

13 Share capital

The authorised and issued share capital comprises ordinary shares of 10p nominal value and is summarised below:

| | Authorised No. | Allotted, called up and fully paid No. |
|---------------------|-------------------|--|
| At 31 December 2008 | 15,000,000 | 9,382,864 |
| Authorised/issued | 10,000,000 | 5,600,000 |
| At 31 December 2009 | 25,000,000 | 14,982,864 |
| Authorised/issued | 112,513,155 | 71,403,639 |
| At 31 December 2010 | 137,513,155 | 86,386,503 |

On 2 March 2010 the Company issued 180,000 shares to its Employee Benefit Trust in connection with the exercise of share options.

On 23 December 2010 the Company issued:

- 19,539,790 £0.10 Ordinary shares at a price of 10 pence per share raising £1,953,979 before expenses of £229,091.
- 400,000 shares to the vendors of Architectural Lighting & Controls Limited ("ALC") at a value of £0.10 per share. This share issue was in settlement of £40,000 of earn out consideration due to the ALC vendors following its acquisition by PhotonStar LED Limited in May 2009.
- 260,000 shares to two non-executive directors of the Company in settlement of directors' fees due to them.

The table below reconciles movements in issued share capital during the year.

| | Number of shares | Ordinary share capital £'000 | Share premium £'000 | Total £'000 |
|----------------------------|---------------------|------------------------------------|---------------------------|----------------|
| At 1 January 2010 | 14,982,864 | 1,498 | 5,294 | 6,792 |
| Exercise of Share Options | 180,000 | 18 | - | 18 |
| PhotonStar LED Acquisition | 51,023,849 | 5,102 | - | 5,102 |
| Share Issue | 19,539,790 | 1,954 | (186) | 1,768 |
| Settling NED fees | 260,000 | 26 | - | 26 |
| ALC Earn Out | 400,000 | 40 | - | 40 |
| At 31 December 2010 | 86,386,503 | 8,638 | 5,108 | 13,746 |

Employee Share Schemes

(i) Deferred payment share purchase plan

The Group has a deferred payment share purchase plan which enables, via an employee benefit trust, the funding of share purchases in the group by executive directors and other employees.

(ii) Share Options

The Group has an Enterprise Management Incentive Share Option Scheme (EMI Scheme) and an Executive Share Option Scheme.

During the year, options (2009) to subscribe for 1,100,000 ordinary shares have been granted to directors, and replacement options in the Company have been granted to holders of options in PhotonStar LED Limited.

Notes to the financial statements for the year ended 31 December 2010

13 Share capital (continued)

The exercise terms of granted options as at 31 December 2010 are summarised below::

| Date of Grant | Number of Options | Exercise Price Per Share | Exercise Dates |
|---------------|-------------------|--------------------------|-----------------------------|
| 2007 | 310,350 | £0.72 | 75% from 2010, 25% 2011 |
| 2007 | 486,000 | £0.001 | From 2007 |
| 2007 | 120,000 | £1.15 | From 2010 |
| 2008 | 71,500 | £1.055 | 50% 2010, 25% 2011 & 2012 |
| 2010 | 500,000 | £0.10 | From 24 December 2010 |
| 2010 | 10,263,715 | £0.028 | June 2011 to September 2013 |
| 2010 | 600,000 | * | From 24 December 2010 |

*Options granted for total consideration of £1.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise per share | Options Number |
|----------------------------|----------------------------|-------------------|
| At 1 January 2009 | | 1,103,050 |
| Forfeited | 105.5 pence | (30,000) |
| Forfeited | 115 pence | (1,500) |
| Forfeited | 72 pence | (11,250) |
| At 31 December 2009 | | 1,060,300 |
| Exercised | 0.1 pence | (180,000) |
| Granted | * | 500,000 |
| Granted | 2.8 pence | 10,263,715 |
| Granted | 10 pence | 600,000 |
| At 31 December 2010 | | 12,244,015 |

*Options granted for total consideration of £1.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Expiry date | Exercise price per share | Shares 2010 | Shares 2009 |
|-------------|--------------------------|-------------------|------------------|
| 2013 | 0.1 pence | 486,000 | 666,000 |
| 2016 | 115 pence | 90,000 | 90,000 |
| 2017 | 72 pence | 262,800 | 262,800 |
| 2018 | 105.5 pence | 41,500 | 41,500 |
| 2020 | * | 500,000 | - |
| 2011-2013 | 2.8 pence | 10,263,715 | - |
| 2020 | 10 pence | 600,000 | - |
| | | 12,244,015 | 1,060,300 |

* Options granted for total consideration of £1.

