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 preliminary audited results for the year ended 31 December 2015.

Highlights

- Revenue fell 4% to £6.90m (2014: £7.19m)
- Gross profit fell 6% to £2.49m (2014: £2.66m)
- Adjusted EBITDA* loss reduced by 73% to £0.24m loss (2014: loss £0.88m)
- Reported loss before tax of £3.03m (2014: loss £1.57m)
- Basic loss per share at lower at 1.9p (2014: basic loss per share 1.1p)
- Net debt of £0.84m (2014: Net debt of £0.41m)
- Exceptional non-cash charge of £1.98m (2014: £Nil) relating primarily to goodwill impairment

* 'Adjusted EBITDA' is defined as EBITDA before share option charge and exceptional items.

Operational highlights in 2015

- Major progress transitioning to Internet of Things (IoT) retrofit connected lighting and building management business with over 200 Halcyon™ systems deployed
- Initial development of Halcyon™ now largely complete; current and future development work concentrating on improvements to Halcyon™ and the expansion of cloud services
- Fixed cost base for the business now substantially reduced
- Extended collaboration with IBM Watson IoT including partnership around IBM's cloud platform Bluemix
    - Membership of IBM Partner World program, providing access to IBM technology and capabilities
    - Completed Halcyon™ retrofit of IBM Mobile and IoT lab at Hursley laboratory in Hampshire

Post year end

- Halcyon™ selected by RBS as a part of its Go Green initiative resulting in a trial of Halcyon™ in Trinity House, the RBS commercial office building in Bristol
- Secure commissioning patent granted
    - Targeted at IoT lighting, sensors, actuators and other devices employed where security vulnerabilities must be safeguarded
- Participated in IBM Interconnect in February 2016 and previewed cloudBMS™, which delivers IoT Building Management System as a Service (BMaaS™)
- Raised £1.00m (before expenses) of additional capital in March 2016 to further expand the Halcyon™ software and services offering

James McKenzie, CEO of PhotonStar, said:

"In 2015, we made good progress in transitioning into becoming a retrofit connected lighting and building management business, with over 200 Halcyon™ systems deployed.

"The traditional lighting business, however, was affected by significant competitor price reductions, resulting in a slight decline in revenues and increased pressure on profit margins.

"The development of Halcyon™ is largely complete and we are now focusing on improvements and new solutions to meet growing demand for smart buildings.

"The Group entered 2016 as a much stronger business, with a significantly reduced cost base and a clear market opportunity."

For further information:

PhotonStar LED Group Plc (www.photonstarled.com) James McKenzie – Group Chief Executive	+44 (0)2381 230381
finnCap Adrian Hargrave/ Giles Rolls (Corporate Finance) Mia Gardner (Corporate Broking)	+44 (0)20 7600 1658
Northland Capital Partners Patrick Claridge/David Hignell (Corporate Finance) John Howes/Rob Rees (Corporate Broking)	+44 (0)20 3861 6625
Instinctif Partners Kay Larsen/Chantal Woolcock	+44 (0)20 7457 2020

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, behavioral and energy insights.

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

Overview

The Group had a mixed year during 2015 with, on the one hand, good progress in the further development of the Halcyon™ product range and ensuring that a wide cross section of industries are represented in its initial trial installations, whilst on the other the more traditional, fixed white (non-colour tuneable) lighting business suffering from significant competitor price reductions, which resulted in a slight decline in revenues and increased pressure on profit margins.

PhotonStar remains heavily focused on further expanding its Halcyon™ product range and to use this range to transition into a Group that increasingly focuses on being a retrofit connected lighting and building management business, which offers us the potential to address a broad range of significant future business opportunities and markets.

Halcyon™ is an "intelligent" circadian wireless lighting system with wireless lamps, fixtures and controllers that use behavioral, environmental and energy data from wireless sensors or Internet of Things (IoT) devices to intelligently deliver the right light at the right time, whilst gathering valuable data. 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.

In December 2015 the Group announced that it was extending its collaboration with IBM around their IBM Watson IoT. In particular, the Group will team with IBM to further build on its partnership around IBM's cloud platform, Bluemix.

PhotonStar demonstrated its Halcyon intelligent wireless lighting system operating with the IBM Watson IoT Cloud platform and IBM Bluemix to IBM's clients and partners at IBM's Global Watson IoT headquarters in Munich, Germany.

