

28 September 2017

PhotonStar LED Group Plc

Half year results

PhotonStar LED Group Plc (AIM: PSL, "PhotonStar" or "the Group"), the British designer and manufacturer of smart LED lighting solutions, announces its half year results for the six months ending 30 June 2017.

Operational and strategic overview

- halcyon cloudBMS product and halcyonPRO2™ have been commercially available from 1 April 2017. The new halcyonPRO2™ adds regulation of heating and cooling, shading and power management to the proven lighting control and environmental sensor network already in use in the first Halcyon™ product;
- On 27 April 2017, the Group announced customer intent on a proposed roll out of the halcyonPRO2™ and halcyon cloudBMS. As a result of additional product development work needing to be undertaken, this has yet to generate additional revenues for the Group;
- Hardware sales of halcyonPRO2 are now underway. Progress has been slower than initially expected on the cloudBMS product development, meaning revenues on these cloud based services are not now expected to begin until 2018; and
- Several new trials for halcyonPRO2™ and cloudBMS are planned in Q4 for organisations with multiple property sites in healthcare, hospitality and housing associations.

Financial overview

- Raised £0.46m (before expenses) of additional capital from new and existing shareholders in May 2017 to fund the roll out of halcyonPRO2™ and the Halcyon cloudBMS platform.
- Revenues for H1 2017 down 11% to £2.26m (H1 2016: £2.53m)
- Gross profit margin for H1 2017 was 32% (H1 2016: 33%)
- Administrative expenses down 24% to £1.34m (H1 2016: £1.76m)
- Adjusted EBITDA loss for H1 2017 down to £0.23m (H1 2016: loss £0.54m)
- Pre-tax loss for the period of £0.60m (H1 2016: loss £0.91m)
- Loss per share of 0.2p (H1 2016: loss per share 0.4p)
- At 30 June 2017, net debt £0.81m (H1 2016: net debt £0.68m)
- H1 2017 Segmental revenue analysis
 - Lighting Fixtures revenues down 15% to £1.36m (H1 2016:£1.59m)
 - Contract manufacturing revenues up 16% to £0.79m (H1 2016:£0.68m)
 - Halcyon / Light engines revenues down 58% to £0.11m (H1 2016:£0.26m)
- Segmental Adjusted EBITDA analysis
 - Lighting Fixtures loss of £0.05m (H1 2016: loss £0.25m)
 - Contract manufacturing breakeven (H1 2016: loss £0.05m)
 - Halcyon / Light engines loss of £0.13m (H1 2016: loss £0.10m)

James McKenzie, Chief Executive of PhotonStar, said:

"During H1 2017 steady progress has continued to be made in transitioning the Group into becoming a retrofit connected lighting and building management business. We have installed a number of trials in a variety of sectors, although frustratingly we are yet to move these trials into the anticipated roll out phase of the programme. This delay has been caused by the need for a variety of additional product development work that was identified during the trial phase."

The traditional lighting business has been placed under significant pressure with continued competitor price reductions resulting in a decline in revenues and increased pressure on profit margins, although overall the group has preserved the Gross Profit Margin that was achieved in 2016.

Management remain confident about the market potential for the halcyonPRO2™ and its halcyon cloudBMS platform. Progress has been slower than anticipated on finalising the cloudBMS product to customer requirements and it is now expected that this will occur in Q4 2017. However, several new trials for the halcyon cloudBMS platform are now underway which should result in further roll out contracts during 2018.

I am very grateful for the continuing support that the Company's existing shareholders have shown over the last 24 months and look forward to providing further updates regarding the proposed roll out of Halcyon™ and the halcyon cloudBMS platform as 2017 progresses."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

For further information:

PhotonStar LED Group Plc (www.photonstarled.com) +44 (0)2381 230381
James McKenzie – Group Chief Executive

Northland Capital Partners +44 (0)20 3861 6625
Patrick Claridge/David Hignell/ (Corporate Finance)
John Howes/Rob Rees (Corporate Broking)

About PhotonStar LED Group Plc

PhotonStar LED Group Plc is a leading British designer and manufacturer of intelligent lighting and building control solutions. The Group's proprietary technology Halcyon™ is a scalable, secure wireless IoT platform for retrofit into commercial buildings, for energy reduction, asset monitoring & control, and real time environmental, behavioural and energy insights.