The Company determines the fair value of its share option contracts on the grant date, adjusts this to reflect its expectation of the options that will ultimately vest, and then expenses the calculated balance on a straight line basis through its statement of comprehensive income over the expected vesting period with a corresponding credit to its share option reserve. Subsequent changes to the expectation of number of options that will ultimately vest are dealt with prospectively such that the cumulative amount charged to the income statement is consistent with latest expectations. Subsequent changes in market conditions do not impact the amount charged to the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2010

13 Share capital (continued)

The Company determines the fair value of its share option contracts using a model based on the Black-Scholes - Merton methodology. In determining the fair value of its share option contracts, the Company made the following assumptions (ranges are provided where values differ across tranches). Expected volatility was determined by reference to historical experience.

| Grant date | 16/03/07 | | | 13/05/08 | 24/12/10 | | |
|--------------------------|----------|-------|--------|----------|-----------------|--------|--------|
| Share price | 140p | 140p | 140p | 105.5p | 10p | 10p | 10p |
| Exercise price | 0.1p | 115p | 72p | 105.5p | 2.8p | 10p | * |
| Expected option life | 6 yrs | 9 yrs | 10 yrs | 10 yrs | 8-10 yrs | 10 yrs | 10 yrs |
| Expected volatility | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Risk free interest rate | 5.14% | 5.14% | 5.14% | 4.80% | 3.25%- 5.25% | 3.78% | 3.78% |
| Fair value at grant date | 140p | 47p | 82p | 70.6p | 30p - 75p | 6.7p | 9.5p |

* total exercise price of £1 for the option contract covering options over 500,000 shares.

14 Financial assets and liabilities

The tables below analyse the carrying value of financial assets and financial liabilities in the Group and Company statements of financial position. Further information on the classes that make up each category is provided in the notes indicated. The carrying value of each category is considered a reasonable approximation of its fair value. All amounts are due within one year.

| Group | Notes | 2010 £'000 | 2009 £'000 |
|--|--------------|-----------------------|-----------------------|
| Trade Receivables | 11 | 313 | 340 |
| Other Receivables | 11 | 73 | 38 |
| Loans and Receivables | | 386 | 378 |
| Financial Assets | | 386 | 378 |
| Trade Payables | 14 | 969 | 488 |
| Accruals | 14 | 238 | 49 |
| Borrowings | 14 | 38 | - |
| Due to vendors of acquired business | 14 | - | 75 |
| Financial Liabilities at Amortised Cost | | 1,245 | 612 |
| Financial Liabilities | | 1,245 | 612 |
| Company | Notes | 2010 £'000 | 2009 £'000 |
| Amounts due from subsidiaries | 11 | 266 | - |
| Loans and Receivables | | 266 | - |
| Financial Assets | | 266 | - |

The Company has no financial liabilities.

Notes to the financial statements for the year ended 31 December 2010

14 Financial assets and liabilities (continued)

Trade and Other Payables

| Group | 2010 £'000 | 2009 £'000 |
|-------------------------------------|---------------|---------------|
| Trade Payables | 969 | 488 |
| Social Security and Other Taxes | 55 | 37 |
| Due to vendors of acquired business | - | 75 |
| Accruals | 238 | 49 |
| Deferred income – government grants | 5 | - |
| | 1,267 | 649 |

| Trade Payables | Total £'000 | Due or due in less than 1 month £'000 | Due between 1 and 3 months £'000 |
|------------------|----------------|---|--|
| 31 December 2010 | 969 | 584 | 385 |
| 31 December 2009 | 488 | 294 | 194 |

The Company has no trade or other payables.

