

Enfis Group plc – Preliminary Results - Year to 31 December 2009

Enfis Group plc (“Enfis” or the “Group”)

Preliminary results for the year ended 31 December 2009

Enfis, a leader in the design, development and manufacture of intelligent high power light emitting diode (LED) arrays and smart light engines, today announces its preliminary results for the year ended 31 December 2009.

Financial Highlights

- Revenue of £0.7m (2008: £1.6m)
- Loss after tax of £1.8m (2008: Loss of £1.3m)
- Year end cash of £1.0m and total borrowings of £58k
- Incurred reorganisation costs of £0.3m in 2009
- Corporation tax losses at 31 December 2009 - £3.3m

Operational Highlights

- Appointment of Ceri Jones as Chief Executive in August 2009
- Appointment of Drew Nelson as Interim Non Executive Chairman in November 2009
- Appointment of Head of Engineering & Manufacturing in December 2009
- Strategic review results announced February 2010
- Cash burn was reduced in H2 2009 through a reduction in headcount and overheads, the closure of North American offices and the rationalization of UK and Shanghai premises
- Business continues to focus on growth markets for its core product range
- Highly successful global showcase of Enfis’ multicolour light engine technology in illuminating the roof of the Yas Island Marina complex for the Abu Dhabi Formula One Grand Prix, the largest LED display in the World
- Multiple large scale project interest resulting from global TV exposure
- Order intake growing and ahead of same period in 2009

Enquiries:

Enfis Group plc (www.enfis.com)
Ceri Jones, Chief Executive

Tel: 01792 485660

Execution Noble & Company Limited
John Llewellyn-Lloyd / Sam Reynolds

Tel: 020 7456 9191

Enfis Group plc – Preliminary Results - Year to 31 December 2009

2009 Performance and Board Changes

The Group's performance for 2009 was short of both board and shareholder expectations.

Sales for the year were £0.7m, down from £1.6m in 2008, and gross margin declined from 37% to 30% year on year. The loss after tax was £1.8m compared to a loss in 2008 of £1.3m.

Shaun Oxenham stepped down as Executive Chairman at the end of November 2009, having relinquished his position as CEO in August 2009. I joined the board as CEO in August 2009, and at the end of November, Dr Drew Nelson became Interim Non Executive Chairman.

Strategic Review

In light of disappointing trading, the board instigated at the end of November an immediate strategic review of its business and corporate strategy. The results of this review were published on 17 February 2010 and the key conclusions were as follows:

- The market opportunity for LED based Solid State Lighting (SSL) continues to grow strongly as a result of powerful energy saving initiatives across the globe and driven by political and economic imperatives;
- The Group's products and technology directly address the markets for intelligent, high power colour changing applications, such as architectural, entertainment, medical and high end retail lighting;
- Lower cost product engineering would enable larger sectors of these markets to become immediately accessible to the Group;
- Sales and marketing resource should be targeted at value added resellers and key direct customer engagement, rather than through non value added distribution channels;
- The Group's cash balances are sufficient for the Group's working capital requirements as envisaged in the forward business plan;
- The Group will seek strong customer and supply partnerships to further build its product portfolio, and thereby gain access to increasingly larger sectors of the SSL marketplace; and
- The Group will also seek to build sales rapidly by means of other strategic partnerships and corporate developments.

Markets

The Group's resources are now focused on the high power lighting sector incorporating highly intelligent monitoring and sensing solutions, for which the Group's IP and know-how is particularly relevant.

The key markets now being targeted fall within the following sectors:

- Entertainment lighting (e.g. film and TV production, concert and theatre);
- Medical lighting;
- Exterior and interior architectural lighting;
- High end retail lighting; and
- Medical and industrial applications (e.g. the use of ultraviolet light for industrial and medical curing processes).

Products

The Group's Uno, Uno Plus and Quattro Mini LED array products are attractive to the above markets where they place a premium on one or more of:

Enfis Group plc – Preliminary Results - Year to 31 December 2009

- Very compact high power light source;
- Exceptional colour quality;
- Exceptional colour control; and
- Built in intelligence for sensing, control and communication.

