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25 February 2016

## PhotonStar LED Group Plc

### Placing of 38,000,000 Placing Shares and Subscription of 2,000,000 Subscription Shares to raise £1.0m Director's Dealing Trading Update and Appointment of Joint Broker

PhotonStar LED Group plc (AIM: PSL, "PhotonStar", the "Company" or the "Group"), the British designer and manufacturer of smart LED lighting solutions, has conditionally raised with new and existing institutional investors, in aggregate, gross proceeds of £1.0 million by way of (i) a placing of 38,000,000 new ordinary shares of 1 penny each ("Placing Shares") at a price of 2.5p per Placing Share (the "Placing Price") (the "Placing") comprising the placing of 19,100,000 new ordinary shares of 1 penny each (the "First Placing") and the placing of 18,900,000 new ordinary shares of 1 penny each qualifying for EIS/VCT relief (the "EIS/VCT Placing") and (ii) a subscription of 2,000,000 ordinary shares of 1 penny each ("Subscription Shares") at the Placing Price (the "Subscription"). The Placing has been conducted by finnCap Limited ("finnCap") and Northland Capital Partners Limited ("Northland"). finnCap is Nominated Adviser and joint broker to the Company and Northland have been appointed as joint broker to the Company.

In addition, the Group announces a trading update for the year ended 31 December 2015.

Placing highlights:

- Placing of and Subscription for 40,000,000 Placing Shares and Subscription Shares to existing and new investors to raise gross proceeds of £1.0m
- The Issue Price represents a discount of 4.8 per cent. to the closing mid-market price of 2.625 pence on 24 February 2016
- The net proceeds of the Placing will be used to continue the Group's transformation into a retrofit connected lighting and building management business through its halcyon™ and CloudBMS™ platforms
- The Placing is not underwritten and is conditional, inter alia, upon:
  - the placing agreement between the Company, finnCap and Northland (the "Placing Agreement") having been entered into and becoming unconditional and not having been terminated in accordance with its terms prior to admission of the Placing Shares to trading on AIM ("Admission");
  - Admission of the First Placing Shares and 1,600,000 Subscription Shares having taken place not later than 8.00 a.m. on 2 March 2016 or such later date as finnCap, Northland and the Company may agree (being not later than 1 April 2016); and
  - Admission of the EIS/VCT Placing Shares and 400,000 Subscription Shares having taken place not later than 8.00 a.m. on 16 March 2016 following the General

Meeting, details of which are set out below, or such later date as finnCap, Northland and the Company may agree (being not later than 1 April 2016)

FY 2015 trading update highlights:

- Revenue £6.9m (2014: £7.2m)
- Adjusted EBITDA loss £0.25m (2014: £0.9m) – Q3/Q4 mostly EBITDA positive
- Loss before tax £0.9m (2014: £1.6m) - due to investment in halcyon™
- Net debt of £0.9m (2014: £0.4m net cash)
- New working capital facility for up to £1.65m signed with ABN Amro Commercial Finance Plc

**James McKenzie**, Chief Executive of PhotonStar LED, said:

***"The core activities of the Group have improved throughout 2015, evidenced by narrowing losses and our deepening collaboration with IBM. The strong support shown by current and new shareholders is an endorsement of the excellent position we are in to capitalise on the investment made in halcyon™ to date and to continue the Group's transformation in 2016."***

### **Background and reasons for the Placing and Use of Proceeds**

Progress has been made towards transforming PhotonStar into a retrofit connected lighting and building management business that generates hardware sales and recurring revenue, achieved through a monthly service business model. Management are looking to further capitalise on investments made to date in both halcyon™ and CloudBMS™. The halcyon™ cloud platform (built on the IBM cloud platform) is rapidly expanding into a software and service business with significant potential that requires additional investment. This will allow PhotonStar to exploit the energy consumption reduction market opportunity and assist clients in reducing their ongoing expenditure in buildings, in particular through the retrofit of existing buildings using disruptive technologies through interconnected devices and cloud-based analytics.