PhotonStar is based in Romsey, Hampshire with a manufacturing facility in Wales.

Overview

During the period under review the Group has been concentrating upon the successful delivery of the Halcyon™ product range to customers for specified one off projects and for the completion of a number of paid for trials in such a way that they lead to orders for the roll out of a clearly specified product across the customers' property estate. These paid for trials have created significant interest in the Halcyon™ and the halcyon cloudBMS platform products and we have been repeatedly informed that these are industry leaders in terms of its ability to provide remote monitoring of a very wide variety of property related issues and the cost effectiveness of the product. There have been delays to the intended roll out of the product across a number of customers' estates because of the need to generate a detailed specification of work and because there have been various upgrades and changes to Halcyon™ that we have needed to undertake as a result of the knowledge gained from the trials.

Whilst there have been delays to what we previously expected in terms of the larger roll outs we have continued to find significant interest in Halcyon™ which has resulted in further paid for trials and which are planned for installation since the period end. In addition, we have recruited additional people who have now completed their training for Halcyon™ and who will be responsible for the specification and installation of the Halcyon™ system. We therefore believe that whilst the delay to large installations is disappointing we are now well positioned to achieve the successful delivery of Halcyon™. The customer feedback is highly collaborative and continues to be very positive about Halcyon™ and the benefits that it will provide.

PhotonStar therefore remains heavily focused on achieving successful large scale installations of the Halcyon™ product range and to use this range to transition itself into a Group that increasingly focuses on being a retrofit connected lighting and building management business, which offers the potential to address a broad range of significant future business opportunities and markets.

The Group's proprietary technology Halcyon™ is a scalable, secure wireless IoT platform for retrofit into commercial buildings, for energy reduction, asset monitoring & control, and real time environmental, behavioural and energy insights. The ability of the system to gather and report real time data has created significant interest from a wide range of industry sectors which regard this ability as a key part of their future needs requirements.

The Board is pleased with the on-going collaboration with IBM and anticipates that this will lead to some further project work within IBM premises and also as a result of the steady flow of introductions by IBM to a variety of potential customers where IBM have identified a customer requirement for cloudBMS™. This started at the beginning of the year with the test installation at IBM's Hursley House offices, then developed into a demonstration of the Halcyon™ intelligent wireless lighting system operating with the IBM Watson IoT Cloud platform to IBM clients and partners at IBM's Global Watson IoT Headquarters in Munich, Germany and also attendance by PhotonStar at the IBM Interconnect Conference in 2016 and 2017

The initial development of Halcyon™ is now largely complete as announced in early 2017 with current and future development work concentrating on improvements to Halcyon™ which have been identified as a result of the various trials that are in place and the expansion of cloud services.

We have also been working to ensure that our more traditional businesses are changed in order to reflect the ever increasing competitiveness of the markets that they operate in. This has meant that during the period under review we have cut a significant amount of overheads out of the business and have concentrated our efforts on the specification and high quality sectors of the market where the PhotonStar product range and knowledge provide us with more opportunity, for example in colour-tune human centric lighting system products. There is no doubt that the traditional lighting markets have continued to be highly competitive with constant downward pressure on prices. In addition the recent increased volatility of exchange rates has meant that our costs of imported goods have become harder to forecast.

Business review

PhotonStar Technology Ltd -Halcyon IoT and LED light engines ("PST")

Focused on retrofitting existing buildings with lighting, environmental monitoring and cloud based building management services

During the period under review we continued to install Halcyon™ into a number of sites in a variety of different industry sectors but with a focus on health care. Many of the trials that we have now installed are part of significant property portfolios and management's expectation is that these trials will provide compelling information and confirmation of the benefits of installing the Halcyon™ system. Due to the fact that Halcyon™ has been designed as a retrofit system, the payback on installation costs for the customer are usually less than 12 months. This affordability of the system provides additional confidence to management that the results of the trials will help convince customers that a full scale roll out is both desirable and affordable.

The new halcyonPRO2™ announced in Q1 2017 is an extended version of the original Halcyon™ system and adds the regulation of heating and cooling, shading and power management to the proven lighting control and environmental sensor network already in use in the first Halcyon™ product. cloudBMS™, halcyonPRO2™ and cloud based analytics combine to deliver an extremely capable, scalable and secure building management as a service at a price point and low entry cost that enables owners of small to medium sized businesses to reduce energy and operating costs and realise new insights into their operations.

