

Lightwave<sup>RF</sup> plc

A decorative graphic consisting of multiple overlapping, wavy lines in various shades of green, creating a sense of motion and depth. The lines flow from the left side of the page towards the right, with some lines curving upwards and others downwards, creating a complex, layered effect.

# Annual report

Year ended 30 September 2016

[www.lightwaverf.com](http://www.lightwaverf.com)

## Control lighting

- Designers finishes
- Soft start
- Scene lighting
- Automatic timers
- Random timers
- Auto on at dusk



Wire-free switch



Designer retrofit dimmers



2-Way dimmers



Scene control

## Control heating

- Control away
- Schedule boiler from smartphone
- Schedule radiators
- Set temperature

## Smartphone control

- Use on a smartphone or tablet
- Control from anywhere
- Apple, Android & Windows Apps
- Pc Web App



Lightwave Link



## Voice control

via Amazon Alexa



# Lightwave

## One home

Smartphone control



# heating

from home  
om smartphone  
radiators  
eratures



Radiator control



Central heating control



Electric Radiator control

# Control power

- Scene control
- Remotely lock sockets for safety
- Automatic timers
- Control doors/windows/curtains
- Control outdoor devices



In-line relay

# Sensors

- Monitor energy
- Log energy & temperature data
- Detect movement
- Detect open windows & doors
- Trigger LightwaveRF devices



Retrofit sockets



Magnetic Triggers



Movement sensors

# wave RF

# the One App

control from anywhere



control Nest



iOS App



Voice control

**LightwaveRF plc**

**Contents**

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	<b>Page</b>
Overview and highlights	3
<b>Strategic report</b>	
Chairman’s statement	4
Chief executive’s report	6
<b>Report of directors</b>	
Board of directors	9
Directors’ report	10
Directors’ responsibilities	15
<b>Independent auditor’s report</b>	16
<b>Financial statements</b>	
Consolidated statement of comprehensive income	18
Group statement of financial position	19
Company statement of financial position	20
Group statement of cashflows	21
Company statement of cashflows	22
Group statement of changes in equity	23
Company statement of changes in equity	24
Notes to the financial statements	25
<b>Company information</b>	51

## LightwaveRF plc

### Overview for the year ended 30 September 2016

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#### WHAT WE DO

LightwaveRF plc (“LightwaveRF” or the “Company”) pioneered smart home automation with the development of the first internet enabled devices in 2008. Today, the Company offers a market leading proprietary Internet of Things (“IoT”) platform together with applications and connected devices, which provide fully integrated remote control and monitoring of light, heat, power and security. We are dedicated to making everyone’s lives easier and more fulfilled through world leading smart home technology.

#### FINANCIAL HIGHLIGHTS

- Revenue for the year of £1.44 million (2015: £2.10 million);
- Gross profit £0.47 million (2015: £0.67 million);
- Gross margin 32.5% (2015: 31.9%);
- Loss before and after taxation at £0.84 million (2015: £0.23 million, restated);
- Investment in research and development £0.62 million (2015 £0.54 million);
- Fundraisings during the financial year £0.21 million (2015: £1.55 million);
- £1.1 million working capital facility in place through Santander;
- Post year end fundraising, completed December 2016, of £2.2 million strengthening the balance sheet net assets to £2.03 million.
- Order book as at 20 January 2017 exceeds £1.2 million at current exchange rates;

#### HIGHLIGHTS

##### Marketing

- Increased awareness and brand recognition as measured by substantially increased levels of press coverage, social media activity and LightwaveRF website traffic;
- First to achieve widespread market recognition for high quality voice-controlled smart home capability; and currently averaging a 4.5 stars rating (out of a maximum of 5 stars) for our Amazon Alexa integration.

##### Sales and Distribution

- Expansion and further reorganisation of UK distribution capability resulting in the appointment of two additional distributors;
- Global installations 40,000 (2015: 35,000);
- Connected devices on LightwaveRF cloud-based platform 300,000 (2015: 200,000);
- Temperature and energy data points 60 million (2015: 56 million) per month.

##### Technology

- Significant enhancement made to cloud capabilities and cloud-based IoT platform; successfully integrated with Amazon Alexa, Google Nest and IFTTT;
- Product range now 90 devices .

**LightwaveRF plc**  
**Strategic report**  
**Chairman's statement**  
**for the year ended 30 September 2016**

I am pleased to present my statement and to report on the progress being achieved at your company.

**Overview**

There have been a number of highlights during the financial year and subsequently. These culminated in the successful and oversubscribed fundraising completed in December 2016. New and existing investors have followed the developments made, realise the market opportunity and have offered their backing for the company to move to the next level.

We completed the first investment round with Committed Capital, the Mayfair based venture capital investor just before the 2015 financial year end. We then concentrated on improving market awareness, distribution led sales and ensuring the LightwaveRF technology continues to develop. While pursuing these objectives we recognise and seek to manage the inevitable tension between achieving short-term visible progress and the objective to build shareholder value over the medium and longer-term.

Our key strategic initiative to enable our IoT platform to operate with other cloud-based platforms is being delivered. We are now in the position of having our own proprietary platform, applications and devices as well as being able to integrate seamlessly with Amazon Alexa, Google Nest and IFTTT (If This Then That). The LightwaveRF integration with Amazon Alexa, with a market leading average of 4.5 star reviews (out of a possible maximum 5 stars) has in particular raised our profile.

We are continuing to invest in the data collection and data service provision within our IoT platform and are now providing real time temperature and energy usage information to our end user customers.

We have continued to further develop our distribution and have also begun to develop a direct to market offering through technically supported projects.

**Financials**

Revenue for the 2016 financial year is at £1.44 million, down on last year (2015: £2.10 million) held back as distribution was further re-organised and developed. Gross margins firmed to 32.5% (2015: 31.9%) as we continued to build on our experience and optimise our operational effectiveness. Administrative expenses were up to £1.49 million (2015: £1.07 million) reflecting planned spend on marketing and expensed research costs. The Group capitalised development expenditure of £0.51 million (2015: £0.40 million) in accordance with IAS38. The loss before and after tax was £0.84 million (2015: £0.23 million restated). The increased loss arises as a result of two thirds increased administration costs and one third reduced gross profit directly related to the revenue shortfall.

Our balance sheet has now been considerably strengthened through our post financial year end fundraising, giving a strong and stable foundation upon which to develop our business. The pro-forma group statement of equity after this fundraising is as follows:

	2016 As reported £ million	Net funding proceeds £ million	2016 Pro forma £ million
<b>Total shareholders equity</b>	(0.17)	2.20	2.03



**LightwaveRF plc**  
**Strategic report**  
**Chairman's statement (*continued*)**  
**for the year ended 30 September 2016**

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**Financial Highlights (*continued*)**

I remarked last year about the importance of the board determining priorities and ensuring choices are made to ensure management time and resources are appropriately focussed. This is very much the dynamic of a technology business such as LightwaveRF plc. We recognise the enthusiasm, capability and commitment of the executive team and the relatively small support and development staff which delivers on these. As well there is in place a close knit group of key suppliers who continue to share the vision and have enabled so much to be achieved. Our thanks are due to them all.

**Outlook**

For a small company LightwaveRF plc continues to make significant progress to being able to build real value for shareholders. We look forward to further exploit our position in a very large market, both in terms of our own proprietary IoT platform, applications, devices and through linking with current and future cloud-based smart home platforms. So as the technology continues to develop, market awareness increase and distributor relationships build the opportunities open up still further.

