

Annual Report 2015



- Affordable smart building control
- Scalable and flexible
- Domestic & commercial solutions
- Smartphone/Tablet/PC control
- Lighting, power & heating control from anywhere
- Energy management
- Remote monitoring and data gathering



www.lightwaverf.com

Total control of your home and office from one app

Advanced, affordable, smart and stylish building controls for domestic or commercial installs



Who are LightwaveRF?

LightwaveRF designs, builds and markets advanced smart home devices providing remote heating, lighting and power control, plus monitoring, all from one app.

Founded in 2007, LightwaveRF's affordable systems can provide environmental controls in any building whether domestic or commercial. This can provide significant energy savings, increased comfort, security and convenience.

What makes us different?

Aside its innovation and affordability, LightwaveRF differs from other smart home providers by offering remote lighting, heating and power control all from a single, convenient smartphone and tablet app. One home: one app.

Innovative Products

All LightwaveRF devices can be monitored and controlled from a smartphone, tablet or PC from anywhere via the internet.

LightwaveRF dimmers, sockets and heating devices can also be retrofitted. No re-wiring is needed, as existing switches and sockets can be substituted simply and quickly using the same connections. Systems can be installed in new-builds, existing homes, or larger commercial installs where it can be scaled up to cover an entire facility. All LightwaveRF devices are modular so they can be installed progressively.

Simplicity

LightwaveRF avoids complexity and is simple to understand. Every device works manually as well as remotely: a LightwaveRF dimmer can be used like any standard dimmer. The technology is not invasive, and it adds functionality rather than removing familiar controls. Devices are plug and play and can be set up in minutes. No special skills are needed to install the modules.

Simplicity is yet another approach that sets LightwaveRF apart and makes it the natural choice for anyone looking to engage with the Internet of Things and to make their home into a smart home.



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for the year ended 30 September 2015**

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LightwaveRF plc

What we do

LightwaveRF plc (“LightwaveRF” or the “Company”), the creator of the LightwaveRF Smart Home Platform and products for the Internet of Things enabling households and businesses to remotely operate and control lighting, power, heating and security using smartphones, tablets, PC and MAC applications, is pleased to present its final results for the year ended 30 September 2015.

FINANCIAL HIGHLIGHTS

- Revenue for the year of £2.10 million (2014: £3.04 million)
- Gross profit £0.67 million (2014: £1.03 million)
- Gross margin 31.9% (2014: 33.9%)
- Pre-tax losses at £0.42 million (2014: £0.30 million)
- Post-tax losses at £0.23 million (2014: £0.14 million)
- Current order book approaching £1 million at current exchange rates
- Total loans and borrowings reduced by £0.19 million (2014: £0.46 million)
- Successful fundraisings totalled £1.55 million (2014: £0.39 million)

OPERATIONAL HIGHLIGHTS

Sales and distribution

- Onward sales of LightwaveRF product by our distribution partner were up 24% on the previous year
- Cumulative global installations up 40% to 35,000 (2014: 25,000) users now connected to the LightwaveRF platform
- Total internet addressable devices on LightwaveRF cloud platform over 200,000 and increasing by around 8,000 devices per month
- The group is now recording over 56,000,000 temperature and energy data points each month
- Entry to the new home build sector with the appointment of Deta Electrical as the first UK OEM distributor
- Appointment of Havells as distributor for India and Power Diverter in Australia

Technical

- Addition of a thermostatically controlled electric panel switch to the heating solutions range
- Patent applications lodged for Boiler Energy Monitoring, Super Smart TRV and Smart Windows
- Launch of the LightwaveRF Building Management Solutions software for single and multisite operations
- Continued progress with the Warwick University Innovate UK energy management project confirming significant energy savings

**Chairman's statement
for the year ended 30 September 2015**

I am pleased to present my first statement as Chairman of LightwaveRF and to report on the progress achieved during the year.

Results

The overall results were pretax losses at £0.42 million (2014: £0.30 million) and post-tax losses at £0.23 million (2014: £0.14 million). This was achieved with revenues at £2.10 million being down on last year (2014: £3.04 million) due to initial stocking orders benefitting 2014 and distribution issues on some key lines during the latter part of the financial year which have now been resolved. The gross profit percentage was marginally reduced to just under 32%.

Administrative expenses were £1.07 million (2014: £1.28 million). Underlying cash costs were as expected higher particularly post the fundraising, although the reported administrative expenses show a reduction. This is because we have capitalised £0.40 million of research and development expenditure in accordance with IAS38.

The balance sheet has strengthened significantly year-on-year due to the equity fundraising in July 2015 which increased cash and cash equivalents to £1.04 million (2014: £0.22 million), a reduction of £0.19 million in loans and borrowings and through the capitalisation of certain research and development expenditure.

Operations

As the highlights describe, good progress has been made with onward sales by our UK distributors, global installation numbers, data recording and further distribution channels.

We have also introduced a number of technical innovations and improvements which we are seeking to protect with some patent applications.

Strategy for growth

LightwaveRF is an innovative company that is taking advantage of the increased interest in and demand for smart home technology. The suite of control and monitoring devices it has developed and the technical protocols it has adopted are starting to achieve brand awareness and build market recognition.

The market for the Internet of Things is at long last defining itself and it is against this background that your company continues to manage a significant transition. While further product refinement and development will be a constant for a technology company the emphasis has now shifted to marketing and communication in support of establishing distribution and sales channels.

The company took the opportunity to raise further capital during the year to support this shift in strategic emphasis. The funds raised are being applied to accelerate market awareness, product sales and further related technology development.

As well as my assumption of the role of chairman during the year I am delighted that Steve Harris, CEO of Committed Capital and representative of our new shareholder (Mainspring Nominees (8) Ltd), has joined the board as a non-executive director. We are seeking to bring the necessary balance of constructive challenge to the executive team while at the same time doing everything we can to champion and further the company's cause.

LightwaveRF plc

Chairman's statement for the year ended 30 September 2015

The small executive team and staff energetically led by CEO Mike Lord have continued to work effectively and flexibly as needs have changed. This flexibility has been well demonstrated by the company's charismatic founder, John Shermer, who during the year stepped up from the operating board to resume his place on the plc board.

It is important for the board of a small public company such as LightwaveRF plc to realise that priorities have to be determined and choices made. As a result development and promotional expenditure is being put under constant scrutiny to ensure capital and management resources are properly applied. The group has foregone short-term sales growth in the latter part of the year while it better positioned itself for renewed revenue growth in the future.

We have expanded our product portfolio and are now starting to see sales traction both in the UK and internationally with the recent addition of India and Australia to our distributor outlets.

Outlook

Although we continue to remain alert to how we pursue our strategy in detail much has been achieved now to position the company for the future.

Our technology is well established but also being refined where necessary. Distribution channels are now more visibly in place and being supported by a renewed emphasis on marketing and communication. This is already reflected in the current order book of approaching £1 million at current exchange rates and with more consistent reorder patterns now established with our UK distributors. With the additional UK and international customers and prospects now in place and with further prospects identified we expect to see good progress in 2016.



Barry Gamble

Chairman

11 March 2016

**Chief executive report
for the year ended 30 September 2015**

The Group continues to develop its LightwaveRF connected home devices and platform exploiting the growth in demand for the Internet of Things (IoT). The strategy is to offer a complete range of devices, which monitor and control domestic or commercial light, power, heat, and security on one App.