Borrowings

| Group | 2010 £'000 | 2009 £'000 |
|---------------------------|---------------|---------------|
| Current borrowings | | |
| Bank loan | 28 | - |
| Bank credit cards | 10 | - |
| | 38 | - |

The bank loan was secured by way of a fixed and floating charge over the assets of Enfis Limited, and has been repaid in full in January 2011. Under its original terms, the bank loan matured in November 2011 and bore interest of 2.5% over Base Rate (2009: 2.5% over Base Rate). Total borrowings include the secured bank loan of £28,075 (2009: £nil). It was repayable in 60 monthly instalments commencing December 2006. Interest on the loan was payable quarterly at 2.5% above base rate. A guarantee premium of 2% per annum was also payable quarterly in advance. The loan was guaranteed by the Department of Trade and Industry under the Small Firms Loan Guarantee Scheme. The fair value of bank borrowing approximates to its carrying amount.

The Company has no borrowings.

The exposure of the group's bank borrowings to interest rate changes and the contractual re-pricing dates at the statement of financial position dates are as follows:

| | 2010 £'000 | 2009 £'000 |
|-------------------|---------------|---------------|
| 12 months or less | 38 | - |
| Total | 38 | - |

Notes to the financial statements for the year ended 31 December 2010

15 Deferred income tax

There is an un-provided deferred tax asset arising on temporary timing differences of £4.99m (2009: £0.37m). The deferred tax asset has not been recognised in the 31 December 2010 or 31 December 2009 financial statements on the grounds of uncertainty surrounding its current recoverability.

16 Provisions

| Group | Returns provision £'000 | Warranty provision £'000 | Total £'000 |
|-----------------------------|-------------------------------|--------------------------------|----------------|
| At 1 January 2010 | - | - | - |
| Charged to income statement | - | 93 | 93 |
| On acquisition | 94 | 40 | 134 |
| At 31 December 2010 | 94 | 133 | 227 |

(a) Returns provision

The amount represents a provision for stock returns by a distributor. The balance as at 31 December 2010 is expected to be utilised in 2011.

(b) Warranty provision

The group has provided product warranties to certain customers. Provision has been made for the expected cost of meeting claims in respect of these arrangements. The balance as at 31 December 2010 is expected to be utilised over the 5 years ending 31 December 2015.

The Company has no provisions.

17 Auditors Remuneration

During the year the company obtained the following services from the company's auditors at costs as detailed below:

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Fees payable to company's auditor for the audit of parent company and consolidated financial statements | 8 | 7 |
| Fees payable to the company's auditor and its associates for other services: | | |
| - The audit of the company's subsidiaries pursuant to legislation | 14 | 6 |
| - Tax services | 8 | 3 |
| - Non statutory audit of Photonstar LED Limited & Architectural Lighting & Controls Limited | 13 | - |
| - Tax services – compliance | 11 | - |
| - Corporate finance services | 74 | - |
| Total | 128 | 16 |

Notes to the financial statements for the year ended 31 December 2010

18 Employee benefit expense

| Group | 2010 £'000 | 2009 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 752 | 388 |
| Social security costs | 77 | 32 |
| Other pension costs | 5 | 4 |
| Share based payments | 206 | 59 |
| | 1,040 | 483 |

The average number of persons (including executive directors) employed by the group during the year was:

| By activity | 2010 Number | 2009 Number |
|----------------------------|----------------|----------------|
| Research and development | 4 | 3 |
| Sales | 7 | 4 |
| Administration and finance | 4 | 2 |
| Design | 8 | 3 |
| Production | 3 | 3 |
| | 26 | 15 |

The Group incurred a charge of £122,000 (2009: £59,000) in respect of share based payments.

19 Financial income

| Group | 2010 £'000 | 2009 £'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | - | 1 |

20 Financial expense

| Group | 2010 £'000 | 2009 £'000 |
|---------------------------|---------------|---------------|
| Bank loans and overdrafts | 2 | - |
| | 2 | - |

Notes to the financial statements for the year ended 31 December 2010

21 Directors' emoluments

| Group | 2010 £'000 | 2009 £'000 |
|-----------------|---------------|---------------|
| Dr J S McKenzie | 2 | - |
| Dr M E Zoorob | 2 | - |
| C M Jones | 85 | 35 |
| G Davies | 72 | 73 |
| Dr G Jones | 35 | - |
| Dr A Nelson | 10 | 10 |
| J Thynne | 12 | 10 |
| S Gibson | 12 | 10 |
| S Oxenham | - | 79 |
| O G R Jones | 12 | 10 |

Key management personnel are defined as directors. Key management compensation comprises salaries and fees set out above, share options set out later in this note, and the following termination and notice payments made to directors who left the board on 23 December 2010:

G Davies - £28,210
Dr G Jones - £3,230

In addition and in accordance with their letters of appointment, fees of £2,500 each representing three months notice were paid to J Thynne, S Gibson and O G R Jones. Details of shares issued to two non-executive directors in settlement of fees due to them are given in note 26.

