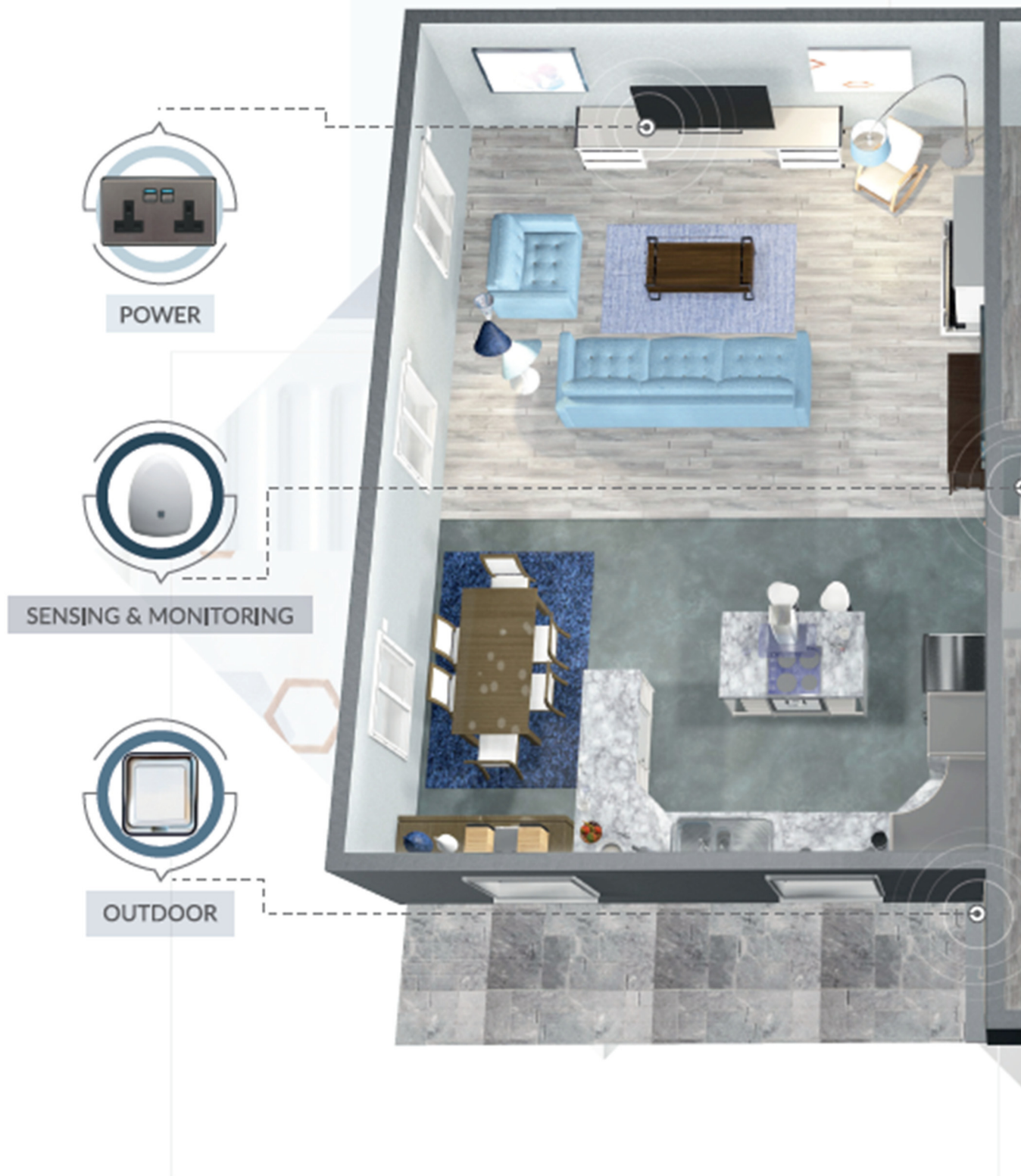




Annual Report
Year Ended 30 September 2018



Your home. Smarter





Works with



LightwaveRF plc

Registered Number: 06690180 (England and Wales)

Annual Report Year Ended 30 September 2018

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About LightwaveRF

LightwaveRF plc is the UK's only fully integrated home automation company.

New customers typically buy a starter pack of Link Plus hub and smart dimmer which has Apple HomeKit compatibility, 2-way communication and built-in energy monitoring. Later adding other easy to install devices from the Lightwave range enables further in-home control, monitoring and automation of lighting, heating and power.

Devices may be operated manually, by smartphone or tablet-based apps and also through Google Assistant and Amazon Alexa voice control.

Leading tech industry publication 9to5 Mac described Lightwave as "the best UK HomeKit solution for smart lighting" and Trustpilot rates Lightwave 4 star.

HIGHLIGHTS

Financials

- Revenue of £2.81 million (2017: £3.03 million) due to weak first half performance.
- Strong last quarter with revenue run rate up 50% on previous three quarters.
- Gross profit £0.83 million (2017: £1.08 million).
- Gross margin 29.3% (2017: 35.5%).
- Underlying gross margin broadly maintained at 35.3% (2017: 35.8%).
- Loss before and after taxation £2.54 million (2017: £0.85 million).
- Investment in research and development £1.60 million (2017: £0.88 million).
- Post year end, £300,000 loan drawn down against R&D tax credit receivable.

Technology and Products

- The Lightwave Smart Series technology range launched, with further planned products to follow.
- Global installations and connected devices up by 55% and 53% respectively.
- European range launched.
- Further cloud control enhancements and integration with the key voice platforms of Google, Amazon and Apple.
- Manufacturing in Asia and mainland Europe now augmented with UK capability.

Marketing

- Significant marketing investment with an absolute focus on customer acquisition.
- Major improvements in eCommerce capability.
- Rebrand of Generation 1 to Connect Series and Generation 2 to Smart Series.

Sales and Distribution

- Further development of four primary sales channels: direct to consumer, premium retailers, online retailers and trade.
- Lightwave Euro dimmers on sale online and in selected Apple stores in Belgium, France, Germany, Holland and Sweden.

Outlook

- Revenue run rate for first two months of the 2019 financial year, up a further 25% on strong last quarter of 2018 financial year.

Overview

Your Company continues to make considerable progress on a number of fronts. Excellent product endorsements, such as being described as “the best UK (Apple) Homekit solution for smart lighting”, amply demonstrate our proven technology, even as the Company presses ahead with further developments and more international variants.

The lack of step change progress in revenue is disappointing but we have been prepared to examine what has needed to change and taken all necessary steps to raise the pace. Establishing the best distribution channels has taken longer than we expected and making the necessary changes needed has held back revenues. Achieving increased direct to consumer revenue has also required more meticulous attention to detail than was at first apparent.

Our technology launches have also taken longer and required more resources than had been anticipated. The commitment required to design and develop the Euro dimmers and sockets within some short timeframes should also not be underestimated but the Company is now meeting the exacting requirements. So, in short, while the Company has made lots of progress the issue has been one of pace. Taking too long to make changes to technology and sales related developments has delayed the pace of revenue growth.

Results

While revenue of £2.81 million is below that of last year (2017: £3.03 million), the quality has markedly improved, with almost all being directly to an end customer rather than distributor stocking. Direct to consumer revenue of £1.24 million (2017: £0.35 million) has provided some real mitigation to the effects of the disruptions in distributor channels. Following last year's fundraising, we have pressed on with the investment in technology, sales and marketing, which has resulted in the substantial increase in administrative expenses and related capital expenditure. Considerable resources have been invested to strengthen management throughout the business as the transition to real scalability continues. Although this has given rise to a substantial loss for the year, the Company is better positioned for the future through the investment which has been made.

Board

The decision to consider replacing the Company's Chief executive had to be weighed very carefully. The Board recognised that such disruptions have short term costs but have to look through to the longer-term sustainability. The July appointment of Jason Elliott as Chief executive has started to have a real impact across every aspect of the Company's operations from design, development, manufacturing, marketing, distribution and aspects of revenue generation; through to finance, corporate communication and messaging. Following a full review of the business, he has instigated a number of changes which we feel are starting to show evidence of the pace we are seeking to set.

Staff

During the year, we recruited a number of new employees to strengthen the existing team of staff and contractors. I would like to thank all staff, specialist contractors and our key suppliers for their continuing commitment to the success of the Company.

Outlook

Following on from the successful launch of Euro compatible dimmers online and in selected Apple stores in five countries, the Euro sockets are on schedule for release early in 2019. As well as a strong relationship with Apple, Lightwave has seen good take up with Amazon and Google as the market for Smart Home devices is better defined. Our improved marketing messaging, widespread product endorsements and direct to consumer sales underpin the reorganised channel distribution success we now anticipate. I am confident we have the team in place to deliver and realise the potential so now apparent in this market place.