Business model

The business, while continuing to develop its technology, is equally focussed on expanding its sales, marketing and distribution network. It continues to outsource product manufacturing and server hosting. In country expert distribution serves its various channels to market whilst the company maintains a close direct relationship with key customers. The company maintains a direct contact with the users who are connected to the LightwaveRF cloud to provide technical support and information about products and services.

Results

After an encouraging first half of the year revenues for the full year came in at £2.10 million (2014: £3.04 million). This was as a result of distribution issues in the UK which have since been fully resolved. Onward like-for-like sales of LightwaveRF products by our distribution partner increased by 24%. The gross profit decreased to £0.67 million due to the decrease in sales. Gross margin was 31.9% (2014: 33.9%).

The pre-tax losses were £0.42 million (2014: £0.3 million). The group capitalised £0.40 million of research and development costs during the year recognising for the first time the market penetration of the product range supported by the LightwaveRF cloud platform. This is in accordance with IAS38 now that the Group expects continuing economic benefits to be derived from this expenditure. The post-tax losses were £0.23 million (2014: £0.14). This is after taking into account a research and development tax credit of £0.12 million (2014: £0.15 million).

The balance sheet reflects a much improved position driven by fundraising in the year of £1.55 million, the repayments of loans of £0.22 million and the capitalisation of certain research and development expenditure. Net assets as at 30 September 2015 were £0.43 million (2014: net liabilities of £0.90 million).

Cash absorbed by operations £0.09 million (2014: generated 0.31 million) was mainly due to an increase in our trade debtor position at the year end. These balances either have been settled or are being settled within agreed terms. Cash overall increased by £0.82 million principally due to the fundraising. The capitalised research and development costs have been subdivided into two areas our new smart dimmer switch and the new LightwaveRF cloud platform. The platform capitalisation has three distinct subcategories which will be amortised from the completion date of the individual projects.

Key performance indicators

The Company monitors revenue, gross profit margin, pre-tax profit, cash generated from operations and also uses the following non-financial key performance indicators to measure the performance of the business and progress against key strategic objectives:

	2015	2014
Number of global installations (cumulative)	35,000	25,000
Total number of devices connected	200,000	not available
Total number of data points recorded per month	56,000,000	not available

These measures show how the business is penetrating the IoT market and capturing data. Currently the business is adding around 8,000 IoT connected devices to its cloud platform each month.

**Chief executive report - continued
for the year ended 30 September 2015**

Sales and distribution

The Company's UK strategy is to focus on specific market channels; consumer retrofit via mainstream retail and wholesale, new home build, commercial building management solutions, utility companies and insurance.

The Company also plans to grow internationally through replication of this UK business model using in country master distributors to create global awareness of the LightwaveRF Smart Home platform. We have already significantly expanded our distribution base with the addition of Deta Electrical for new home build in the UK and Havells for India and Power Diverter for Australia.

Development strategy

Our development strategy has four strands; Products, Platforms, Big Data and Licensing.

1. Products

Our product strategy is to create a broad range of aesthetically designed devices that are easily retrofittable and intuitive to operate, either conventionally or remotely. We give the user complete control of their home or workspace using only one App.

Lighting

The lighting control range is now well established but continues to evolve. We are improving this range further in the year with the launch of our Smart dimmer in 2016 to serve the rapidly expanding LED market.

Power

The power solutions we offer now have a comprehensive programmable 13amp relay. There is a big opportunity for this technology in the commercial market, where our solution can offer savings through increased control and data visibility, for a significantly lower cost than current commercial solutions.

Following the reduction in Feed in Tariffs (FITs) for domestic solar electrical generation we are integrating the LightwaveRF protocol directly in to a power diverter. This will allow homeowners to automatically turn on high power usage devices such as immersion heaters, washing machines and dishwashers during the day when the power is available from solar generation.

Heating

Our heating system has been in the market for a year. A home and away button, smart window switches and a thermostatically controlled electric radiator switch were all added to the range during the year, together with the boiler switch, thermostat and smart TRV this offers a comprehensive solution.

Security

We plan to launch a comprehensive range of LightwaveRF security products.

2. Platforms

The company categorises software development, such as firmware, server software and user apps, as a Platform asset essential to support the operation of the full range of hardware devices. We have launched a new generation iOS App providing a much improved user experience and functionality. We believe we remain unique in controlling heating, power and light in one App. We continue to develop our Building Management Systems Software.

Chief executive report - continued
For the year ended 30 September 2015

3. Big data

We recognise there is significant value to be derived from the data arising from our systems. We now have over 200,000 devices connected which generate 56,000,000 data points per month. We are actively pursuing the opportunity to monetise this data.

4. Licensing

We continue to pursue the scope for embedding LightwaveRF technology into partner products. Our first licensing deal has been signed with Power Diverter for the Australian market.

Principal risks and uncertainties

The Company is exposed to a variety of risks in the conduct of its normal operations. Whilst it is not possible to either completely record or to quantify every material risk to which the Company might be exposed, those risks that the directors believe are most significant to the Company's business and could have a material impact on future performance, causing it to differ materially from expected or historic achieved results are as follows:

Treasury function

The Company monitors cash flow as part of its day to day control procedures. The board considers cash flow projections and liquidity risk at its meetings and ensures that appropriate facilities are available to be drawn down as necessary.

Customer concentration and relationships

The directors recognise that reliance on a single distributor may have created risks and have since taken steps to diversify the customer base, with the new distributors Deta, Havells and Power Diverter and others to follow.

Technological risk

The directors recognise that the technology in the IoT field is evolving rapidly which could pose a risk to the group. The directors continue to evaluate competitors and changes in the industry to mitigate this risk where possible.

The directors present their strategic report, which consists of the Chairman's statement and Chief executive's report, together with the audited financial statements for the year ended 30 September 2015.

On behalf of the board



Mike Lord
Chief Executive Officer

Date: 11/3/16

LightwaveRF plc

Board of Directors

For the year ended 30 September 2015

Barry Gamble Chairman

Barry Gamble FCA, has a number of board advisory and non executive roles including Chairman of Russam NED group. He was Chairman of Fisher German LLP and of Fountains plc after leading the MBO and AIM IPO. He has also served as an advisor to the Anglo Australian Fund of Funds Stafford Timberland.

Mike Lord Chief Executive Officer

Mike is a serial entrepreneur, having grown the revenues of his last business Minivator group from £5m to £50m over the previous decade, executing a double digit EBITDA multiple exit. He has a thorough understanding of technology, as well as the opportunities for commercialization. Having invested £800,000 personally into LightwaveRF, his ambition is to make it another success story.

John Shermer Chief Technical Officer

John Shermer established the Centre of Access Technology as a resource centre operated by Birmingham local authority which offered expertise and training on technology and disability to other local authorities within the UK and overseas agencies. John later established SRS Technology Group plc where he held various senior executive and Board positions. John is a founder and the visionary behind LightwaveRF.

Tom Sykes Chief Finance Officer

Previously Managing Director / Chief Executive of quoted and private businesses with extensive UK and global experience in devising and implementing rapid growth, turnaround and performance improvement strategies in manufacturing and retail businesses.

Steve Harris Non-Executive Director

Steve is CEO of Committed Capital and has spent over 29 years in investment and corporate development acting on takeovers, strategic alliances and fund raising both as principal and agent. Steve holds an MBA from London Business School and a BA Hons in Modern History. Steve attended the Royal Military Academy Sandhurst and was an officer in the British Army.

LightwaveRF plc

Report of the Directors for the year ended 30 September 2015

The Directors present their report with the Financial Statements of the Group and Company for the year ended 30 September 2015.