The number of directors to whom retirement benefits are accruing is nil (2009: nil).

The emoluments of the highest paid director were as follows:

| Group | 2010 £'000 | 2009 £'000 |
|----------------------|---------------|---------------|
| Aggregate emoluments | 85 | 79 |

No share options were exercised by the highest paid director in the year (2009: nil). The highest paid director was granted an option over 600,000 ordinary shares in the Company on 23 December 2010 at an exercise price of 10p per share. The highest paid director received no other share based awards during the year.

Share options granted to the Directors under the Company's share option schemes are shown below:

| | 31 December 2009 Number | Issued Number | Forfeited Number | 31 December 2010 Number |
|-----------------|-------------------------------|------------------|---------------------|-------------------------------|
| Dr A W Nelson | 12,000 | 500,000 | - | 512,000 |
| Dr J S McKenzie | - | 2,259,710 | - | 2,259,710 |
| Dr M Zoorob | - | 1,985,456 | - | 1,985,456 |
| C M Jones | - | 600,000 | - | 600,000 |
| G A Davies | 75,000 | - | - | * |
| Dr G Jones | 249,000 | - | - | * |
| O G R Jones | 12,000 | - | - | * |
| J C J Thynne | 42,000 | - | - | * |
| S J Gibson | 42,000 | - | - | * |
| | 432,000 | 5,345,166 | - | 5,357,166 |

* Resigned 23 December 2010.

Notes to the financial statements for the year ended 31 December 2010

21 Directors' emoluments (continued)

The options issued to J S McKenzie and M Zoorob are replacement options granted on 23 December 2010 in respect of their options previously held over the share capital of PhotonStar LED Limited.

The period over which the options held by the Directors are exercisable is summarised below:

| Period of grant | Number of options issued | Price £ | Period of exercise |
|-----------------|--------------------------|---------|--------------------|
| 2007 | 240,000 | 0.001 | 2004 – 2013 |
| 2007 | 42,000 | 1.15 | 2007 – 2016 |
| 2007 | 150,000 | 0.72 | 2008 – 2017 |
| 2010 | 500,000 | 0.00 | 2010 - 2020 |
| 2010 | 600,000 | 0.10 | 2010 - 2020 |
| 2010 | 4,245,166 | 0.028 | 2011 - 2013 |

22 Income tax credit

| Group | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Current taxation | | |
| UK corporation tax on loss for the year | (19) | (46) |
| Deferred tax | | |
| Origination and reversal of temporary differences | 2 | - |
| Income tax credit | (17) | (46) |

The tax on the group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to the losses of the group as follows:

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Loss before tax | (819) | (415) |
| Tax calculated at domestic tax rates applicable 21% (2009: 21%) | (172) | (87) |
| Expenses not deductible for tax purposes | 40 | 18 |
| Additional deduction for R&D tax relief | (19) | (16) |
| Losses surrendered for R&D tax credit | 74 | 51 |
| R&D tax credit | (49) | (34) |
| Tax losses for which no deferred income tax asset was recognised | 38 | 80 |
| Adjustments in respect of prior periods | 69 | (58) |
| Total tax credit | (19) | (46) |

23 Net foreign exchange (gains)/losses

The exchange differences charged to the consolidated statement of comprehensive income are as follows:

| Group | 2010 £'000 | 2009 £'000 |
|----------------------|---------------|---------------|
| (Gains)/losses – net | (3) | 3 |

Notes to the financial statements for the year ended 31 December 2010

24 Earnings per share

| | 2010 | 2009 |
|--|------------|------------|
| Basic and diluted loss per share | | |
| Loss attributable to ordinary shareholders | (£886,000) | (£369,000) |
| Weighted average number of ordinary shares | 50,873,408 | 43,649,831 |
| Basic and diluted loss per share | (1.7p) | (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 years ended 31 December 2010 and 31 December 2009 are a loss, 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.