Barry Gamble
Chairman
10 December 2018

Introduction

I joined as Chief executive on 2 July 2018, the start of the last quarter of the financial year. The Board agreed with my decision to undertake an immediate full review of the business and to instigate changes needed as soon as practicable. It was clear from my review that Lightwave's technology is very highly rated by consumers and industry commentators and is well positioned to exploit growing UK and European demand.

Technology and Products

We design and develop a range of smart home products and software applications to control lighting, heating, power and security devices through one App. The range is now maturing, with the completion of the development of our Smart Series products.

Manufacturing continues to be outsourced to Asia and mainland Europe. Following some initial problems with one UK manufacturer, we have recently established an alternative supplier to provide reliable UK based production for some components. Our technology team has been enhanced to enable us to successfully launch multiple products including the new range for the European market.

Consumer uptake and use of our integrations with partner products such as Apple HomeKit, Amazon Echo and Google Home has continued. A significant number of Lightwave customers now use voice control as their primary means of system access.

We have over 10 years of engineering knowhow providing us with an increasing amount of intellectual property. We also have 2 patents filed and 7 patents pending, to provide further protection to our technology.

Marketing

Lightwave has recruited its first Chief marketing officer, who is leading a small dedicated team fully focused on customer acquisition. Building on last year's launch of the Company's new website, we have recently upgraded the online ordering capability to enhance the overall customer eCommerce experience. In addition, we have implemented improved processes and tools to capture and process customer feedback and to make it easier to give direct reviews. Marketing led demand creation for our direct sales channels has recently become much more effective.

We are targeting an investment in digital marketing, to directly generate sales demand, with an emphasis on consumer messaging and education. This is supported by comprehensive media relations programmes.

Sales and Distribution

We have developed capability in four primary sales channels: direct to consumer through our online presence and telesales team; sales through premium retailers such as Apple, John Lewis and Selfridges; sales through online retailers such as Amazon, BT Shop, Dixons Carphone and screwfix.com; and trade sales focusing on supply to electrical contractors and installers.

Direct to consumer online and tele-sales are intended to be a significant contributor to total revenue. Retail and trade sales are facilitated through distribution partnerships such as Exertis. Building upon the success of our supply into Apple UK stores and Apple online, we have now commenced the sale of our Smart Series product via Apple online in 22 European countries and in selected Apple stores in Belgium, France, Germany, Holland and Sweden.

2018 Results

Revenue is marginally below last year at £2.81 million (2017: £3.03 million). Although weak first half sales performance was not fully addressed until the last quarter of the financial year, the revenue run rate for the last quarter was up 50% on that for the previous three quarters. Revenue growth in the last quarter benefitted from a combination of recent improvements made to retail distribution channels and, following a number of process improvements, from much stronger direct sales. For the full year 44.1% (2017: 11.6%) of total revenue came from these direct sales.

Gross profit was below last year at £0.83 million (2017: £1.08 million). Although stated gross margin was at 29.3% below the previous year (2017: 35.5%) underlying gross margin, before a provision movement of £0.17 million (2017: £0.01 million) taken on some aged stock, was broadly maintained at 35.3% (2017: 35.8%).

As part of the programme to further scale the business, the Group's administrative expenses increased substantially to £3.74 million (2017: £2.12 million) from further planned investment in technology, marketing and sales. Capitalised development costs under IAS38 increased to £1.47 million (2017: £0.69 million) driven mostly by the further development of the Smart Series technology specifically for the European market. The related amortisation of these intangible assets doubled to £0.61 million (2017: £0.30 million). We recognise this is a significant expense charge, but to amortise the platform over three years reflects a prudent view of forward revenues. However, we believe a much longer-term view could be taken as our position in the market becomes more established and our revenues become more predictable.

Research and development tax credits of £0.41 million (2017: £0.25 million) were recognised as other income before stated pre and post-tax losses of £2.54 million (2017: £0.85 million).

Cash absorbed by operations increased to £2.95 million (2017: £0.89 million) in line with both increased losses and increased working capital, particularly inventories, to enable us to better manage demand for direct sales. Cash invested, almost all in the development of our technology, doubled to £1.53 million (2017: £0.72 million). Cash balances at 30 September 2018 were £0.47 million (2017: £0.22 million).

Post year end, the Company has drawn down a £0.30 million loan from Finstock Capital Limited, secured against, and repayable from, Research and Development tax credits receivable.

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:

	2018	*2017
Global installations	46,500	30,000
Connected devices	400,000	261,000
Monthly temperature and energy data points	61 million	41 million
Investment in research and development	£ million	£ million
• Expensed	0.13	0.19
• Capitalised	1.47	0.69
	1.60	0.88

*after removing third party server hosting connected customers in Europe

Principal risks and uncertainties

The Company is exposed to a variety of risks in the conduct of normal business operations. Whilst it is not possible to either completely record or to quantify every material risk, our aim is to continually improve the management of risks and reduce them to acceptable levels. The Company continues to develop and maintain management systems to enable the identification, assessment and management of risks and make decisions based on a comprehensive view of the reward-to-risk balance.

The level of risk control is balanced by the continued encouragement of enterprise and innovation.

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 Group seeks to mitigate this risk. The increase in direct consumer sales also reduces reliance on distributors.

Technological risk

The Directors recognise that the technology in the Internet of Things 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 undertake a continuous investment programme to seek to prevent adverse events and to mitigate any unforeseen events.

Brexit

Brexit presents additional risks for the Group: the uncertain economic conditions impacting its ability to grow and the specific risks to tariffs, shipping delays and foreign currency fluctuations are all in consideration. The general uncertainty surrounding Brexit makes it difficult to take any mitigating steps currently, but the Group will work to mitigate the impact of trading issues arising from Brexit when these are known.

Strategy and business model

Our business model is based on developing innovative technology so as to generate revenue from making and selling devices operating on the platform and with other systems, corporate partnerships and data management. The key challenge remains the prioritisation of opportunities so that the management team operates within acceptable bandwidth.

I am excited by the very real opportunity for Lightwave to achieve significant UK and international scale, and the prospect of becoming a leading smart home brand. Lightwave is at the heart of the market where we are continuing to educate the consumer about the benefits of smart home products, with a unique capability that provides consumers with not only a world class smart lighting, power and heating control solution, but also the ability to get the most from their other smart home purchases by integrating them with Lightwave products.

Our plan now is to continue our drive into the smart home market by significantly increasing the resources deployed on our sales and marketing efforts. This will be undertaken whilst strengthening business processes to support the growth that we now anticipate.

Strategy and business model (*continued*)

The key elements of this plan are as follows:

Technology

- **Further develop our customer focused product strategy**, ensuring that our developments and product releases are aligned with customer needs.

Marketing

- **Invest heavily in our marketing and key campaign activity** increasing investment to build our brand, utilising product and customer focused approaches; and
- **Launch our international device range**, via well-established European distribution channels.

Sales

- **Expand our direct sales function**, focusing not only on inbound sales but outbound customer acquisition;
- **Invest in sales capability and expertise in key vertical markets** such as homebuilders and energy retailers;
- **Manage our distribution partners better** and ensure that we satisfy the needs of the end customer via retailers; and
- **Build on our new, enhanced eCommerce platform** ensuring that we give a world class online customer experience.

Business processes

- **Improve our business support systems** to enable seamless and sustainable business growth.

Outlook

Following the strengthening of our management team in all areas during the latter part of the 2018 financial year, we are now well positioned to execute in this rapidly developing market.

We continue to attract interest from the best premium retail partners and are now seeing the benefits of this through more predictable direct and indirect sales. I am encouraged that the revenue run rate for the first two months of the 2019 financial year is up a further 25% on a strong last quarter of the 2018 financial year.

Consumer awareness of the benefits of smart home technology continues to rise. Our relationship with Apple is a significant asset that supports our growth in all markets. In addition, further strategic relationships are starting to develop that should ensure Lightwave is well positioned to execute on a number of fronts.

On behalf of the board

Jason Elliott
Chief executive officer
10 December 2018

**Board of Directors
for the year ended 30 September 2018**

Barry Gamble - Chairman

Barry Gamble FCA, has the experience from a number of board advisory and non-executive roles. He was Chairman of Fisher German LLP and of Fountains plc where he led the MBO and AIM IPO. A former Editor at Large of BoardRoom magazine, he writes about and contributes to board workshops on best practice corporate governance including for the Non-executive Directors Association and Quoted Companies Alliance. He has expertise in finance, strategy, boards and corporate governance.

Jason Elliott - Chief executive officer

Jason was Chief sales officer for ONZO Ltd, which provides energy data analytics to major utilities, and through which he gained first-hand experience of the smart home market. He was previously Divisional Managing Director of SafetyBank, the safety management software company, a wholly owned subsidiary of Olive Communications Solutions Limited. Prior to that, he held a number of senior sales roles at Azzurri Communications Limited, the cloud hosting and data management provider, now part of Maintel Holdings plc. He has a strong technical grounding, from a seven-year term at the start of his career, serving as an engineer in the Royal Navy Submarine Service. Expertise in leadership, management, technology and sales.