**Barry Gamble**  
**Chairman**  
20 January 2017



**LightwaveRF plc**  
**Strategic report**  
**Chief executive's report**  
**for the year ended 30 September 2016**

LightwaveRF plc offers a proprietary IoT platform, applications and connected devices which together provide fully integrated remote control and monitoring of light, heat, power and security. Through just one app, LightwaveRF can integrate and coordinate our own comprehensive range of devices and further enhance the smart home experience for our users by linking to other IoT platforms.

**Business Model**

The current business model allows us to generate revenues from the sale of a comprehensive and continually expanding range of smart home devices. We currently have 90 distinct devices in the marketplace, and will launch more. We plan to continue our outsourced product manufacturing, cloud-based platform hosting, and concentrate our internal resources on marketing, sales, hardware and software product design and development. We see opportunities to pursue embedding LightwaveRF technology into partner products. We also see an opportunity to introduce incremental new revenue streams from data services.

The Group sells primarily via a complementary group of distribution partners. The Group also maintains direct relationships with end users, who are connected to the LightwaveRF cloud-based platform, which in addition to data services provision also offers technical support and information about related products and services. The Group also operates a direct to market strategy focussed on bespoke commercial solutions and installed consumer propositions.

**2016 Results**

The revenues for the year were £1.44 million (2015: £2.10 million), held back by the further reorganisation of our distribution channels. Gross profit decreased to £0.47 million (2015: £0.67 million) directly related to the revenue shortfall. Gross margin increased to 32.5% (2015: 31.9%) despite provisions being made for slow moving stock. Administration expenses increased to £1.49 million (2015: 1.07 million) as the company invested further in marketing, sales, research and development. Amortisation of intangible assets during the year also increased to £0.1 million (2015: zero). The Group capitalised £0.51 million (2015: £0.4 million) of development costs during the year. Pre-tax and post-tax losses were £0.84 million (2015: £0.23 million, restated). At 20 January 2017 the current order book exceeded £1.2 million at current exchange rates.

Cash absorbed from operations of £0.63 million (2015: £0.09 million) was mainly due to the loss incurred in the year. The cash invested in capitalised research and development costs comprise three elements: the platform integration for a leading device manufacturer for which work was originally announced in 2015, next generation lighting and power control devices, and cloud-based platform developments.

The Balance Sheet at the year end reflect the loss with only a small fundraising of £0.21 million during the year. The business used the funds from the 2015 fundraising and the recovered overdue debt to fund the investment in research and development and increased sales and marketing. Loans and borrowings £0.99 million (2015: £1 million) although unchanged would have been reduced if not for the weakening of UK sterling. Total shareholders' equity showed net liabilities of £0.17 million (2015: net assets of £0.43 million). The Group also has £1.1 million of working capital facilities in place through Santander. After the post year end fundraising the pro forma shareholders' equity were net assets of £2.03 million.

**Key Performance Indicators**

The Group monitors revenue, gross margin, operating cash and also uses the following key indicators to measure the performance of the business in terms of progress against key strategic objectives and associated targets;

	<b>2016</b>	<b>2015</b>
Global installations	40,000	35,000
Connected devices	300,000	200,000
Temperature and energy data points per month	60 million	56 million
Expenditure on research and development	£0.62 million	£0.54 million



**LightwaveRF plc**  
**Strategic report**  
**Chief executive's report (*continued*)**  
**for the year ended 30 September 2016**

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#### **Patents**

The Group has filed some patent applications and is progressing with this protection.

#### **Marketing**

Our marketing is currently focused around consumer ready messages using “**One home. One App. Control lighting, heating, power and more from your smartphone. From anywhere**”. We operate a consumer focused web site and undertake various digital marketing activities to generate attention and build market awareness. We use PR and media relations programmes to seek coverage in both specialist and generalist media. We have seen increased awareness and brand recognition as measured by substantially increased levels of press coverage, social media activity and LightwaveRF website traffic. After the UK launch of Amazon Echo and Alexa in autumn 2016 LightwaveRF worked closely with Amazon to achieve voice control of the full product range. This was achieved and launched to the user base by mid November. The response by our customers to the LightwaveRF Alexa skill has been extremely positive and achieved 4.5 stars rating (out of a maximum of 5 stars), significantly higher than any of our competitors. Since the Alexa launch LightwaveRF user registration has been running at double the rate of the previous year.

#### **Sales and Distribution**

The Groups UK sales and distribution strategy focuses on specific go to market approaches. Following some further reorganisation we have added two new distributors. We now have ERA Home Security, part of Tyman plc, Megaman, ICON Heating and for the new home build sector Deta Electrical in place as distributors accessing distinct market segments. Consumer markets are served via certain high street stores such as Maplin and online retailers such as Smart Shop and Response Electronics.

New house build and contract markets are served via electrical and plumbing wholesale and multi occupancy domestic and light commercial building management projects via specialist resellers or direct sales. The Group is working with industry majors to develop effective go to market approaches and whilst we are yet to realise a return from these activities we believe they are essential to future revenues. We are also targeting utility, insurance and telecoms companies, seeking both sell-to and sell-through opportunities.

#### **Development Strategy**

Our development strategy has four elements: Platforms, Applications, Devices and Data.

##### **1. Platforms**

The Group categorises software development, such as firmware, cloud-based server software, data collection and data management as a set of platform assets supporting the operation of a full range of hardware devices and end user applications. We have developed and provided to market a set of APIs which allow us to interoperate with our business partners.

##### **2. Applications**

We launched a new iOS app providing an enhanced user experience and functionality, and continue to provide an Android based app. We are unique in the market in our ability to control light, power and heating in one app. We continue to invest in our data management capabilities and now offer web based graphs, charts and other tools to allow users to see temperature, energy and other usage.

##### **3. Devices**

Our strategy here is to create a broad range of aesthetically well designed devices that are easily retrofittable and intuitive to operate, either manually or remotely. We give the user complete control of their home or workspace using one app. An increasing proportion of our devices now support bi-directional communication which we plan in time to be across our entire device range.

**LightwaveRF plc**  
**Strategic report**  
**Chief executive's report (*continued*)**  
**for the year ended 30 September 2016**

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**Development Strategy (*continued*)**

**3. Devices (*continued*)**

**Lighting**

The lighting control range is now well established and continues to evolve. We improved this range further in the year with the launch of our Smart Dimmer to serve the rapidly expanding LED lighting market.

**Power**

The range is more comprehensive than competitor offerings with a wide range of relays to complement our power sockets. Developments and additions to the range will continue in the year ahead.

**Heating**

The heating range has continued to mature during the year with significant firmware updates to improve functionality and battery life. The addition of "call for heat", allowing a TRV to operate the boiler as required has now been added.

**Security**

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

**4. Data**

We recognise there is significant value to be derived from the data arising from our technologies and devices. We now have over 300,000 devices connected that generate 60 million temperature and energy data points per month. We are actively pursuing opportunities to monetise this data through offerings in both B2C and B2B settings.

**Principal Risks and Uncertainties**

The Group is exposed to a variety of risks in the conduct of its normal business operations. Whilst it is not possible to either completely record or to quantify every material risk to which the Group might be exposed, those risks that the directors believe are most significant to the Group'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:

**Customer concentration and relationships**

By increasing the number of distributors, the company seeks to mitigate this risk. The increase in direct project sales will start to reduce further reliance on any one distributor.

**Technological risk**

The directors recognise that the technology in the IoT field is evolving rapidly which could pose competitive and other risks to the Group. The directors continue to evaluate competitors and changes in the industry to mitigate this risk where possible. The directors also recognise that the Group faces cyber threat-based risks. We actively monitor and assess these risks and we undertake a continuous investment program to seek to prevent adverse events and to mitigate any unforeseen events.