The Group is concentrated on the light engine part of the value chain. This will allow Enfis to supply a large range of end user applications into the lighting fixture, medical and industrial markets and the development of strategic partnerships with leading original equipment manufacturers (“OEMs”).

Product development effort is now focused on materially reducing the cost and enhancing both the functionality and flexibility of current and next-generation products. It is expected that part of these development costs will be funded through access to government and EU grants and other innovation funding.

Prospective Customers and Channels to Market

Targeting high quality OEMs selling branded products in the above identified markets requires working directly with value added re-sellers.

Such customers can require significant up-front product development and integration support. The Group is taking steps to expand its distribution network of value-added re-sellers in North America, Europe and Asia. It is also investing time and resource into improving the Enfis product knowledge of its existing value-added re-sellers. These re-sellers have technically qualified staff capable of providing high quality support to their customers in the use and integration of the Group’s products.

At the same time the Group has expanded its internal technical sales support resource to provide enhanced support to value added re-sellers and certain high volume key direct accounts.

IP

The Group will continue to pursue its strategy of developing a portfolio of strong IP through patents and know how, thus enhancing its competitive position in the marketplace.

Partnerships

In addition to developing powerful partnerships directly with customers and value added re-sellers, the Group will pursue a policy of developing technology partnerships with other companies in the lighting food chain in order to further enhance and diversify the Group’s product range and technology base. In addition, the Group will seek to increase sales rapidly by other strategic partnerships and corporate developments.

Financial

The Group’s cash balance at the year end was £1m, and total borrowings were £58k.

The Group has reduced its cash burn through closure of its North American office and rationalisation of its UK and Shanghai premises. A Head of Engineering and Manufacturing and additional technical sales support staff has been recruited. The ongoing costs of new staff recruitment in key areas have been more than matched by payroll cost reductions elsewhere in the business.

The board has reviewed the Group’s funding position for the period through to 31 March 2011 and has concluded that it is appropriate to prepare the Group’s accounts on the going

Enfis Group plc – Preliminary Results - Year to 31 December 2009

concern basis. Further details of the key assumptions underlying the Group's projections for the period through to 31 March 2011 are set out later in this announcement.

2010 Outlook

The Group has recently reviewed product development plans with several of its key customers and prospective customers. Overall there are signs that development activity amongst these businesses is rising with potential benefit for Enfis in 2010.

The Group has substantially completed re-aligning its resources to fully focus on the significant opportunities in its selected markets. New recruits have settled in well and everyone is focused on achieving a material improvement in the Group's performance in 2010.

The highly successful Abu Dhabi Formula One Grand Prix in November, which showcased Enfis' light engine technology to the world by lighting up the roof of the Yas Island Marina Complex, has led to much greater awareness and interest in the power of Enfis' multicolour light engine technology, and multiple projects are now under consideration using Enfis products and technology. Whilst it is early in the year, and significant further improvement is expected, it is encouraging to note that the Group's order intake is growing month on month and for the first 2 months of 2010 is ahead of the same period in 2009.

Ceri Jones
Chief Executive

Enfis Group plc – Preliminary Results - Year to 31 December 2009

Enfis Group plc

Consolidated Income Statement for the year ended 31 December 2009

	2009	2008
	£'000	£'000
Revenue	713	1,628
Cost of sales	(497)	(1,023)
Gross profit	216	605
Administrative expenses	(2,387)	(2,608)
Other income	80	72
Operating loss	(2,091)	(1,931)
Finance income	16	54
Finance costs	(15)	(21)
	1	33
Loss before income tax	(2,090)	(1,898)
Income tax credit	326	556
Loss for the year	(1,764)	(1,342)
Total comprehensive loss for the year	(1,764)	(1,342)
Attributable to:		
Equity holders of the company	(1,764)	(1,342)
Loss per share for loss attributable to the equity holders of the company during the year	(12.6)p	(14.4)p