The combination of the retrofittable hardware and sensor inputs, cloud analytics, visualisation and the connectivity options to asset management software will lower operating expenses for owners of multiple facilities by reducing manual compliance tests, manual monitoring and inspection of assets, and enable smart predictive and preventative maintenance.

The Board anticipates that PST's future revenue streams will be driven by a combination of hardware sales and services in lighting, heating, cooling, ventilation and critical asset monitoring. Management anticipate that as the systems are installed the service revenue component will strengthen the Group's gross margin.

Several new trials are planned for Q4 in healthcare, hospitality and housing associations. We also hope to have moved a number of existing trials into the roll out phase by this time.

PhotonStar LED Ltd - LED fixtures business

LED lighting focused on the new build market

During the period under review LED Lighting Fixtures revenues fell by 14% to £1.36m (H1 2016:£1.59m) with losses reducing to £0.05m (H1 2016: loss £0.25m).

The lighting market continues to transition towards LED lighting, with colour-tuneable and Circadian LED lighting becoming a significant subsector. The company has a revised line up of products focused in this area and is seeing strong interest in these products.

House builder sales exceeded forecast in H1 2017. The Group continues to benefit from an exclusive contract with a leading UK house builder, initially announced in September 2012.

Camtronics Vale Ltd

External customer contract electronics manufacturing business

Camtronics Vale Limited, a subsidiary of the Company, undertakes critical LED and electronic assembly operations for the Group's manufacture of its lighting fixtures. Camtronics Vale also contracts electronics manufacturing for some third party customers.

Contract manufacturing revenues were up 16% to £0.79m (H1 2016: £0.68m) with the company breaking even in H1 2017. We have reduced the cost base of this company and increased our sales effort so that the revenues are now growing again and we expect will be back to the historic levels in 2018. This growth in revenues and reduction in costs means that we expect that this company will make a positive contribution to the Group's revenues in the second half of 2017 and beyond.

Financial review

The Group is making progress in transitioning from its traditional LED product markets into becoming a retrofit connected lighting and building management business. Meanwhile, focus continues on maximizing its traditional revenues and maintaining its margins, and investing in the enhancement of its Halcyon™ product range and its building management services.

The Group's half year revenues decreased by 11% to £2.26m (H1 2016: £2.53m) with a gross profit margin of 32% (H1 2016: 33%).

Administrative expenses decreased by a further £0.42m to £1.34m (H1 2016: £1.76m), due to downsizing in 2014, 2015 and 2016, and continuing tight control on costs (whilst maintaining the substantial investment in R&D and product development).

Adjusted EBITDA (adjusted for share based payments) loss was down to £0.23m (H1 2016: loss £0.54m).

The Group reported a pre-tax loss of £0.60m (H1 2016: loss £0.91m) and loss per share for the half year was 0.2p (H1 2016: loss per share 0.4p). The Group's unused aggregate tax losses are approximately £10m.

Group net borrowings debt at 30 June 2017 was £0.81m (H1 2016: £0.68m).

Group capital expenditure was £0.27m (H1 2016: £0.59m) relating to the continuing investment in product development and the patent portfolio, in particular the development of the Halcyon™ lighting systems.

Current Trading and Outlook

The research and development work that we have undertaken over the last three years for the creation of Halcyon™ and halcyonPRO2™ is now largely complete with current and future development work concentrating on improvements, new, customer led, solutions and markets for Halcyon™.

Trading continues to be difficult in the traditional LED fixture market. However, further revenue improvement in all business units is being seen in the current period of Q3 2017 and we currently expect the second half of 2017 to provide a positive contribution to the results for the full year.