Principal activity

The principal activity of LightwaveRF is the design and development of devices and software to remotely control commercial and domestic lighting, power, heating and security.

Results

The audited Financial Statements and related notes for the year ended 30 September 2015, are set out on pages 17 to 49. The Group's loss for the year is set out in the Consolidated Statement of Comprehensive income on page 17. Further commentary on the results is included in the Chairman's statement and Chief executives report.

Research and development

As outlined in the Chief executive's report, the group undertakes a significant amount of research and development activity. Where the expenditure satisfies the recognition criteria in accordance with the groups accounting policy and IAS38 the directors have capitalised the expenditure in 2015.

Financial instruments

The Group's financial risk management policies are set out in note 19.

Future developments

Future developments are discussed in the Chief executives report.

Website publication

The directors are responsible for ensuring the integrity of the Annual Report and the Financial Statements that are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the Financial Statements contained therein.

Corporate governance

The directors recognise the importance of, and are committed to, high standards of corporate governance. Whilst under the AIM rules full compliance with the UK Corporate Governance Code is not required, the board seeks to comply insofar as is practicable and appropriate for a public company of its size.

**Report of the Directors - continued
for the year ended 30 September 2015**

Directors

The directors during the year under review and up to the date of approval were:

Barry Gamble	- Chairman
Steve Harris	- Non executive (Appointed 1 September 2015)
Mike Lord	- Chief executive officer
John Shermer	- Appointed 31 March 2015
Tom Sykes	- Appointed 10 December 2014
Frank Tiller	- Resigned 2 December 2014

The directors' aggregate emoluments in respect of qualifying services were:

	Barry Gamble	Steven Harris	Mike Lord	John Shermer	Tom Sykes	Frank Tiller
	£	£	£	£	£	£
Emoluments receivable	12,083	2,083	39,884	72,764	60,000	2,083
Share based payments	-	-	-	-	16,996	-
	12,083	2,083	39,884	72,764	76,996	2,083
Prior Year	-	-	23,500	26,334	-	21,500

Barry Gamble waived his entitlement to his emoluments until 31 March 2015.

During the year 400,000 share options were issued to the directors. Details of the share options issued and outstanding at 30 September 2015 are included in Note 4.

Directors indemnity and insurance

The Group maintained insurance cover during the year for its directors and officers and those of subsidiary companies under a directors and officers liability insurance policy against liabilities that may be incurred by them while carrying out their duties.

LightwaveRF plc

Report of the Directors - continued for the year ended 30 September 2015

Substantial shareholders

At 30 September 2015 the Company had been notified of the following beneficial interests in 3% or more of its issued share capital pursuant to the Companies Act 2006:

Shareholder	No. of Shares	%
Mainspring Nominees (8) Limited	3,881,026	20.57
City Financial	886,740	4.70
John Sinclair	600,847	3.18
Berti Investments	652,174	3.46
Paul & Carolina Sweetland	601,400	3.19

Directors interest in shares

The interests, all of which are beneficial, of the Directors in the share capital of the Company are set out below:

Mike Lord	1,300,000	6.89
John Shermer	956,667	5.07
Barry Gamble	516,190	2.74

Dividends

No dividends will be distributed for the year ended 30 September 2015 (2014 - nil).

**Report of the Directors - continued
for the year ended 30 September 2015**

The board of directors

The board of directors at the date of this report consists of three executive and two non-executive directors. The board believes that the composition and breadth of experience of the board are appropriate for the Company. The board meets at least 10 times throughout the year and through its chairman and executive directors in particular, maintains regular contact with its shareholders in order to ensure that the board develops an understanding of the views of major shareholders about the Company.

The board is responsible for such key matters as the approval and monitoring of strategic plans, the annual trading budget, major capital expenditure, treasury policies and financial performance. It delegates responsibility for the day to day operation of the business to the executive directors who are charged with consulting the board on all significant financial and operational matters.

Audit committee

The Audit Committee, which meets twice a year comprises Barry Gamble (Chairman) and Steve Harris – the two non-executive directors.

Remuneration committee

The remuneration committee, which meets twice a year comprises Steve Harris (Chairman) and Barry Gamble – the two non-executive directors.

The remuneration committee reviews the executive directors' remuneration based on practice within the Company's market sector. The Group wishes to attract, motivate and retain key executives. Accordingly its policy is to design remuneration packages which, through an appropriate combination of basic salary, performance related bonuses, share options, pension arrangements and certain benefits, reward executives fairly and responsibly for their individual contributions, whilst linking their potential earnings to the performance of the Group as a whole.

The remuneration committee consults with Mike Lord, the Group chief executive officer, as appropriate with regard to its proposals relating to the remuneration of the executive directors.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

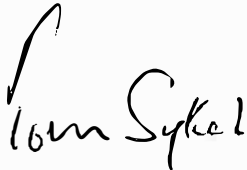
The auditors, BDO LLP, have expressed their willingness to continue in office and in accordance with the provisions of S485 of the Companies Act a resolution to reappoint them will be proposed at the Annual General Meeting.

**Report of the Directors - continued
for the year ended 30 September 2015**

Going concern

Under company law, the Company's directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Group and the Company are a going concern. As part of its normal business practice the Group prepares annual and longer term plans, which take into account all reasonably foreseeable events and circumstances, and in reviewing this information, the Company's directors are satisfied that the Group and the Company have sufficient resources to enable them to continue in business for the foreseeable future. For this reason the Company and Group continue to adopt the going concern basis in preparing these financial statements.

ON BEHALF OF THE BOARD: –



**Tom Sykes
Chief Financial Officer**

Date: 11/3/16

**Directors' responsibilities for the financial statements
for the year ended 30 September 2015**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions disclose with reasonable accuracy at any time the financial position of the Company and the Group enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditors report to the members of LightwaveRF plc
for the year ended 30 September 2015**

We have audited the financial statements of LightwaveRF plc for the year ended 30 September 2015 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group and the company statement of cash flows, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditors report to the members of LightwaveRF plc- continued
for the year ended 30 September 2015**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



*Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom*

Date...11./3/16

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

LightwaveRF plc

Consolidated statement of comprehensive income for the year ended 30 September 2015

CONTINUING OPERATIONS

	Notes	2015 £	2014 £
REVENUE	2	2,100,932	3,039,894
Cost of sales		(1,430,907)	(2,009,409)
GROSS PROFIT		670,025	1,030,485
Administrative expenses		(1,070,043)	(1,282,306)
LOSS FROM OPERATIONS	6	(400,018)	(251,821)
Finance expense	7	(18,551)	(47,573)
LOSS FOR THE YEAR BEFORE TAX		(418,569)	(299,394)
Tax credit on loss on ordinary activities	8	187,436	154,546
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(231,133)	(144,848)
Other comprehensive income		-	-
LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(231,133)	(144,848)
Basic loss per share	9	1.73p	1.20p
Diluted loss per share	9	1.73p	1.20p