As at 31 December 2010, there were share options outstanding over 12,244,015 shares (2009: 9,160,429 shares), which could potentially have a dilutive impact in the future.

25 Commitments**(a) Capital commitments**

There are no capital commitments at either year end.

(b) Operating lease commitments

The group leases buildings under non-cancellable leases from various landlords.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

| | 2010 £'000 | 2009 £'000 |
|-----------------------------|---------------|---------------|
| Payable within 1 year | 46 | 46 |
| Payable within 2 to 5 years | 29 | 75 |
| | 75 | 121 |

26 Related party transactions**Transactions with and between subsidiaries**

As at 31 December 2010 the Company had advanced £270,000 to PhotonStar LED Limited and £6,264,000 to PhotonStar Technology Limited. Further details of these advances are given in Note 11 Trade and Other Receivables.

Transactions with directors and former directors

Mr G Davies and Mr G Jones resigned as executive directors of PhotonStar LED Group PLC on 23 December 2010 and received termination payments of £28,210 and £3,230 respectively. These termination payments were unsecured and were settled in full in early 2011 and the amounts were outstanding at 31 December 2010.

The emoluments of Mr S Gibson (2010 £11,667; 2009 £10,000) were invoiced to the Company by Fishstone Limited, the company paying his emoluments. Mr Gibson resigned as a non-executive director on 23 December 2010, and his emoluments of £11,667 included 3 months notice payable by the company under his letter of appointment.

Notes to the financial statements for the year ended 31 December 2010**26 Related party transactions (continued)****Transactions with directors and former directors (continued)**

Mr O G R Jones and Mr J Thynne resigned as non-executive directors on 23 December 2010 and their emoluments of £11,667 each for 2010 included 3 months notice payable under their respective letters of appointment. Mr O G R Jones and Mr J Thynne received 200,000 and 60,000 shares respectively in PhotonStar LED Group PLC in December 2010 in settlement of non-executive fees due to them. The amount payable to Mr S Gibson's company Fishstone Limited was unsecured and was settled in full in early 2011, with an amount of £2,500 outstanding at 31 December 2010.

Transactions with the vendors of Architectural Lighting & Controls Limited

Contingent consideration of £40,000 due to the vendors of Architectural Lighting & Controls Limited was settled on 23 December 2010 by the issue of 400,000 ordinary shares in PhotonStar LED Group PLC. The fair value per share was determined by reference to the 10p share price at which the group raised just under £2m before expenses at the same date. Two of the vendors are directors of subsidiary companies of the Group, and a third is an employee of Architectural Lighting & Controls Limited.

27 Controlling party

The directors consider there to be no ultimate controlling party.

28 Business combinations**Enfis Group PLC**

On 23 December 2010 the Group acquired control of Enfis Group PLC. The transaction was a reverse takeover, under which Enfis Group PLC acquired the entire issued share capital of PhotonStar LED Limited on terms which meant the shareholders of PhotonStar LED Limited became the majority shareholders in Enfis Group PLC. The reasons for the acquisition were to accelerate bringing to market lighting products using PhotonStar LED's intellectual property using Enfis resources and to provide access to equity capital through Enfis' presence on AIM.

The consideration was satisfied by the issue of 51,023,849 ordinary shares in Enfis Group PLC (now renamed PhotonStar LED Group PLC).

The fair value of Enfis Group PLC of £1.516m at acquisition was determined by reference to its 15.16m shares in issue immediately prior to the reverse takeover and the 10p price per share at which the Group raised just under £2m before expenses in new equity at the same time as completing the reverse takeover.

Other costs incurred by PhotonStar LED Limited relating to the acquisition of Enfis have not been included in the fair value of consideration shares shown above. These other costs have been included in administrative expenses.