The Group has targeted Halcyon™ sales and marketing efforts into the retrofit market and we continue to see good growth in this market. This combined with the fact that our development work for this industry leading product is now largely complete means that the Board views the future with increased optimism.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

		6 Months Ended 30 June 2017 Unaudited £'000	6 Months Ended 30 June 2016 Unaudited £'000	Year Ended 31 December 2016 Audited £'000
	Notes			
Revenue	2	2,259	2,532	5,319
Cost of Sales		(1,528)	(1,696)	(3,555)
Gross Profit		731	836	1,764
Administrative Expenses		(1,340)	(1,762)	(3,263)
Other Income		31	35	116
Operating Loss		(578)	(891)	(1,383)
Financial Expense		(26)	(23)	(50)
Loss Before Income Tax		(604)	(914)	(1,433)
Taxation Credit	3	119	130	266
Loss and total comprehensive income for the period attributable to the Equity Shareholders of the Parent		(485)	(784)	(1,167)
Loss per share Basic and diluted	4	(0.2)p	(0.4)p	(0.6)p

**Consolidated Statement of Financial Position
as at 30 June 2017**

	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Non-Current Assets			
Property, Plant & Equipment	389	435	394
Intangible Assets	1,843	1,848	1,898
Total Non-Current Assets	2,232	2,283	2,292
Current Assets			
Inventories	685	956	774
Trade & Other Receivables	1,131	1,139	1,039
Current Tax Assets	312	311	160
Cash & Cash Equivalents	95	247	225
Total Current Assets	2,223	2,653	2,198
Total Assets	4,455	4,936	4,490
Equity			
Ordinary Share Capital	2,252	1,877	1,879
Share premium	7,828	7,773	7,776
Share capital reduction reserve	10,081	10,081	10,081
Share option reserve	665	617	641
Reverse acquisition reserve	(8,843)	(8,843)	(8,843)
Profit and Loss	(9,832)	(8,964)	(9,347)
Equity	2,151	2,541	2,187
Liabilities			
Current Liabilities			
Trade & Other Payables	1,340	1,416	1,413
Borrowings	908	930	831
Provisions	41	34	44
Total Current Liabilities	2,289	2,380	2,288
Non-Current Liabilities			
Deferred Tax Liabilities	15	15	15
Total Liabilities	2,304	2,395	2,303
Total Equity and Liabilities	4,455	4,936	4,490

**Consolidated Statement of Cash Flows
For the six months ended 30 June 2017**

	6 Months Ended 30 June 2017 Unaudited £'000	6 Months Ended 30 June 2016 Unaudited £'000	Year Ended 31 December 2016 Audited £'000
Cash Flows from Operating Activities			
Operating Loss	(578)	(891)	(1,433)
Depreciation	39	49	94
Amortisation	285	278	546
Share Option Charge	25	18	42
Movement in Provisions	3	(2)	8
Grant Income	(31)	(35)	(62)
Receipt of grants	-	25	24
Profit on Sale of Plant, Property & Equipment	(15)	-	(53)
Profit on Sale of Patents	(50)	-	-
Change in Inventories	89	(82)	100
Change in Trade & Other Receivables	(92)	498	598
Change in Trade & Other Payables	(74)	(169)	(144)
Cash Generated from/(Used in) Operations	(399)	(311)	(280)
Interest Paid	(26)	(23)	-
Tax Received	-	179	466
Net Cash Generated from/(Used in) Operating Activities	(425)	(155)	186
Cash Flows From Investing Activities			
Proceeds on disposal of Plant, Property & Equipment	10	-	53
Proceeds on disposal of Patents	50	-	-
Purchase of Property, Plant and Equipment	(9)	(270)	(274)
Purchase of Intangible Assets	(258)	(315)	(633)
Net Cash Used in Investing Activities	(207)	(585)	(854)
Cash Flows from Financing Activities			
Proceeds from the issue of ordinary shares	425	902	907
Increase/(Decrease) in borrowings	77	(112)	(211)
Net Cash Generated from Financing Activities	502	790	696
Net (Decrease)/Increase in Cash and Cash Equivalents	(130)	50	28
Cash and Cash Equivalents at the Start of the Period	225	197	197
Cash and Cash Equivalents at the End of the Period	95	247	225

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017 (unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Share capital reduction reserve £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
At 1 January 2017	1,879	7,776	10,081	641	(8,843)	(9,347)	2,187
Issue of New Shares	373	52	-	-	-	-	425
Share Option Charge	-	-	-	24	-	-	24
Comprehensive Loss for the Period	-	-	-	-	-	(485)	(485)
At 30 June 2017	2,252	7,828	10,081	665	(8,843)	(9,832)	2,151