The notes on pages 24 to 49 form part of these Financial Statements

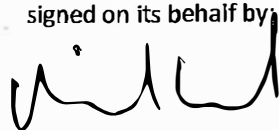
LightwaveRF plc

Group statement of financial position
as at 30 September 2015

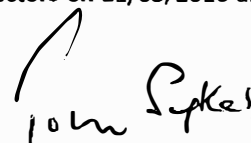
Company number: 06690180

	Notes	2015	2014
		£	£
ASSETS			
Non-current assets			
Intangible assets	11	403,039	-
Property, plant & equipment	12	38,359	62,312
		<u>441,398</u>	<u>62,312</u>
Current assets			
Inventories	3	-	-
Trade and other receivables	13	639,483	344,790
Cash and cash equivalents	17	1,043,828	222,662
Corporate tax recoverable		116,272	154,546
		<u>1,799,583</u>	<u>721,998</u>
Total assets		<u>2,240,981</u>	<u>784,310</u>
Equity & liabilities			
Shareholders equity			
Issued share capital	15	943,542	605,060
Share premium account		4,031,813	2,824,910
Reverse acquisition reserve		(100,616)	(100,616)
Share based payment reserve		23,076	-
Accumulated losses		(4,463,133)	(4,232,000)
Total shareholders equity		<u>434,682</u>	<u>(902,646)</u>
Current liabilities			
Trade and other payables	14	801,247	492,933
Loans and borrowings	14	624,911	574,008
Total current liabilities		<u>1,426,158</u>	<u>1,066,941</u>
Non current liabilities			
Loans and borrowings	14	380,141	620,015
Total non-current liabilities		<u>380,141</u>	<u>620,015</u>
Total equity & liabilities		<u>2,240,981</u>	<u>784,310</u>

The financial statements were approved and authorised for issue by the Board of Directors on 11/03/2016 and were signed on its behalf by



Michael Lord
Chief Executive Officer



Tom Sykes
Chief Financial Officer

The notes on pages 24 to 49 form part of these Financial Statements

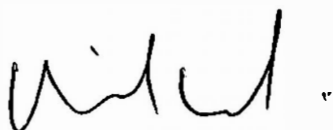
LightwaveRF plc

Company statement of financial position as at 30 September 2015

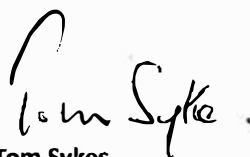
Company number: 06690180

	Notes	2015 £	2014 £
ASSETS			
Non-current assets			
Investments	10	100,620	100,620
Debtors due in more than one year	13	3,897,551	-
		<u>3,998,171</u>	<u>100,620</u>
Current assets			
Other receivables	13	7,098	2,799,149
Cash and cash equivalents		537,000	23
		<u>544,098</u>	<u>2,799,172</u>
TOTAL ASSETS		<u>4,542,269</u>	<u>2,899,792</u>
Equity & liabilities			
Shareholders' equity			
Issued share capital	15	943,542	605,060
Share premium account		4,031,813	2,824,910
Share based payment reserve		23,076	-
Accumulated losses		(996,292)	(1,021,041)
Total shareholders' equity		<u>4,002,139</u>	<u>2,408,929</u>
Current liabilities			
Trade and other payables	14	74,159	69,572
Loans and borrowings	14	465,971	421,291
Total current liabilities		<u>540,130</u>	<u>490,863</u>
Total equity & liabilities		<u>4,542,269</u>	<u>2,899,792</u>

The financial statements were approved and authorised for issue by the Board of Directors on 11/3/16, and were signed on its behalf by:



Michael Lord
Chief Executive Officer



Tom Sykes
Chief Financial Officer

The notes on pages 24 to 49 form part of these Financial Statements

**Group statement of cashflows
for the year ended 30 September 2015**

	Notes	2015 £	2014 £
Cash flow from operating activities			
Loss after tax		(231,133)	(144,848)
Adjusted for:			
Depreciation		23,953	7,586
Interest expense		18,551	47,573
Share based payments		23,076	-
Tax credits for the year		(187,436)	(154,546)
Decrease in inventories		-	395,478
(Increase) / decrease in trade and other receivables		(272,141)	5,336
Increase in trade and other payables		330,443	203,646
		(294,687)	360,225
Finance costs paid		(18,551)	(47,573)
Cash (absorbed) /generated by operations		(313,238)	312,652
Tax credits in respect of research and development		225,710	-
		225,710	-
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(62,151)
Deferred development expenditure		(403,039)	-
		(403,039)	(62,151)
Cash flows from financing activities			
Net proceeds from issue of shares		1,545,385	385,550
Repayment of bank borrowings		(4,675)	(9,350)
Repayment of convertible loan note		-	(3,849)
Payment of deferred settlement agreement		(228,977)	(307,863)
		1,311,733	64,488
Net increase in cash and cash equivalents		821,166	314,989
Cash and cash equivalents at 1 October 2014		222,662	(92,327)
Cash and cash equivalents at 30 September 2015	17	1,043,828	222,662

The notes on pages 24 to 49 form part of these Financial Statements

LightwaveRF plc

Company statement of cashflows for the year ended 30 September 2015

	2015 £	2014 £
Cash flow from operating activities		
Profit/ (Loss) after tax	24,749	(136,609)
Adjusted for:		
Interest expense	7,439	12,186
Share based payments	23,076	-
decrease/(increase) in trade and other receivables	12,594	(9,875)
Increase/(decrease) in trade and other payables	49,267	(53,577)
	<u>117,125</u>	<u>(187,875)</u>
Finance costs	(7,439)	(12,186)
Cash absorbed by operations	<u>109,686</u>	<u>(200,061)</u>
Cash flows from investing activities		
(Increase) in subsidiary company loans	(1,118,094)	(188,731)
	<u>(1,118,094)</u>	<u>(188,731)</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,545,385	385,550
Repayment of convertible loan note	-	(3,849)
	<u>1,545,385</u>	<u>381,700</u>
Net Increase in cash and cash equivalents	536,977	7,092
Cash and cash equivalents at 1 October 2014	23	7,115
Cash and cash equivalents at 30 September 2015	<u>537,000</u>	<u>23</u>

The notes on pages 24 to 49 form part of these Financial Statements

Statement of changes in equity
For the year ended 30 September 2015

GROUP	Issued Share Capital £	Share Premium £	Reverse Acquisition Reserve £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2014	605,060	2,824,910	(100,616)	-	(4,232,000)	(902,646)
Loss for the year and total comprehensive income	-	-	-	-	(231,133)	(231,133)
Share based payments	-	-	-	23,076	-	23,076
Shares issued	338,482	1,302,568	-	-	-	1,641,050
Share issue costs	-	(95,665)	-	-	-	(95,665)
As at 30 September 2015	943,542	4,031,813	(100,616)	23,076	(4,463,133)	434,682

COMPANY	Issued Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2014	605,060	2,824,910	-	(1,021,041)	2,408,929
Profit for the year and total comprehensive income	-	-	-	24,749	24,749
Share based payments	-	-	23,076	-	23,076
Shares issued	338,482	1,302,568	-	-	1,641,050
Share issue costs	-	(95,665)	-	-	(95,665)
As at 30 September 2015	943,542	4,031,813	23,076	(996,292)	4,002,139

The notes on pages 24 to 49 form part of these Financial Statements

LightwaveRF plc

Statement of changes in equity
for the year ended 30 September 2015

GROUP	Issued Share Capital £	Share Premium £	Reverse Acquisition Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2013	547,774	2,496,645	(100,616)	(4,087,152)	(1,143,349)
Loss for the year and total Comprehensive income	-	-	-	(144,848)	(144,848)
Shares issued	57,286	343,715	-	-	401,001
Share issue costs	-	(15,450)	-	-	(15,450)
As at 30 September 2014	605,060	2,824,910	(100,616)	(4,232,000)	(902,646)
COMPANY	Issued Share Capital £	Share Premium £	Retained Earnings/ (Losses) £	Total Equity £	
As at 1 October 2013	547,774	2,496,645	(884,432)	2,159,987	
Loss for the year and total Comprehensive income	-	-	(136,609)	(136,609)	
Shares issued	57,286	343,715	-	401,001	
Share issue costs	-	(15,450)	-	(15,450)	
As at 30 September 2014	605,060	2,824,910	(1,021,041)	2,408,929	

The notes on pages 24 to 49 form part of these Financial Statements

**Notes to the financial statements
for the year ended 30 September 2015**

1. GENERAL INFORMATION

ACCOUNTING POLICIES

a) Basis of preparation of the financial statements

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the European Union ("adopted IFRSs"). The Financial Statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies preparing Financial Statements in accordance with IFRS.