Notes to the financial statements for the year ended 31 December 2010

28 Business combinations (continued)

Enfis Group PLC (continued)

| | 23 December 2010 | | 31 December 2010 Provisional | |
|--|------------------------|----------------------|------------------------------------|------------------------|
| | Book Value £'000 | Adjustments £'000 | Fair Value £'000 | Fair Value £'000 |
| Assets and liabilities acquired | | | | |
| Intangible assets | 80 | - | 80 | 80 |
| Property, plant and equipment | 82 | - | 82 | 82 |
| Inventories | 255 | (168) | 87 | 87 |
| Trade and other receivables | 133 | - | 133 | 133 |
| Current tax receivable | 117 | - | 117 | 117 |
| Cash and cash equivalents | 175 | - | 175 | 175 |
| Trade and other payables | (556) | - | (556) | (556) |
| Provisions | (134) | - | (134) | (134) |
| Borrowings | (28) | - | (28) | (28) |
| Net liabilities acquired | 124 | (168) | (44) | (44) |
| Goodwill | | | | 1,560 |
| | | | | 1,516 |
| Cost of business combination | | | | |
| Shares | | | | 1,516 |
| | | | | 1,516 |

The gross value of trade and other receivables is £201,000, and the amount shown above is net of a provision of £68,000 for receivables believed to be uncollectable at the date of acquisition.

The goodwill recognised above represents value that the Group expects to generate from enhancement, commercialisation and volume production of products under development by Enfis for its customer base at the time of acquisition. None of the goodwill is expected to be deductible for tax purposes.

Provisions relate principally to stock returns from distributors and to product warranties.

The acquisition was completed on 23 December 2010 and no profit or loss of the acquired business has been included in the results for the year ended 31 December 2010. The revenue and loss before tax of the acquired business for the year ended 31 December 2010 was £0.8m and £2.0m respectively.

A customer of the group's subsidiary Enfis Limited notified the Group in 2010 that it had received claims from its own customer which it maintains relate substantially to losses allegedly caused by faulty equipment supplied by Enfis Limited in late 2008 and early 2009. The equipment in question was rectified by Enfis Limited under warranty after the fault was identified in late 2009. These rectification costs were included in the results of Enfis Limited for the year ended 31 December 2009. In May 2011 Enfis Limited made an offer on a without prejudice basis to settle the claim in the sum of £19,500. To date no formal response has been received to this offer.

Notes to the financial statements for the year ended 31 December 2010

28 Business combinations (continued)

Architectural Lighting & Controls Limited

On 15 May 2009 the Group acquired control of Architectural Lighting & Controls Limited ("ALC") by acquiring its ordinary share capital in exchange for a cash payment of £65,000 and £336,370 of D class ordinary shares in PhotonStar LED Limited. Total contingent consideration of £75,000 became payable as a result of the achievement of sales targets specified in the sale and purchase agreement. £35,000 was settled in cash with the balance of £40,000 settled by the issue of 400,000 ordinary shares in PhotonStar LED Group PLC on 23 December 2010. The total contingent consideration paid was recognised at the acquisition date.

The fair value of PhotonStar LED Limited shares issued as part of the initial consideration was determined by reference to the value at which that company issued shares to raise additional equity from new and existing investors around the time of the acquisition.

The fair value of the PhotonStar LED Group PLC shares issued on 23 December 2010 in part settlement of the contingent consideration acquisition was determined by reference to the 10p price per share at which the Group raised just under £2m before expenses in new equity at the same time as issuing the 400,000 shares to the ALC vendors.

ALC was acquired to enhance the group's knowledge of the UK's commercial lighting market and to provide distribution channels into that market. The goodwill of £106,000 reflects the residual value of these benefits after ascribing value to the customer list of ALC at the date of acquisition. None of the goodwill is expected to be deductible for tax purposes.

| | 15 May | | 31 December | | 31 |
|--|------------|-------------|-------------|------------|------------|
| | 2009 | | 2009 | | December |
| | | | Provisional | | Final |
| | Book Value | Adjustments | Fair Value | Fair Value | Fair Value |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Assets and liabilities acquired | | | | | |
| Intangible assets – customer list | | 243 | 243 | 243 | 243 |
| Property, plant and equipment | 37 | - | 37 | 37 | 37 |
| Inventories | 78 | - | 78 | 78 | 78 |
| Trade and other receivables | 265 | - | 265 | 265 | 265 |
| Cash at bank and at hand | 56 | | 56 | 56 | 56 |
| Trade and other payables | (309) | | (309) | (309) | (309) |
| Deferred tax | - | - | - | - | - |
| Net assets acquired | 127 | 243 | 370 | 370 | 370 |
| Goodwill | | | 106 | 106 | 106 |
| | | | 476 | 476 | 476 |
| Cost of business combination | | | | | |
| Initial | | | | | |
| Cash | | | | 65 | 65 |
| Shares | | | | 336 | 336 |
| | | | | 401 | 401 |
| Contingent consideration paid in 2010 | | | | | |
| Cash | | | | 35 | 35 |
| Shares | | | | 40 | 40 |
| | | | | 476 | 476 |