PhotonStar also joined the IBM Partner World program, which provides business partners access to IBM technology and capabilities which will enable the Group's Halcyon™ wireless intelligent lighting system to build the next best innovations jointly with IBM in the IoT space.

In early 2015 PhotonStar completed a full retrofit of its Halcyon™ lighting system into the IBM Mobile and IoT Lab at their world renowned Hursley laboratory in Hampshire, England. The lab hosts many clients interested in using IoT within their industries and the installation is being used to demonstrate IBM cloud solutions operating with Halcyon™ as an end to end commercial IoT solution. This important test site for the Halcyon™ system was followed up throughout the year with further building installations in a wide cross section of industry sectors, including hospitals, mental health care homes, hotels, offices and student accommodation.

PhotonStar is however mindful that these installed test sites should be sufficient reference sites for customers with smaller building estates and so anticipate being able to create additional sales opportunities from them.

In terms of sales of the Halcyon™ system the Group made excellent progress during 2015 with over 200 systems deployed, which generated gross revenues at list price of approximately £400,000, and revenues net of promotional discounts of about £300,000 (2014: £5,000).

The Board is pleased with the on-going collaboration with IBM and anticipates that this will lead to some further project work with IBM and/or its partners in 2016. 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.

This collaboration with IBM has now developed to such an extent that PhotonStar was also invited to the IBM Interconnect in February 2016, where PhotonStar previewed its cloudBMS™, a new cloud based solution that delivers an IoT Building Management System as a Service (BMaaS™). The new solution is built on the second generation of its low cost retrofittable wireless monitoring and control platform, halcyonPRO2™.

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. cloudBMS™, halcyonPRO2™ and cloud based analytics combine to deliver an extremely capable, scalable and secure BMaaS™ solution 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.

PhotonStar also demonstrated the automated shading solution feature of halcyonPRO2™ at the event. The solution taps into the IBM Watson IoT Platform, taking environmental and occupancy data from the Halcyon™ sensor network, geolocation information per room and real time weather and forecast data from The Weather Company, an IBM Business, to optimise window shade use to deliver maximum energy savings thus reducing HVAC costs by intelligently using or preventing solar heat gain and optimizing thermal, daylight and visual comfort for building occupants. PhotonStar demonstrated with IBM the retrofittable asset monitoring feature of halcyonPRO2™ and cloudBMS™, providing device health and key asset performance indicator information seamlessly to IBMs Maximo asset management package.

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.

Halcyon™ has been cited and commended for several awards including the Lux Awards 2015, the Energy Awards in 2015, the Lighting Design Awards 2015, IET awards, Building and Efficiency awards, edie awards and the Environment & Energy Awards 2015 winning the Technology Innovator 2015 awards for smart lighting.

The initial development of Halcyon™ is now largely complete with current and future development work concentrating on improvements to Halcyon™ and the expansion of cloud services.

The smart lighting market is expected to grow to USD 8.14 Billion by 2020, at a CAGR of 22.07% between 2015 and 2020 (Source: Markets and Markets 2016). Smart lighting is a system of luminaries and electronic control systems designed to accelerate energy savings and maintain an intelligent lighting ecosystem. Smart lighting is an advance technology that makes the use of intelligent lighting control systems to control light based on various parameters, namely, occupancy, movement, color temperature, and amount of natural light. The smart lighting broadly comprises two components, namely, luminaries and control & communication components.

Post Year End

In early 2016, Halcyon™ was selected by the Royal Bank of Scotland Group plc ("RBS"), the international banking and financial services company, building as a part of its Go Green initiative which provides innovators and SMEs with the opportunity to trial innovative resource efficiency solutions in Trinity House, the RBS commercial office building in Bristol. The trial is being funded by RBS as part of its initiative to source innovative solutions to address a range of environmental challenges. PhotonStar will be installing its intelligent wireless lighting control and energy monitoring system, Halcyon™, to help reduce the energy consumption and environmental impact of the office building.

On 25 February 2016 it was announced that the Group had conditionally raised gross proceeds of £1.00m (before expenses) by way of a placing of 38,000,000 ordinary shares of 1p each and a subscription of 2,000,000 ordinary shares of 1p each at a price of 2.5p per share. The funds raised will be used for working capital, software and product expansion and Halcyon™ channel and brand development.

The Board welcomes the new shareholders and thanks existing shareholders for their continued support to the Company. The net funds raised will be used to capitalise on the significant investment that has already been made into the Company and will, it is anticipated, transform PhotonStar into a retrofit connected lighting and building management business with hardware sales and a recurring revenue base. Management hope that the stronger balance sheet will underpin the Company's future growth.