The preparation of Financial Statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in the note below.

The consolidated financial statements have been prepared on a historical cost basis.

GOING CONCERN

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Group and the Company are a going concern. As part of its normal business practice the Group prepares annual and longer term plans, which take into account all reasonably foreseeable events and circumstances, and in reviewing this information, the Company's Directors are satisfied that the Group and the Company have sufficient resources to enable them to continue in business for the foreseeable future. For this reason the Group and Company continue to adopt the going concern basis in preparing the financial statements.

b) Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

The Financial Statements have been prepared using the reverse accounting provisions that were incorporated in International Financial Reporting Standard 3 (as issued in 2004).

Reverse accounting was determined to be required in accounting for the business combination of the Company and LightwaveRF Technology Limited because following the business combination; the Parent Company is effectively controlled by the Board and the former shareholders of LightwaveRF Technology Limited. In effect, the transaction is accounted for as though LightwaveRF Technology Limited was the acquiring Company rather than the acquired and LightwaveRF Plc has been treated as a subsidiary. The reverse acquisition reserve consists of amounts arising from the adjustment made to the equity instruments of the legal acquiree in reverse acquisition accounting.

c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities (excluding VAT and other sales taxes, returns, rebates and discounts).

Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive previously agreed payment. These criteria are considered to be met when the goods are delivered to the buyer.

d) Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

e) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying values over their useful economic lives. It is provided for at 33% per annum straight line.

Any gain or loss arising from disposal or retirement of an asset is determined as the difference between the fair value of the sales proceeds and the amount of the asset and is recognised in the statement of comprehensive income.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

f) Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets held to maturity.

The Group's accounting policy for each category is as follows:

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as financial difficulties on the part of the counterparty or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise current and deposit account bank balances which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value with deposit maturity of three months or less from inception. This definition is also used for the statement of cash flow.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

g) Financial liabilities

The Group classifies its financial liabilities into the following categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at fair value, net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

h) Taxation

The tax credit/expense represents the sum of the tax currently payable, research and development tax credits and deferred tax.

Current tax

Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in different accounting periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Research and development tax credits

Research and development tax credits are recognised on qualifying expenditure that meets the criteria set out by HMRC guidance.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case tax is also recognised directly in equity.

i) Share capital

Equity instruments issued by the Company are recorded at the proceeds received, or contractually receivable net of direct costs of issue.

j) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the profit and loss reserve. Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**Notes to the financial statements – continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

k) Convertible debt

The proceeds received on issue of the Group and Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. Where the conversion component does not confer a fixed amount of shares for a fixed amount of cash this component is reflected as part of the financial liability.

l) Extinguishing financial liabilities with shares

When shares are issued to extinguish all or part of a financial liability, they are recognised initially at their fair value at the date of issue. The difference between the carrying amount of the financial liability extinguished and fair value of the shares is recognised as a gain or loss in profit or loss within the Consolidated statement of comprehensive income.

m) Foreign currency

Transactions entered into by Group entities in a currency other than the Group's functional currency (Pounds Sterling) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in the Consolidated statement of comprehensive income.

n) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

o) Research & development

Development expenditure on internally developed products and the platform is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised product development costs are amortised over the periods the Group expects to benefit from selling the products developed. Capitalised platform costs are amortised on completion of specific projects. The amortisation expense is included within the administrative expenses line in the Consolidated statement of comprehensive income. The amortisation period will be monitored and re-assessed as the platform and products evolve although it is anticipated to be a period of three years.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of Comprehensive income as incurred.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

p) Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustment to the Financial Statements are discussed below:

- The fair value of share based payments has been estimated using the Black – Scholes method and a reserve created in the accounts.
- Research and development expenditure and the costs of building the IT platform have been allocated to individual projects and products in accordance with the requirements of IAS38 and intangible assets are amortised from the date of launch to market or in the case of the platform, when it is brought into use, over the period the group expects to benefit, currently anticipated to be a period of 3 years. The value of Intangible assets has been reviewed for impairment and no provision is required.
- Research and development tax credits are calculated using HMRC guidance regarding cash recoverable for research and development expenditure surrendered.
- Intercompany loans have been reviewed for impairment using future estimated cash flows. The directors have concluded that no impairment is required.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

1. GENERAL INFORMATION (Cont'd)

New standards, interpretations and amendments effective from 1 October 2014

The following new standards, interpretations and amendments were applicable:

None

New standards, interpretations and amendments not yet effective

The Directors are considering the impact of the following new standards, interpretations and amendments, which are not anticipated to be of significance:

Standard/amendment	Effective dates (on or after)
IFRS 9 Financial Instruments	1 January 2018*
IFRS 11 Accounting for Acquisitions of interests in joint Operations: Amendments to IFRS11	1 January 2016
IAS 16 and IAS 38 Clarification of acceptable methods of Depreciation and amortisation	1 January 2016
IAS 27 Separate Financial Statements (Amendments)	1 January 2016
Improvements to IFRS (2012-2014)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018*
IFRS 16 Leases	1 January 2019*
Investment entities –Applying the consolidation exception (proposed amendments to IFRS 10, IFRS12 and IAS 28)	1 January 2016*
Disclosure Initiative: Amendments to IAS1	1 January 2016
Recognition of deferred tax assets for unrealised losses	1 January 2017
Disclosure Initiative: Amendments to IAS 7 (amendments to IAS 12)	1 January 2017

* Not yet endorsed in the EU

Notes to the financial statements - continued
for the year ended 30 September 2015

2. REVENUE

Operating segments are identified in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The Directors consider that the Group has only one operating segment.

Geographical analysis of revenue is as follows:

	Group 2015 £	Group 2014 £
United Kingdom	1,983,261	3,007,207
Asia	109,816	6,433
Middle East	4,030	19,449
Rest of Europe	3,825	6,805
Total Revenue	<u>2,100,932</u>	<u>3,039,894</u>

Revenues of £1,943,194 related to one customer, £85,614 related to another customer and £24,202 related to another customer. (2014: £2,444,000, £214,000 and £198,000).

3. INVENTORY

	Group 2015 £	Group 2014 £
Finished goods for resale	-	25,774
Impairment provision	-	(25,774)
	<u>-</u>	<u>-</u>

Inventories brought forward have been scrapped during the year and the provision has therefore been released.

Notes to the financial statements - continued
for the year ended 30 September 2015

4. EMPLOYEES AND DIRECTORS

Staff costs (including Directors) comprise

Group

	2015	2014
	£	£
Wages and Salaries	342,919	377,990
Social Security Cost	37,245	22,792
Other Benefits	42,901	5,509
Share based payment	23,076	-
	446,141	406,291

Company

Directors and key management remuneration

	Year ended 2015	Year ended 2014
	£	£
Emoluments Receivable	188,897	154,434
Fees Paid to Third Parties in Respect of Directors Services	-	76,000
Share based payments	16,996	-
	205,893	230,434

Key management personnel are those persons having authority and responsibility for planning directing and controlling the activities of the group, including the directors of the company listed on page 10.

