28 March 2012

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 unaudited preliminary results for the year ended 31 December 2011.

Highlights

- Revenues up by 123% to £6.06m (2010: £2.72m)
- Net cash position of £0.6m at year end, with borrowing facilities of up to £0.35m
- Loss before tax £1.1m (2010: loss £0.9m)
- Basic loss per share 1.1p (2010: loss 1.7p)
- The Group's order book at 29 February 2012 was £2.3m
- Acquisition of Camtronics Vale to provide additional manufacturing capacity, and transfer of LED fixture manufacturing to a new 12,000 square foot facility in South Wales

James Mckenzie, CEO of PhotonStar LED Group PLC, commented

"2011 has been a year of transition, laying the foundations for the future of the business. We have integrated and rationalised the two businesses of the former Enfis and PhotonStar and added additional manufacturing capacity through the acquisition of Camtronics Vale. By so doing, we have created a leading-edge designer and manufacturer of smart LED lighting products and solutions.

"Our order book and pipeline continues to grow and we see sustained growth in the LED lighting market. There are significant growth opportunities ahead for the Group, particularly as we bring our innovative ChromaWhite modules to market.

"We anticipate further growth and a very exciting year ahead in 2012."

For further information:

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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.

Overview

PhotonStar LED Group was admitted to AIM in December 2010 following the reverse takeover of AIM-listed Enfis Group. The Group comprises two divisions:

- LED 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

- LED Light Engines - which provides LED lighting solutions for specialist applications such as film & television production lighting and UV curing, as well as "ChromaWhite" the Group's next generation light engine product

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

PhotonStar has made excellent progress in 2011 and early 2012, laying the foundations for the future of the business. This included completing the integration of both Enfis and Camtronics, rationalisation of the Enfis product line, removal of the duplicate R&D facility and closure of the former Enfis facility in Swansea.

The Group has now relocated its entire LED fixtures manufacturing operation to larger premises adjacent to Camtronics facility in Tredegar, and established production facilities for its ChromaWhite light engine technology at Romsey.

The Group is progressing its planned phased withdrawal from non LED lighting, and has also refocused the former Enfis specialty LED products business on specific niche business applications.

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 $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.

Business Review

LED Fixtures business

The LED Fixtures business has scaled up well during the last 12 months and continues to show strong growth. The Group has made excellent progress in its planned expansion of LED fixture production capacity, moving into a newly leased 12,000 square foot facility adjacent to Camtronics Vale's premises in Tredegar, Wales in late December 2011. A new workforce has been recruited and trained in January, and production levels have already returned to pre-relocation levels.

During 2011, the wholesaler-focused Ecostar luminaire range was introduced and an agreement was reached with a large UK electrical wholesale Group with more than 280 branches to stock the product. The roll out to these branches was initially limited by production capacity and product price, both of which have now been resolved by the transfer of production to the new production facility in Tredegar.

A number of the Group's LED Fixtures products were nominated for innovation and design awards during the year, including a double nomination at the 2011 CIBSE building performance awards for energy using products, and the 2011 lighting design awards in the low carbon project section.

As a result of these awards, combined with the publication of a new specification product brochure and participation at major trade shows (Ecobuild, ARC and Lux Live), the Group's reputation and brand awareness have grown markedly, and product sales and project pipelines have increased in line with expectations.

Light Engines business

The specialty LED light engine product range (formally Enfis) has been dramatically rationalised to focus on substantial near-term commercial opportunities in UV curing and film and TV production lighting. After strong progress in the first half, revenue growth slowed in the last quarter of 2011, as a result of inventory build-up in a customer focused on film and TV lighting. However, sales are expected to resume growth in the second half of 2012.

The UV light engines business continues to grow and several new products were finalised with customers in the last quarter of 2011.

The Innovate(tm) Chip-on-Board (COB) technology platform introduced in 2011 has reduced production costs and is now used in many products in both the specialty and general lighting product ranges.

All R&D for the Group was centralised in Romsey in the first half of 2011 reducing overhead through the closure of Enfis' Swansea premises. This move has also increased product development speed.

In late October 2011, PhotonStar raised £1.25m to fund investment in its ChromaWhite manufacturing facilities. 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.