John Shermer- Founder and Chief technical officer

John established the Centre of Access Technology to provide expertise and training on technology and disability to UK local authorities and overseas agencies. He also worked with the European Commission as an expert advisor on technology and later established SRS Technology Group plc where he held various senior executive and Board positions. John is a founder of the Company and continues to provide the energy, vision and conviction that inspires Lightwave to innovate and lead in the smart home sector. Expertise in technical innovation and consumer technology trends.

Kevin Edwards - Chief financial officer

Kevin qualified as a Chartered Accountant in South Africa and on moving to the UK, qualified as a Chartered Management Accountant with CIMA. He has worked in senior finance and commercial positions in blue chip organisations such as Thomson Fly and National Grid. For the past ten years he has used his expertise in M&A activity, manufacturing and process management, supply chain optimisation to scale up, early stage and private equity backed businesses. Expertise in finance, business controls and management processes.

Mike Lord - Non-executive Director and consultant

Mike is a serial entrepreneur, having grown the revenues of his last business Minivator group from £5m to £50m, executing a double-digit EBITDA multiple exit. He has a thorough understanding of technology, as well as the opportunities for its commercialisation. Mike is a business graduate who has spent his career managing fast growth businesses. He has a strong track record in business strategy, sales and marketing, finance and M&A. Expertise in business scale up, sales development and tactical agility.

Steve Harris - Non-executive Director

Steve is CEO of Committed Capital, a London based venture capital business investing in high growth early stage technology businesses. Steve has some 20 years' experience of technology investment and currently serves on four investee company boards. He is a strong advocate of investor support in addition to finance to optimise investee company growth and typically provides input on remuneration, sales and marketing strategy, transaction structure and documentation. He has a background in management consulting with PA Consulting, corporate finance with HSBC and Societe Generale and was formerly an officer in the British Army. He has a master's degree in business administration from London Business School. Expertise in business management, strategy and finance.

**Directors' report
for the year ended 30 September 2018**

The Directors present their report with the Financial Statements of the Group and Company for the year ended 30 September 2018.

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.

Strategy

As described in the Chief executive's report, there is a clear strategy for Lightwave to achieve significant scale.

Results

The audited Financial Statements and related notes for the year ended 30 September 2018, are set out on pages 28 to 53. The Group's loss for the year is set out in the Consolidated Statement of Comprehensive Income on page 21. Further commentary on the results is included in the Chairman's statement and the Chief executive's 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 Group's accounting policy and IAS38 the Directors have capitalised the expenditure. The Group spent a total of £1.60 million (2017: £0.88 million) in the year on research and development.

Future developments

Future developments are discussed in the strategy and outlook sections of the Chief executive's report.

Going concern

The Directors, having made suitable enquiries, analysis and judgements, 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 board has considered the group budgets, routinely updated forward forecasts for revenue, costs and cashflow and applied sensitivities thereto. In addition, it has also considered the availability of, and access to, debt and equity finance. Committed Capital Ltd, which holds 23.99% of the Company's issued share capital, has also confirmed its continued willingness, if required, to invest further funds into the Company in support of its strategy.

Post balance sheet events

Since the financial year end the Company has drawn down a £300,000 loan from Finstock Capital Limited secured against, and repayable from, research and development tax credits receivable.

Financial instruments

The Group's financial risk management policies are set out in note 21.

Website publication

The Directors are responsible for ensuring the integrity of the Annual Report and the Financial Statements that are made available on the Company's 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.

Directors' report (continued)
for the year ended 30 September 2018

Corporate Governance

Under the 2018 revision of the AIM Rules Companies must provide details of the 'recognised corporate governance code' that the Company has decided to apply, how it complies with that code and where it departs from this, an explanation of the reasons for so doing.

At its meeting on 21 June 2018 the Board agreed to apply, with effect from 28 September 2018, the QCA Corporate Governance Code (the "QCA Code") published by the Quoted Companies Alliance. The QCA Code recognises that companies need to deliver growth in shareholder value and that this requires a dynamic Board management framework with good communication to build trust with shareholders.

Chairman's Corporate Governance Statement

I became a non-executive director of the Company in 2014. Since being appointed as Chairman in 2015. I have also been the sole independent director. As Chairman my primary responsibility is to run the Board effectively and ensure the Company maintains good values, has a strong responsible culture and adopts the right behaviours.

I very much welcome the opportunity for us to be now applying the QCA Code to raise our corporate governance standard. This will not be without its challenges as we seek to transition the Company from a small entrepreneurially led business to a more significant scale. I feel it is not only important to adopt the right approach and mindset to corporate governance but to have an ethos of total transparency, so we continue to build shareholders' trust. We seek to make our Board processes relevant, connected and fully aligned with how the Chief executive runs the Company. Careful preparation and timely circulation of board papers drawn up to an agreed agenda, focused board meetings and well-prepared minutes are all intended to provide the thread and continuum underpinning our corporate governance approach.

Board meetings seek to achieve a good balance between ongoing operational performance and strategy. As such we regularly review our business model and strategy, something we see as being particularly important for a developing technology business. We also recognise the importance of this being fully linked with internal control and risk management. The board's responsibility is to shareholders as a whole and so we do take all opportunities to liaise with as wide a group of shareholders as possible.

We do review board and director performance, but hitherto this has been somewhat informal. It has clearly taken place during the year as we, inter alia, monitored and reviewed the performance of the Chief executive and decided to make a new appointment. We are now in the process of introducing a more formal approach to Board evaluation. I would also want to develop our Board training processes to build on our current mentoring approach so that we are always working to a best practice template and board skills are being further developed. We see the board composition as being in transition and do intend, in due course, to appoint a further independent Director.

We do fully recognise the value of best practice governance to help build shareholder value and are committed to continual improvements in our approach.

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

**Directors' report (*continued*)
for the year ended 30 September 2018**

The Board of Directors

The Chairman is responsible for the effective running of the Board of Directors. The Board currently has six members, comprising the non-executive Chairman, three executive and two non-executive Directors. The Board believes that the composition and breadth of experience of the Board are appropriate for the Company. The Board meets at least 10 times throughout the year. Through its Chairman and Chief executive, 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.

Matters reserved for the Board include, but are not limited to, the approval and monitoring of strategic business plans, the annual resource budget, rolling forecasts, major capital expenditure, treasury policies and overall financial performance. The Board delegates responsibility for the day-to-day operation of the business to the executive Directors but they remain charged with the responsibility of consulting the Board on all significant financial and operational matters.

Board Committees

The two principal standing committees of the Board are the Audit and Remuneration Committees. The Company does not currently have a Nominations Committee. Certain responsibilities are delegated to the Audit and Remuneration Committees which have written terms of reference defining their authorities, duties and membership.

Audit Committee

The Audit Committee, which meets at least twice a year, comprises Barry Gamble (Chairman) and Steve Harris. The Company's Auditor is normally in attendance. The committee is responsible for ensuring the financial performance, position and prospects of the Company are properly monitored and reported on, and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

Remuneration Committee

The Remuneration Committee, comprises Steve Harris (Chairman), Barry Gamble and Mike Lord – the three non-executive Directors of the Company.

The Remuneration Committee reviews the executive Directors' remuneration based on best practice so as 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 benefits, reward executives fairly and responsibly for their individual contributions, whilst linking their potential earnings to the performance of the Company as a whole. The committee recognises its overall responsibility to ensure that executive compensation is aligned with the interests of shareholders.

The Remuneration Committee consults with the Chief executive officer and as appropriate with the Chief financial officer about its proposals relating to the remuneration of the executive Directors. Details of Directors' remuneration and share options are shown on page 12 and 13 of this document.

Directors' report (continued)
for the year ended 30 September 2018

Directors

The Directors during the year under review and up to the date of approval of 10 December 2018 were:

Barry Gamble	- Chairman and Independent Non-executive Director
Kevin Edwards	- Chief financial officer
Jason Elliott	- Chief executive officer (appointed 2 July 2018)
Steve Harris	- Non-executive Director
Mike Lord	- Non-executive Director and consultant
Andrew Pearson	- Chief executive officer (resigned 8 June 2018)
John Shermer	- Founder and Chief technical officer

The Executive Director roles of Messrs Edwards, Elliott and Shermer are full time. The Non-executive Chairman devotes a minimum average time commitment of one day per week, but at times considerably more. The other Non-executives devote up to two days per month. There were 12 board meetings during the year. With the exception of one Director joining one meeting by conference line, all were attended in person. In addition, during the year the Board held a number of meetings by conference call. Two audit committee and four remuneration committee meetings were held in person and by conference call during the year.