The Company had made provisions for the transition of the business to the above strategy, however, as announced on 11 December 2015, the liquidation of a key customer has proved a burden to the Company's cash position. The Directors expect that some or all of the costs associated with this will be recovered through the liquidation process, however in the short term additional cash is needed to help strengthen the balance sheet and underpin future growth in halcyon™ and CloudBMS™.

The Company is seeking to raise approximately £1.0 million through the Placing and Subscription which will principally be used to strengthen the Company's working capital position. More specifically, the Company anticipates the use of funds raised in the Placing and Subscription to be as follows:

	<b>£'000s</b>
Channel and Brand development	100
Software and product expansion	300
Working capital / balance sheet strength	600

### **Details of the Placing and Subscription**

#### *Placing and Subscription*

The Company has conditionally raised approximately £1.0 million before expenses through the Placing and Subscription, comprising of the First Placing, the EIS/VCT Placing and the Subscription. Application will be made to the London Stock Exchange for the Placing Shares and the Subscription Shares to be admitted to trading on AIM ("Admission"). It is expected that Admission of the First Placing Shares and

1,600,000 of the Subscription Shares (the "Initial Subscription" and the "Initial Subscription Shares") will become effective and that dealings in the First Placing Shares and the Initial Subscription Shares will commence on AIM at 8.00 a.m. on 2 March 2016 ("First Admission") or such later date as finnCap, Northland and the Company may agree (being not later than 1 April 2016 (the "Long Stop Date")).

The issue of EIS/VCT Placing Shares is conditional upon EIS Advance Assurance and VCT Advance Assurance respectively being obtained prior to 15 March 2016 (or such later date as finnCap, Northland and the Company may agree, being not later than 31 March 2016). Despite EIS Advance Assurance having previously been obtained by the Company, a further application has been submitted to HM Revenue & Customs following the change to the rules applying to Enterprise Investment Scheme. There can be no certainty that either VCT Advance Assurance or EIS Advance Assurance will be granted by HM Revenue and Customs, or that either VCT Advance Assurance or EIS Advance Assurance will be forthcoming in advance of the General Meeting. The First Placing and the Initial Subscription will nonetheless proceed (subject to the other conditions of the Placing Agreement) for the First Placing Shares and Initial Subscription Shares, even if EIS/VCT Advance Assurance has not been obtained prior to 15 March 2016. It is expected that Admission of the EIS/VCT Placing Shares and 400,000 Subscription Shares (the "EIS/VCT Subscription Shares" and "EIS/VCT Subscription") will become effective and that dealings in the EIS/VCT Shares will commence at 8.00a.m. on 16 March 2016 ("Second Admission") or such later date as finnCap, Northland and the Company may agree (being not later than the Long Stop Date).

#### *Placing Agreement*

Pursuant to the terms of the Placing Agreement, finnCap, as nominated adviser and joint broker, alongside Northland, as joint broker to the Company, have conditionally agreed to use reasonable endeavours to procure Placees for the Placing Shares at the Issue Price. The First Placing is conditional, amongst other things, upon Admission of the First Placing Shares and 1,600,000 Subscription Shares becoming effective at 8.00a.m. on 2 March 2016 (or such later date, being no later than 8.00a.m. on the Long Stop Date). The EIS/VCT Placing is conditional, amongst other things, upon the Placing Resolutions being duly passed at the General Meeting, receipt of EIS and VCT advance assurance from HM Revenue & Customs and Admission of the EIS/VCT Placing Shares and 400,000 Subscription Shares becoming effective at 8.00a.m. on 2 March 2016 (or such later date, being no later than 8.00a.m. on the Long Stop Date). The Placing Agreement contains provisions entitling either finnCap or Northland to terminate the Placing Agreement at any time prior to Placing Admission in certain circumstances. The Placing has not been underwritten and is not subject to claw back.