**On behalf of the board**

**Mike Lord**  
**Chief executive officer**  
20 January 2017



## LightwaveRF plc

### Board of directors for the year ended 30 September 2016

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#### **Barry Gamble - Chairman**

Barry Gamble FCA, has a number of board advisory and non executive roles. 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. Barry is the senior independent non-executive director.

#### **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 commercialisation. 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.

#### **Kevin Edwards - Chief financial officer**

Kevin is a qualified accountant. He has worked in senior finance and commercial positions in blue chip organisations. Kevin has worked in private equity backed and start up businesses for the past ten years.

#### **Tom Sykes - Commercial director**

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 30 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

### Directors' report for the year ended 30 September 2016

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The Directors present their report with the Financial Statements of the Group and Company for the year ended 30 September 2016.

#### Principal activity

The principal activity of LightwaveRF Plc ("the Company") and its subsidiaries (together the "Group") is the design and development of devices and software to remotely control commercial and domestic lighting, heating, power and security.

#### Results

The audited Financial Statements and related notes for the year ended 30 September 2016, are set out on pages 18 to 50. The Group's loss for the year is set out in the Consolidated Statement of Comprehensive income on page 18. 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 makes significant investment in research and development. Where the expenditure satisfies the recognition criteria in accordance with the groups accounting policy and IAS38 the directors have capitalised the expenditure. The Group spent a total of £0.62 million (2015: £0.54 million) in the year on research and development.

#### Future developments

Future developments are discussed in the outlook section of the Chairman's statement.

#### Post balance sheet events

The Company has raised a further £2.2million since the year end. Please refer to the Pro forma Group statement of equity in the Chairman's report on page 4.

#### Going concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the directors have considered the group budgets, the cash flow forecast and associated risks and the availability of external finance facilities.

#### Financial instruments

The Group's financial risk management policies are set out in note 20.

#### Website publication

The directors are responsible for ensuring the integrity of the Annual Report and the Financial Statements that are made available on the 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 Board is committed to maintaining high standards of corporate governance. The UK Corporate Governance Code, published by the Financial Reporting Council, sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, providing principles of good governance and a code of best practice for listed companies. The UK Corporate Governance Code does not apply to AIM companies. However, shareholders expect companies in which they invest to be properly governed.

## LightwaveRF plc

**Directors' report (continued)**  
**for the year ended 30 September 2016**
**Corporate governance (continued)**

The Company's corporate governance procedures take due regard of the principles of good governance set out in the UK Corporate Governance Code having regard to the size and the stage of development of the Company. Nonetheless, the Company has not formally adopted any specific corporate governance code.

The Company has established audit and remuneration committees, with formally delegated duties and responsibilities.

**Directors**

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

Barry Gamble	- Chairman and senior independent non-executive director
Kevin Edwards	- Chief financial officer (appointed 24 May 2016)
Steve Harris	- Non-executive director
Mike Lord	- Chief executive officer
John Shermer	- Chief technical officer
Tom Sykes	- Commercial director

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

2016	Basic salary/fee £	Bonus £	Benefits in Kind £	Share based payment cost £	Total 2016 £	Total 2015 £
<b>Executive directors</b>						
Kevin Edwards	26,000	-	-	6,796	32,796	-
Mike Lord	* 126,000	-	2,563	4,050	132,613	39,884
John Shermer	84,200	-	9,679	4,050	97,929	72,764
Tom Sykes	37,400	-	-	8,498	45,898	76,996
<b>Total executive remuneration</b>	<b>273,600</b>	<b>-</b>	<b>12,242</b>	<b>23,394</b>	<b>309,236</b>	<b>189,644</b>
<b>Non-executive directors</b>						
Barry Gamble	20,833	-	-	-	20,833	12,083
Steve Harris	20,833	-	-	-	20,833	2,083
<b>Total non-executive remuneration</b>	<b>41,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,666</b>	<b>14,166</b>
<b>Total Board remuneration</b>	<b>315,266</b>	<b>-</b>	<b>12,242</b>	<b>23,394</b>	<b>350,902</b>	<b>203,810</b>

\*Of which £24,000 was paid to Drol Investments Ltd for secretarial services

**Directors' interests in shares**

At 31 December 2016 following the latest share issue, the interests, all of which are beneficial, of the Directors in the share capital of the Company are set out below:

	Number of shares	%
Mike Lord	1,300,000	3.35
John Shermer	896,666	2.31
Barry Gamble	754,666	1.95
Kevin Edwards	153,846	0.40
Tom Sykes	230,769	0.59

## LightwaveRF plc

**Directors' report (continued)  
for the year ended 30 September 2016**
**Directors' interest in shares (continued)**

In addition to the interests disclosed above, certain directors have options to acquire ordinary shares in the Company granted under the EMI share option plan. At 30 September 2016 the following share options existed:

	At 1 October 2015 and 30 September 2016	Grant price	Market price at date of grant	Date from which exercisable
Tom Sykes	360,000	12.5p	12.5p	30/09/2016
Mike Lord	200,000	28.0p	27.0p	30/09/2018*
John Shermer	200,000	28.0p	27.0p	30/09/2018*
Kevin Edwards	100,000	29.0p	39.0p	31/03/2018*

\* Share Options granted to Directors will only vest if the Company's share price has reached 80p at any time but will not be exercisable until the date noted above.

No directors exercised options during the year and no further options were granted.

Other employees held options over 150,000 ordinary shares of the Company (2015: 150,000) with a grant price of 29.0p. Further details of the share options issued and outstanding at 30 September 2016 are included in note 17.

**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.

**Substantial shareholders**

At 31 December 2016 following the latest share issue, the Company had been notified of the following beneficial interests holding 3% or more of its issued share capital pursuant to the Companies Act 2006:

Shareholder	No. of Shares	%
Mainspring Nominees (8) Limited	9,511,903	24.5
Brenden Kerr	2,115,384	5.5
Stephen Pycroft	2,115,384	5.5
Perry Morgan	2,692,307	6.9
Brewin Nominees	2,805,922	7.2
Winterflood Client Nominees Limited	1,426,285	3.7

**Dividends**

No dividends will be distributed for the year ended 30 September 2016 (2015: £nil).

## LightwaveRF plc

### Directors' report (*continued*) for the year ended 30 September 2016

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#### The board of directors

The board of directors at the date of this report consists of four 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. Through its chairman and Chief executive officer in particular the company maintains regular contact with its shareholders 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 business 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.

#### Remuneration committee

The remuneration committee, which meets at least 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 best 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 chief executive officer, as appropriate with regard to its proposals relating to the remuneration of the executive directors. Details of Directors' remuneration and share options as shown on page 11.

#### Audit committee

The Audit Committee, which meets at least twice a year comprises Barry Gamble (Chairman) and Steve Harris – the two non-executive directors. The committee is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on, and for meeting the auditor and reviewing their reports relating to accounts and internal controls.

#### AIM Rule Compliance Report

LightwaveRF plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually for compliance with the AIM rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the Director.



**LightwaveRF plc**

**Directors' report (*continued*)  
for the year ended 30 September 2016**

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**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**

During the year BDO LLP resigned from office. Moore Stephens LLP, have been appointed as auditors in accordance with the provisions of S485 of the Companies Act a resolution to reappoint them will be proposed at the Annual General Meeting.

**ON BEHALF OF THE BOARD: –**

**Kevin Edwards**  
**Chief financial officer**  
20 January 2017







## LightwaveRF plc

### Directors' responsibilities for the financial statements for the year ended 30 September 2016

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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.



**LightwaveRF plc****Independent auditor's report to the members of LightwaveRF plc  
for the year ended 30 September 2016**

We have audited the financial statements of LightwaveRF plc for the year ended 30 September 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the 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 auditor**

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 Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS 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.