ChromaWhite general lighting products were nominated for many awards and won the E-On sponsored LA light source product of the year award in 2011. This was for a product designed to be a Zhaga-compliant footprint. Zhaga, of which PhotonStar is a full member, is an industry-wide body driving the adoption of standard specifications for interfaces to LED light engines.

Following the relocation of the LED Fixtures business manufacturing to South Wales, the Group has now sourced, installed and substantially completed, the commissioning of manufacturing equipment at its Romsey premises for the full manufacture of the Group's ChromaWhite light engine product.

Intellectual property

The Group has made further progress during the year with its patent portfolio and has been granted two additional patents since the last update, making a total of six granted and allowed patent families. In addition, further new intellectual property was filed in the last quarter of 2011.

Financial review

Group sales increased by 123% to £6.06m (2010: £2.72m), reflecting the strong growth in LED lighting fixture sales and the first time inclusion of Light Engine sales from the former Enfis business acquired in late December 2010. Light Engine sales contributed £0.8m to 2011 sales.

Group gross margin for 2011 was 35% (2010: 31%), with similar gross margin in both the Lighting Fixture and Light Engine divisions.

The increase in administrative expenses reflects the expansion of the Lighting Fixtures business and the inclusion of the Light Engines business for the first time in 2011.

Non cash costs (depreciation, amortisation and share based payments) included in administrative expenses increased to £0.46m (2010 £0.31m), principally reflecting increased patent and development cost, amortisation in the expanded Lighting Fixtures business and the first-time inclusion of the Light Engines business.

The Group's pre tax loss for the year was £1.1m (2010: loss £0.9m). Basic and diluted loss per share reduced to 1.1p (2010: basic and diluted loss per share 1.7p). The Group has tax losses of approximately £5.5m available to set against future trading profits.

During 2011, the Group made capital expenditure of £0.8m, of which £0.4m was spent on development of its LED lighting fixtures and light engines, and £0.3m on plant and equipment.

In May 2011 the Group acquired the entire issued share capital of Camtronics Vale Limited. The initial consideration was £0.26m (including £0.1m cash). There is maximum additional consideration of a further £100,000 (including £75,000 cash) payable in 2012.

In October 2011 the Group raised £1.25m net of expenses to support development of its Chromawhite technology and provide further working capital.

During 2011 the Group invested £0.6m in additional inventories and trade and other receivables in support of its growing business.

The Group's year-end net cash position was £0.6m with available borrowing facilities of up to £0.35m.

Current trading and outlook

Whilst the LED illumination market is still in its early stages, currently accounting for less than 10% of the $70bn global general lighting market, a rapid transition to LED lighting is occurring. This is driven by cost reductions, increased efficiency and multiple regulatory drivers such as Europe-wide phased banning of incandescent lamps and the code for sustainable homes. 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, with export expected to represent a more significant percentage of our business in 2012, as a result of growth in northern Europe and the Middle East in particular.

LED fixtures business

The new Tredegar manufacturing facility has now moved into operation and full production of Luminaires has been transferred from Romsey. This caused a limited capacity reduction in January which impacted both revenues and margins. However, with rapid growth in February sales and a recovery to normal margins through greatly increased production levels, the LED fixtures business has been EBITDA positive (before central costs) for the two months to the end of February 2012.

LED light engines business

The UV light engines business continues to grow. Several new products finalised with customers in the last quarter of 2011 have begun shipping in 2012.

The installation of the new production line in Romsey for the manufacture of the Group's ChromaWhite light engine product is now substantially complete. The product is sampling now and is on track for launch at the Frankfurt based Light and Build show in April 2012

The Group has made a good start to 2012 with further growth anticipated during the rest of the year. We remain on track to return a Group profit for the first time in 2012.