Share based payments are recognised at the fair value of the share options. Refer to note 16

At 30 September 2015 the following options existed:

Tom Sykes held an option over 360,000 ordinary shares of the Company (2014: 360,000), option price £0.125

Mike Lord held an option over 200,000 ordinary shares of the Company (2014: Nil) option price £0.28

John Shermer held an option over 200,000 ordinary shares of the Company (2014: Nil) option price £0.28

Other employees held options over 250,000 ordinary shares of the Company (2014: Nil) option price £0.29

The aggregate emoluments of the highest paid Director of the Company were £76,996 (2014: £26,334).

GROUP

	2015	2014
	£	£
The average monthly number of employees was as follows:		
Directors	5	5
Administrative	7	6
	12	11

**Notes to the financial statements - continued
for the year ended 30 September 2015**

5. COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by section 408 Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these Financial Statements. The Company made a profit for the year of £24,749 (2014: loss £136,609).

6. LOSS FROM OPERATIONS

The operating loss is stated after charging:

	2015	2014
	£	£
Inventories of finished goods	1,408,180	2,009,409
Auditors remuneration:		
- fees payable to the Company's auditors for the audit of the Company's annual accounts	8,500	8,000
- fees payable to the Company's auditors for the audit of the subsidiary's annual accounts	14,000	13,500
- fees payable to Company's auditors for the review of tax computations	750	750
- fees payable to Company's auditors for the conversion of accounts for electronic filing	3,000	3,000
Research and Development cost expensed	143,118	340,671
Exchange differences	61,959	17,057
Depreciation	23,953	7,586
Share based payments	23,076	-

7. NET FINANCE COSTS

	2015	2014
	£	£
Finance expenses		
Bank loan interest	(574)	(3,306)
Convertible loan interest	(13,610)	(12,070)
Bank charges	(4,367)	(32,197)
	<u>(18,551)</u>	<u>(47,573)</u>

Notes to the financial statements – continued
for the year ended 30 September 2015

8. TAXATION

	2015 £	2014 £
Tax expense comprises:		
Current tax	116,272	-
Tax in respect of prior periods	71,164	154,546
Current tax credit	<u>187,436</u>	<u>154,546</u>
Loss from continuing operations	<u>(418,569)</u>	<u>(299,394)</u>
Income tax credit calculated at 20% (2014 - 23%)	83,714	68,861
Effect of expenses that are not deductible in determining taxable profit	(1,208)	(15,562)
Effect of unused tax losses and tax offsets	(82,506)	(53,299)
Tax credit in respect of Research & Development	116,272	-
Adjustments in respect of prior years	71,164	154,546
Total tax credit	<u>187,436</u>	<u>154,546</u>

The tax credit for the current period relates to Research & Development claims made in respect of 2014 and 2015.

Tax Losses from the current year have been surrendered to receive Research & Development Tax credits.

The group has recognised deferred tax liability of £87,287 in respect to timing differences on costs capitalised in respect of Research and Development but offset this against deferred tax asset of £87,287, as this can be offset against unrecognised losses carried forward.

	2015	2014
Unrecognised trading losses brought forward	3,212,185	3,075,576
Losses for tax purposes	1,273,384	704,073
Losses offset against R&D Tax liability	(801,875)	(567,464)
Unrecognised losses carried forward	<u>3,683,693</u>	<u>3,212,185</u>

**Notes to the financial statements - continued
for the year ended 30 September 2015**

9. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss for the financial year attributable to shareholders by the weighted average number of shares in issue. The remaining securities in issue are not dilutive as at 30 September 2015.

	2015 Number	2014 Number
Numerator		
Loss used for calculation of basic and diluted earnings per share	231,133	144,848
The weighted average number of shares were:		
Denominator		
Weighted average number of ordinary shares used in basic and diluted EPS	13,372,339	12,101,194
Weighted average number of ordinary shares		
Basic loss per share	£0.017	£0.012
Diluted loss per share	£0.017	£0.012

At 30 September 2015, there were 1,010,000 (2014: 360,000) of potentially issuable shares which are anti-dilutive; such shares may become dilutive in future periods.

10. INVESTMENTS IN SUBSIDIARIES

COMPANY

	2015 £	2014 £
Cost		
As at 1 October 2014	100,620	100,620
As at 30 September 2015	<u>100,620</u>	<u>100,620</u>

The Company's investments in the capital of unlisted subsidiary undertakings represents:

COMPANY	Nature of business	Shareholding	Incorporated
LightwaveRF Technology Limited	Design and manufacture of remote control devices and systems	100%	UK
JSJS Designs (Hong Kong) Limited	Dormant	100%	Hong Kong

Notes to the financial statements - continued
for the year ended 30 September 2015

11. Intangible assets

	Deferred development costs	Platform	Total
	£	£	£
FIXED ASSETS – Group			
Cost			
As at 1 October 2014	-	-	-
Additions	36,648	366,391	403,039
As at 30 September 2015	36,648	366,391	403,039
Accumulated amortisation			
As at 1 October 2014	-	-	-
Charge for the year	-	-	-
As at 30 September 2015	-	-	-
Net book value as at 30 September 2015	36,648	366,391	403,039
Net book value as at 30 September 2014	-	-	-

The group has not amortised the intangible asset as the projects being capitalised had not been completed by the end of the financial year.

The directors have undertaken an impairment review to confirm that the intangible assets are supported. The review has concluded that the value of the intangible assets and the tangible fixed assets in Note 12 are supported by the discounted future cash flows forecasted by the group.

The company categorises software development, such as firmware, server software and user apps, as a Platform asset essential to support the operation of the full range of hardware devices.

Notes to the financial statements - continued
for the year ended 30 September 2015

12. PROPERTY, PLANT AND EQUIPMENT

	Property Plant and Equipment
	£
FIXED ASSETS – Group	
Cost	
As at 1 October 2014	75,925
Additions	-
As at 30 September 2015	<u>75,925</u>
Accumulated depreciation	
As at 1 October 2014	(13,613)
Charge for the year	(23,953)
As at 30 September 2015	<u>(37,566)</u>
Net Book Value as at 30 September 2015	<u>38,359</u>
Net book value as at 30 September 2014	<u>62,312</u>

The Company had no property, plant and equipment during either year.

	Property, Plant and Equipment
	£
Fixed assets – Group	
Cost	
As at 1 October 2013	13,775
Additions	62,150
As at 30 September 2014	<u>75,925</u>
Accumulated depreciation	
As at 1 October 2013	(6,027)
Charge for the year	(7,586)
As at 30 September 2014	<u>(13,613)</u>
Net book value as at 30 September 2014	<u>62,312</u>
Net book value as at 30 September 2013	<u>7,748</u>

Notes to the financial statements - continued
for the year ended 30 September 2015

13. TRADE AND OTHER RECEIVABLES

	Group 2015 £	Group 2014 £
Amounts falling due within one year:		
Trade receivables	611,711	298,494
Other receivables	11,675	8,164
Prepayments & accrued income	16,097	38,132
	<u>639,483</u>	<u>344,790</u>
	Company 2015 £	Company 2014 £
Amounts falling due within one year:		
Amounts owed by group companies	-	2,779,457
Prepayments & accrued income	7,098	19,692
	<u>7,098</u>	<u>2,799,149</u>
	Group 2015 £	Group 2014 £
The ageing analysis of trade receivables is given as follows:		
Less than one month	124,488	87,768
More than 1 month and less than 3 months	7,157	242,627
More than 3 months	457,514	(31,901)
	<u>589,159</u>	<u>298,494</u>
	Company 2015 £	Company 2014 £
Amounts falling due in more than one year:		
Amounts owed by group companies	3,897,552	-
	<u>3,897,552</u>	<u>-</u>

Although technically repayable on demand, the directors do not expect repayment of this balance within 12 months of the date of these financial statements.