## LightwaveRF plc

### Independent auditors report to the members of LightwaveRF plc(*continued*) for the year ended 30 September 2016

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#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the 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 where, under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company or returns adequate for audit have not been obtained from branches not visited by us; or
- The parent company's financial statements are not in agreement with the accounting records; 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.

Paul Fenner  
Senior Statutory Auditor  
for and on behalf of Moore Stephens LLP  
Chartered Accountants and Statutory Auditor

Moore Stephens LLP  
35 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1TS

20 January 2017



LightwaveRF plc

Consolidated statement of comprehensive income  
for the year ended 30 September 2016

	Notes	2016 £	2015 restated* £
<b>REVENUE</b>	2	1,443,091	2,100,932
Cost of sales		(973,737)	(1,430,907)
<b>GROSS PROFIT</b>		469,354	670,025
Other Income	3	211,372	187,436
Administrative expenses		(1,489,106)	(1,070,043)
<b>OPERATING LOSS</b>	6	(808,380)	(212,582)
Finance expense	7	(33,074)	(18,551)
<b>LOSS BEFORE TAXATION</b>		(841,454)	(231,133)
Taxation	8	-	-
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT</b>		(841,454)	(231,133)
Other comprehensive income		-	-
<b>LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT</b>		(841,454)	(231,133)
Basic loss per share	9	4.37p	1.73p
Diluted loss per share	9	4.37p	1.73p

The notes on pages 25 to 50 form part of these Financial Statements

\* The restatement relates to R&D tax credits surrendered against tax losses, now disclosed as Other Income rather than taxation.

## LightwaveRF plc

Group statement of financial position  
as at 30 September 2016

Company number: 06690180

	Notes	2016 £	2015 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	820,094	403,039
Property, plant & equipment	12	17,094	38,359
		<u>837,188</u>	<u>441,398</u>
<b>Current assets</b>			
Inventories	14	102,527	-
Trade and other receivables	13	319,026	639,483
Cash and cash equivalents	18	2,116	1,043,828
Corporate tax recoverable		189,000	116,272
		<u>612,669</u>	<u>1,799,583</u>
<b>Total assets</b>		<u>1,449,857</u>	<u>2,240,981</u>
<b>Equity &amp; liabilities</b>			
<b>Shareholders equity</b>			
Issued share capital	16	1,028,737	943,542
Share premium		4,153,002	4,031,813
Reverse acquisition reserve		(100,616)	(100,616)
Share based payment reserve		51,893	23,076
Profit and loss reserve		(5,304,587)	(4,463,133)
<b>Total shareholders equity</b>		<u>(171,571)</u>	<u>434,682</u>
<b>Current liabilities</b>			
Trade and other payables	15	628,460	801,247
Loans and borrowings	15	787,279	624,911
<b>Total current liabilities</b>		<u>1,415,739</u>	<u>1,426,158</u>
<b>Non current liabilities</b>			
Loans and borrowings	15	205,689	380,141
<b>Total non-current liabilities</b>		<u>205,689</u>	<u>380,141</u>
<b>Total equity &amp; liabilities</b>		<u>1,449,857</u>	<u>2,240,981</u>

The financial statements were approved and authorised for issue by the Board of Directors on 20 January 2017 and were signed on its behalf by:

**Michael Lord**  
Chief executive officer

**Kevin Edwards**  
Chief financial officer

The notes on pages 25 to 50 form part of these Financial Statement

## LightwaveRF plc

### Company statement of financial position as at 30 September 2016

Company number: 06690180

	Notes	2016 £	2015 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	10	100,721	100,620
Debtors due in more than one year	13	4,758,817	3,897,551
		<u>4,859,538</u>	<u>3,998,171</u>
<b>Current assets</b>			
Other receivables	13	4,557	7,098
Cash and cash equivalents		9	537,000
		<u>4,566</u>	<u>544,098</u>
<b>TOTAL ASSETS</b>		<u>4,864,104</u>	<u>4,542,269</u>
<b>Equity &amp; liabilities</b>			
<b>Shareholders' equity</b>			
Issued share capital	16	1,028,737	943,542
Share premium account		4,153,002	4,031,813
Share based payment reserve		51,893	23,076
Profit and loss reserve		(957,555)	(996,292)
<b>Total shareholders' equity</b>		<u>4,276,077</u>	<u>4,002,139</u>
<b>Current liabilities</b>			
Trade and other payables	15	46,539	74,159
Loans and borrowings	15	541,488	465,971
<b>Total current liabilities</b>		<u>588,027</u>	<u>540,130</u>
<b>Total equity &amp; liabilities</b>		<u>4,864,104</u>	<u>4,542,269</u>

The financial statements were approved and authorised for issue by the Board of Directors on 20 January 2017, and were signed on its behalf by:

**Michael Lord**  
Chief executive officer

**Kevin Edwards**  
Chief financial officer

The notes on pages 25 to 50 form part of these Financial Statements

## LightwaveRF plc

**Group statement of cashflows  
for the year ended 30 September 2016**

	Notes	2016 £	2015 restated £
<b>Cash flow from operating activities</b>			
Loss for the year		(841,454)	(231,133)
<b>Adjusted for:</b>			
Depreciation and amortisation		123,078	23,953
Interest expense		33,074	18,551
Share based payments		28,817	23,076
Other income		(211,372)	(187,436)
Foreign exchange loss on convertible loan		90,911	31,109
Increase in inventories		(102,527)	-
Decrease/(Increase) in trade and other receivables		320,457	(294,693)
(Decrease)/Increase in trade and other payables		(172,788)	308,314
		<u>(731,804)</u>	<u>(308,259)</u>
Tax credits in respect of R&D		138,644	225,710
Finance costs paid		(33,074)	(4,979)
		<u>(626,234)</u>	<u>(87,528)</u>
<b>Cash absorbed by operations</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(4,378)	-
Deferred development expenditure		(514,489)	(403,039)
		<u>(518,867)</u>	<u>(403,039)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		206,384	1,545,385
Repayment of bank borrowings		-	(4,675)
Advances in respect of invoice discounting arrangements		53,791	-
Repayment of convertible loan note		(15,394)	-
Repayment of other loan		(141,392)	(228,977)
		<u>103,389</u>	<u>1,311,733</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(1,041,712)</b>	<b>821,166</b>
<b>Cash and cash equivalents at 1 October 2015</b>		<b>1,043,828</b>	<b>222,662</b>
<b>Cash and cash equivalents at 30 September 2016</b>	18	<u><b>2,116</b></u>	<u><b>1,043,828</b></u>

The notes on pages 25 to 50 form part of these Financial Statements

LightwaveRF plc

Company statement of cashflows  
as at 30 September 2016

	2016	2015
	£	restated £
<b>Cash flow from operating activities</b>		
Profit after tax	38,737	24,749
<b>Adjusted for:</b>		
Interest expense	12,705	7,439
Share based payments	28,817	23,076
Foreign exchange loss on convertible loan	90,911	31,109
Decrease in trade and other receivables	2,541	12,594
(Decrease)/ increase in trade and other payables	(27,620)	4,587
	146,091	103,554
Finance (costs)/ income	(12,705)	6,132
	133,386	109,686
<b>Cash flows from investing activities</b>		
Increase in amounts owed by subsidiary company	(861,367)	(1,118,094)
	(861,367)	(1,118,094)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	206,384	1,545,385
Repayment of convertible loan note	(15,394)	-
	190,990	1,545,385
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(536,991)	536,977
<b>Cash and cash equivalents at 1 October 2015</b>	537,000	23
<b>Cash and cash equivalents at 30 September 2016</b>	9	537,000