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

2018	Basic salary/fee £	Bonus £	Benefits in Kind £	Share based payment cost £	Pension contributions £	Total 2018 £	Total 2017 £
Executive Directors							
Kevin Edwards	106,700	25,000	2,325	3,312	640	137,977	96,620
Jason Elliott	41,800	-	-	-	-	41,800	-
Andrew Pearson	* 218,330	35,000	3,241	(2,070)	156	254,657	97,939
John Shermer	105,200	25,000	3,644	7,362	640	141,846	107,733
Tom Sykes	-	-	-	-	-	-	38,800
Total Executive remuneration	472,030	85,000	9,210	8,604	1,436	576,280	341,092
Non-executive Directors							
Barry Gamble	50,000	-	-	-	-	50,000	25,000
Steve Harris	25,000	-	-	-	51	25,051	25,192
Mike Lord	** 46,875	-	4,043	4,050	64	55,032	84,277
Total Non-executive remuneration	121,875	-	4,043	4,050	115	130,083	134,469
Total Board remuneration	593,905	85,000	13,253	12,654	1,551	706,363	475,561

* Including £116,108 (2017: £Nil) paid as compensation for loss of office.

**Of which £21,875 (2017: £59,300) was paid to Drol Investments Ltd for secretarial services.

Directors' report (continued)
for the year ended 30 September 2018

Directors' interests in shares

At 10 December 2018, 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	1.82
Barry Gamble	1,123,686	1.57
John Shermer	896,666	1.25
Kevin Edwards	173,076	0.24
Jason Elliott	90,681	0.13
Steve Harris *	-	-

* See substantial shareholders below

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 2018 the following share options existed:

	At 1 October 2017	At 30 September 2018	Grant price	Market price at date of grant	Date from which exercisable
	No.	No.	pence	pence	
Mike Lord	200,000	200,000	28.0	27.0	30/09/2018*
John Shermer	200,000	200,000	28.0	27.0	30/09/2018*
Kevin Edwards	100,000	100,000	29.0	39.0	31/03/2018*
Andrew Pearson	400,000	-	13.0	12.6	01/03/2020**
John Shermer	400,000	400,000	13.0	12.6	14/02/2020**
Kevin Edwards	400,000	400,000	13.0	12.6	14/02/2020**
Kevin Edwards	-	350,000	16.0	12.8	09/04/2021***
John Shermer	-	350,000	16.0	12.8	09/04/2021***
Jason Elliott	-	500,000	16.0	10.6	02/07/2021***

* 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.

** Share options granted to Directors will only vest if the Company's share price has reached 40p at any time but will not be exercisable until the date noted above.

*** Share options granted to Directors will only vest if the Company's revenue targets have been achieved with the maximum award being made at revenue of £6.0m and £12.0m in 30 September 2018 and 2019 respectively.

No Directors exercised options during the year.

Other employees held options over total of 1,454,000 ordinary shares of the Company (2017: 610,000) with grant prices of 12.5p (360,000), 28.0p (100,000) 13.0p (150,000) and 16.0p (844,000). Further details of the share options issued and outstanding at 30 September 2018 are included in note 18 below.

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.

**Directors' report (*continued*)
for the year ended 30 September 2018**

Dividends

No dividends will be distributed for the year ended 30 September 2018 (2017: £Nil).

Substantial shareholders

At 10 December 2018, 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	%
Committed Capital Nominees*	17,168,153	23.99
Unicorn Asset Management Limited	10,725,917	14.99
Brewin Dolphin Nominees	7,661,638	10.70
Herald Investment Management	6,667,833	9.32
Perry Morgan	2,951,200	4.12
Brendan Kerr	2,565,384	3.58
Stephen Pycroft	2,565,384	3.58

*Steve Harris is a director of Committed Capital Financial Services Ltd. and Committed Capital Ltd. (together "Committed Capital"). Committed Capital holds 17,168,153 ordinary shares in the Company via Mainspring Nominees (8) Ltd. and MNL Nominees Ltd., representing 23.99% of the issued share capital of the Company.

AIM Rule Compliance Report

LightwaveRF plc is quoted on AIM and, as a result, the Company complies with AIM Rule 31 which requires that the Company:

- Has in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules for Companies;
- Seeks advice from its Nominated Adviser ("Nomad") regarding its compliance with the AIM Rules for Companies whenever appropriate and takes that advice into account;
- Provides its Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisers, including any proposed changes to the Board and provision of draft notifications in advance;
- Ensures that each of the Company's Directors accepts full responsibility, collectively and individually for compliance with the AIM Rules for Companies; and
- Ensures 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.

**Directors' report (*continued*)
for the year ended 30 September 2018**

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

A resolution to reappoint Moore Stephens LLP will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD: –

Kevin Edwards
Chief financial officer
10 December 2018

**Directors' responsibilities for the financial statements
for the year ended 30 September 2018**

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 whose securities are trading 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; and
- 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 and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

**Independent auditors report to the members of LightwaveRF plc
for the year ended 30 September 2018**

Opinion

We have audited the Financial Statements of LightwaveRF plc (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 30 September 2018 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 and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group’s and the Parent Company’s affairs as at 30 September 2018 and of the Group’s loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provision of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors’ use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group’s or the Parent Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Revenues for the year reduced compared to the previous year totalling £2.81m for the year ended 30 September 2018 (2017: £3.03m). We consider the risk of completeness of revenue to be high due to the volume of transactions undertaken by the Group.

**Independent auditors report to the members of LightwaveRF plc (*continued*)
for the year ended 30 September 2018**

Key audit matters (*continued*)

In this area our audit procedures included:

- We performed cut off procedures by testing items from revenue recognised during the year and subsequent to year end to gain assurance over the completeness of revenue recognised in the year.
- We tested credit notes issued after the balance sheet date to assess appropriate revenue recognition in the period.
- We looked for and tested journal entries within normal business processes relating to revenue transactions close to the year end to ensure they were valid, by agreeing the journals to originating documentation.
- We performed other substantive, transactional testing and analytical procedures to validate that revenue transactions had been appropriately recognised at the right time, in line with the Group's accounting policy.
- We used data analytics to identify transactions outside the normal revenue cycle and we performed testing on them to confirm transactions within the revenue cycle were accurate.
- We ensured that the Financial Statement disclosures were in accordance with accounting standards.

Carrying value of intangible assets

The Group's intangible assets in respect of capitalised development costs and expenditure on platform software development represent the most significant asset on its Statement of Financial Position, totalling £2.07 million as at 30 September 2018. Management and the Directors are required to ensure that only costs which meet the IFRS criteria of an asset and accord with the Group's accounting policy are capitalised. Given the significance of the assets on the Group's Statement of Financial Position and the significant management judgement involved in the determination of the capitalisation of costs and the assessment of the carrying values of the assets there is an increased risk of material misstatement.

In this area our audit procedures included:

- We performed substantive testing on samples of the expenses and labour capitalised in the year in order to assess whether the expenses had been appropriately capitalised and the accounting treatment was in line with the Group's accounting policy.
- We evaluated Management's and the Directors' impairment reviews which assessed each sub category of asset held by the Group. Through the use of a sensitivity analysis we critically challenged the considerations made of whether or not there were any indicators of impairment identified.
- We critically reviewed the disclosures included in the Financial Statements.

Stock provisioning

The level of stock provision provided for by the Group during the year has significantly increased compared to the previous year. Management and the Directors are required to assess this balance for evidence of impairment. Given the level of innovation by the Group there is a risk that stock will become obsolete.

In this area our audit procedures included:

- We reviewed the methods used by Management in establishing the provisions during the year.
- We performed analysis of stock ageing across various product categories and critically challenged the considerations and judgements made by management in establishing whether provisions were required.
- We critically reviewed the disclosures included in the Financial Statements.

Carrying value of intercompany balances

The Company's Statement of Financial Position includes a significant intercompany balance, totalling £11.9 million as at 30 September 2018, due from LightwaveRF Technology Limited, the Company's main trading subsidiary. Management and the Directors are required to assess this balance for evidence of impairment.

As part of our audit procedures we evaluated Management's and the Directors' impairment reviews which assessed the recoverability of the asset. Through the use of a sensitivity analysis and discounted cash flow calculations we critically challenged the considerations made of whether or not there were any indicators of impairment.

**Independent auditors report to the members of LightwaveRF plc (*continued*)
for the year ended 30 September 2018**

Our application of materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the Financial Statements as a whole.

We determined the materiality for the Group Financial Statements as a whole to be £41,000, calculated with reference to a benchmark of turnover, of which it represents 1.5%. This is the threshold above which missing or incorrect information in Financial Statements is considered to have an impact on the decision making of users.

