

28 May 2013

PhotonStar LED Group Plc

Full year results

PhotonStar LED Group plc (AIM: PSL, "PhotonStar" or "the Group"), the British designer and manufacturer of smart LED lighting solutions, announces its full year results for the year ended 31 December 2012.

Highlights

- Revenues up 44% to £8.70m (2011: £6.06m)
- Gross profit up 60% to £3.44m (2011: £2.15 m)
- Adjusted EBITDA loss improves to £0.29m (2011: loss £0.63m)
- Reported loss before tax of £0.84m (2011: loss £1.11m).
- Basic loss per share of 0.8p (2011: basic loss per share 1.1p)
- Year-end net cash position of £1.1m with borrowing facilities available up to £0.5m
- Good operational progress:
 - Completion of two new LED production facilities
 - ChromaWhite lighting technology successfully demonstrated prototypes
- Market dynamics strong; regulatory environment and improved affordability of LED lighting driving growth

James McKenzie, CEO of PhotonStar, commented

"We achieved several major milestones during 2012, with our new production facilities coming online and successfully demonstrating the effectiveness of our ChromaWhite colour tuneable LED technology."

"With good revenue growth already coming through and a strengthened balance sheet, we look forward to delivering further progress this year. We are in a strong position to take advantage of the developing LED market, with new, more efficient and competitive products coming to market during 2013."

For further information:

PhotonStar LED Group plc (www.photonstarled.com)

+44 (0)2381 230381

James McKenzie – Group Chief Executive

Russell Banks – Group Chief Financial Officer

finnCap

+44 (0)20 7600 1658

Geoff Nash/Charlotte Stranner (Corporate Finance)

Brian Patient (Corporate Broking)

College Hill

+44 (0)20 7457 2020

Adrian Duffield/Rozi Morris

Note to editors

PhotonStar LED Group PLC ("PhotonStar" or the "Group") is a British designer and manufacturer of smart LED lighting solutions. The Group's proprietary technology seamlessly integrates LEDs, sensors and controls to provide intelligent lighting for commercial and architectural applications which benefit from greater CO2 reduction, lower cost of ownership & improved functionality compared to other available light sources.

PhotonStar's lighting products have won numerous awards for performance, innovation and reliability, and are unique in the industry for the use of recycled, and recyclable materials, which means they have 90% less embodied CO2 than equivalent products providing the same levels of illumination.

PhotonStar comprises two divisions: LED Lighting Fixtures which works with lighting designers, architects, house builders, facilities management companies and sustainability consultants to provide intelligent, high-end LED lighting solutions for the commercial and architectural market, and LED Light Engines which provides LED lighting solutions for specialist applications such as film & television production lighting, UV curing and medical applications.

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

Overview

PhotonStar made excellent progress during 2012, building on the strong opportunity and reputation the Group has established within LED lighting. Several major milestones were achieved, including the completion of two new production facilities, one producing LED luminaires, and the other a Chip on Board LED packaging facility for LED light engines. These facilities underpin the Group's ability to deliver on its growth strategy.

The Group has seen good sales growth with sales up 44% to £8.7m (2011: £6.1m) and margins improving to 40% (2011: 35%). Adjusted EBITDA (being EBITDA before share option charge) was a loss of £0.29m, an improvement on 2011 (loss £0.63m). The completion of the invoice finance facility with HSBC in July 2012 and the funds raised in December 2012 have also resulted in a much strengthened balance sheet.

Particularly strong progress has been made in developing PhotonStar's ChromaWhite technology, the Group's next generation smart circadian light engine. The Group successfully demonstrated a prototype of ChromaWhite's colour tuneable technology in a standard lamp form factor, with full wireless control, at London's Ecobuild show in March 2013.

PhotonStar remains confident in its future prospects. The market drivers for efficient, smart lighting solutions are strong with improving affordability and regulatory change increasing adoption rates. The Group is well positioned to be able to take advantage of the growth in the LED market.