Sales for the first quarter of 2016 are broadly in line with management expectations with the traditional businesses continuing to see increased pressure on revenue and profit margins but with the new business, the Halcyon Cloud BMS, enjoying continued success in winning trial installations. The Board sees that the Group's future growth will be driven by a combination of hardware sales and services in lighting, heating, cooling, ventilation and critical asset monitoring.

Business review

LED fixtures business

Traditional lighting
The LED fixtures business, selling predominantly fixed white light LED luminaires, saw increasing competition and price pressures and as a result sales decreased by 3% to £6.71m (2014: £6.93m). However, significant cost savings made in the second half of 2014 continued through 2015. As a result, adjusted EBITDA for the main Lighting Fixtures division was positive in the second half of 2015.

The lighting market continues to transition towards LED lighting, with colour–tuneable and Circadian LED lighting becoming a significant subsector. The market in Europe alone is estimated to be worth up to €2.3bn per year by 2020 (Source: Lighting Europe 2013, 'Human Centric Lighting').

During the year PhotonStar launched an expanded range of its fixed white light LED fixture products. The new EcoStar and Piran wholesale range (launched in Q4 2014) now has a fixture efficiency range between 80lm/W and 95lm/W at a reduced cost.

House builder sales exceeded forecast in 2015. The Group benefits from an exclusive contract with a leading UK house builder, initially announced in late 2012 and expected to be renewed shortly.

Halcyon system
Excellent progress has been achieved on the next generation Halcyon™ system with over 200 lighting systems deployed in 2015, with notable installs in offices, healthcare, houses and hotels, and generated gross revenues at list price of approximately £400,000, and revenues net of promotional discounts of about £300,000 (2014: £5,000). Additionally in 2015 the LuxLoop product range was expanded to include LuxLoop sunpipe. This product was developed in conjunction with Monodraft and it was shortlisted in the FX awards. It is expected that the Luxloop product family will result in a strong specification pipeline in 2016.

The Group was awarded in March 2015 an Innovate UK grant of £0.12m for a project titled 'Smart In-building Micro-Grid for Energy Management' that will deliver future energy management solutions for buildings.
The Company has trials lined up for its cloudBMS™ product, the company's building management as a service software and hardware solution aimed at the retrofit market. The Board anticipates that the Group's future revenue growth will be driven by a combination of hardware sales and services in lighting, heating, cooling, ventilation and critical asset monitoring. It is expected that as the systems are installed the service revenue component will strengthen the Group's gross margin.

Camtronics Vale Ltd
One of the Group subsidiaries, Camtronics Vale Limited, 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. In July 2015, Camtronics Vale secured a supply contract with a UK-based electronics company for the manufacture of a high value sophisticated consumer product at its factory in Tredegar, South Wales. The Group had anticipated 2015 revenues from this project of £0.5m, helping to underpin original 2015 forecasts. Unfortunately this project ran into technical difficulties, which were outside of the Group's control. The customer's parent company went into receivership, as announced in November 2015, and the Group incurred bad debts of £0.06m.

LED light engines business

The light engines business also experienced a slow-down in sales and pressure on margins. Sales decreased 25% to £0.20m (2014: £0.26m). As previously reported in 2015 the Group does not commit any speculative development resources to this area of the business and now requires development work to be commercially funded by customers. The Board believes that focusing resources on expanding the Halcyon™ product range offers a greater return on investment.

Financial review

Group sales decreased by 4% to £6.90m (2014: £7.19m), reflecting a small decline in LED fixture sales to £6.70m (2014: £6.92m). LED light engine sales contributed a total of £0.20m to 2015 sales (2014: £0.26m).

Gross margin overall slightly reduced to 36.0% (2014: 37.0%). The larger LED fixtures division saw slightly lower margins of 36.9% (2014: 38.4%) and the much smaller LED light engines division saw increased margins of 15.3% (2014: 3.1%).

The significant reduction in net operating expenses in 2015 reflects the major cost-reduction focus in the second half of 2014.

Non-cash costs (depreciation, amortisation and share based charges), included in net operating expenses, increased from £0.65m in 2014 to £0.77m in 2015, reflecting the higher levels of investment in capitalised development costs in recent years.

As a result of the change in strategic direction by the Company towards transitioning into a Group that increasingly focuses on being a retrofit connected lighting and building management business, the Board has reviewed, in conjunction with the annual review of goodwill required by accounting standards, the value of certain historic assets on the balance sheet but which are related to non-strategic areas of the Group.