We reported to the Audit and Risk Committee all potential adjustments in excess of £2,050 being 5% of the materiality for the Financial Statements as a whole.

An overview of the scope of our audit

We considered the risk of the Financial Statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the Financial Statements which we assessed as having the highest risk of containing material misstatements.

We tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures gave us the evidence that we need for our opinion on the Group's Financial Statements as a whole and, in particular, helped mitigate the risks of material misstatement mentioned above.

We also documented and reviewed the Group's systems, primarily to confirm that they form an adequate basis for the preparation of the Financial Statements, but also to identify the controls operated to ensure the completeness and accuracy of the data.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Independent auditors report to the members of LightwaveRF plc (*continued*)
for the year ended 30 September 2018**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

A further description of our responsibilities for the audit of the consolidated Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Paul Fenner, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

35 Calthorpe Road

Edgbaston

Birmingham

West Midlands

B15 1TS

Date: 10 December 2018

**Consolidated statement of comprehensive income
for the year ended 30 September 2018**

	Notes	2018 £	2017 £
REVENUE	2	2,813,997	3,032,268
Cost of sales		(1,988,426)	(1,954,942)
GROSS PROFIT		825,571	1,077,326
Other Income	3	410,848	248,000
Administrative expenses		(3,735,662)	(2,121,559)
OPERATING LOSS	6	(2,499,243)	(796,233)
Finance expense	7	(45,407)	(49,079)
LOSS BEFORE TAXATION		(2,544,650)	(845,312)
Taxation	8	-	-
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(2,544,650)	(845,312)
Other comprehensive income		-	-
LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(2,544,650)	(845,312)
Loss per share - basic	9	3.80p	2.39p
Loss per share - diluted	9	3.80p	2.39p

The notes on pages 28 to 53 form part of these Financial Statements.

**Group statement of financial position
as at 30 September 2018**

	Notes	2018 £	2017 £
ASSETS			
Non-current assets			
Intangible assets	11	2,070,485	1,210,074
Property, plant and equipment	12	50,132	25,766
		<u>2,120,617</u>	<u>1,235,837</u>
Current assets			
Inventories	14	992,991	388,012
Trade and other receivables	13	677,887	468,697
Cash and cash equivalents	19	469,550	221,933
Corporate tax recoverable		410,848	248,000
		<u>2,551,276</u>	<u>1,326,642</u>
Total assets		<u>4,671,893</u>	<u>2,562,479</u>
Equity & liabilities			
Shareholders equity			
Share capital	17	3,578,632	1,938,452
Share premium		8,726,774	5,462,804
Reverse acquisition reserve		(100,616)	(100,616)
Share based payment reserve		88,340	70,811
Profit and loss reserve		(8,694,549)	(6,149,899)
Total shareholders equity		<u>3,598,581</u>	<u>1,221,552</u>
Current liabilities			
Trade and other payables	15	615,860	752,623
Loans and borrowings	15	423,892	588,304
Total current liabilities		<u>1,039,752</u>	<u>1,340,927</u>
Provisions			
Warranty provision	16	33,560	-
Total equity & liabilities		<u>4,671,893</u>	<u>2,562,479</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 10 December 2018 and were signed on its behalf by:

Jason Elliott
Chief executive officer

Kevin Edwards
Chief financial officer

The notes on pages 28 to 53 form part of these Financial Statements.

**Company statement of financial position
as at 30 September 2018**

	Notes	2018 £	2017 £
ASSETS			
Non current assets			
Investments	10	100,620	100,620
Debtors due in more than one year	13	11,903,283	7,021,646
		<u>12,003,903</u>	<u>7,122,266</u>
Current assets			
Other receivables	13	3,950	3,750
Cash and cash equivalents	19	335,759	45,528
		<u>339,709</u>	<u>49,278</u>
TOTAL ASSETS		<u>12,343,612</u>	<u>7,171,544</u>
Equity & liabilities			
Shareholders' equity			
Share capital	17	3,578,632	1,938,452
Share premium account		8,726,774	5,462,804
Share based payment reserve		88,340	70,811
Profit and loss reserve		(488,151)	(787,702)
Total shareholders' equity		<u>11,905,595</u>	<u>6,684,365</u>
Current liabilities			
Trade and other payables	15	14,125	27,331
Loans and borrowings	15	423,892	459,848
Total current liabilities		<u>438,017</u>	<u>487,179</u>
Total equity & liabilities		<u>12,343,612</u>	<u>7,171,544</u>

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 £299,551 (2017: £169,853).

The Financial Statements were approved and authorised for issue by the Board of Directors on 10 December 2018 and were signed on its behalf by:

Jason Elliott
Chief executive officer

Kevin Edwards
Chief financial officer

The notes on pages 28 to 53 form part of these Financial Statements

**Group statement of cashflows
for the year ended 30 September 2018**

	Notes	2018 £	2017 £
Cash flow from operating activities			
Loss for the year		(2,544,650)	(845,312)
Adjusted for:			
Depreciation and amortisation		646,849	323,121
Finance expense		45,407	49,079
Share based payments		17,529	18,918
Other income		(412,794)	(248,000)
Foreign exchange loss/(profit) on convertible loan		14,019	(11,781)
Increase in inventories		(604,979)	(285,485)
Increase in trade and other receivables		(194,140)	(149,671)
(Decrease)/increase in trade and other payables		(118,253)	124,163
		<u>(3,151,012)</u>	<u>(1,024,968)</u>
Research and development tax credits received		249,946	189,000
Finance costs paid		(45,407)	(49,079)
Cash absorbed by operations		<u>(2,946,473)</u>	<u>(885,047)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(59,905)	(28,533)
Development expenditure		(1,471,724)	(693,237)
		<u>(1,531,629)</u>	<u>(721,770)</u>
Cash flows from financing activities			
Proceeds from issue of shares		5,248,579	2,361,172
Costs associated with issue of shares		(344,429)	(141,655)
Invoice discounting repaid		(8,341)	(45,450)
Repayment of convertible loan note		(49,975)	(69,859)
Repayment of other loan		(120,115)	(277,574)
		<u>4,725,719</u>	<u>1,826,634</u>
Net increase in cash and cash equivalents		247,617	219,817
Cash and cash equivalents at 1 October 2017		221,933	2,116
Cash and cash equivalents at 30 September 2018	19	<u>469,550</u>	<u>221,933</u>

The notes on pages 28 to 53 form part of these Financial Statements

**Company statement of cashflows
for the year ended 30 September 2018**

	2018	2017
	£	£
Cash flow from operating activities		
Profit after tax	299,551	169,853
Adjusted for:		
Finance expense	13,486	14,285
Share based payments	17,529	18,918
Foreign exchange loss/(profit) on convertible loan	14,019	(11,781)
(Increase)/decrease in trade and other receivables	(200)	807
Decrease in trade and other payables	(13,206)	(19,107)
	<u>331,179</u>	<u>172,975</u>
Finance costs paid	(13,486)	(14,285)
	<u>317,693</u>	<u>158,690</u>
Cash flows from investing activities		
Increase in amounts owed by subsidiary company	(4,881,637)	(2,262,829)
	<u>(4,881,637)</u>	<u>(2,262,829)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5,248,579	2,361,172
Costs associated with issue of shares	(344,429)	(141,655)
Repayment of convertible loan note	(49,975)	(69,859)
	<u>4,854,175</u>	<u>2,149,658</u>
Net increase in cash and cash equivalents	290,231	45,519
Cash and cash equivalents at 1 October 2017	45,528	9
Cash and cash equivalents at 30 September 2018	<u>335,759</u>	<u>45,528</u>

The notes on pages 28 to 53 form part of these Financial Statements.

**Group statement of changes in equity
for the year ended 30 September 2018**

	Issued Share Capital £	Share Premium £	Reverse Acquisition Reserve £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2017	1,938,452	5,462,804	(100,616)	70,811	(6,149,899)	1,221,552
Loss for the year	-	-	-	-	(2,544,650)	(2,544,650)
Share based payments	-	-	-	17,529	-	17,529
Shares issued	1,640,180	3,608,399	-	-	-	5,248,579
Share issue costs	-	(344,429)	-	-	-	(344,429)
As at 30 September 2018	3,578,632	8,726,774	(100,616)	88,340	(8,694,549)	3,598,581

	Issued Share Capital £	Share Premium £	Reverse Acquisition Reserve £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2016	1,028,737	4,153,002	(100,616)	51,893	(5,304,587)	171,571
Loss for the year	-	-	-	-	(845,312)	(845,312)
Share based payments	-	-	-	18,918	-	18,918
Shares issued	909,715	1,455,541	-	-	-	2,365,256
Share issue costs	-	(145,739)	-	-	-	(145,739)
As at 30 September 2017	1,938,452	5,462,804	(100,616)	70,811	(6,149,899)	1,221,552

The notes on pages 28 to 53 form part of these Financial Statements.