The notes on pages 25 to 50 form part of these Financial Statements



**LightwaveRF plc**
**Group statement of changes in equity  
For the year ended 30 September 2016**

	<b>Issued Share Capital</b>	<b>Share Premium</b>	<b>Reverse Acquisition Reserve</b>	<b>Share Based Payment Reserve</b>	<b>Retained Earnings/ (Losses)</b>	<b>Total Equity</b>
	£	£	£	£	£	£
<b>As at 1 October 2015</b>	943,542	4,031,813	(100,616)	23,076	(4,463,133)	434,682
Loss for the year	-	-	-	-	(841,454)	(841,454)
Share based payments	-	-	-	28,817	-	28,817
Shares issued	85,195	132,051	-	-	-	217,246
Share issue costs	-	(10,862)	-	-	-	(10,862)
<b>As at 30 September 2016</b>	<b>1,028,737</b>	<b>4,153,002</b>	<b>(100,616)</b>	<b>51,893</b>	<b>(5,304,587)</b>	<b>(171,571)</b>

	<b>Issued Share Capital</b>	<b>Share Premium</b>	<b>Reverse Acquisition Reserve</b>	<b>Share Based Payment Reserve</b>	<b>Retained Earnings/ (Losses)</b>	<b>Total Equity</b>
	£	£	£	£	£	£
<b>As at 1 October 2014</b>	605,060	2,824,910	(100,616)	-	(4,232,000)	(902,646)
Loss for the year	-	-	-	-	(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)
<b>As at 30 September 2015</b>	<b>943,542</b>	<b>4,031,813</b>	<b>(100,616)</b>	<b>23,076</b>	<b>(4,463,133)</b>	<b>434,682</b>

The notes on pages 25 to 50 form part of these Financial Statements

**LightwaveRF plc**
**Company statement of changes in equity  
For the year ended 30 September 2016**

	Issued Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
<b>As at 1 October 2015</b>	943,542	4,031,813	23,076	(996,292)	4,002,139
Profit for the year	-	-	-	38,737	38,737
Share based payments	-	-	28,817	-	28,817
Shares issued	85,195	132,051	-	-	217,246
Share issue costs	-	(10,862)	-	-	(10,862)
<b>As at 30 September 2016</b>	<b>1,028,737</b>	<b>4,153,002</b>	<b>51,893</b>	<b>(957,555)</b>	<b>4,276,077</b>

	Issued Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
<b>As at 1 October 2014</b>	605,060	2,824,910	-	(1,021,041)	2,408,929
Profit for the year	-	-	-	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)
<b>As at 30 September 2015</b>	<b>943,542</b>	<b>4,031,813</b>	<b>23,076</b>	<b>(996,292)</b>	<b>4,002,139</b>

The notes on pages 25 to 50 form part of these Financial Statements

**LightwaveRF plc****Notes to the financial statements  
for the year ended 30 September 2016**

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**1. GENERAL INFORMATION****a) STATUTORY INFORMATION AND NATURE OF OPERATIONS**

LightwaveRF plc (the "Company") was incorporated on 5 September 2008 and is domiciled and incorporated in the United Kingdom and quoted on AIM. The Group's financial statements for the year ended 30 September 2016 consolidate the individual financial statements of the Company and its subsidiaries. The Group's principal activity is the design and development of devices and software to remotely control commercial and domestic lighting, heating, power and security.

**b) ACCOUNTING POLICIES****i) 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 consolidated financial statements have been prepared on a historical cost basis.

**ii) 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.

**LightwaveRF plc****Notes to the financial statements (continued)  
for the year ended 30 September 2016****1. GENERAL INFORMATION (continued)****b) ACCOUNTING POLICIES (continued)****ii) Basis of consolidation (continued)**

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 acquisition 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.

**iii) 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.

**iv) 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.

**v) 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 for at 33% per annum straight line on all items of property, plant and equipment so as to write off their carrying values over their useful economic lives.

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.

**LightwaveRF plc****Notes to the financial statements (continued)  
for the year ended 30 September 2016****1. GENERAL INFORMATION (continued)****b) ACCOUNTING POLICIES (continued)****vi) 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.

**vii) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Costs principally comprise of materials and bringing them to their present location. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**LightwaveRF plc****Notes to the financial statements (continued)  
for the year ended 30 September 2016**

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**1. GENERAL INFORMATION (continued)****b) ACCOUNTING POLICIES (continued)****viii) 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.

**ix) 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**

Research and development tax credits are recognised on qualifying expenditure that meets the criteria set out by HMRC guidance. R&D tax credits have been surrendered against tax losses brought forward and therefore treated as grant income and disclosed as other income in the Income Statement. Research costs are expensed in the income statement in the year in which it is incurred.

**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.

**LightwaveRF plc****Notes to the financial statements (continued)  
for the year ended 30 September 2016****1. GENERAL INFORMATION (continued)****b) ACCOUNTING POLICIES (continued)****viii) Taxation (continued)**

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.

**x) Share capital**

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

**xi) 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 share based payment 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.

**LightwaveRF plc****Notes to the financial statements (continued)  
for the year ended 30 September 2016****1. GENERAL INFORMATION (continued)****b) ACCOUNTING POLICIES (continued)****xii) 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.

**xiii) 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.

**xiv) Foreign currency**

Transactions entered into by Group entities in a currency other than the trading companies 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.

**xv) Investments in subsidiary undertakings**

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

**xvi) Intangible assets**

Development expenditure on internally developed products and the platform software development 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 development costs are amortised over the periods the Group expects to benefit. Capitalised platform software development 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 on a straight line basis.



**LightwaveRF plc****Notes to the financial statements (continued)  
for the year ended 30 September 2016**

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**1. GENERAL INFORMATION (continued)****b) ACCOUNTING POLICIES (continued)****xv) Intangible assets (continued)**

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.

**c) 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 binomial 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;
- Warrantee provisions have been estimated based on product returned from customers;
- Stock provision is based on slow moving stock items.

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 1. GENERAL INFORMATION *(continued)*

##### 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

The Group is currently assessing the impact of the amendments to the new standards however at present it is not anticipated that the above pronouncements will have a material impact on the Group.

## LightwaveRF plc

Notes to the financial statements *(continued)*  
for the year ended 30 September 2016**2. REVENUE**

Operating segments are identified in a manner consistent with the internal reporting provided to the chief operating decision maker identified as the Chief executive officer.

The Directors consider that the Group has only one operating segment which is the one principal activity of the group.

Geographical analysis of revenue is as follows:

	<b>Group 2016 £</b>	<b>Group 2015 £</b>
United Kingdom	1,431,121	1,983,261
Asia	-	109,816
Middle East	3,364	4,030
Rest of Europe	8,606	3,825
<b>Total Revenue</b>	<u>1,443,091</u>	<u>2,100,932</u>

Revenues of £873,206 related to one customer (2015: £1,943,194).

**3. OTHER INCOME**

	<b>Group 2016 £</b>	<b>Group 2015 £</b>
Research and development tax credits receivable	211,372	187,436
	<u>211,372</u>	<u>187,436</u>

**LightwaveRF plc**

**Notes to the financial statements (*continued*)  
for the year ended 30 September 2016**

**4. EMPLOYEES AND DIRECTORS**

Staff costs (including Directors) comprise:

**Group**

	<b>Group 2016 £</b>	<b>Group 2015 £</b>
Wages and salaries	589,097	342,919
Social security cost	63,424	37,245
Other benefits	39,563	42,901
Share based payment	28,817	23,076
	<u>720,901</u>	<u>446,141</u>

Directors and key management remuneration:

	<b>Group Year ended 2016 £</b>	<b>Group Year ended 2015 £</b>
Emoluments receivable	303,509	188,897
Fees paid to third parties in respect of Director's services	24,000	42,000
Share based payments	23,394	16,996
	<u>350,903</u>	<u>247,893</u>

The aggregate emoluments of the highest paid Director of the Company were £132,613 (2015: £76,996).