The Group does not hold any collateral as security. At the year end, the carrying amounts of the Group's trade and other receivables were denominated in both Pounds Sterling and US Dollars. As at 30 September 2015, trade receivables amounting to £347,020 (2014: £56,138) were past due. The Directors have reviewed the trade receivables and as the overdue amounts were subsequently paid in full consider that no impairment provision is necessary.

Book value is a fair approximation for fair value.

Notes to the financial statements - continued
for the year ended 30 September 2015

13. TRADE AND OTHER RECEIVABLES – (Cont'd)

	Group 2015 £	Group 2014 £
Other loans receivable	61,132	61,132
Impairment provision	(61,132)	(61,132)
	<u>-</u>	<u>-</u>

The impairment provisions remain unchanged from the prior year.

RELATED PARTY LOANS

	Year ended 2015 £	Year ended 2014 £
Amounts owed by LightwaveRF Technology Limited	<u>3,897,551</u>	<u>2,779,457</u>
Transactions during the year:-		
Transfers of funds to subsidiary company	1,153,450	181,771
Expenses paid (by) / to subsidiary company	(35,356)	30,329
	<u>1,118,094</u>	<u>212,100</u>

During the year LightwaveRF plc continued to provide funding to its subsidiary, LightwaveRF Technology Limited. As at 30 September 2015 the balance due to the Company was £3,897,552 (2014:£2,779,457). The directors consider these balances fully recoverable and no impairment is necessary.

There is an interest charge of £116,272 on the funding between the parent company and its trading subsidiary equal to 5% of the average balance during the year.

14. TRADE AND OTHER PAYABLES

	Group 2015 £	Group 2014 £
Trade payables	633,489	309,859
Other taxes and social security	51,614	37,198
Other payables	-	21,591
Accruals	116,144	124,285
	<u>801,247</u>	<u>492,933</u>

Notes to the financial statements - continued
for the year ended 30 September 2015

14. TRADE AND OTHER PAYABLES (Cont'd)

	Company 2015	Company 2014
	£	£
Trade payables	74,159	53,558
Other taxes and social security	-	(2,022)
Accruals	-	18,036
	<u>74,159</u>	<u>69,572</u>

At the year end, the carrying amounts of the Company's trade and other payables were denominated in both Pounds Sterling and USD \$.

Loans and borrowings	Group Year ended 2015	Group Year ended 2014
	Book value	Book value
	£	£
Current		
Convertible loan note	465,971	421,291
Bank loan	-	4,674
Deferred payment agreement	158,940	148,043
	<u>624,911</u>	<u>574,008</u>
Non-current		
Deferred payment agreement	380,141	620,015
	<u>380,141</u>	<u>620,015</u>
Total loans and borrowings	<u>1,005,052</u>	<u>1,194,023</u>

Loans and borrowings	Company Year ended 2015	Company Year ended 2014
	Book value	Book value
	£	£
Current		
Convertible loan note	465,971	421,291
Total loans and borrowings	<u>465,971</u>	<u>421,291</u>

**Notes to the financial statements - continued
for the year ended 30 September 2015**

14. TRADE AND OTHER PAYABLES (Cont'd)

In October 2011, LightwaveRF plc entered into a convertible loan note with a supplier. The convertible loan carries a coupon interest rate of 3%. LightwaveRF plc may redeem the convertible loan note at any time. The loan note holder may opt to convert the outstanding balance on the convertible loan into ordinary shares of the Company. At 30 September 2015 the supplier has confirmed that it is not their intention to convert the loan note into ordinary shares of LightwaveRF plc.

The deferred payment agreement is repayable at \$20,000 per month +10% of the cost of products purchased from a key supplier.

The carrying value is not materially different to the fair value of the loans and borrowings applying market rates of interest and assuming the repayments are made in accordance with the planned repayment profiles.

Principal terms and the debt repayment schedule of the Group's loans and borrowings are as follows at 30 September 2015:

	Currency	Nominal rate	Year of maturity
		%	
Deferred Payment agreement	US Dollars	0.0	2019
Convertible debt*	US Dollars	3.0	

*The convertible debt is subject to a rolling maturity date.

	Group Year ended 2015 Fixed rate £	Group Year ended 2014 Fixed rate £
Expiry within one year	-	4,674
	-	4,674

Notes to the financial statements - continued
for the year ended 30 September 2015

15 CALLED UP SHARE CAPITAL

	Company 2015 £	Company 2014 £
Authorised share capital: 20,000,000 ordinary shares 5p each	1,000,000	1,000,000

	2015		2014	
	No.	£	No.	£
Ordinary share capital brought forward	12,101,194	605,060	10,955,475	547,774
Issue of ordinary shares:				
Issue for cash	6,769,661	338,482	1,145,719	57,286
	18,870,855	943,542	12,101,194	605,060

A further 6,769,661 ordinary shares of 5p each were allotted during the year raising £1,545,386 net of costs.

All issued shares rank pari passu for the purposes of dividends, voting, and any return of capital. All issued shares are fully paid up.

The Company has in existence options over 1,010,000 New Ordinary shares. The options carry neither rights to dividends nor voting rights and may be exercised at the following dates.

360,000 after 30 September 2016

150,000 after 31 March 2018 if the share price reaches or exceeds £0.80

500,000 after 30 September 2018 if the share price reaches or exceeds £0.80

Options:

	<u>Number</u>	<u>Vesting Period</u>	<u>Exercise Price (pence)</u>
Brought Forward	360,000	3 Years	£0.125
Carried Forward	1,010,000	3 Years	£0.125 and £0.28 and £0.29

360,000 options had a fair value of £0.125 at date of grant.

500,000 options had a fair value of £0.28 at date of grant.

150,000 options had a fair value of £0.29 at date of grant.

Share based payment in 2014 was considered immaterial and no share base payment was recognised.

At the year end the average exercise price was £0.226 (2014: £0.125) and the average remaining life of the options was 2.5 years (2014: 2 years).

**Notes to the financial statements - continued
for the year ended 30 September 2015**

16. Share based payments

The company operates a United Kingdom tax authority approved equity- settled share based remuneration scheme for directors and employees. Under this scheme 360,000 of options are exercisable three years from grant and 650,000 options are exercisable three years from grant if the market price of the shares meets or exceeds £0.80p per share.

	2015		2014	
	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Number
Outstanding at 1 October	£0.125	360,000	£0.125	360,000
Granted during the year	£0.282	650,000	-	-
Outstanding at 30 September	£0.226	1,010,000	£0.125	360,000

The exercise price of options outstanding at 30 September 2015 ranged between £0.125p and £0.29p (2014: £0.125p) and their weighted remaining contractual life was 807 days (2014: 730 days).

The following information is relevant in the determination of the fair value of options granted during the year.

	2015	2014
Option pricing model used	Black – Scholes	Black-Scholes
Weighted average share price at grant date	£0.282	nil
Volatility relative to comparator index	84%	n/a
Interest rate	5%	n/a

The volatility assumption is based on a statistical analysis of daily share prices over the three years to 30th September 2015.