James McKenzie
Group Chief Executive

Unaudited Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	2011	2010
	£'000	£'000
Revenue	**6,061**	2,720
Cost of Sales	**(3,915)**	(1,888)
Gross Profit	**2,146**	832
Administrative Expenses	**(3,272)**	(1,793)
Other Income	**34**	60
Operating Loss	**(1,092)**	(901)
Financial Expense	**(13)**	(2)
Loss Before Income Tax	**(1,105)**	(903)
Income Tax Credit	**81**	17
Loss and Total Comprehensive Income for the Year	**(1,024)**	(886)
Loss for the Year Attributable to Equity Holders of the Company	**(1,024)**	(886)
Loss per share (basic and diluted)	**(1.1)p**	(1.7)p

Unaudited Consolidated Statement of Financial Position as at 31 December 2011

	2011	2010
	£'000	£'000
Non-Current Assets		
Property and Equipment	**488**	123
Intangible Assets	**2,543**	2,139
Total Non-Current Assets	**3,031**	2,262
Current Assets		
Inventories	**785**	319
Trade & Other Receivables	**1,336**	427
Current Tax Assets	**198**	183
Cash & Cash Equivalents	**748**	1,885
Total Current Assets	**3,067**	2,814
Total Assets	**6,098**	5,076
Equity	**4,084**	3,542
Liabilities		
Current Liabilities		
Trade & Other Payables	**1,710**	1,267
Borrowings	**148**	38
Provisions for Other Liabilities & Charges	**141**	227
Total Current Liabilities	**1,999**	1,532
Non-Current Liabilities		
Deferred tax liabilities	**15**	2
Total Liabilities	**2,014**	1,534
Total Equity and Liabilities	**6,098**	5,076

Unaudited Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	2011	2010
	£'000	£'000
Cash flows from operating activities		
Operating loss	**(1,092)**	(901)
Depreciation	**136**	26
Amortisation	**173**	82
Share option charge	**155**	206
Grant income	**(34)**	(60)
Receipt of government grants	**61**	59
Change in inventories	**(297)**	(71)
Change in trade & other receivables	**(289)**	96
Change in trade & other payables	**(345)**	250
Cash used in operations	**(1,532)**	(313)
Interest paid	**(13)**	(2)
Tax received	**35**	10
Net cash used in operating activities	**(1,510)**	(305)
Cash flows from investing activities		
Acquisition of business combination	**(100)**	(35)
Cash acquired by acquisition	**11**	175
Purchase of property, plant and equipment	**(310)**	(8)
Purchase of intangible assets	**(446)**	(104)
Net cash (used)/generated in investing activities	**(845)**	28
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	**1,246**	2,130
Repayment of borrowings	**(28)**	-
Net cash generated from financing activities	**1,218**	2,130
Net (decrease)/increase in cash and cash equivalents	**(1,137)**	1,853
Cash and cash equivalents at the start of the year	**1,885**	32
Cash and cash equivalents at the end of the year	**748**	1,885

Unaudited Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

	Ordinary Share Capital £'000	Share Premium £'000	Share Option Reserve £'000	Reverse Acquisition Reserve £'000	Retained Losses £'000	Total £'000
Balance at 1 January 2010	**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
Loss and total comprehensive loss for the year	-	-	-	-	(886)	(886)
Balance at 31 December 2010	**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
Loss and total comprehensive loss for the year	-	-	-	-	(1,024)	(1,024)
Balance at 31 December 2011	**9,875**	**5,282**	**420**	**(8,843)**	**(2,650)**	**4,084**

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 01633765 (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 27 March 2012.

2. FINANCIAL INFORMATION

The financial information on pages 6 to 9 does not constitute statutory accounts within the meaning of Section 345 of the Companies Act 2006. It is extracted from the Company's unaudited draft financial information for the year ended 31 December 2011 and is prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The Company's statutory accounts for the year ended 31 December 2011 are currently unaudited and have yet to be delivered to the Registrar of Companies. The Company's statutory accounts for the year ended 31 December 2010 have been reported on by the Company's auditors and delivered to the Registrar of Companies.

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 2010 in accordance with International financial Reporting Standards as adopted by the EU.

4. EARNINGS PER SHARE

	2011	2010
	£'000	£'000
Loss attributable to ordinary shareholders	**(1,024)**	(886)
Weighted average number of shares in issue	**89,318,281**	50,873,408
Basic and diluted loss per share (pence)	(1.1) p	(1.7) p

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 2011 and 31 December 2010 are losses, any exercise of share options would have an anti-dilutive effect on earnings per share. Consequently earnings per share and diluted earnings per share are the same as potentially dilutive share options have been excluded from the calculation.