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 9 and further details of their remuneration can be found on page 11.

Share based payments are recognised at the fair value of the share options. Further details of share options can be found at note 17.

**Average number of employees**

The average monthly number of employees was as follows:

	<b>Group 2016 No.</b>	<b>Group 2015 No.</b>
Directors	5	5
Administrative	11	7
	<u>16</u>	<u>12</u>

**Pensions**

The company introduced a pension scheme in line with government legislation on 1 October 2016.

## LightwaveRF plc

Notes to the financial statements (*continued*)  
for the year ended 30 September 2016

## 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 £38,737 (2015: £24,749).

## 6. LOSS FROM OPERATIONS

The operating loss is stated after charging:

	<b>Group 2016 £</b>	<b>Group 2015 £</b>
Inventories of finished goods	973,737	1,408,180
Auditors remuneration:		
- fees payable to the Company's auditors for the audit of the Company's annual accounts	7,500	8,500
- fees payable to the Company's auditors for the audit of the subsidiary's annual accounts	12,500	14,000
- fees payable to Company's auditors in respect of tax compliance	3,500	3,750
Research and Development cost expensed	102,431	143,118
Net foreign exchange loss	53,221	61,959
Depreciation and amortisation	123,078	23,953
Operating lease costs:		
- Land and buildings	38,314	34,513
- Other	18,684	16,004
Share based payments charge	28,817	23,076

## 7. FINANCE EXPENSE

	<b>Group 2016 £</b>	<b>Group 2015 £</b>
Bank loan interest	6	574
Convertible loan interest	12,574	13,610
Bank charges	20,494	4,367
	<u>33,074</u>	<u>18,551</u>

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 8. TAXATION

	<b>Group 2016 £</b>	<b>Group 2015 restated £</b>
Current tax charge	-	-

#### Factors affecting current tax charge

	<b>Group 2016 £</b>	<b>Group 2015 restated £</b>
Loss from continuing operations	(841,454)	(231,133)
Income tax credit calculated at 20% (2015 - 20%)	168,291	46,227
Effect of expenses that are not deductible in determining taxable profit	-	(1,208)
Effect of unused tax losses and tax offsets	(168,291)	(45,019)
Total tax credit	-	-

The tax credit for the current period relates to Research & Development claims made in respect of 2016.

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

The group has a potential deferred tax liability in respect of timing differences on costs capitalised in respect of Research and Development however given the level of unutilised trading losses carried forward, against which no deferred tax asset has been recognised, no deferred tax liability has been recognised in the financial statements.

	<b>Group 2016 £</b>	<b>Group 2015 £</b>
Unrecognised trading losses bought forward	3,561,168	3,212,185
Losses for tax purposes	2,150,556	1,305,152
Losses offset against R&D Tax liability	(1,308,272)	(956,169)
Unrecognised losses carried forward	4,403,452	3,561,168

## LightwaveRF plc

Notes to the financial statements *(continued)*  
for the year ended 30 September 2016

## 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 2016.

	2016 No.	2015 No.
<b>Numerator</b>		
Loss used for calculation of basic and diluted earnings per share	841,454	231,133
The weighted average number of shares were:		
<b>Denominator</b>		
Weighted average number of ordinary shares used in basic and diluted EPS	19,272,323	13,372,339
Weighted average number of ordinary shares		
Basic loss per share	<b>£0.044</b>	<b>£0.017</b>
Diluted loss per share	<b>£0.044</b>	<b>£0.017</b>

At 30 September 2016, there were 1,010,000 (2015: 1,010,000) of potentially issuable shares which are anti-dilutive; such shares may become dilutive in future periods.

## 10. INVESTMENTS IN SUBSIDIARIES

Company	2016 £	2015 £
<b>Cost</b>		
As at 1 October	100,620	100,620
Additions	101	-
<b>As at 30 September 2016</b>	<b>100,721</b>	<b>100,620</b>

The Company's investments in the capital of 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
LightwaveRF Business solutions Limited	Dormant	100%	UK
LightwaveRF Building management solutions Limited	Dormant	100%	UK

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 11. INTANGIBLE ASSETS

Group	Development costs £	Platform Software Development £	Total £
<b>Cost</b>			
As at 1 October 2015	36,648	366,391	403,039
Additions	46,374	468,116	514,490
<b>As at 30 September 2016</b>	<b>83,022</b>	<b>834,507</b>	<b>917,529</b>
<b>Accumulated amortisation</b>			
As at 1 October 2015	-	-	-
Charge for the year	-	(97,435)	(97,435)
<b>As at 30 September 2016</b>	<b>-</b>	<b>(97,435)</b>	<b>(97,435)</b>
<b>Net book value as at 30 September 2016</b>	<b>83,022</b>	<b>737,072</b>	<b>820,094</b>
Net book value as at 30 September 2015	36,648	366,391	403,039

Group	Development costs £	Platform Software Development £	Total £
<b>Cost</b>			
As at 1 October 2014	-	-	-
Additions	36,648	366,391	403,039
<b>As at 30 September 2015</b>	<b>36,648</b>	<b>366,391</b>	<b>403,039</b>
<b>Accumulated amortisation</b>			
As at 1 October 2014 and 30 September 2015	-	-	-
<b>Net book value as at 30 September 2015</b>	<b>36,648</b>	<b>366,391</b>	<b>403,039</b>
Net book value as at 30 September 2014	-	-	-

The group has not amortised the development costs as the projects being capitalised have 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 group 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.

#### Company

The company has no intangible fixed assets.



## LightwaveRF plc

Notes to the financial statements (*continued*)  
for the year ended 30 September 2016

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Property, Plant and Equipment £
<b>Cost</b>	
As at 1 October 2015	75,925
Additions	4,378
<b>As at 30 September 2016</b>	<u>80,303</u>
<b>Accumulated depreciation</b>	
As at 1 October 2015	(37,566)
Charge for the year	(25,643)
<b>As at 30 September 2016</b>	<u>(63,209)</u>
<b>Net book value as at 30 September 2016</b>	<u>17,094</u>
Net book value as at 30 September 2015	<u>38,359</u>
<b>Group</b>	<b>Property, Plant and Equipment £</b>
<b>Cost</b>	
As at 1 October 2014	75,925
Additions	-
<b>As at 30 September 2015</b>	<u>75,925</u>
<b>Accumulated depreciation</b>	
As at 1 October 2014	(13,613)
Charge for the year	(23,953)
<b>As at 30 September 2015</b>	<u>(37,566)</u>
<b>Net book value as at 30 September 2015</b>	<u>38,359</u>
Net book value as at 30 September 2014	<u>62,312</u>

**Company**

The Company had no property, plant and equipment in either the current or the preceding year.

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

##### Operating lease commitments

As at the year end the Group had the following commitments under non-cancellable operating lease commitments:

<b>As at 30 September 2016</b>	<b>Land &amp; Buildings £</b>	<b>Other £</b>	<b>Total £</b>
Within one year	9,675	6,909	16,584
	9,675	6,909	16,584
<hr/>			
<b>As at 30 September 2015</b>	<b>Land &amp; Buildings £</b>	<b>Other £</b>	<b>Total £</b>
Within one year	9,675	13,216	22,891
Within two to five years	-	6,909	6,909
	9,675	20,125	29,800
	9,675	20,125	29,800

##### Company

The Company had no commitments under non-cancellable operating leases.