The market opportunity

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

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

Business review

LED fixtures business

The LED fixtures business has scaled up well and continues to show strong growth. In March 2012 the Group signed a strategic five year partnership agreement with Lightitude FZC, the specification lighting division of the Debbas Group, a multinational technology & services conglomerate, based in the Middle East. The partnership will see Lightitude represent PhotonStar's LED lighting fixtures across 19 countries in the Middle East and North Africa.

In September 2012 the Group announced a rolling one year exclusive supply agreement with a major UK house builder, to supply LED lighting fixtures for all of the developer's new homes. In the last year, the house builder completed 1,500 homes, and is forecasting continued growth.

LED light engines business

The Group raised £1.5m in December 2012 to further develop products based on its ChromaWhite technology. ChromaWhite is the Group's next generation light engine product, which allows microprocessor controlled colour tuning and superior light quality, at an extremely competitive price-point.

Sampling of the ChromaWhite range to key customers started in June 2012. The production ramp was initially slowed by third party supply issues which have now been resolved. Shipments are expected to increase during 2013.

In October 2012 PhotonStar was invited by ARM Holdings PLC ("ARM") to provide a demonstration of LED lighting with embedded microprocessors as part of a future markets showcase at the ARM TechCon in Santa Clara, California. PhotonStar's ChromaWhite colour tuneable LED technology is one of the first lighting solutions to feature an embedded ARM microprocessor, highlighting the future market opportunities for embedded processors in smart lighting.

In January 2013, PhotonStar also demonstrated its LED smart lighting solutions in partnership with CSR at its stand at the CES show in Las Vegas. The Group worked closely with CSR to show how Bluetooth Smart low energy wireless technology can enable smartphones, tablets and other connected devices to control lighting systems throughout the home.

PhotonStar was invited to host the 'Evolution of Light' feature exhibit at London's Ecobuild show in March 2013, where visitors were able to interact with the lighting installations through their smartphones and experience the effects of different types of lighting. Around 5,000 people visited the feature which focused not just on efficiency and sustainability but also on the healthier, more productive built environment. A prototype ChromaWhite colour tuneable smart lamp was demonstrated to the public, in a standard lamp form factor, with full wireless control.

New product development

PhotonStar has continued to develop new, more efficient and competitive versions of its LED fixture products. For example, the new EcoStar wholesale range now has a fixture efficiency above 80lm/W and the specification range has a fixture efficiency range of up to 100lm/W, an increase of 25% in efficiency since the last versions.

Intellectual property

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

Financial review

Group sales increased by 44% to £8.7m (2011: £6.1m), reflecting the strong growth in LED fixture sales. LED light engine sales contributed £0.8m to 2012 sales.

Group gross margin improved to 40% (2011: 35%). The LED fixtures division saw margins of 38% (2011: 36%) and the LED light engines division saw margins of 60% (2011:35%).

The increase in administrative expenses reflects the expansion of the Lighting fixtures business. Non cash costs (depreciation, amortisation and share based payments) included in administrative expenses are similar to last year at £0.5m.

The Group's pre tax loss for the year was £0.8m (2011: loss £1.1m). Basic (and diluted) loss per share was 0.8p (2011: basic (and diluted) loss per share 1.1p). The Group has tax losses of approximately £7.5m available to set against future trading profits.

During 2012, the Group made capital expenditure of £0.8m, of which £0.5m was spent on development of its LED lighting fixtures and light engines, and £0.3m on plant and equipment.

In December 2012 the Group raised a further £1.5m net of expenses to support development of its ChromaWhite technology and provide further working capital.

During 2012 the Group invested £0.4m in additional inventories and trade and other receivables in support of its growing business.

The Group's year-end net cash position was £1.1m with available borrowing facilities of up to £0.5m.

Current trading and outlook

A rapid transition towards LED lighting is happening across the market. This is driven by cost reductions, increased efficiency and multiple regulatory drivers, including the Europe-wide ban on incandescent lamps and the code for sustainable homes. PhotonStar is well positioned to take advantage of this opportunity.

With a growing reputation as a high quality and innovative manufacturer of LED lighting products, export channels and overseas commercial opportunities for PhotonStar are increasing. Sales to countries outside of the European Union accounted for 23% of revenue in 2012 and are expected to increase in 2013 and beyond, particularly in the Middle East. Another growth area is expected to be northern Europe.