Notes to the financial statements for the year ended 31 December 2010

28 Business combinations (continued)**Architectural Lighting & Controls Limited (continued)**

No provision has been made for uncollectable receivables in arriving at the fair value of trade and other receivables shown in the table above.

Other costs relating to the acquisition of ALC have not been included in the consideration and are included in administrative expenses.

29 Government grants

Government grants credited to income are as follows:

| Group | 2010 £'000 | 2009 £'000 |
|-------------------|---------------|---------------|
| Government grants | (60) | (46) |
| | (60) | (46) |

The government grants concerned primarily related to Technology Strategy Board funded research into multiple aspects of LED technology. The principal grant scheme continued into the first half of 2011 and has now ended, and the Group is in the process of submitting its final claim and report under the terms of the grant award. There are no job increase or job maintenance requirements under the terms of the grant schemes concerned.

30 Events after the reporting date

After the reporting period but before the financial statements were authorised for issue, 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) |
| Total net assets | 320 |
| | |
| Total fair value of initial consideration paid | 265 |
| Less: fair value of shares issued | (165) |
| Cash | 100 |
| | |
| Less: Cash of Camtronics Vale Limited | (11) |
| Cash outflow on acquisition net of cash acquired | 89 |
| Maximum additional earn-out consideration payable | 100 |
| Goodwill recognised assuming maximum consideration | 45 |

Notes to the financial statements for the year ended 31 December 2010

30 Events after the reporting date (continued)

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 will be 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 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 a combination of the ongoing profits of Camtronics Vale Limited, from access to its production expertise relevant to the Group's current and planned LED lighting 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 will be included in administrative expenses.

31 Capital management

In managing its capital structure the Group's objective is to safeguard the Group's ability to continue as a going concern, managing cash flows so that it can continue to provide returns for shareholders.

The Group makes adjustments to its capital structure in the light of changes in economic conditions and the requirements of the group's businesses. The board has sought to maintain low levels of borrowing to reflect the development stage of the group's businesses.

Over time as the group's businesses mature and become profitable the board is likely to make increased use of borrowing facilities to fund working capital.

In order to maintain or adjust the capital structure, the group may issue new shares or seek additional borrowing facilities.

The Group monitors capital on several bases including the debt to equity ratio. This ratio is calculated as debt ÷ equity.

Debt is calculated as total borrowings as shown in the consolidated statement of financial position.

Equity comprises all components of equity as shown in the consolidated statement of financial position.

The debt-to-equity ratio at 31 December 2010 and 31 December 2009 was as follows:

| Group | 2010 £'000 | 2009 £'000 |
|----------------------|---------------|---------------|
| Total debt | 38 | - |
| Total equity | 3,542 | 521 |
| Debt-to-equity ratio | 1.1% | - |

Notes to the financial statements for the year ended 31 December 2010

32 Reverse Acquisition Reserve

The reverse acquisition reserve set out in the Consolidated Statement of Changes in Equity arose on the acquisition by PhotonStar LED Group PLC of the entire issued share capital of PhotonStar LED Limited on 23 December 2010. Although the legal acquirer in this transaction was PhotonStar LED Group PLC (formerly Enfis Group PLC), IFRS 3 requires that PhotonStar LED Limited be treated as the acquiring and continuing business.

Consequently the previously recognised book values and assets and liabilities of Photonstar LED Limited have been retained and the consolidated financial information for the years ending 31 December 2010 and 2009 have been presented as if Photonstar LED Limited had always been the parent company of the Group.

The consideration payable in respect of the transaction was settled via a share for share exchange, whereby 12.609 ordinary shares in PhotonStar LED Group PLC were exchanged for each allotted share in PhotonStar LED Limited.