5. SEGMENTAL INFORMATION

The directors consider that for the year ending 31 December 2011 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 LED Light Engines, with turnover and operating loss on ordinary activities arising entirely from within the UK and from these activities. The Group's revenue by destination has been generated from the UK and Europe.

	Lighting Fixtures 2011 £'000	Lighting Fixtures 2010 £'000	**Light Engines 2011 £'000**	Light Engines 2010 £'000	**Total 2011 £'000**	Total 2010 £'000
European Union	**5,219**	2,720	**842**	-	**6,061**	2,720
Total Revenue	**5,219**	2,720	**842**	-	**6.061**	2,720
Adjusted EBITDA	**(266)**	(586)	**(362)**	-	**(628)**	(586)
Depreciation and amortisation	**(224)**	(109)	**(85)**	-	**(309)**	(109)
Interest expense	**(13)**	(2)	**-**	-	**(13)**	(2)
Income tax credit	**81**	17	**-**	-	**81**	17
Total assets	**3,343**	1,133	**2,007**	2,058	**5,350**	3,191
Total liabilities	**1,626**	860	**288**	674	**1,914**	1,534

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

	Total 2011 £'000	Total 2010 £'000
Adjusted EBITDA for reportable segments	**(628)**	(586)
Depreciation and amortisation	**(309)**	(109)
Share option charge	**(155)**	(206)
Interest expense	**(13)**	(2)
Loss before tax	**(1,105)**	(903)

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

	Total 2011 £'000	Total 2010 £'000
Segment assets for reportable segments	**5,350**	3,191
Unallocated:		
Cash at bank	**748**	1,885
Total assets per the Statement of financial position	**6,098**	5,076

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

	Total 2011 £'000	Total 2010 £'000
Segment liabilities for reportable segments	**1,914**	1,534
Unallocated:		
Due to vendors of acquired business	**100**	-
Total liabilities per the Statement of financial position	**2,014**	1,534

6. INCOME TAX CREDIT

	2011 £'000	2010 £'000
Current taxation		
UK corporation tax on loss for the year	**(80)**	(19)
Adjustment in respect of prior periods	**(8)**	-
	(88)	(19)
Deferred tax		
Origination and reversal of temporary differences	**7**	2
Income tax credit	**(81)**	(17)

7. BUSINESS COMBINATIONS

Camtronics Vale Limited

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

	13 May 2011 Book Value £'000	Adjustments £'000	13 May 2011 Fair Value £'000	31 December 2011 Provisional Fair Value £'000
Cash	11	-	11	11
Inventories	127	-	127	127
Trade and other receivables	563	-	563	563
Property, plant and equipment	191	-	191	191
Trade and other payables	(567)	-	(567)	(567)
Borrowings	(87)	-	(87)	(87)
Deferred tax	(4)	-	(4)	(4)
Total net assets	234		234	234
Total fair value of initial consideration paid	265	-	265	265
Less: fair value of shares issued	(165)		(165)	(165)
Cash	100		100	100
Less: Cash of Camtronics Vale Ltd	(11)		(11)	(11)
Cash outflow on acquisition net of cash acquired	89		89	89
Maximum additional earn-out consideration payable	100		100	100
Goodwill recognised assuming maximum consideration	131			

The additional consideration payable was determined by the sales performance of Camtronics Vale Limited to its customers excluding Group companies for the 9 months ended 31 December 2011. The maximum additional consideration of £100,000 is payable and has been recognised at the date of acquisition.

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

The fair value of the equity consideration paid on acquisition was determined by the closing share price of the Group (14.75p per share) on the date of acquisition. The fair value of the additional consideration to be 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 are included in administrative expenses

8. AVAILABILITY OF DOCUMENT

Copies of this announcement (and the Company's statutory accounts for the year ended 31 December 2011 when available) may be obtained from the Company Secretary, Photonstar LED Group PLC, Unit 8 Westlink, Belbins Business Park, Cupernham Lane, Romsey SO51 7JF.

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