**Company statement of changes in equity
for the year ended 30 September 2018**

	Issued Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2017	1,938,452	5,462,804	70,811	(787,702)	6,684,365
Profit for the year	-	-	-	299,551	299,551
Share based payments	-	-	17,529	-	17,529
Shares issued	1,640,180	3,608,399	-	-	5,248,579
Share issue costs	-	(344,429)	-	-	(344,429)
As at 30 September 2018	3,578,632	8,726,774	88,340	(488,151)	11,905,595

	Issued Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 1 October 2016	1,028,737	4,153,002	51,893	(957,555)	4,276,077
Profit for the year	-	-	-	169,853	169,853
Share based payments	-	-	18,918	-	18,918
Shares issued	909,715	1,455,541	-	-	2,365,256
Share issue costs	-	(145,739)	-	-	(145,739)
As at 30 September 2017	1,938,452	5,462,804	70,811	(787,702)	6,684,365

The notes on pages 28 to 53 form part of these Financial Statements

**Notes to the financial statements
for the year ended 30 September 2018**

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. Its registered office is Innovation Birmingham Campus, Faraday Wharf, Holt Street, Birmingham B7 4BB and its registered number is 06690180.

The Group's financial statements for the year ended 30 September 2018 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) Going concern

The Directors, having made suitable enquiries, analysis and judgements, 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 board has considered the group budgets, routinely updated forward forecasts for revenue, costs and cashflow and applied sensitivities thereto. In addition, it has also considered the availability of, and access to, debt and equity finance. Committed Capital Ltd, which holds 23.99% of the Company's issued share capital, has also confirmed its continued willingness, if required, to invest further funds into the Company in support of its strategy.

iii) 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.

Notes to the financial statements (continued)
for the year ended 30 September 2018

1. GENERAL INFORMATION (continued)

b) ACCOUNTING POLICIES (continued)

iii) Basis of consolidation (continued)

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 rights;
- Substantive potential voting rights held by the company and by other parties;
- Other contractual arrangements; and
- 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.

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.

iv) 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. These criteria are considered to be met when the goods are delivered.

v) 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.

**Notes to the financial statements (*continued*)
for the year ended 30 September 2018**

1. GENERAL INFORMATION (*continued*)

b) ACCOUNTING POLICIES (*continued*)

vi) 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.

vii) 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.

viii) 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.

Notes to the financial statements (continued)
for the year ended 30 September 2018

1. GENERAL INFORMATION (continued)

b) ACCOUNTING POLICIES (continued)

ix) 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.

x) Taxation

The tax credit/expense represents the sum of the tax currently payable 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.

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.

Research and development

Research and development tax credits are recognised on qualifying expenditure that meets the criteria set out by HMRC guidance in period in which the associated expenditure is incurred. 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.

Notes to the financial statements (continued)
for the year ended 30 September 2018

1. GENERAL INFORMATION (continued)

b) ACCOUNTING POLICIES (continued)

x) 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.

xi) Share capital

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

xii) 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.

Notes to the financial statements (continued)
for the year ended 30 September 2018

1. GENERAL INFORMATION (continued)

b) ACCOUNTING POLICIES (continued)

xiii) 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.

xiv) 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.

xv) Foreign currency

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

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss.

xvi) Investments in subsidiary undertakings

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

xvii) 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.

Notes to the financial statements (continued)
for the year ended 30 September 2018

1. GENERAL INFORMATION (continued)

b) ACCOUNTING POLICIES (continued)

xvi) Intangible assets (continued)

Development expenditure that does not satisfy the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss 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 platform have been allocated to individual projects and products in accordance with the requirements of IAS38. 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;
- Warranty provisions have been estimated based on product returned from customers. This has been calculated by taking the return profile of product and extrapolating over the two year warranty replacement period in 2018, this was estimated as zero in 2017 year end;
- Stock provision is based on Directors assessment of stock held, which is reviewed for evidence of obsolescence and slow moving items; and
- Deferred tax asset has not been recognised until the Group becomes profitable.

**Notes to the financial statements (*continued*)
for the year ended 30 September 2018**

1. GENERAL INFORMATION (*continued*)

d) New Standards

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 30 September 2018. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

The standard is effective for periods beginning on or after 1 January 2018.

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Group will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments other than reclassifications.

Most financial liabilities will continue to be carried at amortised cost and therefore the Directors do not anticipate the changes to have a material impact on the reported results.

IFRS 15 – Revenue from contracts with customers

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around the following steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information. The Directors do not anticipate the changes to have a material impact on the reported results.

The standard is effective for periods beginning on or after 1 January 2018. It was endorsed by the EU in September 2017.

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019, (and can be applied before that date if the Company also applies IFRS 15 revenue from Contracts with Customers). IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs). The Directors do not anticipate the changes to have a material impact on the reported results.

**Notes to the financial statements (*continued*)
for the year ended 30 September 2018**

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:

	Group 2018 £	Group 2017 £
United Kingdom	2,764,612	3,011,352
Asia	-	2,396
Middle East	49,385	5,367
Rest of Europe	-	13,153
	<u>2,813,997</u>	<u>3,032,268</u>

Revenues of £625,922 related to one distributor customer (2017: £954,683).

3. OTHER INCOME

	Group 2018 £	Group 2017 £
Research and development tax credits receivable	410,848	248,000
	<u>410,848</u>	<u>248,000</u>

Notes to the financial statements (continued)
for the year ended 30 September 2018

4. EMPLOYEES AND DIRECTORS

Staff costs including Directors comprise:

Group

	Group 2018 £	Group 2017 £
Wages and salaries	1,897,343	900,978
Social security cost	214,650	98,591
Other benefits	46,253	37,149
Pension contributions	15,387	4,669
Share based payment	17,529	18,918
	<u>2,191,162</u>	<u>1,060,305</u>

Directors and key management remuneration:

	Group 2018 £	Group 2017 £
Emoluments receivable	554,174	393,310
Compensation for loss of office	116,108	-
Fees paid to third parties in respect of Director's services	21,875	59,300
Pension contributions	1,552	1,409
Share based payments	12,654	21,542
	<u>706,363</u>	<u>475,561</u>

During the year, pensions contributions were made on behalf of five Directors (2017: six).

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 12.

The highest paid director in 2018 received remuneration of £254,657 (2017 £97,939) which includes compensation for loss of office of £116,108 (2017: £nil) and pension contributions of £156 (2017: £130).

Share based payments are recognised at the fair value of the share options. Further details of share options can be found at note 18.

Average number of employees

The average monthly number of employees was as follows:

	Group 2018	Group 2017
Directors	6	6
Administrative	34	18
	<u>40</u>	<u>24</u>

Pensions

During the year, the Group made contributions of £15,387 (2017: £4,669) under a work place pension scheme. At the year end, contributions of £3,756 (2017: £389) were outstanding.

Notes to the financial statements (continued)
for the year ended 30 September 2018

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 £299,551 (2017: £169,853).

6. OPERATING LOSS

The operating loss is stated after charging:

	Group 2018 £	Group 2017 £
Inventories of finished goods	2,031,578	1,954,942
Auditors remuneration:		
- fees payable to the Company's auditors for the audit of the Company's annual accounts	7,500	7,500
- fees payable to the Company's auditors for the audit of the subsidiary's annual accounts	20,500	20,500
- fees payable to Company's auditors in respect of tax compliance	3,500	3,500
Research and Development cost expensed	127,382	187,020
Net foreign exchange loss	40,056	10,972
Depreciation and amortisation	646,849	323,121
Operating lease costs:		
- Land and buildings	29,291	59,039
- Other	12,736	2,893
Share based payments charge	17,529	18,918

7. FINANCE EXPENSE

	Group 2018 £	Group 2017 £
Convertible loan interest	13,486	14,285
Bank charges	31,921	34,794
	45,407	49,079

Notes to the financial statements *(continued)*
for the year ended 30 September 2018

8. TAXATION

	Group 2018 £	Group 2017 £
Current tax charge	-	-
Factors affecting current tax charge		
	Group 2018 £	Group 2017 £
Loss from continuing operations	(2,544,650)	(845,312)
Income tax credit calculated at 19.0% (2017: 19.5%)	483,484	164,836
Effect of unused tax losses and tax offsets	(483,484)	(164,836)
Total tax charge	-	-

Tax losses from the current year have been surrendered to receive Research and 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.

	Group 2018 £	Group 2017 £
Unrecognised trading losses bought forward	4,188,099	4,018,103
Losses for tax purposes	4,583,147	1,893,761
Losses offset against R and D Tax liability	(2,833,434)	(1,723,765)
Unrecognised losses carried forward	5,937,812	4,188,099

Notes to the financial statements (continued)
for the year ended 30 September 2018

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 2018.