#### 13. TRADE AND OTHER RECEIVABLES

	<b>Group 2016 £</b>	<b>Group 2015 £</b>	<b>Company 2016 £</b>	<b>Company 2015 £</b>
<b>Amounts falling due within one year:</b>				
Trade receivables	158,046	611,711	-	-
VAT receivable	26,792	-	1,307	-
Other receivables	128,341	11,675	-	-
Prepayments & accrued income	5,847	16,097	3,250	7,098
	319,026	639,483	4,557	7,098
	319,026	639,483	4,557	7,098

The ageing analysis of trade receivables is given as follows:

	<b>Group 2016 £</b>	<b>Group 2015 £</b>	<b>Company 2016 £</b>	<b>Company 2015 £</b>
Current	143,254	-	-	-
1 month past due	-	124,488	-	-
More than 1 month and less than 3 months	7,366	7,157	-	-
More than 3 months past due	7,426	480,066	-	-
	158,046	611,711	-	-
	158,046	611,711	-	-

## LightwaveRF plc

Notes to the financial statements *(continued)*  
for the year ended 30 September 2016

## 13. TRADE AND OTHER RECEIVABLES (continued)

**Bad debt provisions**

Bad debt provisions have been provided against debts that are considered to be irrecoverable. The following analysis shows the age of the balances that have been provided against:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
3 months past due	4,982	-	-	-
	<u>4,982</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Amounts falling due in more than one year:</b>				
Amounts owed by group companies	-	-	4,758,817	3,897,551
	<u>-</u>	<u>-</u>	<u>4,758,817</u>	<u>3,897,551</u>

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.

Book value is a fair approximation for fair value.

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Other loans receivable	59,132	61,132	-	-
Impairment provision	(59,132)	(61,132)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The impairment provisions remain unchanged from the prior year.

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 13. TRADE AND OTHER RECEIVABLES (continued)

##### Amounts falling due in more than one year (continued) Related party loans

	Company 2016 £	Company 2015 £
Amounts owed by LightwaveRF Technology Limited	4,758,817	3,897,551
<b>Transactions during the year:-</b>		
Transfers of funds to subsidiary company	934,338	1,153,450
Expenses paid by subsidiary company	(73,072)	(35,356)
	<u>861,266</u>	<u>1,118,094</u>

During the year LightwaveRF plc continued to provide funding to its subsidiary, LightwaveRF Technology Limited. As at 30 September 2016 the loan balance due to the Company was £4,758,817(2015: £3,897,551). The directors consider these balances fully recoverable and no impairment is necessary.

There is an interest charge of £211,050 (2015: £116,272) on the funding between the parent company and its trading subsidiary equal to 5% of the average balance during the year.

#### 14. INVENTORY

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Finished goods for resale	132,720	-	-	-
Impairment provision	(30,193)	-	-	-
	<u>102,527</u>	-	-	-

#### 15. TRADE AND OTHER PAYABLES

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade payables	395,937	633,489	39,735	74,159
Other taxes and social security	78,588	51,614	-	-
Accruals	153,935	116,144	6,804	-
	<u>628,460</u>	<u>801,247</u>	<u>46,539</u>	<u>74,159</u>

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

## LightwaveRF plc

Notes to the financial statements (*continued*)  
for the year ended 30 September 201615. TRADE AND OTHER PAYABLES (*continued*)

## Loans and borrowings

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Current</b>				
Convertible loan note (see note below)	541,488	465,971	541,488	465,971
Invoice discounting loan (secured)	53,791	-	-	-
Other loan (see note below)	192,000	158,940	-	-
	<u>787,279</u>	<u>624,911</u>	<u>541,488</u>	<u>465,971</u>
<b>Non-current</b>				
Other loan (see note below)	205,689	380,141	-	-
	<u>205,689</u>	<u>380,141</u>	<u>-</u>	<u>-</u>
<b>Total loans and borrowings</b>	<u>992,968</u>	<u>1,005,052</u>	<u>541,488</u>	<u>465,971</u>

*Convertible loan note*

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 2016 the supplier has confirmed that it is not their intention to convert the loan note into ordinary shares of LightwaveRF plc. During the year the group and company repaid £15,394 however due the agreement being denominated in US\$ the balance at 30 September 2016 has increased due to an exchange loss in the year of £90,911.

*Other loan*

The other loan above relates to a debt owed to a trade supplier which was converted into a loan. The loan 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 2016:

	Currency	Nominal rate %	Year of maturity
Other loan	US Dollars	0.0	2019
Convertible debt with rolling maturity date	US Dollars	3.0	

None of the debt expires within one year.

## LightwaveRF plc

### Notes to the financial statements (*continued*) for the year ended 30 September 2016

#### 16. CALLED UP SHARE CAPITAL

			Company 2016 £	Company 2015 £
Authorised share capital: 20,574,759 (2015: 20,000,000) ordinary shares of 5p (2015: 5p) each			1,028,737	1,000,000
			2016	2015
	No.	£	No.	£
Ordinary share capital brought forward	18,870,855	943,542	12,101,194	605,060
Issue of ordinary shares:				
Issue for cash	1,703,904	85,195	6,769,661	338,482
	20,574,759	1,028,737	18,870,855	943,542

A further 1,703,904 ordinary shares of 5p each were allotted on 5 July-2016 raising £206,384 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. Further details of these share options can be seen at note 17.

#### 17. 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.

	WAEP 2016	No.	WAEP 2015	No.
Outstanding at 1 October	£0.226	1,010,000	£0.125	360,000
Granted during the year	-	-	£0.282	650,000
Exercised during the year	-	-	-	-
<b>Outstanding at 30 September</b>	<b>£0.226</b>	<b>1,010,000</b>	<b>£0.226</b>	<b>1,010,000</b>

The range of exercise prices and the weighted average remaining contractual life of share options outstanding at the year end were as follows:

Grant date	Exercise price	Barrier share price	Fair value at grant date	2016		2015	
				Number outstanding	Average life outstanding Years	Number outstanding	Average life outstanding Years
30 Sept 2013	£0.125	-	£0.071	360,000	-	360,000	1
19 Mar 2015	£0.290	£0.80	£0.181	150,000	1.5	150,000	2.5
30 Sept 2015	£0.280	£0.80	£0.061	500,000	2.0	500,000	3.0
				1,010,000	1.2	1,010,000	2.2

## LightwaveRF plc

Notes to the financial statements (continued)  
for the year ended 30 September 2016

## 17. SHARE BASED PAYMENTS (continued)

The binomial option pricing model is used to determine the fair value of the share options at the grant date. The assumptions used to determining the fair value of share options at the grant dates were as follows:

The volatility assumption is based on a statistical analysis using the standard deviation of daily share prices over the three years to 30th September 2015 however this has been capped at 60%.

The average expected term to exercise used in the models is based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience. The risk free rate has been determined from market yields for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant.

The amount recognised in profit or loss in respect of share-based payments was £28,817 (2015: £23,076).

## 18. CASH AND CASH EQUIVALENTS

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash available on demand	2,116	1,043,828	9	537,000

The Group's cash and cash equivalents totalling £2,116 (2015: £1,043,828) are all held at institutions rated by international credit agencies as at least AA or equivalent (2015: AA or equivalent).