For the six months ended 30 June 2016 (unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Share capital reduction Reserve £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
At 1 January 2016	1,477	7,271	10,081	599	(8,843)	(8,180)	2,405
Issue of New Shares	400	502	-	-	-	-	902
Share Option Charge	-	-	-	18	-	-	18
Comprehensive Loss for the Period	-	-	-	-	-	(784)	(784)
At 30 June 2016	1,877	7,773	10,081	617	(8,843)	(8,964)	2,541

For the year ended 31 December 2016 (audited)

	Ordinary Share Capital £'000	Share Premium £'000	Share capital reduction Reserve £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
Balance at 1 January 2016	1,477	7,271	10,081	599	(8,843)	(8,180)	2,405
Issue of new shares	402	505	-	-	-	-	907
Share Option Charge	-	-	-	42	-	-	42
Comprehensive Loss for the Period	-	-	-	-	-	(1,167)	(1,167)
At 31 December 2016	1,879	7,776	10,081	641	(8,843)	(9,347)	2,187

Notes to the financial statements
For the six months ended 30 June 2017 (unaudited)

1. Basis of preparation

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

The principal accounting policies used in preparing these interim financial statements are those expected to apply to the Group's Consolidated Financial Statements for the year ending 31 December 2017 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2016.

The financial information for the six months ended 30 June 2017 and 30 June 2016 is unaudited and does not constitute statutory financial statements for those periods.

The comparative financial information for the year ended 31 December 2016 is not statutory accounts within the meaning of s434 of the Companies Act 2006 but has been derived from the audited statutory financial statements for that year. The statutory accounts for the year ended 31 December 2016 have been reported on by the Company's auditor, delivered to the Registrar of Companies and have been sent to the shareholders.

The Auditor's opinion on the Group's statutory financial statements for the year ended 31 December 2016 included the following:

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the directors' assessment of the ability of the Company and the Group to continue as going concerns. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and the Group to continue as going concerns. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as going concerns.

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

"The directors have adopted the going concern basis in preparing the financial statements for the year to 31 December 2016. 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 May 2018.

Current Funding

The Group's cash balance at 31 December 2016 was £225,000 and the drawdown of borrowings was £831,000 (2015: £1,041,000) against bank facilities at that date of £1,790,000. Since then the Group has continued to execute its business plan by:

- investing in the continuing growth of its Lighting fixtures business and the development of new product ranges;
- continued further investment in expanding its Halcyon™ range: and

- continued transformation of the Group into a retrofit connected lighting and building management business through its Halcyon™ and cloudBMS platforms.

In order to progress these plans, after the year end, in May 2017 new shares were issued in the Company for a consideration of £465,000.

Projected Funding

Subject to the continued growth in Halcyon™ sales, the cash flow projections show that the Group can continue to operate for a period of 12 months from the date the financial statements were signed.

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

The projections include assumptions on the amount and timing of revenue and gross margin that the Group expects to achieve during the period of the projections. These assumptions are subject to both market and other uncertainties, as discussed in the Chief Executive Officer's Statement and the Strategic Report. In particular, the forecasts include assumptions about the sales of the Group's Halcyon™ product range. This is a relatively new product range and therefore there is more uncertainty inherent in forecasting the timing and quantum of sales since there is not yet a mature market for this product range.

The Group has incurred a net loss of £1,167,000 in the year (2015: £2,767,000) and has been loss making since incorporation. The projections reflect the directors' expectation that the Group will be monthly adjusted EBITDA (as calculated in Note 5) positive in 2017. To the extent there is a shortfall in revenue and/or gross margin, it is likely to be at least partially offset by a reduction in working capital requirements. Nevertheless, the ability of the Company and the Group to continue as going concerns is dependent on the ability of the Group to achieve the growth in sales of its products projected by the directors in their current forecasts which in turn depends on the Group being able to exploit the market for the new product range. Growth needs to be sufficient for the Company and the Group to be able to operate within their cash resource and borrowing facilities.