	2018	2017
Numerator		
Loss used for calculation of basic and diluted earnings per share	£2,544,650	£845,312
Denominator		
Weighted average number of ordinary shares used for the calculation of basic and diluted EPS	66,952,179	35,343,621
	pence	pence
Loss per share- basic	3.80	2.39
Loss per share- diluted	3.80	2.39

At 30 September 2018, there were 3,954,000 (2017: 2,310,000) of potentially issuable shares which are anti-dilutive; such shares may become dilutive in future periods.

10. INVESTMENTS IN SUBSIDIARIES

Company	2018 £	2017 £
Cost		
As at 1 October 2017	100,620	100,721
Dissolutions	-	(101)
As at 30 September 2018	100,620	100,620

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

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

LightwaveRF Technology Limited is a company incorporated in England and Wales and domiciled in England. Its registered office is Innovation Birmingham Campus, Faraday Wharf, Holt Street, Birmingham, B7 4BB.

**Notes to the financial statements (*continued*)
for the year ended 30 September 2018**

11. INTANGIBLE ASSETS

Group	Development costs £	Platform Software Development £	Total £
Cost			
As at 1 October 2017	299,371	1,311,395	1,610,766
Additions	555,760	915,964	1,471,724
As at 30 September 2018	855,131	2,227,359	3,082,490
Accumulated amortisation			
As at 1 October 2017	-	(400,695)	(400,695)
Charge for the year	(98,287)	(513,023)	(611,310)
As at 30 September 2018	(134,638)	(913,718)	(1,012,005)
Net book value as at 30 September 2018	756,844	1,313,641	2,070,485
Net book value as at 30 September 2017	299,371	910,700	1,210,071
Group			
	Development costs £	Platform Software Development £	Total £
Cost			
As at 1 October 2016	83,022	834,507	917,529
Additions	216,349	476,888	693,237
As at 30 September 2017	299,371	1,311,395	1,610,766
Accumulated amortisation			
As at 1 October 2016	-	(97,435)	(97,435)
Charge for the year	-	(303,260)	(303,260)
As at 30 September 2017	-	(400,695)	(400,695)
Net book value as at 30 September 2017	299,371	910,700	1,210,071
Net book value as at 30 September 2016	83,022	737,072	820,094

The Group has started to amortise the development costs as the projects being capitalised have been completed by the end of the financial year. The Directors have chosen to amortise the platform over three years. 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 forecast 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.

Notes to the financial statements *(continued)*
for the year ended 30 September 2018

12. PROPERTY, PLANT AND EQUIPMENT

Group	Property, Plant and Equipment £
Cost	
As at 1 October 2017	108,836
Additions	59,905
As at 30 September 2018	168,741
Accumulated depreciation	
As at 1 October 2017	(83,070)
Charge for the year	(35,539)
As at 30 September 2018	(118,609)
Net book value as at 30 September 2018	50,132
Net book value as at 30 September 2017	25,766
Group	Property, Plant and Equipment £
Cost	
As at 1 October 2016	80,303
Additions	28,533
As at 30 September 2017	108,836
Accumulated depreciation	
As at 1 October 2016	(63,209)
Charge for the year	(19,861)
As at 30 September 2017	(83,070)
Net book value as at 30 September 2017	25,766
Net book value as at 30 September 2016	17,094

Company

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

Notes to the financial statements *(continued)*
for the year ended 30 September 2018

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:

As at 30 September 2018	Land and Buildings £	Other £	Total £
Within one year	29,291	12,736	42,027
	29,291	12,736	42,027

As at 30 September 2017	Land and Buildings £	Other £	Total £
Within one year	23,463	-	23,463
	23,463	-	23,463

Company

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

13. TRADE AND OTHER RECEIVABLES

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year:				
Trade receivables	650,975	375,708	-	-
VAT receivable	-	4,566	-	-
Other receivables	10,247	84,065	-	-
Prepayments and accrued income	16,665	4,358	3,950	3,750
	677,887	468,697	3,950	3,750

The ageing analysis of trade receivables, net of provisions for irrecoverable debts, is given as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Current	427,384	157,947	-	-
1 month past due	69,343	18,585	-	-
More than 1 month and less than 3 months	151,591	15,872	-	-
More than 3 months past due	2,657	183,304	-	-
	650,975	375,708	-	-

Notes to the financial statements (continued)
for the year ended 30 September 2018

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 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
3 months past due	13,602	23,456	-	-
	<u>13,602</u>	<u>23,456</u>	<u>-</u>	<u>-</u>

During the year bad debts totalling £Nil (2017: £18,474) were written off to profit or loss.

The Directors have reviewed all other debtors and they believe there is no concern over their recoverability .

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due in more than one year:				
Amounts owed by group companies	-	-	11,903,283	7,021,646
	<u>-</u>	<u>-</u>	<u>11,903,283</u>	<u>7,021,646</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.

Related party loans

	Company 2018 £	Company 2017 £
Amounts owed by LightwaveRF Technology Limited	<u>11,903,283</u>	<u>7,021,646</u>
Transactions during the year:-		
Transfers of funds to subsidiary company	4,992,640	2,645,108
Expenses paid by subsidiary company	(111,003)	(382,279)
	<u>4,881,637</u>	<u>2,262,829</u>

During the year LightwaveRF plc continued to provide funding to its subsidiary, LightwaveRF Technology Limited. As at 30 September 2018 the loan balance due to the Company was £11,903,283 (2017: £7,021,646). The Directors consider these balances fully recoverable and no impairment is necessary.

There is an interest charge of £462,193 (2017: £287,479) on the funding between the Parent Company and its trading subsidiary equal to 5% of the average balance during the year.

Notes to the financial statements (*continued*)
for the year ended 30 September 2018

14. INVENTORIES

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Finished goods for resale	1,199,628	426,649	-	-
Impairment provision	(206,637)	(38,637)	-	-
	<u>992,991</u>	<u>388,012</u>	<u>-</u>	<u>-</u>

During the year impairment losses of £168,000 (2017: £8,444) were recognised in respect of some aged stock. The company has increased its stock position during the year to facilitate the direct to consumer revenue. As the business transitions from the Connect series stock to the new Smart series some older lines have been provided for. Because of breadth of range, the Connect series remains an integral part of the product portfolio. The Smart series of product range continues to be developed and will be expanded over the next twelve months.

15. TRADE AND OTHER PAYABLES

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade payables	369,061	432,294	14,125	23,356
Other taxes and social security	114,368	136,695	-	-
Accruals	112,243	183,634	-	3,975
Other Creditors	20,188	-	-	-
	<u>615,860</u>	<u>752,623</u>	<u>14,125</u>	<u>27,331</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.

Loans and borrowings

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Current				
Convertible loan note (see note below)	423,892	459,848	423,892	459,848
Invoice discounting loan (secured)	-	8,341	-	-
Other loan (see note below)	-	120,115	-	-
Total loans and borrowings	<u>423,892</u>	<u>588,304</u>	<u>423,892</u>	<u>459,848</u>

Convertible loan note

In October 2011, the Company entered into a redeemable convertible loan note with a supplier, at a coupon interest rate of 3% which may be redeemed 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 2018, the supplier has confirmed that it has no intention to convert the loan note. During the year, the Group and Company repaid £63,461, including interest. The agreement is denominated in US\$, the balance at 30 September 2018 has increased due to an exchange loss of £14,019.

Invoice discounting loan

The Invoice discounting facility has been closed.

Notes to the financial statements (continued)
for the year ended 30 September 2018

15. TRADE AND OTHER PAYABLES (continued)

Principal terms and the debt repayment schedule of the Group's loans and borrowings as at 30 September 2018: are as follows

	Currency	Nominal rate %	Year of maturity
Convertible debt with rolling maturity date	US Dollars	3.0	

16. WARRANTY PROVISION

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Balance brought forward	-	-	-	-
Provided for in the year	33,560	-	-	-
Utilised	-	-	-	-
Balance carried forward	33,560	-	-	-

During the year the business started to provide for warranties based on the 2 year warranty replacement period for faulty products.

17. SHARE CAPITAL

	Company 2018 £		Company 2017 £	
Issued share capital:				
71,572,647 (2017: 38,769,031) ordinary shares of 5p (2017: 5p) each		3,578,632		1,938,452
Allotted, issued and fully paid	2018		2017	
	No.	£	No.	£
Ordinary share capital brought forward	38,769,031	1,938,452	20,574,759	1,028,738
Issue of ordinary shares:				
For cash	32,803,616	1,640,181	17,905,811	872,214
In lieu of fees	-	-	288,461	37,500
	71,572,647	3,578,633	38,769,031	1,938,452

Notes to the financial statements (continued)
for the year ended 30 September 2018

17. SHARE CAPITAL (continued)

During the year the Company issued shares and raised funds (net of expenses) through subscriptions, placings and an open offer as follows:

	Shares issued No.	Issue Price £	Amount raised £
1 November 2017 - subscription and placing	12,607,501	0.16	2,017,200
22 November 2017-subscription, placing and open offer	9,470,198	0.16	1,515,231
13 December 2017-placing	10,725,917	0.16	1,716,147
	32,803,616		5,248,579
Less expenses			(344,429)
Net funds raised			4,904,150

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 granted options over 3,954,000 (2017: 2,310,000) new Ordinary shares. The options carry neither rights to dividends nor voting rights. Further details of these share options can be seen at note 18.