## 19. RELATED PARTIES

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

Salaries and benefits in kind of £45,076 (2015: £47,479) was paid to two (2015: two) close family members of John Shermer. Drol Investments Limited, a Company of which Mike Lord is a Director, was paid £24,000 (2015: £42,000) 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 2016, the following was owed to related parties in terms of fees and expenses:

	2016 £	2015 £
Barry Gamble	223	1,284
Kevin Edwards	35	-
Mike Lord	2,929	335
John Shermer	378	1,530

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 19. RELATED PARTIES (continued)

At the end of the year companies related to the directors during the year were:

Related party	Common director	Transactions during the year		Balance at 30 September	
		2016	2015	2016	2015
Drol Investments Ltd	Mike Lord	24,000	42,000	7,753	-
Stiltz Ltd	Mike Lord	60	-	60	-
Committed Capital	Steve Harris	10,862	-	1,143	-
Vit Security Group Ltd	Kevin Edwards	18,500	-	5,115	-

#### 20. FINANCIAL INSTRUMENTS

##### (a) Financial Instruments by Category

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Financial assets:</b>				
Trade receivables	199,384	611,711	-	-
Other receivables	87,003	11,675	4,758,817	3,897,551
Cash and cash equivalents	2,116	1,043,828	9	537,000
	<u>288,503</u>	<u>1,667,214</u>	<u>4,758,826</u>	<u>4,434,551</u>
<b>Financial liabilities:</b>				
Trade payables	395,937	633,489	39,735	74,159
Accruals	135,461	116,144	6,804	-
	<u>531,398</u>	<u>749,633</u>	<u>46,539</u>	<u>74,159</u>
<b>Other financial liabilities:</b>				
<b>Current</b>				
Convertible loan note	541,488	465,971	541,488	465,971
Invoice discounting loan (secured)	53,791	-	-	-
Other loan	192,000	158,940	-	-
	<u>787,279</u>	<u>624,911</u>	<u>541,488</u>	<u>465,971</u>
<b>Non-current</b>				
Other loan	205,689	380,141	-	-
	<u>205,689</u>	<u>380,141</u>	<u>-</u>	<u>-</u>
	<u>992,968</u>	<u>1,005,052</u>	<u>541,488</u>	<u>465,971</u>

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.



## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 20. FINANCIAL INSTRUMENTS (continued)

##### Group

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

As at 30 September 2016	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2016 £
Trade and other payables	531,398	-	-	-	531,398
Invoice discounting loan	53,791	-	-	-	53,791
Other loan	76,970	115,030	205,689	-	397,689
Convertible loan note	-	108,758	108,758	323,972	541,488
	662,159	223,788	314,447	323,972	1,524,366

As at 30 September 2015	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2015 £
Trade and other payables	693,598	56,035	-	-	749,633
Other loan	39,735	119,205	158,940	221,201	539,081
Convertible loan note	-	-	155,324	310,647	465,971
	733,333	175,240	314,264	531,848	1,754,685

An analysis of the Group's convertible loan note, invoice discounting loan and other loan is shown in note 15.

##### Company

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

As at 30 September 2016	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2016 £
Trade and other payables	39,735	-	-	-	39,735
Accruals	6,804	-	-	-	6,804
Convertible loan note	-	108,758	108,758	323,972	541,488
	46,539	108,758	108,758	323,972	588,027

As at 30 September 2015	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2015 £
Trade and other payables	74,159	-	-	-	74,159
Accruals	-	-	-	-	-
Convertible loan note	-	-	155,324	310,647	465,971
	74,159	-	155,324	310,647	540,130

## LightwaveRF plc

### Notes to the financial statements (*continued*) for the year ended 30 September 2016

#### 20. FINANCIAL INSTRUMENTS (*continued*)

##### (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.

	2016		2015	
	Effects on loss after tax £	Effects on other components of equity £	Effects on loss after tax £	Effects on other components of equity £
<b>£ to US\$</b>				
£ appreciates by 5%	(64,277)	(64,277)	(79,804)	(79,804)
£ depreciates by 5%	58,155	58,155	72,204	72,204

##### 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.

## LightwaveRF plc

### Notes to the financial statements *(continued)* for the year ended 30 September 2016

#### 20. FINANCIAL INSTRUMENTS *(continued)*

##### 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.

#### 21. 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.
Reverse acquisition reserve	Amount reflecting the reverse acquisition of subsidiary undertakings.
Share based payment reserve	Amounts reflecting the cost reserved for share options issued.
Profit and loss reserve	Cumulative gains and losses through the Statement of Comprehensive Income, other than amounts transferred directly from other reserves where required or permitted.



**LightwaveRF plc**

**Notes to the financial statements (*continued*)  
for the year ended 30 September 2016**

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**22. POST BALANCE SHEET EVENTS**

The group raised £1 million (before expenses) through a subscription of 7,692,307 new ordinary Shares at 13 pence per share (the "Subscription") utilising the Company's existing share authorities on the 16 November 2016. The group then raised a further £1.3 million through an open offer at 13 pence per share. The offer was oversubscribed and 10,213,503 shares were issued.





## LightwaveRF plc

### Company information for the year ended 30 September 2016

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

**SECRETARY:** Kevin Edwards

**REGISTERED OFFICE:**  
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Faraday Wharf  
Holt Street  
Birmingham B7 4BB

**REGISTERED NUMBER:** 06690180

**SEDOL:** B3FHW44

**AUDITORS:**  
Moore Stephens  
35 Calthorpe Road  
Edgbaston B15 1TS

**SOLICITORS:**  
BPE Solicitors LLP  
St James House  
St James Square  
Cheltenham GL50 3PR

**REGISTRARS:**  
Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands B63 3DA

**NOMINATED ADVISER AND BROKER:**  
W.H. Ireland Limited  
4 Colston Avenue  
Bristol BS1 4ST

**BANKERS:**  
Santander PLC  
Bootle  
Merseyside  
L30 4GB



# The range at a glance

Lightwave Link (internet gateway)



LW930

## Remote control

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## Lighting

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Dimmers



LW400



LW420

## In-line Relays

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Wire-free Switches



LW201 & 205



LW221 & 206

## Power Control

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Power Sockets



LW260

## Heating & Energy

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Boiler Switch



LW920

Electric Switch



LW934

## Sensing & Monitoring

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Energy Monitor



LW600

## Outdoor

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Outdoor Switches



LW841



LW842

On/Off/Stop Switch



LW826

Handheld Remote



LW100 LW104

Socket Locker



LW103

Scene Lighting Switch



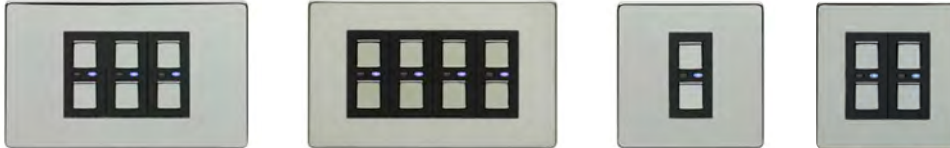
LW101

Wire-free Switches



LW201 & 205 LW221 & 206

2-Way Dimmers



LW430 LW440 LW450 LW452 & 455

In-line Relay & In-line Dimmer



LW830 LW831

On/Off/Stop Switch



LW826

In-line Relay



LW821

3-Way Relay



LW825

Plug-in Dimmers & Sockets



LW270 LW301 LW321 LW381

Home Thermostat



LW921

Room Thermostat



LW923 (mid 2017)

Radiator Valve



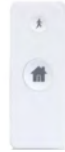
LW922

Magnetic Trigger



LW931

Home/Away Button



LW929

Heating Remote



LW928

PIR sensor



LW107

PIR sensor



LW935 (mid 2017)

Light sensor



LW801

Magnetic Switch



LW904

Magnetic Trigger



LW931

Home / Away Button



LW929

In-line Relay



LW821

IP56 Housing



LW824

3-Way Relay



LW825

IP56 Housing



LW823

Signal Booster



LW800

Fittings come in 4 finishes



Black chrome



Chrome



White metal



Stainless steel



# Lightw<sub>w</sub>ave<sup>RF</sup>

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