The result of this review is that the Board has concluded that there should be a non-cash impairment charge to the balance sheet which totals, in aggregate, £1.98m (2014: £Nil). The majority of this impairment charge, £1.63m, relates to the remaining goodwill on the balance sheet from the reverse transaction with Enfis in 2010 and which the Board has concluded should be written off entirely.

In addition, the capitalised costs of the development of the Chip on Board Light Engines, the capitalised research and development costs of the earliest version of ChromaWhite ('Chromawhite 1.0') is being written off and the value of some stock the Group continues to hold and which relates to the early development of a retail version of Halcyon has been impaired. The Board believes that this impairment charge, which is a non-cash charge through the consolidated statement of comprehensive income, is an appropriate action to take in order to ensure that the value of the assets included on the balance sheet remains relevant to the business that is being built.

The Group's pre-tax loss before exceptional item for the year was significantly reduced to £1.04m (2014: loss of £1.57m). The Group's pre-tax loss after exceptional item (see Note 6) was £3.03m (2014: loss of £1.57m). Basic and the diluted loss per share were up to 1.9p (2014: 1.1p). The Group has tax losses of approximately £9.30m available to set against future taxable trading profits.

During 2015, the Group made capital expenditure of £0.81m, of which £0.76m was spent on research and development of its LED lighting fixtures and light engines, and £0.05m on plant and equipment.

In 2015 the Group started drawing on the grant from Innovate UK (the new name for the government's Technology Strategy Board), worth a total of £0.12m over 2015 and 2016, that was made available to support the Group's development of the 'Smart In-building Micro-Grid for Energy Management' project.

Current Trading and Outlook

The Group is seeing a rapid transition towards LED lighting across the market but with strong price pressures in fixed white lighting products. 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.

However, with its investment in new technology and manufacturing processes, PhotonStar is well positioned to take advantage of this fast-growing market and the next phase of lighting development. The Halcyon^{TM} system has been specifically designed to address the market opportunity for dimmable white, retrofit colour-tuneable and Circadian lighting. It is also the Group's first IoT platform, able to be controlled by multiple users using smart devices.

The Board is pleased with the Group's on-going collaboration with IBM and anticipates that this will lead to further project work with IBM and/or its partners in 2016.

In March 2016 PhotonStar raised £1.0m of additional capital by an issue of shares to further expand the Halcyon^{TM} software and services offering into the wider retrofit building management opportunity and provide additional working capital for the Group.

The Group enters 2016 as a much stronger business, with a stable management team in place and a significantly reduced cost base. The development of Halcyon^{TM} is now largely complete with current and future development work concentrating on improvements, new solutions and markets for Halcyon^{TM}.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	2015	2014
	£'000	£'000
Revenue	**6,901**	7,188
Cost of sales	**(4,416)**	(4,528)
Gross profit	**2,485**	2,660
Administrative expenses	**(3,567)**	(4,286)
Other income	**74**	91
Operating loss before exceptional item	**(1,008)**	(1,535)
Exceptional item	**(1,983)**	-
Operating loss after exceptional item	**(2,991)**	(1,535)
Financial expense	**(34)**	(37)
Loss before income tax	**(3,025)**	(1,572)
Income tax credit	**258**	240
Loss and total comprehensive income for the year attributable to the equity shareholders of the parent	**(2,767)**	(1,332)
Loss per ordinary share (pence) attributable to the equity shareholders of the parent		
Basic and diluted	**(1.9p)**	(1.1p)

Consolidated Statement of Financial Position
As at 31 December 2015

	2015 £'000	2014 £'000
Non-current assets		
Property, plant and equipment	**214**	339
Intangible assets	**1,811**	3,452
	2,025	3,791
Current assets		
Inventories	**874**	1,184
Trade and other receivables	**1,637**	1,574
Current tax assets	**360**	166
Cash and cash equivalents	**197**	1,137
	3,068	4,061
Total assets	**5,093**	7,852
Equity		
Capital and reserves attributable to equity holders of the company		
Ordinary shares	**1,477**	1,438
Share premium	**7,271**	7,188
Share capital reduction reserve	**10,081**	10,081
Share option reserve	**599**	596
Reverse acquisition reserve	**(8,843)**	(8,843)
Accumulated losses	**(8,180)**	(5,413)
Total equity	**2,405**	5,047
Liabilities		
Current liabilities		
Trade and other payables and deferred income	**1,595**	2,034
Borrowings	**1,042**	725
Provisions	**36**	31
	2,673	2,790
Non-current liabilities		
Deferred tax liabilities	**15**	15
Total liabilities	**2,688**	2,805
Total equity and liabilities	**5,093**	7,852