18. 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 without conditions. A further 600,000 options are exercisable three years from grant if the market price of the shares meets or exceeds 80 pence per share. 1,794,000 are exercisable three years from grant if the market price of the shares meets or exceeds 40 pence per share. 1,200,000 are exercisable if the revenue achieved in financial year 2018 and 2019 reaches defined targets.

	2018		2017	
	WAEP Pence	No.	WAEP Pence	No.
Outstanding at 1 October 2017	17.1	2,310,000	22.6	1,010,000
Granted during the year	16.0	2,544,000	13.4	1,450,000
Retracted during the year	14.7	(900,000)	18.7	(150,000)
Outstanding at 30 September 2018	16.9	3,954,000	17.1	2,310,000

Notes to the financial statements (continued)
for the year ended 30 September 2018

18. SHARE BASED PAYMENTS (continued)

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 Pence	Barrier share price Pence	Fair value at grant date £	2018		2017	
				Number outstanding No.	Average life outstanding Years	Number outstanding No.	Average life outstanding Years
30 Sept 2013	12.5	-	0.071	360,000	5.0	360,000	6.0
19 Mar 2015	29.0	80.0	0.181	100,000	6.5	100,000	7.5
30 Sept 2015	28.0	80.0	0.061	500,000	7.0	500,000	8.0
13 Feb 2017	13.0	40.0	0.126	950,000	8.5	950,000	9.5
01 Mar 2017	13.0	40.0	0.126	-	-	400,000	9.5
06 Apr 2018	16.0	40.0	0.133	344,000	9.5	-	-
09 Apr 2018	16.0	40.0	0.127	150,000	9.5	-	-
09 Apr 2018	16.0	-*	0.127	700,000	9.5	-	-
2 July 2018	16.0	-*	0.106	500,000	10.0	-	-
18 Sep 2018	16.0	40.0	0.113	350,000	10.0	-	-
				3,954,000	8.6	2,310,000	8.5

*Revenue conditions apply

The binomial option pricing model is used to determine the fair value of the share options at the grant date. The assumptions used to determine 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 30 September 2018, 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 as a charge in respect of share-based payments was £17,529 (2017: £18,918).

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks and comprise the following:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash available on demand	469,550	221,933	335,759	45,528

The Group's cash and cash equivalents totalling £469,550 (2017: £221,933) are all held at institutions rated by international credit agencies as at least AA or equivalent (2017: AA or equivalent).

Notes to the financial statements (continued)
for the year ended 30 September 2018

20. 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 £74,151 (2017: £56,447) was paid to two (2017: two) close family members of John Shermer. 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 2018, the following was owed to related parties in terms of fees and expenses:

	2018 £	2017 £
Barry Gamble	364	239

Companies related to the Directors during the year were:

Related party	Common Director	Nature of transactions
Drol Investments Ltd	Mike Lord	Consultancy
Committed Capital	Steve Harris	Advanced assurance EIS and
Vit Security Group Ltd	Kevin Edwards	Return services
Thrusters on Full	Andrew Pearson	Consultancy

Related party	Common Director	Transactions during the year		Balance at 30 September	
		2018	2017	2018	2017
Drol Investments Ltd	Mike Lord	22,500	59,300	3,500	-
Committed Capital	Steve Harris	11,942	47,077	10,611	422
Vit Security Group Ltd	Kevin Edwards	84,217	39,746	7,824	3,011
Thrusters on Full	Andrew Pearson	862	33,265	-	-

Notes to the financial statements *(continued)*
for the year ended 30 September 2018

21. FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets:				
Trade receivables	650,975	375,708	-	-
Other receivables	10,247	84,065	11,903,283	7,006,646
Cash and cash equivalents	469,550	221,933	335,759	45,528
	<u>1,130,772</u>	<u>681,706</u>	<u>12,239,042</u>	<u>7,052,174</u>
Financial liabilities:				
Trade payables	369,061	432,294	14,125	23,356
Accruals	112,243	183,634	-	3,975
	<u>481,304</u>	<u>615,928</u>	<u>14,125</u>	<u>27,331</u>
Other financial liabilities:				
Current				
Convertible loan note	423,892	459,848	423,892	459,848
Invoice discounting loan (secured)	-	8,341	-	-
Other loan	-	120,115	-	-
	<u>423,892</u>	<u>588,304</u>	<u>423,892</u>	<u>459,848</u>
Non-current				
Other loan	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>423,892</u>	<u>588,304</u>	<u>423,892</u>	<u>459,848</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 and all other receivables fall due within one year.

Notes to the financial statements (continued)
for the year ended 30 September 2018

21. 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 2018	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2018 £
Trade and other payables	481,304	-	-	-	481,304
Convertible loan note	17,307	51,923	69,230	285,432	423,892
	498,611	51,923	69,230	285,432	905,196

As at 30 September 2017	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2017 £
Trade and other payables	615,928	-	-	-	615,928
Invoice discounting loan	8,341	-	-	-	8,341
Other loan	120,115	-	-	-	120,115
Convertible loan note	16,791	50,373	108,758	283,926	459,848
	761,175	50,373	108,758	283,926	1,204,232

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 2018	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2018 £
Trade and other payables	14,125	-	-	-	14,125
Convertible loan note	17,307	51,923	69,230	285,387	423,847
	31,432	51,923	69,230	285,387	437,972

As at 30 September 2017	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Total 2017 £
Trade and other payables	23,356	-	-	-	23,356
Accruals	3,975	-	-	-	3,975
Convertible loan note	16,791	50,373	108,758	283,926	459,848
	44,122	50,373	108,758	283,926	487,179

Notes to the financial statements (continued)
for the year ended 30 September 2018

21. 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 Chief financial officer 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 loss 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. This is the exposure relating to a loan denominated in US dollars.

	2018		2017	
	Effects on loss after tax £	Effects on other components of equity £	Effects on loss after tax £	Effects on other components of equity £
£ to US\$				
£ appreciates by 5%	(20,138)	(20,138)	(40,238)	(40,238)
£ depreciates by 5%	22,258	22,258	36,406	36,406

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.

Notes to the financial statements (continued)
for the year ended 30 September 2018

21. 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 other 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 and information on cash balances on a regular basis.

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.

22. 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.

23. POST BALANCE SHEET EVENTS

Since the financial year end the Company has drawn down a £300,000 loan secured against and repayable from research and development tax credits receivable.

**Company Information
for the year ended 30 September 2018**

DIRECTORS: Barry Gamble (Chairman)
Kevin Edwards
Jason Elliott (appointed 2 July 2018)
Steve Harris (Non-executive)
Michael Lord (Non-executive)
John Shermer
Andrew Pearson (resigned 8 June 2018)

SECRETARY: Kevin Edwards

REGISTERED OFFICE: Innovation Birmingham Campus
Faraday Wharf
Holt Street
Birmingham
B7 4BB

REGISTERED NUMBER: 06690180

SEDOL: BKJ9BV5

FTSE ICB Classification: Technology

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SOLICITORS:
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St James Square
Cheltenham GL50 3PR

REGISTRARS:
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Neville House
Steelpark road
Halesowen
West Midlands
B62 8HD

NOMINATED ADVISER AND BROKER:
Stockdale Securities Limited
100 Wood Street
London
EC2V 7AN

BANKERS:
Santander PLC
Bootle
Merseyside
L30 4GB

LIGHTING

SMART SERIES

1, 2, 3, 4 Gang Dimmers

CONNECT SERIES

1, 2, 3, 4 Gang Dimmers

2-way Dimmers

In-line Dimmers

Plug-in Dimmer

Wire-free Switches

Scene Lighting Switch

RELAYS

In-line Relays

3-Way Relay

On/Off/Stop Switch

POWER

SMART SERIES POWER SOCKETS

2 Gang

CONNECT SERIES POWER SOCKETS

1, 2 Gang

PLUG-INS

CONTROL

Smart Series Link Plus
Connect Series Link

HEATING & ENERGY

Boiler Switch

Electric Switch

Home Thermostat

Radiator Valves

Magnetic Trigger

Heating Remote

SENSING & MONITORING

Energy Monitor

PIR Sensor

Magnetic Switch

OUTDOOR

Outdoor Switches

IP56 Housing

Signal Booster