Enfis Group plc – Preliminary Results - Year to 31 December 2009

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Consolidated Balance Sheet as at 31 December 2009

	2009 £'000	2008 £'000
Assets		
Non current assets		
Property, plant & equipment	138	218
Intangible assets	380	540
	<u>518</u>	<u>758</u>
Current assets		
Inventories	237	351
Trade and other receivables	253	219
Corporation tax receivable	331	271
Cash and cash equivalents	1,029	641
	<u>1,850</u>	<u>1,482</u>
Total assets	<u>2,368</u>	<u>2,240</u>
Equity		
Capital and reserves attributable to equity holders of the company		
Ordinary shares	1,498	938
Share premium	5,294	4,067
Share option reserve	226	144
Reverse acquisition reserve	2,284	2,284
Retained losses	(7,531)	(5,767)
Total equity	<u>1,771</u>	<u>1,666</u>
Liabilities		
Non-current liabilities		
Deferred income	5	35
Borrowings	28	58
	<u>33</u>	<u>93</u>
Current liabilities		
Trade and other payables	356	433
Borrowings	30	48
Provisions for other liabilities and charges	178	-
	<u>564</u>	<u>481</u>
Total liabilities	<u>597</u>	<u>574</u>
Total equity and liabilities	<u>2,368</u>	<u>2,240</u>

Enfis Group plc – Preliminary Results - Year to 31 December 2009

Enfis Group plc

Consolidated Cash Flow Statement for the year ended 31 December 2009

	2009	2008
	£'000	£'000
Cash flows from operating activities		
Cash used in operations	(1,571)	(1,812)
Interest paid	(15)	(21)
Tax received	266	284
Net cash used in operating activities	<u>(1,320)</u>	<u>(1,549)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	(58)
Purchase of intangible assets	(94)	(316)
Receipt of government grants	50	42
Interest received	16	54
Net cash used in investing activities	<u>(31)</u>	<u>(278)</u>
Cash flows from financing activities		
Proceeds from the issuance of ordinary shares	1,787	527
Repayment of borrowings	(30)	(30)
Finance lease principal repayments	(18)	(28)
Net cash generated from financing activities	<u>1,739</u>	<u>469</u>
Net increase/(decrease) in cash and cash equivalents	388	(1,358)
Cash and cash equivalents at the beginning of the year	<u>641</u>	<u>1,999</u>
Cash and cash equivalents at the end of the year	<u>1,029</u>	<u>641</u>

Enfis Group plc – Preliminary Results - Year to 31 December 2009

Enfis Group plc

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

£'000	Ordinary share capital £	Share premium £	Share option reserve £	Share warrants £	Reverse acquisition reserve £	Retained losses £	Total £
Balance at 1 January 2008	894	3,585	62	-	2,284	(4,425)	2,400
Issue of new shares	44	482	-	-	-	-	526
Share option charge	-	-	82	-	-	-	82
Loss for year	-	-	-	-	-	(1,342)	(1,342)
Balance at 31 December 2008	938	4,067	144	-	2,284	(5,767)	1,666
Issue of new shares	560	1,227	-	-	-	-	1,787
Share option charge	-	-	82	-	-	-	82
Loss for year	-	-	-	-	-	(1,764)	(1,764)
Balance at 31 December 2009	1,498	5,294	226	-	2,284	(7,531)	1,771

Enfis Group plc – Preliminary Results - Year to 31 December 2009

Enfis Group PLC

Notes to the summarised consolidated financial statements for the year ended 31 December 2009

1. Summarised Consolidated Financial Statements

The summarised consolidated financial statements are for the twelve months ended 31 December 2009.

They have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. They have been prepared in accordance with applicable accounting policies and are based on IFRS in issue as adopted by the European Union and in effect at 31 December 2009.