Consolidated Statement of Cash Flows for the year ended 31 December 2015

	2015	2014
	£'000	£'000
Cash flows from operating activities		
Loss before tax	**(3,025)**	(1,572)
Exceptional item – impairment	**1,983**	-
Depreciation	**133**	169
Amortisation	**584**	410
Movement in share option reserve	**3**	72
Movement in provisions	**5**	(14)
Grant income	**(74)**	(91)
Receipt of grants	**41**	157
Change in inventories	**185**	112
Change in trade & other receivables	**(63)**	258
Change in trade & other payables	**(406)**	(163)
Cash used in operations	**(634)**	(662)
Tax received	**64**	136
Net cash used in operating activities	**(570)**	(526)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(51)**	(65)
Purchase of intangible assets	**(758)**	(711)
Net cash used in investing activities	**(809)**	(776)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	**122**	2,072
Cost of reducing share capital	**-**	(34)
New bank facilities	**872**	-
Repayment of previous bank facilities	**(872)**	-
Change in borrowings	**317**	(202)
Net cash generated from financing activities	**439**	1,836
Net (decrease)/increase in cash and cash equivalents	**(940)**	534
Cash and cash equivalents at the start of the year	**1,137**	603
Cash and cash equivalents at the end of the year	**197**	1,137

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	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 2014	**11,239**	**5,430**	**-**	**524**	**(8,843)**	**(4,081)**	**4,269**
Share capital reduction	(10,115)	-	10,081	-	-	-	(34)
Issue of new shares	314	1,758	-	-	-	-	2,072
Share option charge	-	-	-	72	-	-	72
Loss and total comprehensive income for the year	-	-	-	-	-	(1,332)	(1,332)
Balance at 31 December 2014	**1,438**	**7,188**	**10,081**	**596**	**(8,843)**	**(5,413)**	**5,047**
Issue of new shares	39	83	-	-	-	-	122
Change in share option reserve	-	-	-	3	-	-	3
Loss and total comprehensive income for the year	-	-	-	-	-	(2,767)	(2,767)
Balance at 31 December 2015	**1,477**	**7,271**	**10,081**	**599**	**(8,843)**	**(8,180)**	**2,405**

1. GENERAL INFORMATION

PhotonStar LED Group ("the Group") comprises PhotonStar LED Group PLC ("the Company") and its subsidiary undertakings. The Company is a public 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 by the Board of Directors for issue on 20 May 2016.

2. FINANCIAL INFORMATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 2006. On 20 May 2016 the consolidated financial statements and this final audited results announcement were authorised for issue in accordance with a resolution of the directors and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 December 2014 have been filed with the Registrar of Companies. The auditor's reports on the financial statements for the years ended 31 December 2015 and 31 December 2014 are unqualified and do not contain any statement under Section 498 (2) or (3) of the Companies Act 2006. The auditor's reports on the 31 December 2015 and 31 December 2014 financial statements contain an emphasis of matter statement with respect to going concern given the dependence of the Group on achieving its anticipated growth in sales and meeting its cash flow forecasts. The auditor's report on the 31 December 2014 financial statements contains an emphasis of matter statement with respect to the carrying value of goodwill as at 31 December 2014 given the dependence on the anticipated sales growth.

The annual financial information presented in this final audited results announcement for the year ended 31 December 2015 is based, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2015. This audited results announcement does not constitute statutory accounts of the Group within the meaning of Section 435 of the Companies Act 2006. Whilst the information included in this audited results announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not in itself contain sufficient information to comply with IFRS.

3. GOING CONCERN

The directors have adopted the going concern basis in preparing the financial statements for the year to 31 December 2015. 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 2017.

Current funding

The Group's cash balance as at 31 December 2015 was £197,000 and the drawdown of borrowing was £1,041,000 against bank facilities at that date of £1,650,000. 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 March 2016 new shares were issued in the Company for a consideration of £1,000,000.

Projected funding

Subject to the continued growth in Halcyon^{TM} 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.

The Group has incurred a net loss of £2,767,000 in the year (2014: £1,332,000) 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 7) positive in 2016. 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. 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 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.

4. 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 2014 in accordance with International Financial Reporting Standards as adopted by the EU.