#### *General*

All Placing Shares and Subscription Shares will be issued credited as fully paid and will rank pari passu in all respects with the ordinary shares of 1 penny in issue from time to time (the "Ordinary Shares"), including the right to receive all dividends and other distributions declared on or after the date on which they are issued.

#### **Director's Dealing and Related Party Transactions**

James McKenzie, Chief Executive Officer of the Company, has agreed to subscribe for 1,200,000 Subscription Shares in the Subscription at the Issue Price. Following the Subscription, James will be interested in 15,523,226 Ordinary Shares, representing 8.3 per cent. of the Company's issued share capital as enlarged by the Placing.

Majd Zoorob, Chief Technology Officer of the Company, has agreed to subscribe for 400,000 Subscription Shares in the Subscription at the Issue Price. Following the Subscription, Majd will be

interested in 11,278,569 Ordinary Shares, representing 6.0 per cent. of the Company's issued share capital as enlarged by the Placing.

Walker Crips plc ("Walker Crips"), on behalf of its clients, is subscribing for 5,500,000 Placing Shares. Following Admission of the First Placing Shares, Walker Crips will, on behalf of its clients, have an interest in 27,135,924 Ordinary Shares, representing 14.9 per cent. of the Company's issued share capital as enlarged by the Placing.

The subscription for Placing Shares by Walker Crips and the subscription by James McKenzie and Majd Zoorob for Subscription Shares are considered to be related party transactions pursuant to AIM Rule 13 of the AIM Rules for Companies because Walker Crips is currently deemed to be a substantial shareholder in the Company.

As certain of the directors are participating in the Subscription, only Jonathan Freeman and Philip Marshall are considered to be independent directors of the Group for purposes of AIM Rule 13. As such, the Company's independent directors, having consulted with the Company's nominated adviser, finnCap, consider that the participation by Walker Crips in the Placing and the subscriptions by each of James McKenzie and Majd Zoorob to be fair and reasonable insofar as the Company's shareholders are concerned.

### **General Meeting**

A notice convening the General Meeting, to be held at Unit 8, Westlink, Belbins Business Park, Cupernham Lane, Romsey, Hants SO51 7JF at 11.00 a.m. on 15 March 2016 is set out at the end of a circular which is being posted to shareholders today. The resolutions proposed at the General Meeting will be for the purposes of implementing the EIS/VCT Placing and the allotment and issue of 400,000 Ordinary Shares as part of the Subscription.

### **Total Voting Rights**

Following First Admission, there will be 168,427,363 Ordinary Shares in issue. The figure of 168,427,363 Ordinary Shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, PhotonStar under the Disclosure and Transparency Rules.

Following Second Admission, there will be 187,727,363 Ordinary Shares in issue. The figure of 187,727,363 Ordinary Shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, PhotonStar under the Disclosure and Transparency Rules.

### **Trading Update**

The audit for the year to 31 December 2015 is well underway. The Group's full year revenue for 2015 was £6.9m (2014: £7.2m) as previously announced, with an adjusted EBITDA loss of £0.25m (2014: loss of £0.9m), with most months in the second half of the year being EBITDA positive. The Group made a loss before tax of £0.9m (2014: loss of £1.6m). The above figures reflect the significant ongoing investment in halcyon™. As of 31 December 2015, the Group had a net debt position of £0.9m (2014: net cash £0.4m); the cash balance was approximately £0.2m and the Group had drawn down approximately £1.1m of its invoice financing debt facility of up to £1.65m.

Sales in 2016 are in line with management expectations. In addition, the Group continues to develop its collaboration with IBM and has been selected to install halcyon™ in a Royal Bank of Scotland Group plc building as a part of its Go Green initiative, as well as continuing to exhibit at a wide variety of trade industry events.

PhotonStar expects to release its full year results for FY 2015 during May 2016.

**For further information:**

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**About PhotonStar LED Group Plc**

PhotonStar LED Group Plc is a leading British designer and manufacturer of intelligent lighting & 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.