Conclusion

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

2. Segmental Information

Six Months Ended 30 June 2017 (unaudited)	LED Lighting Fixtures £'000	Halcyon & Light Engines £'000	Contract Manufacturing £'000	Total £'000
Revenue;				
UK	1,204	109	777	2,090
Rest of World	157	-	12	169
Total Revenue	1,361	109	789	2,259
Adjusted EBITDA for reportable segments	(52)	(130)	0	(182)
Depreciation and Amortisation	(71)	(231)	(22)	(324)
Interest Expense	(12)	(1)	(14)	(26)
Taxation Credit	10	109	-	119
Total Assets	1,195	1,961	938	4,094
Total Liabilities	544	295	424	1,263
Six Months Ended 30 June 2016 (unaudited)	LED	Halcyon		Total

	Light Fixtures £'000	& Light Engines £'000	Contract Manufacturing £'000	£'000
Revenue				
UK	1,495	263	600	2,358
Rest of World	97	-	77	174
Total Revenue	1,592	263	677	2,532
Adjusted EBITDA for reportable segments	(252)	(95)	(49)	(396)
Depreciation and Amortisation	(129)	(173)	(25)	(327)
Interest Expense	(8)	-	(15)	(23)
Taxation Credit	35	95	-	130
Total Assets	1,736	1,891	802	4,429
Total Liabilities	684	277	408	1,369

Year Ended 31 December 2016 (audited)	LED Light Fixtures £'000	Halcyon & Light Engines £'000	Contract Manufacturing £'000	Total £'000
Revenue;				
UK	2,819	585	1,659	5,063
Rest of World	256	-	-	256
Total Revenue	3,075	585	1,659	5,319
Adjusted EBITDA for reportable segments	(111)	(353)	(27)	(491)
Depreciation and Amortisation	(214)	(377)	(49)	(640)
Interest Expense	(20)	(1)	(29)	(50)
Taxation Credit	70	196	-	266
Total Assets	1,243	1,916	895	4,054
Total Liabilities	616	364	396	1,376

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

Reconciliation of Adjusted EBITDA to Loss Before Tax

	6 Months Ended 30 June 2017 Unaudited £'000	6 Months Ended 30 June 2016 Unaudited £'000	Year Ended 31 December 2016 Audited £'000
Adjusted EBITDA for Reportable Segments	(182)	(396)	(491)
Corporate Expense	(47)	(150)	(210)
Adjusted EBITDA	(229)	(546)	(701)
Share Option Charge	(25)	(18)	(42)
Depreciation and Amortisation	(324)	(327)	(640)
Interest Expense	(26)	(23)	(50)
Loss before Tax	(604)	(914)	(1,433)
	30 June	30 June	31 December

	2017	2016	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Segment Assets for Reportable Segments	4,094	4,429	4,054
Unallocated:			
Cash at Bank	95	247	225
Other	266	260	211
Total Assets per the Statement of Financial Position	<u>4,455</u>	<u>4,936</u>	<u>4,490</u>

Reconciliation of Reportable Segment Liabilities to Total Liabilities

	30 June	30 June	31 December
	2017	2016	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Segment Liabilities for Reportable Segments	1,263	1,369	1,376
Unallocated:			
Borrowings	908	930	831
Other	133	96	96
Total Liabilities per the Statement of Financial Position	<u>2,304</u>	<u>2,395</u>	<u>2,303</u>

3. Income Tax Credit

The income tax credit of £119,000 for the six months ended 30 June 2017, (6 months ended 30 June 2016: £130,000; year ended 31 December 2016: £266,000) represents estimated research and development tax credit receivable for that period. Excluding these matters, the effective tax rate for the Group for the year ended 31 December 2017 is expected to be zero, reflecting the availability of estimated brought forward tax losses at 31 December 2016 of about £9.9m.

4. Earnings per share

	6 months	6 months	Year
	ended	ended	ended
	30 June 2017	30 June 2016	31 December 2016
Loss attributable to ordinary shareholders	£(485,000)	£(784,000)	£(1,167,000)
Weighted average number of ordinary shares	198,645,512	184,042,465	187,958,220
	(0.2p)	(0.4p)	(0.6p)

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

As the results for the six months ended 30 June 2017 and 30 June 2016 and for the year ended 31 December 2016 are losses, any exercise of share options would have an anti-dilutive effect on earnings per share. Consequently earnings per share and diluted earnings per share are the same as potentially dilutive share options have been excluded from the calculation.

5. Copies of Interim Report

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