5. EARNINGS PER SHARE

Basic loss per share	**2015**	2014
Loss attributable to ordinary shareholders	**£(2,767,000)**	£(1,332,000)
Weighted average number of ordinary shares	**144,042,465**	124,868,624
Basic loss per share	**(1.9p)**	(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 2015 and 31 December 2014 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 and the calculation has not been included.

As at 31 December 2015, there were share options outstanding over 17,442,390 shares (2014: 18,671,461 shares), which could potentially have a dilutive impact in the future.

6. EXCEPIONAL ITEM

	2015	2014
	£'000	£'000
Impairment losses	**1,983**	-
Total exceptional item	**1,983**	-

As a result of the change in strategic direction by the Company towards transitioning into a Group that increasingly focuses on being a retrofit connected lighting and building management business, the Board reviewed, in conjunction with the annual review of goodwill, the value of certain historic assets on the balance sheet but which are related to non-strategic areas of the Group. The result of this review is that the Board has concluded that there should be a non-cash impairment charge to the balance sheet which totals, in aggregate, £1,983,000 (2014: £Nil). The majority of this impairment charge, £1,626,000 relates to the remaining goodwill on the balance sheet from the reverse transaction with Enfis in 2010 and which the Board has concluded should be written off entirely. In addition, the capitalised costs of the development of the Chip on Board Light Engines, the capitalised research and development costs of the earliest version of ChromaWhite ('ChromaWhite 1.0') is being written off and the value of some stock the Group continues to hold and which relates to the early development of a retail version of Halcyon has been impaired. The affected assets are mainly within the LED Lighting Fixtures reporting segment. The Board believes that this impairment charge, which is a non-cash charge through the Consolidated Statement of Comprehensive Income, is an appropriate action to take in order to ensure that the value of the assets included on the balance sheet remain relevant to the business that is being built.

The impairment loss consists of the following:

Group	**2015**	2014
	£'000	£'000
Goodwill	**1,626**	-
Capitalised development costs	**189**	-
Inventories	**125**	-
Property, Plant and Equipment	**43**	-
Total impairment loss	**1,983**	-

7. SEGMENTAL INFORMATION

The directors consider that for the year ended 31 December 2015 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 2015 £'000	Lighting fixtures 2014* £'000	**Light engines 2015 £'000**	Light engines 2014* £'000	**Total 2015 £'000**	Total 2014* £'000
UK	**5,654**	6,353	**196**	263	**5,850**	6,616
Rest of the world	**1,051**	572	**-**	-	**1,051**	572
Total revenue	**6,705**	6,925	**196**	263	**6,901**	7,188
Adjusted EBITDA	**(36)**	(375)	**(30)**	(177)	**(66)**	(552)
Depreciation and amortisation	**(715)**	(572)	**(2)**	(7)	**(717)**	(579)
Interest expense	**(34)**	(37)	**-**	-	**(34)**	(37)
Income tax credit	**258**	240	**-**	-	**258**	240
Impairment	**(1,917)**	-	**(66)**	-	**(1,983)**	-
Total assets	**4,827**	6,557	**38**	151	**4,865**	6,708
Total liabilities	**1,482**	1,689	**50**	127	**1,532**	1,816

'Adjusted EBITDA for reportable segments' above is defined as EBITDA before share option charge and corporate expenses, and 'Adjusted EBITDA' below is defined as EBITDA before share option charge and exceptional item.

* Prior year figures have been restated to reflect revised managerial reporting responsibilities

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

	Total 2015 £'000	Total 2014* £'000
Adjusted EBITDA for reportable segments	**(66)**	(552)
Corporate expense	**(170)**	(332)
Adjusted EBITDA	**(236)**	(884)
Depreciation and amortisation	**(717)**	(579)
Share option charge	**(55)**	(72)
Interest expense	**(34)**	(37)
Exceptional item (Notes 6b and 32)	**(1,983)**	-
Loss before tax	**(3,025)**	(1,572)

8. INCOME TAX CREDIT

Group	**2015 £'000**	2014 £'000
Current taxation; research and development tax credits		
UK corporation tax on loss for the year	**(182)**	(166)
Adjustment in respect of prior periods	**(76)**	(74)
	(258)	(240)
Deferred tax	**-**	-
Income tax credit	**(258)**	(240)

9. AVAILABILITY OF DOCUMENT

Copies of this announcement (and the Company's statutory accounts for the year ended 31 December 2015 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