The resulting share based payment of £23,076 (2014: £nil) is included in note 4

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks and comprise the following statement of financial position amounts:

	Group 2015 £	Group 2014 £
Cash available on demand	1,043,828	222,662

The Group's cash and cash equivalents totalling £1,043,828 are all held at institutions rated by international credit agencies as at least AA or equivalent (2014: AA or equivalent).

**Notes to the financial statements - continued
for the year ended 30 September 2015**

18. RELATED PARTIES

The Company does not have a controlling party. The following transactions were carried out with related parties:

£46,779 (2014: £42,174) of wages was paid to two (2014: two) close family members of John Shermer's family. Drol Investments Limited, a Company of which Mike Lord is a Director, was paid £42,000 (2014: £ 23,500) for secretarial services.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The details and remuneration of key personnel are shown in Note 4 to the Financial Statements.

At 30 September 2015, Mike Lord and Frank Tiller were owed £335 (2014: £4,800) and £nil (2014: £22,422) respectively in relation to accrued fees and expenses. John Shermer owed £1530 (2014: £nil) in relation to overpaid expenses. Barry Gamble was owed £1,284 (2014: £nil) in relation to accrued fees and expenses.

19. FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

	2015	2014
	£	£
Financial assets – Group		
Trade and other receivables, excluding prepayments	611,711	298,494
Other receivables	11,675	8,164
Cash and cash equivalents	1,043,828	222,662
Loans and receivables	<u>1,667,214</u>	<u>529,320</u>
Financial assets – Company		
Receivables, excluding prepayments	3,897,552	2,779,457
Cash and cash equivalents	537,000	23
Loans and receivables	<u>4,434,552</u>	<u>2,779,480</u>
Financial liabilities - Group (current)		
Trade payables	633,489	309,859
Other payables	-	21,591
Accruals	116,144	124,285
	<u>749,633</u>	<u>455,735</u>
Financial liabilities - Company (current)		
Trade payables	74,159	53,558
Other payables, excluding statutory liabilities	-	18,036
	<u>74,159</u>	<u>71,594</u>

Notes to the financial statements - continued
for the year ended 30 September 2015

19. FINANCIAL INSTRUMENTS (Cont'd)

	2015 £	2014 £
Other financial liabilities - Company (current)		
Convertible loan note	465,971	421,291
Other financial liabilities - Group (Current)		
Convertible loan note	465,971	421,291
Bank loan	-	4,674
Deferred payment agreement	158,940	148,043
	624,911	574,008
Other financial liabilities - Group (non-current)		
Bank loan	-	-
Deferred payment agreement	380,141	620,015
	380,141	620,015

The fair value of financial assets and liabilities is not materially different to their carrying amount.

An analysis of the maturity of the Group's trade receivables is shown in note 13. Intercompany loans fall due in more than one year. All other receivables fall due within one year.

An analysis of the maturity of the Group's financial liabilities measured at amortised cost is as follows:

	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £
At 31 December 2015				
Trade and other payables	693,598	56,035	-	-
Deferred payment agreement	39,735	119,205	158,940	221,201
Convertible loan notes	-	-	155,324	310,647
	733,333	175,240	314,264	531,848
At 31 December 2014				
Trade and other payables	435,273	20,462	-	-
Bank loan	1,752	2,922	-	-
Deferred payment agreement	37,010	111,033	206,671	413,344
Convertible loan notes	-	-	-	421,291
	474,035	134,417	206,671	834,635

An analysis of the Group's convertible loan note and bank loans is shown in note 14.

**Notes to the financial statements - continued
for the year ended 30 September 2015**

An analysis of the maturity of the Company's financial liabilities measured at amortised cost is as follows:

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
	£	£	£	£
At 31 December 2015				
Trade and other payables	74,159	-	-	-
Convertible loan notes	-	-	155,324	310,647
	762,395	175,240	314,264	531,848
	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 Years
	£	£	£	£
At 31 December 2014				
Trade and other payables	53,558	2,426	-	-
Accruals	-	18,036	-	-
onvertible loan notes	-	-	-	421,291
	53,558	20,462	-	421,291

(b) Risks

The main risks arising from the Group's financial instruments are currency risk, credit risk, liquidity risk, cash flow, interest rate risk and capital risk. The Group has not entered into any derivative transactions.

(i) Currency risk

The Group is subject to foreign exchange risk in respect of some of its normal trading activities.

The Group is exposed to currency risk on sales and purchases from overseas suppliers. The Group receives/incurs revenues/costs in both British Pounds and US Dollars. The Group does not use currency derivatives to hedge future transactions or cash flows. Currency risk is managed by the finance director by using currency received by customers to settle supplier debts where possible.

The sensitivity on foreign exchange risk covers monetary financial assets and liabilities that are denominated in a foreign currency, i.e. in a currency other than the currency in which they are measured. The following tables indicate the approximate effect on the profit after tax and the effect on other components of equity in response to reasonably possible changes in an exchange rate at the financial position date to which the Group has significant exposure.

Notes to the financial statements - continued
For the year ended 30 September 2015

19. FINANCIAL INSTRUMENTS (Cont'd)

	<u>2015</u>		<u>2014</u>	
	<u>Effects on</u> <u>loss after</u> <u>Tax</u>	<u>Effects on</u> <u>other</u> <u>components</u> <u>of equity</u>	<u>Effects on</u> <u>loss after</u> <u>Tax</u>	<u>Effects on</u> <u>other</u> <u>components</u> <u>of equity</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
£ to US \$				
£ appreciates by 5%	(79,804)	(79,804)	(101,481)	(101,481)
£ depreciates by 5%	72,204	72,204	91,816	91,816

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts.

The Group monitor its credit risk by monitoring the creditworthiness of existing customers and through a monthly review of the trade receivables' ageing analysis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum "AA" rating are accepted.

(iii) Liquidity risk

The Directors regularly review both short and medium term cash flow projections in order to manage the Group's cash flow.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group and Company arise in respect of administrative expenditure, trade, and other payables. Trade and payables are all payable within three months.

The loans and borrowings repayments are factored into the group's cash flows to ensure the group can meet these obligations as they fall due. The Board receives and reviews cash flow projections on a regular basis as well as information on cash balances.

(iv) Cash flow interest rate risk and interest rate risk

The Group is exposed to cash flow interest rate risk from certain long-term borrowings. Long-term borrowings are all held on a fixed rate of interest. The Group analyses its interest rate exposure on a monthly basis.

(v) Capital risk

The Group considers its capital to be ordinary share capital, unissued ordinary share capital, share premium, reverse acquisition reserves and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Directors regularly review both short and medium term forecasts to achieve this.

Notes to the financial statements - continued
For the year ended 30 September 2015

20. RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Share based payment reserve	Amounts reflecting the cost reserved for share options Issued.
Reverse acquisition reserve	Amount reflecting the reverse acquisition of subsidiary undertakings
Accumulated losses	Cumulative gains and losses through the Statement of Comprehensive Income, other than amounts transferred directly from other reserves where required or permitted.

**Shareholder information
for the year ended 30 September 2015**

DIRECTORS: Barry Gamble (Chairman)
Michael Lord
John Shermer
Tom Sykes
Steve Harris (Non-executive)

SECRETARY: Kevin Edwards

REGISTERED OFFICE:

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Faraday Wharf
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Birmingham B7 4BB

REGISTERED NUMBER: 06690180

SEDOL: B3FHW44

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REGISTRARS:

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West Midlands B63 3DA

NOMINATED ADVISER AND BROKER:

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BANKERS:

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