2. Report & Accounts for the year ended 31 December 2009

The Report & Accounts will be posted to all shareholders of the company shortly, and will be available to download on the company's website (www.enfis.com).

The Report & Accounts will also be available for inspection by the public at the registered office of the company during normal business hours on any weekday. Further copies will be available on request from Enfis Group PLC, Technium 2, Kings Road, Swansea Waterfront, Swansea SA1 8PJ.

The financial information set out above does not constitute statutory accounts as defined in Section 434 of the UK Companies Act 2006. The consolidated balance sheet at 31 December 2009, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated cash flow statement and associated notes for the year then ended have been extracted from the group's statutory accounts for the year to 31 December 2009.

The statutory accounts for the year ended 31 December 2008 and the year ended 31 December 2009 received audit reports which were unqualified. The statutory accounts for the period ended 31 December 2008 have been delivered to the Registrar of Companies and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2009 were approved by the Directors on [5] March 2010, but have not yet been delivered to the Registrar of Companies.

3. Going Concern

The directors believe that it is appropriate to adopt the going-concern basis in preparing the group's financial statements for the year to 31 December 2009. 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 March 2011.

Current Trading

The company experienced a difficult trading year to 31 December 2009, with reported annual revenue significantly lower than originally expected at the start of the period.

Enfis Group plc – Preliminary Results - Year to 31 December 2009

Enfis markets are highly dependent on investment in product innovation and capital equipment expenditure by its customers and a number of projects were subject to deferral as a result of cost cutting driven by the prevailing economic climate.

A number of actions have been taken to reduce cash burn and are directly benefiting Enfis in 2010. Specifically, headcount in the business has been reduced, the North American office has been closed and UK and Shanghai office costs have been materially reduced.

Current Funding

Enfis cash balances at 31 December 2009 were slightly in excess of £1m.

Financial gearing is low and limited to a £58,075 loan as at 31 December 2009. This loan is repaid on a monthly basis and will be fully paid off in November 2011

Projected Funding

The cash flow projections show that the Group can continue to operate utilizing existing cash resources and anticipated grant and other innovation funding for the period of the projections.

The substantial achievement of these projections is subject to certain uncertainties which are described below.

Funding Innovation

Enfis continues to pursue its strategy of developing a portfolio of strong IP through patents and know how, and investing in enhancements in its product portfolio. Historically the company has been successful in utilising grant and other innovation funding programs to partially fund this capital and revenue expenditure, and the financial projections assume that this will continue to be the case.

Working Capital

The Group's balance sheet at 31 December 2009 includes trade debtors of £166,750 due from sales made in June 2009 on extended credit terms. The Group continues to engage with both the customers concerned and receipt of the £166,750 is assumed in the Group's financial projections for the period through to 31 March 2011.

Future Trading

The projections include assumptions on the amount and timing of revenue and gross margin that Enfis expects to achieve during the period of the projections. The current economic climate has created an environment where accurate forecasting is especially difficult, but to the extent there is a shortfall in revenue and gross margin it is likely to be at least partially offset by a reduction in working capital requirements.

Enfis has to date been a loss making company and as with any business this is a situation that cannot persist indefinitely without additional equity funding. No additional equity funding has been assumed in the cash flow projections, but should it be required there can be no guarantee either as to its availability or the terms on which it would be made available.

Conclusion

The Board has carried out a strategic review of Enfis which was reported to shareholders on 17 February 2010.

Enfis Group plc – Preliminary Results - Year to 31 December 2009

The market opportunity for LED based Solid State lighting (SSL) continues to grow and Enfis product and technology offering directly addresses the markets for intelligent high power colour changing applications.

The current product offerings are being strengthened as are the channels to the targeted customer base. The potential is clear.

The directors have prepared cash flow projections for the period 1 January 2010 to 31 March 2011. These projections show the Group is able to operate within the its current cash resources and continue product investment partially funded by grants and other innovation funding.

It is acknowledged that the achievement of these projections is subject to market and operational uncertainty as outlined above. 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 has 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.