The first quarter of 2013 has seen some further operational challenges associated with the continued development and improvement of ChromaWhite, the change of CFO in April 2013 and the general low level of activity in the construction sector across Europe. As in previous years, growth is expected to be second half weighted, following the introduction of new, more efficient and competitive versions of our LED fixture products during Q2 2013.

Since the end of the financial year the Group's innovative position in the market has continued to be recognised. In March 2013 CEO James McKenzie was awarded Entrepreneur of the Year at the 2013 New Energy and Cleantech Awards.

Additionally, in May 2013, the Group was awarded a grant by the DECC Entrepreneurs fund of up to £0.4m to support the Smart Circadian Retrofit LED lighting project to develop further ChromaWhite for the retrofit market. This highlighted the innovative and ground breaking nature of ChromaWhite.

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012**

	2012	2011
	£'000	£'000
Revenue	8,701	6,061
Cost of Sales	(5,263)	(3,915)
Gross Profit	3,438	2,146
Administrative Expenses	(4,244)	(3,272)
Other Income	7	34
Operating Loss	(799)	(1,092)
Financial Expense	(37)	(13)
Loss before Income Tax	(836)	(1,105)
Income Tax Credit	56	81
Loss and Total Comprehensive Income for the year attributable to the equity shareholders of the parent	(780)	(1,024)
Loss per share		
Basic and diluted	(0.8p)	(1.1p)

**Consolidated Statement of Financial Position
as at 31 December 2012**

	2012	2011
	£'000	£'000
Non-Current Assets		
Property, Plant and Equipment	574	488
Intangible Assets	2,755	2,543
	3,329	3,031
Current Assets		
Inventories	1,041	785
Trade and Other Receivables	1,603	1,336
Current Tax Assets	214	198
Cash and Cash Equivalents	1,953	748
	4,811	3,067
Total Assets	8,140	6,098
Equity		
Capital and reserves attributable to equity holders of the Company		
Ordinary Shares	11,184	9,875
Share Premium	5,429	5,282
Share Option Reserve	453	420
Reverse Acquisition Reserve	(8,843)	(8,843)
Accumulated Losses	(3,430)	(2,650)
Total Equity	4,793	4,084
Liabilities		
Current Liabilities		
Trade and Other Payables	2,428	1,710
Borrowings	816	148
Provisions	88	141
	3,332	1,999
Non-Current Liabilities		
Deferred Tax Liabilities	15	15
Total Liabilities	3,347	2,014
Total Equity and Liabilities	8,140	6,098

**Consolidated Statement of Cash Flows
For the year ended 31 December 2012**

	2012	2011
	£'000	£'000
Cash flows from operating activities		
Operating loss	(799)	(1,092)
Depreciation	210	136
Amortisation	266	173
Share option charge	33	155
Grant income	(7)	(34)
Receipt of government grants	-	61
Change in inventories	(256)	(297)
Change in trade & other receivables	(267)	(289)
Change in trade & other payables	673	(345)
Cash used in operations	(147)	(1,532)
Interest paid	(37)	(13)
Tax received	39	35
Net cash used in operating activities	(145)	(1,510)
Cash flows from investing activities		
Acquisition of subsidiary	-	(100)
Cash acquired by acquisition	-	11
Purchase of property, plant and equipment	(296)	(310)
Purchase of intangible assets	(478)	(446)
Net cash (used)/generated in investing activities	(774)	(845)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	1,456	1,246
Increase/(repayment) of borrowings	668	(28)
Net cash generated from financing activities	2,124	1,218
Net increase/(decrease) in cash and cash equivalents	1,205	(1,137)
Cash and cash equivalents at the start of the year	748	1,885
Cash and cash equivalents at the end of the year	1,953	748

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2012**

	Ordinary Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
Balance at 1 January 2011	8,638	5,108	265	(8,843)	(1,626)	3,542
Issue of new shares	1,237	174	-	-	-	1,411
Share option charge	-	-	155	-	-	155
Total comprehensive income for the year	-	-	-	-	(1,024)	(1,024)
Balance at 31 December 2011	9,875	5,282	420	(8,843)	(2,650)	4,084
Issue of new shares	1,309	147	-	-	-	1,456
Share option charge	-	-	33	-	-	33
Total comprehensive income for the year	-	-	-	-	(780)	(780)
Balance at 31 December 2012	11,184	5,429	453	(8,843)	(3,430)	4,793

1. GENERAL INFORMATION

Photonstar LED Group ("the Group") comprises Photonstar LED Group PLC ("the Company") and its subsidiary undertakings. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The Company's registered number is 06133765 (England and Wales) and its registered office is at Unit 8 Westlink, Belbins Business Park, Cupernham Lane, Romsey SO51 7JF. This announcement was approved for issue by the Board of Directors on 28 May 2013.

2. FINANCIAL INFORMATION

The financial information set out above does not constitute statutory financial statements for the year ended 31 December 2012 or 31 December 2011 but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 have been delivered to the Registrar of Companies. Statutory financial statements for the year ended 31 December 2012 were approved by the Board of Directors on 24 May 2013 and will be issued with an unqualified audit opinion.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing the financial information were the same as applied in preparing the Company's statutory accounts for the year ended 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU.

4. EARNINGS PER SHARE

	2012	2011
Basic loss per share		
Loss attributable to ordinary shareholders	(£780,000)	(£1,024,000)
Weighted average number of ordinary shares	99,259,633	89,318,281
Basic loss per share	(0.8p)	(1.1p)

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 2012 and 31 December 2011 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. SEGMENTAL INFORMATION

The directors consider that for the year ended 31 December 2012 the Group has operated 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 and of LED Light Engines, as follows:

	Lighting Fixtures	Lighting Fixtures	Light Engines	Light Engines	Total	Total
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
European Union	5,963	5,219	777	842	6,740	6,061
Outside of the EU	1,954	-	7	-	1,961	-
Total Revenue	7,917	5,219	784	842	8,701	6,061
Adjusted EBITDA	185	(266)	(125)	(171)*	60	(437)*
Depreciation and amortisation	(401)	(224)	(75)	(85)	(476)	(309)
Interest expense	(37)	(13)	-	-	(37)	(13)
Income tax credit	100	81	(44)	-	56	81
Total assets	3,844	3,343	2,343	2,007	6,187	5,350
Total liabilities	2,876	1,626	401	288	3,277	1,914

Adjusted EBITDA is defined as EBITDA before share option charge.

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

	Total	Total
	2012	2011
	£'000	£'000
Adjusted EBITDA for reportable segments before corporate expense	60	(437)*
Corporate expense	(350)	(191)*
Depreciation and amortisation	(476)	(309)
Share option charge	(33)	(155)
Interest expense	(37)	(13)
Loss before tax	(836)	(1,105)

* Adjusted for comparability with 2012 changed management reporting

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

	Total	Total
	2012	2011
	£'000	£'000
Segment assets for reportable segments	6,187	5,350
Unallocated:		
Cash at bank	1,953	748
Total assets per the Statement of financial position	8,140	6,098

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

	Total	Total
	2012	2011
	£'000	£'000
Segment liabilities for reportable segments	3,277	1,914
Unallocated:		
Due to vendors of acquired business	70	100
Total liabilities per the Statement of financial position	3,347	2,014

6. INCOME TAX CREDIT

	2012 £'000	2011 £'000
Current taxation		
UK corporation tax on loss for the year	(113)	(80)
Adjustment in respect of prior periods	57	(8)
	(56)	(88)
Deferred tax		
Origination and reversal of temporary differences	-	7
Income tax credit	(56)	(81)

7. AVAILABILITY OF DOCUMENT

Copies of this announcement (and the Company's statutory accounts for the year ended 31 December 2012 when available) may be obtained from the Company Secretary, Photonstar LED Group PLC, Unit 8 Westlink, Belbins Business Park, Cupernham Lane, Romsey SO51 7JF. A copy of the annual report and accounts will be sent to shareholders shortly.

This announcement can also be viewed on the Group's website: www.photonstarled.com.